OPHTHALMIC LASER UPDATE -- January 2002

12/17 According to *Vision Monday*, **Emerging Vision** will liquidate **Insight Laser**. After trying for months to sell its 66.5% owned subsidiary, the company has closed down the laser surgery operation and plans to liquidate it by December 31st. According to Emerging Vision's third quarter 10Q report, Insight Laser lost $1.1 million in 2000 on revenues of $2.6 million.

12/27 **TLC Laser Eye Centers Inc.** and **Laser Vision Centers, Inc.** jointly issued an update on the estimated time table for completing their proposed merger, announced on August 27, 2001. On December 7, 2001, TLC filed an amended Registration Statement on Form S-4 with the U.S. Securities and Exchange Commission. The merger agreement between TLC and LaserVision provided that after December 31, 2001 either party could determine to terminate the merger agreement if the merger had not yet been completed. However, to allow sufficient time for the SEC to complete its review of the amended Registration Statement and for TLC and LaserVision to mail to their shareholders a Proxy Statement/Prospectus in connection with the transaction, the companies have agreed to extend the termination date to March 31, 2002.

12/28 **LCA-Vision Inc.** announced that the company was withdrawing its listing from the Nasdaq Europe exchange. LCA-Vision will continue to trade on Nasdaq under the ticker symbol "LCAV" in the U.S. Nasdaq Europe quotes were found on Reuters under the symbol "LCAV.ED," on Bloomberg under the symbol "LCAV ES" and on Bridge under the symbol "XE; LCAV." No additional shares of LCA-Vision common stock were issued in connection with its NASDAQ Europe listing. "Current market conditions no longer justify the expense of a dual U.S. and European NASDAQ stock market listing for LCA-Vision," commented Stephen Joffe, chairman of LCA-Vision. "By concentrating our resources on the U.S. financial markets, I am confident we will build shareholder value as we continue our progress in gaining market share and returning to profitability."

Since the initial listing on Nasdaq Europe on October 27, 2000, only 8,400 shares have been traded. Due to the lack of trading volume only one European market maker continued to make a market in LCA-Vision stock. LCA-Vision elected to withdraw the company's Nasdaq Europe listing rather than spend the necessary funds to seek an additional market maker to maintain the listing. Trading of LCA-Vision shares on the NASDAQ Europe market will cease on December 31, 2001, after which European investors may trade on the U.S. Nasdaq National Market.

1/4 The *Associated Press* announced that **Bausch & Lomb** said it was cutting about 700 jobs, or 5.8 percent of its work force, and scaling back profit projections amid slowing demand for contact lenses and laser eye surgery equipment. The embattled eye care products maker, which employs about 12,000 people, recently began shutting down two contact-lens manufacturing plants in Sarasota, FL, and Madrid, Spain, and eliminated some 250 jobs in the fourth quarter. Another 450 jobs will be cut throughout the company

during the first three months of 2002. The restructuring, which will cost an estimated $28 million, will result in a pre-tax charge of $8.5 million in the fourth quarter. Combined with the reversal of part of a restructuring reserve from last year, the charge will reduce earnings by 6 cents a share, the company said. It had not previously provided guidance on its projected fourth-quarter results, which will be announced Jan. 24.

"It's very clear that reducing our structural costs must be one of the top near-term priorities of this management team," said Ronald Zarrella, who was appointed chief executive in November. "We are continuing to evaluate additional actions, beyond those identified here, in order to further reduce structure and continue to lower costs." Zarrella succeeded William Carpenter, who resigned in September. He had previously served as the company's president and chief operating officer but moved to General Motors in 1994, where he ascended to chairman and president of GM North America.

Following the announcement by Bausch & Lomb, Ted Huber of **Banc of America Securities** released an update research report on the company.

* Friday morning BOL announced its next restructuring move, consolidation of two contact lens plants and elimination of 700 jobs across its business platform (6% of the workforce). The moves will result in net charges of $0.06 in 4Q01 with more to come in 1Q02.

* This is the second restructuring move under new CEO Ron Zarrella; the first involved a reorganization of U.S. distribution to better align BOL with its customers. The company expects more cost cutting and restructuring to follow in 2002.

* We applaud the cost cutting, but to be more positive on this stock we need to see signs that BOL can grow the top line from the lower cost base. We expect BOL 4Q01 revenue to be down 2.6%, the third quarter consecutive quarterly revenue decline.

* While we believe BOL's results and competitive situation hit bottom 2Q01, we do not yet see signs of a meaningful recovery in its businesses. Renewed revenue growth is critical to any sustained appreciation in BOL's share price. Trading at 31.1x our projected 2002 EPS and 7.5x projected cash flow, a recovery is at least partially factored into BOL's current share price, in our opinion.

1/4 **Paradigm Medical Industries, Inc.** announced it had initiated a corporate downsizing program that reduced its workforce by approximately 20% and eliminated many `outside' services. "Our goal is to achieve profitability in 2002, and our cost-savings program is expected to move us more rapidly in that direction," said Paradigm Medical's chairman and CEO, Thomas Motter. The company does not expect to incur material expenses in completing the downsizing program. "The cost-savings initiatives will provide the company with a greater return on increased revenues this year. We anticipate the combination of increased sales and lower costs will move Paradigm Medical to profitability in 2002."

1/9 **LCA-Vision Inc.** reported that 10,684 procedures were performed in the company's wholly owned centers for the three months ended Dec. 31, 2001, compared with 13,340 procedures in the third quarter of 2001, and 16,411 performed during the comparable period a year ago. "The company's procedure volume decreases reflect the continued weakness of the U.S. economy, which has increased the reluctance by many Americans to pursue elective surgery," commented Stephen Joffe, chairman. "LCA-Vision has taken steps to overcome that reluctance, including adjusting our marketing message and providing more favorable third-party financing options. As a result of these steps, we expect first-quarter 2001 procedure volumes to increase, helped by seasonal trends. I remain confident that we will progress in gaining market share and returning to profitability, despite the current adverse economic conditions."

The average price per procedure has continued its upward trend, increasing to $1,024 in the fourth quarter of 2001, compared with $996 in the third quarter of 2001, and $877 during the comparable period a year ago. During the fourth quarter of 2001, LCA-Vision formed a joint venture with a privately held laser vision correction center in Toronto, Canada. Each partner contributed the assets of their existing Toronto center to a new entity, which has equal ownership of the two centers. The joint venture is expected to provide operational efficiencies in the Canadian market. LCA-Vision owns and operates 31 LasikPlus laser vision correction facilities in the U.S., plus two centers in Canada and a joint venture in Europe.

1/9 **Paradigm Medical Industries, Inc.** reported that unaudited revenues for the fourth quarter of 2001 were approximately $3 million, a record for any three-month period. Total 2001 unaudited revenues exceeded $8 million, also a new high for the company, compared with total sales for 2000, which were slightly below $8 million. Fourth-quarter sales, which are typically the highest period for the year, were approximately 10% higher than the comparable period for fiscal 2000. "We are proud of our performance, especially in the wake of slowing economic activity and events on and after September 11, 2001," said Paradigm Medical's chairman and CEO, Thomas Motter. "We have been in an upward trend in sales since last September, when we aggressively launched our marketing program for our proprietary Ocular Blood Flow Analyzer (BFA) and Ultrasonic Biomicroscope (UMB) equipment, following receiving insurance reimbursement common procedure terminology codes (CPT) for each. We are hopeful of receiving U.S. approval to market our Photon Laser System from the Food and Drug Administration by the end of the first quarter of 2002. With the addition of new products coming on-line during the first quarter, and a larger, dedicated sales force already in place, we anticipate revenues this year will be substantially higher than last year. The combination of higher sales and lower costs, which will be buoyed by our recent `downsizing' program, is expected to help us reach our key financial objectives for 2002 -- positive cash flow and profitability."

1/10 **STAAR Surgical company** announced that the FDA had issued conditional approval for an investigational device exemption (IDE) for the Toric Implantable Contact Lens (TICL). The IDE allows the company to begin clinical investigation on the TICL in the

United States with patients having myopia in the range of -3.0 to -20.0 diopters and astigmatism in the range of 1.0 to 4.0 diopters. The TICL is the only phakic intraocular lens able to both reduce pre-existing astigmatism and provide patients with visual correction for myopia. According to industry sources, approximately 20% of the population suffer from astigmatism, a corneal irregularity causing impairment of sight, with the percentage much higher among severe myopic patients, the TICL target market.

Stephen Slade, MD, in private practice in Houston, Texas, National Medical Director for TLC Laser Eye Centers and clinical investigator for the TICL FDA trial said, "Until now, phakic IOL technology has been limited to spherical correction. The addition of the astigmatic component provides an opportunity for complete vision correction to a population of patients who would otherwise have no option. The clinical investigation will represent a milestone in technology as phakic implants take us beyond the limits of laser correction." David Bailey, STAAR's CEO and president, views the conditional approval as an important step in exploiting phakic implant technology to provide patients with the best possible vision correction. "When I arrived at STAAR a year ago I knew we had the best phakic implant technology in the industry. I made it a personal priority to bring these products to market as quickly as possible. The FDA conditional approval to begin investigation of the TICL is a significant step toward this goal. I am personally delighted with this approval. Since announcing our intention to move forward with this IDE we have had multiple requests from major refractive surgeons to become involved in the study. As a result we are confident of rapid enrollment of the 125 patients needed to complete the trial."

Enrollment in the primary FDA clinical trial for the ICL for myopia has been completed. The study demonstrates excellent visual outcomes with low complication rates to date. In a cohort of 529 cases the incidence of lens opacities was reported to be 2.3% (12 eyes), with 8 of these opacities being non-progressive and showing no loss of best-corrected visual acuity.

1/10 **TLC Laser Eye Centers Inc.** announced its second quarter results for the period ending November 30, 2001. As previously reported, over 17,700 paid laser procedures were performed at the company's refractive centers in the second quarter. Seasonally the weakest period from a growth perspective, industry and company volumes were further depressed in the period by a weak macroeconomic environment. TLC's fiscal 2002 second quarter net revenues of $26.7 million were in line with paid procedure volumes. Despite experiencing a 30% revenue decline from the second quarter of fiscal 2001, TLC's year-over-year operating results improved due to the continuing success in implementing its performance improvement programs and cost efficiency plan. The company's operating loss narrowed to $0.23 per share in Q2-02 from $0.27 per share in Q2-01. Operating loss per share excludes restructuring and other charges, investment write-downs including the company's previously announced write-down to adjust the carrying value of its investment in **LaserSight Inc.**, and non-cash charges relating to the amortization of intangibles from acquisitions. Including the above noted charges against earnings, TLC reported a net loss of $0.88 for Q2-02 compared to $0.74 in Q2-01. TLC

ended the quarter in a strong financial position with more than $43 million in cash and cash equivalents.

Elias Vamvakas, TLC's president and CEO, commented, "Time seems to have finally put some distance between TLC and the turmoil that once besieged our industry. Now well into Q3, bookings continue to rebound in what is traditionally our strongest period of growth. TLC's fixed cost business model has always been characterized by strong financial leverage which is particularly sensitive to procedure volumes. With TLC's break-even procedure volume level requirements continuing to abate, and as the industry leader, we believe we are well positioned to capitalize on the industry's growth as the economy recovers."

1/13 **Miravant Medical Technologies** said that the results of its phase III clinical trials of SnET2 (tin ethyl etiopurpurin) experimental treatment for the wet form of macular degeneration did not meet its main efficacy targets. (This caused the company's stock to drop precipitously in trading on the Nasdaq the following day.) The firm said in a statement that Phase III clinical trial results "indicate that SnET2 did not meet the primary efficacy endpoint in this study population." "We have always recognized the challenges of developing a treatment for this serious vision-threatening disease," said Gary Kledzik, Miravant's chairman and CEO. "We will be undertaking a full review of the data from the Phase III trials, and will make future development decisions about SnET2 after we have completed the additional analysis."

Miravant developed SnET2 in collaboration with **Pharmacia Corporation**, which owns about 12% of Miravant according to *Reuters*. SnET2 is an investigational photodynamic therapy (PDT) for sub-foveal choroidal neovascularization (CNV), also known as the wet form of AMD. The phase III trials consist of two randomized, double-masked studies, enrolling a total of 933 patients with wet AMD. Patients were treated with SnET2 (0.5 mg/kg and 0.75 mg/kg, placebo) and a diode laser using 664 nm wavelength.

"Obviously this is disappointing for their lead product," said analyst Fariba Ghodsian of **Roth Capital Partners Inc.**, who added that Miravant's focus may shift to downsizing. "An issue now is cash flow for Miravant. They have about $12 million to $14 million, and a burn rate of about $5 million. But I expect that burn rate to drop with at least some downsizing and ways to cut costs, including layoffs," she added.

1/14 Prior to its announcing fourth quarter results on January 24th, Ted Huber of **Banc of America Securities** released the following report on **VISX, Inc.**, entitled: Upgrade to BUY: Improving off seasonal and cyclical lows.

* We have increased our 2002 forecast to $0.63 and upgraded VISX to BUY with a $20 target given brighter financial prospects and news flow ahead. We see an improving cyclical and seasonal outlook as pent up demand from 9/11 and the weak economy is unleashed in 2002. Trade checks reveal early signs of this resurgence in the LASIK market.

* Trade checks reveal sharp sequential procedure growth for 1Q02 plus increasing patient evaluations and surgeon advertising for LASIK. We attribute the improvement to seasonal factors, pent up demand from 9/11, and improving consumer spending and psychology. Our 215,000 estimate for VISX's 1Q02 procedure volume is a 25% sequential increase vs our prior 15% growth estimate. Our new 2002 estimate represents 9% procedure growth vs. our prior 3% growth.

* We are increasing 2002 EPS from $0.54 to $0.63 as more robust procedure growth drives VISX's highly leveraged P&L. We expect 4Q01 results at the high end or slightly above VISX guidance range of $0.06 to $0.08 on procedure volumes flat with 3Q01 (171,000). We believe VISX guidance for 2002 (due with 4Q01 results on 1/24) will be above the current consensus estimate of $0.57.

* Rising EPS, reports of higher procedure growth and Carl Icahn's pending proxy fight all point to positive news flow in the months ahead. Trading at 23.1x a conservative consensus 2002 EPS (11.8x EV/EBITDA), VISX offers an attractive risk/reward ratio. Our $20 price target is 22x our new 2003 EPS estimate.

1/14 The *Los Angeles Times* carried yet another negative story about the mounting number of lawsuits for LASIK. (Although I tried to get across to the reporter, Linda Marsa, that the number of lawsuits, even though in the hundreds, represented only a very tiny fraction of the number of people that had had the procedure, she never mentioned this fact in her story.) The tone of the story is reflected in this quote: "Patients unhappy with the results of LASIK surgery are increasingly suing doctors and clinics for compensation, complaining that the procedure actually worsened their vision and, in the most extreme cases, left them legally blind. The settlements are encouraging attorneys to pursue additional cases, even as they shed light on the procedure's risks. Five recent lawsuits generated judgments in the million-dollar range, and at least 200 other cases are in the pipeline, according to Washington, DC, attorney Aaron Levine, chairman of the American Trial Lawyers Assn.'s LASIK litigation group."

As Marsa noted, "Several factors have fueled the upswing in the number of lawsuits. First, there's always a time lag between when a procedure becomes popular and when problems emerge. LASIK, for example, didn't become widely available until the late '90s. Lawyers were reluctant to take the cases because they weren't knowledgeable about the surgery and because it's difficult to prove damages when there is no objective test to verify a patient's complaints. "How do you prove your vision's worse or you're getting spots in your eyes?" says Paul Martinek, editor of Lawyers Weekly USA in Boston. It also takes time for these claims to wend their way through the legal system. But the recent judgments have showed that these cases are winnable, and lawyers have come up to speed on the potential complications, which has paved the way for more lawsuits. "There's now a definite momentum," says Levine, who adds that he receives at least one call a week from an unhappy LASIK patient. But the lawsuits come at a time when the complication rate is actually going down, doctors and industry observers say. The tools used to perform LASIK have been improved, doctors have become more experienced,

and they're better at identifying which patients don't do well. People with thin corneal tissue, dry eyes, misshapen eyeballs (astigmatism) or pupils that are large when dilated, for example, are not good LASIK candidates."

(Anyone wishing a complete copy of the story, please get in touch with me.)

1/14 **Gimbel Vision International** announced that it had entered into a letter of intent with **OccuLogix Corporation** to become the preferred provider in Canada for OccuLogix's proprietary Rheopheresis blood filtering process for dry age-related macular degeneration. "We are very excited about the prospects of working with OccuLogix to provide patients at our Canadian centres with this approved treatment for a heretofore incurable disease affecting nearly 1/3 of Canadians over 75 years of age," stated Cliff James, chairman of GVI. "This is another example of GVI leading the way with pioneering, revolutionary ophthalmic treatments and an important step in our commitment to transition the company into a service provider with a broader scope of treatment offerings." Rick Davis, MD, chairman and CEO of Occulogix, stated, "Having just received the necessary Canadian approvals for this procedure we are excited and pleased to be working with Gimbel Vision International to introduce this breakthrough therapy in Canada." GVI expects to work closely with the appropriate regulating bodies to effectively introduce this procedure.

1/14 The Ophthalmic Technology Assessment Committee of the *American Academy of Ophthalmology*, has issued an ophthalmic technology assessment (OTA) that finds LASIK safe and effective for correcting low-to-moderate myopia and astigmatism, but less predictable for moderate-to-high myopia and astigmatism. The assessment also reports that serious, adverse complications resulting in permanent visual loss occur rarely, but side effects such as dry eyes, nighttime starbursts, and reduced contrast sensitivity occur more frequently. These are the major conclusions of the OTA, published in this month's issue of *Ophthalmology*, the Academy's clinical journal. Based on a search of the peer-reviewed scientific literature for the years 1968 through June of 2001, the assessment addresses: preoperative evaluation of patients; issues concerning microkeratomes and the thickness of corneal flaps; necessary operative techniques with the excimer laser, suction ring, and microkeratome blades; postoperative care of the LASIK patient; FDA status of excimer laser and microkeratome approvals; and resources required for physicians to purchase or use excimer lasers and microkeratomes.

1/15 The Board of Directors of **Gimbel Vision International Inc.** announced that it had received $319,000 from **ARIS Vision Inc.**, through the issuance of a new convertible secured note, subject to regulatory approval, which funds will be used for working capital. In December, under similar terms, ARIS also contributed $157,000 to be used by GVI for working capital purposes. The $476,000 capital infusion is the first step in an overall plan to acquire additional sources of short-term funding to alleviate the current working capital deficit. Craig Lavelle, president and CEO of GVI stated, "Gimbel Vision is one of the world's most recognizable brand names for the LASIK procedure as well as other sophisticated surgical treatments to correct vision problems. We have decided to

diversify our product services to include other medically driven procedures in order to stimulate patient referrals and ultimately increase revenues and profits. The company's first step is in the area of Dry Age-Related Macular Degeneration treatment as outlined in our press release dated January 14, 2002."

1/15 The January issue of *Refractive Market Perspectives* headlined the disappointment of the refractive market of 2001, noting that "after five years of rapid growth, the U.S. refractive market stumbled during the last half of 2001, with demand for refractive surgery declining as compared to the last half of the (previous) year." The story went on to pinpoint the reasons for the decline, pointing out the poor economic environment that was complicated by a series of "other" events. Dave Harmon, however, pointed out that "despite slowing demand during 2001, refractive surgery market penetration rates remain low and demand is expected to grow during 2002 and beyond." Some of the negative events included the closing of the deep discounters, with many patients losing deposits while others were left without followup care; the series of negative LASIK news stories during mid-summer; and the consequences of September 11th. He noted that a consensus forecast by biz4casts.com calls for a return to 4 to 4.5% growth in GDP during the second half of 2002 which bodes well for a return to economic stability, and a rebound in refractive surgery demand. He is calling for a 16% gain over 2001. (Your author, always more bullish than most other analysts, is holding out for a 25% gain over 2001.)

1/16 **LaserSight Incorporated** announced that the U.S. Patent and Trademark Office had reissued its U.S. Patent No. 5,520,679, "Ophthalmic Surgery Method Using Non-Contact Scanning Laser", formerly known as the Lin '679 patent, as U.S. Patent No. RE37,504 (the '504 Scanning Patent). The company previously announced the Patent Office's allowance of such reissue in March 2001. Michael Farris, president and CEO of LaserSight, commented, "This action by the Patent Office confirms LaserSight's broad rights to scanning for refractive surgery, protects the uniqueness of our LSX and AstraScan precision beam microspot scanning technology and enhances the strength and value of our intellectual property portfolio. During prosecution our additional claims were thoroughly reviewed by the Patent and Trademark Office and we successfully overcame a third party's spirited challenge to our reissue."

In a separate announcement, the company indicated that it received payment of an additional license fee of $2 million from **Bausch & Lomb Incorporated** related to Bausch & Lomb's license to what is now LaserSight's '504 Scanning Patent. As previously announced, Bausch & Lomb was granted a nonexclusive license to the '504 Scanning Patent in the ophthalmic field. The initial license agreement also provided for LaserSight to disclose to Bausch & Lomb certain confidential information related to its intellectual property portfolio. After reviewing this confidential information Bausch & Lomb exercised its option to make the additional payment of $2 million, in return for which LaserSight has agreed to forgo its option to terminate Bausch & Lomb's license to the '504 Scanning Patent. In addition, Bausch & Lomb will not participate in any future net royalties LaserSight receives from the '504 Scanning Patent. Farris continued, "Bausch & Lomb's payment of the additional license fee once again validates the importance of

LaserSight's intellectual property portfolio and the '504 Scanning Patent to the advancement of laser vision correction. We intend to continue enforcement of our intellectual property rights. We have signed an extension to the previously executed standstill agreement with **Alcon Laboratories, Inc.** that provides for continued discussions, and we will be notifying other laser manufacturers as to the broad claims added to those previously granted in the '679 Scanning Patent as a result of the reissue."

In accordance with the terms of a patent license granted to LaserSight by **TLC Laser Eye Centers Inc.**, the company will be obligated to pay a portion of the license fee received from Bausch & Lomb to TLC.

Through the reissue process, LaserSight was able to add additional claims and now owns exclusive rights to methods for ablating tissue which comprise: providing a basic laser having a pulsed output laser beam of a fundamental ultraviolet wavelength of 193 nm exiting from an output window of the basic laser and a repetition rate of 1 to 1000 Hz; focusing the pulsed output laser beam onto tissue to a predetermined generally fixed spot size; scanning the pulsed output laser beam through known positions of an optical device moved by galvanometric forces into a substantially overlapping pattern of beam pulses on the tissue, such that adjacent ablation spots on a single ablation layer of the tissue significantly overlap one another and remove from 0.05 to 0.5 microns of tissue per pulse.

1/16 **Sunrise Technologies International, Inc.** announced that it will appeal a decision by Nasdaq to deny the company's request for continued listing on the Nasdaq National Market. Sunrise received a letter on January 9, 2002 from Nasdaq that said the company failed to comply with either the minimum $4 million net tangible assets requirement or the minimum $10 million stockholders' equity requirement for continued listing under Marketplace Rule 4450(a)(3). The company is continuing to pursue options that would allow it to achieve compliance with Nasdaq's minimum net tangible asset/equity requirement.

1/18 **Nidek Co. Ltd.** announced that the U.S. Patent & Trademark Office issued Patent No. 6,315,771 for the refractive correction of astigmatism with myopia and hyperopia via cross-cylinder ablation. Paolo Vinciguerra, MD, of Milan, Italy was named as the inventor of this new method he developed using Nidek's excimer laser technology. Specifically, this patent covers the refractive correction of moderate and high astigmatism using a combination of methods for correcting myopic astigmatism and hyperopic astigmatism. Dr. Vinciguerra's cross-cylinder ablation effectively treats refractive errors while reducing the amount of tissue removed and is more likely to maintain a prolate cornea. A prolate-shaped cornea more accurately mirrors the eye's naturally curved shape and is thought to aid in the retention of optimal eyesight.

"With an estimated 71 million Americans alone affected by astigmatism, there is an overwhelming need to help correct the vision of these people. We hope that the more methods we provide surgeons to correct these vision problems, the better they may

provide eye and vision care to their patients worldwide," said Hideo Ozawa, president and owner of Nidek. Similar to Nidek's U.S. Patent No. 6,136,012 issued in October 2000 covering bitoric ablations, a cross-cylinder ablation addresses astigmatic corrections in addition to either hyperopia or myopia. Both methods facilitate more precise laser vision correction of astigmatic corneas with excimer laser technology, further alleviating the astigmatic burden.

With these two patents, Nidek has established exclusive intellectual property rights to these techniques for treating moderate and high levels of astigmatism. Nidek continues to build its extensive patent portfolio, covering a wide range of refractive surgery innovations.

1/21 **Sunrise Technologies International, Inc.** announced it had signed a contract with **Shanghai ConBio, Co.** of Shanghai, China to be the exclusive distributor for the HYPERION LTK System in China. ConBio will purchase one machine and begin the process of receiving regulatory approval in China. The regulatory approval process is expected to take approximately six months. After that is achieved, Shanghai ConBio's contract with Sunrise calls for minimum purchase requirements over the subsequent 18 months. "We anticipate a great market success with the HYPERION in China. The results that surgeons are having in treating both presbyopia and low hyperopia combined with China's fast growing economy and aging population promise that will be attractive to surgeons and their patients in China," said Qiushi Ren, president of Shanghai ConBio.

Shanghai ConBio is one of the leading sales organization in medical laser business in China, with four regional offices in Beijing, Guangzhou, Chengdu and Hong Kong to cover northern, southern, western and Hong Kong regional territories of China. It has not only 32 sales representatives and 9 service engineers but also over 200 hospitals in its current customer base. Through its marketing and sales effort over last seven years, Shanghai ConBio has become a recognized market leader in the field of ophthalmology in China, particularly in laser refractive surgery. Shanghai ConBio's marketing strength is also reflected by its laser center business joint-ventured with local leading hospitals. Shanghai ConBio currently owns and manages over ten laser surgery centers across China. These centers serve as demonstration and training centers for the Shanghai ConBio's regional sales activities. Shanghai ConBio has also been the exclusive distributor for **Schwind Eye Tech Solutions** in Kleinmsteim, Germany during past three years and has placed 53 excimer laser refractive surgery systems in China.

"This is a very important development for Sunrise. Shanghai ConBio is a leading distributor of medical devices and has a proven track record of success in China. We believe that this agreement will help Sunrise build on the success that we have achieved in Korea, which is the first pan-Asian market in which the HYPERION has been sold," said John Hendrick, president and CEO of Sunrise Technologies.

1/24 **Bausch & Lomb** announced the results of its operations for the fourth quarter, which ended December 29, 2001. Net sales during the period were $452.0 million, down 3%

from the $465.1 million reported in the fourth quarter of 2000. Full-year 2001 reported revenues were $1,711.9 million, down 3% from the $1,772.4 million reported in 2000. For the fourth quarter the company reported a net loss of $8.0 million (15 cents per share) compared to a net loss of $5.0 million (9 cents per share) in the prior year's fourth quarter. Full-year 2001 reported net earnings were $21.2 million (39 cent per share) compared to $83.4 million ($1.52 per share) in 2000. Reported earnings from continuing operations were $13.1 million (24 cents per share) in the fourth quarter of 2001 compared to a net loss from continuing operations of $6.4 million (12 cents per share) in the prior year. For the full year, reported earnings from continuing operations were $42.0 million (78 cents per share) as compared to $82.0 million ($1.49 per share) in the prior year.

Refractive surgery revenues declined 18% in both actual and constant dollars from the prior year, with the Americas region again driving the decline. Continued softness in the economy further delayed capital spending by providers and resulted in consumers postponing elective surgery. Outside the Americas region, sales of refractive surgery products continued to post solid growth in Europe, and were essentially flat with the prior year in Asia. The company's revenue growth outside the U.S. continues to reflect increasing equipment and procedure card sales for the Zyoptix system for personalized refractive procedures. The company remains pleased with the market demand for the improved surgical outcomes available with this technology.

Ted Huber of **Banc of America Securities**, posted the following after Bausch's release of financials.

* No Surprises with 4Q01: Though BOL lost $0.15 in the quarter, excluding a host of on-time items, EPS were $0.38, $0.04 off consensus and $0.02 behind our model. Revenue, down 2.8%, was within $1mm of our target. Pharma was strong but Vision Care was much weaker than expected.

* Modest 2002 EPS targets: BOL is looking for 2002 EPS near $1.30 per share (non including $0.35 in FASB 142 benefit) in line with current consensus estimates.

* Cost cutting alone can't drive EPS growth: Restructuring will allow BOL operating margins to rise 200 b.p. to 9%, assuming revenue can increase in the mid to high single digits (helped 3% by an accounting change). We remain skeptical of BOL's ability to rejuvenate revenue growth in light of the continued weakness through 4Q01, prevailing market conditions and the difficult Japanese yen comparisons.

* Envision TD: The project is on track for early 2004 commercialization. It is unclear when phase III data will be available, not likely before 2H02.

* Model under review: Our model is under review pending further discussions with management. We do not anticipate significant changes from the current forecast.

* Market Performer Thesis: Trading at near 8x trailing EV/EBITDA and 24x 2002 EPS, investors are giving BOLs credit for a recovery before signs are evident it is materializing. We do not see catalysts that move BOL shares to higher valuation in the near term.

1/24 **VISX, INCORPORATED** announced financial results for the fourth quarter and twelve-month period ended December 31, 2001. Revenue for the fourth quarter of 2001 was $30.1 million compared to $42.5 million for the comparable period of the prior year. Net income was $4.2 million (8 cents per share) in the fourth quarter compared to a net loss of $528,000 (1 cent per share) in the comparable period of the prior year. Commenting on the announcement, Liz Davila, VISX chairman and CEO, said, "Fourth quarter earnings per share were at the upper end of the guidance we communicated in October. As consumers resume spending and the economy improves, I am confident we are well positioned to grow profitability and take full advantage of our leadership position."

Revenue for the year ended December 31, 2001 was $169.6 million compared to $200.2 million for the prior year. Pro forma net income, excluding the effect of litigation settlements, was $0.58 per share for the year ended December 31, 2001 compared to $0.66 per share for the prior year. Net income, including litigation settlements, was $10.9 million (19 cents per share) for the year compared to net income of $35.2 million (55 cents per share) for the prior year.

During the ensuing teleconference with analysts, management said that they were optimistic that growth in LVC procedures would return in 2002, and certainly in 2003. Depending on GDP growth for the rest of this year, procedure growth could be between 1.2 - 1.3 million with modest growth, and 1.4 - 1.5 million with a strong rebound of GDP. (This is based on an VISX's estimation that 2001 procedures were down, at 1.25 million for the year. This is below both Dave Harmon's and my estimates of about 1.5 million procedures for last year.) VISX management then believes that growth into 2003 and beyond will grow at a 20%-25% rate. Commenting on the MedJet research program for bladeless LASIK, Ms. Davila believes that the company will be ready to file a PMA by the end of this year, and anticipates approval early next year.

The company sold 23 lasers in the fourth quarter, and performed 43 upgrades. They expect to sell that many lasers in January alone, so the first quarter looks good on the equipment side. Management claims that the average price of lasers sold in the fourth quarter (and this year's first quarter) increased by about 15%. VISX is also participating in the secondary laser market, helping to resell used lasers returned to finance companies when some laser centers went out of business. The placement of these used systems, of course, adds per procedure fees to the companies bottom line. (Management said that each 100,000 procedures adds 11 cents to its earnings.)

In response to some questions, management believes that its market share is holding or increasing and is in the low 60s. One of the reasons cited, is that VISX is placing its laser

systems in high volume centers, compared to its competitors. VISX expects that January procedures will be up by 20%-25% over December, but that February and March aren't expected to be as strong. The **Nidek** patent infringement trial is scheduled to begin in November. (But Nidek will have to face **Alcon** first, in September.) Management doesn't believe that LASEK will have a great effect on LASIK for the foreseeable future, as it still represents only a very small percentage of total procedures. As for customized ablations, VISX will file its PMA later this year and expects approval in 2003. It will follow a similar rollout as did the lasers, i.e., the first approvals will be for low to moderate myopia, followed by other indications. The company intends to launch customized procedures internationally by mid-year, and will charge a (small) per procedure fee for the service.

Commenting on the recent approval of the VISX Star S3 in Japan (last December), management expects that Japan will be the second largest market for LVC. However, growth in procedures has been very slow, as Japanese doctors are very conservative. The company is charging a per procedure fee in Japan and expects to get a further premium when customized ablation is brought forward.

After the VISX financial release, Ted Huber of **Banc of America Securities** issued the following report:

* 4Q01 beats consensus: EPS of $0.08 were at the high end of guidance and $0.01 ahead of consensus. Revenue was $4mm shy or our estimate due to weak procedure volumes; VISX made earnings on cost control.

* 2002 starts fast but 1Q02 guidance cautious: January volumes are up sharply and hardware sales on track to match all of 4Q01. 1Q02 EPS guidance of $0.09 to $0.11 reflects, in our view, an overly cautious stance; it predicts procedure volumes off near 30% y/y, worse than prevailing market conditions indicate.

* Implied guidance range for 2002 is $0.55 to $0.74: VISX offered no formal full year 2002 guidance but believes the pace of economic recovery will drive procedure growth between 0% and 20%. Sensitivity analysis reveals this procedure growth generates 2002 EPS of $0.55 to $0.74.

* No change to our model but consensus looks light: 2002 consensus EPS of $0.57 equates to 2% 2002 procedure growth, near the worse case scenario VISX laid out on the call. We remain comfortable with our $0.63 estimate (assumed 8% 2002 procedure growth) and $0.13 1Q02 estimate.

* Buy Thesis: Though VISX management is not yet willing to sign to better numbers, the refractive market recovery is in its early stages. VISX shares remain modestly valued (discount to peers on a PEG basis) and look to be heading into a period of rising earnings and positive news flow. We view any share price weakness created by managements cautious guidance as a buying opportunity.

1/24 **Gimbel Vision International Inc.** announced that it had received notice from the Toronto Stock Exchange (TSE) that the TSE had determined to suspend trading of GVI's common shares effective the close of market on Wednesday, February 20, 2002. The suspension occurred as a result of the company's failure to meet certain continued listing requirements of the TSE. GVI is currently reviewing this situation which includes possible action that may be taken to remedy the suspension order by February 20, 2002 and thereby retain the company's TSE listing, or moving to an alternate exchange. It is GVI's intention to maintain liquidity of its stock for the common shareholders of GVI.

OPHTHALMIC LASER UPDATE -- February 2002

1/29 **WaveLight Laser Technologie AG** announced that it had moved to broadly reinforce its competence in the area of ophthalmology by purchasing a 26.7% stake in the eEyeCare medical services company of Erlangen. Through its intensive cooperation with **eEyeCare GmbH**, WaveLight will receive an even greater volume of feedback from ophthalmologists and patients concerning their experience with the various innovative WaveLight laser applications. In addition to this, the move is also expected to significantly increase WaveLight's competence in the area of Internet-based quality management. Firsthand feedback from those individuals who are qualified to know is the foundation of perpetual WaveLight product improvement.

"Our refractive concept, which was also behind our decision to acquire shares in **Realeyes AG** and **VisuMed AG**, has allowed us to continually monitor the pulses of physicians and patients alike," said Max Reindl, CEO of WaveLight, in referring to the significance of the cooperation with eEyeCare.

Managed by a qualified medical staff, the eEyeCare medical services company offers unprecedented quality assurance in medicine by enabling cross-facility communication between doctor, patient and medical-technology competence center. This multi-directional exchange of information serves the purpose of maintaining and improving quality assurance. Using the most modern of investigational methods and information technologies, eEyeCare offers four main medical services:

- Provision of reliable information for physicians and patients
- Provision of a screening program for the prevention of diseases leading, for instance to stroke, glaucoma and macular degeneration
- Provision of systems of disease management and cross-facility quality assurance
- Provision of a web-based patient filing system

"This latter offer in particular allows the patient to be the master of his own data," said Professor Georg Michelson, MD, founder and Advisory Council Chairman of eEyeCare.

eEyeCare was founded by Professor Georg Michelson, MD, Medical Director of the Outpatient Unit of the University of Erlangen-Nuremberg Eye Clinic, in order to provide a framework for the implementation of new tele-medical concepts in the treatment of eye

disease. eEyeCare was introduced to the public for the first time at the *MEDICA*, the world's largest medical trade fair, in November 2001 in the German city of Duesseldorf. On the basis of a live surgical demonstration performed at the fair using WaveLight's ALLEGRETTO WAVE laser device, the eEyeCare system for cross-facility quality assurance in refractive surgery (eEyeCare LASIK-QA) received the resounding approval of the specialists in attendance.

eEyeCare LASIK-QA is made up of two components: A web-based patient filing system whose files are co-drafted by the referring physician, the surgeon and the patient and a real-time conferencing system that links the surgeon with the WaveLight Med-Tech Center. The conferencing system enables WaveLight to execute real-time adjustments to laser devices so as to handle complex situations. The web-based patient filing system enables systematic quality control via the provision of medical data from the patient, surgeon and referring physician.

Through its participation in eEyeCare, WaveLight Laser is in an ideal position to expand its eCommerce competence for the future. "And seeing as how WaveLight's technologically leading ALLEGRETTO WAVE is the only laser system deployed in connection with eEyeCare's services in the area of refractive surgery, WaveLight's standing as the leading laser brand in the field of ophthalmology will be yet further reinforced by the cooperation with eEyeCare GmbH," Max Reindl added.

1/30 **LaserSight Incorporated** reported on its activities at the Winter Meeting of the *European Society of Cataract and Refractive Surgery (ESCRS)* that was held in Barcelona, Spain. During the meeting, the company focused its activities on its CustomEyes products for custom ablations which include its AstraScan precision microspot scanning excimer laser system, CustomEyes CIPTA software for custom ablation planning and programming and the AstraMax integrated workstation for precise corneal measurements. The improved outcomes resulting from the effective treatment and retreatment of eyes using LaserSight's CustomEyes CIPTA platform have been documented in publications appearing in peer reviewed journals. In addition to displaying CustomEyes products at its booth and demonstrating the CustomEyes CIPTA software, LaserSight sponsored two major events introducing and demonstrating CustomEyes ablations. The first sponsored event was a live surgery demonstrating a CustomEyes planned corneal ablation by Jose Guell, MD, Barcelona, Spain. Dr. Guell performed a custom ablation treatment using CustomEyes CIPTA software and LaserSight's AstraScan excimer laser system. Refractive surgeons attending the ESCRS Meeting were able to view the surgeries through a live video feed, and a replay of the surgery was available at the LaserSight booth during the meeting.

The second event was an introduction and training session on the use of CustomEyes CIPTA software for planning custom corneal ablations conducted by Giuseppe D'Ipolitto of **Ligi Technologi Medicali**, Taranto, Italy, and Dr. Guell. During the session, refractive surgeons received an overview of the principles behind the approach to custom ablation planning followed by an opportunity to have "hands on" experience in planning custom

ablation treatments using the CustomEyes CIPTA software. Michael Farris, president and CEO of LaserSight, commented, "Custom ablation was a leading topic of interest at the Barcelona meeting, and will be a deciding factor for many surgeons who are planning to purchase an excimer laser. We have always considered the European market to be important for LaserSight. Our experience is that Europe usually leads the U.S. in the adoption of new refractive surgical technologies, and we anticipate that custom ablation will follow a similar pattern after receipt of necessary U.S. approvals. Our CustomEyes CIPTA has already received CE Mark certification for sale within the European Community. The first CustomEyes CIPTA planned corneal ablations were performed during the early part of 1996. We estimate that approximately 20,000 CIPTA-planned corneal ablations are being performed annually on LaserSight excimer laser systems installed in 22 laser vision correction centers in Italy. We are continuing the expansion of CustomEyes CIPTA international sites with the addition of Dr. Guell's center in Barcelona and our newest installation at the **TLC Custom LASIK Center**, Toronto, Canada, where Jeffery Machat, MD, continues to demonstrate his commitment to advance custom ablation procedures for patients."

Farris added, "LaserSight's CustomEyes experience and results were impressive to the refractive surgeons who attended the Barcelona meeting. Results of the CIPTA `experience,' and its efficacy, predictability, stability and safety have been published in peer-reviewed journals and presented at major ophthalmology venues throughout the world. The Barcelona meeting was a significant opportunity for LaserSight to demonstrate its complete and proven technology path for custom ablations, and we used this meeting as an opportunity to differentiate ourselves from other competitors and to maximize our sales efforts at this most important European venue."

1/30 **IRIDEX** announced that for the fourth quarter ended December 29, 2001, sales were $7.7 million compared to $7.7 million in the corresponding 2000 quarter. However, sales for the fourth quarter of 2001 were $1.0 million higher than the sales reported for the third quarter of 2001, a 14% sequential quarter increase. Net income for the fourth quarter was $362,000 (5 cents per share) as compared to $428,000 (6 cents per share) in the corresponding quarter of 2000. Included in the fourth quarter continuing operations was a pretax charge to cost of sales of $287,000 to reserve inventory associated with a special 664 nm laser system developed for use in conjunction with the drug SnET2 that has been under development by **Miravant Medical Technologies** for the treatment of wet age-related macular degeneration. On January 13, 2002 Miravant announced that the phase III clinical trial of SnET2 did not meet the primary efficacy endpoint of the study. Also included in the fourth quarter income from continuing operations was a significant tax benefit. Separately, included in fourth quarter net income was a non-operating $221,000 after tax benefit ($324,000 pretax) associated with discontinued operations previously charged against income in the first quarter ended March 31, 2001.

Worldwide sales for the fourth quarter of 2001 were similar to the corresponding quarter of 2000. International sales increased 8% to $3.1 million in the fourth quarter compared to the corresponding quarter in the previous year. The increase in international sales was

offset in part by U.S. sales, which decreased 7% to $4.6 million. International sales increased 26% in the fourth quarter compared to the third quarter of 2001 while U.S. sales increased 7% compared to the third quarter of 2001. For the year, sales were $27.3 million, down from $32.8 million in 2000, a decrease of 17%, while net loss for 2001 was $1.3 million as compared to income of $2.4 million in 2000. In the first quarter 2001 the company experienced a $1.8 million net loss or $0.27 per diluted share, due primarily to discontinuing a business segment and weakened economic conditions in the U.S. Diluted earnings per share from continuing operations for the year 2001 was a loss of $0.09 as compared to income of $0.29 for 2000.

"2001 was a very difficult year for us all," commented president and CEO, Theodore Boutacoff. "IRIDEX was greatly affected by the concerns over Medicare reimbursement for certain age-related macular degeneration (AMD) procedures beginning in the summer of 2000 and the general economic downturn beginning in Q1 of 2001 which resulted in our first loss year since 1992. We have since been focusing on our core markets, targeting areas of growth within these markets, managing expenses, and positioning ourselves to benefit from the economic turnaround. The economic slowdown is having a greater affect on sales of our aesthetic products, particularly the Apex 800 laser system for hair removal, than on sales of our ophthalmology products. Aesthetic procedures are typically elective and therefore can be deferred, while ophthalmology procedures are typically not deferred. Looking forward, although we were disappointed to learn that Miravant's phase III clinical trial of SnET2 did not meet the primary efficacy endpoint of the study (with further analysis underway by Miravant), our fourth quarter results gave us some confidence that sales are improving with a 14% sequential increase in sales over the third quarter. Recently, CIGNA announced Medicare coverage of TTT procedures within their network effective January 1, 2002. The states covered are North Carolina, Tennessee and Idaho. We are optimistic in our belief that TTT is becoming more recognized as a viable treatment for wet age-related macular degeneration. There are now fourteen states that reimburse for TTT under a written policy. Our commitment to improve treatments for AMD remains strong with results from two clinical studies (TTT4CNV and PTAMD) expected during 2002."

Boutacoff concluded, "Though we remain cautious about the current world economic conditions, we believe favorable Medicare coverage decisions and clinical study outcomes combined with continued expense management will improve our profitability for the first half of 2002 and the balance of the year."

1/31 **LCA-Vision Inc.** announced that all 6.5 million recently registered shares of LCA-Vision common stock currently held by **Summit Autonomous Inc.**, a subsidiary of **ALCON Holdings Inc.**, had been acquired at a price of 75 cents per share. The transaction will be split equally between the company share repurchase program and members of LCA-Vision's senior management and Board of Directors. The company financed none of the shares acquired by LCA-Vision management and directors. "This significant transaction demonstrates our personal and corporate commitment to this industry," commented Stephen Joffe, chairman and CEO of LCA-Vision. Joffe commented further,

"We are pleased to conclude this transaction as we believe it will enhance shareholder value." Including this transaction, LCA-Vision has now repurchased 4.5 million shares of the five million shares previously authorized by the Board of Directors. The average price paid under this repurchase program was $1.13.

2/1 **LaserSight Incorporated** announced that the United States Patent and Trademark Office had issued US Patent No. 6,334,683, "Eye Illumination System and Method", (the '683 eye illumination patent) to the company. The '683 eye illumination patent covers a system for providing the illumination to an eye during laser refractive surgery that is needed for an eye tracking system. Eye tracking systems follow movements of the patient's eye during laser vision correction treatments, and send correcting signals to the scanning system in order to maintain the orientation and alignment of the laser beam with the visual or optical axis of the treated eye. The '683 eye illumination system patent is the third U.S. patent issued to LaserSight in the field of eye illumination. Michael Farris, president and CEO of LaserSight, commented, "The '683 eye illumination patent is another important patent that complements and broadens both our Intellectual Properties Portfolio and LaserSight's existing patents in the same field. We will be notifying other laser manufacturers as to the broadening of LaserSight's patents in the field of illumination for eye tracking systems that results from this recently issued patent."

2/4 **Prime Medical Services, Inc.** announced that it anticipated achieving its previously stated earnings per share guidance of between $0.11 and $0.12 for the 2001 fourth quarter; and between $0.53 and $0.54 for the year ended December 31, 2001. The company also announced that it intended to divest its refractive vision correction (RVC) operations, in line with its previous guidance, in order to focus its resources towards greater growth opportunities in its manufacturing and urology businesses. The company had previously stated it was considering alternatives regarding its continued participation in the RVC business.

Speaking at the **UBS Warburg Global Healthcare Services Conference**, Prime CEO Brad Hummel announced that the company would take a non-recurring charge in the fourth quarter of approximately $35 million to write-down goodwill associated with acquisitions the company made in the RVC segment during 1999 and 2000, recognize impairment to certain lithotripsy assets, increase reserves for bad debt expense and provide for severance of contractual obligations. Brad Hummel stated, "These charges, which are nearly all non-cash expenses, reflect our earlier stated intention to exit the refractive vision correction business and will permit us to proceed with plans to direct efforts and financial resources to opportunities we feel offer greater growth and reward. We have done a great deal recently to strengthen our lithotripsy and manufacturing platforms and to restructure our management and enhance our access to capital."

Prime's CFO John Barnidge, also presenting at the conference, commented, "Our RVC business segment remains profitable, but it continues to be negatively impacted by economic and industry specific weaknesses. While we have not concluded a sale of the RVC unit, it is clear that our investment has been significantly impaired."

2/4 Stephen Joffe, **LCA-Vision's** chairman and CEO, speaking at the **UBS Warburg Global Healthcare Services Conference**, noted that, "The first quarter is off to a great start. We expect operating cash flow for the quarter ending March 31, 2002 will be positive, and we are working hard to exceed this forecast. For the full year of 2002 we expect to return to profitability for LCA-Vision. While this forecast is predicated on achieving operating cash flow breakeven in the first six months of 2002, and a strengthening economy in the second half of the year, we are comfortable with our forecast based on the strong start in January."

2/6 **Paradigm Medical Industries, Inc.** announced it had completed the acquisition of **Innovative Optics** for an undisclosed amount of common stock. Innovative Optics is privately owned and is a leading manufacturer and marketer of the Innovatome Microkeratome, used in refractive procedures. "Innovative Optics represents a nice fit with our company's strategy of introducing high-technology products for eye care and associated consumable products," said Paradigm Medical's president and CEO, Mark Miehle. "IO's sales are under $1 million. We expect the acquisition to be accretive to Paradigm's results during the first full year of operation."

Miehle noted that Paradigm Medical acquired Innovative Optics' manufacturing site in Albuquerque along with its patents and inventory. "IO operates in a rapidly expanding market segment in refractive surgery. There were more than 1 million refractive procedures performed in the U.S. in 2000. The acquisition sets the stage for our company to add to its portfolio of surgical products. Moreover, surgeons who perform the bulk of refractive procedures would also be the same doctors who would use our Photon Laser System for removal of cataracts," Miehle added.

2/6 **QLT Inc.** reported financial results for the fourth quarter and fiscal year ended December 31, 2001, and provided guidance for 2002. Unless specified otherwise all amounts are in Canadian dollars.

For the year ended December 31, 2001, QLT reported a net profit of $122.0 million ($1.78 per share) compared to a net profit of $9.5 million (14 cents per share) in 2000. For the three months ended December 31, 2001, the company reported net profit of $91.1 million ($1.33 per share) compared to a net profit of $3.5 million (5 cents per share) during the same period in 2000. In the fourth quarter of 2001, the company recognized a one time future tax asset related to prior years, amounting to $84.3 million, favorably affecting fourth quarter and full year earnings per share by $1.22. Adjusting to exclude the after tax effects of interest income and foreign exchange gains and losses associated with the company's cash reserves, as well as other non-operating gains, the company's Pro Forma earnings per share amounted to $0.34 and $0.19 in 2001 and the fourth quarter, respectively. This compares to Pro Forma losses of $(0.17) and $(0.02) per share in 2000 and the fourth quarter, respectively.

For the fiscal year 2001, total Visudyne sales were $346.3 million (US$223.3 million), up 134.8% from the prior year. Sales in the United States accounted for approximately

63% and 66% of Visudyne sales in 2001 and 2000, respectively. Sales in the fourth quarter were $97.4 million (US$61.6 million), up 69.1% from the prior year fourth quarter. Approximately 61% and 66% of fourth quarter sales came from the United States, in 2001 and 2000, respectively. The company had previously communicated that it expected to be at the low end of the US$225 to $250 million full year guidance on Visudyne sales. Full year sales were slightly impacted, off by 1%, by lower than expected sales in December due to higher than expected seasonality in the U.S. and year-end budget pressures from public hospitals in Europe and Canada.

The company expects Visudyne sales in the range of $435 million to $550 million (US$275 million to US$350 million) or growth over 2001 in the 25% to 55% range.

"Together with our alliance partner **Novartis**, we have created an exciting and innovative product in a newly-created market. Thanks to the Novartis Ophthalmics global marketing and sales efforts in the field, Visudyne is the most successful ophthalmic product launch ever. Now, with the experience of several quarters of sales, we have learned a tremendous amount about the dynamics of this new market and will apply that knowledge going forward with increasingly better forecasting," said president and CEO, Paul Hastings. "While Visudyne sales growth was slower than expected in the latter part of 2001, we remain convinced of the market opportunity for Visudyne. With our strong alliance with Novartis, our combined capabilities and no near term competition we are highly optimistic about our ability to optimize and expand this product, not only to sustain profitability but to seek out and develop complementary prospects for our company."

The company's Revenues reached $129.5 million in 2001, growing by 163.0% from the prior year. Revenues from Visudyne comprised $123.5 million of this total, up 229.9% from 2000. QLT's share of Visudyne net profit (excluding the recovery of manufacturing and other costs) for the 4th quarter and the year were 31.6% and 26.4% of Visudyne sales, respectively.

2/7 **Gimbel Vision International Inc.** announced that its planned roll out of a treatment for Dry Age-Related Macular Degeneration (AMD) continued to move forward. With the Canadian approval of a proprietary blood filtration technology for the treatment of AMD pioneered by **OccuLogix Corporation**, GVI is now focused on working closely with the appropriate regulatory bodies and medical community to achieve commercialization of this procedure. It is anticipated that the procedure may be offered at GVI's Canadian centers by the end of the second fiscal quarter, June 2002. As the preferred provider in Canada for OccuLogix's blood filtration process, GVI intends to use its existing laser eye surgery centers throughout Canada in offering this treatment to those individuals suffering from AMD. GVI is also aware of, and is participating in, activities being undertaken in both Canada and the United States in order to raise awareness among ophthalmologists and their patients of the upcoming availability and potential therapeutic benefits of this AMD treatment.

2/11 **Laser Vision Centers, Inc.** announced that it performed over 34,340 refractive cases in the United States during the third quarter ended January 31, 2002, a 6% decline over the same period a year ago and a 28% increase from the previous quarter. The company stated that January was the second best month in company history. As of February 1, 2002, LaserVision operated 123 excimer lasers in the United States providing access to 856 surgeons in more than 350 locations in 47 states, making it the largest excimer laser provider in the world. In addition to being the world's largest provider of excimer lasers, related equipment and support services for the treatment of nearsightedness, farsightedness and astigmatism, LaserVision also provides mobile cataract services through its subsidiary **Midwest Surgical Services (MSS)** to more than 250 surgeons at 277 locations in 38 states. During the period ended January 31, 2002, MSS performed 8032 cataract and YAG laser procedures, a 28% increase over the same year ago period.

2/11 Contesting the interpretation of a recent study by Ohio University suggesting that a large percentage of people having LASIK procedures develop night vision problems and other side effects, the **Filatov Eye Institute** says that retrospective surveys do not adequately reflect current LASIK results. Alerting consumers not to make decisions based on outdated data, the Filatov Eye Institute instead stresses the importance of seeking qualified surgeons who use the latest eye-tracking laser technology to perform LASIK surgery. "With the constant evolution that is occurring in the LASIK world today, studies that rely on the experiences of patients who underwent surgery two years ago, or even six months ago, with outdated equipment, are only interesting from the historical perspective," said Vadim Filatov, MD, founder of Filatov Eye Institute.

"From the time retrospective research is conducted to the time it is released to the general public, it is irrelevant, and not predictive of the results patients can expect today with newer technology." Last month, the *American Academy of Ophthalmology* issued its own assessment based on peer-reviewed scientific literature for the years 1968 through June of 2001. Findings suggest that while serious, adverse complications resulting in permanent visual loss occurred rarely, side effects such as dry eyes, nighttime starbursts, and reduced contrast sensitivity occurred more frequently. The Academy was quick to point out, however, that "it is difficult to compare results from the reviewed studies with current practices using the most recent generation of lasers because of the rapid evolution of LASIK technology and techniques."

"LASIK is a safe procedure," said Dr. Filatov. "However, consumers need to be aware of the importance of selecting qualified, Board-certified LASIK surgeons who properly screen their patients to determine good candidacy prior to surgery. The rates of complications increase significantly when a patient is in less experienced hands. Today's technological advances, which compensate for eye movements during surgery, not only bring an even greater safety, effectiveness and predictability, but also reduce side effects such as halo and glare." Active eye-tracking systems incorporated into current laser systems are designed to compensate for the effects of patient eye and head movements. Until now, surgeons kept the eye steady by asking patients to stare at a blinking red dot. The surgeon could also control these movements manually by holding the eye in place

with a fixation ring, but even then, there was a small risk of decentration of the laser treatment. Surgeons today have greater flexibility and control with constantly evolving technology and techniques that allow for faster, smoother treatment with precise corneal shaping.

2/12 The February issue of *Refractive Market Perspectives* highlighted the decline in refractive procedures for last year's fourth quarter, noting that an estimated 267,100 procedures were performed in the U.S., with an additional 7000 procedures done on U.S. patients traveling to both Canada and Mexico, bringing the total for the quarter to 274,100. Based on new information obtained by **MarketScope**, David Harmon has adjusted his estimated quarterly procedure total downward by 6% for the year, bringing his new estimate for 2001 to 1,345,000 (including 35,000 procedures done in Mexico and Canada). He believes this is down 5.3% from 2000, making that year's estimate 1,420,000. He now is thinking that 2002 procedures will be up 15%, rising to 1,550,000 this year, with most of the growth coming in the last half of the year. Harmon also noted that sales of new lasers declined 46% in 2001, to 264, as compared to 491 new lasers sold in 2000. At the end of the fourth quarter, MarketScope estimates that there were 1174 laser centers in operation in the U.S., up from the 1153 in operation at the end of the third quarter, with most of the increase coming in the surgeon-owned segment.

2/14 **LaserSight Incorporated** provided an update concerning the activities of the company and the plans underway to improve and maximize shareholder value. Michael Farris, president and CEO discussed the company's focus on improving financial performance and the actions underway to evaluate certain strategic opportunities. Over the last year LaserSight has positioned itself with a number of market strengths and advantages. The company's scanning technology platform, its FDA approvals, its patents and patent licenses, its growing installed base and its advanced position in custom ablation all make LaserSight an attractive opportunity for any company interested in partnering or entering the refractive surgery market. To fully capitalize on these strengths, the company is in discussions regarding strategic opportunities and expects to have an investment banker engaged in the very near future.

Looking back, industry analysts have reported that last summer the laser vision correction (LVC) industry experienced a slow down in growth. At the same time LaserSight was continuing to encounter delays in securing FDA approval for its LASIK treatment of myopic astigmatism. These factors significantly hampered the company's ability to sell product. As a result, last August the company began an aggressive campaign to reduce spending and control costs while continuing to ready itself to commercialize its products upon receipt of the FDA approval.

Before this campaign began, the company's disbursements were running at about $4 million per month. Actions were taken to reduce this rate to $2.5 million through a reduction in staff and an across the board reduction in spending, along with accounts payable management. These reductions were made with the expectation that the FDA approval would be forthcoming albeit the precise timing of that approval was not certain.

The company believed that upon approval, sales would ramp up generating an increase in revenue and the reductions were made in a manner that would not impede the company's ability to execute its plan upon FDA approval. The events of September 11th further adversely impacted the LVC industry and the already slowing economy. As a result, procedure volumes are reported to have declined and many laser purchases were delayed. LaserSight received its awaited FDA approval on September 28th during this negative economic downturn. Since the *Annual Meeting of the American Academy of Ophthalmology (AAO)* was held in November the company believes that in addition to the economic downturn many potential customers chose to postpone purchasing decisions until after the meeting.

Management believed that the economic climate called for further steps to maintain the company's financial viability. During this time LaserSight had been negotiating a license to its '504 scanning patent with **Bausch & Lomb**, and had agreed with Bausch & Lomb to explore the possibility of a strategic alliance. The patent license transaction was completed in a two-step structure with the final payment occurring in late December. Prior to the final payment, Bausch & Lomb made a management change at the CEO level, placing the company's previously announced activities regarding a strategic alliance on hold until the new management was brought current with the discussions. In early November LaserSight engaged the services of a management-consulting firm to assess its operations, cost structure and management structure. The findings of the consulting firm were presented to the Board of Directors and decision points were identified that would trigger further changes in the organization's cost structure. Decisions were also made to continue to explore potential strategic opportunities.

At the November AAO meeting LaserSight demonstrated its LSX and AstraScan precision microspot scanning systems. The time available for sales activities between the AAO meeting and the end of the fourth quarter was substantially limited by the holidays. Nevertheless, the company succeeded in selling 15 of its LSX systems during the relatively short time period of approximately 30 business days that remained in the fourth quarter following the AAO Meeting. Since sales historically occur towards the end of each calendar quarter, it is too early to predict the sales for the first quarter of 2002.

LaserSight considers that several positive events, all previously announced, have occurred during the past few months. These events include receiving the FDA's approval for LASIK treatment of myopia and myopia with astigmatism, the U.S. renewed sales effort for its LSX precision microspot scanning system following FDA approval, the international launch of the AstraScan precision microspot scanning system and CustomEyes CIPTA for planning custom ablations, both not yet available in the U.S., receipt of the reissued scanning patent, the license with B&L, re-filing the PMA Supplement for hyperopic astigmatism and mixed astigmatism and the focus on strategic opportunities. Nevertheless, by year-end the company continued to face many challenges.

Changes have occurred in the company's senior management structure. On January 31, 2002, Michael Litscher, president and COO of **LaserSight Technologies, Inc.** resigned

to pursue other opportunities. Likewise, Christine Oliver, senior vice president of Sales and Marketing, resigned for personal reasons to pursue other opportunities. The company recognizes that both individuals made valuable contributions to LaserSight during their tenure. In an effort to flatten the company's management structure these positions, as well as others, are not being filled. The existing resources and talent within the company will assume their responsibilities. The company intends to take additional steps to continue to reduce its negative cash flow. This reduction will be achieved by further decreasing spending and continuing to sell lasers strictly on favorable terms both in the US and international markets. The company currently has approximately $14 million in accounts receivable and $12 million in inventory. There are 25 laser systems in finished goods inventory. Achieving the company's sales goals, limiting material purchases based upon current inventory levels, continuing to collect accounts receivable in a timely fashion and effectively managing disbursements are all important to LaserSight's continued operation. The company has already been focusing on these areas and intends to continue this focus.

With respect to revenue, the company believes that if it successfully manages its expenses and disbursements, the sales volume needed to bring success to the operation is correspondingly reduced. Laser systems represent the largest near term source of revenue. LaserSight believes that an installed base that generates recurring per procedure fee income will be a basis for optimizing the value of the company.

Farris also provided an update on the company's CustomEyes custom ablation activities. As previously announced, with the introduction of the AstraMax integrated diagnostic workstation, the recent approval of its LSX for LASIK treatment of myopia and myopic astigmatism, and the CIPTA custom ablation planning software, LaserSight has introduced its technology pathway to customized corneal ablations into the U.S. and international markets.

2/14 **Sunrise Technologies International, Inc.** announced that its securities are now trading on the NASD Bulletin Board and the Pink Sheets instead of on the Nasdaq Stock Market.

2/15 **LaserSight Incorporated** announced that it had been advised by The Nasdaq Stock Market, Inc. (Nasdaq), that because the company's common stock has closed below the minimum $1.00 per share requirement for continued listing for a period of 30 consecutive trading days, in accordance with Nasdaq Market Place Rules the company will be provided until May 15, 2002, to regain compliance.

2/17 As reported by *CL Today*, the United States military is allowed to undergo refractive surgery according to an *Associated Press* article that said Congress authorized its use two years ago. The program is designed to free troops from eyeglasses, which can get broken or lost in combat, or interfere with gas masks. Previously, the military prohibited the surgery in fear that it might weaken the eye, but changed its mind after a Navy research program on the issue showed positive results. The article also reported that refractive surgery is voluntary in the military, but some forces will have top priority. For instance, in the Air Force, aviators and special forces troops, those most likely to engage in combat or wear respirators or gas masks, receive top priority. About 17,000 soldiers, and airmen

have received the surgery to date, some of it dating back to 1993, when the Navy research began, according to spokesmen for all three branches. The surgery is performed at Wright-Patterson Air Force Base in Dayton, the Air Force Academy in Colorado Springs, Colo., and at Lackland Air Force Base in San Antonio. It is also provided at Army and Navy centers in San Diego, Bethesda, Md., Fort Smith, Va., Fort Bragg, N.C., Fort Hood, Texas, and Honolulu.

Congress approved $15 million for the military program. Of that, Wright-Patterson received about $2 million in July 2000 and transformed a hospital ward into an outpatient laser surgery clinic. Treatments there began last May, and there is a months-long waiting list for the surgery. The procedure used by the Air Force is photorefractive keratectomy, or PRK. The Air Force does not offer LASIK (laser in-situ keratomileusis) surgery, even though it is usually less painful and recovery time is quicker, because the flap can be displaced during combat, impairing vision.

2/19 **Asclepion-Meditec AG** announced a significant sales growth and return to profitability for its fiscal first quarter. In the first quarter of the 2001/2002 financial year Asclepion-Meditec increased its sales over the previous year by 17% to EUR 13.7 million (previous year: EUR 11.7m). This success was also reflected in the result of a return to profitability, with an operating income (EBIT) of EUR 1.0m (previous year: EUR 1.0m). The gross margin remained virtually unchanged at a healthy level of 50.7% (previous year: 51.3%). The net income was EUR 0.3m, following on from EUR 0.7m in the previous year.

With an increase of 32%, sales in the Vision unit saw an above-average rise over the previous year. This was due to increased demand for systems for individualized treatment of patients' vision defects. Sales in the Aesthetic unit amounted to EUR 4.2m (previous year: EUR 4.9m). These sales have been affected by a downturn in demand in the USA, which could not be fully offset by higher sales in Europe and Asia. As a result of the strong acceptance of Dental products, sales in this area saw above-average growth to EUR 0.6m (previous year: EUR 0m). With a sales growth of 25% Asclepion's Service unit also saw an excellent development.

Alongside the expansion of the presence in core markets, an acceleration of major future projects ranks among the strategic goals. Beside the systems for refractive surgery (Vision business unit) and for aesthetic-surgical applications (Aesthetic business unit), clear growth stimulus is expected in the Dental unit. Additional potential results from the forthcoming market launch of the SaveDent/PAD technology, which permits painfree, minimally-invasive and substance-retaining caries treatment.

Thanks to its high technical standards, Asclepion was able to maintain stable prices for its products in the past quarter. Thus the gross margin remained virtually unchanged at a healthy level of 50.7% (previous year: 51.3%). In addition to an increase in sales, the return to profitability was primarily due to the package of measures initiated to lower costs and optimize processes. In comparison to the previous quarter (fourth quarter of the

2000/2001 financial year) it was possible to considerably lower the function costs. Thus the selling and marketing expenses fell by 22%, from EUR 4.6m (fourth quarter) to EUR 3.6m (first quarter). The expenses for research and development (gross, before allowances) were reduced to the strategic target figure of 12% of sales (previous year: 16%) through a focus on core projects.

The result before taxes of EUR 0.9m (previous year: EUR 1.3m) was essentially affected by a downturn in interest income The net income was EUR 0.3m, following on from EUR 0.7m in the previous year. The earnings per share are thus 0.05 euro (previous year: 0.11 euro). The development of the net income in the first quarter of the current financial year is due to an increase in the arithmetical tax quota from 44.8% (2000/2001) to 64.3% (2001/2002) in the first quarter of the current financial year Towards the end of the year Asclepion expects a fall in the tax quota to US-GAAP thanks to the deduction of deferred tax assets.

Asclepion expects a further positive impact from the strategic steps initiated to secure growth and profitability. These steps include the swift and comprehensive marketing of existing technologies so as to amortise expenses in the areas of research and development as well as marketing and sales as quickly as possible. Thus Asclepion will speed up the entry of its Aesthetic products into important markets like Japan and China. Asclepion expects to receive approval for its Aesthetic products in China in the near future. Furthermore, Asclepion also intends to consistently continue the cost reduction and optimization measures which have been initiated. Sustained progress is to be achieved in the entire function cost area.

At the product level, a number of future projects are to be accelerated which are intended to ensure a positive continuation in all business units in the coming quarters. Asclepion assumes that there will be an exponential increase in acceptance for the dental laser system, **KaVo** KEY Laser 3. Further potential will arise from the forthcoming market launch of the SaveDent/PAD method. With this method, in the first stage of the market launch the quality of conventional caries treatment such as the crowning of larger areas or root canal treatment may be increased considerably. In future this method permits painfree, minimally-invasive and substance-retaining caries treatment.

2/19 **LCA-Vision Inc.** reported financial results for the three months and year ended December 31, 2001. Laser vision correction revenues for the fourth quarter were $10.9 million compared with $14.4 million in the fourth quarter of 2000, and for the full year increased 8% to $68.0 million compared with $63.1 million for the full year 2000. Fourth quarter average price realization per procedure was $1,020 and the contribution margin was 80.5% compared with an average price realization per procedure of $996 and a contribution margin of 81.0% in the third quarter of 2001, and an average price realization per procedure of $877 and a contribution margin of 78.7% during the fourth quarter of 2000. Contribution margin is calculated by deducting medical, professional and license fees from laser refractive surgery revenues.

LCA-Vision posted a net loss for the fourth quarter of $4.6 million (10 cents per share) on 46.0 million shares outstanding, compared with a third quarter net loss before special charges of $3.7 million (8 cents per share) on 46.5 million shares outstanding. A year ago, LCA-Vision reported a fourth quarter net loss of $1.6 million (3 cents per share) on 49.1 million shares outstanding. The net loss for the 12 month period, excluding a non-cash valuation reserve and special charges, was $6.3 million (13 cents per share) on 46.6 million shares outstanding, compared with a net loss of $2.4 million (5 cents per share) on 51.0 million shares for the full year 2000. Including special charges, the company reported a 2001 net loss of $23.4 million (50 cents per share).

"The new year is off to a strong start thanks to the company's restructuring in the second half of 2001 that has set the tone for improvements in the first quarter of 2002 and beyond," said Stephen Joffe, LCA-Vision's chairman and CEO. "In the fourth quarter of 2001, annualized cost savings from the company's restructuring program were $9.9 million. We remain confident that LCA-Vision will be operating cash flow positive for the first quarter of 2002. For the full year 2002, we continue to expect the company to return to profitability by remaining at breakeven or better in the first half of 2002, and growing with the strengthening economy in the second half of the year." Joffe also discussed the company's recent share repurchase and the current balance sheet. He said, "In first quarter of 2002, all 6.5 million recently registered shares of LCA-Vision common stock previously held by **Summit Autonomous Inc.**, a subsidiary of **ALCON Holdings Inc.**, were acquired at a price of 75 cents per share. The transaction was split equally between the company share repurchase program and members of LCA-Vision's senior management and Board of Directors. The company financed none of the shares acquired by LCA-Vision management and directors." The share buyback program authorized by the company's Board of Directors in June 2000 was completed January 10, 2001. Five million shares were repurchased at an average price of $2.08 per share. In December 2000, the Board of Directors authorized a repurchase of an additional five million shares of common stock. Of that authorization, the company has repurchased 4.5 million shares at an average price of $1.13 per share through January 31, 2002.

2/19 **Sunrise Technologies International Inc.** announced it had laid off nearly all of its employees while it continued to search for new financing. "We had to take this step in order to conserve what is left of our cash. We are continuing discussions with funding sources. If we are successful we plan to bring at least some of these employees back to Sunrise. If the company is not successful in obtaining new funding soon, we will be unable to continue our business operations," said John Hendrick, president and CEO.

2/20 **Nidek, Inc.** announced that the U.S. Food and Drug Administration had granted 510(k) clearance for the DC-3300 Diode Laser System. The Nidek DC-3300 can now be marketed and sold for uses in retinal photocoagulation and glaucoma procedures. Nidek's DC-3300 is approved for use in all retinal photocoagulation procedures, such as limited and pan-retinal photocoagulation, transpupillary laser photocoagulation, endophotocoagulation and transscleral photocoagulation. The flexibility of the DC-3300 allows retinal treatment for diabetic retinopathy and macular degeneration as well as

glaucoma procedures such as laser trabeculoplasty and iridotomy. The DC-3300 can be used in combination with various delivery systems, such as slit lamps, binocular indirect ophthalmoscopes, and endoprobes. In addition, Nidek offers transscleral probes for Cyclophotocoagulation. Uniquely, the purpose of transscleral treatments is not to improve vision, but to reduce high IOP from Glaucoma.

"With the DC-3300, doctors can now protect vision, and help alleviate the pain and discomfort of the more significant vision problems such as glaucoma and retinal disorders," said Hiroshi Okada, vice president and general manager, Nidek Inc. "Nidek is excited to be in a position to help doctors protect against vision loss and ensure quality of life for their patients."

2/20 We have just learned that **Endo Optiks** has signed an exclusive domestic distribution agreement with **Medtronic Solan**, the ophthalmic subsidiary of **Medtronics, Inc.** The agreement will give Medtronic the rights to exlusively distribute the Endo Optiks' endoscopic cyclophotocoagulation diode laser and viewing system, as well as individual parts of the system, in the treatment of anterior segment diseases, primarily glaucoma. In addition, with this system, a combined cataract removal and glaucoma treatment can be performed, using the unique viewing endoscope that is part of the Endo Optiks laser, to precisely deliver laser energy to intraocular target tissues following cataract extraction.

2/20 **Gimbel Vision International Inc.** announced that its common shares will trade on the Canadian Venture Exchange effective Thursday, February 21, 2002 under the symbol GBV. As previously announced, GVI's shares are to be suspended from trading on the Toronto Stock Exchange effective the close of market Wednesday, February 20, 2002.

2/21 **VISX, Inc.** announced that it had received the first U.S. Food and Drug Administration (FDA) approval for customization of laser vision correction treatments for decentered ablations. The FDA approved the use of VISX's Custom-Contoured Ablation Pattern (C-CAP) Method under a Humanitarian Device Exemption (HDE). "VISX is the first to provide U.S. surgeons with a means to treat certain unsatisfied refractive patients," said Liz Davila, chairman and CEO. "This offers an additional confidence level to all concerned, and further demonstrates our industry leadership position."

VISX physicians can now perform a treatment precisely controlled by size, depth, and location, making it possible to reshape the cornea for optimum correction. By using the VISX STAR S3 ActiveTrak Excimer Laser together with a **Carl Zeiss Ophthalmic Systems Humphrey** ATLAS corneal topographer and associated VisionPro Ablation Planning Software, physicians are able to address decentrations resulting from a previous treatment on any brand of laser.

An HDE authorizes the use and marketing of a device that is intended to benefit patients in the treatment of conditions that affect fewer than 4,000 individuals.

2/21 **SurgiLight Inc.** announced that it had signed an exclusive distribution agreement in Mexico with Denver-based **TVMS, LLC** to sell SurgiLight's OptiVision laser in Mexico

and the Caribbean. The OptiVision system is designed to treat a variety of eye-related conditions, including presbyopia, which affects millions of Americans over 40. TVMS will replace **EnVision** as the exclusive distributor in Mexico and the Caribbean, while EnVision will focus its distribution efforts on the Canadian market. TVMS has committed to purchase approximately three million dollars in laser systems over the next three years, representing potential recurring revenues of about five million dollars for SurgiLight over the same period. The new distributor has already provided a $75,000 deposit and has also purchased its first laser, which will be delivered this week. According to the terms of the agreement, TVMS will be responsible for obtaining the appropriate Mexican government approvals prior to selling the product there.

A leading distributor of medical lasers, TVMS plans to place 20-30 laser units in Mexican surgical clinics over the next three years, primarily in private laser vision correction facilities, with treatments performed by experienced laser surgeons. SurgiLight senior vice president and COO Timothy Shea stated, "We look forward to working closely with TVMS. Mexico is a very large market, with substantial potential, and we believe TVMS will serve this market very well. With this agreement, SurgiLight will now have complete coverage in North America, with TVMS in Mexico and the Caribbean and EnVision, a valued distributor, serving Canada. SurgiLight will service the United States clinical trial sites. We have received tremendous professional interest in our new technology and are eager to expand our clinical trials in Mexico."

2/21 **NovaMed Eyecare, Inc.** reported results for the fourth quarter and twelve months ended December 31, 2001. In October 2001 the company announced its plan to discontinue its management services operations and to focus its core business strategy primarily on the operation and growth of its surgical facilities segment. As a result, the management services segment is reported as a discontinued operation for all periods presented.

Net income from continuing operations in the fourth quarter were $0.7 million (3 cents per share), versus $0.9 million (4 cents per share) for the fourth quarter of 2000. Income from continuing operations in the fourth quarter was $1.3 million as compared to $1.5 million for the same period last year. Cash flow from continuing operations (EBITDA) for the quarter totaled $2.3 million as compared to $2.6 million in the prior year's fourth quarter. Total net revenue in the quarter 2001 was $16.0 million as compared to $16.9 million for the prior year fourth quarter. Net revenue from surgical facilities represented 57% of total net revenue versus 62% for the prior year. Net revenue from product sales represented 43% of total net revenue versus 38% for the prior year. The company experienced a 22% increase in cataract procedures and 11% increase in other procedures over the 2000 fourth quarter but this was more than offset by a 55% decrease in refractive procedures. This resulted in a decrease of 12% in net revenue from surgical facilities from the 2000 fourth quarter. Management believes that the demand for elective refractive surgery continues to be negatively impacted by the general economic conditions. Despite the economic conditions, the company was successful in growing its product sales revenue over the 2000 fourth quarter by 5%.

"While the trend in our refractive surgery business is the primary reason for our decrease in net revenue over the fourth quarter 2000, the strength of our cataract surgery and product sales businesses has helped NovaMed neutralize some of this negative trend," said Stephen Winjum, NovaMed chairman, president and CEO.

In the third quarter of 2001, the company recorded a net loss on the disposal of discontinued operations of $27.2 million as a result of its plan to discontinue its management services operations. As part of this strategy, the company also announced its plan to restructure selected operations, including corporate support functions and information technology, and to close under-performing facilities. This resulted in a third quarter restructuring charge of $10.9 million and other charges of $3.7 million. The impact of all of these charges is reflected in the twelve month financial results of the company. Excluding the restructuring and other charges recorded in the third quarter, income from continuing operations for the year was $5.4 million, net income was $2.9 million (11 cents per share) in 2001 compared to $6.9 million, $3.6 million (14 cents per share) in 2000. Cash flow from continuing operations (EBITDA), excluding the restructuring and other charges, was $10.0 million in 2001 as compared to $10.9 million in 2000. After restructuring and other charges totaling $14.6 million and the net loss on discontinued operations of $27.2 million, the net loss in 2001 was $32.6 million ($1.31 per share). Total net revenue for the year of $70.1 million increased 3% percent from $67.8 million in 2000. Net revenue from surgical facilities decreased 4% year-to-year and represented 56% of total net revenue in 2001 versus 61% in 2000. Net revenue from product sales increased 15% year-to-year and represented 44% of total net revenue in 2001 versus 39% in 2000. Cataract procedures increased 21% and other procedures increased 16% in 2001 over the prior year and refractive procedures decreased 22%.

In the third quarter NovaMed made the strategic decision to exit the physician practice management business and concentrate its resources on its core surgical facilities business. NovaMed began to execute its restructuring and divestiture plan in the fourth quarter and expects to be actively engaged in this process for most of 2002. At the same time, NovaMed plans to execute its continuing operations growth strategy primarily through the acquisition and development of surgical facilities. "With our diversified revenue base and profitable operations, we believe NovaMed is well positioned to capitalize on new growth opportunities," Winjum stated.

2/22 **Novartis Ophthalmics** launched a national campaign that will help drive public awareness of macular degeneration. Macular degeneration, also known as age-related macular degeneration or AMD, is the leading cause of blindness in people over age 50. The campaign focuses on awareness and encompasses television, print advertising and public relations. It targets people in the most affected demographic sector for macular degeneration, those over age 50. "Novartis Ophthalmics is committed to reaching and teaching Americans about healthy vision," said Dan Myers, president, Novartis Ophthalmics, North America. "Regular eye exams are the key to early detection and treatment. By encouraging people to see their eye care professional through awareness, more Americans may save their sight." Amazingly, seven out of 10 Americans are not

familiar with macular degeneration, yet it affects approximately 13 million -- with 200,000 new cases of the most serious `wet' form diagnosed each year.

2/22 As announced In October 2001, **Nestle S.A.** is exploring an initial public offering (IPO) of a minority stake in **Alcon, Inc.**, its wholly-owned eye care business. Nestle believes that an IPO of Alcon would strengthen the AAA credit rating of Nestle and facilitate the further development of its core food, nutrition and beverage businesses. In that regard, Alcon said that it had filed a registration statement with the United States Securities and Exchange Commission with respect to the initial public offering of Alcon common shares representing approximately 25% of its common shares to be outstanding after this offering, including the over-allotment option to purchase shares equal to 10% of the shares being offered. It is currently estimated that the initial public offering price will be between $31 and $35 per common share. Alcon expects this offering to be completed at the end of the first quarter of 2002 and has applied to list its common shares on the New York Stock Exchange under the ticker symbol `ACL'. **Credit Suisse First Boston** is the global coordinator for this offering, and the joint lead managers and bookrunners for this offering are Credit Suisse First Boston and **Merrill Lynch & Co.**

OPHTHALMIC LASER UPDATE -- March 2002

2/27 **Prime Medical Services, Inc.** announced its financial results for the fourth quarter and year-ended December 31, 2001. Total revenue for the fourth quarter increased 24.2% to $40.8 million from $32.8 million for the comparable year-ago quarter. Net income excluding non-recurring charges was $2.1 million (14 cents per share) for the 2001 fourth quarter compared with $2.3 million (15 cents per share) for the same quarter in 2000. After giving effect to non-recurring charges, the company posted a net loss of $20.8 million for the 2001 fourth quarter compared with net income of $1.1 million for the same quarter in 2000.

For the twelve months ended December 31, 2001, total revenue increased 18.5% to $154.9 million compared with $130.7 million for the same year-ago period. Net income excluding non-recurring charges was $8.6 million (54 cents per share) for the 2001 year-end compared with $12.3 million (76 cents per share) for the prior-year period. After giving effect to non-recurring charges, the company's net loss for the 2001 year-end was $14.5 million (92 cents per share) compared with net income of $10.7 million (66 cents per share) for the 2000 year-end. As previously announced on February 4, 2002, the company took a fourth quarter non-recurring charge of $36.4 million, in mostly all non-cash expenses, to write-down goodwill associated with acquisitions made in the refractive vision correction (RVC) segment during 1999 and 2000, recognize impairment to certain lithotripsy assets, increase reserves on lithotripsy receivables and provide for severance of contractual obligations.

Brad Hummel, Prime Medical Services' president and CEO, stated, "2001 was a significant year for Prime. Early in the year, we set out to strengthen our manufacturing and lithotripsy platforms, determine the company's future in RVC and to strengthen our

management team to prepare for the growth we anticipate over the course of the coming years. These important objectives were achieved. The company made a definitive decision to exit the RVC business, announcing our intention to sell our partnership interests while recording the impairment of our investment in that segment."

2/27 **Gimbel Vision International Inc.** announced that it had failed to meet certain provisions of certain agreements, including a management agreement, made with Dr. Howard Gimbel or his affiliated corporations. GVI is currently in negotiations with Dr. Gimbel to resolve these matters to the mutual satisfaction of the parties. The company is continuing in its discussions with **OccuLogix Corporation** with respect to OccuLogix's proprietary process for treating Dry Age-Related Macular Degeneration. The company is in the process of finalizing its preferred provider agreement with OccuLogix and will be working with the appropriate regulatory bodies to introduce the procedure.

3/3 According to *OptiStock*, **Pro-Laser Weco GmbH**, the German subsidiary of **Pro-Laser Ltd.**, filed for insolvency at the court of Dusseldorf. This comes after what the company described as "major efforts" to refinance the unit, which is the core company of the Pro-Laser group. Pro-Laser said it intends to continue the business. Trading of the stock on Nasdaq Europe was halted before the news was announced; the exchange said it would remain stopped until it receives more information it has requested from the company.

3/4 **LaserSight Incorporated** announced it had retained **McColl Partners LLC**, to provide advisory services as the company explores various strategic opportunities. **McColl Partners** is an independent advisory firm established by Hugh McColl, Jr. the former chairman and CEO of **Bank of America**. McColl, chairman of The McColl Group LLC and co-founder of McColl Partners, has created a team of leading professionals focused on providing high-quality advice to middle-market companies by leveraging resources and experience to guide clients through strategic opportunities key to their success. McColl Partners advises companies in the technology, aerospace and defense, financial services, healthcare, media, energy and entertainment, consumer products and diversified manufacturing industries.

Michael Farris, president and CEO of LaserSight Incorporated commented, "We are very pleased to announce this relationship with McColl Partners. We believe that they possess the industry-specific knowledge and strategic relationships necessary to assist our efforts in building shareholder value by advising us on current opportunities as well as strategies."

3/4 **TLC Laser Eye Centers Inc.** and **Laser Vision Centers, Inc.** jointly issued the following update on their proposed merger. TLC's Registration Statement on Form S-4 in connection with the proposed merger was declared effective by the Securities and Exchange Commission on March 1, 2002. The joint proxy statement/prospectus describing the proposed merger is expected to be mailed to shareholders of LaserVision and TLC beginning March 7, 2002.

LaserVision has scheduled the special meeting at which its shareholders will consider the merger for April 18, 2002. TLC's annual and special meeting of its shareholders will also be held on April 18, 2002.

3/5 **Miravant Medical Technologies** announced that it had terminated certain contractual relationships with **Pharmacia Corporation**, including the Ophthalmology Development and License Agreement and other related contracts for the proprietary drug SnET2. Miravant regained the rights to all assets related to the SnET2 phase III clinical trials for age-related macular degeneration (AMD), including the full clinical data package. In addition, Miravant restructured the credit agreement in which Pharmacia reduced the outstanding debt from approximately $27 million to $10 million. In connection with the debt reduction, Miravant will re-assume lease obligations for the SnET2 manufacturing facility and will forego the remaining $3.2 million line-of-credit.

Gary Kledzik, chairman and CEO, stated, "Now that we're back in control of the drug SnET2, we're excited about gaining access to all clinical data in order to conduct a thorough, in-depth analysis of the results. Ophthalmology continues to be our primary focus, and we will aggressively pursue all options available to us for SnET2 and our new PhotoPoint drug compounds." The SnET2 assets returned to Miravant include the Investigational New Drug (IND) application, preclinical and clinical data, inventories of active pharmaceutical ingredient and finished dose formulation, drug manufacturing rights, manufacturing equipment and clinical laser devices.

3/5 **TLC Laser Eye Centers Inc.** announced procedure volumes for the three month period ended February 28, 2002. Over 24,800 paid procedures were performed at the company's laser eye surgery centers in the third quarter. This is down from the 33,500 procedures performed during the same period a year ago but represents a 40% increase from Q2-02 volumes of 17,700. Strong sequential growth combined with lower break-even procedure volume level requirements provides TLC with confidence that it will report a return to positive operating cash flow when it announces Q3 financial results in mid-April. Elias Vamvakas, TLC's president and CEO said, "This quarter's rebound in procedure volumes confirms our belief that the industry has started to heal from the turmoil that once besieged it. As we move forward into what is traditionally another strong period of growth, we believe we are well positioned to capitalize on both a recovering industry and an improving macro-economic environment."

3/6 **Miravant Medical Technologies** updated the status of its earlier announcement that it had regained ownership of its lead drug candidate SnET2, which has completed phase III clinical trials for wet age-related macular degeneration (AMD), a leading cause of blindness. The company will conduct a comprehensive analysis of the phase III data package, including subgroup populations, to determine future development options in ophthalmology and/or other disease indications. Gary Kledzik, chairman and CEO, stated, "I believe that the value of Miravant's technology is not reflected in our current market capitalization. Miravant is not a one-drug company. SnET2 has reached a very advanced stage of product development, and we have also made a substantial investment

in our proprietary new generation PhotoPoint drugs. I would also like to make the following points to our shareholders:

- SnET2 is our most significant drug asset, and we intend to pursue every option available to move it forward in ophthalmology. We have an extensive clinical safety package based on hundreds of patients, which could also potentially be leveraged into other disease indications.

- In January this year, we were informed by the SnET2 licensee that the drug did not reach the primary efficacy endpoint for wet AMD based on top line data analysis. Neither Miravant nor the FDA has reviewed the full phase III data package. We understand, however, that the visual acuity of the placebo patients did not decline as expected over time. This impacted the ability to reach statistical significance for the primary endpoint.

- Since our former licensee has decided not to pursue additional analysis or development of SnET2, Miravant has its first opportunity to study the data in depth, including the subgroups of patients that best responded to treatment. In point of fact, the only photodynamic therapy drug being marketed today for wet AMD received its initial approval for a subgroup of the disease population.
- We are investigating several funding options, including negotiations to co-develop and license new PhotoPoint compounds. We have had a number of discussions with global healthcare companies with strong franchises in the targeted medical specialties."

Dr. Kledzik added, "With the return of the drug license, Miravant's outstanding debt was reduced by approximately $17 million. The remaining debt repayment is structured through June 2004 and gives Miravant the opportunity to raise monies going forward."

3/8 **Sunrise Technologies International, Inc.** announced that the company had received foreclosure notice from **Silicon Valley Bank**. The notice requires Sunrise to remedy the 3.5 million dollar note by March 18, 2002. Failure to do so will prompt the bank to start the foreclosure proceedings on the company assets.

3/8 **Miravant Medical Technologies** chairman and CEO, Gary Kledzik, released a statement regarding Miravant's receipt of a Nasdaq notification that the company had not met certain requirements for continued listing. The company has requested a hearing with Nasdaq, and the stock will remain listed on the Nasdaq until at least the date of the hearing, which has not yet been determined. Miravant is currently listed on the Nasdaq National Market, which has certain minimum requirements for continued listing.

Dr. Kledzik stated, "With approximately 18.9 million shares outstanding, Miravant is making every effort to increase shareholder value and thus meet the minimum Nasdaq requirements. I want to reassure our shareholders that we have asked the Nasdaq Listing Qualifications Panel for a hearing to review our continued listing, and that our stock will continue trading on the Nasdaq National Market through the conclusion of the hearing process. Miravant's stock dropped precipitously in January after the company received

the surprising news that its lead drug, PhotoPoint SnET2 for treating wet age-related macular degeneration, did not meet its primary endpoint based on top line data in phase III clinical trials. We have seen a positive trend in the market for our securities following this week's announcement that we regained ownership to SnET2, our most significant drug asset, combined with the reduction in long-term debt from approximately $27.0 million to $10.0 million. Now that we have regained the rights to SnET2, we can conduct a full analysis of the phase III data and direct the course of development for this drug in ophthalmology and other disease indications. Beyond our core SnET2 technology, we are actively pursuing a number of other avenues to increase shareholder value and bring additional funds into our development programs. These include high-level discussions with leading healthcare companies for co-development and licensing of new PhotoPoint drugs in ophthalmology, dermatology and cardiovascular disease. In our oncology program, exciting preclinical data on the ability of PhotoPoint drugs to specifically target blood vessels that nurture tumor growth, will be presented at the *American Association for Cancer Research Annual Meeting*, in San Francisco. We continue to make progress in pursuing our objectives for PhotoPoint technology. Our management is making every effort to increase investor confidence and thereby increase the company's market capitalization."

3/8 The March issue of *Refractive Market Perspectives* featured the slight increase in average LASIK prices during the fourth quarter of 2001. According to a January survey of 350 U.S. surgeons, Q4 average LASIK prices were up 1.8% to $1617 per eye, as compared to Q3 prices. However, this was still lower, by 4.9%, compared to Q4 2000 prices of $1699.

David Harmon also wrote about the clinical trials of both Staar Surgical's ICL and Ophtec's Artisan Phakic IOL nearing completion. Both companies plan to submit the Phase III clinical trial results and requests for marketing approval for the correction of myopia within the next 12-24 months. These devices, if approved for marketing, are expected to be used primarily for the correction of high myopia or high hyperopia. According to a **Market Scope** survey of refractive surgeons, high myopia represents about 13.2% of refractive cases undertaken by surgeons, while high hyperopia represents about 5.8%.

3/11 **QLT Inc.** announced that its Board of Directors had adopted a new shareholder rights plan to replace the plan that expires at the close of business on March 17, 2002. The successor Rights Plan will become effective upon expiration of the existing plan to avoid any gap in shareholder protection if there were to be an unsolicited take-over bid for the company's common shares. The Rights Plan is subject to confirmation by shareholders at the annual meeting of the company to be held on April 25, 2002, at 10:00 a.m. in Vancouver.

3/11 **Bausch & Lomb** responded to **Moody's Investors Service's** downgrade of its senior ratings to Ba1 and its short-term rating to Not-Prime based on lagging operating performance. The company emphasized that it faces no liquidity issues and is more than

able to satisfy all of its outstanding maturing obligations. Bausch & Lomb also reaffirmed the 2002 operating guidance it provided to investors on its fourth quarter earnings release conference call on January 24, 2002. Specifically, the company expects to report mid-to-upper single-digit revenue growth for the year.

3/12 Ted Huber of **Banc of America Securities LLC** released an update report on **VISX**, in which he stated that:

* There are signs of a sustained recovery. Trade checks reveal procedure growth has continued during the first quarter of 2002 after a strong January. Leading indicators (i.e., surgeon advertising) remain positive and some providers are predicting both sequential and year-over-year gains for March 2002.

* Economic forecasts are rising, and consumer confidence is strong. Economist GDP growth forecasts are accelerating, signaling a faster economic recovery and robust refractive surgery procedure growth ahead. Consumer confidence pulled back slightly in February after registering January numbers at the highest level since early 2001. However, the measure remains above 90, generally a positive indicator.

* There is upside to consensus. Consensus estimates of $0.52 for 2002 and $0.76 for 2003 appear to be overly conservative. In 2002 and 2003, our higher estimates are based on procedure growth of 8% and growth of 15%, respectively. We remain confident in our first quarter sequential procedure growth estimate of 32%, and our EPS estimate of $0.13. If VISX's first quarter growth were to match the announced 40% last week by one of its larger customers -- TLC -- it could deliver first quarter EPS of $0.14-0.15.

* We reiterate our rating of Buy. Trading at a P/E ratio that is a slight premium to its peers (17.8x our 2003 EPS), VISX's current valuation factor in neither its higher secular growth nor the impact of increasing forward estimates. Its 2003 P/E/G ratio of 0.90x is a discount of 20% to its peers. With significant upside to consensus on any incremental procedure volumes, we believe VISX is attractively valued.

3/14 *Dow Jones* reported that a group including financier Carl Icahn won't proceed with nominations to **VISX Inc.'s** board, according to an amended Schedule 13D filed with the Securities and Exchange Commission. The filing didn't include a reason for the decision.

3/15 **SurgiLight Inc.** announced that it had sold the assets and associated liabilities of its approximately 20 excimer laser systems, including a royalty income stream, from the **International Laser Eye Centers (LEC)**. The LEC's are located in China, Egypt and Vietnam. The purchaser, Orlando-based **Tao Enterprises**, is paying $332,000 for the assets over a two-year period, with up to an additional $50,000 to be based on clinic revenues. According to SurgiLight Chairwoman Colette Cozean, the transaction "reflects the commitment of the Board and senior management to focus on developing the substantial market in the U.S. and worldwide for our non-excimer OptiVision laser system for the reversal of presbyopia and a number of other ophthalmic conditions."

At the same time, the Board announced that company founder and former CEO JT Lin, had resigned as a director and had signed a three-year irrevocable voting trust agreement wherein he will vote 19% of company shares, with outside directors voting his remaining shares, which represent approximately 40% of the outstanding shares. Dr. Lin has also signed a three-year employment contract in which he will continue as Director of Business and New Product Development, responsible for R&D, as well as expanding the international distributor network. This employment contract lowers the royalty rate on the presbyopia products invented by Dr. Lin from 15% to 2.5%. Dr. Lin also serves as a beneficial owner of Tao Enterprises, a family entity.

Dr. Cozean cited two recently reported successes as supportive of the company's new market emphasis: the release of data from several overseas clinical trials wherein 82% of presbyopia sufferers could read without aid after OptiVision treatment; and the `significant strengthening' of the company's distribution presence in Canada, Mexico, and the Caribbean. SurgiLight recently submitted an IDE application to the FDA and, pending clearance, will initiate studies at several U.S. sites. "We believe the Board and our senior management team now have an even firmer hand on the controls as we move to capture what we hope to be a substantial share of the large -- and growing -- presbyopia market in an aging population," said Dr. Cozean, who assumed the post of Chairwoman several months ago.

3/18 **Laser Vision Centers Inc.** announced that revenue for the third quarter ended January 31, 2002, was $25.2 million compared to $25.3 million for the same quarter a year ago. Revenue for the nine-month period was $72.9 million up from $69.2 million for the nine-month period ended January 31, 2001, a 5% increase. The net loss for the third quarter was $547,000 (2 cents per share) compared to a net loss of $1.1 million (5 cents per share) for the same quarter last year. Net loss for the nine-month period was $2.8 million (10 cents per share) compared to net income of $551,000 (2 cents per share) for the same nine-month period a year ago. "While we are never happy to report a loss, we are pleased to report that the company remained cash flow positive during perhaps the most difficult business quarter in the company's history", said John Klobnak, LaserVision chairman and CEO. "We are also encouraged by our case volume. January was our second best month ever. While it is too soon to call the end of the recession, we are reasonably optimistic that demand for our services will expand as the economy recovers. We also remain optimistic that our merger with TLC Vision will provide our shareholders and customers with a new, well capitalized and well positioned company that will be a market leader in refractive surgery for many years to come."

3/18 **NovaMed Eyecare, Inc.** announced that it had completed the divestiture of two more of its management services relationships. The two practices are located in New Albany, IN (with affiliated offices in the surrounding market) and Chattanooga, TN. Terms of the transactions were not disclosed. In October 2001 the company announced its plan to discontinue its management services operations and to focus its core business strategy primarily on the operation and growth of its surgical facilities segment.

3/18 **Sunrise Technologies International Inc.** announced it had entered into a non-binding Letter of Intent with **Aragon Ventures LLC** for Sunrise to acquire all of the equity of **SBH Holdings LLC (ScienceBased Health)**. ScienceBased Health sells ocular nutraceuticals primarily through ophthalmologists. It is expected to have 2002 sales of approximately $5-6 million, and free cash flow of approximately $600,000 annually. In addition, the company announced an out-of-court restructuring plan, as detailed in the company's filing on Form 8-K, which contains the Letter of Intent as an exhibit. Investors and creditors are urged to access the 8-K filing for more details.

There can be no assurance that the acquisition or restructuring plan will be consummated. David Brewer, managing partner of Aragon Ventures said, "Aragon previously invested $10 million into Sunrise and I personally guaranteed the company's bank loan. We were great believers in the technology then, and we are great believers in the technology now. We are not going to let this important, valuable technology die. Also, the company has obligations to its ophthalmologists and patients that we want to help the company honor." In addition, John Hendrick resigned on March 11, 2002, as president and CEO and as a director of the company, coincident with the layoff of all the remaining employees of the company on March 8, 2002. **Anesti Management LLC**, an affiliate of Aragon, will run the company on a day-to-day basis, pursuant to an interim management agreement.

3/18 **LCA-Vision Inc.** announced documented two-year clinical outcomes at the company's wholly-owned LasikPlus centers using the **Bausch & Lomb** Technolas 217 laser. These lasers have, to date, provided a near-perfect 99.4% of treated patients with 20/40 vision or better, and 89.7% of treated patients with 20/20 vision or better. LCA-Vision first installed the state-of-the-art Bausch & Lomb Technolas 217 laser in its Chicago LasikPlus facility exactly two years ago and immediately began documenting the outcomes. The company has since performed more than 60,000 procedures using the new technology, and now features Bausch & Lomb lasers in every LasikPlus market in the country. LCA-Vision chairman and CEO Stephen Joffe commented, "We are, of course, delighted by the clinical performance of the Bausch & Lomb laser and the universally superior outcomes it is providing our patients. These excellent outcomes have led us to expand its use to 30 of our centers companywide, including 27 in the U.S. The importance of these results cannot be over-emphasized -- from both a patient and investor perspective. High-quality procedure outcomes of this nature continue to be the prime driver of patient volume in our business. Stellar outcomes add up to a continuous stream of referrals from satisfied patients -- that is, powerful, positive word of mouth -- which remains among the best, least costly, and most effective marketing we can get."

3/20 **Nestle S.A.** and **Alcon, Inc.** announced that the initial public offering of 69.75 million common shares of Alcon,Inc. had been priced at $33.00 per share. Alcon, the eye care subsidiary of Nestle S.A., researches, develops, manufactures and markets ophthalmic products, including surgical instruments and accessory products, intraocular lenses, prescription drugs and contact lens care solutions. The 69.75 million common shares offered represent 23.25% of the 300 million common shares outstanding immediately following this offering (assuming no exercise of the over-allotment option by the

underwriters of this offering). Immediately after the offering, Nestle S.A. will own 76.75% of Alcon's outstanding common shares. Net proceeds of this offering of approximately $2.2 billion will be used to redeem nonvoting preferred shares owned by Nestle S.A. Alcon has also granted the underwriters an option to purchase up to an additional 6.975 million common shares to cover over-allotments. Alcon will receive the net proceeds from any exercise of the over-allotment option, which it expects to use to repay indebtedness. The common shares are scheduled to begin trading on Thursday, March 21, on the New York Stock Exchange under the symbol **ACL**. **Credit Suisse First Boston** is the global coordinator for this offering, and the joint lead managers and bookrunners for this offering are Credit Suisse First Boston and **Merrill Lynch & Co.**

3/20 Based on a newly released report from the *National Institutes of Health*, more Americans than ever are facing the threat of blindness from age-related eye disease. As reported by NIH, over one million Americans aged 40 and over are currently blind and an additional 2.4 million are visually impaired. These numbers are expected to double over the next 30 years as the Baby Boomer generation ages. **The Vision Problems in the U.S.** report on the prevalence of sight-threatening eye disease in Americans was released by the *National Eye Institute*, in partnership with *Prevent Blindness America*.

"Blindness and visual impairment from most eye diseases and disorders can be reduced with early detection and treatment," said U.S. Secretary of *Health and Human Services* Tommy Thompson. "That's why eye health education programs that encourage those at high risk for eye disease to have regular dilated eye exams are essential in preventing vision loss. Healthy vision is a shared responsibility among the government, health care providers, community leaders, and the public." The director of the National Eye Institute, Paul Sieving, MD, called for an increase in public attention to eye disease. "About one in eight Americans is 65 or older," Dr. Sieving said. "When you add declining mortality rates and population shifts, such as the `baby boomers', the number of older people will grow dramatically in the years ahead. Blindness and vision impairment represent not only a significant burden to those affected by sight loss, but also to the national economy as well."

The new report addresses the leading causes of vision impairment and blindness in the U.S., including:

* Diabetic retinopathy, believed to be a leading cause of blindness in the industrialized world in people between the ages of 25 and 74. Diabetic retinopathy affects more than 5.3 million Americans age 18 and older.

* Age-related macular degeneration (AMD), the most common cause of blindness and vision impairment in Americans aged 60 and older. More than 1.6 million Americans over age 60 have advanced AMD.

* Cataract, the leading cause of blindness in the world. Cataract affects nearly 20.5 million Americans age 65 and older.

* Glaucoma, a chronic disease that often requires life-long treatment to control. About 2.2 million Americans have been diagnosed with glaucoma, and another two million do not know they have it.

The Vision Problems in the U.S. study was the result of a 2001 consensus meeting, convened by the National Eye Institute and involving many of the world's leading ophthalmic epidemiologists. Data were obtained from a systematic review of the major epidemiological studies with the cooperation of their authors. National data are broken down into state-by-state statistics. "These are the most comprehensive data available on the prevalence of eye disease in America," said David Friedman, MD, principal investigator of the study, and Assistant Professor of Ophthalmology, Wilmer Eye Institute, Johns Hopkins University. "We hope this information will serve as a guide to our communities and our nation's leaders. We must comprehend the scope of eye problems in our country so that adequate resources can be devoted to research, treatment, and prevention."

A copy of the full report is available in downloadable format at **www.preventblindness.org** and **www.nei.nih.gov/eyedata**.

3/20 **WaveLight Laser Technologie AG** again posted an increase in sales revenues and solidly positive earnings in the second quarter of the current 2001-2002 business year. The key figures for the company included second-quarter sales of E9.5 million and a positive EBIT of E600,000.

"With this result, we have clearly exceeded our projections for the second quarter of the 2001-2002 business year," says Max Reindl, CEO. During the first six months of the current business year, WaveLight recorded total sales of E17.7 million and an EBIT of E1.0 million. This corresponds to an increase of around 90% compared to the same period a year ago.

"Our stable business growth is based primarily on the success of our Ophthalmology and Aesthetics business divisions," said Reindl in explaining the company's excellent performance. "With technologically leading products and a strategically sound sales concept, WaveLight has achieved market success in both of these segments." The company's performance in the area of aesthetics has clearly benefitted from the future-oriented repositioning of its Aesthetics Division. Having taken in a total of E11.3 million, the Ophthalmology Division was again WaveLight Laser Technologie AG's strongest in terms of sales. The market success of the innovative ALLEGRETTO WAVE laser system, in particular, is responsible for WaveLight's excellent performance in this segment."

In order to further enhance its status as a supplier of technologically leading medical lasers, WaveLight acquired an interest in the medical services company, **e-EyeCare GmbH**, in January 2002. The acquisition ensures that the Franconian laser manufacturer will receive a steady flow of firsthand information on the performance of its laser

systems. "User reports compiled by experts in the field as well as the patients' own assessments represent an indispensable foundation for the continual advancement of our laser systems," said Reindl of the company's decision to invest in e-EyeCare GmbH. "Our engagement in e-EyeCare GmbH is essentially a move to support WaveLight's technological leadership."

3/22 Since August 2000, when Ivan Jacobs, MD, performed the first laser cataract removal in New Jersey at the **Springfield Eye Surgery and Laser Center**, patients are now inquiring about the procedure in ever increasing numbers. Dr. Jacobs performed the operation using the Dodick Laser Phacolysis machine fully approved by the FDA for cataract surgery. This technique has been available in Europe for the last several years and Dr. Jacobs actually traveled to Germany for specialized training in this technique. "For years, I used to explain to my patients that we did not use lasers to remove cataracts, but that the most commonly used method called phacoemulsification used ultrasound, not lasers. Now I can tell my patients that they can have their cataracts removed by a laser," said Dr. Jacobs. "This improved technique has several important advantages over the older technique, which had been used for the last twenty years. Firstly, the microincision size is smaller, 1.4 mm instead of 3.0 mm. Secondly, far less heat and energy is placed into the eye, making it less likely to cause thermal injury to the delicate eye structures. Thirdly, because of the smaller incision, there is better control of the operation with less chance of complications."

3/22 According to *Reuters*, **Bausch & Lomb Inc.** said it forecast sharply higher earnings from sales growth, improved profit margins and a change in accounting for goodwill. The company expects earnings per share to be in the low $1.30s range for 2002 before adding another 35 cents for a change in the accounting standard for goodwill, a type of intangible asset listed on a company's financial statements.

In 2001, Bausch & Lomb reported earnings per share from continuing operations of 78 cents before a charge of 39 cents from disposal of discontinued operations.

The forecast is based on expectations for steady currency exchange rates and a U.S. economic climate, which they do not expect to change until late 2002, the company said in its 10-K filed with the Securities and Exchange Commission.

Bausch & Lomb said sales are expected to grow "in the mid-to-upper single digits" in 2002 driven by combined lens care and lenscare products from $1.71 billion in 2001. Cataract surgery and pharmaceutical products are expected to post mid-single digit sales growth in 2002, while refractive surgery sales are expected in the "low-to-mid single digit range."

3/24 According to *OptiStock*, **Q-Vis** reported that its Q2 2003 submission to the FDA of its Pre-Market Approval application for the Quantum laser will be delayed. In a clinical trial in Florida, a technical problem was detected that resulted in the under-correction of three of the 13 treatments there. Early results from the trial did not replicate the excellent ones

in Australia, so Q-Vis has postponed further treatments in the FDA trials until the cause is found. The company considers the problem an engineering one and not a fundamental problem with its technology.

3/25 **CIBA Vision**, the eye care unit of **Novartis AG** announced that it had signed an agreement with Dallas-based **Presby Corp** for the exclusive worldwide license to the company's ophthalmic surgical products and their applications for use in the treatment of presbyopia, ocular hypertension and primary open angle glaucoma (POAG). This agreement will allow for a more immediate delivery of a technology for the treatment of presbyopia and glaucoma, the second leading cause of blindness in the United States. The license agreement includes the worldwide rights to market and sell Presby Corp's scleral expansion implants as well as a specialized automated incision device. These products are used in a surgical technique that has shown promising results in initial clinical studies in the treatment of presbyopia (the `over-40' loss of near vision). CIBA Vision will assume responsibility for manufacturing the products. In addition, CIBA Vision has committed to provide additional cash infusions to Presby Corp in conjunction with future milestones.

In addition to the procedure's effect on presbyopia, a recent study conducted in Canada by Dr. Aaron Rifkind, FRCSC (Fellow of the Royal College of Surgeons Canada) showed promising early results that show that the implants can be successfully used in the treatment of ocular hypertension and primary open angle glaucoma. For glaucoma, the study indicates the implants work by increasing the aqueous humor outflow, thus reducing intraocular pressure. "This procedure, which has shown promise in controlling the progression of glaucoma, allows the physician to offer patients an alternative solution without the side effects of existing drugs," said Dr. Rifkind. "Patients no longer have to worry about getting their medications in at the right time, no longer have to worry about the transportation of their medications, or the side effects which can sometimes be quite serious."

3/25 **Carl Zeiss**, Oberkochen and **Asclepion-Meditec AG**, Jena, announced that a further hurdle had been overcome in the merging of their activities to create the world leader in the field of ophthalmic systems. After due diligence, the two partners agreed on the valuation ratio between the companies to be merged. Carl Zeiss is to receive a 76% share, and Asclepion-Meditec AG a 24% share in the emerging stock corporation.

The next milestone in the merging of the **Carl Zeiss Ophthalmology Division**, including the Californian company **Carl Zeiss Ophthalmic Systems, Inc.**, with Asclepion-Meditec AG will be Asclepion's general meeting to be held in May of this year, where the shareholders will be requested to vote on the intended merger. The Federal Antitrust Commission in Germany has already given its consent to the merger. In addition, issues concerning company and tax law still have to be settled before the merger comes into effect. In accordance with the Agreement in Principle, therefore, both partners will still have the possibility of making use of their right to withdraw from the agreement.

Carl Zeiss and Asclepion announced their intended merger in November of last year. In view of attractive growth rates in the global ophthalmic market, the activities of the two partners will ideally complement each other. In the growth market of laser vision correction, i.e. refractive surgery, Asclepion is Europe's largest system supplier. Carl Zeiss is the world's leading brand in the field of ophthalmic diagnostic systems. This will enable the new corporation to offer a complete spectrum of ophthalmic products for diagnosis, therapy and follow-up treatment. With an estimated total sales figure of roughly E260 million in the 2001 fiscal year (ended September 30) and approximately 880 employees, including 400 in Jena, the new corporation will become the world leader in the field of ophthalmic systems. The merger will open up broad market synergies for accelerated corporate growth.

OPHTHALMIC LASER UPDATE -- April 2002

3/26 **Miravant Medical Technologies** announced consolidated financial results for the fourth quarter and the year ended December 31, 2001. Revenues, interest and other income for the quarter increased to $1.4 million from $1.2 million for the same period in 2000. The net loss for the quarter was $4.7 million (25 cents per share) compared to a net loss of $9.2 million (50 cents per share) for the same period in 2000. Revenues, interest and other income for the year was $6.1 million compared to $6.0 million for the same period in 2000. The company reported a net loss for 2001 of $16.4 million (88 cents per share) compared to a net loss of $26.0 million ($1.42 per share) for the same period in 2000. The company had cash, marketable securities and receivable escrow accounts of $11.2 million at year's end.

Gary Kledzik, chairman and CEO, stated, "We completed the year having made excellent progress in all of our disease programs and awaiting results of the phase III clinical trials of our lead drug, PhotoPoint SnET2 for treating macular degeneration. Although we learned in January that the top-line results were not as we had hoped, our commitment to the promise of photodynamic therapy (PDT) remains strong. We will continue to analyze the data and investigate all avenues for the drug SnET2 in ophthalmology and other disease applications, as well as pursue new generation PhotoPoint compounds for serious eye and skin conditions, cancer and cardiovascular disease. Our management team is focused on moving forward in all these disease programs while closely monitoring costs. We have had a number of discussions that could bring additional funding into the company through co-development relationships. While Miravant faces challenges ahead, we intend to make every effort to meet our objectives for our drug pipeline."

PhotoPoint SnET2 phase III clinical trials for wet age-related macular degeneration (AMD) were completed in December 2001, with 933 patients participating at 59 U.S. ophthalmology centers. The patients were followed for two years for safety and efficacy evaluation. Top-line results, announced in January this year, indicated that SnET2 did not meet the primary efficacy endpoint in this study population. In February, Miravant regained the rights to SnET2 from the former drug licensee and recently gained access

to the full phase III data package. Dr. Kledzik said, "We are very pleased to now have possession of this very large clinical data package that involves over 900 patients. We are conducting in-depth analyses of the drug's performance in order to make decisions about further clinical trials."

In dermatology, Miravant successfully conducted a phase I clinical trial of PhotoPoint MV9411, a new topical drug designed to efficiently penetrate the skin for local treatment of skin disorders. The company launched a phase II clinical trial in January 2002, a multi-center, dose-ranging study targeting 54 patients with plaque-type psoriasis. Plaque psoriasis, estimated to affect over 5 million Americans, is a chronic skin condition in which the epidermis proliferates as much as 10 times the normal rate, resulting in inflamed, scaly skin plaques. And in cardiology, after extensive preclinical testing of new PhotoPoint compounds in advanced coronary artery models, Miravant identified PhotoPoint MV0633 as its lead clinical candidate for the prevention and treatment of restenosis (the re-narrowing of arteries after balloon angioplasty) and reduction of atherosclerotic plaques (potentially life-threatening blockages in arteries). The company presented positive preclinical results at key cardiovascular conferences and commenced high level partnering discussions with global leaders in interventional cardiology. During 2002, the company intends to conduct late-stage preclinical tests of MV0633 in advance of future clinical trials.

In oncology, studies of PhotoPoint PDT in solid tumor models continued to demonstrate selective shutdown and destruction of new blood vessels that support tumor growth, with results presented at the *American Association for Cancer Research (AACR)* in March 2001. Additional results will be presented at AACR in April 2002. Miravant also initiated preclinical studies of PhotoPoint PDT in combination with anti-angiogenic therapies, designed to selectively destroy tumor vessels while inhibiting the growth of new blood vessels. Finally, in technology development, during the year Miravant's chemistry researchers synthesized 90 proprietary new PhotoPoint drug molecules tailored for specific diseases, which were formulated and tested in biological models. Additionally, Miravant gained issuance or allowance of six U.S. and foreign pharmaceutical and device patents.

3/27 **Sunrise Technologies International, Inc.** announced that it had reached agreement in principle with the company's senior lender, **Silicon Valley Bank**. Silicon Valley Bank is owed approximately $3.5 million, and has a first lien on all tangible assets of the company and a first lien of up to $1.5 million on the company's intellectual property. The bank has agreed in principle to extend the maturity of its loan until December 31, 2002, subject to certain conditions including obtaining a term sheet from an equity sponsor or a registration statement to raise at least $5 million by September 30, 2002. The parties expect to execute a definitive extension agreement prior to March 31, 2002. According to David Brewer, manager of the company, "I am gratified that our senior lender has agreed in principle to our restructuring plan. I think they share my confidence in the company and in its new management. More importantly, their actions will help the company to survive, which in turn will help the company meet its obligations to the

ophthalmologists and patients." Brewer went on to say, "I want everyone to know that if the restructuring plan goes into effect, **Aragon Ventures** is in it for the long term. And, despite a conjecture I have heard to the contrary, my associates and I have never shorted the stock and don't plan to."

3/27 **Alcon, Inc.** announced that the underwriters of its initial public offering had exercised their over-allotment option for an additional 6.975 million common shares, priced at $33.00 per share. This brings the total number of Alcon common shares outstanding to 306.975 million, of which 76.725 million, or 25%, were sold in the initial public offering. With the issuance and sale of these additional shares, **Nestle, S.A.** retains ownership of 75% of Alcon's outstanding common shares. Alcon will use the net proceeds of the over-allotment option to repay short-term indebtedness.

3/28 As reported by *CBS MarketWatch*, **QLT Inc.** is coming under pressure following comments from **Deutsche Banc Alex Brown**, which slashed its earnings estimates on the company based on its belief that Visudyne, a treatment for blindness in the elderly developed by QLT and **Novartis**, will not be tabbed for national reimbursement coverage for occult age-related macular degeneration. The firm said that it thinks the *Center for Medicare and Medicaid Services* will announce there will be no coverage for this usage on March 29. This means reimbursement will be left up to each of the 19 local Medicare carriers that administer the Medicare program, DBAB said. In light of this expectation, the firm removed revenue from this product from its model until 2005, when FDA approval and national reimbursement coverage for this indication is expected. DBAB left its rating on QLT at "market perform" but lowered its 12-month price target on the shares to $15 from $20.

4/1 **Bausch & Lomb** announced that its CFO, Stephen McCluski, will present an overview of the company's operations at the **Banc of America Securities Healthcare Conference** in Las Vegas. Information presented by McCluski will reflect reclassified financial information which conforms with recent Emerging Issues Task Force guidance pertaining to sales incentives and consideration paid to resellers of the company's products.

The company also reiterated its guidance for comparable basis full-year revenue growth and earnings per share in the low-$1.30 a share range, excluding the impact of accounting rule changes, as previously disclosed in its Form 10K for the year ended December 29, 2001.

4/1 **QLT Inc.** announced that the Centers for Medicare and Medicaid Services (CMS), posted to its website late Friday afternoon that it had decided not to uphold its original intention to expand the national coverage policy for Visudyne (verteporfin for injection) therapy to include patients with occult subfoveal choroidal neovascularization (CNV) secondary to age-related macular degeneration (AMD). "It is very unfortunate that the CMS has reversed its original decision since QLT supports the position of independent physician organizations, particularly those mentioned in the CMS briefing document, that believe Visudyne therapy is the standard of care for patients suffering from occult lesions," said

Paul Hastings, president and CEO of QLT. "We believe, particularly after reviewing the CMS document, that all data submitted to CMS continue to support coverage since Visudyne has shown a clinically relevant treatment benefit for patients with occult CNV. We believe the CMS should reconsider its decision."

This decision is a reversal of the October 17, 2001 Decision Memorandum issued by the CMS to extend reimbursement for patients with the occult form of AMD. The original decision was based on data published in the May 2001 issue of the peer-reviewed *American Journal of Ophthalmology* and was the result of a formal request by the *Vitreous Society*. On October 29, CMS generated a request for reconsideration of the policy. Since then, QLT and **Novartis Ophthalmics** have been working cooperatively with the CMS and representatives of the Vitreous Society, the *American Academy of Ophthalmology*, and the VIP trial investigators and Data Safety Monitoring Committee to provide all requested additional information to CMS. A series of meetings has occurred between CMS and leading retina experts and QLT believes that no new information was provided to the CMS that should have altered the original Decision Memorandum.

"In keeping with our commitment to set and meet achievable financial goals and in consideration of the CMS decision we are resetting expectations for Visudyne sales and refining the range for 2002 sales by reducing the top of the range. We now expect to record sales for Visudyne in 2002 in the range of US$275 million to $300 million, which represents approximately 25-35% growth over 2001 sales."

4/1 As reported by *EyeWorld Week*, the Army has joined the Navy and Air Force in promoting LASIK and will offer it to Special Forces and other front-line troops first, as related in a front-page article in the *Washington Post*. The Army launched its Warfighter Refractive Eye Surgery Program on April 1, although Walter Reed Army Medical Center had already performed the surgery on 200 patients. Before enacting the program, the Army monitored how Rangers who had undergone LASIK handled extreme combat training. They reported no problems, saying the surgery helped to avoid fogged spectacles and lost contact lenses. More research is being conducted to see whether LASIK flaps will tear when aviators go through high-speed ejections, the newspaper explained. Army officials originally estimated that 30% of eligible troops would request LASIK, but have increased that guess to 70% to 80%. About 35% to 50% of Army troops require corrective lenses, although not all of those are suitable for LASIK.

(I have the complete Washington Post article for anyone who would like to see it.)

4/2 **Sunrise Technologies International, Inc.** announced that it had signed an extension with **Silicon Valley Bank** until December 31, 2002. The extension of the repayment due date is subject to several conditions, including (i) the agreement of Sunrise's unsecured creditors to the restructuring proposal described in the Form 8-K filed with the Securities and Exchange Commission on March 18, 2002; (ii) the completion of the merger with **SBH Holdings LLC** described in that Form 8-K; and (iii) the company obtaining a

commitment for new equity financing of at least $5 million by September 30, 2002; in addition to other conditions.

4/2 **LaserSight Incorporated** announced financial results for the fourth quarter and year ended December 31, 2001. Revenues for the fourth quarter were $4.0 million (actually $3.2 million when discontinued operations are excluded) compared to $6.1 million in the fourth quarter of 2000. The company reported a net loss of $8.5 million (32 cents per share), compared to a net loss of $12.0 million (52 cents per share) in the comparable period of 2000. Excluding the effect of losses from discontinued operations, the net loss for the quarter was $5.2 million (20 cents per share) compared to $12.0 million (52 cents per share) in the fourth quarter of 2000.

For the year, the company's revenues were $13.5 million compared to revenues of $33.7 million for 2000. The company reported a net loss for 2001 of $26.2 million ($1.04 per share) compared to 2000's net loss of $21.4 million ($1.02 per share). Excluding the effect of losses from discontinued operations, the net loss for 2001 was $22.7 million (90 cents per share) compared to a net loss of $21.0 million ($1.00 per share) in 2000.

In LaserSight's Form 10-K Annual Report recently filed with the Securities and Exchange Commission, LaserSight's independent audit firm, **KPMG LLP**, included in its opinion an explanatory paragraph describing an uncertainty about the company's ability to continue as a going concern for a reasonable period of time. This uncertainty arises from the company's recurring losses and significant accumulated deficit. Management estimates that the company's available cash and anticipated funds from operations will be sufficient to meet the company's operating cash requirements for only the next two to four weeks in the absence of obtaining additional capital or a significant improvement in cash flows from operations. LaserSight management is continuing to work with **McColl Partners LLC** to explore possible strategic opportunities in an effort to address these concerns.

Michael Farris, president and CEO of LaserSight commented, "The refractive vision correction segment was challenged during 2001 by a combination of economic conditions and acts of terrorism. According to analysts, the industry has undergone a transition from a period of unprecedented growth, during which the annual number of laser refractive procedures doubled each year from 1997 to 1999 and increased 45% during 2000, to the first decline in the annual number of procedures from 1.4 million during 2000 to 1.3 million during 2001. The industry-wide demand for new refractive laser systems is reported to have undergone a similar decline from a total of 490 lasers sold during 2000 to 261 lasers in 2001. On a more positive note, we believe that if we can satisfactorily resolve our serious liquidity concerns, we will have the potential to benefit from our recent accomplishments in product development."

"During 2001, LaserSight achieved important technological progress towards broadening its product line and establishing a pipeline of PMA Supplements at the FDA. We received the FDA's approval for LASIK treatment of myopia and myopia with

astigmatism and currently have PMA Supplements pending for the LASIK treatment of hyperopia with and without astigmatism, mixed astigmatism and our new 200 Hz advanced active eye tracking system. We strengthened our intellectual property portfolio and proprietary technology for this new generation of scanning lasers through the reissue of our '679 scanning patent as U.S. Patent No. RE37,504, and we indicated our intent to leverage the value of this intellectual property, and other patents in our portfolio, through licensing and other strategic arrangements with strong partners. During 2001, we granted **Bausch & Lomb** a non-exclusive license to the '504 scanning patent and our scanning technology. We believe that as the market for refractive laser systems continues its shift to the precision microspot beam scanning technology needed for custom ablations, LaserSight has excellent products to take advantage of this technology shift with our recent introduction of the AstraScan excimer laser system to the international market and our strong intellectual property portfolio built around scanning and diagnostic technologies, assuming satisfactory resolution of our liquidity concerns."

In the company's year-end report, LaserSight sold only 46 lasers in 2001, compared to 90 systems sold in 2000.

4/3 **SurgiLight, Inc.** reported its fourth quarter and year-end results. Revenues for the fourth quarter were $1.2 million compared with $242,835 in the fourth quarter of 2000. Revenues for the year were $3.1 million compared with $3.3 million for the previous year. The increase in fourth quarter revenues was due both to sales of the company's OptiVision laser for international presbyopia clinical trials and to licensing agreements for this product. If and when the company receives FDA approval of our presbyopia Investigation Device Exemption (IDE), the company would anticipate sales and licensing agreements for the OptiVision to increase. For the year, the company reported a net loss of $2.7 million (12 cents per share) compared with a net loss of $192,008 (1 cent per share) for 2001. This loss was primarily attributable to depreciation and amortization expense of approximately $1.4 million for the twelve months, including approximately $689,000, due to a revaluation of the useful life of international laser equipment from seven years to three years, as well as approximately $1.3 million of legal expense primarily stemming from the **Presby Corp.** lawsuit. That litigation was settled for what the company considers an immaterial sum and litigation expenses have now ceased.

As previously announced, the Board, upon reviewing the promising results from first-stage clinical trials, had decided to focus all of our efforts on the sizeable market for presbyopia. Effective February 1, 2002 the company entered into a Binding Letter of Intent to sell its **International Laser Eye Centers (LEC)** to Orlando-based **Tao Enterprises**. Dr. JT Lin, a former Board of Director and Officer of the company, beneficially owns Tao Enterprises. The company will continue to receive revenue from the purchaser of the LEC's for a period of 2 years. Both of SurgiLight's U.S. centers produced a positive cash flow in 2001; it is anticipated they will continue to do so. Management believes there will be no negative impact on current revenues from the sale of the LEC's.

SurgiLight chairwoman Colette Cozean, stated, "I am pleased that our strategy of focusing the company on gaining regulatory approval of the OptiVision laser for presbyopia is paying off. We have completed animal studies, the first stage of clinical studies, filing of the IDE for second- stage U.S. clinical trials, received approval in Canada for a final clinical study of 80 patients at five sites and expanded our presence internationally through licensing and distribution agreements for the technology. We have settled all of the material litigation, including the patent litigation from Presby Corp. By completing the sale of the International Laser Eye Centers, the company has demonstrated its commitment to the presbyopia market. Revenues and gross margins have more than doubled over the past six-month period, while operating expenses have decreased except for clinical trials. The company is setting reasonable goals and working to meet those targets for the benefit of its shareholders."

4/3 **VISX Inc.** CEO Elizabeth Davila commented on her company at the **Banc of America Securities Healthcare Conference** in Las Vegas. On laser technology: "VISX was actually the inventor of this technology, which most people today know as the LASIK procedure for permanently correcting vision." On lowering the price of a procedure: "The reality is that as the market grew, we realized that affordability at the consumer level was becoming a factor and that if we wanted to see extended, exciting growth, that the procedure needed to be more affordable. So Visx took the move in February of 2000 of reducing our per procedure fee from $250 per eye to $100 per eye in order to set the tone and basically give the signal to ophthalmologists that they also should be conscious of the end price to the consumer. And what has happened since then is the average weighted price per procedure has come down from about $2,100 per eye to about $1,200 per eye."

On Carl Icahn's proxy battle for the company: "Ichan is a major shareholder. We believe he believes in this industry and we also trust that he sees that indeed the industry and Visx are moving out of this recession and growth is resuming, and we have a very exciting future ahead of us." On a possible merger or acquisition: "The company remains open to any interest that might be expressed in a merger with another company. This is something that we consider if it made good sense for the business, it would make good sense for the shareholders and we certainly would be open to that."

4/4 **LCA-Vision Inc.** reported that 17,594 procedures were performed for the three months ended March 31, 2002, compared with 10,684 procedures in the fourth quarter of 2001. The average price per procedure has continued its upward trend, increasing to $1,044 in the first quarter of 2002. This is the fifth consecutive quarter of pricing increases achieved by the company. "The company's sequential procedure volume increase reflects seasonal demand combined with a number of marketing initiatives designed to promote greater consumer awareness and affordability," said Stephen Joffe, chairman and CEO of LCA-Vision. "LCA Vision took steps to overcome cautious consumers in the last six months of 2001, including adjusting our marketing message and providing more favorable third-party financing options. As a result of these steps, I remain confident that we are gaining market share and will return to profitability in 2002."

4/9 **LCA-Vision, Inc.** marked a major industry milestone -- the tenth anniversary of its entry into the fast-growing eyecare sector. In April 1992, more than three years before laser vision correction was approved in this country, LCA-Vision's predecessor company acquired a majority interest in the **Toronto Laser Sight Centre**. Today, LCA-Vision is the largest U.S. corporate provider of fixed-site laser vision correction services. In December 1995, immediately following FDA approval in the U.S., LCA-Vision opened the nation's first corporate-owned laser vision correction center in Cincinnati. Anticipating the federal green light, the company had been actively training U.S. ophthalmologists at the Toronto facility in photorefractive keratectomy, or PRK, the initial procedure approved by the FDA.

Commenting on the milestone, LCA-Vision chairman and CEO Stephen Joffe said, "This tenth anniversary of our entry into laser vision correction underscores the company's leadership role and long experience in the sector. As we enter our second decade, LCA-Vision continues to be the industry pace-setter in marketing, technology, and clinical outcomes." In the years following the 1992 Canadian acquisition, LCA-Vision opened a second center in Canada and currently operates 31 facilities in the U.S. under the LasikPlus brand name. By the end of the 1990s, the state-of-the-art LASIK technique had universally replaced PRK for restoring normal vision to nearsighted, farsighted, and astigmatic patients. The company is now also a partner in a European-based laser vision correction joint venture.

Since LCA-Vision acquired the Toronto facility a decade ago, LCA-Vision's ophthalmologists have performed 212,000 procedures with one of the highest documented patient satisfaction rates in the industry. Based on strong sequential growth in first quarter volume, LCA-Vision expects 2002 procedure totals to set another new record for the company.

4/10 In the March issue of *Refractive EyeCare for Ophthalmologists*, Marguerite McDonald, MD, provided her opinion on new refractive technologies on the horizon. On the question of a new technology to compete with LASIK, Dr. McDonald noted that LASIK doesn't work for everyone. "Perhaps 0.5% of patients are significantly unhappy with their LASIK. This constitutes a sizeable and vociferous group who might be attracted to a technology that reduced complications. So there is room for improvement." She went on to mention technologies such as "bladeless LASIK", using either waterjets or the femtosecond laser replacing the microkeratome, and PRK and LASEK for improving excimer laser surgery. She also discussed the status of phakic IOLs, multifocal IOLs and accommodating IOLs, intracorneal implants, scleral implants, laser thermokeratoplasty and corneal molding. She also elaborated on her own new gel-assisted LASEK technique, saying that the small pilot study showed promise, and that she was working to expand this into a larger clinical trial. All in all, a good look at some future technologies.

4/10 The April issue of *Refractive Market Perspectives* took a look at LaserSight's ongoing cash flow problems and IntraLase's ramp-up of production as an alternative to the microkeratome. In discussing LaserSight's problems, Dave Harmon took note of some

of the factors leading to the company's shortfall in revenues: a late start in the very competitive U.S. refractive market, limited regulatory approvals, lack of a clear market niche, and delays in introduction of new product lines. With U.S. sales of new excimer lasers in 2001 estimated at only 241, less than half of the number sold in 2000, LaserSight was fortunate to sell any into the U.S. market. (The company sold only 46 lasers in total during the year.) Harmon went on to say, "Should LaserSight fail to find additional financing during the next few weeks and ultimately become insolvent, it is expected to have a minimal effect on the industry. Although the company may have as many as 50 lasers installed in the U.S. market, many of these are secondary lasers and many others are not used at all."

The other featured article, on IntraLase's ramp-up of production noted that since introduction in May 2001, the company had placed 15 systems in U.S. centers, and expects to have 45 lasers in use by the end of this year, and double that number in 2003. The company is also coordinating feasibility trials for the laser's use in total ablation within the stroma, essentially flapless LASIK. This effort is being spearheaded by Dr. Arturo Chayet.

4/10 **Alcon, Inc.** reported that sales for the first quarter of 2002 were $706.5 million compared to sales for the first quarter of 2001 of $654.8 million. Sales for the first quarter of 2002 increased 7.9% (10.9% on a constant currency basis) over sales in the first quarter of 2001 and were in line with Alcon management's expectations. Alcon expects to publish its earnings for the first quarter of 2002 on May 2, at which time it will provide additional information on its first quarter results.

4/11 **TLC Laser Eye Centers Inc.** announced its third quarter results for the period ended February 28, 2002. As previously reported, over 24,800 paid procedures were performed at the company's laser eye surgery centers in the third quarter. This was down from the 33,500 procedures performed during the same period a year ago but represents a 40% increase from Q2-02 volumes of 17,700. TLC's third quarter refractive net revenues were in-line with paid procedure volumes, totaling $30.3 million. Total net revenues for the quarter were $34.3 million. TLC generated an operating profit of $3 million in the third quarter of fiscal 2002 compared to $8.5 million in the same period a year ago. TLC reported a net loss of $7 million (18 cents per share) for Q302 compared to a net profit of $428,000 (1 cents per share) for Q301.

Strong sequential growth combined with lower break-even procedure volume level requirements resulted in a substantial P&L improvement over last quarter. TLC's fixed cost business model is characterized by strong financial leverage which is particularly sensitive to procedure volumes. The third quarter's 40% sequential increase in procedure volumes resulted in gross margin as a percentage of net revenue more than doubling to 32% from 15.5% in Q202. Operating profit of $3 million represented a dramatic improvement from the operating loss of $5.2 million generated in Q202. On a GAAP basis, TLC's Q302 net loss of $7 million (18 cents per share) improved considerably from the net loss of $33.4 million (88 cents per share) reported for Q202. TLC returned to

generating positive cash flow, demonstrated by the $2.2 million in cash provided by operating activities in the third quarter. At the end of the quarter, the company's cash position stood at $43.8 million.

Elias Vamvakas, TLC's president and CEO said, "This quarter's strong sequential rebound in procedure volumes and financial performance confirms our belief that both TLC and the industry that we lead have started to rebound. As we are now into what is traditionally another strong period of growth, we are well positioned to capitalize on a lower TLC cost structure, a recovering industry and an improving macro-economic environment."

4/11 **VISX Inc.** announced financial results for the first quarter ended March 31, 2002. Revenue for the first quarter of 2002 was $36.6 million compared to $50.5 million for the comparable period of the prior year. Net income was $6.5 million (12 cents per share) in the first quarter of 2002 compared to net income of $12.6 million (21 cents per share) in the comparable period of the prior year. Commenting on the announcement, Liz Davila, chairman and CEO, said, "We are pleased to report solid first quarter results. The improving economy stimulated growth in procedures, leading to sequential gains in revenue, operating profits and cash flow. The 35% increase over last quarter in licensing revenue exceeded our expectations. Assuming continued economic expansion, we anticipate that the U.S. market will show year-over-year procedure growth."

During the subsequent teleconference with analysts, company officials noted that they had shipped 37 lasers during the quarter and had performed 38 or 39 upgrades (at $40,000-$50,000 each). The slowdown in laser sales was attributed to both the economic conditions and the flood of used lasers still in the marketplace. VISX noted that they were working with secondary sellers to be assured that the bulk of its lasers would go to high volume accounts, to keep the procedure revenues coming. The company expects that the second quarter will be in line with the first.

VISX has raised its estimate for U.S. procedures for the year slightly, to a low of 1.3 million to a high of 1.5 million. (This is up from the previously forecast low of 1.2 million.) Second quarter procedures are expected to be flat with Q1, but stronger in the second half of the year. Company officials believe that VISX holds a 60% share of procedures, 3x those performed on **Alcon** lasers (20% share), while **Bausch & Lomb** -- coming on fast and believed to be taking share from **Nidek** -- compete for the remaining 20% share.

Ms. Davila said that custom ablation would be launched this summer in Europe, where the company expects to collect a per procedure fee for the service. She anticipates filing for FDA marketing approval in the States later this year, with approval hopefully by next year's second quarter. The company shipped 21 WaveScan units this quarter (at $50,000 - $60,000 each) as part of their slow rollout, and will accelerate sales upon obtaining FDA approval. The bladeless LASIK program, employing the **MedJet** waterjet system is showing excellent progress, with launch expected this Fall.

As for the legal action with Nidek, the court date has been delayed until next February, but the Alcon-Nidek case is expected to begin this September.

Ted Huber of **Banc of America Securities** issued an update report the following day. In it he stated:

* Growth accelerates as expected: VISX reported EPS of $0.12, ahead of consensus by $0.01 driven by 35% growth in license revenue. VISX's 35% license revenue growth was spot on our estimate, yet EPS were $0.01 shy of our forecast due to a sharp decline in service revenues (new per procedure pricing structure), lower interest income and a higher share count.

* Outlook for growth improves but VISX remains conservative: VISX's range for 2002 U.S. industry procedure growth is now 8% to 25%, dependent on the strength of economic recovery. VISX's new 2002 guidance assumes 8% procedure growth translating into EPS in the $0.52 to $0.55 range. The results are back-end loaded with a flat 2Q02 and acceleration thereafter.

* BAS Model Changes: We have increased our estimate for VISX procedure growth for 2002 from 8% to 12% given management's increased visibility into industry growth. But we have reduced our EPS forecasts to $0.56 due to the same factors that caused VISX to miss our 1Q02 estimate: lower service revenue and interest income and higher shares outstanding. Our 2003 growth forecasts for VISX remains 14% with EPS at $0.85.

* BUY Rating: VISX is growing as we expected, but generating less profit in the process. Their guidance remains conservative given industry growth dynamics and we expect the pattern of EPS upside and rising forecasts to continue in spite of our model reduction. VISX is trading at 19.8x our new 2003 EPS estimate. Our $20 price target is 23.5x our 2003E EPS, derived from a PEG ratio in line with VISX peers.

4/11 **QLT Inc.** announced that at the company's upcoming Annual Meeting on April 25, 2002, it will be requesting fewer stock options than it had originally asked shareholders to approve. In response to the company's planned reduction in the number of options being requested and amendments to the shareholder rights plan, **Fairvest Securities Corporation**, the Canadian division of **ISS**, today issued a formal recommendation that QLT shareholders vote in favor of all of the proposed recommendations including the options and shareholder rights plans. ISS is widely recognized as a leading independent proxy advisory firm. Its analyses and recommendations are relied upon by hundreds of major institutional investment firms, mutual funds and other fiduciaries. "In response to discussions with Fairvest/ISS, QLT has reduced the proposed 4.3 million increase in the number of common shares that may be issued under the 2000 Stock Option Plan to 2.0 million common shares," said Paul Hastings, president and CEO. "The amended Option Plan reflects our respect for the expectations of our shareholders while at the same time provides appropriate incentives to recruit and retain employees who are important for the growth and success of the company." This increase represents less than 3% of the current

issued and outstanding shares of QLT. Shareholders will be asked to approve this change at the Annual Meeting.

4/12 **SurgiLight, Inc.** announced that Dr. JT Lin, the company's founder and a former director and officer, had been charged by both the SEC and the U.S. Attorney for the Eastern District of N.Y. with securities fraud and related charges for trading in company stock. The alleged conduct occurred more than two years ago, when Dr. Lin and his associates exercised effective control of the company. Dr. Lin, his wife, another individual and the company were named in the suit, which seeks the disgorgement of the profits allegedly made by Dr. Lin, interest and penalties, and an injunction prohibiting similar conduct in the future. The company said it had cooperated fully with the office of the United States Attorney for the Eastern District of New York, which brought the indictment against Dr. Lin, and the SEC, which brought the civil action in the United States District Court for the Middle District of Florida. Upon learning of these legal actions, the company immediately placed Dr. Lin on a leave of absence. Dr. Lin has provided written assurance that he will fully indemnify the company for any liability in this matter. In July, 2001, Dr. Lin resigned as an officer and signed a trust agreement with the current Board, in which he relinquished voting control to the Board. As of that time, Dr. Lin had no further control or authority to bind the company.

Dr. Lin and the others are accused of inflating the company's common stock price and reaping significant profits based essentially on the issuance of press releases between December, 1999 and February, 2000. The complaint states that the releases were characterized by the SEC as "false and misleading" regarding the use of the company's laser systems in treating presbyopia. SurgiLight chairwoman Colette Cozean, said that the current Board and senior management had assumed corporate responsibility "long after" the alleged acts and that, in fact, any and all public announcements issued by current management regarding the company's OptiVision laser system for presbyopia "have been based entirely on reporting established clinical data from several overseas sites indicating preliminary success in laser treatment, but specifically avoiding claims that cannot be proved clinically." SurgiLight has submitted those data to the FDA and is hopeful of obtaining an IDE to proceed with second-stage testing at U.S. clinical sites. Dr. Cozean also indicated that the SEC is seeking an injunction against the company, which SurgiLight "plans to oppose vigorously," since any alleged illegal activities exclusively concern Dr. Lin. "The current Board, comprised entirely of outside directors, continues its commitment to excellence," she said, "and operates under policies which would prevent similar actions from occurring in the future."

According to *Dow Jones Newswires*, the SEC lawsuit filed in Florida charges former chairman Dr. Jui-Teng Lin, his wife Yuchin Lin and Aaron Tsai with artificially inflating the market price of SurgiLight stock from late 1999 through early 2000, while simultaneously selling a substantial amount of their holdings in the company. Dr. Lin was also indicted by the U.S. Attorney's Office for the Eastern District of New York on related criminal chargers. In addition, the Lins settled a prior civil action brought by the SEC involving similar charges with another eye-surgery company in September 1998.

Cheryl Scarboro, an assistant director in the SEC's enforcement division, noted that the agency is also going after the company because it was involved in issuing false press releases and a large portion of ill-gotten gains ended up in a company bank account. In its complaint, the SEC alleged that the Lins generated about $1.7 million in illicit proceeds by deceiving investors into believing that SurgiLight had developed a procedure for curing age-induced vision deterioration known as "Presbyopia." In reality, SurgiLight's claims were "baseless," the SEC said, "the company had built only one laser and hadn't yet tested it in any Presbyopia procedures" during the time in question. At the same time, the SEC contends that the Lins, with the assistance of Tsai, used nominee accounts to create the false appearance of an active market in SurgiLight securities and to sell SurgiLight stock they controlled to the public. Through their false press releases, the SEC said the Lins artificially inflated SurgiLight's stock price tenfold, from about $2.50 a share to more than $25 each. The Lins then sold enough stock to realize proceeds of $1.7 million. Ms. Scarboro said about $1.2 million of these proceeds ended up in a bank account controlled by the company. For his part, Mr. Tsai sold about $1 million worth of SurgiLight stock near its high in early 2000, the SEC said.

Reuters reported additional information. According to Reuters, "Incredibly the Lins launched this scam barely a year after being adjudged securities fraudsters and enjoined from such activity by another federal court," the SEC said. But Lin's attorney, William Nortman, told Reuters his client would be vigorously defending the new charges. "Dr Lin thinks that the government has probably misunderstood and taken out of context the releases issued. We think once the government understands the press releases, the entire case will crumble," he said in a telephone interview.

4/15 Ted Huber of **Banc of America Securities** issued a new research report on **Alcon**. The highlights were:

* Initiating Coverage with Strong Buy Rating: Alcon, the world's leading eyecare products company, offers leadership of growth markets, high profitability and balanced growth.

* Leadership of growth markets: Alcon has a #1 global share in the surgical pharmaceutical, and consumer eyecare markets. In aggregate, these markets are poised to grow at a compounded 8% rate over the next decade.

* Balanced growth drivers: Alcon's sources of revenue growth are well balanced: through 2003, new glaucoma drug Travatan should provide 30% of growth while six other product categories contribute near 10% each.

* Technology and scale driven profitability: Alcon is the most profitable eyecare company with 70% gross margins and 25% operating margins. Profitability is supported by a rich patent estate and scale advantages that cut across manufacturing, distribution and R&D.

* Sustainable 19% EPS growth: Alcon's near 20% EPS growth derives from its 8%+ revenue growth, operating leverage, falling interest costs from debt reduction, and permanent reductions in tax rates over the next several years.

* Strong Buy rating: Alcon trades at 24.6x our 2002 EPS estimate, a discount to device and pharma peers on a PE or PEG basis. We expect modest multiple expansion as Alcon executes through its first quarters as a public company, building investor confidence in its growth and consistency. Our price target of $42.00 is 26.3x our 2003 EPS estimate.

In the report, Huber noted that Alcon was number 3 in refractive surgery, behind both **VISX** and **Bausch & Lomb**. In his quarterly revenue model, he showed that for 2001 Alcon had refractive product sales (including equipment, royalties and service) of $87 million (whereas, in its prospectus, Alcon reported $88 million). The $87 million represented 6.4% of Alcon's total surgical segment sales. For 2002, Huber forecasts sales of refractive products to reach $99.8 million, 7% of surgical products, while in 2003 refractive products sales are forecast to reach $136.6 million, or 9% of surgical sales. In 2004, he projects refractive product revenues of $163.9 million, or 10.2% of surgical sales.

4/16 **Refractec Inc.** announced that the FDA had approved CK (Conductive Keratoplasty), a non-laser procedure for correcting farsightedness (hyperopia) in people over age 40, utilizing the company's Viewpoint CK system. CK utilizes the controlled release of radiofrequency (RF) energy, instead of a laser or scalpel, to reshape the cornea. The minimally invasive CK procedure takes less than three minutes and is done in-office with only topical (eye drop) anesthesia.

"For years, the farsighted have been left behind as vision correction progressed: RK (radial keratotomy), PRK (photorefractive keratectomy) even LASIK initially, were all treatments designed specifically for the nearsighted," said world-renowned ophthalmologist Marguerite McDonald, MD, medical monitor for the FDA clinical trials, director of the Southern Vision Institute and clinical professor of ophthalmology at Tulane University, New Orleans, La. "CK is one of the first procedures designed specifically for the millions of people with hyperopia."

Due to the flatness of the cornea, farsightedness is the most difficult disorder to treat with LASIK and the most likely to cause complications, according to Robert Maloney, MD, principal FDA clinical investigator and director of the Maloney-Seibel Vision Institute in Santa Monica, Calif. "Hyperopic LASIK accounts for about 20% of my practice, but 80% of the complications, because hyperopic patients are more likely, after LASIK, to get dry eyes, hazy vision or poor quality of vision," said Dr. Maloney.

The Refractec Viewpoint CK System received premarket approval for the *temporary* reduction of spherical hyperopia in patients who have 0.75 D to 3.25 D of cycloplegic spherical hyperopia, with less than or equal to 0.75 D of refractive astigmatism (minus cylinder format), and a cycloplegic spherical equivalent of 0.75 D to 3.00 D. Patients

must be 40 years of age or greater with a documented stability of refraction for the prior 12 months, as demonstrated by a change of less than 0.50 D in spherical and cylindrical components of the manifest refraction. The magnitude of correction with this treatment diminishes over time, with some patients retaining some or all of their intended refractive correction. The immediate market application for CK is substantial and growing according to Mitchell Campbell, president of Refractec. "As many as 40 million Americans are estimated to be over age 40 with low to moderate hyperopia (+0.75 to +3.00 diopters), the approved indication for CK. And, when you consider that very few of the nearly 2 million refractive procedures are performed to help farsighted patients, you can see the huge potential for CK. These patients are looking for a procedure that they think is safe and easier to undergo and at present, CK is the only alternative to laser," said Campbell.

In correspondance with Lauren Kanner, vice president of Marketing for the company, she offered the following talking points about CK:

* CK is the first non-laser procedure for farsightedness.
* CK uses the controlled release of radiofrequency (RF) energy, instead of a laser or scalpel, to reshape the cornea.
* CK is a safe, minimally invasive alternative procedure to laser for farsighted patients.
* CK is fast: The procedure is performed in just under three minutes.
* CK is convenient & comfortable: The procedure is performed in-office with only topical (eye drop) anesthesia.
* Because CK is performed without the cutting or removal of tissue, it meets the needs of the risk-adverse patient who's been waiting for a safe, less invasive procedure for farsightedness.
* For years, the farsighted have been left behind as vision correction procedures progressed: RK, PRK even LASIK initially, were all treatments solely for the nearsighted.
* CK is one of the first procedures designed specifically for farsightedness.

In explaining how CK works, she offered the following:

* Short Version: CK is performed using a probe as thin as a human strand of hair, which releases radiofrequency energy, shrinking the tissue to increase the curvature of the cornea.
* Full Explanation: CK applies radio waves in a circular pattern on the outer cornea to shrink small areas of collagen. This circular shrinkage pattern creates a constrictive band (like the tightening of a belt), increasing the overall curvature of the cornea to treat farsightedness.
* RF is one of today's most advanced surgical technologies. In addition to the treatment of farsightedness, RF technology is being used in prostate cancer therapy, back surgery, even cardiovascular procedures.

In response to my questions about the procedure I was told the following:

● How temporary is temporary? Patients in the clinical trial retained 94% of their correction after 12 months.

● How did the results compare with LTK? The company didn't do a direct comparison, but Kanner claimed that there was little overshoot of correction with CK.

● How long until stability of correction is attained? On average, within about 0.5 diopters after 1 day; within 3/4 of a diopter after 7 days; and full stability within 3-6 months.

● How much does the equipment cost? $48,500 for the Viewpoint CK device, and $150 per procedure for the probes.

● How much are surgeons charging? On average, about the same as LASIK, between $1300 - $1850 per eye.

● And finally, what about repeatability (if the effect does wear off)? The company is working on this, but expects it to be no problem.

Following the announcement, the company got good press coverage, with a full story in the *Wall Street Journal*; a story on the *AP PressWire*; and a lengthy article in *Medical Device Daily*.

4/16 **QLT Inc.** reported global Visudyne (verteporfin) sales of approximately US$68.4 million (CAD$109.0 million) for the quarter ended March 31, 2002. This represented an increase of 42.5% over sales in the first quarter of 2001 and was ahead of analysts' expectations of US$66.5 million. QLT will release its full financial results on April 23, 2002. "We are very pleased to report Visudyne sales for the quarter ahead of the Street's expectations," said Paul Hastings, QLT's president and CEO. "This year is off to a good start and we reiterate our annual sales guidance of US$275-300 million by year end as the global Visudyne franchise continues to expand."

Visudyne is now approved in 62 countries for predominantly classic AMD and in over 40 countries for extended indications including CNV due to pathologic myopia. In addition, submissions have been filed with regulatory agencies in the European Union, Canada, Australia and New Zealand for the occult form of AMD. Visudyne sales in the U.S. for the quarter were approximately US$43.0 million (CAD$68.6 million), representing 62.9% of total sales for the quarter. The remaining US$25.4 million (CAD$40.4 million) relates to sales in the rest of the world.

4/16 **LaserSight Incorporated** announced that LaserSight and an undisclosed third party had entered into a non-exclusive license related to LaserSight's AstraMax technology and a non-binding letter of intent with respect to the purchase of such technology by the third party. AstraMax is an integrated refractive diagnostic workstation that performs analysis of aberrations within the eye. The letter of intent contemplates a transaction wherein LaserSight would receive $5 million and LaserSight would transfer to the third party all

patents, patent applications, know how and licenses related to the AstraMax (the `AstraMax Properties'), provided that LaserSight would retain a fully paid up license to make and sell the AstraMax technology to LaserSight customers who have purchased or do purchase a LaserSight excimer laser system.

In addition, LaserSight would receive payments of 5% of the net sale price of all AstraMax products sold by the third party for a period of five years. If the AstraMax Properties are purchased by the third party, then LaserSight and the third party would establish an OEM vendor relationship under which the third party would manufacture the AstraMax for LaserSight at LaserSight's request. The transaction is subject to negotiation and execution of definitive agreements within 30 days. LaserSight and the third party have agreed to use all reasonable efforts to negotiate and execute definitive agreements as soon as possible.

LaserSight has granted the third party a non-exclusive license to the AstraMax Properties. This non-exclusive license would terminate with the transfer of all rights in the AstraMax Properties to the third party. The non-exclusive license provides for LaserSight to receive a licensing fee totaling $2.5 million, of which $500,000 was paid concurrent with signing the license, $125,000 is to be paid during each of the next four weeks and $1.5 million is to be paid within 40 days. If any of these payments are not received, the non-exclusive license would terminate and LaserSight would retain any previous payments. In addition, if the non-exclusive license does not terminate, during the next five years LaserSight will receive an on-going royalty of 2.5% of the net sale price of all AstraMax products sold by the third party. For the next 30 days or until the non-exclusive license is terminated due to non-payment, LaserSight has agreed to suspend, and not enter into, any discussions and negotiations with any other party for the AstraMax Properties. All payments received pursuant to the non-exclusive license would be applied against the $5 million purchase price of the AstraMax Properties.

Heller Healthcare Finance, Inc. has consented to the transactions contemplated by the letter of intent and the non-exclusive license. If the transfer of the AstraMax Properties is consummated LaserSight will use $1.25 million of the proceeds from such transaction to pay down its term loan with Heller. If all payments are received under the non-exclusive license LaserSight will use $625,000 of the proceeds from such transaction to pay down its term loan with Heller. Michael Farris, president and CEO of LaserSight commented, "We are pleased that the potential of the AstraMax technology has been recognized. With the execution of the non-exclusive license LaserSight will turn its attention to negotiation of the definitive agreements contemplated by the letter of intent while our advisors, **McColl Partners LLC** pursue possible strategic opportunities for the company."

4/16 **Paradigm Medical Industries, Inc.** disclosed it had initiated the second phase of its `downsizing-rightsizing' strategy, which was aimed at reducing operating expenses by at least $2 million annually. The new phase will include closing and transferring manufacturing from the company's site in San Diego, CA, to Salt Lake City. "Closing our

California office and manufacturing site will result in a reduction in our payroll, the elimination of some duplicate functions, and improved manufacturing efficiencies," said chairman and CEO Thomas Motter. "We will also eliminate lease expenses in San Diego. Our manufacturing plant in Salt Lake City is currently under-utilized. It can produce our equipment for surgical and diagnostic products, as well as consumables. San Diego was only producing diagnostics."

The company believes that the marked reduction in operating expenses, coupled with a projected sizable increase in revenues, will result in Paradigm Medical achieving profitability and positive cash flow before the end of 2002. Motter noted that the initial downsizing phase, which began late last year, focused mainly on workforce reduction and the elimination of `outside' services. "That phase has been completed. We will now begin phase two of our `right-sizing.' It should be completed by midyear. Our overall work force at June 30, 2002, is expected to have shrunk by about 50% from where we stood at December 31, 2001. We have built adequate capacity for the closing and transfer of manufacturing in San Diego. We have adequate capacity to meet near-term demand for our proprietary Ocular Blood Flow Analyzer (BFA) devices, which had been produced only in San Diego since the second half of 2001."

4/17 According to *Dow Jones*, **Pharmacia Corp.** cut its stake in **Miravant Medical Technologies** to 6.4%, according to an amended Schedule 13D filed with the Securities and Exchange Commission. On April 8 , Pharmacia reported a 7.8% stake. In March, Miravant terminated certain contracts with Pharmacia and regained the rights to all assets related to Phase III clinical trials of SnET2, a treatment for macular degeneration. The companies also renegotiated a financing agreement related to the development of SnET2.

4/18 At an annual and special meeting of shareholders in Toronto, **TLC Laser Eye Centers Inc. (TLC)** shareholders approved the planned merger with **Laser Vision Centers, Inc. (LaserVision)** and the related matters including the renaming of the company to **TLC Vision Corporation (TLC Vision)**. Approximately 99% of the common shares voted were cast in favor of the proposed agreement and plan of merger. The results followed a similar outcome at a special meeting of LaserVision shareholders in St. Louis, Missouri. At that meeting, approximately 97% of the common shares voted were cast in favor of the proposed merger with TLC to create TLC Vision.

"This is an exciting milestone. We are extremely pleased with the results of the vote and thank our shareholders for a rousing endorsement of our proposal to create TLC Vision," said Elias Vamvakas, TLC's chairman and CEO. "Today's approvals give us the mandate to create the premier company in the refractive surgery industry, providing value-added services to a leading network of affiliated doctors so they can provide superior patient care," said Jim Wachtman, LaserVision's president and COO. "We are very pleased with today's vote. I have enjoyed my 17 years as CEO of Laser Vision Centers and its predecessor companies and I look forward to serving on the Board of the new company following the closing and I extend my best wishes to our employees, customers and shareholders," said Jack Klobnak, LaserVision's chairman and CEO.

Under the terms of the merger agreement, as amended, LaserVision's common stock will be converted to TLC Vision common stock at a fixed exchange ratio. LaserVision shareholders will receive 0.95 shares of TLC stock, which is traded on NASDAQ and The Toronto Stock Exchange, for each common share of LaserVision. As a result of the continuing strike by the Ontario public service employees, the companies do not expect that the merger will close, as previously indicated, by April 30, 2002. The merger agreement permits either company to terminate if the merger is not completed by March 31, 2002. However, the companies have agreed that they will not exercise this right to terminate provided that the merger was completed by May 10, 2002. TLC and LaserVision intend to close the transaction as soon as practicable. In the meantime, management of TLC and LaserVision will continue their integration planning and continue working towards the combination of the two companies, however the companies will continue to operate separately.

4/18 An excellent article on LASEK appears in the April issue of *EyeNet* magazine, available on the net from the AAO's website. Written by Linda Roach, and entitled "LASEK Takes the Spotlight", the article explains the procedure and provides comments on the procedure from doctors such as Dan Durrie, Eric Donnenfeld, Thomas Claringbold, Paolo Vinciguerra, Dimitri Azar and Doug Koch. It goes into detail about the procedure as well as the pros and cons as related by several of the surgeons.

4/22 As reported by **OptiStock**, **Credit Suisse First Boston**, **Merrill Lynch**, **Banc of America Securities**, **SG Cowen**, and **Lehman Bros.** all started coverage of **Alcon** at "Strong Buy", while **JP Morgan** started the stock at "Buy". **Goldman Sachs** started the stock at "Market Outperform", and **Salomon Smith Barney's** rating was "Outperform". CSFB set a 12-month target price of $46. The Goldman Sachs analyst set a price of $41 and said that Alcon is in the forefront of research on age-related macular degeneration, with a new product called anecortave acetate in development.

4/23 **Novartis Ophthalmics**, the eye health unit of **Novartis AG** and **QLT Inc.** announced the submission of a new drug application in Japan for Visudyne (verteporfin for injection), a therapeutic treatment for AMD (age-related macular degeneration) accompanied with subfoveal CNV - the leading cause of blindness in people over age 50. Visudyne was evaluated in Japan as a therapeutic drug for the wet form of AMD following its designation as an orphan drug in June 1997. The results of a 6-month clinical study which were presented today at the international congress of Ophthalmology in Sydney, have shown the efficacy and excellent safety profile of Visudyne in Japanese AMD patients. In Japan, **Carl Zeiss Co. Ltd.**, and **Lumenis Japan, Ltd.** submitted pre- marketing approval applications for laser devices, which would be used in Visudyne therapy.

Visudyne is commercially available in 62 countries for the treatment of certain types of predominantly classic subfoveal CNV caused by AMD. It is also approved in over 40 countries, including the EU, U.S. and Canada, for the treatment of subfoveal CNV due to pathologic myopia (severe near-sightedness). In the U.S., Visudyne has received an additional approval for CNV due to presumed ocular histoplasmosis. Over 150,000

patients have undergone Visudyne therapy worldwide since its US launch in April 2000. If approved, Visudyne could be beneficial to patients in Japan suffering from this devastating eye disease that to date has no other pharmaceutical effective therapy.

4/23 **QLT Inc.** reported financial results for the first quarter ended March 31, 2002, and updated guidance for 2002. Unless specified otherwise all amounts are in Canadian dollars. For the three months, total Visudyne sales were US$68.4 million (CAD$109.0 million). This represented an increase of 42.5% over sales in the first quarter of 2001. Visudyne sales in the U.S. for the quarter were approximately US$43.0 million (CAD$68.6 million), representing 62.9% of total sales for the quarter. This represents an increase of 38.7% over US sales in the first quarter of 2001. The remaining US$25.4 million (CAD$40.4 million) relates to sales in the rest of the world.

The company reiterated its annual Visudyne sales guidance in the range of US$275-300 million or growth over 2001 in the 25% to 35% range. Pro Forma EPS for 2002 is expected to range from $0.35 to $0.40. Adjusting for the below-trend spending levels in the fourth quarter of 2001 (which translates to a comparable EPS for 2001 of $0.25), these estimated earnings levels represent year over year gains of 40% to 60%. "We are pleased with the growth of Visudyne through this quarter and we are clearly on track to be within the guidance provided for 2002 Visudyne sales," said president and CEO Paul Hastings. "Our focus continues to be to expand the Visudyne franchise, to demonstrate progress with our clinical development programs and to make every effort to ensure continued EPS growth through 2003 and beyond."

The company's Revenues reached $38.5 million in the first quarter, growing by 69.2% from the prior year. Revenues from Visudyne comprised $35.7 million of this total, up 61.8% from the same period in 2001. QLT's share of Visudyne net profit (excluding the recovery of manufacturing and other costs) for the first quarter was 23.3% of Visudyne sales. The alliance profit share rate in Q1 was lower than the still expected full year rate of 26% to 28% of Visudyne sales due to heavy promotional expenses in the first quarter. Expenditures for Research & Development of $12.8 million were 67.2% higher for the three months ended March 31, 2002 than for the same period in 2001. The increase is due mainly to increased spending in the tariquidar and multiple basal cell carcinoma (MBCC) development programs.

4/23 **IRIDEX Corporation** announced that sales for the quarter ended March 30, 2002 were $7.0 million, an increase of $1.3 million or 21% compared to the corresponding quarter in 2001. The company reported a net loss for the first fiscal quarter of $207,000 (3 cents per share) compared to a net loss of $1.8 million (27 cents per share) for the corresponding quarter in 2001, including a charge for discontinued operations of $0.13 per share in 2001. "During the first quarter of 2002, sales of our ophthalmology products were strong, exceeding our expectations," commented Theodore Boutacoff, president and CEO of IRIDEX. "Though sales of our aesthetic products were up 70% from the corresponding quarter in 2001, they were below our expectations. Thus overall, the strength in ophthalmology products only partially offset the larger shortfall in aesthetic

products. The majority of the shortfall in aesthetic product sales is due to weak market conditions in the domestic hair removal market. We believe the combination of hair removal being an elective procedure and weak economic conditions in the United States and worldwide continues to affect the hair removal market. We were pleased with the strong showing of our ophthalmology products. The ophthalmology market seems to be less affected by the current economic conditions. Of particular note is the increased acceptance of our new EasyFit integrated green laser system targeted to the retina specialist. The EasyFit system offers all the benefits of a fully integrated laser system for the retina specialist, such as an unobstructed view of the retina, in addition to the portability and reliability of a semiconductor-based laser system."

Cost containment measures put in place during the past several quarters generated a 16% reduction in operating expenses compared to the corresponding quarter in 2001, resulting in the lowest expense level in the past 10 quarters. However, investment in new products continues with emphasis on both new instrumentation and disposable products. Current economic conditions continue to make it difficult to offer accurate guidance in the aesthetics market, but the company expects second quarter revenue to be between $7.5 and $8.0 million with earnings per share in the breakeven to $0.02 range. For the year 2002, the company expects total sales to grow by approximately 20% with profitability in the second half.

4/25 **STAAR Surgical** announced that it had submitted two of the three modules of the pre-market approval (PMA) submission to the FDA for the Implantable Contact Lens (ICL) ahead of projected schedule. The company requested that the FDA allow their pre-market approval (PMA) application for the ICL to be submitted in a modular format. This form of submission allows the FDA to individually review each section in a timely manner. The last module will contain the clinical data and will be submittedas soon as the company fulfills the requirements as outlined by the FDA. Helene Lamielle, MD, vice president of Scientific Affairs explained, "The modular format provides the FDA the opportunity to review the material ahead of time and speeds the feedback to the company regarding important information."

STAAR submitted the first of three modules, the "Pre-Clinical Data" section on March 28, 2002. On April 19, the company submitted its second module, "Manufacturing Information." "Our staff has done an excellent job submitting the first two modules ahead of schedule for our premier product, the ICL," said David Bailey, CEO and president. "This is an excellent example of how we are committed to meet or exceed our plan to provide the ophthalmic industry with excellent products through advanced technology, while providing shareholders a strong return on their investment in STAAR Surgical company."

4/25 **QLT Inc.** officials said, at its annual meeting, that it planned to use its forecast $310 million in cash reserves at year-end to invest in new licensing deals or potential acquisitions in order to build the company, according to *Dow Jones*. QLT doesn't plan to buy back shares despite their price decline, and it would be "very doubtful" and unusual

for a company at this stage to pay a dividend, chairman Duff Scott said in response to shareholder questions.

President and CEO Paul Hastings said the company had a "minor setback" recently when the U.S. Centers for Medicare and Medicaid Services decided not to reimbuse Visudyne, the company's lead vision drug, for national coverage in the treatment of the occult form of age-related macular degeneration. But QLT is moving on, he added. It still intends to expand the use of Visudyne, which is approved in 62 countries, but the company's future contains other drugs and treatments. "We are now putting increasing emphasis on our non- ocular programs," he said. For example, the company plans to initiate a Phase III trial by mid-year for the oncology product tariquidar for non-small-cell lung cancer, and will expand its alliance with **Novartis AG (NVS)** to develop verteporfin, a skin cancer treatment that is entering entering Phase III trials in multiple basal cell carcinoma, Hastings said. The company also will start "proof of concept" studies this year for QLT0074, a new compound to treat prostate disease and hair loss.

4/25 **Bausch & Lomb** announced the results of its operations for the first quarter ended March 30, 2002. Net sales during the period were $414.2 million, up 3% from the $402.6 million reported in the first quarter of 2001. In constant dollars (excluding the impact of changes in foreign currency exchange rates), revenues increased 5% from the prior year. For the first quarter the company reported net earnings of $8.8 million, or $0.16 per share, compared to a net loss of $1.0 million, or $0.02 per share, in the prior-year period.

Refractive surgery product revenues declined 9% in actual dollars and 8% in constant dollars from the prior year. As anticipated by the company, softness in the U.S. economy has led to a slowing in the number of consumers electing to have LASIK surgery than in the year-ago quarter. Outside the U.S., the company noted continued increases in sales of procedure cards and equipment used in its Zyoptix system for customized refractive surgery.

Following the release of financial data, Ted Huber of **Banc of America Securities** released an updated research report. In it he stated:

* Respectable 1Q01 results. Aided by higher than expected interest income, Bausch's EPS of $0.24 was $0.04 better than our estimate and $0.03 ahead of consensus. Sales growth of 2.9% was the best performance in 5 quarters. All business (except cataracts) came in a bit better than we thought. Reported operating margins were a bit shy of our projection, but at 6.9% were up 290 b.p. over 1Q01.

* Profit outlook unchanged but confidence increased. Bausch reaffirmed its 2002 guidance at $1.65 and we are raising our estimate to $1.60 from $1.57 to reflect part of the 1Q02 upside. Our model now calls for a less steep acceleration in profit as the year progresses, giving us more confidence in the projected results.

* Envision results coming this summer. Management promised a look at Phase III results for the Envision trial for diabetic macular edema patients by its next earnings conference call (we expect they will be available earlier). These results as the single most important near term driver of BOLs share price.

* Market Performer thesis. Bausch is currently trading at 18.6x our 2003 EPS estimate of $1.94, an 8% premium to peer multiples. Given the early stages of the BOL turn around and limited visibility into Envision results, balanced against improving prospects for a turn around, we think the stock is trading at an appropriate multiple.

4/25 As reported by *Dow Jones*, **Paradigm Medical Industries Inc.** commented on the recent decline in its stock price. The company said it was currently waiting for Food and Drug Administration approval on two devices -- a Photon Laser System Workstation for cataract removal and Ocular Blood Flow Analyzer device for pre-screening glaucoma. The company expects the FDA to ask for a slightly larger patient sampling than Paradigm provided. "We have continued to monitor and update our data by performing additional surgeries at our clinical sites since our submission and believe we can respond to such a request without the need for any new grass-root clinical studies or substantial capital costs," said chairman and CEO Thomas Motter.

OPHTHALMIC LASER UPDATE -- May 2002

4/24 **Ellex Medical Lasers Ltd. (Laserex)** and **Lumenis Inc.** (formerly **Coherent Medical Group**) entered into an agreement for Ellex to design, develop and exclusively manufacture a new range of Ophthalmic Laser products, for both companies, for the treatment of both secondary cataracts and glaucoma. "We are delighted that our on-going collaboration with Lumenis has given them the confidence to place design and production responsibility with our company for this exciting new market," said Peter Rowland, managing director of Ellex Medical. "The move into glaucoma treatment is an extremely important one for Ellex and we are pleased to be collaborating with Lumenis on this new range of products".

Ellex Medical will develop the new range of laser systems in their new manufacturing and development facility in Adelaide, South Australia. Ellex Medicals' core product range for the treatment of cataracts, was extended last year into retinal therapy with the launch its Integre Photocoagulator laser (at last year's AAO meeting). Now this new product range will add the treatment of glaucoma to the company's portfolio.

"This contract is an important strategic step for Ellex" Rowland said. "Our collaboration with Lumenis on this project allows us early market entry with a new range of products for a new ophthalmic procedure." Robert Grant, executive vice president of Lumenis said. "We are very pleased to extend our excellent working relationship with Ellex into the field of glaucoma management. We are confident that this collaboration will add significant value for Lumenis customers and shareholders."

4/30 **Bausch & Lomb** possesses "three fundamental and significant strengths: sound strategy, excellent technology and a strong brand that form a fundamentally strong platform for growth and improved financial performance," chairman and CEO Ronald Zarrella told shareholders at the company's 2002 annual meeting. "I've been on the job for about five months now," Zarrella said. "I believe that our core businesses possess a great deal of unrealized potential, which can be unlocked through a continued flow of technologically differentiated new products, combined with aggressive cost management, a disciplined business approach and -- most importantly -- improved execution." The company has set a three-year target to achieve the goal of annual revenue growth in the mid-to-high single digits with operating margins in the mid-teens and R&D spending approaching 10% of sales.

4/30 **STAAR Surgical** reported results for the first quarter ended March 29, 2002. The company continued to be cash positive and reported losses smaller than analysts expected, despite a 6% shortfall in revenues. Revenues for the quarter were $11.7 million, compared to $13.0 million in the first quarter of 2001. There was a net loss of $997,000 (6 cents per share) versus a net loss of $230,000 (1 cent per share) for the same period a year ago. David Bailey, president and CEO, said, "Revenues from STAAR Surgical's Intraocular Lens declined as the cataract business continues to suffer price pressure and a loss of market share due to our short term inability to compete effectively in the three-piece segment of the market. We are encouraged, however, by sales of our new flagship products in the areas of glaucoma and refractive." He added, "With the release of the ICL in Canada, international sales of the ICL are growing and are broadly in line with internal expectations. We expect new approvals in the near future, which will continue the international sales growth of the ICL. In fact, we are pleased to confirm Korean approval of the ICL for myopia. We received the official certificate today allowing unrestricted sale to Korea of ICLs in the range of -3.0 diopters to -20.0 diopters."

5/1 **LCA-Vision, Inc.** announced a return to profitability, reporting net income for the first quarter ended March 31, 2002 of $1.2 million (3 cents per share). Net income for the period nearly matched last year's record first quarter net income of $1.3 million (3 cents per share). Laser vision correction revenues for the first quarter grew 72% sequentially to $18.8 million. Average price realization per procedure also rose significantly to $1,066 in the first quarter, while contribution margin remained strong at 79.9%. A year ago, average price realization per procedure was $897 with a contribution margin of 80.0%. This marks the fifth consecutive quarter of pricing increases achieved by the company. Contribution margin is calculated by deducting medical, professional and license fees from laser refractive surgery revenues.

Stephen Joffe, chairman and CEO of LCA-Vision, stated, "Our strong 2002 first quarter results reflect a resurgence in the laser vision correction market and the competitive advantage we have in delivering outstanding clinical outcomes at a price people can afford. We were able to improve our financial results by focusing on three key profit drivers: the cost of patient acquisition, average price realization, and capacity utilization.

Our continued operational progress and momentum position us well to grow both market share and profitability."

5/2 **Alcon, Inc.** announced operating results for the first quarter of 2002. Global sales for the quarter grew to $706.5 million, an increase of 7.9%, or 10.9% excluding the impact of foreign exchange fluctuations, over sales in the first quarter of 2001. Net income for the first quarter of 2002, adjusted for one-time items related to the company's initial public offering on March 20, 2002, reached $108.2 million, an increase of 14.5% over net income in the first quarter of 2001, adjusted to exclude amortization of goodwill to reflect a change in accounting principle. Earnings per share, adjusted in 2002 for one-time items related to the company's initial public offering on March 20, 2002, and adjusted in 2001 to exclude amortization of goodwill to reflect a change in accounting principle, increased 22.6% to $0.38 in the first quarter of 2002 from $0.31 in the first quarter of 2001. Excluding these adjustments, first quarter earnings per share were $0.33 in 2002 and $0.28 in 2001, an increase of 17.9%.

The geographic mix of sales (measured in U.S. dollars) in the first quarter of 2002 was 54.6% in the U.S. and 45.4% in the rest of the world. This compares to 50.7% in the U.S. and 49.3% in the rest of the world in the first quarter of 2001. The shift in the geographic mix of sales was primarily due to the negative currency impact of the strengthening of the U.S. dollar relative to most foreign currencies. "We are pleased with our sales and earnings growth in the first quarter, especially given the unfavorable impact of the strengthening of the U.S. dollar on our business as compared to the previous year's first quarter. All three of our product categories posted healthy sales growth, representing our success in penetrating new markets and gaining market share," said Tim Sear, Alcon's chairman, president and CEO.

Sales of refractive surgical equipment and related procedure fees increased 15.0% in the first quarter of 2002 compared to sales in the first quarter of 2001. Although the refractive industry continues to be adversely impacted by the global economic conditions, Alcon has increased its market share by capitalizing on the technological innovations of its LADARVision 4000 ophthalmic surgical systems to increase its installed base of lasers.

Following the above announcement, Ted Huber of **Banc of America Securities** issued this update:

* Strong 1Q02 results. Alcon's EPS beat expectations in its first quarter as a publicly traded company. Proforma EPS were $0.35 (excludes all IPO related one time items) compared to our estimate of $0.30. The upside owed to better operating expense management (operating margin was 24.7%, vs. our estimate of 22.9%), lower net financing expense ($2 million better than our estimate) and a lower tax rate (33% vs. 36%).

* Pharma was a bit better, offset by slight weakness in surgical. Revenue grew 7.9%, 10.9% before currency. Pharma sales growth of 15.5% was 1.6% points ahead of our 13.9% estimate, thanks to Patanol. The gain was offset by weakness in refractive surgery business, which dragged surgical sales growth to 4.2%, 1.1% points behind our 5.3% forecast. Consumer came in as expected and grew 4% yr/yr.

* EPS Moves up for 2002 and 2003. We are maintaining estimates for the remainder of 2002 despite the company's lower tax rate guidance (now 33% vs. prior 35.5%), consistent with company guidance. Clearly Alcon is positioned to exceed consensus estimates in 2002. With the 1Q02 upside, our 2002 estimate increases to $1.38. With managements new tax guidance, 2003 EPS estimate to moves to $1.62 from $1.60 without any alteration to underlying operating performance.

* Strong Buy rating: Alcon now trades at 26.4x our 2002 EPS estimate of $1.39 and has achieve the multiple expansion we called for in our in our April launch. While we don't expect significant multiple expansion from here, Alcon's high teens EPS growth can drive a handsome return. Our $42.00 12 month price target is 25.9x our 2003 EPS estimate of $1.62.

The company also announced that the FDA had accepted its custom wavefront-guided laser eye surgery Pre-Market Approval Application (PMA). As this is the first filing accepted by FDA, it means Alcon is leading the industry in regulatory review of custom laser surgery. The acceptance of this filing marks a significant milestone in the FDA review process. Alcon was the first company to initiate FDA clinical trials for custom LASIK surgery using a wavefront measurement device and an excimer laser. "We are pleased to be first in the industry to be so far along in custom wavefront-guided LASIK technology," said Bill Barton, vice president and general manager, Surgical Division. "Custom LASIK surgery has the potential to improve visual acuity and enhance overall vision quality as compared to today's conventional LASIK surgery. Alcon is excited about the prospect to provide this technology to its customers and to their patients."

Ted Huber commented:

* Custom Cornea PMA Accepted: Alcon is the first excimer laser manufacturer with a Pre-Market Approval Application accepted by FDA for wavefront guided custom LASIK surgery. We expect data related to the PMA to be available at the ASCRS meeting in June and demonstrate the better visual outcomes offered by this new technology. We expect Alcon's new custom LASIK technology to gain approval FDA by 4Q02, at least one quarter ahead of its main competitors.

5/2 **SurgiLight Inc.** announced that it had signed an exclusive distribution agreement with Rome-based **InPro Vision** to sell SurgiLight's non-excimer OptiVision laser in Italy. InPro Vision has committed to purchase approximately $2 million dollars in laser systems over the next three years. This also represents potential recurring revenues to SurgiLight of about $2 million dollars in related equipment and fees over the same

period. The new distributor has already provided a $100,000 deposit for the licensing fee and has also purchased its first laser. According to the terms of the agreement, InPro Vision is responsible for obtaining all regulatory approvals in Italy. A leading distributor of medical excimer lasers, InPro Vision plans to place a minimum of 15 OptiVision laser units in surgical clinics over the next three years, primarily in private laser vision correction facilities, with treatments performed by experienced laser surgeons.

SurgiLight senior vice president and COO Timothy Shea stated, "We look forward to working closely with InPro Vision. They have emerged as a leading distributor of excimer lasers in Italy that perform PRK, LASEK and LASIK procedures. Through their extensive contacts in the refractive market we believe InPro Vision will also serve the presbyopia market very well. We believe that InPro Vision will dedicate themselves to expanding this 21st century technology in Italy."

5/2 **NovaMed Eyecare, Inc.** reported results for the first quarter ended March 31, 2002. Net income from continuing operations was $0.9 million (4 cents per share) before the cumulative effect of a change in accounting principle. Reported net income from continuing operations in the first quarter of 2001 was $0.5 million (2 cents per share).

For the quarter, total net revenue was $16.9 million compared to $17.2 million for the prior year first quarter. Net revenue from surgical facilities decreased 15.1% from the prior year first quarter primarily as a result of the 43% decrease in laser vision correction procedures. Cataract procedures in the first quarter were up 5% from the same period last year and other procedures were down 6%. Product sales and other revenue increased 16.1% in the first quarter of 2002 over the prior year first quarter.

NovaMed ended the first quarter of 2002 with total net debt of $11.7 million, down from $20.1 million at December 31, 2001. "The cash flow we have generated from our operations and the cash proceeds from our divestiture transactions have helped us to significantly strengthen our balance sheet in the first quarter," said Stephen Winjum, NovaMed chairman, president and CEO. "We expect this trend to continue during this year of transition as we execute on our plan to divest the remainder of our management services segment. A stronger balance sheet will increase our capacity to acquire and develop additional ambulatory surgery centers."

5/6 According to *OptiStock*, **Q-Vis**, now says its earlier statement -- that the problems with under-corrected treatments by its laser in three of the 13 procedures conducted in its U.S. Phase III clinicals in Florida, were engineering-based rather than related to the basic technology. Q-Vis will recommence clinical trials at the **Lions Eye Institute** in Perth. There was no word as to when trials might begin again in the U.S. The company has restructured, eliminating non-core positions, and it plans to raise additional funds.

5/6 **MORIA** announced that the Paris court of first instance ruled in favor of MORIA in a patent infringement action filed by **Bausch & Lomb Inc.** and others. The court found that Bausch & Lomb's lawsuit was improperly initiated against MORIA. The court rejected

all claims made by Bausch & Lomb, Luis Antonio RUIZ, and Sergio LENCHIG against MORIA and ordered the plaintiffs to pay MORIA's legal expenses of an undisclosed amount. On September 21, 1998, Bausch & Lomb filed a lawsuit against MORIA claiming infringement of a technology patented by Ruiz and Lenchig and licensed to Bausch & Lomb. The suit contended that MORIA's design of the Carriazo Barraquer (CB) microkeratome infringed the patent issued to Ruiz and Lenchig. On November 4, 1998, Bausch & Lomb sought a cease and desist order against MORIA, the U.S. equivalent of a preliminary injunction, pending a final determination in the French court. The court denied Bausch & Lomb's motion for summary judgment on December 18, 1998.

Although subject to an appeal by Bausch & Lomb, this new ruling of the French court is a significant victory for MORIA and is a major step towards alleviating any concerns or uncertainties that may have arisen in the worldwide markets regarding MORIA and its products. MORIA has achieved rapid increases in market share in recent years. MORIA currently holds number two position in the worldwide microkeratome business with a growing 30% market share.

In a related case filed against MORIA by Bausch & Lomb in the U.S., a federal district court issued a "Markman" ruling on April 15, 2002. This suit alleges that MORIA has infringed Hellenkamp's patents number 5,624,456, 6,007,553, 6,051,009 and 6,296,649. In this Markman ruling, the court determined the scope of patent claims asserted by Bausch & Lomb. As a result, we believe that the U.S. court's ruling has substantially strengthened MORIA's overall legal position and is a solid indication that our company will also ultimately prevail in the U.S. lawsuit. Accordingly, MORIA is confident that its microkeratomes will be found not infringing the Hellenkamp patents and looks forward to an early resolution of the lawsuit.

With these legal victories, MORIA will continue its efforts to provide the ophthalmic market with leading technology.

5/6 **NovaMed Eyecare, Inc.** announced that it had entered into a definitive agreement to acquire a majority interest in the **United Eye Surgery Center**, a leading eye-only ambulatory surgery center (ASC) in Colorado Springs, Colorado. Terms of the transaction were not disclosed. NovaMed expects to complete this acquisition in late May following licensure approvals from the State of Colorado. "United Eye Surgery Center is well-established as a market leader in Colorado Springs, having performed over 2,300 surgical procedures in 2001," said NovaMed chairman, president, and CEO Stephen Winjum. "Colorado Springs is an attractive new market for NovaMed and this acquisition fits well with our focused strategy of growing our surgical facilities business."

"We selected NovaMed as our corporate partner because of its ASC experience and reputation in the eye care industry," said one of NovaMed's new physician partners, Dean Carlson, MD. "We believe that NovaMed will bring operating efficiencies and new development opportunities to this surgery center that will allow us to better serve our

physicians and their patients," said Carlson. NovaMed is one of the nation's leading owners and operators of practice-based, single specialty ambulatory surgery centers. It currently owns and operates 15 ambulatory surgery centers and 13 laser vision correction centers and fixed-site laser services agreements.

5/8 **Ponte Nossa Acquisition Corp.** announced that the company had funded the initial stage of its first round of financing of $800,000 in connection with the completion of its merger with **Visijet Inc.**, a privately held ophthalmic medical device company. The initial funding of $236,000 was provided by **Wharton Equity Partners**, a New York-based company specializing in emerging growth investments. The balance of the first round funding is due upon completion of the merger. Wharton also anticipates participating in an additional investment of $5.25 million or an amount required by the American Stock Exchange (AMEX) to satisfy the capitalization listing requirement for listing on AMEX, whichever is greater. This initial funding will provide the financial requirement to conclude the merger and finalize the production of Visijet's Hydrokeratome product and its placement with select, leading refractive surgeons across the United States for final evaluation. "After final evaluation, we anticipate going into full production and fulfilling existing purchase orders within several months," said Randy Bailey, president and COO of Visijet. Bailey explained that the company had received more than $8 million in orders in Europe and Asia for the Hydrokeratome, a patented, FDA-approved device that uses waterjet technology to cut the cornea as required for LASIK surgery.

In addition to the Hydrokeratome, Visijet is developing the Pulsatome, a device that uses waterjet technology to remove cataracts -- the most performed surgical procedure in the world. The Pulsatome product will provide entry into this estimated $8 billion cataract market worldwide. "Our waterjet technology has generated tremendous interest in the medical field," added Bailey. "The completion of the merger and the financing allows Visijet to have the structure and funding to move forward providing valuable products that benefit physicians and patients."

5/9 **TLC Laser Eye Centers Inc.** and **Laser Vision Centers, Inc.** jointly issued the following update on their proposed merger. While shareholders of TLC and LaserVision approved the transaction at separate meetings on April 18, 2002, the companies were not able to close the merger due a strike by the Ontario public service employees. The 54-day strike ended when the employees ratified a new labor contract on May 5, 2002. With Ontario public service employees now back at work, TLC and LaserVision intend to close the transaction as soon as practicable. Due to a backlog at government agencies, the companies do not expect that the merger will close, as previously indicated, by May 10, 2002. However, the companies have agreed that they will not exercise their rights to terminate the merger agreement if the merger has not yet been completed by May 10, 2002, provided that the merger is completed by May 17, 2002.

5/10 **Sunrise Technologies International, Inc.** announced that it had received signed agreements from more than 50% of its unsecured creditors to convert into equity, assuming the proposed Restructuring announced on March 18, 2002 occurs. Sunrise has

received written agreements from convertible debenture holders holding a majority of the $8.9 million outstanding convertible debt. It has also made agreements with holders of more than 67% of its secured debt to extend their maturity dates through the end of the year. In addition, Sunrise is in discussion with various sources with respect to obtaining additional loans and/or equity financing.

David Brewer, manager of **Anesti Management LLC**, which manages the operations of Sunrise, said, "I am pleased at the response so far from our creditors and constituents. I am one of Sunrise's largest creditors and, when I explain to them that for the company to survive it will need to be reorganized either in a bankruptcy court or in an out-of-court restructuring, most of the creditors understand why the latter choice is preferable. People really want this company to succeed. Doctors want this technology to survive, and the Sunrise community wants to help these ophthalmologists and their patients. With enough time and continued cooperation from our creditors, I think it's possible to keep Sunrise's assets from being liquidated."

The company has extended until May 30, 2002 the deadline for its remaining creditors to accept the Restructuring proposal, based on an agreement in principle reached with **Silicon Valley Bank** to extend the period allowed for this voluntary creditor workout. Anesti Management LLC has also extended its agreement to manage the affairs of the company and the Restructuring. Brewer also said, "While I must emphasize that an investment in Sunrise stock is highly speculative, I am more convinced than ever that the Sunrise LTK technology has a substantial place in the marketplace for vision correction. Assuming we are able to complete the Restructuring, our plan is to refine the LTK technology, which we believe will improve predictability, and later to incorporate advanced Wavefront technology, which will further distinguish Sunrise's procedure as technologically unique."

The company has restaffed its customer service functions and relocated to 1600 Adams Drive, Menlo Park, CA 94025 as its temporary headquarters.

5/10 The May issue of *Refractive Market Perspectives* headlined the rebound in refractive procedures in the first quarter of 2002 and the FDA approval of the Refractec Viewpoint CK conductive keratoplasty device. Dave Harmon noted that although Q1 refractive procedures rebounded nicely from the dismal Q3 and Q4 2001 results, Q1 2002 volumes were still nearly 15% below the results from Q1 in 2001. Harmon estimates that 347,500 U.S. refractive procedures were done in this year's first quarter, and adding in U.S. citizens that traveled to Mexico or Canada, the total number rose to 355,000, representing a nearly 30% rise over Q4 2001. Harmon believes that the demand for refractive procedures will continue at present levels with limited growth for the remainder of the year, within a range of 350,000 to 380,000 for each quarter. Full year procedure volumes is projected at 1.5 million for about a 15% year over year growth.

The newsletter also stated that sales of new lasers continued at a low level, with an estimated 48 lasers sold in the first quarter, most of which replaced existing lasers or

were added as secondary lasers. The reduced demand for LASIK along with a large inventory of used lasers available for resale combined to slow demand. Harmon expects the low level of purchases to continue for the remainder of the year. Based on his analysis, there are currently 1204 laser centers in operation in the U.S.

5/13 **Paradigm Medical Industries, Inc.** announced it will launch its patented new automated microkeratome, the "K-Tome," at the *American Society of Cataract and Refractive Surgery (ASCRS)* meeting in Philadelphia. The new system incorporates a disposable blade in a patented non-gear-driven housing that is used to cut the corneal flap for LASIK. "Our `K-Tome' will represent a second generation device used in refractive vision correction, and is related to our acquisition of **Innovative Optics** earlier this year," said Paradigm Medical's chairman and CEO, Thomas Motter.

"According to industry studies, there were more than 1 million refractive surgery procedures performed in the U.S. in 1999. That figure was expected to exceed 3 million in 2001 and reach 6 million in 2003. (I wonder where **Theta Reports** -- see below -- got those estimates?) Our system is superior in several respects," Motter added. "The blade is soft-wear driven through a patented mechanical process, which avoids the inherent dangers associated with gear-driven systems like torque and wobbling that can result in corneal tears, perforations, free flaps and button holes. These serious complications have proven problematic for eye surgeons. All the other systems are gear driven and leave troughing on the surface of the cut, making outcomes from lasing an exact new radius of curvature as well as flap management less predictable. Paradigm Medical believes a great opportunity exists to potentially replace 10,000 gear-driven systems with our Food and Drug Administration-approved technological advancement. It will sell for about $50,000. Moreover, the new disposable blade business will also prove to be a growth business for the company since the average surgeon is currently performing six cases per week, according to a recent Theta Reports survey on the refractive vision correction industry. We think that the combination of a more elegant approach, enhanced safety features and a significant reduction in blade price to the surgeon will translate into a rapid industry conversion to our technology. The company has built adequate inventory to achieve rapid market penetration through year's end."

5/14 As reported by *Dow Jones*, **VISX** filed a suit in Germany against **WaveLight Laser Technologie AG** for patent infringement, according to the company's 10Q filing with the SEC. VISX sued WaveLight and its senior manager in Dusseldorf in March, claiming WaveLight infringed one of its German patents, and was seeking monetary damages and an injunction. The first hearing in the case is scheduled for June 6.

Separately, VISX said an antitrust suit filed in 1999 in Minnesota on behalf of a class of Minnesota patients seeking damages and injunctions was dismissed in April.

5/14 **LaserSight Incorporated** announced that the transaction pursuant to which LaserSight's AstraMax technology would have been sold to a third party had been terminated. On April 16, 2002 LaserSight announced that it had entered into a letter of intent and a

non-exclusive license contemplating the sale of its AstraMax technology to a third party. The third party has alleged that LaserSight violated the terms of the non-exclusive license. LaserSight denies any intent to do so. LaserSight is continuing to explore its various options.

5/15 **TLC Laser Eye Centers Inc.** announced that its merger with **Laser Vision Centers Inc.** had become effective. TLC shares will trade on the TSX and NASDAQ under the name TLC Laser Eye Centers Inc. on May 16, 2002, but will change to trade under the new name, **TLC Vision Corporation**, on May 17, 2002. The stock symbols for TLC Vision Corporation will remain "TLC" on the TSX and "TLCV" on the NASDAQ National Market. Leading the combined company as chairman and CEO is Elias Vamvakas. John (Jack) Klobnak has assumed a non-executive vice chairmanship and will continue as a corporate director for approximately one year, after which time he intends to retire. James Wachtman is president and COO. The combined company's CFO is Charles Bono. Robert May and Lloyd Fiorini are co-general counsels. The executives have over 85 years of combined corporate healthcare experience.

"After eight months and thousands of hours of strategic and integration planning, today we are ready to do business as the new TLC. As a doctor driven organization, we are dedicated to improving lives through better vision, by providing eye doctors the tools that they need to deliver high quality patient care. We have developed a solid operating model to maximize the strengths of both organizations to deliver a wide array of services to optometry and ophthalmology," commented Wachtman. Vamvakas said, "More than just a simple business combination, this merger creates a sum greater than its two parts. TLC Vision Corporation essentially serves as the platform for growth of businesses that joins a large network of affiliated eye care providers with existing and emerging technologies. The company is currently comprised of four key businesses:

- *Refractive:* TLC Laser Eye Centers and Laser Vision Centers operate 128 fixed refractive centers and 300 mobile refractive access sites located in the provinces of Ontario, New Brunswick and all 48 contiguous states of the U.S.

- *Midwest Surgical Services:* Provides mobile access to cataract surgery equipment and services to doctors and surgery centers at over 280 sites throughout the U.S.

- *The Vision Source:* The largest U.S.optometric franchising organization with over 580 locations in 34 states

- *OR Partners:* Develops and operates single specialty (eye) ambulatory surgery centers (ASC's) where independent surgeons perform a variety of surgical procedures."

"In addition, TLC Vision will continue to pursue new growth opportunities related to eye care that provide value to our affiliated eye doctors and that take advantage of our infrastructure, information systems and technological assets," concluded Vamvakas.

5/15 **Miravant Medical Technologies** announced consolidated financial results for the first quarter ended March 31, 2002. Revenues and interest and other income for the quarter increased to $573,000 from $403,000 for the same period in 2001. The net loss for the quarter was $4.5 million (24 cents per share) compared to a net loss of $4.8 million (26 cents per share) for the same period last year. As of March 31, 2002, the company had cash, marketable securities and receivables of $7.1 million.

Miravant made a series of significant announcements during the quarter related to its phase III clinical trials for PhotoPoint drug SnET2, in development for wet age-related macular degeneration (AMD), a leading cause of blindness. In two clinical trials, completed in December 2001 after a two-year follow-up of 933 patients, SnET2 demonstrated a satisfactory safety profile but did not achieve the primary efficacy endpoint based on top line results. Although Miravant is continuing to analyze the SnET2 data for other efficacy endpoints, the news announcement in January resulted in a significant decrease in Miravant's market capitalization; and, consequently, Nasdaq notified the company that it did not meet the requirements for continued listing on the National Market System. The company appealed this notification at a Nasdaq hearing in April and was subsequently granted a conditional extension to regain compliance. Miravant also announced in March that it had terminated certain contractual relationships with the SnET2 drug licensee, **Pharmacia Corporation**, regaining the rights to all assets and clinical data related to the drug, with an associated debt reduction from approximately $27 million to $10 million plus accrued interest.

Gary Kledzik, chairman and CEO, stated, "Clearly the first quarter was a difficult one for Miravant. The phase III news caused a large sell-off of Miravant stock, reflecting the volatility of the biotechnology industry. We are making a number of efforts to address these issues, including cost reductions, intensified discussions with leading companies for collaborative drug development and plans to raise capital. Miravant has impressive technologies with a pipeline of new drugs that could potentially be used in combination with other exciting therapies such as anti-angiogenic compounds. SnET2 is our most significant drug asset, and our objective is to continue its development in ophthalmology. We also have new drugs that are exhibiting very encouraging and desirable characteristics in dermatology, cancer and cardiovascular disease. We are working to advance these programs while closely monitoring costs and pursuing options for additional funding."

5/16 **SurgiLight, Inc.** announced its financial results for the first quarter ended March 31, 2002. Reflecting boosts in systems sales and licensing agreements, revenues for the first quarter were $1.4 million, doubling the $647,000 recorded in the first quarter of 2001. First-quarter operating income was $472,819, compared with a loss of $150,000 in the year-earlier quarter. First quarter revenues increased 21% over revenues of $1.2 million for the fourth quarter of 2001. For the 2002 first quarter, the company reported a net income of $664,900 (2 cents per share) compared with a net loss of $136,000 (1 cent per share) for the year-earlier period of 2001. The increase in net income was attributed to the increase in clinical sales outside the U.S. of the company's proprietary OptiVision

laser system for the treatment and reversal of presbyopia and from the gain realized from the sale of SurgiLight's overseas Excimer Laser Systems Centers to Orlando-based **Tao Enterprises**.

According to SurgiLight chairwoman Colette Cozean, the overall increases in revenues and operating income are attributed to "our success in presenting data that demonstrates the OptiVision is a viable surgical tool for presbyopia within the ophthalmic community. The additional foreign licensing agreements for this product also confirm the clinical efficacy of the product. The return to profitability reflects the current Board's focus on presbyopia reflected as a commitment to a prudently aggressive R&D, well controlled and documented clinical trials, a marketing program grounded in reporting accurate results of these trials and a strengthening of our management team," she added. Dr. Cozean said that SurgiLight hopes for FDA approval "at a reasonably early date" of the company's IDE application to permit clinical trials of OptiVision at seven U.S. sites.

The company's standard operations, excluding the Tao sale, remained essentially unchanged other than costs associated with contract labor required to assist with clinical trials and increases in general administration expenses. Total liabilities at the end of the first quarter decreased to $2.6 million from $2.8 million on December 31, 2001. The decrease in accounts payable and total liabilities are mainly attributable to payments as part of an agreement with **Premier Laser Systems, Inc.** The company's total assets increased to $9.5 million from $8.9 million as of December 31, 2001. This increase in total assets is mainly attributed to the increased accounts receivables generated from the sales of the OptiVision laser systems. The company's working capital is $1.4 million.

5/16 **LaserSight Incorporated** announced financial results for the three months ended March 31, 2002. Revenues for the first quarter were $2.0 million compared to $4.1 million in the first quarter of 2001. The company reported a net loss of $5.1 million (19 cents per share) as compared to a net loss of $2.5 million (11 cents per share) reported for the first quarter of 2001. Excluding a gain on the sale of a patent, the loss in the first quarter was $6.4 million. LaserSight's 10-Q Quarterly Report, filed with the SEC on May 15, 2002, discussed the company's present financial condition, its liquidity difficulties and their impact on its business. LaserSight also announced that it had been advised by Nasdaq that effective May 23, 2002 the company's common shares will no longer be eligible for trading on the Nasdaq National Market unless the company appeals the decision. The company has made no decision with respect to an appeal.

5/17 **Gimbel Vision International Inc.** reported financial results for the year ended December 31, 2001. The Corporation performed 13,061 refractive vision correction procedures, a decrease of 28% from the prior year procedures of 18,156. The Corporation's six Canadian based centres completed 8,504 procedures, a 27% decrease from 2000. The Corporation's centres based in the United States completed 3,311 procedures, being a 30% decrease from 2000. The Corporation's centres based outside North America completed 1,246 procedures in 2001, a 26% decrease from 2000.

For the year ended December 31, 2001, the Corporation generated revenues of $11.6 million as compared to $17.0 million in the prior year. Sixty-one percent of total revenues were generated from Canadian operations as compared to 60% in 2000. Thirty-nine percent of total revenues were generated from operations based in the United States, as compared to 40% in the prior year. The loss from operations before other items (write down of capital assets, restructuring charges, equity in earnings of associated company, and gain on disposal of capital assets) was $2.5 million as compared to a loss of $1.9 million in the prior year. The loss in 2001 was due to intensifying competition in the refractive vision correction market, resulting in price compression in both Canadian and U.S. markets, negative publicity regarding the risks arising from refractive vision correction and the general economic slow down that was intensified by the terrorist attacks of September 11, 2001. Loss before interest, taxes and depreciation in 2001 was $2.5 million down from earnings in the prior year of $277,000. This decrease was due to the increased loss from current year operations as well as the write-down of capital assets of $1.8 million and restructuring charges of $786,000. The 2001 net loss of $5.5 million was a significant increase from the 2000 net loss of $2.2 million. As a result, net loss per share also dropped sharply from $0.09 in 2000 to $0.23 in 2001. Cash flow per share from operations remained positive at $377,525 or $0.02 per share.

The fiscal 2001 year was both difficult and disappointing with a substantial loss being recorded for the year. The Corporation responded to the challenges it faced by streamlining operations. Facilities that were not contributing positively to the bottom-line were wound-down, disposed of or sold. While this approach decreased the Corporation's overall holdings, it was a positive step in that it decreased the Corporation's outstanding liabilities, which may assist in increasing future operating margins. The Corporation scrutinized all expenses and reduced staffing wherever possible. In a further effort to increase operating margins, the Corporation continues to work to bring new technologies into its centres.

5/21 **Paradigm Medical Industries, Inc.** announced it had received notice of approval from the U.S. Patent Office of the company's application for a new patent for its Photon laser delivery system. The patent will allow the Photon system to incorporate a special tip configuration that will allow for better and more efficient energy in the use of the laser and provide superior suction at the point of contact. "We are obviously excited about issuance of the new patent," said Paradigm Medical's chairman and CEO Thomas Motter. "The original patented system (the Eichenbaum Patent) used in the company's initial clinical trials offered advantages over `phaco' technology, but our new design system provides even greater benefits in laser cataract removal. After the FDA's audit of our original submission, we requested permission going forward to use a design that represents a radical departure from the original patent. The Eichenbaum patent was issued in 1986 and had only several more years of protection. Our new patent will be good for at least 18 years, and is clearly superior for laser cataract removal. We recently learned that the older group of patients in our initial laser cataract clinical trials will not have to be included in any additional supplemental submissions as they were accepted as part of the old hand-piece design and original protocol. This means the company still

will need to supply some additional patients for our FDA application, but the number should be less than what it would have been had we had to include the oldest patient group. Consequently, we are still optimistic about the possibility of getting FDA approval for the Photon Laser System for Cataract Removal this year."

5/23 **LaserSight Incorporated** announced that it had requested a hearing to appeal the determination of the Nasdaq National Market's staff that the company's securities will no longer be eligible for trading on the Nasdaq National Market after May 23, 2002. That request permits continued trading of the company's common stock on the Nasdaq National Market pending a decision on the appeal.

OPHTHALMIC LASER UPDATE -- June 2002

5/21 **Bausch & Lomb** announced that its Technolas 217A laser system had received FDA approval for expanded treatment of moderate to high myopia. The laser is now approved for the treatment of myopia with astigmatism of up to -12.00 diopters MRSE (manifest refractive spherical equivalent), and sphere between -7.00 D to -10.99 D, with less than -3.00 D of astigmatism.

5/27 **Asclepion-Meditec** announced that sales in the first half of the year were at about the same level as in the previous year. The company posted revenues of E 23.3 million and thus reached nearly the high level of sales seen in the comparative period of the previous year (E 23.5 million). In the first half of the financial year the company succeeded in significantly increasing its sales in key regions such as Germany (+40%), Europe (+27%) and the Asian/Pacific region (+ 56%). Specially targeted marketing measures were intensified and showed their first positive results. However, sales in the U.S. declined to a considerable degree (-78%) due to problems associated with the U.S. distribution partner **U.S. Medical, Inc.** and as a consequence of the negative political and economic developments in the key markets of South America and the Middle East. The tension in Argentina and Brazil was felt above all by the Vision unit. In a half-year on half-year comparison, sales in this business unit fell by 18%, from E 13.9 million to E 11.4 million. A further reason for this lowering of the positive effects seen in the second quarter of the previous year was as a result of the high volume business with the former **Icon Laser Eye Centers, Inc.**

Sales at the Aesthetic business unit increased to E 7.3 million (previous year: E 7.0 million). In this business unit the Asclepion sales organization managed to make up for the withdrawal of the US distributor U.S. Medical, Inc. through sales in other markets. Sales in the Dental business unit were above average. Rapidly growing acceptance for the KEY 3 dental laser generated a sales leap to E 1.3 million in this unit (previous year E 0 million). Sales revenues at the Service business unit increased by 25% to E 3.3 million (previous year: E 2.7 million). Orders on hand as of 31 March 2002 increased significantly to E 8.4 million (previous year: E 5.2 million).

With an operating result (EBIT) of E -5,000 in the first six months (previous year: E 0.8 million) Asclepion was able to almost break even in the operating area. With the function costs it was possible to attain further savings, and in particular with the general and administrative costs. However, the increase in research and development expenses resulted from the intensification of work on development projects which are to be concluded in the foreseeable future. The selling and marketing expenses have increased in particular through special effects. Among these are repurchasing of laser systems due to financial reasons which had to be posted in this item. Extraordinary income from the sale of the Asclepion production facility in Floss, Bavaria made a large contribution to the net income. In the first six months of the current financial year Asclepion posted a surplus of E 0.2 million (previous year: E 0.8 million). The earnings per share in the current financial year are thus E 0.03 (previous year: E 0.12). Asclepion-Meditec AG has liquid funds and near-liquidity reserves (cash and cash equivalents, short-term trade accounts receivable and inventories) to the amount of E 45.5 million. The equity ratio of Asclepion is 72%.

The outlook remains positive. A swift merger of **Carl Zeiss Ophthalmic** with Asclepion is expected. Asclepion's strategy is fast and extensive marketing of technology potential with the aim of quickly recovering the substantial R&D, selling and marketing expenses. By merging with Carl Zeiss Ophthalmic, Asclepion is expecting to make considerable progress towards achieving this goal. The merger is to be presented to the shareholders of Asclepion-Meditec AG for resolution in the annual general meeting on 28 May 2002. A number of working groups are already working on measures designed to facilitate the rapid integration of both companies and exploitation of potential synergies. The implementation of sales synergies is the main focus of the merger.

5/28 At the general meeting of **Asclepion-Meditec AG**, a large majority of the shareholders approved the merger of **Carl Zeiss Ophthalmic Systems AG** with Asclepion-Meditec AG. 51.7 percent of the ordinary voting shares were represented. The merger agreement was passed unanimously, thereby creating the world's leading provider of ophthalmic systems. The general meeting of Carl Zeiss Ophthalmic Systems AG had already consented to the merger project on 21 May 2002. The merger will take effect at the beginning of July 2002 at the earliest, when the main changes to the articles of association passed at the general meeting come into force on being entered into the commercial register. The business name of the company will then be **Carl Zeiss Meditec AG**. With the execution of the merger, the share capital will be increased by EUR 19.6 million from EUR 6.2 million to EUR 25.8 million. The shareholders of Carl Zeiss Ophthalmic Systems AG will then hold 76 percent of the issued shares.

The general meeting of Asclepion-Meditec AG further consented to the proposed expansion and composition of the supervisory board. The supervisory board comprises the following members: Dr Franz-Ferdinand von Falkenhausen (president and CEO of **Carl Zeiss Jena GmbH**), Dr Manfred Fritsch (member of the board of management of Carl Zeiss Jena GmbH), Dr Michael Kaschke (member of the board of management of **Carl Zeiss**), Dr Nikolaus Reinhuber (lawyer, at present member of the supervisory board

of Asclepion-Meditec AG), Prof. Dr Michael Ungethum (chairman of the management of **Aesculap AG & Co. KG**, at present member of the supervisory board of Asclepion-Meditec AG) and Alexander von Witzleben (member of the management board of **Jenoptik AG**, at present chairman of the supervisory board of Asclepion-Meditec AG). It is proposed that Dr Michael Kaschke should become chairman of the supervisory board.

5/29 **LaserSight Incorporated** announced today that it has entered into a patent licensing agreement with **Alcon, Inc.** The patent license agreement relates to LaserSight's U.S. Patent No. RE37,504 (the '504 JT Lin scanning patent). Under the terms of the license agreement, Alcon was granted a nonexclusive, paid up license to the '504 scanning patent in the ophthalmic field in exchange for a lump sum license fee of $2 million. The agreement provides that LaserSight and Alcon would cooperate in the future enforcement of the patent and share in the funds generated by such future enforcement. If LaserSight prevails in litigation against a third party related to the infringement of the '504 scanning patent LaserSight would be reimbursed for the cost of such litigation and then retain 80% of the balance of the recovery from the third party infringer and Alcon would receive 20% If LaserSight chooses not to pursue a third party infringer and Alcon pursues the third party and prevails in litigation against the third party, Alcon would be reimbursed for the cost of such litigation, LaserSight would receive 30% of the balance of the recovery and Alcon would receive 70% The agreement does not allow Alcon to grant sublicenses to the '504 scanning patent. The agreement with Alcon is the second license granted by LaserSight to its '504 scanning patent. The company had previously licensed its '504 scanning patent to **Bausch & Lomb** and intends to continue enforcement of its intellectual property rights.

5/30 Ted Huber of **Banc of America Securities** issued an updated report on **Bausch & Lomb** after meeting with its management. His comments were:

* Management meeting reassuring. We met with Bausch & Lomb CEO and CFO yesterday and walked away feeling confident that the company is on the road to recovery. We were particularly encouraged by managements plans to increase accountability within the organization, costs cutting and successful recent product launches.

* Quarter should be on track. Although the management declined to talk specifically about the June quarter, they remain highly confident in their financial targets. We are confident BOL will meet or exceed our Q202 $0.32 EPS estimate ($0.03 shy of consensus) due to reported success with new product launches and improving (relative to guidance) currency environment.

* Upcoming catalysts. There are three important events coming up for Bausch during the summer. The company is expected to release Phase III data on Envision back-of-the eye drug delivery platform (for use in DME), approval of Technolas 217 excimer laser for the correction of hyperopia, as well as PMA submission for its custom refractive system.

* Market Performer thesis. Bausch is currently trading at 19.6x our 2003 EPS estimate of $1.94, at par to peer multiples. Given the early stages of the BOL turnaround story and limited visibility into Envision results, we think the stock is trading at an appropriate multiple.

5/30 **Gimbel Vision International Inc.** said that during the first quarter of 2002, refractive procedure volumes totaled 2,680, a 23% decrease from volume of 3,491 in the comparable period in 2001. First quarter volumes from Canadian operations amounted to 2,009, a 2% increase from the prior year volume of 1,970. First quarter volumes from United States operations amounted to 373, a 69% decrease from the prior year volume of 1,216. Other non-North American operations generated volumes of 298 as compared to 305 in the prior year first quarter. United States operations in the prior year first quarter included Eugene, Oregon and Sacramento, California. Excluding these centres from the first quarter of 2001 to be consistent with the first quarter of 2002, volumes from the first quarter 2001 were 589. The corporation expects volumes to increase significantly in the second quarter.

Consolidated revenues for the first quarter of 2002 amounted to $2.0 million as compared to $3.3 million in the prior year first quarter. Revenues from Canadian operations were $1.5 million as compared to $1.4 million for the prior year first quarter. Operations based in the United States generated revenues of $443,000 in the first quarter of 2001 versus $1.9 million in the first quarter of 2001. The net loss of $612,732 for the three month period ended March 31, 2002 was an improvement over the $1.3 million loss for the prior year's first quarter. The prior year first quarter had a loss of $519,694 before a $785,600 restructuring charge. This charge recognized restructuring costs which were incurred to realize the operational synergies made available as a result of the March 30, 2001 acquisition of a 64% interest in the corporation by **Aris**. These costs, which are severance related, have been recorded as a current and long term "Restructuring costs" liabilities in the balance sheet. On a geographic basis, the loss from Canadian operations was $486,604 in the first quarter of 2002, compared to a loss of $1.0 million in the first quarter of 2001, which included the $785,600 restructuring charge. Excluding the restructuring charge, the loss from Canadian operations in the first quarter of 2001 was $260,981. The increased loss in 2002 was due to consulting and legal costs which were associated with both the negotiations with Dr. Howard Gimbel to resolve GVI's failure to meet certain provisions of certain agreements with Dr. Gimbel and his affiliated corporations, and to migrating the corporation from the Toronto Stock Exchange to the TSX Venture Exchange. A loss of $113,942 was recognized in the United States geographic segment for the first quarter of 2002 as compared to a loss of $243,479 in the first quarter of 2001. The decreased loss in 2002 was due to reduced corporate costs related to United States operations because the Eugene, Oregon and Sacramento, California centres were part of GVI's operations during the first quarter of 2001 but were not part of GVI's operations at the end of the first quarter of 2002. The loss before interest, taxes and depreciation and amortization was $254,630 for the first quarter of 2002 as compared to a loss of $713,325 for the first quarter of 2001.

Consolidated cash as at March 31, 2002 was $20,369 versus $643,686 at March 31, 2001 and $228,821 as at December 31, 2001. During the first quarter of 2002, major uses of cash included payment of accounts payable and payments of capital lease obligations. To provide needed working capital, the corporation sold its interest in its Sacramento, California centre for US $74,000 on February 6, 2002. The corporation's original investment of US $277,500 was more than fully recovered and an acceptable return achieved through dividends received from the Sacramento centre in the amount of US $626,684. The corporation also sold substantially all of its interest in its Bangkok, Thailand centre for $217,917 on March 26, 2002 and received the funds the first week of April. After the sale the corporation retained a 5% interest. The corporation's initial investment of $339,883 was recovered and a positive return achieved through dividends received from the centre in the amount of $180,401. A shareholder loaned the corporation US $200,000 on January 14, 2002 and US $60,000 on February 28, 2002. These notes bear interest at 15% per annum and have a maturity of one year.

5/30 **LaserSight Incorporated** announced that it had settled claims of the third party to the AstraMax transaction which, as previously announced, was terminated on May 14, 2002. The settlement consists of LaserSight's grant of a nonexclusive, paid up license to LaserSight's United States Patent No. RE37,504 (the '504 scanning patent) in exchange for waiver of all claims of the third party related to the AstraMax transaction and a 90-day option granted LaserSight to terminate that nonexclusive license by payment of $600,000. Should the company exercise its option, paying the $600,000, the waiver of claims remains effective. The third party has no right to sublicense the '504 scanning patent to anyone other than its customers.

The company also provided an update and a preview of its intended activities at the *Annual Meeting of the American Society of Cataract and Refractive Surgery (ASCRS)*. LaserSight is currently increasing its focus on sales activities in international markets where its excimer laser systems are able to perform the full range of refractive corrections and the company is able to offer its CustomEyes solutions for custom ablations. In the international markets, CustomEyes products include the AstraMax integrated diagnostic workstation for precise diagnostic measurements of the eye, CustomEyes CIPTA and AstraPro custom ablation planning software and the company's LaserScan LSX and AstraScan excimer laser systems. The AstraMax workstation has been released for commercial distribution in both the U.S. and international markets and the company plans to ship units to customers during the week of June 1, 2002.

LaserSight has a worldwide installed base of approximately 400 scanning excimer laser systems, including over 220 of its LSX systems. The company believes that this installed base represents a significant opportunity for sales of custom ablation packages including upgrades to its newest AstraScan scanning laser platform to the existing customer base as well as to new customers.

5/31 **TLC Vision Corporation** provided an update on its merger integration progress and an outlook on its corporate growth. The company stated:

* It expects to generate positive cash flow from operations for the quarter ended May 31 and expects $250 million in revenues and around $30 million in earnings before interest, taxes, depreciation and amortization (EBITDA) for calendar 2003.

* Refractive procedure volume for calendar 2002 would be flat compared to calendar 2001 but should increase by approximately 11% in calendar 2003 over calendar 2002 levels, slightly below what some analysts have predicted for the industry.

* Its capital expenditures would be approximately $25 million in calendar 2003, the majority of which would go toward opening new ASC's.

* It currently had a strong balance sheet and $45 million in cash and that all of line of credit debt of **LaserVision** had been repaid. The company expects that it will negotiate for a new line of credit in the fall.

* The previously disclosed costs associated with the merger and the closure of five refractive centers will be reflected in the fiscal 2002 results.

5/31 **Bausch & Lomb Inc.** said that the FDA had accepted its modular premarket approval application for its Zyoptix vision correction system for customized ablation. Bausch & Lomb chairman and CEO Ronald Zarrella said, "With our Zyoptix System, Bausch & Lomb was the first company to offer refractive surgeons and their patients truly personalized laser vision correction technology in Europe, Asia, Latin America, and Canada. Our PMA submission to the FDA is a key step towards bringing this advanced technology into the important U.S. market. We are on track with the submission process, anticipating U.S. availability in early 2003."

Available throughout Europe, Asia, Latin America and Canada -- where more than 20,000 personalized LASIK procedures have been performed since 2000 -- the Bausch & Lomb Zyoptix System for Customized Vision Correction combines the upgraded Technolas 217z excimer laser with the diagnostic capabilities of the new Zyoptix Diagnostic Workstation, Zylink Customized Treatment Calculation software, and the Hansatome Microkeratome.The Bausch & Lomb Zylink software was developed solely for use with the Zyoptix system.

Bausch & Lomb is using the FDA's modular submission process which is designed to streamline the PMA submission process.

5/31 **VISX Inc.** announced that it had entered into an exclusive worldwide license agreement for a portfolio of patents held by Luis Ruiz, MD, relating to the treatment of presbyopia with multifocal ablations. VISX has clinical studies underway to develop an effective laser treatment for presbyopia. VISX also announced that it had signed a Letter of Intent with **Tracey Technologies, LLC** for exclusive worldwide rights to Tracey's ray tracing technology for use in customized laser vision correction treatments.

Commenting on these developments, Liz Davila, chairman and CEO of VISX, said, "These technology acquisitions typify and enhance VISX's leadership position in the global laser vision correction market. We believe ray tracing diagnostic capability is synergistic with the Hartmann-Shack wavefront technology which we are already marketing. Together, these innovative diagnostic tools, combined with the VISX STAR S3 ActiveTrak with Variable Spot Scanning (VSS), will deliver the broadest range of excellent clinical outcomes to the laser vision correction market."

"We are delighted at the prospect of linking our unique Visual Function Analyzer (Tracey-VFA) with the VISX line of advanced technology excimer lasers used in LASIK eye surgery", said Dr. Joe Wakil, chairman of Tracey. "Tracey is the only company in the developing Wavefront Sensing marketplace with proprietary ray-tracing technology capable of measuring all eyes, pre and post operatively. Our new partnership with VISX will allow us to link our respective technologies and deliver a new level of custom ablation performance to the market."

The Magnum Group, Inc., of Tiburon, California, facilitated the Transaction between the companies.

(It should be noted that Tracey had previously signed a development and marketing agreement with **TLC Vision**. According to LaMar Laster, Tracey president, Tracey will share in a royalty stream each time the VFA is used with a VISX laser system, and a part of Tracey's royalty will go to TLC.)

5/31 **Nidek Co., Ltd.** announced it had received allowance from the United States Patent & Trademark Office on March 19, 2002 for a patent titled "Corneal Surgery Apparatus," which relates to the invention of an eye tracker device to detect possible eye movement during laser refractive surgery. The eye tracker ensures proper alignment of the laser with the patient's eye during the surgical procedure. The invention is believed to be basic technology regarding eye tracker systems and is used in Nidek's EC-5000 excimer laser. "We are pleased the U.S. Patent Office has recognized the unique technology of Nidek's eye tracker system by granting our patent application," stated Hideo Ozawa, president of Nidek Co., Ltd. "Nidek has filed for patent protection in other countries, with this application first filed in 1995 in Japan."

The company also announced that it had submitted a supplemental application to the FDA for approval of a Windows-based operating system and a new intraoperative eye tracking device for the EC-5000 scanning beam excimer laser. The Windows operating system and four-beam infrared eye tracker are key elements of Nidek's NAVEX (Nidek Advanced Vision Excimer Laser) customized ablation system for refractive eye surgery. The Windows operating system, in use internationally for several years, enhances the utility of current laser functions, and will provide a reliable platform for the addition of new laser features as they become available. "The powerful, user-friendly Windows operating system offers improved patient data management and permits the use of successive procedures," stated Hiroshi Okada, vice president and general manager,

Nidek, Inc. "Our new CCD camera eye tracker system constantly monitors the position of the patient's undilated pupil and is not affected by instruments passing in and out of the surgical field. The eye tracker's speed and accuracy is ideally suited to Nidek's unique scanning slit technology."

5/31 An updated research report on **VISX** was issued by Ted Huber of **Banc of America Securities**. In the report, Huber said:

* Trade checks show volumes tracking close to VISX expectations: Our channel checks with surgeons and corporate laser center operators reveal sequential growth in April but a sequential decline in May. Most laser operators are expecting volumes for the quarter flat to slightly down compared to 1Q02; this just behind VISXs expectations for flat sequential procedure growth.

* VISX on track to meet, not beat 2Q02 EPS expectations: These volumes, and reports of hardware sales also consistent with 1Q02, support VISXs $0.12 EPS target for 2Q02. Our $0.13 estimate is based on an assumed 7% sequential growth in VISX procedures. To meet this target, VISX will need to take share during the quarter. An acceleration in June volumes is unlikely due to days lost to the ASCRS Trade Show and a recent spate of negative LASIK reports in the popular press.

* Industry Consolidation Continues: With the **TLC** and **LVCI** (VISXs two largest customers) merger closed, consolidation of the laser operator business continues. Our model assumes a continued gradual erosion of industry prices; we do not see this particular event leading to any near term acceleration in this trend.

* BUY Thesis: VISX trades at 16.4x our 2003 EPS vs. 17.2x for peers and significantly discounted on a PEG basis. We believe shares have been weak this past month in part due to the reduction of an institutional holders position from 10% to near 4%. VISX shares offer an attractive risk reward ratio at these levels.

5/31 **QLT Inc.** and **Novartis Ophthalmics** announced that the *Committee for Proprietary Medicinal Products (CPMP)* of the *European Medicines Evaluation Agency (EMEA)*, had adopted a positive opinion on Visudyne (verteporfin) therapy to also include the treatment of patients with evidence of recent or ongoing disease progression in occult subfoveal choroidal neovascularization (CNV) secondary to age-related macular degeneration (AMD). The CPMP opinion will now be considered by the European Commission, which should make a final decision within three months regarding marketing authorization in the European Union.

"We look forward to the European Commission's final decision and to being able to provide Visudyne to the many patients for whom there is no approved drug treatment currently available," said Paul Hastings, president and CEO of QLT. This application was based on favorable two-year results from the Verteporfin in Photodynamic Study trial (VIP), a phase IIIb clinical trial, which included 258 patients with subfoveal occult

without classic CNV, who had recent disease progression. The study showed that patients who received Visudyne therapy for 24 months had a significantly reduced risk of moderate and severe vision loss compared to the placebo group. The results were published in the May 2001 issue of the peer-reviewed *American Journal of Ophthalmology*. "We are very pleased with the committee's recommendation for approval of Visudyne for occult wet AMD, " said Luzi von Bidder, head of Novartis Ophthalmics. "This positive recommendation is a very important milestone as occult CNV represents a considerable portion of the total wet AMD population and if approved this indication could expand the current market for Visudyne to two-thirds of the total patient population in Europe."

6/2 **Paradigm Medical Industries, Inc.** announced the official launch of its new microkeratome the K-tome. "Our K-Tome will represent a second generation device used in refractive vision correction, and is related to our acquisition of **Innovative Optics** earlier this year," said Paradigm Medical,s chairman and CEO, Thomas Motter. "Our system is superior in several respects," Motter added. "The blade is software driven through a patented mechanical process, which avoids the inherent dangers associated with gear-driven systems like torque and wobbling that can result in corneal tears, perforations, free flaps and button holes. These serious complications have proven problematic for eye surgeons. All the other systems are gear driven and leave troughing on the surface of the cut, making outcomes from lasing an exact new radius of curvature as well as flap management less predictable."

6/3 **CIBA Vision Surgical** announced that it had signed an agreement with Greek ophthalmologist Ioannis Pallikaris, MD, for the exclusive worldwide licensing, marketing, and distribution rights to his sub-epithelial separator (SES). SES is an automated microkeratome-based device with a suction ring that creates an epithelial flap for sub-epithelial LASIK surgery. This device eliminates the need for alcohol in separating the epithelium from the basement membrane. Since alcohol is toxic to epithelial cells, removing the alcohol application from the procedure results in faster healing and less pain for patients. SES is also different from current microkeratome designs in its precision. The separator produces a precise, reproducible delamination of the epithelium. With sub-epithelial LASIK, further studies may show that most flap complications of LASIK are reduced. Dr. Pallikaris said that sub-epithelial separations are an improved technique that "may combine the advantages of conventional LASIK and PRK and reduce their disadvantages."

Also, the mechanical separations "were not accompanied by blebbing (formation of cytoplasmic fragments) of basal epithelial cells, which was typical for the LASEK technique. Basal epithelial cells of the flap showed minimal trauma and edema as compared to the standard LASEK technique," said Pallikaris. "With the use of the SES device, the surgeon does not have to manipulate the epithelial layer during the procedure, making SES a `non-touch' surgical approach."

"The contributions of Dr. Pallikaris to refractive surgery have been monumental," said Robin Terrell, president of CIBA Vision's Surgical Business Unit. "CIBA Vision Surgical is working to bring this new development to market as quickly as possible." This product is not currently available in the U.S. The SES is expected to be on the market globally in early 2003.

6/4 People considering the laser eye surgery procedure LASIK now have a simple way to assess whether they are an `ideal,' `less than ideal' or `non' LASIK candidate. These guidelines, released by the *Eye Surgery Education Council (ESEC)* -- the education initiative of the *American Society of Cataract and Refractive Surgery (ASCRS)* -- also provide descriptions of tests that should be included in a pre-LASIK screening examination, and general expectations for the surgery. "These guidelines will help patients to understand whether or not LASIK is right for them, what they should expect from their doctor and, ultimately, what to expect from the procedure," said Dr. Roger Steinert, ESEC chair, Associate Clinical Professor of Ophthalmology, Harvard Medical School, Boston. "LASIK is a surgical procedure, performed by a medical doctor. As with all surgeries, the decision to undergo laser eye surgery should not be taken lightly."

LASIK is currently the most common type of laser eye surgery in the U.S., performed an estimated 1.5 million times each year. In addition, while one in every three Americans who wears glasses or uses contacts has personally considered the procedure, accurate consumer information is scarce. ASCRS launched the ESEC, a first-of-its-kind initiative established to help consumers make informed decisions about undergoing laser eye surgery. The development of the ESEC and, in turn, these guidelines was fueled by a lack of public knowledge regarding LASIK -- underscored by a recent **Harris Interactive** survey, in which nearly half of respondents (41%) indicated that anyone with imperfect vision is an appropriate LASIK candidate. In reality, there are a number of additional factors that physicians consider in determining who is a candidate for LASIK.

More than half of the U.S. population currently uses a corrective aid to see properly. Conducted in March of 2002, the Harris survey polled Americans reliant on glasses or contacts, in an effort to assess their level of knowledge, perceptions, and expectations regarding laser eye surgery. Other key findings were:

- Nearly one-third (31%) of those surveyed did not realize that a medical degree is necessary to conduct LASIK, with the majority of this group believing that mere technical training on laser surgery equipment is all that is required to perform surgery.

- One in four (23%) respondents said that laser eye surgery is a cosmetic -- not medical -- procedure.

"As surgeons, we have become increasingly aware that when it comes to laser eye surgery, consumer knowledge is alarmingly low," explains ASCRS president, Dr. Marguerite McDonald, Clinical Professor of Ophthalmology, Tulane University, Director, Southern Vision Institute, New Orleans. "The mission of the Eye Surgery

Education Council is to combat misconceptions about LASIK, and to provide patients with the tools they need to educate themselves."

The ESEC is made possible through unrestricted educational grants provided by **Alcon Laboratories, Inc.**; **Bausch & Lomb, Inc.**; **VISX, Inc.**; **TLC Laser Eye Centers, Inc.**; **IntraLase Corp.**; **Nidek Co., LTD**; **Moria, Inc.**; **Vision Fee Plan**, A Division of **Capital One Financial Corporation**; **Refractec Inc.**; and **Katena Products, Inc.** ASCRS has maintained sole control over all program content.

6/6 Stephen Joffe, CEO and chairman of **LCA-Vision Inc.** strongly endorsed the new professional guidelines for patient selection just issued by the *Eye Surgery Education Council of the American Society of Cataract and Refractive Surgery*. "We are very pleased that the ophthalmology profession has now formally codified and published guidelines for safe, effective eye surgery. Our LasikPlus laser vision correction centers were the first to publicly propose strict guides to eliminate poor candidates for laser vision correction. We hope those guidelines will eventually be adopted by all providers. "We now consistently turn away nearly 20% of the candidates who come to our centers for laser vision correction. Our well-earned reputation for superior care and concern for the patient has been a major factor in building our business."

Joffe noted, too, that a prime reason **Bausch & Lomb**, one of the world's leading manufacturers of advanced eye surgery lasers, recently agreed to link its brand name to that of LCA-Vision's LasikPlus centers was the stringent screening process LasikPlus has had in place for many years and the enviable patient safety and satisfaction record that those high standards have produced. He added: "Our tough pre-selection process for potential candidates has been scrupulously implemented since the company opened its first LasikPlus center in Baltimore three years ago. It explains why, after performing 220,000 procedures, our documented patient satisfaction level is, today, one of the highest in the entire industry."

6/7 Following the ASCRS meeting, Ted Huber of **Banc of America Securities LLC** , published a new research report reviewing the highlights of the meeting.

* New Technologies Drive Growth: Technologies featured at this years ASCRS meeting foretell accelerating growth in the refractive surgery market (starting in 2003) and in the cataract surgery market (longer term). New clinical data on these technologies revealed safer more accurate vision correction: they will command premium prices and drive procedure demand in the years ahead. We view **Alcon** as the public company best positioned to capitalize on this growth.

* Acrylic IOL battle heats up: New acrylic lens products from **BOL** (relaunched Hydroview lens) and **Allergan's AMO** business (new injector system for Sensar lens) were featured at ASCRS. The Acrylic lens market is the single most important product segment in cataract surgery. Based on surgeon interviews, we expect Alcon to hold share

in this growth segment with its new Blue Blocker lens (due 4Q02) and its Acrysof II (due 1H03).

* Hybrid cataract/refractive lenses hold long term promise: New IOLs under study, including accommodating and multifocal IOL for presbyopic correction and toric and light adjustable IOLs for residual vision correction might eliminate the need for eye glasses after cataract surgery (prevalent in 50% to 70% of cases for distance vision and 100% for near vision).

* Wavefront LASIK shows consistently superior results: Clinical studies sponsored by the 7 excimer laser vendors working with wavefront LASIK (custom ablation) showed better visual acuity, improved quality of vision (contrast sensitivity, night vision) and lower complication rates than traditional LASIK. Wavefront LASIK should stimulate new demand in 2003; expect **Alcon's** approval to be 3 to 6 months ahead of rivals **VISX** and **Bausch & Lomb**.

* Other refractive technologies will drive growth: The **Intralase** FS laser for bladeless LASIK, CTK for treatment of hyperopia and presbyopia, and Phakic IOLs for treatment of high myopia generated excitement among ophthalmologists at the meeting; all three are complementary to LASIK and can stimulate additional refractive market growth in 2003 and beyond.

6/10 The June issue of *Refractive Market Perspectives* also reported on this year's ASCRS meeting, but noted that attendance was off, with most of the drop-off probably due to a decline in attendance of international surgeons, which might have been a result of 9/11 fears, the soft economic conditions, or just a lack of interest in a June meeting in Philadelphia. Picking up on the new IOL theme, Dave Harmon noted that at least a dozen phakic IOLs are working their way through the regulatory system. Lens designs in U.S. clinical trials include the **Staar** ICL, **Ophtec's** Artisan Lens, **Medennium's** PRL, **CibaVision's (IOLTech)** Vivarte, and **Alcon's** Acrysof phakic lens. As he noted, in general, results were favorable for all of these products, particularly among patients with high refractive errors. He also noted, however, that phakic IOLs have been available in Europe for several years but the demand has been limited, with unit sales estimated to be approximately 30,000 per year, or about 5% of total refractive surgeries. Assuming a similar demand level in the U.S., it might not be enough to support the six plus phakic IOL designs now in clinical trial.

Accommodating IOLs were also a hot topic, with much interest in **C&C Vision's** CrystaLens, which appears to have the U.S. clinical lead, but with at least three other lenses in trials. PRELEX or presbyopic lens exchange (previously known as clear lens exchange) was also a hot topic, with at least twenty papers being given on the subject. **Allergan's** (now **AMO**) Array multifocal lens is the dominant product in this segment, but a new lens from Alcon (its Acrysof Multi-focal) also drew some attention.

Wavefront driven ablation, as expected, was also a major topic during the meeting, with a wide variety of papers covering the results of U.S. and international trials that are underway. In general, results for all systems were relatively comparable and demonstrated improvement as compared to standard LASIK. Improvements are most evident in significantly reduced levels of higher order aberrations and a slightly higher percentage of patients with distance vision corrections to 20/12 and 20/16. Wavefront analysis systems continued to attract interest, especially the **Tracey Technologies** VFA, with the announcement of the marketing agreement with **VISX**. **Bausch & Lomb** introduced a new version of its Orbscan and Zyoptix diagnostic devices, linking them with a computer and connecting it all directly to the B&L Technolas laser.

VISX unveiled its early presbyopic ablation profile using its CAP technique and the algorithms developed using the Ruiz patents, which the company has licensed. The results demonstrated are very early in the development cycle. LASEK was discussed in several scientific papers but, according to Harmon, interest appeared to be lower that at last year's meeting. Several new LASEK products were displayed including the new CibaVision microkeratome-like device that makes a 40 micron flap (developed by Ioannis Pallikaris and licensed to Ciba -- see the June 3rd announcement above).

On the regulatory front, the countdown is on to wavefront-driven LASIK, with an FDA panel meeting scheduled to be held on August 1st to discuss the Alcon LADARVision/LADARWave approach. B&L also has announced that the FDA had accepted a modular filing, that allows for data to be submitted in segments as it becomes available. Harmon reported that B&L should be submitting it remaining modules by the beginning of July. VISX has announced it is planning to make its submission during the third quarter.

6/10 **Sunrise Technologies International, Inc.** announced that it had received a notice from the company's senior lender, **Silicon Valley Bank** declaring a default under the company's loan agreement and accelerating the bank's debt. Silicon Valley Bank is owed approximately $3.75 million, and has a first lien on all tangible assets of the company and a shared first lien of up to $1.5 million on the company's intellectual property. Silicon Valley Bank has notified the company that it has failed to obtain agreement from a sufficient number of its unsecured creditors to the proposed Restructuring plan announced by the company March 18, 2002, which would require 97% or more of the unsecured creditors' claims to be converted in preferred stock of the company. As a result of this failure and other events of default, the bank has made demand for immediate payment of the full balance of principal, interest and other charges under the loan by May 24, 2002, which the company is unable to do.

Dale Bowerman, chairman of the Board of Sunrise Technologies, International, Inc., said "I very much regret the bank's action. We have been trying very hard to restructure the company's debts and offer a solution that might allow all of our creditors to recover their valid claims and still have a potential, future return for our stockholders. I believe Silicon Valley Bank has lost patience with this process." David Brewer, Manager of **Anesti**

Management LLC, which manages the operations of Sunrise, said "It's very unfortunate that we have run out of time to convince Sunrise's creditors of the virtues of the proposed Restructuring plan. I will continue to help the company seek new financing and other alternatives to the bank's imminent foreclosure process. In the meantime, Sunrise will continue to service its customers by providing enablements and technical support for the Hyperion LTK. I am confident that this product and the technology will continue to be available to the world, in one form or another, regardless of what happens next."

6/10 **Miravant Medical Technologies** announced that it had signed a non-binding letter of intent with **Bausch & Lomb** regarding Miravant's drug SnET2, now in development for the treatment of wet age-related macular degeneration (AMD), a leading cause of blindness. The companies will jointly review the SnET2 phase III AMD clinical data package, and Bausch & Lomb will have the option to negotiate the exclusive worldwide license to develop and commercialize the drug in ophthalmology. Prior to signing the Letter of Intent, Bausch & Lomb reviewed top line and certain subset analyses of the clinical data. The license option, if exercised, is subject to further negotiations, which may include license fees, milestone payments, royalties and research, development and commercialization expenses.

"Bausch & Lomb is a company with enormous worldwide success in eye care products, and we are very pleased to gain its expertise in evaluating the phase III clinical data," said Gary Kledzik, Miravant chairman and CEO. "We believe SnET2 represents a valuable asset with a comprehensive clinical safety package in well over a thousand patients. Our goal is that SnET2 will prove to be a beneficial treatment for serious diseases of the retina, potentially also in combination with exciting new drug delivery and anti-angiogenesis technologies." Bausch & Lomb said its evaluation of the clinical results for PhotoPoint SnET2 underscores the company's intent and willingness to assess potentially relevant technology developments that might complement its broad, combination-therapy development program for treating age-related eye diseases, which is based on the Envision TD ophthalmic drug delivery implant.

6/12 **SurgiLight, Inc.** reported "significant interest" in its proprietary OptiVision laser for presbyopia procedures at the annual conclave of the *American Society of Cataract and Refractive Surgeons (ASCRS)* held earlier this month in Philadelphia. The company's demonstration, offering attendees hands-on experience with the system, drew a full house. The course was chaired by Sandra Belmont, MD, of Cornell Medical Center. Also participating were Spencer Thornton, MD, a Nashville-based distinguished lecturer and researcher; Nick Mamalis, MD, a researcher and faculty member at the University of Utah; Gregory Pamel, MD, from Manhattan (NY) Eye, Ear and Throat and slated to be a U.S. clinical investigator; and Oscar Mallo, MD, a Brazilian clinical investigator. At the same time, Drs. Mamalis, Mallo and 11 other clinical investigators from around the globe presented data reflecting the overall efficacy of the OptiVision procedure. Eight of those presentations represented results of several overseas clinical trials wherein definite presbyopia reversal was demonstrated in more than eight of every ten cases, even after 18 months. Presbyopia is a condition affecting nearly every individual over the age

of 40 in which there is a decline in unaided near-distance sight. In his discussion, Dr. Mallo reported on the treatment of 92 eyes, with an 18-month follow-up. Those patients showed a mean correction from J5 to J2 (20/20 vision), with almost no regression in the condition and with negligible changes in the patients' overall distance vision. Dr. Mamalis cited histological (cell) analyses of eye tissue taken from animals that had undergone the OptiVision procedure. Those studies clearly indicated that during the healing process the laser incisions were filled with healthy fibrous tissue, increasing the circumference of the sclera, thus enabling the lens to regain normal function.

SurgiLight hopes to receive clearance from the FDA to begin human clinical trials "within the near future," according to chairwoman and CEO Colette Cozean. She added that a "measurable number" of clinicians here and abroad have evinced willingness to participate in such trials, when and if they are cleared to begin. Meanwhile, an increasing number of international clinicians are already using the OptiVision procedure.

6/17 **Wavelight Laser Technologie AG** has raised its sales forecast for the year ending July 31 to E 36 million from a previous forecast of E 33 million. The aesthetic and ophthalmology laser company expects earnings before interest and taxes of around E 2.4 million. Those forecasts compare the previous year's sales of E 24.4 million and EBIT of E 1.2 million. The company said that the improvement was due to robust sales of its laser systems and dynamic growth in its core units of ophthalmology and aesthetics. Wavelight further said it expects above-average results to continue in the future.

In its nine-month's report to shareholders, the company said that for the most recent quarter, it had recorded stable growth, posting increases in both sales revenues and in earnings. Furthermore, with cumulative sales revenues of E 27.3 million for the first nine months, a positive EBIT of E 1.6 million, it had revised upwards its sales projections. For the quarter, sales were E 9.7 million, compared to E 5.7 million a year ago, an increase of about 70%. The ophthalmology division was once again the leader, with sales of E 6.1 million, accounting for 63% of the groups sales. The aesthetic division showed a 40% increase, to reach sales of E 1.6 million.

The outlook for the last quarter of 2001/2002 is positive, with the total sales forecast raised to E 36 million accordingly.

6/24 **AGENCY.COM Ltd.**, a leading marketing and technology agency, announced the launch of **www.ladarvision.com**, a site designed for **Alcon, Inc.** to educate both physicians and consumers about the use and benefits of its new LADARVision laser eye surgery system. The LADARVision system is considered by many surgeons to be the most technologically advanced laser eye surgery system in use today. The system consists of two surgical devices. Alcon's LADARWave wavefront measurement device, currently being reviewed for approval by the FDA, measures the optical aberrations of the entire eye.

In building the LADARVision Web site, AGENCY.COM was tasked with creating a site that would address two very diverse audiences: consumers and physicians. The site was developed to help consumers better understand the different factors involved in LASIK surgery, and to assist them in decision making about the procedure. At the same time, the site was also designed to help Alcon further cultivate relationships with refractive surgeons, and to support the company's sales efforts surrounding its exciting, new LADARVision system technology.

"AGENCY.COM created an extremely comprehensive, single source of information for consumers considering laser vision correction," said Holly Cross, Global Web Marketing Manager, Alcon, Inc. "Their extensive expertise in interactive technology, as well as their attention to both our business objectives and the real information needs of the consumer and surgeon, made AGENCY.COM the clear choice among agencies to create the LADARVision website." "Our goal with LADARVision.com was to create a great online experience for both potential patients and physicians to learn about the benefits of the LADARVision system," said Don Scales, president and CEO, AGENCY.COM North America. "LADARVision.com combines helpful consumer information with the technical advice physicians need, thereby helping Alcon generate increased awareness and demand for the latest technology available in LASIK eye surgery."

OPHTHALMIC LASER UPDATE -- July 2002

6/24 According to a recent **CIBA Vision** e-mail survey, eye care professionals get their information on contact lenses from a variety of sources. When asked to select the single most important source, 31% of respondents selected professional journals. Manufacturer sales representatives and professional education courses and seminars each were selected by 24% of respondents, and another 21% said conversations with peers. Electronic publications for eye care professionals are read by an overwhelming 83% of respondents. Special supplements related to contact lenses that appear in printed journals are also quite well read. Seventy percent of respondents said that they scan most of the supplements and thoroughly read those of interest. Another 16% occasionally scan them. Eight percent read most of them thoroughly while 5% put them in a stack to read at a later time. One percent reported they usually discard the supplements without reading them.

6/24-
6/26 Following publication of a story by the *Wall Street Journal* reporting that the IRS was `waging a major assault on tax issues related to the transfer of intellectual property offshore,' Ted Huber of **Banc of America Securities** issued a report on the potential effect of this effort on **Alcon, Inc.** In his report, Huber noted the following:

* New IRS Initiative a Potential Negative for ACL: The WSJ reported that the IRS is `waging a major assault on tax issues related to the transfer of intellectual property offshore.' This tax management strategy is, we believe, important to Alcon's sharply declining corporate tax liability.

* Taking advantage of lower Swiss rates: Alcon transfers assets to Switzerland given its ownership by **Nestle** and the 7.8% statutory Swiss tax rates. 52% of 2001 earnings were taxed at Swiss rates by Alcon vs. 22% in 1999. Alcon's global tax liability fell to 33.6% during 1Q02 vs. 39% rates the prior year.

* Tax rate reductions key to EPS growth: Our model calls for Alcon's rate to inch down by another 1% per year going forward and our net income growth rates for 2003 and 2004 (17.3% and 18.3%) are 200 b.p. higher than our pretax income growth assumptions.

* Is Bermuda different from Basel? Ownership of patents by overseas shell subsidiaries is apparently a focus of the IRS. Clearly, ACL has pursued a tax advantaged strategy based on shifting ownership of intellectual property oversees; the question at this point is whether its Swiss ownership makes a difference in IRS's application of the law.

* Strong Buy Thesis: We are maintaining our rating and $42 price target (26x 2003 EPS - a slight premium to current 2002 medical device multiples) due to the quality of the Alcon growth story. Share price appreciation, however, may require better visibility into risk related to Alcon's tax strategy.

Two days later, Huber, after speaking to management, issued a followup report. Here are his comments about Alcon's tax program from that report:

* Several vehicles use to manage tax liability: Our conversations with Alcon clarified that its primary vehicle for lowering tax liability is a policy of funding R&D in Switzerland. Initiated in 1998, the policy allows revenue associated with post 1998 R&D to be taxed at Swiss (near 8%) rates. While Alcon has sold some U.S. intangibles to its Swiss parent, this strategy accounts for a small minority of the tax benefits Alcon expects to realize in the years ahead.

* Any risk of unfavorable tax rulings several years out: The key tax audit question for Alcon will be the portion of revenue and profit associated with post 1998 vs. pre 1998 R&D. While it is not possible to judge how aggressive Alcon (or any other company for that matter) has been in estimating its liability, we are comforted by the timing: given the cycles of IRS audits of foreign corporations, negotiations between IRS and Alcon on its 2002 and 2003 tax liability are not likely to take place for several years.

* Taxes aside, ACL trades at a discount: Alcon lost 2.9% in each of the trading sessions following Mondays WSJ article on IRS scrutiny of offshore ownership of U.S. created IP. Alcon now trades at 11.8x trailing EV/EBITDA vs. 16.4x for large cap medical devices and 13.0x for pharma.

* Strong Buy Thesis: Alcon's strong leadership position in growing ophthalmic markets and favorable position relative to the weakening U.S. dollar warrant a premium multiple. Yesterday we called for increased visibility into the company's tax strategies, they've delivered and we expect investors to respond accordingly.

6/26 In the course of the merger of **Carl Zeiss Ophthalmic Systems AG** with **Asclepion-Meditec AG** -- which is progressing according to schedule -- in consultation with the merger partners the company plans to make value adjustments of approximately E10 million at Asclepion-Meditec AG to allow for the changed strategy as a result of the merger. For the main part, the latter relates to the write-down of its investments in **U.S. Medical** and **Icon**, which will only be of minor significance for the future operations of **Carl Zeiss Meditec AG**. Incidental to the changed strategy, there is to be a value adjustment of certain items under receivables and inventories. The risks ensuing from these value adjustments were already taken into account within the scope of the mutually agreed evaluation process. These measures have no influence on the results shown in the consolidated report of the merged company Carl Zeiss Meditec AG, which is due to be recorded in the commercial register at the beginning of July. With this procedure Asclepion will eliminate existing potential risk items which to a large part were already adjusted at the end of the financial year 2000/2001.

"With this step in the merger process Asclepion Meditec is well set for the transfer to the new medical technology company Carl Zeiss Meditec AG, from which I will be resigning at the beginning of July," said Dr. Bernhard Seitz, chairman of the Board of Asclepion-Meditec AG. "In the near future, however, I will continue to be available to the company as a consultant."

The appointment of the new Management Board and distribution of departmental responsibilities is to be dealt with at the constituent meeting of the Supervisory Board on 8 July 2002. The management team will consist of the following:

- Ulrich Krauss, currently Head of the Surgical Devices Section of the **Carl Zeiss Medical Technology Division**, who was appointed president and CEO of Carl Zeiss Meditec AG, responsible for sales, marketing, service and human resources;

- Dr. Walter-Gerhard Wrobel, currently a Board Member of **Carl Zeiss Ophthalmic Systems AG**, Jena, responsible for operations, R&D, and quality within the Board of Management;

- Bernd Hirsch, currently Head of Corporate Mergers & Acquisitions at Carl Zeiss, responsible for finance, investor relations and legal affairs; and

- Dr. Michael Dettelbacher, currently Director of Finance at Asclepion Meditec AG, who will assume responsibility for information technology and infrastructure.

Carl Zeiss Meditec AG will continue to operate in three segments, vision (ophthalmology), aesthetic, and dental.

7/1 **Advanced Medical Optics, Inc.** announced that it had officially spun off from **Allergan, Inc.** by means of a tax-free dividend to stockholders. As an independent company, Advanced Medical Optics, will expand upon its leadership position as the world's second

largest ophthalmic surgical company, in the markets in which it competes, and the world's second largest contact lens care company. The company commenced regular trading on the New York Stock Exchange under the symbol "AVO."

Advanced Medical Optics, with its 50-year heritage in eye care, will now enjoy the entrepreneurial freedom to invest in new technologies and pursue strategic alliances and collaborations that will capitalize on its core strengths and propel growth. As a recognized technology leader, the company plans to increase its investment in R&D and continue to develop a suite of innovative technologies and devices that address a broad range of refractive eye disorders and build on the company's breadth of cataract surgery and contact lens care products. "We recognized the significant opportunity, as an independent company, to expand upon our leadership position in the eye care market, and have built a strong management team comprised of veterans from Allergan and the healthcare industry who are prepared to build upon our history of product innovation and market share," said James Mazzo, president and CEO. "By becoming a separate entity, Advanced Medical Optics can now more clearly focus on its core surgical devices and contact lens care products and customers."

Advanced Medical Optics is beginning its tenure as an independent company from a position of tremendous strength. The company has more than $500 million in revenues, an experienced management team, nearly 2,100 employees worldwide, established and trusted brands, direct sales operations in more than 20 countries, and sales in 60 countries across six continents. The separation from Allergan is based on the principle that the two companies, one focused on pharmaceuticals and the other on medical devices, were diverging and could better achieve their corporate goals as separate entities. With a robust R&D pipeline, Advanced Medical Optics is focused on developing technologies, advancing surgical techniques and expanding markets to drive growth within its cataract surgery, refractive implants and contact care lens product markets.

"Advanced Medical Optics is positioned for continued growth worldwide and will benefit greatly from a dedicated, focused management team," said David Pyott, chairman, president and CEO of Allergan, Inc. "Our businesses have worked extremely well together, but we recognize that it is in the best interest of both entities to operate independently, and we expect both companies to become even stronger based on this spin-off."

7/2 **NovaMed Eyecare, Inc.** announced that it had completed the acquisition of the **United Eye Surgery Center** located in Colorado Springs, CO. On May 6, 2002, NovaMed announced that it had entered into a definitive agreement to acquire a majority interest in this ambulatory surgery center. NovaMed also announced the completion of the divestiture of three more of its management services relationships. The three practices are located in Gurnee, IL, St. Louis, MO and Hammond, IN. The terms of the Colorado Springs, CO acquisition and Gurnee, IL and St. Louis, MO divestiture transactions were not disclosed.

On June 15, 2002, NovaMed completed a transaction with **Williams Eye Institute, P.C. (WEI)** which included the termination of a long-term services agreement, the sale of management services and optical dispensary assets and the sale of its Hammond, IN ambulatory surgery center. The total consideration paid by WEI was approximately $2.7 million in cash and 1.7 million shares of NovaMed's common stock. Prior to this transaction, Douglas Williams, MD, the owner of WEI and a former NovaMed Board member, owned approximately 6.6 percent of NovaMed's issued and outstanding common stock. "We are pleased that we have successfully completed the acquisition of United Eye Surgery Center and the divestiture of these three practices," said Stephen Winjum, NovaMed chairman, president and CEO. "With the proceeds from the divestitures we have completed in the second quarter of 2002 as well as our cash flow from operations, we have reduced our outstanding borrowings under our credit facility from $12.4 million at March 31, 2002 to $6.9 million at June 30, 2002. In addition, we have reduced our total shares outstanding from 24.9 million to approximately 23.2 million," Winjum said. Because the WEI transaction involved the sale of an ambulatory surgery center as well as optical dispensary assets, NovaMed required the consent of its lenders. In addition, NovaMed requested from its lenders an amendment of its credit facility to expand its ability to sell minority interests in its existing ambulatory surgery centers and to allow for the sale of other optical dispensary assets.

7/3 **LCA-Vision Inc.** reported 14,794 procedures for the second quarter ended June 30, 2002, compared with 17,594 procedures for the first quarter of 2002. Procedure volume for the first six months of 2002 increased 35% sequentially, to 32,388, up from 24,031 in the last six months of 2001. The average price per procedure for the second quarter rose nearly 6% to $1,105, up from $1,044 in the first quarter of 2002. The company noted that this marks the sixth consecutive quarter of pricing increases. Stephen Joffe, chairman and CEO of LCA-Vision, said, "We are pleased with the continued strength of the laser vision correction market and, in particular, the steady increase in average pricing. Sequentially, we remain well ahead of the prior six-month period, and the 35% volume growth, coupled with higher prices, generated positive cash flow from operations during the first half of 2002, even in this challenging business environment. Significant pent-up post 9/11 demand in the first quarter made the quarter-to-quarter sequential comparison unrepresentative."

7/4 The merger of **Carl Zeiss Ophthalmic Systems AG** with **Asclepion-Meditec AG** into **Carl Zeiss Meditec AG** was officially completed when the change was recorded in the commercial register. This was the final step in the integration process, from which the company emerges as one of the world's leading vendors of ophthalmic devices. Carl Zeiss Meditec AG will continue to be listed on the Neuer Market at the Frankfurt Stock Exchange. Due to the merger the share capital of presently 6.2 million shares will be increased to 25.8 million shares, each with a nominal value of euro 1.00. The admission of the newly-issued shares to stock trading is to be expedited as soon as possible. Existing shares in Asclepion-Meditec AG will be automatically exchanged for shares in Carl Zeiss Meditec AG at no cost to the shareholders.

With a global market share of 25%, Carl Zeiss Meditec AG is one of the leading complete solution providers in the field of ophthalmology. Its product range includes systems for the treatment of the four main areas in ophthalmology: refractive, cataract, glaucoma and retinal disorders. In addition, innovative laser systems for use in the field of aesthetic laser medicine and dentistry round off the product spectrum. For many years, Carl Zeiss Meditec has had efficient and well-established worldwide distribution channels at its disposal. Its presence in the USA is of particular importance. Here the company and its subsidiary, **Carl Zeiss Meditec, Inc.** (formerly **Zeiss Humphrey Systems, Inc.**) occupy a dominant market position. As of 30 September 2001 the company employed 880 employees world-wide and posted sales of approx. euro 233 million.

7/5 The July issue of *Refractive Market Perspectives* reported a slight decline in average LASIK prices for the first quarter, based on a survey of 320 refractive surgeons conducted during March. The newsletter found that average LASIK prices had declined to $1557 during the quarter, down 3.7%.

The newsletter also reported on the new strategy for **TLC Vision** announced at the recent ASCRS meeting. As noted by company chairman Elias Vamvakas, "Laser no longer appears in the company name, because in coming together we have created something greater than a big laser center company. The newly combined business provides a unique platform for delivery of eyecare services to doctors." TLC now dominates the corporate laser center market with 128 fixed sites and 300 sites served with mobile lasers. Approximately half of all LASIK procedures performed in corporate centers and about 20% of all U.S. procedures are performed in the newly merged company's laser centers.

7/8 *The Plain Dealer Reporter* (Cleveland) ran a story titled, "Doctors, lawyers eye next wave in optics", which discusses how malpractice lawyers are eyeing wavefront technology to highlight the flaws sometimes brought about by LASIK surgery. As much as surgeons are looking forward to this new technology to provide better quality of sight to their patients, lawyers are looking to the new technology to provide ammunition to "quantify ill effects from LASIK surgery, such as loss of contrast sensitivity, halos, and other distortions (while) at the same time some predict it will greatly reduce the incidence of such effects."

7/9 **Ponte Nossa Acquisition Corp.** announced that it had completed a Private Placement of common stock and warrants for $150,000 with a single investor. Ponte Nossa had previously announced a merger agreement with **Visijet Inc.**, a privately held ophthalmic device company. The additional funds will be used to facilitate the merger and provide additional working capital. The capital from the Private Placement is in addition to the $236,000 already provided by **Wharton Equity Partners**, a New York-based company specializing in emerging growth investments, and the additional $564,000 agreed to by them at the close of the merger. Visijet has received over $8 million in orders in Europe and Asia for the new Hydrokeratome, a patented, FDA-approved device that uses waterjet technology to cut the cornea as required for LASIK surgery, a procedure that corrects vision without glasses or contact lenses. The procedure, performed over 3

million times last year worldwide, continues its popularity. In addition to the Hydrokeratome, Visijet is developing the Pulsatome, a device that uses waterjet technology to remove cataracts -- the most performed surgical procedure in the world. The Pulsatome product will provide entry into this estimated $8 billion cataract market worldwide.

7/10 **Gimbel Vision International Inc.** announced that it had entered into a purchase and sale agreement with **I Care Services Ltd.** to sell all of the assets of the Corporation's refractive surgery centres in Calgary and Edmonton (collectively, the "Alberta Centres"), which represent substantially all of the assets of the Corporation. I Care is a corporation whose majority voting shares are owned by corporations controlled by Howard Gimbel, MD and Judith Gimbel.

H.V. Gimbel Professional Corporation (HVGPC), **I Care**, Howard Gimbel, MD, and affiliated corporations (collectively, the "**Gimbel Group**") provided certain services to GVI with respect to the refractive eye surgery business pursuant to a number of agreements and licenses between GVI and certain members of the Gimbel Group. On October 9, 2001, the Gimbel Group issued letters notifying GVI that it was in default of its financial obligations under certain agreements and licenses and demanded payment on the arrears. GVI was unable to cure the defaults within the notice periods set forth under the various agreements. In December of 2001 the Gimbel Group exercised its termination rights terminating certain agreements and leases between GVI and certain members of the Gimbel Group but made interim arrangements to continue providing daily access and surgical services to GVI in the Alberta Centres pending the outcome of negotiations between the parties. As at May 29, 2002 (the effective date of the Agreement), the aggregate amount which remained owing by GVI to the Gimbel Group was $556,643, plus legal and other related fees and interest.

GVI has agreed to sell to I Care its interest in all of the assets related to the Alberta Centres, which are substantially all of the assets of GVI. I Care has agreed to assume certain liabilities with respect to the Alberta Centres. The total consideration, in addition to the assumption of these liabilities, is $1.6 million, plus interest, which is payable as follows:

* the amount of $721,643, plus interest, will be set-off against the amounts owing to the Gimbel Group; and

* the amount of $175 per refractive procedure performed at the Alberta Centres after May 29, 2002 until such time as the total sum of such fees equals $835,722. I Care will deliver an unsecured promissory note in the amount of $835,722 to GVI at the closing of the transaction.

The sale of the Alberta Centres will reduce GVI's outstanding obligations by approximately $924,000, including the debts owing to the Gimbel Group identified

above, and will enable management to focus on attracting new businesses to its remaining four refractive surgery centres in Canada.

Craig Lavelle, GVI's president and CEO, stated that "the sale of the Alberta Centres will allow GVI to explore new business opportunities in the medical services industry". Closing of the transaction is scheduled to occur on July 31, 2002 and is subject to shareholder approval, the fulfillment of certain conditions and the obtaining of regulatory approval from the **TSX Venture Exchange**. GVI will seek shareholder approval at its annual and special general meeting to be held on July 30, 2002.

7/11 **Paradigm Medical** announced that it has received a purchase order from **Valdespino Associates Enterprises** and **Westland Corp.** of Mexico City and Salt Lake City, respectively, for 200 complete sets of the company's entire product portfolio of diagnostic and surgical equipment for ophthalmic practitioners including its Photon laser system for cataract removal and its patented Ocular Blood Flow Analyzer for assessing individuals at risk for glaucoma. Craig Alder, vice president of Westland, commented, "This order is the first of two. The second P.O. will be for an additional 100 sets of equipment."

The initial order, according to Paradigm officials, is for $70 million in systems to be filled over a two-year period followed by the second order of $35 million to be completed in the third year. The P.O. calls for the execution of delivery in traunches of 25 system sets beginning in 30 days. "Westland has been working with Valdespino Group and **EXIM Bank** and others in the international banking community on this transaction for the past eight months," according to Alder. "This is of course good for the immediate parties involved but will also benefit the local economy. We are proud to be able to bring this business to Utah and plan additional similar transactions for Paradigm in other Latin American countries where we specialize," commented Alder.

Thomas Motter, CEO of Paradigm commented, "This transaction alone (though not forecasted) should ensure Paradigm profitability for Q4 and, if we can ramp up quickly enough, we may even move the company into profitability for the whole year. We've worked with the Westland group in the past and they have always proven very reliable and dependable. At any rate, this is a milestone for the company. We have other transactions of this magnitude in process, which may also be impacting the company before year-end. Between these types of transactions and the normal core business, our anticipated FDA approval on the Photon (the system is already approved for sale internationally) and expanded indications of use for our Ocular Blood Flow Analyzer, not to mention the launch of our new Micro Keratome for Lasik surgery, things are now going our way," Motter concluded.

7/11 **VISX,Inc.** announced financial results for the second quarter ended June 30, 2002. Revenue for the quarter was $36.6 million compared to $48.3 million for the comparable period of the prior year. Net income was $5.9 million (11 cents per share), compared to a net loss of $10.7 million (19 cents per share) in the comparable period of the prior year.

Pro forma net income was $0.21 per share for the second quarter of the prior year excluding the effect of the $37.8 million litigation settlement.

Revenue for the first six months of 2002 was $73.2 million compared to $98.7 million for the comparable period of the prior year. Net income was $12.4 million (23 cents per share) compared to net income of $1.9 million (3 cents per share) in the comparable period of the prior year. Pro forma net income was $0.42 per share for the first six months of the prior year excluding the effect of the $37.8 million litigation settlement.

Commenting on the announcement, Liz Davila, chairman and CEO, said, "The second quarter was a solid one for VISX. Revenues were equal to the first quarter and net after tax income was equal to 16% of sales. However, the current trend in consumer confidence -- a primary driver of laser vision correction procedures -- is not favorable. Consequently, we are forecasting a decline in revenue and profits for the second half of 2002. We are estimating second half EPS in the range of $0.15-$0.18. We believe there may be upside if consumer confidence improves in the next two quarters. There is also downside if additional economic or socio-political traumas further depress consumer confidence. Throughout these challenging times, VISX is solidly positioned as the laser vision correction market leader. The company remains confident in the growth potential of this market. We believe that eventual renewed economic growth and strong consumer confidence, combined with the launch of custom LASIK procedures, will accelerate procedure growth."

During the ensuing teleconference call, management elaborated on the role that consumer confidence played in the direction that procedures were taking. Believing that there was a one to one correlation, Liz Davila thought that procedure volume for the year would be down by 10% from last year, or to 1.2 million procedures or less for the industry, unless there was a turnaround in consumer confidence. (VISX procedures would follow in line. they were down 11% during the quarter, most of that occurring in June.) She also felt that VISX was ahead in custom ablation, primarily because they had already placed more than 100 WaveScan systems, with which their doctors were getting the experience necessary to perform customized ablation when approved by the FDA, hopefully during the first quarter next year for their system. They will file the PMA this quarter. They also plan on shipping an additional 150 WaveScan system over the next two quarters, putting a total of 250 in the field by the end of the year.

The company noted that they had shipped 34 laser systems during the second quarter, with selling prices down about 6% (following guidance that laser ASPs had been up in the previous quarter), but expected that shipments for the 3rd quarter would be down 15%-20% and then hopefully pick up again in the fourth quarter. Upgrades to the Star S3 with variable spot scanning has been completed on better than 80% of U.S. laser systems, but only on about 30% of international placements. Ms. Davila confirmed (as shown on their website) that the company had an installed base of better than 1400 laser systems worldwide.

Following the release of second quarter financials, Ted Huber of **Banc of America Securites** issued his take on the announcement: LASIK Volumes Hitting the Skids; Downgrade to Market Performer. His comments included:

* Earnings guidance down sharply on bleak LASIK outlook: Following a sharp decline in June volumes, VISX cut 2H02 EPS guidance by nearly 40% as its outlook for LASIK volumes has turned dark. We've reduced our 2H02 estimates to the low end of their range, believing declining consumer confidence, plus Alcon's anticipated 4Q02 "custom LASIK" launch will constrain VISX's growth.

* 2Q02 results fall just short: VISX reported EPS of $0.11 for 2Q02 vs. consensus of $0.12. License revenue fell 11% sequentially vs. VISX's prior expectation of flat performance.

* Why are VISX volumes falling? VISX cites consumer confidence as the key driver. While the Conference Board index was off near 4% in June, consumer spending was reportedly up in June and luxury good retailers are sticking by estimates for 2H02 growth. We believe negative press this spring re-ignited the LASIK "fear factor" and spreading news about "custom LASIK" is beginning to cause consumers to delay surgery decisions.

* Downgrade to Market Performer: VISX is not cheap based on our new estimates and hurdles in the quarters ahead. With our new estimates of $0.38 for 2002 and $0.56 for 2003, VISX trades at 16.6x our 2003 EPS vs. peers at 13.7x. VISX's LTM EV/EBITDA ratio is 12.3x vs. 9.0x for peers. We see a number of negative factors that will weigh on VISX in late 2002 and early 2003, including Alcon's likely 4Q02 launch of the industry's first "custom LASIK" system and the approach of VISX's next patent showdown with Nidek (slated for 1Q03).

7/11 **Miravant Medical Technologies** announced that its common stock will begin trading on the OTC bulletin board, effective as of the opening of business on July 12, 2002. The OTCBB is a regulated quotation service that displays real-time quotes, last-sale prices and volume information in over-the-counter (OTC) equity securities. OTCBB securities are traded by a community of market makers that enter quotes and trade reports. The company's common stock will trade under the ticker symbol MRVT.OB.

Miravant's move to the OTCBB is effective with its delisting from the Nasdaq National Market as of the opening of business on July 12, 2002. Gary Kledzik, chairman and CEO, stated, "The move to the OTCBB resulted from a significant decline in the company's market capitalization in January this year, after phase III clinical results were announced for our most advanced drug, SnET2, and reflects the volatility of the biotechnology industry. I believe that Miravant is extremely undervalued given our technological capabilities and pipeline of new drugs in clinical and preclinical development for serious diseases." Dr. Kledzik added, "While we are disappointed with this development, we believe that the OTCBB can provide a viable market for investors in Miravant common

stock. Our executive management will continue to address our financial issues by controlling costs and making every effort to raise additional capital and solidify potential corporate partnerships in support of our PhotoPoint disease programs. In addition, we intend to make every effort to regain our listing status on the Nasdaq National Market."

7/15 The June issue of *Refractive Eyecare for Ophthalmologists* contained an excellent article, written by Stephen Slade, on the potential closed cornea applications for the femtosecond laser. The article discusses the various types of cuts that can be made with the **IntraLase** system (which would also apply to the **20/10 Perfect Vision** femtosecond laser), including intrastromal ablation, intrastromal lenticle resection, both for myopia and hyperopia; the treatment of presbyopia by selectively removing sclerotic tissue to restore flexibility (and movement) for the lens; lamellar keratoplasty via precision sculpting of donor lenticles and the recipient bed; and of course, the already approved flap making, and use for making capsulotomies.

The same issue also includes an article on Prelex as an option for presbyopia, describing the exchange of the natural lens with an IOL, preferably a multifocal design, such as the **Advanced Medical Optic's** Array.

Speaking of presbyopia and the various options available, Maxine Lipner of *EyeWorld* has written the EyeWorld cover story for the July issue on just that subject. It describes the galaxy of treatment options available for presbyopia, beginning with the various concepts of its cause as put forth by Adrian Glasser (the Helmholtz theory -- the loss of accommodative movement of the ciliary muscle) and Ronald Schacar (the Schacar theory -- that the lens "grows" or gets thicker within the bag during aging, and that release of the sclera allows for that increase in size). The article describes the various options for correcting presbyopia, including Prelex; accommodative IOLs; monovision using monovision LASIK, use of the **Refractec** CK technique, or a modified monovision technique employing a small diameter corneal inlay, under development by **Bausch & Lomb**; the use of scleral treatments (in line with the Schachar theory) using ciliary sclerotomy, which doesn't seem to hold its correction, scleral expansion bands (**Presby Corp.**), or the **SurgiLight** laser (not mentioned in the article) to remove some scleral tissue. In speculation about the future, Gene Zdenek postulated that ultimately, there will be an injectable lens composed of a flexible polymer that will mimic the way the natural lens works.

7/18 An article, entitled, "Usage and Cost of Laser Trabeculoplasty in the United States", was published in the July/August 2002 issue of *OPHTHALMIC SURGERY AND LASERS*. The authors, Chad Albright, MD; Stefanie Schuman, MD; Peter Netland, MD., provide a methodology for determining the annual number of trabeculoplasties performed in the U.S.

"To determine annual usage and costs of laser trabeculoplasty (LTP) in the United States, we reviewed data from the Health Care Financing Administration from 1986 to 2000, using the Part B Extract and Summary System (BESS). The annual number of LTP

procedures performed increased to a peak number of 176,670 in 1992 and has declined since that time, with a 57% reduction in the number of procedures performed in 2000 (75,838) compared with the peak number. The total allowed charges declined from a peak of $137.1 million in 1991 to $27.6 million in 2000 (80% reduction). The average allowed charge per procedure was highest in 1989 ($893), and by 2000 the average charge ($359) was reduced by 60% compared with the peak charge. The total number of LTP procedures performed in Medicare beneficiaries has decreased in recent years compared with the peak number in 1992. In recent years, there also has been a marked reduction in the total allowed charges and the average charge per procedure for LTP."

7/17 I just received the table of contents and an executive summary of a brand new report just published, on "U.S. Markets for Ophthalmic Devices", prepared by a research group called **Millennium Research Group** in Toronto. Based on what I've seen, it looks like they have done a bang-up job and, perhaps, its something my ophthalmic laser subscribers ought to consider obtaining. In addition to the U.S. Market, the group is also considering reporting on the "European Market" and "Competitor Insights" in separate reports. The U.S. report is priced at $3995 (or a corporate license for $5995), while the European part will be priced at $5995/$8995, and the Competitive part, $2995/$4495. Or, if they publish the latter two reports, the whole shebang can be purchased for $9995/$14,995.

Here is an excerpt from the executive summary of the U.S. market report:

Recording revenues of $711.7 million in 2001, the U.S. market for ophthalmic devices experienced a marked decline from 2000, as the effects of the economic downturn that followed September 11 depressed revenues in market segments related to photorefractive procedures. Over the next five years, revenues are expected to remain relatively flat before growing slowly during the second part of the forecast period and finally surpassing the $800 million mark by 2006. Between 2002 and 2006, revenues in the US ophthalmic device market are expected to increase at a CAGR of 3.3%. Major drivers of value over this period of time will be the advent of customized ablation in photorefractive surgery, as well as intraocular lenses (IOLs) and ophthalmic viscoelastics that are used in cataract surgery. Conversely, growth in market value will be limited by shrinking reimbursement that will reduce ASPs in some segments, as well as product maturity that will limit the growth in many markets to the low single-digits.

MARKET SEGMENTATION

The ophthalmic device market is divided into two primary segments, diagnostic and interventional, with the interventional segment consistently accounting for the vast majority of the revenues earned in the market. From 2002 to 2006, cumulative revenues earned from the sale of interventional products, which include IOLs and photorefractive lasers, are expected to total 83.4% of the market's cumulative revenues. By comparison, the market for diagnostic devices, which include corneal topographers and ultrasound systems, will only account for the remaining 16.6% of cumulative market revenues.

INTERVENTIONAL DEVICES

The market for interventional ophthalmic devices was valued at $592.3 million in 2001 and is expected to reach $679.4 million by 2006. Included in this market are seven segments, with IOLs accounting for the majority of market value.

Of the total U.S. interventional ophthalmic market, IOLs account for 42% of sales; viscoelastics 21.9%; photorefractive lasers 9.1%; microkeratomes and blades 8.4%; ophthalmic lasers 8.3%; phaco equipment and disposables 5.9%; and vitrectomy devices the remaining 4.3%

Intraocular Lenses (IOLs): 2001 Revenues = $248.5 million

Within the market for IOLs, the majority of value will be generated by the sale of acrylic and silicone lenses. Representing the largest segment of the ophthalmic device market, product development within the IOL market is dynamic as companies innovate to capture revenues. Thus the competitive dynamics of the market will be continuously affected as companies seek to develop next generation IOLs that include multifocal and accommodative lenses. However, such product development will have to continue within the context of falling ASPs as shrinking reimbursement continues to place heavy negative pressures on the market. As shown in the accompanying graphic, acrylic lenses hold a 50% share of total units, while silicone lenses account for a 37% share, and all others a 13% share.

Photorefractive Lasers: 2001 Revenues = $56.4 million, Procedures = 1.35 million

Although this market was severely affected by the economic downturn of 2001, revenues will grow positively during the forecast period as the advent of wavefront technology will serve to increase both photorefractive procedure volumes, as well as the sale of photorefractive lasers. By 2006, it is estimated that total U.S. photorefractive procedures will number greater than 2 million. In that same year, approximately 80% of the photorefractive lasers sold in the US will include the sale of a wavefront aberrometer as customized ablation procedures penetrate the market and all major manufacturers are expected to have received FDA approval for their customized ablation systems.

Microkeratomes & Blades: 2001 Revenues = $50 million; CAGR 6.0%

Ophthalmic Lasers: 2001 Revenues = $49 million; CAGR 2.3%

Ophthalmic lasers are considered to be either photocoagulators (encourage hemostasis), or photodisruptors (ionize tissue). As both lasers often have applications for the same pathology they represent different means of treating the same diseases.

The maturity of laser technology is such that competition in this market is no longer heavily clinical-based. Rather, laser features that cater to ease of use, physicians' comfort

or that contribute to practices' profitability are determinants of market share. Currently, three of the most important features of competition in the laser market are:

- Laser Portability,
- Durability and Service; and
- Ingrained Usership.

The total US market for ophthalmic lasers was valued at $49.0 million in 2001. This market is one of slow growth and stability. From 2002 to 2006, revenue growth will average a low 2.3% per year as units increase at a similar rate of 2.9% per year over the same period of time. Photocoagulators account for 75.3% of units sold, while pulsed YAGs for capsulotomies (and irridotomies) account for the remaining 24.7%. Within the photocoagulator segment, green (532 nm) lasers account for the bulk of the segment, according to Millenium Research, while diodes (810 nm), multiwave systems, and argon lasers account for much smaller unit sales.

7/22 **QLT Inc.** reported that its alliance partner, **Novartis** announced that global Visudyne (verteporfin) sales were approximately US$71.3 million (CAD$110.8 million) for the quarter ended June 30, 2002. This represented an increase of 27% over sales in the second quarter of 2001. QLT reiterated its annual sales guidance of US$275-300 million by year end.

7/22 The shares of **Carl Zeiss Meditec AG** now officially trade on the Neuer Markt. The official name change of the former **Asclepion** shares constitutes one of the last successful steps of the merger of **Carl Zeiss Ophthalmic Systems AG** and **Asclepion-Meditec AG** to form Carl Zeiss Meditec AG. The total share capital of Carl Zeiss Meditec AG, which was augmented by euro 19.6 million from euro 6.2 million to euro 25.8 million, has been admitted to trading on the respective German stock exchanges. Seventy-six percent of the shares in Carl Zeiss Meditec AG are currently held by the **Carl Zeiss Group**, about 9% by **DEWB AG** and a further 15% are in free float. However, according to Dr. Michael Kaschke, chairman of the Supervisory Board and member of the Zeiss Management Board, a sharp increase in the percentage of free float is anticipated in the medium term as a result of the stock market flotation in Frankfurt. Under the new German Securities Acquisition and Takeover Act (WpUG), Kaschke continues, Zeiss was obliged to submit a mandatory offer to the outside shareholders who are not obliged to accept this offer. However, the second largest shareholder DEWB AG has indicated in advance that it will not accept the offer.

As Ulrich Krauss, board spokesman for Carl Zeiss Meditec AG, explained, the consolidation of Zeiss know-how in diagnosis and Asclepion lasers in therapy will give the Jena specialists for ophthalmic systems access to major growth markets. With a market share of 22%, the company already ranks among the major international vendors. Already today, the complete range of products and services for the four main disease clusters in the field of ophthalmology will enable additional potential to be exploited. Further additional growth components are the expanded marketing and service potential

due to the global presence of Zeiss and the bundling of its research and development activities.

7/23 **IRIDEX Corporation** announced that sales for the quarter ended June 29, 2002 were $7.4 million, an increase of $345,000 or 5% compared to the corresponding quarter in 2001. The company reported a net loss for the second fiscal quarter of $447,000 (6 cents per share) compared to net income of $11,000 (0 cents per share) for the corresponding quarter in 2001. Included in the reported pretax loss for the second quarter of 2002 is $150,000 of restructuring charges. The charges resulted from the company eliminating 12% of its workforce during the second quarter. The reduction in workforce is expected to reduce employee-related costs by $1.2 million annually going forward. Sales of ophthalmology products during the second quarter of 2002 of $5.7 million, an increase of 4% from the equivalent quarter of 2001, continued to show strength and exceeded company expectations. However, sales of aesthetic products of $1.7 million, an increase of 7% from the corresponding quarter in 2001, were below company expectations. The company expected a greater increase in aesthetic product sales from the Apex hair removal laser system, which was introduced last year. Overall, ophthalmology product sales gains did not cover the shortfall in aesthetic product sales.

"Considering the current market conditions, especially in the aesthetics marketplace, it was necessary to resize the company to quicken our return to profitability," commented Theodore Boutacoff, president and CEO. "This is the first reduction in force for IRIDEX. As part of the restructure, the ophthalmology and aesthetics product development and marketing functions of the company were combined, allowing for a reduction in operating expenses for these functions. We are continuing our efforts to drive down our cost structure and improve our processes while maintaining our high level of customer support. We are paying special attention to the cost of manufacturing our products. Over the last two quarters the company has reorganized its manufacturing and product service operations into separate operating groups. The separation provides additional focus on activities that can increase throughput for manufacturing and turnaround time for product repairs. The separation also improves analysis and performance reporting, but has incurred some short-term costs. We are beginning to see benefits from these improvements and are confident that the reorganization of the manufacturing and service operation will help drive down the cost of manufacture and maintenance of our products in the future."

Current economic conditions continue to make it difficult to offer accurate guidance in the aesthetics market, especially in the summer quarter, but the company expects third quarter revenue to be between $6.6 and $7.0 million with earnings per share in the $0.03 loss to breakeven range, respectively. The company expects to return to profitability in the fourth quarter of this year.

7/25 **Bausch & Lomb** announced second quarter worldwide sales of $458.4 million -- up 14% over the second quarter of 2001 -- powered by double-digit increases in its contact lens, lens care and pharmaceutical product categories. Excluding the impact of currency, sales

increased 13% for the quarter that ended June 29, 2002. For the first half of 2002, the company reported worldwide sales of $872.6 million, up $68.4 million or 9% over sales in the first half of 2001. Bausch & Lomb also reported net earnings of $21.8 million (40 cents per share) for the second quarter. These results compare to prior-year reported earnings of $6.8 million (13 cents per share) and reflect new rules for accounting for goodwill amortization. If those rules were applied in 2001, comparable-basis earnings per share would have been $0.21 in the prior-year quarter. Calling the results "encouraging," Bausch & Lomb chairman and CEO Ronald Zarrella said, "We are making progress in returning Bausch & Lomb to a stable and predictable company with improved profitability. Our new products are gaining momentum, our restructuring efforts are delivering savings and we continue to invest in new products and development opportunities to build future growth."

Refractive surgery product revenues declined 13% in actual dollars, and about the same in constant dollars, from the prior year. In the Americas region, revenues declined 16%, primarily reflecting continued softness in LASIK procedures and the capital equipment market caused by ongoing uncertainty in the economic environment. European refractive revenues declined 18%, mainly due to fewer laser placements. Outside the United States, sales of products associated with the company's Zyoptix system for customized ablation continued to grow, indicating the acceptance of the company's market-leading technology. A growing percentage of laser placements were part of a Zyoptix system, and the number of Zyoptix per procedure cards sold increased, with card sales for the first half of 2002 surpassing full-year 2001 results.

Zarrella commented, "We are pleased with the continued momentum attained by our business overall, and in particular the trends noted for our contact lens, lens care and pharmaceuticals portfolios. While we continue to face challenges in our surgical businesses, acceptance of our Zyoptix system for customized ablation overseas bolsters our belief in our ability to ultimately grow the U.S. refractive business with product approval and an improved economy. We will continue to focus on regaining share in our U.S. cataract business to return that category to overall growth."

In a separate news release, the company explained how it intended to improve operating profitability. The actions will increase annual operating profits by approximately $90 million in 2005, with nearly 60% of the savings realized by 2004. The actions are a result of a comprehensive review of the company's cost structure and business processes that began with the arrival of chairman and CEO Ronald Zarrella at the end of last year. The comprehensive plan includes plant closures and consolidations; manufacturing efficiencies and yield enhancements; procurement process enhancements; the rationalization of certain contact lens and surgical product lines; distribution initiatives; the development of a global information technology (IT) platform; and the elimination of approximately 450 jobs worldwide associated with those actions. "The plans we announced today will provide us with a competitive cost structure and the right organizational model to achieve our profitability targets for the next three years," said

Zarrella. "Our emphasis will now be on speedy and flawless execution of these plans, so we can then intensify our focus on opportunities for increased top-line growth."

As usual, Ted Huber of **Banc of America Securities** issued his take on the financial report. He commented:

* Strong sales resulted in $0.05 EPS upside. B&L's 2Q02 EPS of $0.40 was a commendable $0.05 upside to consensus and $0.08 upside to our estimate. B&L beat our topline estimate by a $25 million (6.3% points) with torrid growth in contact lenses (19.4%) and solutions(28.2%). Easy comps and modest share gains drove this performance. B&L also delivered a better than expected SG&A margin, and lower than expected R&D spending (due to timing of certain programs).

* Increased Guidance and EPS estimates. We have increased our 2002 EPS estimate to $1.71 (from $1.60), reflecting the 2Q02 upside and more optimistic outlook on B&Ls vision care and pharmaceutical businesses. We are one penny behind B&L current 2002 EPS guidance of $1.72. Our 2003 EPS is now $2.04, a comparable growth rate to our prior forecast (20%) off the higher EPS base.

* Market Performer Thesis Unchanged. The 2Q02 results bear out the significant operating progress B&L is making under the leadership of new CEO Ron Zarella. But the likely removal of B&Ls Purevision contact lens line from the U.S. market this quarter poses EPS risk to both 2H02 ($0.12 to $0.15) and 2003 ($0.07 to $0.10). While we won't weigh in on the specifics of B&L's patent dispute with **Ciba**, we note that U.S. Appelate Courts only rarely grant stays of District Court injunctions in patent cases. B&L now trades at 15.5x our new 2003 EPS estimate, one multiple point ahead of peers and a valuation that, in our view, fairly reflects the current risk/reward.

7/25 In an interview with Mitch Campbell, CEO of **Refractec**, I learned that the company has been successful in the three months since its launch of ViewPoint CK for treating hyperopia. To date, the device is now at about 45 sites, with about 90 surgeons performing more than 1000 procedures. Some of the practices report doing between 50-60 procedures per month, at about $1500 per eye. What these surgeons are finding is that their marketing programs for CK are drawing in many potential candidates, mostly having monovision performed. As I predicted in my OSN article from the ASCRS meeting (sent with last month's newsletter, and due to appear in the August 1st issue of OSN), low hyperopes aren't that interested in having surgery done, but once they become presbyopic, they come in to have both their hyperopia and presbyopia taken care of. In addition, the marketing seminars are drawing myopes for LASIK and candidates for cataract surgery into those practices holding the seminars. The doctors are charging $100 for an eye exam and getting patients for their LASIK and cataract practices, as well as for CK. So, it appears to be a win-win situation for these doctors. Some of the practices are predicting that they expect to perform close to 100 procedures per month, once the word gets out.

The ViewPoint CK device sells for $48,500, and the company collects $150 per procedure for the tips. Refractec will provide a further update during the upcoming AAO meeting.

7/25 **QLT Inc.** reported financial results for the second quarter ended June 30, 2002, and reiterated guidance for 2002. For the quarter, Visudyne sales were US$71.3 million (CAD$110.8 million). This represented an increase of 27% over sales in the second quarter of 2001. Visudyne sales in the U.S. for the quarter were approximately US$42.6 million (CAD$66.3 million), representing 60% of total sales for the quarter. This represents an increase of 18% over U.S. sales in the second quarter of 2001. The remaining US$28.6 million (CAD$44.5 million) related to sales in the rest of the world, primarily Europe, and represented an increase in rest of world sales of 42% over the same period last year. Operating EPS in the second quarter of 2002 reached $0.07 compared to $0.06 in the prior year second quarter.

The company reiterated its annual Visudyne sales guidance in the range of US$275-300 million or growth over 2001 of 25% to 35%. "We are pleased with our progress to date in 2002," said Paul Hastings, CEO and president. "As we enter the second half of the year we will continue to focus on hitting our milestones including expanding the Visudyne franchise, demonstrating further progress with our clinical development programs and managing our expenses responsibly."

The company's revenues reached $38.3 million in the second quarter, growing by 22% from the second quarter of 2001. Revenues from Visudyne comprised $36.3 million of this total, up 22% over the same period in 2001. QLT's share of Visudyne net profit (excluding the recovery of manufacturing and other costs) from the QLT/**Novartis Ophthalmics** alliance for the second quarter was 24.3% of Visudyne sales. The company is still forecasting that it will receive as its share of profit from the alliance a total of 26% to 28% of total Visudyne sales for the year 2002 as a whole. The profit share received from the QLT/NVO alliance in the second quarter of 2002 was lower than the anticipated full year rate due to continued heavy promotional expenditures early in the second quarter, and we do not expect these expenditures to continue to be heavy in the second half of 2002.

7/25 **STAAR Surgical company** reported results for its second quarter ended June 28, 2002. Revenues were $12.1 million, which compare to revenues of $12.9 million for the second quarter of 2001 and $11.7 million for the first quarter of 2002. The company reported a net loss for the second quarter of $3.9 million (23 cents per share), including non-recurring charges of $1.2 million. In the second quarter of 2001, the company had a net loss of $4.2 million (25 cents per share), including a $2.0 million charge for excess and obsolete inventory and a $3.6 million charge for failed products. The non-recurring charges taken during the quarter of $1.2 million were the result of subsidiary closures and were primarily related to the recognition of deferred losses resulting from the translation of foreign currency statements into U.S. dollars. Since the charges had been included in

equity their subsequent recognition, while impacting retained earnings, had no impact on total stockholders' equity.

For the six months period, revenues were $23.8 million, compared to revenues of $25.9 million for the six months of 2001. The company reported net losses of $4.9 million (29 cents per share) for the first half and $4.4 million (26 cents per share) for the first half of 2001. Revenues for the quarter decreased over prior year by $802,000 or 6.2%. The decrease in revenues is primarily the result of decreased unit volume and ASP declines of Intraocular Lenses (IOLs) in North America and planned changes in European distribution which improved profitability partially offset by increased sales of Implantable Contact Lenses (ICLs), Aquaflow Glaucoma Devices, STAARVisc viscoelastic, and the Sonic WAVE phacoemulsification system. David Bailey, STAAR Surgical CEO and president said that slower than anticipated sales in the U.S. market is the primary reason for the lower than expected revenues, which had an adverse impact on the quarter's bottom line. "Management has been working on this issue for sometime and has recruited an experienced sales and marketing manager for the U.S. and Canada," Bailey said. "Nick Curtis has a strong background in the cataract and refractive surgery market needed to turn our U.S. sales around. He will join our team in August and oversee the launch of the new products."

In the international markets, sales of the ICL in the first half increased 55% and increased 33% over the second half of 2001. "We are seeing strong interest and growing sales of this flagship product," Bailey said. "We expect this trend to continue fueled by new approvals in Asia." Clinical trials of the ICL in Japan will begin this quarter. **CanonSTAAR Co. Inc.**, the company's joint venture partner, has already submitted a file for the approval of Collamer material in Japan. "The technology transfer to our joint venture partner remains well ahead of schedule," Bailey said.

"We have hit or surpassed many of our other benchmarks particularly with regards to the ICL," Bailey commented. "We have resumed the manufacture of our 3-piece Collamer IOL one month ahead of schedule and have accelerated the rollout of our new lens cartridge. The new R&D and manufacturing teams have done a tremendous job to roll out these critical products ahead of schedule. In addition, the first two phases of our ICL submission have been reviewed by the FDA and are considered closed, a new head of U.S. and Canadian sales has been appointed and new products will strengthen our foldable IOL position in the U.S. and give us significant upside potential."

As noted, the company also reported that it had received notification from the FDA that the pre-clinical and the manufacturing modules on its Premarket Application (PMA) for the ICL had been accepted and were both considered closed. "This excellent outcome of the first two phases of our submission for the ICL represents significant progress by STAAR Surgical toward its goal of commercialization of the ICL in the U.S.," said vice president of Scientific Affairs, Helene Lamielle, MD. "The third and final clinical module of the PMA for the ICL will fulfill the new FDA requirement for three year follow up of the patient cohort." Bailey concluded, "We are extremely excited about the

progress we have made with the approval of the first two phases of our ICL submission to the FDA. This marks the successful completion of a significant milestone to gain approval of our ICL in the U.S."

7/26 **LCA-Vision Inc.** reported financial results for the three months and six months ended June 30, 2002. The company posted a second quarter net loss of $2.3 million (5 cents per share). A year ago, the company reported net income of $755,000 (2 cents per share). For the six months ended June 30, 2002, the company reported a net loss of $1.1 million (3 cents per share) versus net income of $2.1 million (4 cents per share) for the first half of 2001. Despite a challenging competitive environment in the second quarter, average price realization per procedure increased for the sixth consecutive quarter to $1,094, which represents a 17% growth over the average price of $934 achieved in the second quarter of 2001. Contribution margin in the second quarter of 2002 remained strong at 78% of revenue. Contribution margin is calculated by deducting medical, professional and license fees from laser refractive surgery revenues.

As previously reported, second quarter procedure volume declined slightly on a sequential basis versus an unusually strong first quarter. However, procedure volume for the first half of 2002 grew 35% sequentially, to 32,388, up from 24,031 in the final six months of 2001. Cash and short-term investments were $16.4 million at June 30, 2002, little changed from the $16.6 million reported at December 31, 2001. During the first six months of 2002, the company generated operating cash flow of more than $2.6 million and repurchased over 3.2 million common shares for $2.4 million, a 7% reduction in the number of shares outstanding.

Stephen Joffe, chairman and CEO of LCA-Vision, commented, "Pricing improved for the sixth straight quarter and procedure volume this year is still running 35% ahead of the second half of 2001. We continue to refine a number of our marketing and sales initiatives, which, to date, has improved both consumer awareness and demand for our services. We are confident that the long-term fundamentals of the laser vision correction business remain very positive. The initiatives we've begun, coupled with our superior clinical outcomes, should keep the company generating positive cash flow in the second half of 2002."

7/26 **TLC Vision Corporation** announced that it had made an equity investment in **Vascular Sciences Corporation** and together the companies had established **OccuLogix, L.P.**, a 50/50 joint-venture designed to commercialize Vascular Sciences' Rheopheresis blood filtration process (Rheopheresis) for the treatment of age-related macular degeneration (AMD) in the United States, Canada and Mexico. AMD is the leading cause of blindness in people over the age of 50 in the western world.

The joint venture's initial focus will be to bring hope for the first time to some of the estimated 11 million North Americans who currently suffer from the dry form of this progressive eye disease. Dry AMD accounts for approximately 90% of the total population that suffers from the disease and to date has no effective treatment. Experts

estimate that, as the population ages, the number of afflicted North Americans will exceed 30 million by 2020. The majority of dry AMD patients will gradually lose their central vision, potentially to a point of legal blindness.

Rheopheresis is a process that filters from the blood certain high molecular weight plasma proteins and lipoproteins which are believed to contribute to the development of AMD. To date, no clinically relevant safety issues have been identified with the treatment. Rheopheresis is currently undergoing a pivotal study in the U.S. The MIRA-1 Protocol is a randomized, prospective, multicenter, double-masked, placebo-controlled trial designed to compare Rheopheresis treatment against placebo treatment in 150 patients with late stage, high risk, pre-angiogenic (dry) AMD also demonstrating elevated plasma levels of select macromolecules in their blood. As such, it is the largest prospective, double masked apheresis trial ever undertaken.

Each patient receives either eight actual or eight placebo procedures respectively over 10 weeks. The study's primary endpoint is the mean change in Best Spectacle-Corrected Visual Acuity applying the Early Treatment Diabetic Retinopathy Scale (ETDRS BCVA). Secondary and tertiary endpoints include legal driving, vision improvement, vision loss, drusen reduction and progression to legal blindness. While success in treating AMD is often only measured by the ability to slow down or halt the disease's progression, in many instances Rheophersis has actually improved patients' vision. With respect to the first 43 patients that participated in the MIRA-1 Protocol and that had pre-treatment vision worse than 20/40, Vascular Sciences has reported that the twelve-month intent-to-treat interim analysis demonstrated the following:

(1) Mean Change in ETDRS BCVA: Eyes treated with Rheopheresis demonstrated a mean vision gain of 1.1 lines of ETDRS BCVA at 12 months post-baseline, compared to a mean vision loss of 1.9 lines of ETDRS BCVA in the eyes in the Placebo group ($p=0.001$).

(2) Legal Driving: 57.9% of Rheopheresis-treated eyes improved after treatment to 20/40 or better and continued to qualify for a drivers license 12 months post-baseline, compared to just 14.3% of Placebo eyes.

(3) Vision Improvement of (greater than or equal to)3 lines ETDRS BCVA: 15.8% of eyes treated with Rheopheresis improved and continued to maintain this level of vision gain 12 months post-baseline, compared to none of the eyes (0.0%) in the Placebo group.

(4) Vision Loss of (greater than or equal to)3 lines of ETDRS BCVA: 5.3% of eyes treated with Rheopheresis lost 3 or more lines of vision over 12 post-baseline months, compared to 28.6% of Placebo eyes.

(5) Drusen reduction: Dry AMD is characterized by small yellowish deposits under the macular part of the retina. These deposits are known as drusen. 35% of

Rheopheresis-treated eyes demonstrated angiographic evidence of drusen reduction over 12 post-baseline months, compared to 14% of Placebo eyes.

(6) Progression to Legal Blindness: 5.8% of eyes treated with Rheopheresis progressed to legal blindness over 12 post-baseline months, compared to 28.6% of Placebo eyes.

Based upon the interim results of the study, the FDA recently authorized a protocol change whereby all of the patients in the placebo-control group will be offered the opportunity to cross over to receive Rheopheresis treatment. Final enrollment of the last group of patients in the study is expected to be completed within the next 6 to 9 months, with the expectation of submission of their data to the FDA for Pre-Market Approval (PMA) sometime in late calendar 2003 or early 2004. Until such time as the PMA application is approved, commercial treatments cannot commence in the U.S. However, OccuLogix hopes to open its first Canadian commercial facility for the treatment of dry AMD with the Rheopheresis therapy in Windsor, Ontario by the end of calendar 2002. In 1993, Windsor was the site of the first TLC Laser Eye Centers' refractive surgery center.

"The establishment of this joint venture exemplifies TLC Vision's platform strategy of delivering new technologies to our affiliated network of primary and secondary care doctors so that they can, in turn, offer improved clinical care to their patients," commented Elias Vamvakas, TLC Vision's chairman and CEO. Vamvakas continued, "This reminds us of the early days of laser eye surgery when TLC opened its first refractive center -- leveraging our preferred access to the newest clinical technologies, benefiting from earlier Canadian approvals, taking advantage of Windsor's close relationships with U.S. eye care providers and focusing on eye doctors as the primary channel of patient access." Dr. Rick Davis, MD, Vascular Sciences' chairman and CEO, said "TLC Vision was a natural partner for us. The TLC Vision delivery platform is unsurpassed in eye care, providing instant access to a very large network of highly experienced and well trained doctors, all tied together in real time through state-of-the-art information systems. We will also be able to learn from TLC's significant past success in creating and growing new eye care markets. We are proud that, together, we can deliver hope to the millions of North Americans suffering from this devastating disease."

7/29 **LaserSight Incorporated** announced that it had signed a non-binding Letter of Intent with a company based in the Peoples Republic of China that specializes in advanced medical treatment services, medical device distribution and medical project investment. The transaction contemplated by the Letter of Intent would establish a strategic relationship that would include the purchase of at least $10 million worth of LaserSight products, distribution of LaserSight products in mainland China, Hong Kong, Macao and Taiwan, and a $2 million investment in LaserSight Incorporated. The investment in LaserSight would be in the form of Convertible Preferred Stock that, subject to certain restrictions, could be converted into shares of the LaserSight's Common Stock and result in the purchaser holding approximately 40% of LaserSight's Common Stock. Subject to successful completion of due diligence and negotiations of mutually acceptable

documentation, it is contemplated that definitive agreements will be executed in early August 2002. (At which time, according to *Dow Jones*, the company will release the name of the Chinese company, although a spokesperson for the company told Dow Jones that the company was one of the first to introduce medical lasers into China and has investments in a group of laser refractive surgery centers there.)

Under the terms of the Letter of Intent, the company would purchase at least $10 million worth of LaserSight products, including a minimum of 40 LaserScan LSX excimer laser systems, during the 12-month period immediately following the signing of the definitive agreements. LaserSight currently has in inventory laser systems and component parts representing approximately 75% of the total costs of materials needed to meet this order. During the subsequent three years the company will be required to purchase a minimum number of laser systems and AstraMax systems each year to maintain distribution rights to LaserSight's products. The purchase price for laser systems, AstraMax diagnostic workstations and UltraShaper keratomes will be paid by irrevocable letters of credit, confirmed by a U.S. bank and payable at sight.

In addition to the purchase and distribution of LaserSight products, it is contemplated that, subject to certain conditions including a Nasdaq waiver of a requirement for shareholder approval, the company would agree to pay LaserSight $2 million in exchange for LaserSight issuing 9.3 million shares of Convertible Preferred Stock that, subject to certain restrictions, could convert into 18.6 million shares of LaserSight Common Stock. (About 40% of the outstanding shares.) The Convertible Preferred Stock may not be converted into Common Stock until the first to occur of (i) the one-year anniversary of the date that Convertible Preferred Stock is issued, (ii) LaserSight's failure to deliver products in accordance with a delivery schedule to be established, or (iii) the company purchases, and LaserSight has received payment for, at least $10 million worth of LaserSight's products.

The holders of the Convertible Preferred Stock will have the right to vote separately as a single class in order to elect that number of directors that will constitute 40% of the membership on LaserSight's Board of Directors. In addition, LaserSight will amend its bylaws to provide that certain significant events or transactions including the issuance of a material number of shares of Common Stock or preferred stock, the sale of material assets and the merger or consolidation of LaserSight will require the approval of 75% of the members of LaserSight's Board.

China is a point of focus for LaserSight's worldwide marketing and sales activities. With a population of approximately 1.3 billion people, China has become the world's largest and fastest growing market for laser refractive surgical procedures. China is attracting a high level of investment interest in excimer laser systems and laser refractive treatment centers are opening at a record pace. Not only does this exploding market have the largest potential number of people clinically eligible for laser vision correction, but also according to LaserSight's potential partner, the number of people able to afford the procedure is on the rise.

Michael Farris, president and CEO of LaserSight, commented, "By partnering with a company in the Peoples Republic of China we would expect to significantly strengthen our presence in the world's fastest growing market for laser vision correction."<p>The Chinese company was one of the first companies to introduce medical lasers into China and currently has investments in a group of laser refractive surgery centers in China that hold leading positions within their markets. The company also operates several specialized technical service centers and offers training and consulting services in related fields. The recently executed Letter of Intent is the first step towards a long term strategic relationship with the company that I believe will stabilize and strengthen LaserSight. I expect that we will progress rapidly towards definitive agreements and then begin to deliver excimer laser systems, AstraMax diagnostic workstations and keratomes under this agreement."

OPHTHALMIC LASER UPDATE -- August 2002

7/31 **Alcon, Inc.** reported global sales of $809.5 million for the second quarter of 2002, an increase of 8.5% over sales in the second quarter of 2001, or 8.9% excluding the impact of foreign exchange fluctuations. Earnings per share, adjusted in 2002 for one-time items associated with Alcon's initial public offering on March 20, 2002, and adjusted in 2001 to exclude amortization of goodwill, increased 31.6% to $0.50 in the second quarter of 2002 from $0.38 in the second quarter of 2001. Reported net income for the second quarter was $162.8 million (53 cents per share) compared to $103.1 million (34 cents per share) in the second quarter of 2001. For the first six months of 2002, Alcon reported global sales of $1.5 billion, an increase of 8.2% over sales for the first half of 2001, or 9.8% excluding the impact of foreign exchange fluctuations. Earnings per share, adjusted in 2002 for one-time items associated with Alcon's initial public offering on March 20, 2002, and adjusted in 2001 to exclude amortization of goodwill, increased 29% to $0.89 for the first half of 2002 from $0.69 for the first half of 2001. Reported net income for the first half of 2002 was $256.8 million (87 cents per share) compared to $187.5 million (63 cents per share) in the first half of 2001.

Alcon's chairman, president and CEO, Tim Sear said, "We are very pleased with our second quarter operating results, which were above consensus estimates for both sales and EPS. All of our major product segments (pharmaceuticals, surgical and consumer eye care) are doing well and we remain on a positive performance track for the year. We believe sales for the full year will now be about $3.0 billion, with adjusted earnings per share in the range of $1.52 to $1.55 per share. This outlook assumes that major foreign currency rates remain generally where they are today. As for 2003, at this point we expect sales to keep growing in the high single digits and comparable net income to grow in the mid to high teens."

Second quarter 2002 surgical sales reached $371.2 million, a 5.7% increase over the second quarter of 2001. Foreign exchange fluctuations had a negligible impact on surgical sales growth for the quarter. Surgical sales for the first six months of 2002 were $708.7 million, 4.8% above the first half of 2001, or 6.3% excluding the impact of

foreign exchange fluctuations. Second quarter sales of intraocular lenses were $113.5 million, a 9.1% increase over the second quarter of 2001. Year-to-date sales of intraocular lenses were $215.1 million, a 6.6% increase over the first half of 2001. Cataract and vitrectomy equipment and related disposable products had sales of $85.5 million in the second quarter of 2002, 7.7% above the second quarter of 2001. Sales of viscoelastics reached $45.4 million in the second quarter of 2002, a 12.1% increase over the second quarter of 2001. Year-to-date sales of cataract and vitrectomy equipment and related disposable products were $165.4 million, 5.3% above the first half of 2001, while sales of viscoelastics grew 9.0% from the first half of 2001 to $84.7 million in the first half of 2002.

Refractive revenues were $16.1 million in the second quarter of 2002, a 33.2% decrease compared to the second quarter of 2001. For the first half of 2002, sales were $33.0 million, 14.9% below last year's first half sales. The refractive industry continues to be adversely impacted by global economic conditions and weak consumer confidence, which has reduced demand for refractive surgery. "Refractive sales are just a small part of our broad portfolio of surgical products, accounting for less than 3% of our total sales. As the economy recovers and technological innovations reach the market, we expect refractive surgery to resume a growth trend and be a positive contributor to our overall surgical business in the years to come," commented Sear.

Following the release of financial data, Ted Huber of **Banc of America Securities** issued an updated research report, in which some of the highlights included:

* Alcon reports another strong quarter. Pro forma EPS of $0.50 beat consensus by $0.07 and our estimates by $0.08. Strong pharma performance (+13.3%, 4.2% better than our estimate) and SG&A cost control (leverage of 3% points vs. our 1% point estimate) drove the quarter.

* Strong competitive positions driving additional share gains. In cataracts, Alcon's 9% YOY growth in the quarter outpaced that of competitors **AVO** (up 8% YOY) and **B&L** (flat sales growth). Travatan continues to gain 0.5% share every month in the U.S. glaucoma market and now has 6% share. Its positions are stronger overseas -- high teens to low 20s share in Latin America and 11% in Germany. Separately, Pantanol gained another 2.5% share and accounts for 56% of the market.

* Raising EPS estimates. We are raising our 2002 EPS estimate to $1.53 (47% YOY growth) from $1.41, to reflect the $0.08 upside from this quarter, and an incremental $0.04 in 2H02. Alcon guided up 2H02 sales target by $12 million (on more favorable currency environment), and expects additional EPS benefit from better SG&A leverage and tax planning. Our 2003 EPS reflects these benefits, and increases to $1.73 (13% YOY growth) from $1.62. Our 2004 EPS is now $2.00 (up from $1.90), up 15.6% YOY. We have lowered secular growth rate estimate to 15% as more of the tax benefits are coming in during 2002.

* Valuation. Alcon is currently trading at 23x our new 2002 EPS estimate of $1.53. We believe this premium multiple should hold as the company continues to execute. Our new target price of $40 is 23x our new 2003 EPS estimate of $1.72.

(Within the report, comparing competitive refractive surgery performance for the second quarter, Huber noted that ACL's sequential growth was -4.7%, compared to BOL's +3.5% and EYE's +0.2%.)

8/1 **NovaMed Eyecare, Inc.** reported results for the second quarter ended June 30, 2002. Net income from continuing operations in the second quarter of 2002 was $1.1 million, (4 cents per share) as compared to $463,000 (2 cents per share) for the same period last year. The second quarter 2002 results include an after-tax gain of $262,000 (1 cent per share) from the sale of a minority interest in an ambulatory surgery center. Net income from continuing operations in the first six months of 2002 was $1.9 million (7 cents per share) before the cumulative effect of a change in accounting principle. This compares to $865,000 (4 cents per share) for the first six months of 2001. For the second quarter ended June 30, 2002, total net revenue was $17.7 million compared to $17.4 million for the prior year second quarter. Net revenue from surgical facilities decreased 12% from the prior year second quarter primarily as a result of a 48% decrease in laser vision correction procedures. Cataract procedures in the second quarter were up 5% from the same period last year and other procedures were down 12%. Product sales and other revenue increased 18% in the second quarter of 2002 over the prior year second quarter.

For the first six months of 2002, total net revenue was $34.1 million, approximately the same as the first six months of 2001. Net revenue from surgical facilities decreased 14% from the prior year first six months primarily as a result of a 45% decrease in laser vision correction procedures. Cataract procedures in the first six months of 2002 were up 4% from the same period last year and other procedures were down 8%.

Stephen Winjum, NovaMed chairman, president and CEO commented, "During the second quarter, we were successful in reducing our net debt by $4.6 million while at the same time completing the acquisition of an ambulatory surgery center. This trend continued in July as the total borrowings under our credit facility decreased by $1.9 million to $5.0 million at July 31, 2002. We also reduced our total common shares outstanding by over 1.7 million shares through a divestiture transaction. For the remainder of the year we will remain focused on maximizing our cash flow from operations, executing our divestiture plan and selectively pursuing the acquisition of ambulatory surgery centers."

8/1 **Alcon, Inc.** announced that the FDA's Ophthalmic Devices Panel unanimously recommended approval of its customized wavefront-guided laser eye surgery application for myopia between 0 and -7 diopters. Utilizing the LADARVision 4000 excimer laser and the LADARWave wavefront measuring device, Alcon brings a system approach to custom laser eye surgery. High and low order aberrations unique to each patient eye are captured by the LADARWave aberrometer. This information is then transferred to the

LADARVision 4000 excimer laser where it is electronically registered and computer matched to create the precision ablation required in customized laser eye surgery.

"Unlike current laser modalities for correcting refractive errors, wavefront guided customized LASIK should provide surgeons the ability to control the visual effects of higher-order aberrations. Treating aberrations, which impact low contrast visual activities such as night driving, should improve the patient's quality of vision," said Dr. Stephen Brint, Associate Professor of Ophthalmology at Tulane University School of Medicine and one of the five surgeons participating in the clinical investigations.

"The refractive community has eagerly anticipated this new technology," said Bill Barton, vice president and general manager, Surgical Division. "We are proud to be the first in the industry to offer an approach that has the potential to improve visual acuity and enhance overall vision quality as compared to today's conventional LASIK Surgery. We will work proactively with the FDA to address the labeling recommendations set forth by the Panel."

Alcon was the first company to initiate FDA clinical trials for customized LASIK surgery using a wavefront measurement device and an excimer laser. Clinical trials are continuing for the treatment of myopic astigmatism, hyperopia with and without astigmatism and other ocular irregularities utilizing this technology.

As reported by *Dow Jones*, the panel unanimously voted that the CustomCornea system should be approved, but the group said the product's information for patients and doctors must clearly say that there is no guarantee the surgery will completely eliminate nearsightedness. In another victory for Alcon, the panel didn't ask for additional studies of the system.

Ted Huber of Banc of America Securities said the following after the FDA decision was announced:

* The FDA held a panel meeting yesterday to get label recommendations on wavefront LASIK. The panel recommended very explicit language on what the consumer and clinician should expect post the procedure. Specifically, wavefront guided LASIK only generate a small amount of benefit over conventional LASIK, and that the clinical benefit is unclear.

* Clinically superior or not, consumers are likely to chose wavefront guided LASIK over conventional LASIK, unless there is a significant price difference. Our conversations with physicians continue to support adoption of wavefront guided LASIK. Therefore, we continue to believe that wavefront guided LASIK is important to the future of LASIK, and that all LASIK manufacturers need to have this technology. Our review of data presented at the ASCRS suggest that the outcomes are not very different across various wavefront guided LASIK systems so timing of market entry is still key.

* Alcon is currently trading at 23x our new 2002 EPS estimate of $1.53. We believe this premium multiple should hold as the company continues to execute. Our target price of $40 is 23x our new 2003 EPS estimate of $1.72.

Some further comments within his research update report included:

Yesterday afternoon, the FDA's Ophthalmic Devices Panel recommended approval with conditions for Alcon's wavefront LASIK system. The positive recommendation did not come as a surprise because the system simply adds a diagnostic front end to an already approved product. In the briefing materials published on Monday, the FDA reviewer explicitly stated that the agency had no concerns with the safety or efficacy of the product. This message also came through loud and clear during the panel discussions. The FDA really held the meeting to get label guidance on all wavefront systems, not just Alcon's wavefront LASIK system.

The panel members were not convinced that the incremental improvements wavefront LASIK outcome would make a difference in the patient's lives. They were essentially split between yes and maybe on whether wavefront guided LASIK has a clinically significant benefit during a vote early in the afternoon discussion. Although the data showed the higher order of aberration is reduced in wavefront LASIK as compared to conventional LASIK, the aberration is actually increased from pre operative levels, and did not translate into higher patient satisfaction.

The panel recommended a number of points that should apply to the label for Alcon's custom ablation system, and will likely be applied to all custom ablation systems, unless their data suggest otherwise. Some of the more significant recommendations include:

1) Wave front guided LASIK demonstrated slightly superior optical quality (reduced monochromatic aberrations) and minor improvement in visual acuity and contrast sensitivity, as compared to conventional LASIK.

2) The accuracy of correction for myopia is still the primary determination of uncorrected vision post the procedure.

3) Conventional LASIK using LADARVision 4000 increases higher order of aberration by 77% over pre-operative levels, while wavefront guided LADAR system increases higher order of aberration by 20%.

4) Unless Alcon (or other wavefront LASIK manufacturers) can prove otherwise, the panel wanted the label to state that there are no data to supported improved functional performance or satisfaction rate in patients with wavefront guided LASIK, compared to conventional LASIK.

Our view of the competitive dynamics is unchanged. Although the value of the incremental benefit of wavefront LASIK over conventional LASIK is questioned by the

panel, we believe patients would still prefer wavefront guided LASIK. One panel member indicated as much during the meeting. Our conversations with clinicians continue to support adoption for this technology. Therefore, we conclude all LASIK manufacturers need to have wavefront technology. The data we've viewed thus far suggests outcomes are similar across different platforms so the timing of market entry is important.

8/2 **Carl Zeiss Meditec AG** said that the **Carl Zeiss Group** does not intend to increase its shareholding in Carl Zeiss Meditec by the Mandatory Tender Offer. It wishes to expand the free float, as it has no legal obligation to accept the offer. By 31 July the offer had taken up 0.7% of the share capital.

In their statement in response to the mandatory offer addressed to the shareholders of Carl Zeiss Meditec AG, which remains effective until 23 August 2002, the management and supervisory boards recommended rejection of the offer. The offer price at 11.13 euros per share conforms to the minimum requirements set forth by the law. The management and supervisory boards claim that this price reflects only the current estimate of corporate value of Carl Zeiss Meditec AG by the capital market. In their view it does not take into account the potential that lies in the newly formed Carl Zeiss Meditec AG by virtue of its size and international orientation. The management and supervisory boards stress that the Carl Zeiss Meditec share represents an attractive medical technology equity which will enable its shareholders to participate in a long-term growth in corporate value.

In submitting the mandatory offer, presented last week by **Carl Zeiss Jena GmbH** on behalf of the Carl Zeiss Group, the latter is not pursuing any kind of strategic goal. It is merely fulfilling its statutory obligation pursuant to Section 35 of the German Securities Acquisition and Takeover Act (WpG). On repeated occasions in the past the Carl Zeiss Group has declared that it is not endeavoring to increase its shareholding in Carl Zeiss Meditec AG. On the contrary, according to Dr. Michael Kaschke, chairman of the Supervisory Board and member of the Zeiss Management Board, a significant increase in the percentage of outside shareholders is intended in the medium term. The mandatory offer, Kaschke adds, will have no impact on the overall objective of advancing Carl Zeiss Meditec AG to become a listed security with widely diversified holdings. **DEWB AG**, the third-largest shareholder of Carl Zeiss Meditec AG, had already announced that it would not be accepting the offer. The management and supervisory boards of Carl Zeiss Meditec AG will also be rejecting the offer for the shares held by them. There is no legal obligation whatsoever for any shareholder in Carl Zeiss Meditec AG to accept the mandatory offer. In a mandatory notice, Carl Zeiss Jena GmbH yesterday announced that up until midday ECT on 31 July 2002 the offer had consumed 0.7 per cent of the share capital.

8/5 **LCA-Vision Inc.** opened its newest, value-priced LasikPlus Vision Center, which will serve metropolitan Raleigh-Durham, North Carolina, its 32nd U.S.-based LasikPlus

facility. In addition to this latest facility, LCA-Vision operates two Canadian centers and a joint venture in Europe.

Commenting on the opening, LCA-Vision chairman and CEO Stephen Joffe said: "Given current soft market conditions for commercial real estate, we are able to open a new center for a small fraction of the upfront costs we incurred previously. Lower costs, combined with the recent improvement in demand for our services, lead us to conclude this is an excellent time to selectively open centers. Careful selectivity in picking promising new sites underscores our commitment to creating value for our shareholders over the medium and long-term. Laser vision correction has grown rapidly since FDA approval in late 1995, making it, today, the nation's most frequently performed elective surgical procedure. We remain confident about the future of laser vision correction with an estimated 150 million candidates for the procedure currently in the U.S. alone. Moreover, the number of potential new patients each year is growing faster than the number of surgeries performed. It is not a finite universe."

8/7 **LaserSight Incorporated** announced that the company had received notification from the Nasdaq Listings Qualification Panel that effective with the opening of business on August 9, 2002, the company's Common Stock will be transferred to The Nasdaq SmallCap Market and will no longer be eligible for trading on The Nasdaq National Market. LaserSight's continued listing on The Nasdaq SmallCap Market requires that on or before August 13, 2002, the bid price of the company's common stock must close at $1.00.

8/10 The August issue of *Refractive Market Perspectives* headlined two items: the decline in second quarter LASIK demand, and the Alcon wavefront panel approval. Dave Harmon believes that consumer demand for LASIK declined during the second quarter due to continued economic worries and a normal seasonal drop off, which has dampened hopes for a market recovery this year. He reported that demand turned "soft" in June, following stronger performances in April and May. He now estimates that 307,500 refractive procedures were done in the U.S. in the second quarter, with a total of 314,750 if those Americans traveling to Mexico and Canada are included. This is a drop of 11.4% compared to Q1 2002, and down 14.8% compared to Q2 2001. Year-to-date procedures are down 14.6% compared to the first half of last year. Given the continued economic turndown, Market Scope has reduced its projection for 2002 to 1.2 million procedures, a decline of 10.8% compared to last year's 1.345 million procedures.

Sales of new lasers also continue at lowered levels, with an estimated 47 new lasers sold in Q2, roughly the same number sold in Q1. At the end of Q2, Harmon estimates that there were roughly 1203 centers in operation in the U.S., which is about the same number that were operating at the end of Q1. He expects demand will pick up again in 2003 as custom ablation clears the regulatory hurdle.

As noted, the other major headline in the August issue was the Ophthalmic Devices Panel recommendation for approval for Alcon's LADARVision 4000 system. (As reported in the August 1st brief above, the approval recommendation was for myopia only. In

response to a panelist's question about this, Market Scope reported that Alcon's George Petit said, "The honest answer is that in the astigmatic cohort, we met all the safety parameters and we were effective, but in this subset we were not as effective as our conventional surgery in the treatment of astigmatism. We found the trends that explain that, and we decided, why don't we fix this and get the best possible astigmatic outcomes before we pursue astigmatic approval.")

The approvable recommendation included many qualifying labeling conditions. Among them (these are similar to and in addition to those shown in the Bank of America Securities report in the August 1st brief):

- Wavefront-guided LASIK demonstrated slightly superior optical performance and a minor improvement in visual acuity and contrast sensitivity compared with conventional treatment.

- The accuracy of the myopic correction is still the primary determinant for the uncorrected image quality and vision.

- There are no data to support a claim of improved functional performance or patient satisfaction in wavefront-guided LASIK vs. conventional treatment.

- Conventional LADARVision treatment increases the higher-order aberrations by 77% over pre-op, while wavefront-guided LASIK increases them by 20%.

- Data should be added showing that 52.5% of patients see as well in terms of postoperative UCVA compared with preoperative BSCVA.

- The label should include dry eye and large night time pupils as contraindications, as poor patient satisfaction is associated with these conditions.

Harmon went on to comment, "While some may argue that the clinical data did not present a compelling case for wavefront driven ablation, Alcon has, as a minimum, established itself as the leader in the race to bring this new technology to the U.S. market."

8/12 **LaserSight Incorporated** announced that the Nasdaq Stock Market, Inc. had approved its request for a waiver of the Nasdaq requirement for shareholder approval of the equity portion of the previously announced transaction which is under negotiation with a company based in the People's Republic of China. The parties have been negotiating definitive documents and if all open issues are able to be resolved closing could occur in the near future. However, the company can give no assurance that definitive documents will be executed and that the transaction will close. Receipt of this waiver facilitates the parties' desire to close the proposed transaction in a timely manner.

Michael Farris, president and CEO of LaserSight, commented, "Receiving the waiver from Nasdaq is an important step necessary to expedite the completion and execution of definitive agreements with our Chinese partner. If the definitive agreements can be signed in the near future, we anticipate making the initial shipment of LaserSight products towards the end of this month. The two companies have been cooperating in preparation for a major ophthalmology meeting scheduled for early September in China. I am encouraged by this working relationship, and if we are able to complete the transaction I believe this will be a positive step forward in capturing market share on favorable financial terms in the world's largest market for refractive surgery. The substantially reduced cost structure we have been able to achieve for the company combined with new revenues is precisely the formula to a more solid financial position for the company and enhanced shareholder value."

8/14 **Miravant Medical Technologies** announced consolidated financial results for the second quarter ended June 30, 2002. Revenues and interest and other income for the second quarter decreased to $44,000 from $2.7 million for the same period in 2001. The net loss for the quarter was $3.6 million (19 cents per share) compared to a net loss of $2.0 million (11 cents per share) for the same period last year. As of June 30, 2002 the company had cash, marketable securities and receivables of $3.7 million.

Gary Kledzik, chairman and CEO, said, "Our business plan is primarily focused on potential corporate partnering opportunities, particularly in ophthalmology and cardiovascular disease, that would strengthen our balance sheet and capitalize on our extensive PhotoPoint technologies."

On June 10, 2002, Miravant announced that it had signed a non-binding letter of intent with **Bausch & Lomb** regarding PhotoPoint drug SnET2, in advanced development for the treatment of wet age-related macular degeneration (AMD), a leading cause of blindness. The companies are jointly reviewing the results of two phase III clinical studies completed December 2001. Bausch & Lomb has the option to negotiate the exclusive worldwide license to develop and commercialize SnET2 in ophthalmology. Prior to signing the Letter of Intent, Bausch & Lomb reviewed top line and certain subset analyses of the phase III clinical data. The license option, if exercised, is subject to further negotiations, which may include license fees, milestone payments, royalties and research, development and commercialization expenses.

Miravant demonstrated its scientific progress during the second quarter. The results of two PhotoPoint breast cancer studies were published as cover articles in the important *Cancer Research* journal. The preclinical studies, published April 1st and August 1st, 2002, were undertaken at The Edwin L. Steele Laboratory for Tumor Biology, a premier tumor research laboratory at Massachusetts General Hospital, Boston. In an advanced orthotopic breast tumor model (breast cancer grown in mammary tissue), PhotoPoint MV6401 caused selective destruction of tumor cells and the new blood vessels that sustain their growth, achieving tumor eradication or long-term tumor growth delay.

Results of these preclinical breast cancer studies were also presented in April at the *American Association for Cancer Research*, San Francisco.

In Miravant's cardiovascular programs, PhotoPoint preclinical results were recently featured on an influential cardiovascular web site, **www.TCTMD.com**, providing high visibility for PhotoPoint technology among clinicians. This web site is a comprehensive, well-recognized forum for specialists in the field of interventional cardiovascular disease. Miravant is conducting a number of preclinical studies on the use of PhotoPoint PDT to selectively target life-threatening lesions within artery walls, both pre- and post-balloon angioplasty procedures, with results presented at major cardiovascular meetings. In dermatology, Miravant continued to enroll patients in a phase II dose-escalation clinical trial, treating plaque psoriasis patients with topical drug PhotoPoint MV9411. Psoriasis is a chronic skin condition in which the immune system triggers accelerated growth of the epidermis, causing inflamed, scaly skin plaques.

8/15 **LaserSight Incorporated** announced financial results for the three and six months ended June 30, 2002. Revenues for the second quarter of 2002 were $1.9 million compared to $3.2 million in the second quarter of 2001. The company reported a net loss of $4.4 million (16 cents per share) compared to a net loss of $8.7 million (36 cents per share) reported for the second quarter of 2001. Revenues for the six months ended June 30, 2002 were $3.9 million compared to $7.4 million in the comparable period of 2001. The company reported a net loss of $9.5 million for the six months ended June 30, 2002 (35 cents per share) compared to a net loss of $11.2 million (47 cents per share) for the same period last year. Excluding a gain on the sale of a patent, the loss in the first half of 2001 was $15.1 million.

The company is engaged in active negotiations of a definitive agreement for its previously announced transaction with a company based in the People's Republic of China and expects, but cannot assure, that it will sign an agreement in the near future and close it soon thereafter.

The following day, the company announced that definitive agreements had been executed with **Shenzhen New Industries Medical Development Co. (Shenzhen New Industries)**, Shenzhen, People's Republic of China and a Hong Kong-based affiliate. Shenzhen New Industries is a company that specializes in advanced medical treatment services, medical device distribution and medical project investment. Details of the transaction are substantially the same as previously announced, and entail a strategic relationship between the companies that includes the purchase of at least $10 million worth of LaserSight products during the next twelve months, distribution of LaserSight products in mainland China, Hong Kong, Macao and Taiwan, and a $2 million equity investment in LaserSight Incorporated. The investment in LaserSight will be in the form of Convertible Preferred Stock that, subject to certain restrictions, can be converted into shares of LaserSight's Common Stock resulting in the Hong Kong affiliate holding approximately 40% of LaserSight's Common Stock. The definitive agreements provide for a letter of credit to be in place by the end of this month for the first $2.5 million of the

$10 million purchase order and the $2 million equity investment to fund by the end of September 2002. Additional details of the transaction will be presented at a later date.

8/16 **SurgiLight, Inc.** announced its financial results for the second quarter ended June 30, 2002. For the 2002 second quarter, the company reported a net income of $102,000 or (1 cent per share) compared with a net loss of $277,000 (1 cent per share) for the year-earlier period of 2001. The increase in net income was primarily attributed to the increase in clinical sales outside the U.S. of the company's proprietary OptiVision laser system for the treatment and reversal of presbyopia. Those results reflect the third consecutive quarter of profitability for the company. With system sales and licensing agreements measurably boosted, revenues for the second quarter were $1.1 million doubling the $515,000 recorded in the second quarter of 2001. Second-quarter operating income was $118,000, compared with a loss of $277,000 in the year-earlier quarter.

According to SurgiLight chairwoman and CEO Colette Cozean, the overall increases in revenues and operating income were attributed "to a significant strengthening of our overseas distribution network armed with a clinically proven laser system, our ongoing success in demonstrating product efficacy to the ophthalmic community and the signing of additional foreign licensing agreements. The return to profitability reflects the current Board's continuing focus on presbyopia reflected as a commitment to a prudently aggressive R&D, well controlled and documented clinical trials, a marketing program grounded in reporting accurate results of these trials and a strengthening of our management team." Dr. Cozean said that SurgiLight hopes for FDA approval "at a reasonably early date" of the company's IDE application to permit clinical trials of OptiVision at seven U.S. sites.

The company's standard operations remained essentially unchanged other than costs associated with contract labor required to assist with clinical trials and increases in general administration expenses. Total liabilities at the end of the second quarter decreased to $2.5 million from $2.8 million on December 31, 2001. The decrease in accounts payable and total liabilities are mainly attributable to payments as part of an agreement with **Premier Laser Systems, Inc.** As reported in the company's current 10-Q, during the second quarter management discovered errors made on the valuation of closing inventory as of December 31, 2001. Prior-period adjustments were recorded and the beginning balance of retained earnings as of January 1, 2002 was adjusted for the full amount. The company's total assets increased to $8.7 million from $8.0 million as of December 31, 2001. This increase in total assets is mainly attributed to the increased accounts receivables generated from the sales of the OptiVision laser systems. The company's working capital is $2.2 million.

8/19 **TLC Vision Corporation** announced its fourth quarter and annual financial results for the period ending May 31, 2002. TLC Vision was created through the merger of **TLC Laser Eye Centers Inc.** and **Laser Vision Centers, Inc.** that was completed on May 15, 2002. Accordingly, these results include 16 days of operations of the former Laser Vision Centers, Inc. Including the 16 days of combined operations with LaserVision, paid laser

procedure volumes totaled more than 28,800 in Q4-02. This compared to 28,900 reported for the same quarter a year ago and 24,800 for Q3-02. Total net revenues in Q4-02 were $38.7 million, compared to $40 million for Q4-01 and $34.3 million for Q3-02. In Q4-02 the company recorded charges totaling $108.9 million. These charges result from the write-down of intangible assets and goodwill, the cumulative effect of the change in accounting principle, a reduction in the carrying value of capital assets, a write-down in investments and restructuring. Including these charges, the net loss for Q4-02 was $115 million ($2.70 per share) which compared to a net loss of $5 million (13 cents per share) for the same quarter a year ago. The net loss for the fiscal 2002 year, which included $134.3 million in charges, was $161.9 million ($4.13 per share) compared to the previous fiscal year's net loss of $37.8 million ($1.00 per share).

Despite a weak operating environment throughout fiscal 2002, TLC Vision maintained a strong financial position with more than $45 million in cash. Elias Vamvakas, TLC Vision's chairman and CEO, commented that "while the charges associated with the merger are included in these financial results, due to the timing of the transaction, the anticipated synergies expected from the merger are not. The post-merger integration is progressing well and we look forward to reporting on a full three months of combined operations in our next quarterly report."

During the ensuing conference call with analysts, the company stated that:

- It had completed the acquisition of an interest in an Ambulatory Surgery Center in Mississippi subsequent to May 31, 2002.

- It was reiterating its previous guidance of $240-250 million in revenues and $25-$30 million in earnings before interest, taxes, depreciation and amortization (EBITDA) for calendar 2003.

- It had already realized $10 million in annualized cost synergies from the merger of TLC Laser Eye Centers Inc. and Laser Vision Centers, Inc. and that it expected to capture an additional $6 million in annual cost savings through recent actions which included staffing reductions.

- The current annual revenue run rate of its other (non-refractive) healthcare services operations was approximately $40 million and that it expected these revenues to grow at a rate of over 20% per year for the next few years and generate profit margins in the 20%-25% range.

8/19 **Ponte Nossa Acquisition Corp.** announced it had obtained a commitment for additional funds of $250,000 from **Wharton Equity Partners** for the interim financing of **Visijet** to continue product development during the anticipated merger of the two companies. Wharton Equity Partners, a New York-based company specializing in emerging growth investments, had already agreed to provide financing of $800,000 upon completion of the Ponte Nossa/Visijet merger and this new funding raises their commitment to $1.05

million. The additional $250,000 funding will assist in working capital for production of Visijet's Hydrokeratome and Pulsatome products and in the conclusion of the merger, which is subject to regulatory and shareholder approval.

8/20 **Paradigm Medical Industries, Inc.** reported sales and earnings for the second quarter and first six months of 2002. The company reported a net loss of $1.9 million (11 cents per share) for the second quarter ending June 30, 2002, compared with a loss of $3.8 million (30 cents per share) in the year-ago period. Excluding charges, the company had a loss of $2.7 million (20 cents per share) in the April-June 2001 period. The company reported second-quarter 2002 sales of $1.3 million versus revenues of $1.7 million a year ago and $1.5 million in the preceding three months. "Despite a reduction in sales, the company's efforts to reduce operating expenses and conserve cash resources resulted in substantial savings," said Paradigm Medical's chairman and CEO Thomas Motter. "Our total operating expenses were $2.4 million in the second quarter versus $2.8 million in the year-ago period and $2.8 million during the first three months of the year. As our sales volume improves we will have substantial leverage in our financial results. We had more than $7 million in cash, receivables and finished goods inventory at the end of June. This should support us through the end of the year. We are also currently exploring several financial proposals."

The company noted that the 27% decrease in revenues for the quarter was due principally to the decline in sales of its DICON diagnostic products, continuing a trend that began last year. Net sales of the Ocular Blood Flow Analyzer (BFA) were zero in the second quarter of 2002, compared with $237,000 a year ago. "Certain payers have elected not to reimburse the doctors per the CPT code assigned to the company last year. This has clearly slowed our BFA sales effort, We are awaiting FDA approval of our 510(k) submission to obtain expanded indications of use for the BFA, which would open other market segments for the equipment and obtain other CPT codes that would be eligible for reimbursement."

For the first six months of 2002, Paradigm Medical reported a net loss of $3.9 million, (24 cents per share) on sales of $2.8 million, compared with a loss of $5.7 million (45 cents per shares) on sales of $3.2 million in the year-ago period.

8/20 Refractive laser company **CustomVis** was one of the few companies in Australia to be awarded the maximum amount under the prestigious *Biotechnology Innovation Fund Grant* presented by the Minister for Industry, Mr. Ian Macfarlane. CustomVis designs and globally markets customized surgical laser vision correction equipment that simplifies the process and allows surgeons to correct non-standard vision disorders. CustomVis will use the $250,000 grant from AusIndustry to produce a prototype of its refractive laser, the CustomVis Custom Laser Corneal Reshaping System.

Dr. Paul Van Saarloos, CEO of CustomVis said the company was delighted by the continued support that AusIndustry showed for its unique surgical laser system. "The Biotechnology Innovation Fund grant allows us to combine our unique superfast scanning

technology with our totally new solid state laser system to provide a commercial prototype which meets all the needs of top ophthalmologists," Dr Van Saarloos said. "The CustomVis Custom Laser Corneal Reshaping System was designed using new solid state laser to perform highly customized eye surgery treatments with extreme precision that are not achievable with existing technology." While solid state technology is now commonly used in ophthalmology, CustomVis has integrated a new and proprietary technology called "CrystalScan" solid state scanning, which provides the fastest eye tracking on the market today. The system will significantly improve the success of laser surgery on eyes by allowing the laser to be prepared for eye movement during a procedure.

The award follows CustomVis success in winning other AusIndustry managed grants including the COMET commercializing emerging technology grant, which has been supplemented by private equity capital. According to Dr. William Ardrey, president and CFO of CustomVis, the AusIndustry awards have been critical to accelerating the company's product commercialization strategy. "We have found that overseas private investors interested in Australian biotechnology have matched Australian government capital with their private equity capital at each stage of the CustomVis' development," Dr Ardrey said.

CustomVis completed a first round of capital raising successfully in May 2002 and has opened a second round of fundraising today with a valuation of $32.5 million. The company aims to raise $10 million from private investors to commercialize its existing products and develop new products for diagnosing visual pathways of the eye. Corporate consulting firm, **Poynton and Partners** is managing the capital raising.

8/23 **Carl Zeiss Meditec AG** will present a pro forma quarterly statement on 16 September 2002. The report covers the first nine months of the current financial year. These pro-forma figures are being published voluntarily. "We want to lose no time in giving a lucid demonstration of the development of Carl Zeiss Meditec AG in the current financial year, even though this is only required together with the annual financial statements" explained Bernd Hirsch, the company's CFO. Carl Zeiss Meditec AG came into being on 4 July 2002 as a result of the merger of **Carl Zeiss Ophthalmic Systems AG** with **Asclepion-Meditec AG**. The nine-month figures for the former Asclepion-Meditec AG are also due to be submitted on 16 September 2002. These were originally to have been published on 28 August. The Deutsche Boerse recently granted the company the necessary extension of the deadline.

OPHTHALMIC LASER UPDATE -- September 2002

8/27 **Miravant Medical Technologies** announced further results of a comprehensive analysis of the SnET2 phase III clinical data. Two drug doses of SnET2 (0.5mg/kg and 0.75mg/kg) were investigated for the treatment of wet age-related macular degeneration (AMD), also called sub-foveal choroidal neovascularization (CNV), a disease characterized by abnormal blood vessel growth at the back of the eye. Patients

who enrolled in the clinical study had a wide range of baseline visual acuity and were retreated only upon disease progression. As previously reported, SnET2 did not achieve the primary efficacy endpoint when all patients were included in the top-line analysis. However, the company reported that certain subsets of patients demonstrated stabilized or improved visual acuity at 2 years:

● 65.6% of patients treated 3 times over 2 years at the lower drug dose maintained stable vision compared to 39.3% of placebo patients; of these, patients with better than 20/200 baseline vision and study compliant lesion size demonstrated 63.2% stable vision compared to 25.0% placebo.

● In a small subset of occult only CNV patients, 67.7% of patients treated at the lower drug dose sustained stable vision compared to 40% placebo.

● Angiography data for these subsets as well as the total patient population confirmed that treated patients had a marked reduction in lesion area and leakage relative to placebo.

Gary Kledzik, chairman and CEO, stated, "Age-related macular degeneration is a complex disease, and we now know that the response to treatment can be affected by a number of variables, such as baseline visual acuity, lesion size and classic and occult disease components. While the vision of the overall placebo group remained surprisingly stable, we are encouraged by the positive treatment results in the responding subsets, which affirms our confidence in PhotoPoint SnET2. We are also very excited by the treatment response in occult only patients, as occult disease remains a very significant unmet medical need and represents at least 60% of the overall AMD opportunity. The angiography data support our belief that PhotoPoint can be a useful therapy for targeting abnormal blood vessels in various diseases of the eye. Now that we have largely completed the data analysis, we intend to request a meeting with the Food and Drug Administration to discuss the phase III clinical results. We are currently vigorously pursuing a strategic partnering relationship for this drug in ophthalmology."

8/27 Ted Huber of **Banc of America Securities** initiated coverage of **Advanced Medical Optics**. His initial comments were:

* Coverage Initiation: Advanced Medical Optics, Inc (AVO) is the ophthalmic surgery and contact lens solutions business recently spun-off from **Allergan**. Our Buy rating reflects what we believe to be AVO's modest valuation and EPS upside potential.

* Leverage enables 15%+ EPS growth but brings risk: AVO's relatively low margins and high financial leverage create a leveraged P&L (interest is 43% of EBIT, net margin is 3.1%). This dynamic allows for 15%+ EPS growth through 2004 with only

3-5% top-line growth, 50 basis points of EBIT margin improvement and modest debt pay-down (7% annually).

* Odds favor EPS Upside: EPS guidance (in line with BAS estimates) leaves room for upside with effective cost management, improved balance sheet management and possible debt rating upgrades (B rated with S&P). While EPS are leveraged to LIBOR and U.S. dollar exchange rates, the weak U.S. economy creates a favorable outlook for both of these metrics.

* Rare spin-off underperformance -- to date: AVO shares, off 16% since their NYSE debut on 7/1, have underperformed the market by 8%. Spin-offs typically outperform the market after a transition month of trading (13% outperformance by month 2, 21% by month 4). Small cap AVO has been slow to find its new investor base in a volatile market.

* Valuation: AVO trades at 15.8x 2002 EPS and 7.46x trailing EV/EBITDA, 14% and 26% discounts to peers, respectively. Though relatively low growth and high leverage may hold AVO back from a premium multiple, we view these discounts as too steep given its conservative model and prospects for EPS upside. Our $12 price target is 17.6x 2003 EPS and 9.1x cash flow multiple, discounts of 4% and 10% to AVO's small cap med tech peers.

8/27 **SurgiLight, Inc.**, and Vancouver, B.C.-based **EnVision Technologies, Inc.**, jointly announced authorization by the Canadian Ministry of Health to proceed with Investigational Testing of SurgiLight's OptiVision laser system with a total of as many as 240 presbyopia patients at five sites, the maximum site number permitted under this authorization. In addition to acting as exclusive Canadian distributor, EnVision will oversee the on-site testing of OptiVision as a primary ophthalmic tool for the successful treatment of a condition affecting the visual acuity of millions of individuals worldwide over the age of 40. EnVision also just received electrical system approval from Canadian Standards Association for the Canadian study.

The first such study was to be initiated in Vancouver, at the No Touch London Place Eye Centre, under the direction of Dr. Donald Johnson, who was key to OptiVision's introduction to Canada. However, because of Dr. Johnson's recent untimely passing, Dr. Michel Pop's Montreal clinic will serve as the initial site. Since at least one site opening now exists, SurgiLight and EnVision are accepting inquiries from interested ophthalmologists. According to Ann Marie Hipsley, vice president, Research and Business Development, EnVision, the MOH decision "provides the opportunity to test again, with new subjects and under the same controlled conditions, the highly positive results recorded in earlier trials. Dr. Pop and the other clinical sites are eager to be part of the worldwide clinical trials, seeking to determine whether indeed OptiVision can take its place as a valuable addition to the ophthalmologist's armamentarium, by providing superior treatment and an alternative to glasses to Canadian citizens."

SurgiLight chairwoman and CEO Colette Cozean, commented, "This authorization is a milestone for SurgiLight not only because of a go-ahead by the health regulatory agency of another major country, particularly one in North America, but because the MOH action is one more validation of OptiVision's performance as demonstrated in several overseas clinical trials. More than 275 eyes have been treated to date in the on-going clinical trials, and when examined after 12 months, these patients showed no significant complications or regression. Instead, all recent participants showed significant overall sight improvement including the ability to read, in almost all cases, without further need for optical aids. Canada has taken the lead over the years in ultimately approving a number of other medical equipment advances prior to U.S. regulatory action. Hopefully, OptiVision will join that list, based on what we trust will be solid clinical data from the five selected sites."

8/27 **TLC Vision Corporation** released details of the previously disclosed acquisition of a majority interest in the **Rayner Eye Surgery Center** located in Oxford, Mississippi by its subsidiary **ORPartners**. ORPartners was founded to develop, acquire and manage single specialty ophthalmic ambulatory surgery centers (ASCs) in partnership with physician practices. These centers provide out-patient eye surgery services in a less institutional atmosphere than can be achieved in a hospital setting and appeal to doctors seeking alternative revenue sources, improved efficiencies and financial partners. While the company's doctor partners focus on providing high levels of quality patient care, ORPartners manages the clinical services, marketing, administration, business operations, licensing and certification, facility accreditation and financial reporting of the surgery center.

"The ORPartners offering strongly complements our refractive and mobile cataract businesses, both the leaders in their respect market segments. We are very excited about the launch of this ASC business and encouraged by the positive reception to our strategy and business model that we continue to receive from eye doctors across the country," commented Elias Vamvakas, TLC Vision's chairman and CEO. Led by James Rayner, MD, one of the highest volume and most experienced cataract surgeons in the United States, the Rayner Eye Surgery Center houses two state-of-the-art out-patient surgery suites and is supported by an extensive network of optometrists practicing throughout Northern Mississippi. Dr. Rayner said, "I am very excited about being associated with ORPartners, a division of the premier eye surgery services provider in the United States. They're well capitalized, managed by a team of experienced professionals and committed to achieve results. Most importantly, from a physician's perspective, ORPartners understands that patients are the number one priority in my practice." "We expect to acquire or develop a number of similar centers in association with some of the country's most prominent ophthalmic surgeons over the next twelve months, all of which will immediately contribute to TLC Vision's cash flow and profitability," commented Steve Straus, ORPartners' vice president and General Manager.

8/27 **QLT Inc.** and **Novartis Ophthalmics**, the eye health unit of **Novartis AG** announced the completion of patient enrollment for the Visudyne (verteporfin) in Early Retreatment (VER) Phase IIIB clinical trial, in patients with predominantly classic subfoveal choroidal neovascularization (CNV) secondary to age-related macular degeneration (AMD). The VER trial investigates the importance of an earlier, more aggressive treatment regimen to potentially improve the visual outcome for patients with AMD. The VER trial compares the standard regimen of Visudyne therapy -- every three months -- to a more frequent regimen -- every six weeks for the first six months of treatment. Total enrollment is 323 patients at 31 sites throughout North America and Europe. The rationale for this trial is based on anecdotal data suggesting better treatment outcomes if CNV leakage is treated with a more aggressive treatment regimen of Visudyne in the first six months. Results from the study are expected to be available in the fourth quarter of 2003.

"Visudyne is already a highly effective treatment for certain forms of wet AMD patients," said Michael Stur, MD, associate professor of the department of ophthalmology at the University of Vienna and principal investigator of the VER trial. "In this trial, we hope to confirm the anecdotal evidence that using Visudyne more aggressively in the early phase improves vision outcome and reduces disease progression." Luzi von Bidder, Head of Novartis Ophthalmics, said, "While Visudyne therapy is the standard of care for treatment of predominantly classic wet AMD, we are continuously working to enhance the therapy with trials such as VER so patients can maintain maximum vision."

QLT's President and CEO, Paul Hastings, said, "Completing patient enrollment for the VER trial was an important milestone for 2002. If this trial is successful, we will have well-controlled evidence of improved visual acuity benefit in patients with predominantly classic AMD using a new treatment regimen, thereby further strengthening Visudyne's competitive position."

8/28 **QLT Inc.** and **Novartis Ophthalmics**, announced that Visudyne (verteporfin) therapy was granted marketing authorization from the European Commission (EMEA) for the treatment of occult subfoveal choroidal neovascularisation (CNV) secondary to age-related macular degeneration (AMD). This European approval includes all patients with subfoveal occult wet AMD with evidence of recent or ongoing disease progression. Occult and classic are terms used to describe different patterns of CNV leakage as seen on fluorescein angiography. Together, the occult and predominantly classic forms of the disease account for approximately two-thirds of all wet AMD cases at diagnosis. Although only 15% of AMD patients suffer from the wet form of the disease, this type is more aggressive and accounts for approximately 90% of severe vision loss in people over 50. Approximately 500,000 new cases of the wet form of AMD occur each year worldwide and this estimate is expected to grow dramatically as the population ages.

"The European Commission's approval of Visudyne for occult wet AMD is a great step forward," said Luzi von Bidder, head of Novartis Ophthalmics. "We are delighted as Visudyne therapy helps now even more in the management of AMD patients and reduces the risk of older people with wet AMD from going blind."

"This is another major milestone and endorsement for Visudyne, representing a benefit to a large group of patients in need of treatment," said Paul Hastings, president and CEO of QLT Inc. "Our next steps will be to secure reimbursement for occult AMD to ensure that no patients will be deprived from treatment for financial reasons."

8/29 **Miravant Medical Technologies** announced that it had closed a round of new financing consisting of the sale of unregistered shares of common stock for $2.5 million at $0.50 per share, based on a premium of approximately 20% of the average closing price for the prior 10 trading days. For every two common shares acquired, the equity purchase includes a warrant for one share priced at $0.50. A group of private investors participated in the offering. The proceeds will be used for research, development and general corporate purposes. Gary Kledzik, chairman and CEO, stated, "We are pleased to secure this additional operating capital while we continue discussions with potential corporate partners. Our goal is to raise further funding through development collaborations and licensing of PhotoPoint SnET2 and other promising drugs in our pipeline. We will address future equity financings as needed to assure that our disease programs are adequately funded."

8/29 **LaserSight Incorporated** announced that it had set August 29, 2002 as the record date for its 2002 Annual Meeting of Stockholders. The 2002 Annual Meeting of Stockholders will be held on October 25, 2002, at the Hilton Garden Inn, Orlando Airport, Orlando, Florida.

8/30 **Gimbel Vision International Inc.** announced that during the second quarter of 2002, refractive procedure volumes totaled 2,507, a 36% decrease over the comparable period in 2001. Second quarter volumes from North American operations amounted to 2,507, a 29% decrease from the prior year. Other non-North American operations generated volumes of nil due to the disposal of substantially all of the Corporation's interest in its Bangkok, Thailand centre on March 26, 2002. In the prior year second quarter, procedure volumes from non-North American operations were 422. Compared to the first quarter of 2002, second quarter volumes from North American operations decreased by 6%. Procedure volumes for the six month period ended June 30, 2002 were 5,187 compared to 7,384 from the same period in 2001. North American procedure volumes were 4,889 for the period ended June 30, 2002 compared to 6,738 from the same period in 2001. Procedure volumes from centres outside North America were 298 and 646 for the respective six month periods ended June 30, 2002 and 2001.

Consolidated revenues for the second quarter of 2002 were $1.9 million, essentially unchanged from first quarter consolidated revenues of $2.0 million. Consolidated revenues for the second quarter of 2001 were $3.3 million. Revenues from Canadian operations were $1.9 million as compared to $1.5 million for the first quarter and $2.1 million for the prior year second quarter. Operations based in the United States generated revenues of nil in the second quarter, versus $443,000 in the first quarter of 2002 and $1.2 million in the second quarter of 2001. For the six month period ended June 30, 2002, consolidated revenues were $3.9 million, including $3.4 million from Canadian operations and $443,000 from United States operations. Comparative figures for the same period in 2001 were consolidated revenues of $6.7 million, Canadian revenues of $3.6 million and United States revenues of $3.1 million. The net loss of $568,961 for the three month period ended June 30, 2002 was greater than the $235,148 net loss for the prior year's second quarter. The comparative decline in current year second quarter earnings was due primarily due to consulting and legal costs associated with negotiations with Dr. Howard Gimbel to resolve GVI's failure to meet certain provisions of certain agreements with Dr. Gimbel and his affiliated corporations.

The net loss of $1.2 million for the six month period ended June 30, 2002 was an improvement over the $1.5 million net loss for the prior year's same period. Excluding the restructuring charge of $785,600 recorded in the first quarter of 2001, the loss for the period ended June 30, 2001 was $754,000. On a geographic basis, the loss from Canadian operations was $375,000 in the second quarter of 2002 as compared to a loss of $146,000 in the second quarter of 2001. This decrease was due mainly to consulting and legal fees as discussed above.

A loss of $182,000 was recognized in the United States geographic segment for the second quarter of 2002 as compared to a loss of $74,000 in the second quarter of 2001. The United States segment results for the second quarter are due to charges related to closing the Las Vegas, Nevada and Latham, New York centres, as discussed below. Early in the second quarter the Corporation's centres in Las Vegas, Nevada and Latham, New York ceased operations. Therefore, as at June 30, 2002, the Corporation wrote-off its investment in these centres. These centres were not making a positive contribution to the financial results of the Corporation. The Corporation is in the process of formalizing its divestiture of its investment in these centres. Remaining on the Corporation's balance sheet is its proportionate share of certain obligations under capital lease and long-term debt, and its proportionate share of any assets relating to these obligations. During the second quarter, the Corporation became in arrears in payments in respect of certain of its obligations under capital leases. Given the existence of cross-violation debt covenants, substantially all of the Corporation's obligations under capital leases have been classified as current liabilities. The Corporation is working with its creditors to resolve these arrears, and the future success of the Corporation depends on the continued support of these and other creditors.

On July 30, 2002, the shareholders of the Corporation approved the sale of the assets of the Corporation's Alberta centres to **I Care Services Ltd.** Certain of the conditions required for closing this transaction are still outstanding. The expected proceeds to be received are approximately equal to the net book value of the assets being sold. The name of the Corporation will be changed upon the closing of this transaction to a name that does not include the name "Gimbel".

9/2 Toronto's *The Globe and Mail* contained a story on **TLC Vision's** and **Vascular Sciences** collaboration with **OccuLogix, LP** (a 50/50 joint-venture) in developing a rheopheresis blood filtering process for treating age-related macular degeneration. Richard Davis, a former emergency room physician who set up a Largo, Fla., clinic, is teaming up with TLC Vision Corp. of Mississauga to take blood filtering to the next level. Next month, their OccuLogix LP joint venture plans to open a clinic in Windsor, Ont., to begin treating AMD patients that have the "dry" version of the disease with an experimental blood filtration process called rheopheresis. An initial clinic in Cancun, Mexico, opened last month. Using a unique filter designed by Japan's **Asahi** trading conglomerate in the 1980s to cleanse blood of cholesterol, rheopheresis now aims to remove high molecular weight compounds from blood plasma that have been linked to AMD, the leading cause of blindness in the elderly, for which there is as yet no known cure.

An estimated 500 AMD patients have had the procedure, largely in Germany, where the filter's ability to treat the disease was discovered accidentally by an ophthalmologist at the University of Cologne in 1990, Dr. Davis said. He said TLC was a natural partner for the therapy because it has a referral network of 12,500 optometrists and 1,000 ophthalmic surgeons in the United States. Dr. Davis's Vascular Sciences Corp. is now conducting a final clinical trial in the United States with rheopheresis in patients suffering from dry AMD, and it hopes to file for regulatory approval in early 2004.

After reviewing the interim results, the FDA instructed Vascular Sciences to offer the procedure to placebo patients in the study because it was unethical to deny them treatment. "The FDA is not in the business of letting people get treated if they've been in the placebo group unless they're being denied benefits," said Al Kildani, an analyst with **Pacific Growth Equities Inc.** of San Francisco, who follows TLC. "The interim data is very impressive, and assuming the data holds up, they probably have an approvable treatment on their hands," he added.

Elias Vamvakas, TLC's chairman and CEO, agrees. "This has the potential of being so huge we're almost afraid to talk about it," he said. "Either it's a small niche business generating $100-million [U.S.] a year in revenue from people able to pay the out-of-pocket $20,000 cost, or if it's reimbursed [by insurers], we'll see $10-billion a year in revenue. It's either one or the other."

TLC spokesman Stephen Kilmer said OccuLogix plans to charge patients $2,200 for each of eight rheopheresis procedures during a 10-week treatment period. The filter for each procedure costs $1,200, he said, adding that if only 1% of the U.S. patient pool opts for treatment, filter sales alone could reach nearly $1-billion. TLC is investing up to $10-million in Vascular Sciences for a 20% stake, subject to certain milestones in developing and commercializing the therapy.

9/4 **NovaMed Eyecare, Inc.** announced that it had acquired a majority interest in **The Cataract Center of East Texas**, a leading eye-only ambulatory surgery center (ASC) in Tyler, TX. Terms of the transaction were not disclosed. "The Cataract Center of East Texas is well-established as a market leader in Tyler, having performed over 3,300 surgery procedures in the last twelve months," said NovaMed chairman, president, and CEO Stephen Winjum. "Tyler is known as a regional medical center in East Texas and for NovaMed this acquisition represents a strong entry into the large Texas market. This ASC, which is supported by eight ophthalmologists, will be one of our most productive centers in terms of monthly cataract procedure volume. We look forward to working with our new physician partners in this surgery center to continue to grow this operation and provide outstanding patient care." "We welcome NovaMed to the Tyler market and are excited by the potential of our new relationship," said one of NovaMed's new physician partners, Leo Mack, Jr., MD. "We believe that NovaMed will bring operating efficiencies to this surgery center that will allow us to better serve our physicians and their patients."

9/4 After Alcon announced it was starting a Phase III Trial for its Anecortave Acetate drug for treating AMD, Ted Huber issued the following statement:

* Phase III AA trial under way: Alcon announced the start of its phase III Anecortave Acetate (AA) trial for age-related macular degeneration. Alcon will study AA in 500 patients enrolled at 40 to 50 sites around the world, comparing AA to Visudyne in wet AMD patients with predominantly classic CVN, using maintenance of vision as the primary end point.

* Additional "positive" phase II data coming: In the same release, Alcon reiterated that 12-month data from its phase II AA trial will be presented at the upcoming Retinal Congress meeting 10/02. Alcon declined to offer quantitative details of the 12-month results but stated the data were positive and showed improvement over placebo.

* Visudyne progress: **Novartis** and **QLT** announced last week expanded marketing approval in Europe for Visudyne and completion of enrollment for a phase III trial studying the impact of more frequent dosing. QLT 2002 guidance for Visudyne remains $275mm to $300mm.

* Potential growth driver for 2005: With enrollment completed by 12/31/02 and fast track review of 12-month data, AA could be on the market by late 2004/early 2005.

Peak year sales potential is conservatively $250mm for "wet classic AMD" and could be several times with a broader label.

* Strong Buy thesis: In our opinion, Alcon's strong global leadership of the growing ophthalmology device and pharmaceuticals market warrants its premium multiple. ACL trades at 20.8x our 2003 EPS target, a discount to medical device peers and a slight premium to pharm peers. Our price target is 23x 2003 EPS.

9/5 **LaserSight Incorporated** announced that it had made its first shipment of product under the agreement recently executed with **Shenzhen New Industries Medical Development Co. (Shenzhen New Industries)**. Included in this shipment was a LaserScan LSX precision microspot scanning excimer laser system, an AstraMax integrated diagnostic workstation and an UltraShaper keratome and UltraEdge blades. The LaserScan, AstraMax and UltraShaper were sent initially for exhibit and demonstration during the *VIII Congress of the Chinese Ophthalmic Society*, which is scheduled to be held from September 7th through 9th in the city of Xi'an, People's Republic of China. After the Congress, Shenzhen New Industries plans to install the systems at one of their refractive surgery clinics.

Michael Farris, president and CEO of LaserSight, commented, "This initial shipment is in addition to the $10 million of LaserSight product that Shenzhen New Industries has committed to purchase over the next twelve months. From an operational viewpoint, the shipment, with payment secured by a Letter of Credit, enables LaserSight to receive full cash payment from its bank within a short period of time." Of the $10 million purchase order, the company expects to receive the first $2.5 million Letter of Credit for purchase of products during the next week and anticipates beginning shipment of product immediately thereafter. This order will cover shipment of LaserScan LSX excimer laser systems, AstraMax diagnostic workstations, UltraShaper keratomes and blades and a supply of spare parts. Similar shipments will continue on a quarterly basis with the opening of additional Letters of Credit.

Farris continued, "We are pleased to be able to ship our products in time for this important ophthalmic meeting. The size and demographics of the refractive market in China present a unique opportunity for LaserSight and our partner, Shenzhen New Industries. While LaserSight has been active in the China market since 1993, I believe that working with our new partner we will be able to significantly increase our market share and maximize our opportunity in the world's largest market for refractive correction." LaserSight has been active in the China market since 1993, and currently has an installed base of more than 20 of its LaserScan LSX systems and approximately 75 earlier models of its excimer laser system.

Farris concluded, "During the past year, we have made progress towards our goal of a financial and strategic reshaping of our organization. We have aggressively worked towards improving revenues, decreasing expenditures and closing the deficit gap. Our

newly formed relationship with Shenzhen New Industries has been an important step in achieving that goal."

9/5 **Refractec, Inc.** announced that it had secured additional funding to expand the successful launch of its ophthalmic device in the U.S. market. Lead investors in the preferred stock round are **THLee**, **Putnam Capital Management, LLC**, and **The Entrepreneurs' Funds of R.B. Webber & company**. This latest round of funding follows two earlier investments led by **Brentwood Venture Capital** and **Delphi Ventures, Inc.** respectively.

"Consumer demand for CK is even greater than we expected," said Mitchell Campbell, Refractec's president and CEO. "Our new investment partners provide us strong strategic assets beyond their capital investment. Together these firms invested more than we were seeking because they understand the enormous benefits of CK, and why people with farsightedness are asking for this new procedure. We are gratified by the confidence these investors have placed in this first-of-its kind, proprietary technology."

9/5 LASIK with the LADARVision eye-tracking system is safe and effective for correction of farsightedness, farsighted astigmatism, and mixed astigmatism, is the conclusion of a study appearing in the September issue of *Ophthalmology*, the clinical journal of the American Academy of Ophthalmology.

The LADARVision excimer laser system (**Alcon Surgical**) features an infrared eye-tracking system that transmits a signal to the eye 4000 times per second to compensate for rapid eye movements during the procedure. In this multicenter study, conducted by the LADARVision LASIK Hyperopia Study Group under an IDE from the FDA, a total of 360 eyes received LASIK. Of these, 143 were corrected for spherical farsightedness, 124 for farsighted astigmatism, and 57 for mixed astigmatism. At one year, uncorrected visual acuity of 20/40 or better was achieved by 93.9% of those eyes treated for farsightedness, 93.8% of those treated for farsighted astigmatism, and 94.4% of those treated for mixed astigmatism. Refractive stability remained good for more than 90% of eyes from one month to one year.

James Salz, MD, lead author of the study, said, "This tracking system, combined with the narrow laser beam, provides the ability to seamlessly smooth out complex corneal shapes, thus effectively correcting farsightedness with or without astigmatism and mixed astigmatism."

9/5 The Artisan intraocular lens, designed for implantation into eyes that retain their natural lenses, is an accurate and safe method for correcting moderate-to-high nearsightedness, and may give better visual results than LASIK were the conclusions of two studies also appearing in the September issue of *Ophthalmology*. In the first study, 155 eyes of 155 patients underwent implantation of an Artisan phakic intraocular lens (**Ophtec, BV**) as part of an FDA-approved clinical trial. At six

months, 85% of eyes saw 20/40 or better, and astigmatism decreased in 17%. Astigmatism increased in 4.8% of eyes, and four eyes developed nonprogressive haze in the lens. No eyes developed chronic inflammation or angle closure or glaucoma.

Dr. Robert Maloney, MD, lead author of the study, said, "The superior optics of the Artisan lens and its better refractive accuracy in comparison with LASIK are reasons to recommend it over LASIK for correction of high nearsightedness. However, these advantages must be counterbalanced against the relatively greater risk of an intraocular procedure. Fortunately, in this study, no eye had serious complications." In the second, related study from France, 25 patients with moderately high nearsightedness received LASIK in one eye, and the Artisan lens in the other eye. Although results were similar for both procedures, best-corrected visual acuity and subjective evaluation of quality of vision were better for the Artisan lens. Unlike previous phakic intraocular lenses, the Artisan lens is fixated on the periphery of the iris, thus avoiding movement and the associated ocular damage seen with previous lens models.

9/5 With the approval of the Supervisory Board of **Carl Zeiss Meditec AG**, important changes will become effective in both management and the distribution structure as part of the strategic realignment process. Due to different opinions concerning the future business policy, Member of the Board Dr. Michael Dettelbacher asked to be released from his duties in order to leave the company. The company complied with Dr. Dettelbacher's request. In the future, the Board of Management of Carl Zeiss Meditec AG will consist of three members. At the same time, the Supervisory Board approved the plans of the new management of Carl Zeiss Meditec AG to perform additional valuation adjustments on the part of the former company **Asclepion-Meditec AG** for its last quarter as a stand-alone company. New knowledge gained on the basis of, for example, recent economic developments made it necessary to increase the required valuation adjustment already announced at the end of June 2002 to a total of EUR 11.6 million. The economic trend in the countries Brazil and Argentina, for example, required additional valuation adjustments to be made for receivables on deliveries totaling EUR 1.6 million.

In addition, a goodwill depreciation requirement totaling EUR 3.4 million, which will have no impact on liquidity, was taken into account at the British subsidiary. This results from a strategic decision stipulating that Carl Zeiss Meditec AG in the United Kingdom will in future use the sales channel of the **Carl Zeiss Group** already successful in the country for many years. An appropriate reallocation of this goodwill will take place as part of the initial consolidation.

The Supervisory Board also approved the plans of management for the company to be represented in Japan with its own subsidiary from October 2002. This will allow Carl Zeiss Meditec AG to also distribute its products directly on the world's second largest market for medical technology. As a result, direct revenues totaling approx. EUR 15 million will be generated in the 2002/2003 fiscal year. A substantial contribution to

the operating result is expected. Under the name **Carl Zeiss Meditec Co. Ltd.**, the new subsidiary will make use of the experience gained during the successful presence of the Carl Zeiss ophthalmology business in Japan for several decades. In particular, it will utilize the many years of customer relations and the know-how acquired in device approval procedures. This decision means that Carl Zeiss Meditec AG is now represented in all important medical technology markets across the globe.

In the view of the Board of Management and the Supervisory Board, the measures implemented will have a positive impact on the fast completion of the integration process and on the positioning of Carl Zeiss Meditec AG as a full-line supplier of products for ophthalmology.

9/6 **LaserSight Incorporated** provided a preview of its planned activities during the *XX Congress of the European Society of Cataract and Refractive Surgery (ESCRS)* to be held September 7-11, 2002 in Nice, France. During the meeting, LaserSight intends to focus its activities on its international CustomEyes products for custom ablations which include the AstraScan precision microspot scanning excimer laser system, CustomEyes software for custom ablation planning and programming and the AstraMax integrated workstation for precise corneal measurements. In addition to displaying CustomEyes products at its booth and demonstrating the CustomEyes custom ablation planning software, LaserSight will be sponsoring a User's Meeting that will focus on the company's technological pathway to custom ablation.

Featured speakers will include Jose Guell, MD, Barcelona, Spain, Giovanni Alessio, MD, Bari, Italy and Aleks Stojanowic, MD Tromso, Norway. Drs. Guell and Stojanowic will discuss their experience and clinical impressions of the AstraMax and CustomEyes custom ablation planning software, and Dr. Guell will present longer-term clinical experience with CustomEyes.

During the meeting, refractive surgeons visiting LaserSight's exhibit will be given an overview of the principles behind the company's approach to custom ablation planning and will have an opportunity to gain "hands on" experience in planning custom ablation treatments using the CustomEyes software. Michael Farris, president and CEO of LaserSight, commented, "Custom ablation has become an important consideration and a deciding factor for many refractive surgeons who are planning to purchase an excimer laser. With our focus on the European market, the ESCRS Congress has become an important part of our sales and marketing strategy. Our experience has shown that Europe usually leads the U.S. in the adoption of new refractive surgical technologies, and we anticipate that custom ablation will follow a similar pattern after receipt of necessary U.S. approvals."

LaserSight believes that with its relatively large installed base of refractive laser systems in Europe it has an additional opportunity to sell AstraScan upgrades and CustomEyes hardware and software to existing LaserScan LSX systems in addition to new laser system sales. Farris added, "LaserSight's CustomEyes experience and

results should be impressive to the refractive surgeons who will be attending the meeting in Nice. CustomEyes software for custom ablation planning has already demonstrated its efficacy, predictability, stability and safety through articles published in peer-reviewed journals and presentations at major ophthalmology venues throughout the world. The ESCRS meeting should be a significant opportunity for LaserSight to demonstrate its complete and proven technology path for custom ablations, and we anticipate using this meeting as an opportunity to differentiate ourselves from other competitors and maximize our sales efforts at this most important European venue."

9/6 According to *Dow Jones*, **Medjet Inc.** amended its merger agreement with **VISX Inc.** to extend the termination date to Oct. 17 as well as extend research and development funding Medjet receives from VISX, according to an 8K filing with the Securities and Exchange Commission. Under the research agreement, originally struck in August 2001, VISX provides at least $100,000 a month to Medjet for development work on its waterjet technology, and VISX can extend it until July 2003. Medjet said the merger termination was extended by two months to Oct. 17, and provides for an automatic nine-month extension until July 2003 if the research pact is extended. If VISX ends the research pact, the merger also would be terminated. Also, the amendment reduces the breakup fee due to Medjet if VISX terminates the merger to $250,000, from $500,000.

9/6 **STAAR Surgical company** announced that John Vukich, MD, of Davis Duehr Dean Medical Center in Madison, Wisconsin, had implanted the first Toric Implantable Contact Lens (TICL) in the U.S. clinical study on Thursday, August 29th. The patient was severely nearsighted with significant astigmatism (-10.25 diopters +4.00 diopters), barely able to see his fingers to count them. At twenty-four hours post-operative, his vision had improved to 20/30 (-1 diopter), good enough to pass a driving test without glasses.

The procedure was done under a clinical investigation of the TICL in the United States with patients having myopia in the range of -3.0-to 20.0 diopters and astigmatism in the range of 1.0 to 4.0 diopters. The FDA issued conditional approval for an Investigational Device Exemption (IDE) for the ICL in January. The clinical study will include 125 patients with one-year follow-up. The ICL is the only posterior phakic intraocular lens able to both reduce pre-existing astigmatism and provide patient with visual correction for myopia. According to industry sources, approximately 20% of the population suffer from astigmatism, a corneal irregularity causing impairment of sight, with the percentage much higher among severe myopic patients, the market the TICL serves.

The patient, Ron Nagel said, "I have worn glasses since the first grade. The best part of the procedure was waking up this morning and being able to see the clock for the first time in my life without my glasses." John Vukich, MD, who performed the surgery commented, "This is the next step in the evolution of the phakic Implantable

contact lens (ICL). We are now able to offer correction through one lens for extremely wide range myopia and astigmatism to a group of patients who had little or no alternatives before this. I believe that STAAR has reached a milestone with this lens and look forward to enrolling patients as quickly as possible."

"We have been expanding manufacturing in Switzerland to allow us to efficiently make the Toric ICL and have achieved much improvement in this area," stated David Bailey, president and CEO for STAAR. "This is another important milestone in our commitment to provide innovative breakthrough technology to the ophthalmic industry and it benefactors. We firmly believe the development of the phakic implant market will be accelerated with the introduction of the TICL. Doctors and patients want the convenience of being able to correct moderate to severe myopia and astigmatism in one procedure. This, combined with the excellent quality of post-operative vision, will help drive demand for the product. STAAR led the industry with the development of the ICL and we intend to build on this leadership position with the Toric ICL."

9/10 **LCA-Vision Inc.** disclosed that it had received a $2.3 million settlement, representing the company's share of a long-pending series of anti-trust class action suits brought against **Pillar Point Partners**. Pillar Point Partners -- a joint entity formed in 1995 by laser manufacturers **VISX Inc.** and **Summit Technology Inc.**, now a subsidiary of **Alcon Corporation** -- collected per-use royalties from all laser vision correction providers using their equipment. Last year, the manufacturers agreed to settle the various lawsuits for $37.8 million. Pillar Point was dissolved in July 1998, after the Federal Trade Commission filed an administrative complaint challenging the partnership's existence. Commenting on the award, LCA-Vision chairman and CEO Stephen Joffe said: "We are, of course, pleased to finally receive payment for what was, quite obviously, an anti-competitive arrangement. The settlement further strengthens our debt-free balance sheet and bolsters our already strong cash position, which now exceeds $18 million, or 42 cents per share."

9/10 **TLC Vision Corporation** announced that it intends to change its fiscal year end from May 31 to December 31 effective 2002. This change to TLC Vision's fiscal year end is being implemented because the majority of the company's peers, competitors and suppliers have December 31 year ends, and management is of the view that the change would be beneficial to shareholders and the capital market place in comparing TLC Vision's results to other ophthalmic companies. The last day of TLC Vision's old financial year was May 31, 2002 and the last day of the company's transition financial period will be December 31, 2002. During the transition period, interim financial statements will be filed for the quarter ended September 30, 2002. The month of June 2002 will be reported with the September 2002 quarterly filing. Financial statements will be filed for the seven-month period ending December 31, 2002. In the new financial year, TLC Vision's interim financial statements will be filed for the periods ending March 31, 2003, June 30, 2003 and September 30, 2003, with annual financial

statements for the new financial year to be filed for the period ending December 31, 2003.

9/10 Ted Huber of **Banc of America Securities** issued a followup report on **Advanced Medical Optics**, in which he compared this spinoff from **Allergan** with other recent medical device spinoffs.

* Spin-offs outperform the market: Our analysis of 17 spin-offs illustrates initial stock price outperformance of near 20% in the first 4 months of trading

* Profile of med-tech spin-offs: Attached are detailed profiles of the first year performance and drivers for three recent med-tech spin-offs **Edwards Life Sciences**, **Zimmer Holdings** and **Viasys Healthcare**. Earnings upside, cost reduction, deleveraging and new product events (often tied to FDA approvals) were key drivers for these stocks.

* AVO shares characteristics with successful spin-offs: AVO shares many characteristics with these successful spin-offs including a conservatively positioned model, chances for increased business development activity and opportunities for cost reduction.

* Attractive valuation: AVO trades at 7.5x EV/EBITDA. Its small cap med tech peers trade at a mean 10x trailing EBITDA. We expect this gap to close with execution and visibility. Our price target is $12, 9.1x forward EBITDA.

9/12 **LaserSight Incorporated** announced that it had received the first of four irrevocable $2.5 million Letters of Credit from **Shenzhen New Industries Medical Development Co.** The Letter of Credit will cover payment for Shenzhen New Industries' initial purchase of a quantity of LaserScan LSX precision microspot scanning excimer laser systems, AstraMax integrated diagnostic workstations, UltraShaper keratomes and UltraEdge blades to be shipped from LaserSight during the next three months and utilized in refractive surgical centers in the People's Republic of China. The balance of product to be shipped against the previously announced $10 million purchase order from Shenzhen New Industries will be shipped during subsequent three month periods as additional Letters of Credit are opened.

9/12 **Sunrise Technologies International, Inc.** announced that it had learned of a foreclosure auction scheduled by the company's senior bank lender relating to its loan agreement with the company which has been in default since May 24, 2002. The auction is scheduled for September 24, 2002 and will be for all the assets of the company. At this time, the company owes approximately $5.5 million of secured debts and over $20 million of unsecured obligations to its creditors. The company has not received a foreclosure letter from the Bank, but rather learned of the Bank's planned action by reading an auction ad placed by the Bank's agent in *The Wall Street Journal*. Dale Bowerman, chairman of the Board of Sunrise Technologies, said,

"While I understand the bank's impatience to resolve this situation, there continue to be hopeful signs that a foreclosure will not be necessary. There are at least two groups that are actively working to raise money to finance the company. Now that there is a deadline of September 24th, I hope that an alternative resolution to Sunrise's financial problems will be concluded very soon. During this period the company has continued to support Hyperion users with customer service and product development. Work on the next version of the Hyperion LTK procedure is now at the clinical testing stage. Substantially improved results are indicated. However, any substantial change to the current procedure will require FDA approval for use within the United States."

9/13 **LCA-Vision Inc.** said it will open the company's newest value-priced LasikPlus Center on Monday, September 30, to serve the more than one million people residing in metropolitan Louisville, Kentucky. The modern, attractively appointed office will be equipped with state-of-the-art laser systems from **Bausch & Lomb** and **VISX**. Dr. Jason Greenberg and Dr. Vincent Marino, both Board-certified ophthalmologists specializing in laser vision correction, will head the new center's highly experienced medical team. Commenting on the Louisville opening, LCA-Vision chairman and CEO Stephen Joffe said: "The patient response to the center we opened last month in Raleigh-Durham is exceeding our expectations. Our market research on the Louisville market indicates the same high level of interest in laser vision correction. We are confident there are additional attractive opportunities in other markets, and will continue to open new centers as part of a selective national rollout plan. We also remain confident about the LasikPlus business model and the bright future of laser vision correction, now the nation's most frequently performed elective surgical procedure. The potential patient pool is huge and still essentially untapped; our advanced technology contributes to clinical outcomes unsurpassed by any competitor; and our balance sheet is robust and healthy."

With the new center, LCA-Vision Inc. will own and operate 32 LasikPlus laser vision correction facilities in the U.S., plus two in Canada and a joint venture in Europe.

9/13 The Board of Directors of **Paradigm Medical Industries, Inc.** issued the following update to the company's previous announcement (July 11, 2002) regarding the potential sale of its surgical and diagnostic equipment to Mexican ophthalmic practitioners. The company has been in discussions for approximately the last nine months with **Westland Financial Corporation** (Salt Lake City), aimed at Paradigm supplying its medical device products to the Mexican market. Westland Financial is primarily involved in financing and leasing activities and international sales transactions. In the past, the company has had a business relationship with Westland. Upon investigation, the Board of Directors has determined that the purchase order referenced in the July 11, 2002 press release is not of such a nature as to be enforceable for the purpose of sales or revenue recognition. Moreover, the company has not sent any shipment of medical products to Mexican ophthalmic practitioners nor received payment for these products pursuant to those discussions. Although discussions with Westland are continuing regarding sales and marketing activities for

the company's medical device products in Mexico, the company cannot, at this time, predict or provide any assurance that any transactions will result. As a consequence, the Board of Directors believes the financial guidance in the July 11, 2002 press release concerning fourth quarter and full-year 2002 results is not appropriate.

9/16 In the first nine months of the 2001/2002 financial year (1 October 2001 to 30 June 2002) **Carl Zeiss Meditec AG** achieved pro forma sales revenues of EUR 172.4 million (previous year: EUR 173.6 million). The operating result (EBIT) of the complete solution provider for ophthalmology in this period amounted to EUR -4.9 million (EUR 2.6 million), this figure being biased by the one-off elimination of risk items at the former **Asclepion**. In the third quarter, the Jena-based company posted a 5.1% increase in sales to EUR 57.6 million.

"The nine-month figures confirm that we are on the right path", declared president and CEO Ulrich Krauss. "Our company has stood its ground in an adverse economic environment. In preparing these financial statements we have already eliminated all risks and are anticipating synergies in the first quarter of the new financial year."

At EUR 19.2 million, sales in the German region were 31% higher than in the previous year (EUR 14.7 million). In the Asia/Pacific region sales increased by 6% to EUR 32.3 million (EUR 30.6 million). This enabled Carl Zeiss Meditec to compensate for the restrained initial development on the U.S. market in the first half of the reporting period. In the third quarter, however, there was a distinct revival in U.S. business: as of 30 June more than half of orders on hand, which were 39% up on the previous year, were attributable to the U.S. subsidiary of Carl Zeiss Meditec.

Sales by business units/activities were:

- Vision (ophthalmology): EUR 143.7 million (EUR 148.8 million)
- Aesthetic: EUR 8.1 million (EUR 8.2 million)
- Dental: EUR 1.8 million (EUR 0.2 million)
- Service: EUR 18.8 million (EUR 16.4 million)

Due to the one-time financial burden, the pro forma result before taxes (EBIT) totalled EUR -12.5 million (EUR 1.6 million). The after-tax result was EUR -7.6 million (EUR 1.5 million). This corresponds to a pro forma loss per share of EUR 0.29 (EUR 0.06). This result reflects the one-off adjustment for all foreseeable risks amounting to EUR 15.1 million. It includes a valuation adjustment on inventories (EUR 2.6 million) and accounts receivable (EUR 3.8 million), amortisation of goodwill of the British subsidiary (EUR 3.4 million) and depreciation of financial assets of the former Asclepion (EUR 5.3 million).

The Management Board approved a seven-point plan for boosting company growth in the long term.

(1) Completion of integration process by the end of 2002
(2) Marketing start of refractive lasers via Zeiss-Meditec and Zeiss distribution channels.
(3) Launch of at least two new products within the next six months
(4) Consolidation of research activities
(5) Start of approval procedures for refractive lasers in USA and Japan in 2002
(6) Adoption of recommendations of the Corporate Government Codex starting with the 2002/2003 financial year
(7) Reorganization of Dental and Aesthetic activities in order to achieve sustained growth here as well

The pro forma figures serve to facilitate comparison with the previous year. The latter is based on the assumption that the new company already existed at the start of the financial year on 1 October 2000, although the two companies Asclepion-Meditec and Carl Zeiss Ophthalmic Systems were not merged into Carl Zeiss Meditec until 4 July 2002.

On September 30, 2001 Carl Zeiss Meditec AG had a global workforce of approximately 880 people and generated pro forma revenues totalling roughly EUR 233 million. In October 2002 Carl Zeiss Meditec AG will establish a subsidiary in Japan, the largest market after USA.

9/16 **Paradigm Medical Industries, Inc.** announced it had completed an initial closing of a Private Placement with a small group of accredited investors. The company raised $631,000. The bulk of the funding came from two prominent U.S. ophthalmic surgeons who currently use the company's medical device equipment. "Proceeds from the private placement will be used primarily for general corporate needs," said Paradigm Medical's interim CEO and CFO, Heber Maughan.

9/17 The September issue of *Refractive Market Perspectives* reported on the *European Society of Cataract and Refractive Surgeons (ESCRS)* meeting, held in Nice, France. As Dave Harmon reported, more that 2800 delegates and 117 exhibitors from around the world took part in the annual meeting. The meeting focused on advanced technologies, including the latest results on wavefront-guided ablations, surgical techniques, and new IOL technologies, including phakic, accommodating, adjustable, and ultra-thin devices. Although the percentages of patients achieving 20/20 UCVA was roughly comparable to conventional LASIK, wavefront-guided ablation patients had improvements in contrast sensitivity and higher subjective measures of patient satisfaction with their results, indicating an overwhelming preference for wavefront-guided procedures.

Several new wavefront-related products were on display, including VISX's first Star 4 laser (incorporating its WaveScan device and featuring auto-centering for its eye tracker). When available in the U.S., this will be a no-fee upgrade for those VISX customers that own a Star 3 laser and have purchased its WaveScan device.

9/18 **NovaMed Eyecare, Inc.** announced that it will continue to be listed on the Nasdaq National Market. The Nasdaq Listing Qualifications Panel notified NovaMed that the company has regained compliance with Nasdaq's minimum bid price requirement. The Panel also noted that the company satisfies all other requirements for continued listing on the Nasdaq National Market. The Panel determined to continue the listing of NovaMed's common stock on the Nasdaq National Market and informed the company that the hearing file has been closed. "We are very pleased with the outcome of our appeal because we believe that the Nasdaq National Market offers good liquidity for our shareholders," commented Stephen Winjum, NovaMed chairman, president and CEO.

9/19 The board of directors of **LCA-Vision Inc.** unanimously approved a 1-for-4 reverse stock split of the company's approximately 43 million common shares. The reverse split is part of a strategy to maximize shareholder value. "We view the split as a positive move that should benefit both the company and its shareholders. It will at once increase our shares' attractiveness to institutional investors and strengthen our ability to continue trading on the highly liquid Nasdaq National Market," commented Stephen Joffe, chairman and CEO of LCA-Vision. He added: "The split will also adjust the authorized and outstanding shares to a level better suited to a company of our size."

Shareholders will be asked to approve the reverse split by written consent without a meeting. The record date for determining stockholders eligible to vote will be the close of business on October 15, 2002. The company expects to complete the voting process by November 29, 2002.

9/20 Ted Huber of **Banc of America Securities** issued a new research report on **Advanced Medical Optics**. Some of his comments included:

* Enhanced Sales Focus: At the AMO Analyst Day this afternoon in New York, management announced that the company has hired a new U.S. Contact Lens Care Products sales force in order to better service its customers and further strengthen its position as the world's No.2 player in the $1.4 billion solutions market. Their share of the U.S. CLCP market is 14% of a total U.S. CLCP market of $384 million (LTM 1Q02), nearly half of its competitive position in Europe and Japan.

* Reaffirmation of 2002 Financial Targets: Management expressed that they were very comfortable with 2002 revenue guidance of $515-$535 million and EPS guidance (in line with BAS estimates) of $0.55-$0.57 per share. They also reaffirmed near-term (2003-2004) goals of mid-single digit revenue growth and mid-teens earnings growth and provided better focus around growth opportunities in 2004 and beyond.

* Potential for EPS Upside in 2003: Management discussed several levers it can pull to drive 2003-05 profitability: (1) COGS improvement (evaluation of alternatives to

cost-plus-10% solutions manufacturing agreement with **Allergan**); (2) debt rating upgrades (by demonstrating better operating cost visibility and paying down debt); (3) SG&A improvements stemming from non-recurring 2002 expenses related to the spin-off; (4) reductions in tax expense.

* Valuation: AMO trades at 16.0x our 2002 EPS estimate and 7.5x trailing EV/EBITDA, 10% and 22% discounts to peers, respectively. Although relatively low growth and high leverage may hold AMO back from a premium multiple, we view these discounts as too steep given the company's conservative model and prospects for EPS upside. Our price target of $12 is 17.6x our 2003 EPS estimate and a cash flow multiple of 9.1x, both small discounts to AMO's small-cap med-tech peers.

9/24 **QLT Inc.** reported that the United States District Court for the District of Massachusetts has entered judgment in favor of QLT on all claims brought against it by Massachusetts Eye and Ear Infirmary (MEEI) in a lawsuit commenced by MEEI on April 24, 2000 (Civil Action No. 00-10783-JLT). In granting summary judgment for QLT on each of the eight counts of the complaint, the court determined that there was no merit to any of MEEI's claims, and that QLT was entitled to judgment as a matter of law. MEEI's complaint had alleged breach of contract, misappropriation of trade secrets, conversion, misrepresentation, unjust enrichment, and unfair trade practices and sought damages, an injunction, and other relief. "From the day this suit was brought, we were confident that there was no basis to MEEI's claims, and we are gratified that after reviewing the evidence, the district court agreed," said Paul Hastings, president and CEO of QLT.

MEEI's lawsuit was brought in connection with a dispute involving U.S. Patent No. 5,798,349 (the '349 Patent), which claims certain inventions relating to the use of verteporfin as the photoactive agent in the treatment of certain eye diseases including Age Related Macular Degeneration (AMD). The '349 Patent was issued on August 25, 1998, to QLT, MEEI and Massachusetts General Hospital (MGH) as co-owners. On May 1, 2001, MEEI brought a second lawsuit in the District of Massachusetts (Civil Action No. 01-10747-EFH) against both QLT and **Novartis Ophthalmics, Inc.** that lawsuit alleges infringement of United States Patent No. 6,225,303 (the '303 Patent) issued to MEEI. The '303 Patent is derived from the same patent family as the '349 Patent and claims a method of treating unwanted choroidal neovasculature in a shortened treatment time using verteporfin. The patent application which led to the issuance of the '303 patent was filed and prosecuted by attorneys for MEEI and, in contrast to the '349 patent, named only MEEI researchers as inventors. In response to MEEI's second lawsuit, QLT and Novartis Ophthalmics brought counterclaims against MEEI requesting, among other things, that the court correct inventorship on the '303 Patent by naming researchers from QLT and Massachusetts General Hospital (MGH) as joint inventors and declaring that QLT and MGH are co-owners of the '303 Patent. MGH subsequently intervened in the lawsuit and filed a complaint against MEEI similarly requesting correction of inventorship to name QLT and MGH researchers as joint inventors of the '303 Patent. This second suit is still pending.

9/24 **Sunrise Technologies International, Inc.** announced that it had filed a Chapter 7 bankruptcy. The official bankruptcy filing was made in the Northern District of California -- Oakland Division. Dale Bowerman, chairman of the Board of Sunrise Technologies International, Inc., said, "We, along with several large shareholders, have tried to reorganize the company in order to preserve its value and to make this technology available to the physicians and their patients. At the same time we have been trying to enhance the technology. We have been unable to raise enough money to pay our commitments to our creditors. One secured creditor decided to foreclose on all company assets and conduct an auction to sell these assets. We felt that it was in the best interests of all our creditors that the company ask the bankruptcy court to assist in this liquidation procedure. It is with deepest regret that we make this Chapter 7 filing."

"We also would like to thank all of those who were involved in the last nine months in the efforts to save the company. I hope and expect that Sunrise's technology will find its way into the ownership of a company that will continue to service our customers and to continue enhancing the LTK procedure."

9/25 **VISX Incorporated** and **Wavelight Laser Technologie AG** announced that they had entered into Settlement and License Agreements. Under the terms of the agreements VISX has licensed its patents relating to refractive excimer lasers in the United States and international markets to Wavelight. As consideration, Wavelight will pay a royalty to VISX for each procedure performed in the United States using a Wavelight refractive laser and, in addition, Wavelight will also pay a royalty to VISX for international equipment sales. In accordance with the terms of the Settlement and License Agreements, the parties have filed a stipulated order dismissing the patent infringement action filed by VISX against Wavelight in March 2002 in Duesseldorf, Germany. Under the agreements, all other terms and conditions are confidential.

The contractual agreement effectively settles all U.S.-American and global licensing issues between WaveLight and VISX. With respect to the global marketing of the ALLEGRETTO WAVE, the negotiated agreement specifies no more than that WaveLight is to pay a licensing fee to the U.S. company for each ALLEGRETTO WAVE laser that it sells outside of the United States. In order to account for particularities of the U.S. market, the agreement makes separate provision for a procedure fee for each treatment carried out in the Unites States. This fee is to be collected from the user and paid to VISX on behalf of WaveLight by WaveLight's U.S.-American sales partner, **Lumenis Inc.**

9/26 A federal court in Boston ruled in favor of **Alcon Inc.** in a long-standing patent infringement lawsuit against **Nidek, Inc.**, **Nidek Technologies, Inc.** and the parent company, **Nidek Co., Ltd.** The court found that **Summit Technology, Inc.**, which originally filed the lawsuit and was subsequently acquired by Alcon, was entitled to lost profits of $14.8 million. The court also found that Summit was entitled to past royalties of $2.4 million for sales up to January 2001 and ruled Alcon is entitled to

royalties in the amount of five percent to be calculated on all sales after January 2001.The court found infringement of all nine assertive claims in the Marshall patent, found the patent to be valid and found that Nidek infringed on it. In addition, the court found infringement of all five assertive claims in the Azema patent. The court also found Nidek to be willful in its actions, meaning that the judge, in his discretion, can award treble damages and possibly costs and attorneys' fees. By law, Alcon is entitled to a permanent injunction. This may be stayed through appeal, should Nidek file an appeal.

"We are delighted with the outcome of this trial," said Tim Sear, chairman, president and CEO of Alcon, Inc. "These patents were key to the value of Summit, which we acquired in 2000, and this victory strengthens our position in the laser industry." The suit, originally filed by Summit Technology, Inc. in December 1998, alleged that the Nidek excimer laser infringed on two of Summit's crucial patents and asked for damages and an injunction against future sales of the equipment.

Following the court's decision, Ted Huber of **Banc of Amercia Securities** issued an update report on Alcon, titled, Alcon Wins Court Case: Lights Out for Nidek. In it, he stated:

* Alcon wins key legal battle decisively: The Massachusetts Federal District Court ruled decisively in Alcons favor yesterday, upholding two Alcon patents, finding infringement on all 14 claims and awarding damages totaling near $17mm. The finding of willful infringement gives the judge an option to order up to treble damages and costs to Alcon.

* Industrywide Implications: The patent victory is an important step in validating the refractive surgery business model of charging procedure fees, now ranging from $100 to $150 per laser, backed by a patent portfolio cross licensed between **VISX** and Alcon. The rulings decisive nature and significant damages could also lead to Nideks banishment from the U.S. refractive market, placing their 9% share of installed lasers and procedures up for grabs. The replacement value of Nideks lasers is $30mm to $40mm (using average new equipment prices); its share of procedures represent $10mm to $15mm in annual fees.

* Excimer laser vendor implications: For Alcon, the damages represent $0.03 to $0.10 per share, depending on the judges ruling on the treble damages issue. If the ruling is upheld and Nidek is not able to design around the infringement VISX, **BOL** and ACL will battle over the spoils. The incremental business is too small to impact our ACL and BOL models but could result in a one time increase to our VISX targets given its smaller size and singular focus on refractive surgery. The timing of this windfall depends on Nidek's appeals strategy and whether or not the appellate judge grants a stay to the injunction baring Nidek from the market in the case of an appeal.

* Whats next: Nidek can appeal the decision, requiring posting of a bond against damages. The U.S. Court of Appeals would likely rule on this sometime in 2003. Nidek will likely need to make this decision in the next 30 to 60 days. Nidek could also choose to settle with Alcon and exit the U.S. business. We note that the Nidek/VISX trial regarding a different set of excimer laser patents is scheduled to begin in 1Q03. The future of this separate litigation will likely influenced by Nideks next moves with Alcon.

9/30 Ted Huber of **Banc of Amercia Securities** issued an update report on **Alcon**, following an update by the company on its results with Anecortave Acetate for treating AMD. He also provided further commentary on the recent court win by Alcon over **Nidek**. His comments:

* Anecortave Acetate Preview: Over the weekend, Alcon released summary 12 month data from its phase II AA trial. In predominantly classic patients, 84% experienced less than 3 lines of vision loss compared to 50% for placebo. This compares to 6 month trial results of 92% for AA and 65% for placebo. Already approved AMD treatment Visudyne delivered 77% vs. 27% in its placebo group at 12 months. Data on safety, drop out rates and other AA study variables will be available today and tomorrow.

* Refractive Update: The Federal District court is scheduled to rule on an injunction against Nidek within two weeks. The odds favor it being granted given the jury's finding of willful infringement in last week's decision. Since near half of Nidek's installed base of 135 lasers are co-located with VISX excimer lasers, Alcon's ability to reap a windfall from this court decision (beyond damages which could be $0.03 to $0.10 per share) appears limited.

OPHTHALMIC LASER UPDATE -- October 2002

9/25 **Nidek Co., Ltd.** provided its version of the outcome of the **Summit vs. Nidek** jury trial results. The company said that it believed that the jury verdict of infringement was not supported by the evidence and it will pursue every avenue to overturn the verdict. This initial decision has no impact on Nidek's continued sale of its excimer laser products in the U.S. market. "We are disappointed with this jury's decision as we are confident that we do not infringe on Summit Technologies' patents," stated Hideo Ozawa, president of Nidek Co., Ltd. "We have a strong intellectual property portfolio of our own and we will continue to protect it as we have in the past and leverage it to develop new applications and technologies in the field of vision care. We have always faced an uphill battle in our product launches and sales around the world for over 30 years, and have succeeded in global markets. We are committed to our customers worldwide."

9/30 **Nidek, Inc.** announced that it had submitted its Hyperopia PMA Clinical Module to the FDA for review and approval for hyperopia, hyperopic astigmatism and mixed

astigmatism indication on the Nidek EC-5000 Excimer Laser System. This marked the final step in gaining commercialization approval by the FDA to market and treat indications of hyperopia. This also marks the start of the 180-day approval processing timeline with the FDA. Hiroshi Okada, vice president and General Manager of Nidek, Inc. stated, "We are very happy with the clinical results we have generated and look forward to receiving approval from the FDA on hyperopia within the next few months. We have complied with the FDA regulations in submitting the necessary clinical data they were looking for and are confident that the data we have provided will enable the FDA to approve the EC-5000 for hyperopia indications. With this additional submission for the Nidek EC-5000, we are continuing our long-standing commitment to providing the refractive surgeon with expanded applications for the laser system. With the anticipated granting of approval from the FDA, doctors will be able to treat patients that are both nearsighted and farsighted in their practices. The laser vision correction market is rapidly growing and Nidek is continuing to offer its state-of-the-art product to the surgeon community. We have a compelling technology and we will continue to deliver it to the surgeon community to better and further the field of ophthalmology."

Nidek's EC-5000 Excimer Laser System is currently approved for the reduction and elimination of myopia in the low, moderate, and high ranges from -0.75 to -13.00 diopters and moderate myopia with astigmatism ranging in severity from -1.00 to -8.00D, with a refractive astigmatism from -0.50 to -4.00 D cylinder by manifest refraction, using both LASIK and PRK. "Nidek is dedicated to providing the highest quality solutions and treatment therapies for quality patient care and surgical outcomes," stated Okada. "The EC-5000 provides expanded treatment options, parameters and an innovative, technologically advanced platform for Refractive Surgery. The Nidek EC-5000 platform is designed for surgeons' present use as well as future needs, as the field of Refractive Surgery continues to advance and grow. Nidek is actively working on developing and launching its own custom ablation and wavefront technology platform with the Nidek EC-5000 Excimer Laser System. Currently this technology is available internationally and will soon be introduced in the U.S. once clinical studies and regulatory processes are done."

10/1 **LaserSight Incorporated** announced that it had been advised that the previously announced $2 million equity investment by the Hong Kong affiliate of **Shenzhen New Industries Medical Development Co.** in LaserSight's Convertible Preferred Stock scheduled to be made on September 30, 2002 will be made before October 20, 2002. LaserSight has agreed to this extension. The company also announced that to date it has shipped over $700,000 of LaserSight products under the first $2.5 million Irrevocable Letter of Credit issued by Shenzhen New Industries Medical Development Co. Additional shipments are planned within the next two weeks.

10/1 **Anamed, Inc.** announced that the *National Institute of Health* had awarded the company a Phase II Small Business Innovative Research grant for its PermaVision intracorneal lens. The grant will be used to help fund its U.S. clinical trials for the

correction of hyperopia (farsightedness) up to +6 diopters. All patients authorized for Phase I of this study have been enrolled.

"This award validates the novelty and the quality of the science behind Anamed's proprietary Nutrapore material from which the PermaVision intracorneal lenses are made," said Alok Nigam, CEO and Head of R&D for Anamed. "Our revolutionary synthetic material mimics the properties of the stroma and combines a new technology with a decades-old surgical technique to correct refractive errors of the eye. We believe we are on the brink of a huge leap forward in vision correction, one that builds upon the LASIK model and improves upon it by making the procedure adjustable and reversible".

"Now that we have better microkeratomes and -- what seems to be a very compatible artificial material, I think we are well on the path to making keratophakia a powerful alternative to current invasive vision correction procedures," said Stephen Slade, MD, assistant clinical professor, University of Texas, Houston and one of the US clinical investigators. "Results from the Phase I study in the U.S. have been very good. The concept has always been great; it's just that, until Anamed's introduction of its PermaVision lens, we haven't had the technology to catch up with the theory."

In the Anamed process, a PermaVision intracorneal lens is implanted in a sutureless surgical procedure. A flap is created in the cornea (just like in LASIK), the micron-precisioned lens is placed under the flap and centered over the pupil. The flap is then folded back over the lens and the eye. Fluid dynamics keeps the lens and the flap in place. No stitches are necessary. Unlike LASIK, which removes tissue, this procedure is additive, allowing the lens to be removed or exchanged.

"I think it shows a lot of promise and will probably become a serious contender for hyperopic LASIK, especially in that it is adjustable and reversible, which LASIK is not," according to Dr. Jan Venter, MD, who practices in Port Elizabeth, South Africa and has clinically evaluated the procedure during the past 18 months.

PermaVision lenses work differently than other vision correction techniques. Unlike laser vision solutions such as LASIK, where corneal material is irreversibly removed to alter the surface of the eye, the PermaVision lenses change the refractive power of the eye in predetermined increments through the addition of material, thereby making the solution reversible and adjustable. The PermaVision intracorneal lens, made from an optically clear version of Nutrapore, recontours the cornea, thereby correcting the refractive error by properly focusing light onto the retina. Due to the company's ability to vary the thickness and shapes of the lens, the PermaVision solution will eventually address and cure a wide variety of eyesight problems including hyperopia, myopia, astigmatism, compound hyperopia and myopia and, possibly, presbyopia.

The company earlier announced that its PermaVision intracorneal lens received the CE Mark and approval for commercial distribution throughout the European Union

(EU), the Middle East and South Africa. The company's solution is currently commercially available to the general public in South Africa. The company plans to begin offering its solution commercially to the general public in Western Europe and the Middle East in the fall of 2002. An on-going international multi-center study on simple hyperopia was opened in December 1999. This work is now currently being performed in 16 centers in 12 countries, including in the United States. To date, PermaVision lenses have been implanted in 125+ sighted eyes worldwide. All centers received approval from their IRB/ethics committees and/or the health ministries in their respective countries prior to the start of the trials. Commercial availability in North America is subject to FDA approval, which the company expects to secure in late 2006 for its initial application, which addresses simple hyperopia or farsightedness.

10/2 **Nidek Co., Ltd.** took the proactive step of informing its excimer laser customer base in the U.S. and worldwide the implications of the jury verdict in a patent infringement case between Nidek and **Summit Technologies**. Several press releases and various media coverage over last week's jury ruling on a case between Nidek and Summit Technologies were both misleading and inaccurate in the information presented to the public. One such release indicated, erroneously, that Nidek had lost a case to **VISX** in the United States last fall. Others have not accurately provided the factual context of the jury verdict last week.

One critical issue is responsibility for damages should the verdict stand. Nidek accurately reported "Nidek's excimer laser customers in the U.S. and worldwide should know that there is no liability incurred on their part from the court decision of last week. The jury ruling that was made was against Nidek and not its customers. All users are free to continue using their equipment without any damages or per procedure fees whatsoever. Additionally, the case has impact in the U.S. only and NOT internationally." Nidek also announced that it would file and ask for a full and complete review and appeal of the jury verdict last week on the case. This course of action through an appeal process could take as long as two years. The company also stated that it would make every attempt and follow necessary steps to continue its sales and marketing efforts for the Nidek EC-5000 Excimer Laser in the U.S. It will continue to provide complete and full support and service to its customer base in the U.S. as this appeal process continues.

(During the AAO meeting, I was able to obtain and read a copy of Nidek's appeal to the judge to overturn the jury verdict. In my opinion, based on the filing made on October 9th, Nidek may have a strong case for overturning the verdict. Apparently, Summit's technical expert witness admitted during cross examination that Nidek's laser did not infringe the claims stated in the Summit Azema patent. According to a Nidek official, the company expects the judge to return a verdict on the appeal by year's end. If the judge decides not to overturn, the company can still appeal to the Appeals Court. This matter is far from being over.)

10/3 The October issue of *Refractive Market Perspectives* featured the win by Alcon over Nidek in the recently settled patent infringement suit (see above and last month's Executive Laser Briefing newsletter for details) and the results of a recent survey of refractive surgeons about LASIK pricing.

In the Alcon vs. Nidek lawsuit, Dave Harmon poineds out that about 126 Nidek lasers are owned by laser centers and others in the U.S., down from about 150 systems two years ago (due mostly to the limited range of approvals for the system and the demise of some of the discount laser centers during the past two years, as well as aggressive replacement programs by Alcon and VISX). The Massachusetts lawsuit only addressed the royalty payments on the sale of the equipment, and not procedure royalties using the lasers. According to Harmon, an estimated 30,000 procedures per quarter are done using the EC-5000 lasers, thus Alcon and VISX have lost out on an estimated $12 million per year in procedure fees over the past several years. "Since the ruling did not address the issue of Nidek lasers in use today, Alcon's course of action with these lasers is not clear. One option may be to file suit against individual laser centers and surgeons using the EC-5000 laser. Although the long term prospects for the Nidek excimer lasers in the US are not totally clear at this point, the loss of the Alcon suit is a major setback."

Harmon went on to state that "short of a legal threat by Alcon, most Nidek lasers are expected to continue to perform procedures. In addition, many Nidek laser owners already have several lasers available at the laser center. As an example, approximately 34 Nidek users also own a VISX laser and 12 Nidek users also own a LADARVision laser. These laser owners are more likely to switch laser platforms as required."

As for the pricing survey, Harmon found that in his July survey, U.S. LASIK prices rose 2.8% to $1601 per eye during the second quarter of 2002, up from about $1500 per eye during the first quarter. That increase ran counter to the recent trend of lower LASIK prices that began in 2000. Harmon attributes the increase to a combination of factors, including higher fees for new technologies, i.e., the use of wavefront diagnostics and use of the IntraLase system in place of a conventional microkeratome, and the effects by surgeons to offset declines in procedure volumes through increased fees. As an example, he cites one Virginia laser center that charges a $450 premium per eye for use of the IntraLase instead of a microkeratome. Other tactics include charging different prices based on which laser is used. For those centers having a Nidek laser (with no per procedure fee), if a VISX laser is used instead, the center charges an additional $250 per eye. And, most centers now use tiered pricing, with simpler procedures/corrections charged at the center's lowest fee, while more complicated corrections are charged at a higher fee.

10/7 **SurgiLight, Inc.** said that attendees from around the world at last month's 2002 *European Society of Cataract and Refractive Surgeons (ESCRS)* conclave heard four separate papers describing measurable clinical success with presbyopia patients using the company's OptiVision infrared system. Two of the presentations were made in

general sessions at the request of the sponsoring committee of the conference, held last month in Nice, France. Presbyopia affects the visual acuity of millions of individuals worldwide who are 40 or older. Vivek Kadambi, MD, head of the Kadambi Laser Vision Clinic and Research Foundation in Bangalore, India, commented, "This laser technique has enabled us to cross the last frontier in refractive surgery. With positive data on safety and efficacy from four continents, and with 90% of presbyopia patients indicating post-operative stability in their condition's reversal, I am personally convinced that this new procedure will experience significant clinical acceptance and success." In his report, Dr. Kadambi cited data showing that in most cases, regression was absent after a one-year follow-up and present in relatively few cases after almost two years. Patients' visual acuity improved from an average of J6 to J2, with no further use for glasses.

Professor Umberto Merlin, noted Italian practitioner and educator, told the international audience of the use of OptiVision in a new procedure performed under the scleral flap of the eye, resulting both in vision correction and a positive cosmetic effect. Drs. Kadambi and Merlin were later joined at a well-attended, separate company-sponsored panel by a group of equally renowned clinicians, including, as chairman, Spencer Thornton, MD, a Nashville-based lecturer and researcher; Danielle Aron-Rosa MD, a pioneer in ophthalmic lasers and inventor of the pulsed YAG Laser; and Gregory Pamel, MD, Assoc Professor of Ophthalmology Manhattan (NYC) Eye, Ear and Throat and slated to be a clinical investigator if and when the FDA clears a series of U.S. clinical trials.

SurgiLight had earlier reported its hope to receive FDA clearance to begin human clinical trials "within the near future," according to chairwoman and CEO Colette Cozean. Meanwhile, clinicians in the U.S. and abroad have continued to express what Dr. Cozean characterized as "definite interest in participating in such trials."

10/10 **SurgiLight, Inc.**, and Vancouver, B.C.-based **EnVision Technologies, Inc.**, jointly announced positive results in the initial group of presbyopia patients at the first two of the five clinical sites recently sanctioned by the *Canadian Ministry of Health* for Investigational Testing of SurgiLight's OptiVision laser system. EnVision, the exclusive Canadian distributor, is overseeing the tests and expects to have all test sites in operation by early December. Participating clinicians said that the first cases treated with OptiVision demonstrated measurable vision improvement, with little discomfort from the procedure. Dr. Michel Pop, who is heading testing at his Montreal clinic, commented, "Our patients are already reading magazines without glasses. As one might guess, they are very satisfied with results. These tests are also significant in that they are providing a quantitative method of measuring clinical results." Dr. Pop had earlier played an important role in the development of the overall laser procedure with OptiVision as the primary surgical tool.

Dr. James Miller reported "very encouraging" results from the first patient group treated last month at his Vancouver, B.C. clinic. "The patients are already reading

nicely," he said, "and we look forward to performing more cases in the weeks ahead. Thus far, our results have been highly successful." According to Ann Marie Hipsley, EnVision's vice president, Research and Business Development, the Ministry's test program approval and the initial results have created "major interest" among leading Canadian ophthalmologists.

SurgiLight chairwoman and CEO Colette Cozean, commented, "Once again, OptiVision's efficacy is being proven in the hands of skilled ophthalmologists and in the eyes of patients who have discarded their glasses. We're hopeful that the FDA will soon see fit to permit similar clinical trials in the U.S. after completing its review of positive data from clinical sites around the world "

10/10 Following **Bausch & Lomb Incorporated's** pre-announcement about third quarter earnings, Ted Huber of **Banc of America Securities** issued the following report:

* 3Q02 upside and adequate liquidity. Last night B&L issued a press release announcing 3Q02 EPS at least 10% over consensus (translated to $0.46+) and revenue growth of 10%+ (1%-2% points better than our estimate of 8.7%). BOL also announced cash flow is exceeding expectations, obviating the need for further borrowing anticipated for 3Q02.

* Changing fundamentals? This marks the second consecutive quarter of double digit revenue growth and EPS upside for BOL. It is nonetheless too early to call a sustained turn around in BOL's operating performance, in our view. Given the sharp declines in 2001 performance, revenues are now just above 2000 levels (excluding pharma acquisitions). We believe secular trends are accelerating in contact lenses, soft in refractive surgery but stable in BOL's other businesses.

* Model under review: With 3Q02 EPS above $0.46 and operating margins likely near 10.2% (our estimate was 9.8%), BOL could be on track to deliver EPS in the $2.10 to $2.20 range during 2003. BOL could achieve this level of performance with 5% to 6% revenue growth and 12% operating margins. Our model is under review pending additional company guidance and analysis of 3Q02 performance for BOL and its competitors.

* Market Performer Thesis: We expect BOL to recover its recent losses on this positive news. If 2003 EPS are near $2.20, the mean peer 2003 PE multiples of 14.2x values BOL at around $31 today. This is also in line with BOL's historic mean multiple relative to the market, 0.94x. We believe more evidence of a sustained turn around is needed to drive further multiple expansion.

10/11 With the start of the new financial year 2002/2003 in October, **Carl Zeiss Meditec AG** launched its direct sales and marketing operations in Japan. As a result, the global leader in the supply of ophthalmic systems now has its own subsidiary in Tokyo, **Carl Zeiss Meditec Co. Ltd.**, for marketing and service activities in the world's second

most important market for medical technology. Ulrich Krauss, president and CEO of Carl Zeiss Meditec AG said, "With our ophthalmic systems, we already generate sales of over EUR 18 million in Japan. Due to direct sales and marketing this sum will grow by EUR 15 million to at least EUR 33 million in the financial year 2002/2003. The new company will generate a positive contribution to our results right from the start."

Behind the USA, Japan is the largest market for systems for diagnosis and treatments of eye diseases. Sales of ophthalmic systems in Japan have more than doubled since 1992/93 and are expected to further increase in the next few years. Today, virtually the total product portfolio of Carl Zeiss Meditec is being successfully marketed in Japan. In particular, products for treating glaucoma are in high demand. With its worldwide unique diagnosis system OCT 3, Carl Zeiss Meditec holds an excellent position in the market.

Carl Zeiss Meditec will also profit from additional market potential in Japan following the recent certification of its Visucam lite, a digital camera for examining the fundus of the eye. Carl Zeiss has been successfully represented in Japan for over 90 years and has firmly established the name "Zeiss" in the market. The new Zeiss Meditec subsidiary will base its activities on this success. In particular, it will benefit from longstanding customer relations and comprehensive know-how in certification procedures. Qualified staff ensures top quality in marketing of products and services.

10/14 **IRIDEX Corporation** announced its collaboration with **Bausch & Lomb** to design and manufacture a green (532 nm) laser photocoagulator module, which will be incorporated into the Bausch & Lomb Millennium Microsurgical System. The Millennium is a fully integrated platform designed to offer vitreo-retinal surgeons all the tools they need for operating room procedures. The incorporation of the green module, to be called the *Millennium EndoLase*, will increase IRIDEX's market share of laser photocoagulators and related delivery devices in the operating room setting. Bausch & Lomb awaits FDA 510(K) clearance and CE marking before marketing the Millennium EndoLase module worldwide. "IRIDEX is recognized as a market leader in providing portable, reliable laser photocoagulators to the ophthalmic market with excellent customer service. We needed a company that could custom develop a compact, reliable, green laser photocoagulator module for us in a timely manner and one whose name would be recognized as a quality product for our marketing efforts," said Kamal Sarbadhikari, Bausch & Lomb corporate vice president, Global Surgical. "With the addition of the laser module, the Millennium will be the most complete of all integrated surgical systems available to the market when the laser module receives regulatory approval."

Theodore Boutacoff, president and CEO of IRIDEX, said, "We are pleased to be a technology partner with Bausch & Lomb. Laser module shipments are anticipated to begin this quarter and should be well received since the product meets the growing market trend of fully integrated systems for the operating room environment. By

collaborating with Bausch & Lomb in developing the laser module, in addition to selling our own portable IRIS Medical OcuLight GL/GLx green laser systems, we will increase the product selection for ophthalmologists and improve our product penetration into the operating room both in consoles and delivery devices."

The company also announced that it would display several new IRIS Medical products at the upcoming 2002 AAO meeting in Orlando. These include: the OcuLight Symphony multi-wavelength laser delivery system, an expanded EndoProbe product line, and a 5 mm Large Spot Slit Lamp Adapter. Theodore Boutacoff, president and CEO of IRIDEX, commented, "These new products are a result of our continuing effort to satisfy customers' needs through technologically advanced products that offer greater clinical versatility and convenience. We anticipate these products will increase our penetration into high volume retina practices, expand our disposable product offering, and further establish our leadership position as the equipment provider for minimum intensity photocoagulation (MIP) protocols such as transpupillary thermotherapy (TTT). With these new products, IRIDEX anticipates an exciting AAO."

New products being introduced at the show are as follows:

1. IRIS Medical OcuLight Symphony Laser System -- OcuLight Symphony represents the latest in technological innovation since it is the first laser system to combine the clinical versatility and convenience of 532 nm, 810 nm and large spot 810 nm into one laser delivery device. This advanced, top-of-the-line system provides solid-state reliability in an integrated package indicated for retinal photocoagulation and glaucoma procedures. OcuLight Symphony consists of an OcuLight SLx infrared (810 nm) laser console, OcuLight GLx green (532 nm) laser console, multi-fiber slit lamp adapter (532 nm, 810 nm, and large spot 810 nm), a slit lamp, and a custom cart. The product is designed to function in the most demanding environments by offering reliability, efficiency, and clinical effectiveness.

2. IRIS Medical EndoProbe Handpieces -- IRIDEX is expanding its line of disposable endophotocoagulation probes with the addition of the BriteLight Illuminating EndoProbe and 25 gauge EndoProbe. These new endophotocoagulation probes as well as other existing EndoProbe handpieces will be compatible with competitive laser photocoagulators.

a. The BriteLight Illuminating EndoProbe provides the brightest white light illumination compared to other devices with laser delivery.
b. The 25 gauge EndoProbe is compatible with sutureless vitrectomy instrumentation systems now available on the market.
c. Now, all IRIDEX EndoProbe handpieces can be used with laser photocoagulation systems that accept a universal SMA connector.

3. 5 MM Large Spot Size Slit Lamp Adapter -- The 5 mm Slit Lamp Adapter is designed for use with the OcuLight SLx (810 nm) laser and offers increased flexibility to the physician when using a TTT protocol to treat AMD or intraocular tumors. This adapter is the latest addition to our family of large spot size delivery devices and offers the largest spot size (up to 5.0 mm) available on the market.

10/15-
10/18 Over a few dayd period, **Lumenis Ltd.** announced the FDA clearance of three new ophthalmic lasers, and the availability for international sale (until final FDA marketing approval) of a fourth ophthalmic laser system. The three approved and one yet unnapproved lasers include:

- The Novus Varia multi-color diode-pumped solid-state photocoagulation laser system for the treatment of a wide range of retinal diseases;

- The Selecta Duet combination laser system for treating open angle and angle closure glaucoma as well as secondary cataracts;

- The Novus Spectra, a 532 nm green diode-pumped solid state (DPSS) photocoagulation laser for treatment of a variety of retinal conditions.

- And, the Novus TTx, a diode-based 810nm photocoagulator laser for treating AMD, still awaiting final FDA approval.

The Novus Varia photocoagulator is the first diode-pumped solid-state laser to offer the spectrum of green, yellow and red light in one standard platform. The ability to instantly switch wavelengths and change power settings on a color touch screen provides greater flexibility during treatment, which is particularly beneficial in penetrating mild vitreous opacity, sclerotic lens, or mild vitreous hemorrhage. The Novus Varia photocoagulator is a diode-pumped semi-conductor based platform, which unlike krypton or argon dye based multi-color photocoagulators, does not require external hookups for operation, frequent maintenance or special cooling.

Age-related macular degeneration (AMD), diabetic retinopathy, diabetic macular edema, retinopathy of prematurity and retinal vein occlusions are among the retinal conditions covered in the FDA clearance. "The Novus Varia photocoagulator is an important advancement to today's ophthalmic laser products since it has the unique ability to produce three distinct and separate wavelengths -- green, yellow and red -- from a single, solid-state laser platform," said Carmen Puliafito, MD, Chairman of the Department of Ophthalmology and Medical Director at Anne Bates Leach Eye Hospital in Miami, Florida. "Novus Varia integrates the best of today's photocoagulation technology into a highly-adaptable, energy-efficient laser system," said Robert Grant, executive vice president of Lumenis. "The transfer of Lumenis ophthalmic manufacturing operations to Salt Lake City, which we announced in July, is proceeding according to plan. The Novus Varia is the first new product to result

from our Santa Clara research and development and Salt Lake City manufacturing teams. This new diode laser center of excellence has been made possible by the successful integration of last year's acquisition of **HGM**."

The Novus Varia joins the Elite DPSS, Novus Omni multi-color, Novus 2000 argon and Ultima 2000 SE portable argon family of photocoagulators, as the newest addition to a complete line of ophthalmic lasers and accessories for ophthalmologists -- treating the most challenging retinal diseases.

The new dual-purpose Selecta Duet is the only laser system to integrate the Lumenis patented Selective Laser Trabeculoplasty (SLT) platform with advanced photodisruptor Nd:YAG laser technology to offer a full range of laser treatment options in a single space-saving system. "As the demand for glaucoma and cataract surgery steadily increases amidst an aging population, ophthalmologists are seeking the most functional, cost- effective solutions for their practices," said Mark Latina, MD, who pioneered the SLT technique at Wellman Laboratories, Massachusetts General Hospital in Boston. "Selecta Duet is ideal for the glaucoma specialist transitioning from argon laser therapy to less damaging SLT therapy, as it performs a full range of glaucoma procedures, including iridotomies, without having to purchase an additional YAG laser."

Selecta Duet features the Lumenis exclusive 532 nm glaucoma laser system -- the only Selective Laser Trabeculoplasty laser approved in the U.S. for treating open angle glaucoma. Employing a 3-nanosecond high-energy beam of light, SLT induces the same cell replacement mechanism as traditional argon laser therapy (ALT), but without causing thermal damage and scarring to the trabecular meshwork. Selecta Duet also incorporates the Lumenis 1064 nm infrared Nd:YAG laser for capsulotomy with less eye trauma and damage than other available treatments. "As SLT continues its adoption as the treatment of choice for laser glaucoma therapy and physicians look to replace their obsolete YAG lasers with newer, more advanced technologies, the dual-functionality Selecta Duet will be an ideal solution for the single office, operating room or multiple practice setting," said Robert Grant, executive vice president of Lumenis.

The Novus Spectra received FDA clearance for use in ophthalmology, ENT and dermatology applications. "Novus Spectra offers the simplicity and precision of a conventional green laser with DPSS engineering for higher power and portability with virtually none of the maintenance required for standard, argon-based laser systems," said Robert Grant, executive vice president of Lumenis. "This is the essential laser for the general ophthalmologist performing routine photocoagulation procedures as well as an excellent complement to a diversified, multiple-laser practice due to its compact size, reliability and convenience." Weighing less than 18 pounds, the new Lumenis Novus Spectra is among the most robust and lightweight monochromatic 532 nm photocoagulation lasers available. The system delivers up to 2.5 watts of power through semiconductor-based technology, which unlike older argon-based systems,

does not require external hookups for operation, frequent maintenance or special cooling. Novus Spectra's increased energy delivery potential is ideal for treating challenging ophthalmic conditions and also may be useful in performing ENT and dermatology procedures. The new laser is fully compatible with previous Coherent delivery systems.

10/16 In response to shareholder inquiries, **Paradigm Medical Industries, Inc.** issued the following statement:

"The Board of Directors and Management remain dedicated to the fundamental goals of the company, but have initiated new strategies for achieving those objectives," said Heber Maughan, interim CEO and Paradigm's CFO. "Specifically, our goal is to introduce proprietary, high-technology equipment to the ophthalmology and medical industry. Our near-term strategy is manifold:

(1) Enhance the market opportunity for our patented Ocular Blood Flow Analyzer (BFA) device. We have submitted a 510(k) application for additional indications for the BFA to the FDA and are awaiting the agency's comments and recommendations. The company is also addressing the issue of insurance reimbursement for the BFA.

(2) Receive FDA approval for Paradigm's proprietary Photon Laser System for Cataract Removal, and launch the product as quickly as possible. Our movement to the marketplace for the Photon has been painfully slow and costly. But the company remains optimistic that our efforts will culminate in a successful commercialization of the first new technology for cataract removal in over 30 years.

Our previous missteps and the hazards of anticipating the timing of regulatory actions have convinced us that forecasting the `when' of such events is not in the best interests of management or our shareholders. We are, however, aggressively pursuing the approval process and are prepared to gear up our production when it becomes practical.

(3) Expand the market opportunity for our proprietary Ultrasonic Biomicroscope (UBM). We received a CPT code for the UBM during 2001 and realized a substantial increase in our revenues versus the prior year. This device is used for viewing structures associated with glaucoma pathologies and related surgical filtering procedures.

(4) Expand the company's presence internationally. Our entire product portfolio has application in many overseas markets. We will aggressively explore ways to enhance our participation in these opportunities, including strategic alliances. Many of our proprietary devices -- e.g., the Photon and BFA -- already have international regulatory approval for use.

(5) Maximize the growth opportunities for the sale of our proprietary consumable products. The company's goal is to provide the disposable products used in concert with surgical procedures for cataract removal and pre-screening of glaucoma."

Maughan noted that "the market opportunity for several of our patented products exceeds $1 billion. Our goal is to achieve a small, but meaningful share. If we were to garner a cumulative 5% share of the markets, our revenue base would be more than five times our current sales. We believe we will be able to finance such growth. "Paradigm's highest financial priority is to achieve positive cash flow," Maughan continued. "Internally, our efforts to reduce and control our costs have been successful. Through two specific cost reduction initiatives that began in late 2001 the company has been able to reduce overhead by $2 million annually. And we are committed to continuing to further cut our costs. Our cost-cutting efforts have substantially reduced the threshold of revenues we must generate in order to reach positive cash flow. As our top line grows the company will be decidedly more leveraged for expanding profits and cash flow. Our current financial position--e.g., cash, receivables, inventories -- is adequate. We recently raised more than $600,000 in a private placement, which will provide us with additional capital for corporate requirements. The company will continue to explore external sources of capital as an adjunct to its ability to generate positive cash flow from operations. Paradigm Medical's proprietary product portfolio in the markets we serve is excellent. The current market opportunities are sizable. And the markets are growing handsomely. However, we clearly do not have `deep pocket' corporate coffers to chase all of these opportunities. Therefore, our approach to growth must be sound and prudent. We don't foresee any scenario suggesting we will `bet the company' on any one program. We intend to manage our growth, enabling us to maximize shareholder's returns."

10/16 **VISX,Inc.** announced financial results for the third quarter and nine months ended September 30, 2002. Third quarter revenues were $30.6 million compared with $37.0 million for the comparable period of the prior year. Net income was $4.5 million (8 cents per share) in the third quarter of 2002 compared with a net income of $4.8 million (8 cents per share) in the comparable period of the prior year. Revenues for the nine months were $103.8 million compared with $135.8 million for the comparable period of the prior year. Net income was $16.9 million (31 cents per share) compared with net income of $6.7 million (11 cents per share) in the comparable period of the prior year.

Liz Davila, chairman, president, and CEO of VISX, stated, "Our year over year revenue comparisons reflect the difficult economic environment, characterized by declining consumer confidence. However, there are positive underlying elements. Most importantly, in anticipation of the U.S. launch of custom LASIK procedures, sales of our WaveScan WaveFront analyzer are strong and more than 80% of our U.S. customers have upgraded to the custom VISX STAR laser system. The adoption of these technologies offers confirmation of customer loyalty to VISX and commitment to the VISX System as the platform of choice for custom ablations. Internationally,

we have now launched custom LASIK, and have already recorded our first per procedure fees for custom treatments performed in the international market. Cash flow from operations continues to be positive. We had $118 million in cash and cash equivalents at the end of the quarter. VISX remains the market share leader in laser vision correction procedures. With an estimated 55 to 60 million candidates in the U.S. alone that could benefit from laser correction surgery, we are optimistic about the long-term prospects of our business."

Third Quarter Highlights:

● VISX launched its STAR S4 System internationally for custom LASIK treatment of myopia and astigmatism and received its first international per procedure revenues.
● VISX submitted to the FDA its PMA application for performing custom laser vision correction on patients with myopia and astigmatism.

● **WaveLight Laser Technologie AG** agreed to pay a royalty to VISX for each procedure performed in the United States using a WaveLight refractive laser and for its international refractive laser system sales.

Financial Outlook:

For the fourth quarter 2002, VISX anticipates that total revenues will be flat sequentially, and earnings per diluted share are expected to be in the range of four to six cents, due to increased marketing expenses for trade shows and higher net legal expense.

During the ensuing conference call with analysts, management stated that they had shipped 23 laser systems during the third quarter and anticipated shipping 35 during Q4. They also had sold 64 WaveScan devices during the quarter, bringing the installed base to over 200 systems (the majority in the U.S.), and expected to sell an additional 80 WaveScan systems during Q4. There are now 12 beta custom ablation sites up and running internationally, and as stated above, the company has collected its first per procedure fees based on these custom treatments. VISX expects that the international per procedure fee for customized ablations will average about $100 per treatment.

The following day, Ted Huber of **Banc of America Securities** issued his take on VISX's results:

"Refractive Surgery Market Weakness"

* Continued volume weakness: 3Q02 procedure volumes fell 15% sequentially and y/y following a 12% sequential, 26% y/y drop in 2Q02. We believe the weak economy, declining industry promotional activity and the coming launch of a new generation of LASIK technology are all contributing to the declines in surgery

volumes (last year's model of permanent eye surgery is a tough sell). We do not expect VISX to grow again until it launches its new wavefront LASIK system in 2Q03.

* 3Q02 EPS hit our estimates, with some help: Revenues were light (by 7% points) due to the weak surgery volumes and hardware sales down 24% y/y. EPS hit the high end of the range due to a $3.5 million (4 cent) insurance reimbursement for legal expenses and 1.9 million share count decline.

* Lowering estimates again: VISX guided 4Q02 EPS down to $0.04-$0.06 (consensus was $0.08) based on flat procedure volumes (145,000) and higher SG&A. We are taking our 4Q02 EPS to the midpoint of the range, $0.05. We are lowering 2003 EPS estimate (no company guidance for 2003) to $0.44 (22% YOY growth) reflecting a weak first half but a stronger second half based on VISX's expected 2Q02 custom ablation launch and improved consumer spending.

* Market Performer thesis: VISX trades at 16.8x our new 2003 EPS vs. peers at 15.0x. VISX's LTM EV/EBITDA ratio is 9.9x vs. 9.1x for peers. VISX does not warrant a premium multiple, in our view, given the troubled state of the refractive surgery market and the likely 4Q02 launch of the industry's first "custom LASIK" system by VISX's chief rival, **Alcon**.

10/16 **TLC Vision Corporation** announced that it and **Aspen HealthCare**, its subsidiary, have tentatively reached an agreement with **SurgiCare, Inc.** regarding the termination of the proposed acquisition of Aspen by SurgiCare. As a result of the termination of the purchase agreement, TLC expects to record a gain of $750,000-$800,000 during the quarter ended September 30, 2002. Aspen currently manages 11 multi-specialty ambulatory surgery centers in the U.S. and has another 13 under development. Consistent with its ongoing diversification strategy, TLC will continue to be an 85% shareholder of Aspen with Aspen management continuing to hold a 15% ownership interest.

10/17 **Bausch & Lomb** announced that third-quarter worldwide sales of $466.7 million increased 11% over the third quarter of 2001. Double-digit increases in the company's pharmaceuticals, contact lens and lens care categories drove these overall results, while the company also posted mid-single digit revenue increases for cataract surgery products and essentially flat performance for its refractive surgery category. Excluding the favorable impact of currency, sales increased 9% for the quarter. For the first nine months of 2002, the company reported worldwide sales of $1.339 billion, up $115.7 million or 9% over 2001, with currency having no impact on year-over-year results.

Bausch & Lomb also reported net earnings of $9.4 million and earnings per share of $0.17 for the third quarter. These results compare to prior-year reported earnings of $23.3 million, or $0.43 per share. Both periods reflect the impact of non-recurring

items. Excluding such items, comparable-basis earnings per share were $26.1 million or $0.48 per share in the third quarter of 2002 as compared to $20.5 million or $0.38 per share in the prior-year period. "Our results this quarter exhibit continued solid progress toward improving operational performance," said Bausch & Lomb's CEO, Ronald Zarrella. "As we execute on our plans to reduce costs and operate with a more disciplined business approach, we are establishing good momentum toward achieving our three-year financial targets."

Refractive surgery product revenues were essentially flat with the third quarter of 2001, and declined 1% in constant dollars. Strong growth in Asia was offset by declines in Europe and the Americas, with softness noted in the refractive market in both those regions.

As usual, Ted Huber of **Banc of America Securities** issued his take on Bausch's results:

"Turnaround Continues but Retisert Overhang Remains."

* Turnaround evident in 3Q02 results. As previewed, Bausch & Lomb posted a solid quarter. 3Q02 EPS of $0.48 (excluding one time items and restructuring charges) was 10% over consensus of $0.42. Revenue of $466.7 million represents YOY growth of 11.3%, 2.6% ahead of our estimate. Consumer (+11.6) and pharmaceutical (+19.2) were strong but surgical again disappointed (+3.6). On balance, this is BOLs second consecutive quarter of double digit revenue and operating EPS growth.

* Raising 2003 EPS estimates. Management reiterated confidence in achieving the 4Q02 consensus EPS estimate of $0.55 and established a range of $2.00 to $2.05 for 2003. We are leaving our 4Q02 estimate unchanged but are taking our 2003 EPS estimate $2.04. Of BOL's key operating assumptions for 2003, revenue growth of 5% to 6% is reasonable (given currency tailwind of near 1%) and operating margins near 12%, appears conservative.

* No change to Market Performer thesis. Trading at 15.9x our new 2003 EPS estimate of $2.04, Bausch is at a slight premium to the 15.1x peer multiple (lower growth, small cap medical technology companies). While Bausch offers a below average revenue growth trajectory (excluding Retisert pharma pipeline product) its profit growth prospects are robust given its currently depressed margins and ongoing restructuring. We believe this stock will be held back from multiple expansion until Retisert visibility improves. Phase III data due 1Q03 is the next important catalysts.

10/17 **Gimbel Vision International Inc.** announced that it had completed the sale previously announced on July 10, 2002 of all the assets of the Corporation's refractive surgery centers in Calgary and Edmonton (collectively, the **"Alberta Centres"**) to **I Care Services Ltd. ("I Care")**. I Care is a corporation whose majority voting shares are owned by corporations controlled by Howard Gimbel, MD and Judith Gimbel.

In addition to the sale of the Alberta Centres, GVI recently completed the sale of its refractive surgery center in Winnipeg (the **"Winnipeg Centre"**) to a third party purchaser controlled by a group of doctors who were previously employed by GVI in the Winnipeg Centre. In conjunction with the completion of the sale of the Alberta Centres, GVI has changed its name to **Aris Canada Ltd.** effective October 16, 2002.

10/17 **QLT Inc.** reported that its alliance partner, **Novartis** announced, global Visudyne (verteporfin) sales of approximately US$70.4 million (CAD$109.8 million) for the quarter ended September 30, 2002. This represents an increase of 22% over sales in the third quarter of 2001. QLT reiterates its annual sales guidance of US$275-300 million and EPS guidance of CAD$0.40 to $0.45 by year end.

10/18 **Bausch & Lomb Incorporated** and the FDA are scheduled to meet next week to finalize the labeling for the Bausch & Lomb Technolas 217A Excimer Laser System's expanded indication to treat hyperopia with or without astigmatism. The FDA's scientific review of the system is now complete. Bausch & Lomb has been actively working with the agency to identify and resolve all labeling changes to be included in the final package. Following the labeling review to finalize changes, the FDA will be in the position to issue the final approval order for the expanded treatment indication of hyperopia with and without astigmatism.

10/18 **LaserSight Incorporated** provided a preview of its activities at the Joint Meeting of the *American Academy of Ophthalmology (AAO)* and the *Pan-American Association of Ophthalmology* and at other related meetings and presentations to be held in Orlando, Florida. The company also announced the appointment of a new distributor for Latin America. LaserSight will have a major presence at the Joint meeting, and through its booth and presentations will focus its activities on its international CustomEyes products for custom ablation which include the AstraScan precision microspot scanning excimer laser system, CustomEyes software for custom ablation planning and programming and the AstraMax integrated diagnostic workstation for precise corneal measurements.

Michael Farris, president and CEO of LaserSight, commented, "During the Joint Meeting of the AAO and PAAO we will focus our activities on presenting our CustomEyes approach to custom ablation planning to refractive surgeons attending this most important meeting. Our CustomEyes clinical results should be impressive to the refractive surgeons in attendance, as our approach to custom ablation planning has already demonstrated its efficacy, predictability, stability and safety through clinical experience and articles published in peer-reviewed journals and presentations at major ophthalmology venues throughout the world. LaserSight's objective is to differentiate itself from other competitors who have taken different approaches to custom ablation planning. We believe that our approach to improving the quality of vision, by planning custom ablations using a series of diagnostic measurements of the eye obtained from a precision measuring system like the AstraMax, will optimize visual performance for all patients undergoing custom ablation."

LaserSight also announced that it had appointed **Optomed, Inc.**, Miami, Florida, as its exclusive distributor for Mexico, the Caribbean, and Central and South America. Optomed distributes a broad line of ophthalmic equipment from sales and service offices located in Miami, Florida; Mexico D.F., Mexico; Sao Paulo, Brazil and Buenos Aires, Argentina. The appointment of Optomed allows LaserSight to focus all marketing, sales and customer support activities for Latin America through a single channel.

10/18 **Alcon, Inc.** announced that the FDA had approved its customized wavefront-guided laser eye surgery application for the treatment of myopia up to -7 diopters with up to 0.5 diopters of astigmatism via manifest refraction (or up to 1.5 diopters from the wavefront reading). Alcon is the first company to receive FDA approval for customized LASIK surgery using a wavefront measurement device and an excimer laser. Utilizing the LADARVision 4000 excimer laser and the LADARWave wavefront measuring device, Alcon brings an integrated system approach to customized laser eye surgery. High and low order aberrations unique to each patient's eye are captured by the LADARWave aberrometer. This information is then transferred to the LADARVision 4000 laser, where it is electronically registered and computer matched to create the precision ablation required in customized laser eye surgery. "Wavefront-guided customized laser surgery has the potential to improve visual acuity and enhance overall vision quality as compared to today's conventional LASIK. Treating optical aberrations, which impact low-contrast visual activities such as night driving, will improve the patient's quality of vision," said Dr. Stephen Brint, Associate Professor of Ophthalmology at Tulane University School of Medicine and one of the five surgeons participating in the clinical investigations.

Clinical trials are ongoing for the treatment of myopic astigmatism, hyperopia with and without astigmatism and other ocular irregularities. "The ophthalmic community has eagerly anticipated this technology," said Bill Barton, vice president and General Manager, Surgical Division. "We are proud to be the first in the industry to offer an approach that provides surgeons the ability to control the visual effects of higher order aberrations."

10/19 **Addition Technology Inc.** announced that it had received a CE marking for six new sizes of Intacs inserts for surgical vision correction, thereby gaining authorization to double its product line in Europe. The expanded range of treatment options will address the vision needs of 70% of myopia patients, according to the company.

In response to European surgeon's requests, these new sizes of Intacs provide both smaller increments of correction (0.275mm, 0.325mm, 0.375mm, and 0.475mm) within the range of -1.00 to -5.00 diopters of myopia, and new sizes (0.21mm and 0.23mm) to expand that range to 0.50 to -5.00 diopters and 1.00 diopters of astigmatism. In the United States, Intacs are only approved for -1.00 to -3.00 diopters, with less than 1.00 diopters of astigmatism.

10/21 **Carl Zeiss Meditec AG** unveiled its first new product since its merger in July 2002, at the *American Academy of Ophthalmology (AAO)* meeting in Orlando. In comparison to its predecessor, the MEL 70 G-Scan, and other models, the new MEL 80 excimer laser offers greater precision and faster treatment of vision defects (refraction). Ulrich Krauss, president and CEO of Carl Zeiss Meditec AG, is expecting this product to yield sales topping tens of millions of euros in the current 2002/03 financial year. The intention is that the new laser should help raise the company's market share from its current 12% to between 20 and 25% within five years. Doctors and patients benefit in equal measure from the new product. It significantly raises convenience and precision levels in the laser treatment of vision defects. The MEL 80 helps shorten treatment times, allowing 5 diopters to be corrected in just 15 seconds. This means that the corneal layer remains open for a shorter period during the operation than was previously the case, facilitating faster restoration of the patient's eyesight. In addition, the safety of the treatment is increased through the use of an extremely high speed eye-tracker which adjusts the laser beam at the smallest of eye movements. A further innovation is the new workstation concept for which the MEL 80 is specially designed. This allows key patient data such as age and desired result to be taken into account in the operation. The doctor benefits from the significantly longer life of the laser head and the lower service costs.

The MEL 80 is CE approved and can be sold immediately in Europe and certain countries in Asia. Sales via the company's own direct distribution network in Germany and the Carl Zeiss group's sales companies will begin following the AAO. The MEL 80 is not approved for sale in the United States.

10/21 **LaserSight Incorporated** announced that it had received the $2 million equity investment from the Hong Kong based affiliate of **Shenzhen New Industries Medical Development Co.**, Shenzhen, People's Republic of China. Receipt of the equity investment completes the third part of the previously announced strategic relationship between the companies that now includes a purchase agreement for at least $10 million worth of LaserSight products over a twelve month period, the $2 million equity investment in LaserSight Incorporated and distribution of LaserSight products in mainland China, Hong Kong, Macao and Taiwan.

The investment in LaserSight is in the form of Convertible Preferred Stock that, subject to certain restrictions, can be converted into shares of LaserSight's Common Stock resulting in the Hong Kong affiliate holding approximately 40% of LaserSight's Common Stock. In addition, the holders of the Convertible Preferred Stock also have the right to vote separately as a single class to elect that number of directors that will constitute 40% of the membership on LaserSight's Board of Directors. Michael Farris, president and CEO of LaserSight Incorporated, commented, "Receiving the equity investment further solidifies the strategic partnership between LaserSight and Shenzhen New Industries. Our day-to-day working relationship is already well established, and we have already shipped approximately $1.1 million of our products under the first Letter of Credit. LaserSight personnel have been actively working with

Shenzhen New Industries in the China market and were recently in China to support Shenzhen's implementation activities."

10/21 **Refractec, Inc.** announced post-launch results for CK (Conductive Keratoplasty) -- the first non-laser procedure for treating farsightedness (hyperopia) in people over age 40. A total of 3,860 CK procedures were performed through the first week of October, following CK's approval by the FDA on April 16, 2002.

The CK data was compiled by 54 U.S. physicians who were trained and performed the procedure during CK's introductory period. The three-minute CK procedure uses radio waves, instead of a laser or scalpel, to treat farsightedness; there is no cutting and no removal of tissue. CK is performed in-office with only topical anesthesia. Following FDA approval, Refractec orchestrated a limited rollout of CK among U.S. ophthalmologists to allow for close monitoring of patient results and to ensure the successful implementation of this new technology by physicians. Refractec's decision to limit the number of physicians offering the CK procedure proved successful.

"The demand for CK has grown at a very rapid pace, compared to past vision correction procedures," said Mitchell Campbell, president and CEO of Refractec, "In under six months, CK physicians have averaged 15 procedures per month -- a milestone which took physicians performing photorefractive keratectomy (PRK) laser surgery more than a year to achieve, after that procedure was introduced in 1995." The results for CK and corresponding demand for the procedure from physicians and patients, spurred Refractec to step-up its plans for a national rollout. Soon, people nationwide who struggle to read a newspaper, menu or constantly reposition reading material to find the right focus, will have access to a CK physician. Refractec estimates that the number of ophthalmologists offering CK will top 250 by year end, and that it will have trained an additional 100 physicians to perform the procedure by the end of the first quarter 2003. Additionally, the company has tripled its field force to support the increased demand.

"The astounding number of people, especially Baby Boomers, who want a safer alternative to laser surgery has created, and should sustain, a ready market for this procedure," said Daniel Durrie, MD, associate clinical professor, University of Kansas. Farsightedness is the most common vision disorder in America. It affects more than 60 million Americans -- a full 55% of the Baby Boomer generation (those born between 1946 and 1964). Many consider the need for glasses a sign of aging, as they experience increasing difficultly reading a computer screen, an alarm clock, or seeing to drive at night. Yet, farsighted procedures comprised only a small percentage of the nearly 2 million U.S. refractive surgeries performed last year. Consumer research shows that, prior to the approval of CK, very few people between the ages of 40 to 60 even considered vision correction surgery, as they tend to be more conservative and risk-adverse than their younger, nearsighted (myopic) counterparts.

According to ophthalmologists, CK has many people reconsidering their vision correction options. "Baby Boomers struggling with the symptoms of farsightedness find CK to be a valuable alternative to constantly reaching for their glasses," said Dr. Durrie. "This generation is in their forties and fifties now, and CK is striking a real chord with them. Many of our patients are so anxious to have the CK procedure that they don't want to wait even a few days for their appointment. These are the same patients who considered LASIK too big a risk." Nearly 95% of patients reported being "satisfied" to "extremely satisfied" with their visual outcome post-CK. The CK procedure also provided a restoration to normal vision in 93% of patients, according to clinical trial data collected at the 24-month mark post-CK. These outcomes continue to exceed the FDA guideline of 85% restoration to normal vision for refractive surgical procedures.

Two-year U.S. clinical data on CK was presented at the *Refractive Surgery Interest Group (RSIG)* session associated with the AAO meeting. "Although the FDA initially labeled this procedure as temporary, data analysis indicates that patients, on average, are experiencing no significant refractive change between visits at 12 months and 24 months," said Marguerite McDonald, MD, professor of ophthalmology at Tulane University, New Orleans, La., and medical monitor for the FDA clinical trials on CK. "I had been resigned to living with glasses or contact lenses, but still had trouble seeing like I used to," said clinical trial patient, Pamela Larson. "Since having CK in September 2000, my eyesight is back! I haven't needed glasses and can drive at night, track a golf ball and even read my score card without constantly reaching for my glasses."

10/21 **NovaMed Eyecare, Inc.** announced that it had completed the divestiture of two additional management services relationships. One of the divested practices is located in Athens, Georgia. The other divested practice, **Hunkeler Eye Centers**, was NovaMed's largest management services relationship and consists of multiple locations in the Kansas City market. This transaction included the sale of minority interests in three of NovaMed's Kansas City area ambulatory surgery centers to several of the physicians who were affiliated with Hunkeler Eye Centers. Terms of the transactions were not disclosed. "We are pleased that we have completed the divestiture of these two practices and look forward to working with our new physician-partners in our Kansas City area ambulatory surgery centers," said Stephen Winjum, NovaMed chairman, president and CEO. "Due to its size and complexity, the Hunkeler Eye Centers transaction has consumed much of our time and resources recently. We now look forward to focusing these resources on completing our remaining practice divestitures and growing our core surgical facilities business."

10/21 **Medjet Inc.** announced that **VISX**, a Cayman corporation and wholly owned subsidiary of **VISX, Incorporated**, had elected to extend the term of the Research, Development and Experimental Cost Sharing Agreement by an additional nine-month period to July 17, 2003 (although VISX may terminate such agreement upon fifteen days notice during this nine-month period for any reason or no reason, and there can

be no assurance that VISX will not exercise its right to so terminate), in order to allow Medjet additional time to pursue the research and development work associated with the development of waterjet-related technology and products, including a waterjet microkeratome. As a result of the extension, Medjet will continue to receive monthly payments of a minimum of $100,000 from VISX while this agreement is in effect. The election effectively extends to July 17, 2003 VISX's option to elect to merge **Orion Acquisition Corporation**, a wholly owned subsidiary of VISX, Incorporated with Medjet or to terminate the Agreement and Plan of Merger and Reorganization executed on Aug. 17, 2001 with Medjet and Orion for any reason or no reason. If VISX terminates the Research and Development Agreement prior to July 17, 2003, the Merger Agreement will be deemed to be terminated on the date of effectiveness of termination of the Research and Development Agreement.

10/21 Clinical investigators presented U.S. clinical trial data of the **Bausch & Lomb** Technolas 217z Zyoptix System for Personalized Vision Correction at the annual meeting of the *American Academy of Ophthalmology*. This was the first time these findings had been presented publicly in the U.S. The data is included in the company's Pre-Market Approval application for the Zyoptix system now under review by the FDA. Presenting the data were Scott MacRae, MD, of Rochester, NY, professor of Ophthalmology at the University of Rochester Medical Center and professor of Visual Science, Center for Visual Science at the University of Rochester, and Stephen Slade, MD, of Houston, chair of the *Refractive Surgery Section* of the *American Society of Cataract and Refractive Surgery*.

The U.S. study results are based on a cohort of 340 eyes with a combination of myopia (nearsightedness up to -7D) and astigmatism (up to -3.5D). Notable results of the clinical trial discussed by Drs. MacRae and Slade were as follows:

- After surgery with the Zyoptix system:

    - 91.5% had unaided 20/20 vision or better (Uncorrected Visual Acuity);
    - 70.3% had unaided 20/16 vision.

- More than 94% of subjects maintained or improved from their best-corrected vision six months post-operatively.

- Six months after surgery with the Zyoptix system:

    - 99.0% of subjects reported that they were satisfied with the results;
    - 99.7% indicated improvement in quality of vision, of which more than 40% reported improvement in night vision while driving.

Available throughout Europe, Asia, Latin America and Canada, the Bausch & Lomb Technolas 217z Zyoptix System for Personalized Vision Correction has been used to perform more than 25,000 personalized LASIK procedures.

10/22 **Lumenis Ltd.** announced it had signed an exclusive OEM purchase agreement to provide laser systems to **Ellex Medical Pty. Ltd. (Laserex)**, a leading manufacturer of Nd:YAG photodisruptor lasers located in Adelaide, Australia. Lumenis has also entered into a strategic partnership with **Moria S.A.**, a leading manufacturer of microkeratomes for refractive applications, located in Antony, France. These alliances will increase distribution of Lumenis diode-pumped solid state laser technology while combining best-of-class microkeratome technology with the Allegretto Wave excimer laser system.

"We are pleased to collaborate with two world leaders in the ophthalmic marketplace to provide physicians with superior technologies to perform photocoagulation and refractive laser treatments at a significant value," said Robert Grant, executive vice president of Lumenis. "Establishing strategic alliances with leading ophthalmic suppliers demonstrates our commitment to our customers and allows Lumenis to leverage its core competencies and strengths to additional market segments." According to the terms of the agreement with Ellex Medical, Lumenis will manufacture an OEM version of its diode-pumped solid state photocoagulator laser and grant Ellex worldwide distribution rights for a three-year period. The two companies are also engaged in a working relationship to introduce additional ophthalmic laser systems.

In a separate agreement with Moria S.A., Lumenis will offer customers the option to purchase a full-line of Moria microkeratomes with the Allegretto Wave excimer laser system, manufactured by **WaveLight Laser Technologie AG** of Erlangen, Germany and currently marketed by Lumenis outside of the United States under an international agreement. The Allegretto Wave system is currently limited to investigational use only in the United States. Moria is one of the leading worldwide manufacturers of microkeratomes, and will offer its full line of microkeratomes through the Lumenis distribution organization, working in conjunction with the Moria distribution network. The product bundling partnership will allow Lumenis and Moria to provide world-class solutions for the refractive marketplace.

10/22 **QLT Inc.** reported financial results for the third quarter ended September 30, 2002, and reiterated guidance for 2002. For the three month period, Visudyne sales were US$70.4 million (CAD$109.8 million). This represented an increase of 22% over sales in the third quarter of 2001. Visudyne sales in the U.S. for the quarter were approximately US$41.2 million (CAD$64.3 million), representing 59% of total sales for the quarter. This represented an increase of 13% over U.S. sales in the third quarter of 2001. The remaining US$29.2 million (CAD$45.5 million) related to sales in the rest of the world, primarily Europe, and represents an increase in rest of world sales of 38% over the same period last year.

The company is reiterating its annual Visudyne sales guidance in the range of US$275-300 million or growth over 2001 of 25% to 35%. "As we enter the last quarter of the year we have already achieved 10 of our 12 corporate milestones, most

recently the initiation of the Phase III trial for Visudyne in skin cancer and the achievement of fast track designation for tariquidar," said Paul Hastings, CEO and president. "At an EPS of $0.31 year-to-date, we are well positioned to meet the annual EPS guidance of $0.40 to $0.45 and will continue to demonstrate further progress with our clinical development programs while managing our expenses responsibly to make our growth commitments."

The company's revenues reached $44.9 million in the third quarter, growing by 44% from the third quarter of 2001. Revenues from Visudyne comprised $41.4 million of this total, up 34% over the same period in 2001. QLT's share of Visudyne net profit from the QLT/**Novartis Ophthalmics** alliance for the third quarter was 29% of Visudyne sales. As expected the profit share received from the QLT/NVO alliance in the third quarter of 2002 was higher than the anticipated full year rate due to current and anticipated reduced promotional expenditures in the last half of the year versus the first two quarters. This is consistent with the company's expectations and consistent with the pattern experienced in 2001.

10/22 While at the AAO meeting, I came across a copy of a journal that I was not familiar with, *Cataract & Refractive Surgery Today*. The cover story was entitled, "Managing Presbyopia" and inside were several stories covering the subject, including: "Surgical Correction of Presbyopia: The State of the Art" by Robert Kreshner; "Correcting Presbyopia with IOLs" by Jorge Alio; "Monovision: A Viable Presbyopic Treatment" by Jarade, Jain, and Azar; "The Monovision Pitfalls" by Timothy Schneider; "Revisiting the Center-Surround Bifocal Lens" (actually an ICL), by Richard Lindstrom; "Creating Scleral Incisions with an Erbium Laser" by Nick Mamalis; "Anterior Ciliary Sclerotomy" by James Hays; "Refractive Lens Exchange: The Triple Win" by Howard Fine; and "Presbyopic LASIK" by Luis Ruiz. All in all a fine set of treatises on the subject.

But it was the wealth of other information in the journal which really caught my eye. Up front, vice president Adam Krafczek, a practicing attorney, made several trips to Tucson, AZ to cover the continuing landmark battle between Stephan Post vs. University Physicians, Inc. (UPI), the infamous $4 million court suit apparently won by airline pilot Post.

As reported by Cataract & Refractive Surgery Today, and with the express permission of Bryn Mawr Communications LLC, I have abstracted portions of their coverage.

In the latest hearing before the court, on September 18th, Attorney Jeff Campbell, counsel for UPI, focused on the testimony of Jeffery Machat, MD, at the post-trial evidentiary hearing, where he recanted portions of his trial testimony, and argued to the court, "I don't know of any other case that has come back where an expert for one side has come back and objectively said that the basis, the underlying assumption of my opinion is wrong. This isn't like the cases dealing with the experts credentials or things like that. This is the foundation for his opinion, where he's saying, "I was

wrong." Campbell then proceeded to argue the issue of why Dr. Machat did not have the information necessary to determine that his testimony was inaccurate at the time of trial and who had the responsibility for Dr. Machat's changed opinions. Campbell asserted his defense experts had spoken with VISX and confirmed prior to the trial that Dr. Machat's opinions were wrong, and the Plaintiff was now "stuck with the fact that their expert, who they had the responsibility for, has changed his opinion, and that is based on objective fact."

Counsel for Post, Attorney Robert Beal, countered by asserting UPI cannot meet the strict legal standards required in order to be granted a new trial based on newly discovered evidence. As argued by Attorney Beal, those standards under Arizona law require that the newly discovered evidence could not have been discovered before trial by the exercise of due diligence, that the evidence would most likely change the outcome upon retrial, and that the evidence must have been in existence at the time of trial. According to Beal, notwithstanding Dr. Machat's post-trial testimony during the evidentiary hearing, "it's still probable that we [Post's case] not only get to the jury, but we win this case." Attorney Beal further argued that, "even without one scintilla of evidence from him [Dr. Machat], without one word, we're going to demonstrate that we get to the jury and that we probably win the case. And if that's the case, then they [UPI] lose their motion."

At the conclusion of nearly 2 hours of oral argument by counsel for the parties, Judge Lee announced, "the court will take this matter under advisement." Post's record $4 million verdict remains at risk pending Judge Lee's decision on this unusual defense motion, which, if granted, could overturn the entire verdict and require a new trial on all issues.

The journal also reported that Post had filed a new lawsuit just after the original trial in May, against VISX, Carol Harner (VISX's vice president of Research and Development), Guy Kezirian, MD, and CRS Clinical Research. Post's 19-page Complaint asserts claims against VISX, Carol Harner, Dr. Kezirian, and CRS Clinical Research for strict products liability, strict liability-failure to warn, breach of post-sale duty to warn, negligence, negligence per se, breach of implied warranty, breach of express warranty, fraud by misbranding and mislabeling, negligent misrepresentation, consumer fraud, unfair competition, and punitive damages. These claims arise from what Post alleges are misrepresentations of the capabilities of the VISX Star S2 laser (software version 3.10) regarding the "size of the expected optical zone the VISX laser would create" the "inaccurate marketing, training and education regarding the size of the expected effective optical zone of the VISX Star S2 laser (software version 3.10)" and VISX's failure "to correct, modify, or improve their product, or to warn LASIK surgeons of the limitations of the laser to make it safe for its intended purpose." Post also claims, "VISX advertised, trained, and informed LASIK surgeons throughout the country in a confusing manner such that physicians using the laser had incomplete and inaccurate information regarding the capabilities and limitations of the laser, specifically, the size of the effective optical zone...to be created."

The other article I found very interesting was Shareef Mahdavi's, "Retail Pricing in Refractive Surgery" wherein Shareef contends that lower prices have failed to boost the demand for refractive surgery. In fact price only plays a small part in the decision to have the surgery. I have asked Bryn Mahr Communications LLC for permission to send you a "pdf" file of the article along with this issue of the newsletter. I think you will find it fascinating.

For more on these articles and other material covered by the journal, please check out their website at: **www.crstoday.com**.

10/23 **Alcon, Inc.** provided some additional information about its clinical trial data leading to the first approval for customized ablation. In LADARVision CustomCornea clinical trials, nearly 80% of patients who underwent the new laser eye surgery procedure achieved 20/20 vision, but even more importantly, they reported a quality of vision superior to that achieved with conventional LASIK. "Sometimes patients complain about vision quality problems, such as not being able to see in dim or low light. This is referred to as poor contrast sensitivity," explained Roger Steinert, MD, associate clinical professor of ophthalmology, Harvard Medical School. "Prior to the advent of wavefront measurements, there wasn't anything we could do to measure or treat higher-order aberrations. With this technology breakthrough, we can now measure these disorders, show the patient what's going on in their eye, link that information to the laser, and actually correct higher-order aberrations that diminish contrast sensitivity. Wavefront technology enables the surgeon to improve overall vision quality better than in the past."

The LADARVision CustomCornea FDA clinical trials began in 1999 and were conducted at five sites in the U.S. and Canada. In these trials, 139 eyes out of 426 were treated for nearsightedness, with 98.6% achieving 20/40 or better and 79.9% realizing 20/20 vision or better. In addition, in these trials LADARVision was proven to address higher-order aberrations, provide an increase in contrast sensitivity and demonstrate an improvement in vision quality over conventional laser vision correction. Clinical trials of this new system are ongoing to determine the effectiveness of its use for nearsightedness with astigmatism, farsightedness with and without astigmatism, and the treatment of eyes with other special visual disorders, such as pre-existing night vision problems and post-LASIK complications.

10/24 **Alcon, Inc.** reported global sales of $743.9 million for the third quarter of 2002, an increase of 10% over sales in the third quarter of 2001, or 9% excluding the impact of foreign exchange fluctuations. Diluted earnings per share, adjusted in 2002 for one-time items associated with Alcon's initial public offering on March 20, 2002, and adjusted in 2001 to exclude amortization of goodwill, increased 48% to $0.40 in the third quarter of 2002 from $0.27 in the third quarter of 2001. Reported net income for the third quarter of 2002 was $125.1 million (41 cents per share) compared to $71.1 million (24 cents per share) in the third quarter of 2001.

For the first nine months of 2002, Alcon reported global sales of $2,259.9 million, an increase of 9% over sales for the first nine months of 2001, or 10% excluding the impact of foreign exchange fluctuations. Diluted earnings per share, adjusted in 2002 for one-time items associated with Alcon's initial public offering on March 20, 2002, and adjusted in 2001 to exclude amortization of goodwill, increased 34% to $1.29 for the first nine months of 2002 from $0.96 for the first nine months of 2001. Reported net income for the first nine months of 2002 was $381.9 million ($1.27 per share), compared to $258.6 million (86 cents per share) in the first nine months of 2001.

Alcon's chairman, president and CEO, Tim Sear said, "Our pharmaceutical business led the way for us in the third quarter. Of course, one of the keys to our success is the breadth of our product lines and the balance of our growth across them. Strength in one area generally offsets weakness in another and allows us to continue to meet or exceed our overall growth targets." Alcon also reported that full year sales are on track to hit $3 billion and raised its guidance for full year adjusted diluted earnings per share to $1.54-1.57. In addition, the company provided more specific guidance for 2003, projecting sales in the range of $3.25 to $3.27 billion and diluted EPS in the range of $1.79 to $1.82.

Refractive revenues were $14.4 million in the third quarter of 2002, a 28% decrease compared to the third quarter of 2001. Year-to-date refractive revenues were $47.4 million, 19% percent below revenues for the first nine months of 2001. The refractive industry continues to be adversely impacted by global economic conditions and weak consumer confidence, which have reduced demand for refractive surgery. An important development after the close of the quarter was the FDA's approval of Alcon's application for wavefront-guided ablations using its CustomCornea technology. "CustomCornea was one of the key parts of the Summit acquisition. Being the first company to gain approval of this exciting technology is an important step forward for us in the refractive business. We think CustomCornea will help inspire consumer interest and confidence, but the refractive market may still remain soft until the global economic environment improves considerably," Sear commented.

Following the release of financial data, Ted Huber of **Banc of America Securities** issued the following update report:

Alcon, Inc. (ACL $38.01): Blow out 3Q02, Raising 2003 EPS but Travatan a Concern.

* A strong quarter: Alcon beat consensus 3Q02 consensus estimates by $0.06 on in line revenue growth (10%) and delayed operating spending. Debt paydown continued, Alcon's new product pipeline is robust and we are raising 2003 EPS. But.

* Travatan and Optifree weakness drive revenue reductions: These key products fell short of expectations. Lacking immediate catalysts to change their trajectory we have cut our 2003 company revenue growth target to 8.3% (by 70 b.p. ex currency), to the

low end of managements guidance range. Glaucoma med Travatan fell 7.3% sequentially in 3Q02 vs. 22.5% and 9.4% growth for competitors Xalatan and Lumigan. We are lowering our 2003 Travatan estimate to $113 from $150, still 63% growth, based on one point per quarter share gains in the U.S. Opti-Free fell 2.2% in 3Q02. We believe the increasingly competitive contact lens solutions landscape is taking its toll and we have lowered forecasts here too.

* EPS Changes: We are lowering 4Q02 EPS to the high end of the guidance range, $0.29, on slightly lower revenue and higher spending delayed from 3Q02. Our new 2003 EPS estimate of $1.79 is up $0.06, at the low end of guidance. SG&A leverage and lowered debt expenses drive our 2003 EPS estimate increase.

* Buy Thesis: We remain confident in Alcon's ability to meet its financial targets given the breadth, depth and dominance of its ophthalmology franchise, in spite of the lower Travatan growth and visibility. Our 12 month price target of $44 is 24.5x 2003 EPS, a slight premium to pharma but a discount to medical devices on a P/E/G basis.

Angela Larson of **Solomon Smith Barney** also published an update report on Alcon. In it she said:

● Today (10/24/02) Alcon reported 3Q02 earnings of $0.41 per share, exceeding both our and the consensus estimate of $0.35 and $0.34, respectively.

● Sales of $743.9 million were 1% higher than our forecast, however the reported EPS upside was driven by lower than expected COGS and SG&A. Going forward, we expect Alcon to benefit from moderate sales growth, gross margin expansion, SG&A controls as well as declining tax expenses.

● Alcon's pipeline, which includes Patanol QD (once daily allergy therapy) and CiproDex (anti-infective), is moving along with recent FDA filings and a recent FDA approval for Custom Cornea (refractive surgery).

● We rate shares of ACL 2H (In-line, High Risk) and maintain our target price of a 25% premium to its peer group or $40 (22x our 2003 EPS estimate of $1.79). We have an Underweight rating on the Specialty Pharmaceuticals sector.

10/25 **LCA-Vision Inc.** reported third quarter revenues of $13.5 million, on volume of 12,511 laser vision correction procedures. A year ago, the company reported revenues of $13.3 million, on third quarter volume of 13,347 procedures. While procedure volume declined somewhat versus a year ago, average price realization per procedure remained strong at $1,076, well above last year's third quarter average of $996 per procedure. In addition to maintaining stable revenues in a difficult economic climate, third quarter contribution margin -- laser refractive surgery revenues less medical, professional and license fees -- remained strong at 81.7% of revenue.

For the third quarter, the company posted a net loss of $810,000 (2 cents per share) compared with a net loss a year ago of $20.8 million (45 cents per share). Excluding a third-quarter gain of $2.3 million (5 cents per share) from the **Pillar Point Partners** anti-trust settlement, the company lost $3.0 million (7 cents share). Last year, the company reported a third quarter net loss of $3.7 million (8 cents per share) after excluding a non-cash valuation reserve and special charges. Per share results for the quarter and year to date are identical on both a basic and fully diluted basis.

The anti-trust settlement strengthened cash and short-term investments, which, on September 30, 2002, exceeded $17.7 million (41 cents per share) up from the $16.6 million at the end of December 2001. During the first nine months of 2002, the company generated operating cash flow of more than $4.2 million, and reduced the number of common shares outstanding by 7%, or 3.2 million shares, at a cost of $2.4 million.

Stephen Joffe, chairman and CEO of LCA-Vision, commented, "Results for the quarter reflect the economy's ongoing weakness and the overall decline in consumer confidence. While we have worked hard to make the procedure affordable to any patient who is eligible, consumers are naturally cautious about spending in times of economic uncertainty. This temporary softness notwithstanding, we have made substantial progress in refining our marketing programs and focusing on the successful opening of new LasikPlus centers in selective markets. LCA-Vision continues to generate positive cash flow from operations. With cash now exceeding $17 million and no debt, we have the financial resources to expand market penetration and create long-term growth opportunities. The laser vision correction market remains virtually untapped, and LCA-Vision is well positioned to capitalize on any resurgence in consumer confidence."

For the nine months ended September 30, 2002, the company reported a net loss of $1.9 million (4 cents per share) after reflecting a one-time gain of $2.3 million (5 cents per share). A year earlier, LCA-Vision reported a net loss of $18.7 million (40 cents per share) including special charges for the first nine months of 2001.

OPHTHALMIC LASER UPDATE -- November 2002

10/29 **IRIDEX Corporation** announced that sales for the quarter ended September 28, 2002 were $6.7 million, approximately the same level of sales as the corresponding quarter in 2001. The company reported net income for the quarter of $206,000 (3 cents per share) compared to net income of $171,000 (2 cents per share) for the corresponding quarter in 2001. Included in the reported net income for the third quarter of 2002 was a tax benefit of approximately $242,000. This tax benefit resulted primarily from the favorable impact of tax credits. The company reported a benefit from income taxes of approximately $90,000 during the comparable quarterly period of 2001.

Sales of ophthalmology products during the quarter of $5.4 million represented an increase of 13.5% from the equivalent quarter of 2001. However, sales of aesthetic products of $1.3 million decreased 34% from the corresponding quarter in 2001. The decrease was primarily due to continued weak market conditions in the hair removal market. Overall total sales of $6.7 million was within the company's expectations of between $6.6 million and $7.0 million. Earnings per share during the quarter of $0.03 exceeded the company's earnings per diluted share expectation of between a loss of $0.03 and breakeven. Excluding the benefit from income taxes described above, reported earnings per diluted share for the third fiscal quarter would have been breakeven.

"We are very pleased with the performance within our ophthalmology business," commented Theodore Boutacoff, president and CEO of IRIDEX. "Our efforts over the past year to direct our focus on our core ophthalmology business has been the key to stabilizing our company during this period of economic uncertainty. Our continuing efforts to drive down our cost structure resulted in our research and development and selling, general and administrative expenses decreasing to an aggregate of $3.0 million for the third quarter. That's the lowest quarterly level for those costs since the first quarter of 1999, over three years ago. While we have been watching our costs closely, last week at the AAO, we introduced a number of new products, specifically the OcuLight Symphony multi-wavelength laser delivery system, an expanded EndoProbe product line, and a 5 mm Large Spot Slit Lamp Adapter. Also shown at the AAO in the **Bausch & Lomb** booth was the Millennium EndoLase module, which is manufactured by IRIDEX, for the Millennium Microsurgical System. We are striving to meet the current challenging market conditions by continuing to focus on developing new technologies and products to meet the needs of our customers and ultimately their patients."

The company's cash position improved during the third quarter for the second consecutive quarter due to its continuing asset management efforts. Cash, cash equivalents and available-for-sales securities increased $419,000 during the third quarter of 2002. This increase was due primarily to cash flow from operations. Current economic conditions continue to make it difficult to offer accurate guidance, but the company expects fourth quarter revenue to be between $8.0 and $8.4 million, including initial shipments of the Millennium EndoLase product to Bausch & Lomb, with earnings per diluted share in the $0.03 to $0.05 range using a 32% tax provision rate.

10/29 As reported by **Medical Insight Inc.**, (and in last month's newsletter and in the accompanying article, to be published in the December 15th issue of *Ocular Surgery News)* **Lumenis Ltd.** introduced an entirely new line of innovative lasers for ophthalmic applications during the *American Academy of Ophthalmology* annual meeting held in Orlando. In addition, the company announced strategic partnerships that provide it with a stronger position in both the therapeutic and refractive "vision correction" market segments. Speaking at a session on new technologies during the

Academy meeting, Robert Grant, executive vice president of Lumenis said: "Establishing strategic alliances with leading ophthalmic suppliers demonstrates our commitment to our customers and allows Lumenis to leverage its core competencies and strengths to additional market segments." Grant estimated that Lumenis will have approximately 40% market share of refractive laser sales outside of the United States this year. The company is waiting for FDA approval in the United States, which is expected in 2003. In the therapeutic ophthalmic market segment, Lumenis holds an estimated 60% market share globally, and has the largest installed base of lasers in the world.

At the AAO, Lumenis announced an exclusive OEM purchase agreement to provide laser systems to **Ellex Medical Pty. Ltd.**, a leading manufacturer of Nd:YAG photodisruptor lasers located in Adelaide, Australia. Lumenis also entered into a strategic partnership with **Moria S.A.**, a leading manufacturer of microkeratomes for refractive applications, located in Antony, France. According to the terms of the agreement with Ellex Medical, Lumenis will manufacture an OEM version of its diode-pumped solid state photocoagulator laser and grant Ellex worldwide distribution rights for a three-year period. The two companies are also engaged in a working relationship to introduce additional ophthalmic laser systems.

In a separate agreement with Moria S.A., Lumenis will offer customers the option to purchase a full-line of Moria microkeratomes with the Allegretto Wave excimer laser system, manufactured by **WaveLight Laser Technologie AG** of Erlangen, Germany and currently marketed by Lumenis outside of the United States under an international agreement.

In addition, Lumenis introduced four new laser systems at the AAO. The Novus Spectra, a 532 nm green diode-pumped solid state (DPSS) photocoagulation laser, received marketing clearance from the FDA earlier this month for treatment of a variety of retinal conditions. "This is the essential laser for the general ophthalmologist performing routine photocoagulation procedures as well as an excellent complement to a diversified, multiple-laser practice due to its compact size, reliability and convenience." Lumenis also introduced Novus Varia, the world's first three-color diode-pumped ophthalmic laser and Selecta Duet, the first laser to treat both glaucoma and secondary cataracts. Finally, the Novus TTx, a diode-pumped 810 nm infrared photocoagulator laser for the treatment of retinal disease was also launched at the AAO.

Michael Moretti, medical industry analyst and editor of *Medical Laser Insight*, an exclusive monthly report, views these innovations from Lumenis as a positive sign for the industry. "Lumenis is clearly the market leader in ophthalmic laser systems, and they are proving their leadership position with a wide range of new technologies and global strategic alliances. Under the management of Robert Grant, I expect them to continue on a path of aggressive growth via both internal development programs and key corporate relationships."

10/30 **SurgiLight, Inc.**, and Vancouver, B.C.-based **EnVision Technologies, Inc.**, jointly announced positive results in the initial group of presbyopia patients at the first two of the five clinical sites recently sanctioned by the Canadian Ministry of Health for Investigational Testing of SurgiLight's OptiVision laser system. EnVision, the exclusive Canadian distributor, is overseeing the tests and expects to have all test sites in operation by early December. Participating clinicians said that the first cases treated with OptiVision demonstrated measurable vision improvement, with little discomfort from the procedure. Dr. Michel Pop, who is heading testing at his Montreal clinic, commented, "Our patients are already reading magazines without glasses. As one might guess, they are very satisfied with results. These tests are also significant in that they are providing a quantitative method of measuring clinical results." Dr. Pop had earlier played an important role in the development of the overall laser procedure with OptiVision as the primary surgical tool. Dr. James Miller reported "very encouraging" results from the first patient group treated last month at his Vancouver, B.C. clinic. "The patients are already reading nicely," he said, "and we look forward to performing more cases in the weeks ahead. Thus far, our results have been highly successful."

According to Ann Marie Hipsley, EnVision's vice president, Research and Business Development, the Ministry's test program approval and the initial results have created "major interest" among leading Canadian ophthalmologists. SurgiLight chairwoman and CEO Colette Cozean, commented, "Once again, OptiVision's efficacy is being proven in the hands of skilled ophthalmologists and in the eyes of patients who have discarded their glasses. We're hopeful that the FDA will soon see fit to permit similar clinical trials in the U.S. after completing its review of positive data from clinical sites around the world "

The company also reported that clinicians attending the 2002 AAO conclave heard a prominent Argentinian researcher, Dr. Oscar Mallo, report lasting measurable vision improvement in presbyopia patients two years after treatment with the company's OptiVision system. In addition, clinicians described similar results after three months in patients treated at Canadian and Mexican test sites. The import of these findings was underscored by Spencer Thornton, MD, a Nashville-based researcher, educator and pioneer in anterior ciliary sclerotomy, who told an audience of clinician/researchers at a company- sponsored discussion during the AAO convention that, while ACS is a "procedure in evolution," physicians studying the OptiVision technique are "real pioneers in an exciting time for laser technology." "I've been working many years to find a solution for presbyopia," Dr. Thornton continued, "and this approach appears to hold the most promise." Dr. Mallo's findings from 92 eyes showed that, even after two years, nearly all patients were still able to read without glasses and all maintained distance vision. Any regression noted from three months after treatment to two years was a quarter of one diopter.

The North American researchers -- Drs. Bobby Maddox of El Paso, Texas and Juarez, Mexico, Guillermo Ocampo of Mexico City, James Miller of Vancouver, B.C. and Michel Pop of Montreal -- offered parallel findings in a total of 44 eyes treated with

OptiVision, albeit three months post-procedure. All patients were reading most items without glasses (all but one were J2 or better) while all patients' vision continued to improve with eye muscle exercise during the three-month period. "Perhaps more important," Dr. Miller commented, "the patients were obviously happy with the procedure's success."

In another presentation, Nick Mamalis, MD, a researcher and faculty member at the University of Utah, reported on a long-term rabbit study involving acute healing after laser surgery. To date, there are neither changes in eye tissue topography between laser-treated and control specimens, nor negative effects on slit lamp examination nor histology to adjacent tissue. He also reported that incisions expanded permanently with appropriate fibrin tissue growth.

10/31 **NovaMed Eyecare, Inc.** reported results for the third quarter ended September 30, 2002. Net income from continuing operations in the third quarter was $835,000 (4 cents per share) as compared to a loss of $8.9 million (36 cents per share) for the same period last year. The third quarter 2002 results include other income of $544,000 (1 cent per share) after tax, from the sale of a minority interest in an ambulatory surgery center and proceeds from the settlement of an antitrust class action lawsuit against a joint venture of two laser manufacturers. Net income from continuing operations in the first nine months of 2002 was $2.7 million (11 cents per share) before the cumulative effect of a change in accounting principle. This compares to a loss of $8.1 million (32 cents per share) for the first nine months of 2001.

For the third quarter, total net revenue was $17.3 million compared to $15.6 million for the prior year third quarter. Net revenue from surgical facilities increased 3% from the prior year third quarter primarily as a result of a 12% increase in cataract procedures and a 10% increase in other procedures. This growth in procedures more than offset the 44% decrease in laser vision correction procedures. Product sales and other revenue increased 20% in the third quarter of 2002 over the prior year third quarter.

For the first nine months, total net revenue was $51.4 million compared to $49.6 million for the first nine months of 2001. Net revenue from surgical facilities decreased 9% from the first nine months of the prior year primarily as a result of a 45% decrease in laser vision correction procedures. Cataract procedures in the first nine months of 2002 were up 7% from the same period last year and other procedures were down 2%.

"During the third quarter, we continued our trend of reducing our net debt while at the same time growing our core ambulatory surgery center business through an acquisition in Tyler, Texas," commented Stephen Winjum, NovaMed chairman, president and CEO. "As of October 30, 2002, we have further reduced the outstanding borrowings under our credit facility to $1.5 million. We continue to remain focused on maximizing our cash flow from operations, executing our divestiture plan and

strategically pursuing the acquisition and development of ambulatory surgery centers."

In October 2001, the company announced its plan to discontinue its management services operations and to focus its core business strategy on the operation and growth of its surgical facilities segment. As a result, the management services segment is considered a discontinued operation and the financial results from this segment are no longer included with the company's consolidated financial results. In addition to selling management services assets, NovaMed entered into agreements to sell minority equity interests in its three ambulatory surgery centers (ASCs) located in the Kansas City metropolitan area. NovaMed sold 20% equity interests in two of these ASCs to two HEC physicians, and a 49% equity interest in the third ASC to two other HEC physicians. NovaMed also restructured its laser vision correction business in the Kansas City market by entering into fixed-site laser services agreements with four HEC physicians pursuant to which NovaMed will provide them with excimer lasers and other surgical equipment on an exclusive basis. In addition, the two physicians who own a 49% minority interest in one of these ASCs have an option to purchase NovaMed's remaining 51% interest on April 15, 2005 at a purchase price of $1.7 million. The company also entered into an agreement with an HEC physician to construct a new ambulatory surgery center in which NovaMed will own a majority interest. If successful, NovaMed will then have a majority interest in four ASCs in the Kansas City metropolitan area.

"We believe the HEC transaction and minority interest sales represent a positive development for us in the Kansas City market," commented Winjum. "While these ASC transactions will increase the minority interest deduction to our income, they are consistent with our previously announced plans to jointly own some or all of our existing ASCs with physicians in the local market. Furthermore, the proceeds from these sales have contributed to the strengthening of our balance sheet, which we expect will allow us to continue to execute our growth strategy."

10/31 **Nidek Inc.** announced that it had received FDA approval for its Windows-based operating system and a new, state of the art, intraoperative eye tracking device for the Nidek EC-5000 Excimer Laser System. The Nidek EC-5000 Excimer Laser System is approved for commercial distribution in the U.S. for LASIK and PRK for myopia with or without astigmatism. The Windows operating system and two-beam infrared eye tracker are also key elements of Nidek's future developments of NAVEX (Nidek Advanced Vision Excimer Laser) customized ablation platform for refractive surgery. The Windows operating system, in use internationally for several years, enhances the utility of current laser functions, and will provide a reliable platform for the addition of new laser features as they become available. "The powerful, user-friendly Windows operating system offers improved patient data management and permits the use of successive procedures", stated Hiroshi Okada, vice president and General Manager, Nidek, Inc. "Our new CCD camera eye tracker system constantly monitors the position of the patient's undilated pupil and is not affected by instruments passing

in and out of the surgical field. The tracker works by iris detection and two infrared beams. Some of the key features of the new eye tracking system include, both active and passive tracking of the eye. The eye tracking system doesn't require pre-tracking and pre-imaging of the patient eyes, unlike other eye trackers in the marketplace. You can choose where to center the tracker. The Windows operating system also allows you to image the tracked eye and separately the treated eye. Future applications for this eye tracker include cyclotorsion tracking and registration. The eye tracker's accuracy is ideally suited to Nidek's unique scanning slit technology and will be integrated into the future investigational studies of the Nidek NAVEX Platform".

10/31 **STAAR Surgical company** reported results for its third quarter ended September 27, 2002. Revenues were $11.2 million, which compare to revenues of $12.2 million for the third quarter of 2001 and $12.1 million for the second quarter of 2002. The company reported a net loss for the quarter of $2.1 million (12 cents per share). In the third quarter of 2001, the company reported a net loss of $2.0 million (12 cents per share) including a reserve of $2.1 million for notes held by STAAR that had been issued to former directors. In the second quarter of 2002 the company had a net loss of $3.9 million (23 cents per share) including charges of $1.2 million for subsidiary closures and recognition of deferred losses from foreign currency translations.

For the nine months, revenues were $35.0 million, compared to revenues of $38.0 million for the first nine months of 2001. The company reported net losses of $7.1 (41 cents per share) which included charges of $1.5 million (9 cents per share) that were primarily related to the recognition of deferred losses resulting from the translation of foreign currency statements into U.S. dollars from subsidiaries that were closed. For the first nine months of 2001, STAAR had a net loss of $6.4 million (38 cents per share) which included charges of $7.7 million (45 cents per share). The charges primarily consisted of a $2.0 million charge for excess and obsolete inventory, a $3.6 million charge for failed products and a $2.1 million reserve for officer's notes.

Revenues for the third quarter decreased from the prior year quarter by $953,003 or 7.8%, compared to the 8% decline in revenues in the first half of 2002. As in the first half of the year, the decline in sales during the third quarter was due to lower IOL sales in North America, and to a much lesser degree in Latin America. The weakness in IOL sales was partially offset by increased sales of Aquaflow, STAARVisc II, and other cataract products. David Bailey, STAAR Surgical's CEO and president, said that the third quarter loss was primarily due to slower than anticipated sales in North America, which are down 11% in the first three quarters of 2002. "As I have previously told shareholders, we are focused on turning this trend around. Sales of our silicone IOL are slowing the decline, but have not resulted in the increase in market share that we anticipated. Unfortunately, it has taken more time to turn our domestic sales around than we originally thought," Bailey said. "STAAR's new senior vice president of Sales & Marketing, Nick Curtis, has made significant headway since he joined the company at the end of August. He has already accomplished a great deal to turn around our domestic sales, while initiating programs that will prepare the

company for the introduction of the ICL. His strong background in the cataract and refractive surgery market, and his marketing ability are proving to be an invaluable asset to STAAR."

International ICL unit sales for the first nine months were up 33% year-over-year on strong sales in the Asia/Pacific market. "We expect ICL growth to accelerate in the fourth quarter as sales pick up following the summer slowdown in Europe and more surgeons in Asia become qualified to implant the ICL," Bailey commented. A second Korean training course was attended by over seventy doctors in October. Thirty of them are expected to begin implanting ICLs by year-end.

Bailey said that the company's cash flow from operations is gaining strength, despite the lower sales. "Through strict control of inventory, receivables and expenses we were cash positive from operations by $308,000 and had a modest increase in total cash of $48,000 for the third quarter," he stated.

During the quarter, the company continued to make solid progress toward U.S. approval for the ICL. On August 29 the first Toric ICL was implanted in the U.S. clinical trial by and patient enrollment for this new lens is going well. This week, the company received the "CE Mark," for the new Collamer 3-piece lens, the approval to market the lens in the European Union, and will begin shipping the lens to international markets immediately. Bailey said STAAR participated in two major trade shows during the quarter with encouraging results. "The company presented the latest data from its U.S. clinical trials of the ICL at the first show, which continued to show favorable outcomes. We also saw a number of targeted peer review publications on the ICL. "We are excited about these new developments and about our future, but with sales for the quarter well below expectations, we have reduced our projections for sales and income for 2002. We are now forecasting $45 to $50 million in sales and a loss of $7 to $9 million, down from the $50 million in sales and $6.2 million loss we forecasted last quarter."

11/8 Starting with its November issue, **Market Scope** has combined its two newsletters covering both refractive and cataract business developments into one new expanded newsletter, *Ophthalmic Market Perspectives*. In the first combined issue, the company covered the recent AAO meeting from both the refractive and cataract viewpoints.

Some of the highlights of the refractive coverage included additional information on Alcon's first wavefront-guided ablation approval and a report from the AAO. Dave Harmon reported about the Alcon clinical trial results, including the nomogram adjustment to correct undercorrection on the first set of patients and the approval parameters of up to -7 diopters of myopia with less than 0.5 diopters of astigmatism (by manifest refraction). Further, according to Harmon, Alcon has announced a premium $250 per procedure fee, compared to the conventional $150 fee, for the custom ablation. He also noted that Bausch & Lomb and VISX are likely to follow suit once they also receive FDA marketing approval. Internationally, both B&L and

VISX are currently charging $75 to $100 premium fees for customized ablation. Harmon reports that refractive surgeons in Canada and Europe who offer the new technology report price premiums ranging from $500 to $1500 per eye, with widespread acceptance of the more expensive wavefront-driven LASIK. In Canada, TLC's Jeff Machat charges CDN$3400 per eye for a custom procedure, compared to CDN$1800 for a conventional LASIK. At another center in Canada, a $500 premium is being charged and 70% of its patients select the higher-priced procedure.

Some of the AAO highlights that I didn't report in my coverage (attached to this newsletter) included: Lumenis' Robert Grant announcing that his company had sold or will sell 120 WaveLight Allegretto lasers in 2002, placing his company in a leadership role for international sales, ahead of rivals B&L, VISX, and Alcon. Dave Harmon found out that about 40 of those units were sold into China, a market that others have found difficult to penetrate. Further, Lumenis has adopted a no per procedure fee in the international arena, although it will charge a PPF in the U.S. because of a licensing agreement with VISX. Harmon speculated that additional patent licensing may be required with both Alcon and LaserSight.

Harmon's report also covered presbyopia treatments including scleral surgery, clear lensectomy, accommodating IOLs and multifocal ablation. Hyperopia treatment options covered included a review of the FDA data for Refractec's CK, and the use of phakic IOLs.

The November issue also included an update on the refractive market, noting that third quarter procedures had tumbled to a three-year low. Dave Harmon estimated that for the third quarter, procedures were 253,000, down 19.5% from the second quarter. Year-to-date procedures totaled 923,400, down 13.8% from last year. As shown in a graphic included in the newsletter, the quarterly fall in procedures seems to directly track the consumer confidence index. Harmon has revised his full year procedure forecast down to 1,150,000 procedures, down 12.2% from last year.

For more complete information, I suggest you contact Market Scope (info@market-scope.com) and obtain a copy of the complete newsletter.

11/11 **VISX, Inc.** announced that it had terminated its merger and research and development agreements with **Medjet, Inc.** In accordance with the provisions of the merger agreement, VISX will incur a termination charge of $250,000 in the fourth quarter of 2002. Additional charges may be incurred as a result of this transaction due to applicable accounting standards that require VISX to assess the value of assets quarterly. At September 30, 2002, VISX had approximately $1.5 million recorded as book value of assets for its investment in Medjet preferred stock and warrants. If, at a future point, the value of these assets were impaired, VISX would be required to record additional charges for some or all of these assets. According to Liz Davila, chairman, president and CEO of VISX, "As we moved through the planning process for 2003 and beyond, we carefully evaluated our internal and external research and

development projects. We have chosen to focus on a number of areas that we believe align our resources efficiently and maximize our investment in research and development."

In connection with the termination of these agreements, Timothy Maier, VISX, Inc.'s CFO resigned as a member of Medjet's board of directors.

11/12 **LCA-Vision Inc.** announced that shareholders of the company had formally approved the 1-for-4 stock split recommended by the company's Board of Directors on September 19, 2002. Conforming to NASDAQ rules, LCA-Vision's shares will trade for the next 20 full trading days under the temporary stock symbol "LCAVD." After that period, trading will resume under the current symbol "LCAV." Stephen Joffe, LCA chairman and CEO, commented: "We continue to see the stock split as another positive step in our effort to maximize shareholder value going forward. In addition to adjusting the number of authorized and outstanding shares to a level more in keeping with the company's size, it will increase the per share valuation to a level far more likely to appeal to small cap and micro cap institutional investors. Above all, the stock split helps to ensure that LCA-Vision will continue to trade on the highly liquid NASDAQ National Market System."

11/14 **LaserSight Incorporated** announced financial results for the three and nine months period ended September 30, 2002 and provided an update on the company's progress toward effecting a turnaround, including its improved cash flow and operational performance, the growth of its international sales and its intention, upon receipt of FDA approval, to begin clinical trials in the U.S. for its CustomEyes ablation platform.

Revenues for the third quarter of 2002 increased approximately 29% to $2.8 million compared to $2.1 million in the third quarter of 2001. The company reported a reduction of approximately 62% in its net loss of $2.5 million (9 cents per share) for the third quarter of 2002 compared to a net loss of $6.5 million (25 cents per share), reported for the third quarter of 2001. Revenues for the nine months were $6.6 million compared to $9.5 million in the comparable period of 2001. The company reported a net loss of $11.9 million (44 cents per share) compared to a net loss of $17.7 million (72 cents per share) reported for the nine months ended September 30, 2001. The company's liquidity was significantly improved as the result of receipt of a purchase order for $10.0 million of product over the 12-month period ending in August 2003, of which $1.1 million has been received to date, and a cash infusion of $2.0 million in the form of an equity investment received in October. In addition, as a result of aggressive management and a focused selling effort, the company has steadily reduced its cash flow deficit over the past year without increasing its accounts payable during that period.

Net cash used in operations improved significantly during the first nine months of 2002, decreasing 88% to $1.8 million from $15.8 million used during the comparable

period during 2001. Turnaround activities that have contributed to LaserSight's improved cash flow performance include:

-- $2.0 million infusion of cash and $10.0 million purchase order from **Shenzhen New Industries Medical Development, Ltd** and affiliate.
-- Redefinition and intense focus on the business strategy to sell in select international markets, Europe and China, on strict financial terms, and gear up to re-enter the U.S. market with a unique product offering after receipt of new FDA approvals.
-- Reduction of employee count from 150 to 60.
-- Consolidation of operations and manufacturing facilities.
-- Reduction in facilities by 55% from 37,000 square feet to 17,000 square feet.
-- Reduction in the rate of cash expenditures.

During this time, the company completed the launch of its AstraMax integrated corneal diagnostic workstation, its new international AstraScan precision microspot laser system designed exclusively for custom ablation and a new international CustomEyes custom corneal ablation planning and programming software product called AstraPro. Michael Farris, president and CEO, commented, "Competition is intense but our unique custom ablation platform is generating increased sales acceptance and interest internationally. By aggressively managing our expenditures we have successfully reduced our spending and deficit. In addition, the staff reductions, intended to reduce and flatten our organization, have resulted in a smaller and more efficient company that is capable of meeting today's level of business activity. Our employees remain motivated to execute the company's plan in the international market and also in the U.S. market upon receipt of future FDA approvals." Farris concluded, "Our mandate is simply to increase revenues leveraging the reduced cost structure to achieve positive cash flow with the goal of ultimately reaching profitability. It is clear that this requires successfully meeting our sales forecasts and reentering the U.S. market with a compelling product offering and value proposition. We expect to do that with the U.S. launch of the AstraMax diagnostic component of our CustomEyes platform already cleared by the FDA, the already launched international CustomEyes custom ablation platform and, after receipt of FDA approval, the U.S. launch of our CustomEyes custom ablation platform. Operational improvements along with the launch of our CustomEyes custom ablation products should be keys to our future success."

11/14 As reported by **Carl Zeiss Meditec**, the AAO conference and trade show, that was recently held in Orlando, Florida, was a huge success for the company. This year, the order volume almost doubled compared to the previous year. Following the high level of interest shown at the booth, Ulrich Krauss, CEO and president of Carl Zeiss Meditec AG, anticipates lively post-fair business. Spearheading sales was the new STRATUS OCT, the only ophthalmic diagnostic device that provides direct cross-sectional imaging of the retina, revealing structures and pathologies beneath the surface. Other products that contributed to Carl Zeiss Meditec's record sales at the AAO were the IOLMaster, the industry-leading solution for contact-free measurement

of eye length before cataract surgery, and the Humphrey Field Analyzer, the Gold Standard for perimetry. Carl Zeiss Meditec also unveiled the innovative MEL 80 excimer laser for laser refractive surgery. The MEL 80 employs technologies that enable smaller spot size, faster ablation and faster eyetracking than its predecessor and competing devices. Although this laser is commercially available in Europe, the MEL 80 is not yet available for sale in the U.S.

11/14 **TLC Vision Corporation** announced its financial results for the four month period ended September 30, 2002. This was the first full period of combined operating results reported by TLC Vision since it was created via the merger of **TLC Laser Eye Centers Inc.** and **Laser Vision Centers Inc.** on May 15, 2002. Results for the prior year's period do not include the operations of LaserVision. All dollar amounts are expressed in U.S. currency. Despite seasonal softness in the refractive industry and a difficult economic environment overall, cost savings achieved to date through the merger resulted in improved cash flows and improved operating results. Paid laser procedure volumes were over 57,000 and total net revenues were $59.4 million. For the same four-month period last year, paid laser procedure volumes were 28,700 and total net revenues were $43.3 million. Consistent with TLC Vision's diversification strategy, revenues from other healthcare services generated 22% of total net revenues compared to 11.2% in the same four month period a year ago.

Adjusted EBITDA was positive $1.4 million (2 cents per share). This compared to an adjusted EBITDA loss of $2 million (5 cents per share) reported for the same four month period a year ago. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization (EBITDA) excluding non-recurring items and is used to assist in understanding and comparing operating results. On a GAAP basis, the net loss for the four month period was $3.6 million (6 cents per share). This compared to $9.8 million (26 cents per share) loss reported for the same period last year. After various charges and gains, and investing approximately $10 million in its ambulatory surgery center and macular degeneration treatment businesses, the company ended the four month period in a strong financial position with cash and short-term investments totaling $39.3 million.

Elias Vamvakas, TLC Vision's chairman and CEO, commented "I am pleased that the integration has been so quick and effective. We have already realized approximately $20 million in annualized cost synergies, which is well above our original estimates. Total G&A expense is less for the combined company today than it was for TLC alone last year, providing significant leverage as we move out of what has traditionally been the industry's weakest quarter."

11/15 Ted Huber of **Banc of America Securities** release the following report on **Advanced Medical Optics**, entitled: "AVO: A Day with AMO Management: Business is on Track"

In the report he stated:

* Guidance reaffirmed: AMO reaffirmed guidance for 2002 EPS of $0.56-$0.57 on revenue of $530-535mm (vs. our EPS and revenue estimate of $0.57 and $537mm) and 2003 EPS guidance of $0.65-0.67 on revenue of $545-555mm (vs. our EPS and revenue estimate of $0.67 and $554mm). Growth drivers include enhanced focus on base businesses, a new U.S. contact lens care products sales force, modest operating margin expansion, and disciplined leverage management. AMO implied that 2003 earnings will be back-end loaded, consistent with historically lower first quarter revenue and higher SG&A as a percentage of sales.

* Debt reduction continues: As stated on AMO's 3Q02 conference call, the company recently repaid $10 million of debt using proceeds it received from monetizing interest rate swaps last month. Management clarified that debt is now down to a total of $287 mm: $100 mm fixed and $187 mm floating.

* Improved debt rating could be major catalyst for 2003: Management stated that additional debt repayment is possible in 4Q02. We believe that continued debt reduction could lead to a debt rating upgrade and be a major catalyst in 2003 by allowing AMO to further lower borrowing costs, refinance existing debt, and lower tax expense by moving debt overseas.

* Buy thesis: Given its significant leverage, we believe EBITDA is the best metric to value the company. AMO trades at 7.3x EV/EBITDA, a 31% discount to current peers' multiples. While AMO's low top-line growth and high leverage may hold it back, we view the current valuation as too steeply discounted given a conservative model and prospects for EPS upside. Our 12-month price target of $13 represents a multiple of 8.1x on NTM cash flow; this forward multiple is still a 24% discount to AMO's peer multiple.

11/15 The November issue of *The BBI Newsletter* contained the following story written by Michael Moretti, a contributing editor:

"LASEK procedure is searching for position in refractive market"

Over the past two years, LASEK (laser sub-epithelial keratomileusis) has gained some recognition as a viable new revenue stream in the highly competitive refractive surgery market. But many industry observers predict this relatively new procedure (whereby an epithelial flap is created) will remain a niche form of refractive surgery compared to LASIK.

"LASIK is obviously a highly successful procedure," said Liz Davila, CEO of VISX. "From both the physician's and the patient's viewpoint, the reasons are well known. LASIK is associated with minimal pain, if any, and offers immediate visual recovery. Often, the patient is able to return to his routine the next day." In addition, the physician may only need to examine the patient the first day after surgery, other than

for regular checkups. Overall, "LASIK is a very patient-friendly and doctor-friendly procedure," Davila commented.

On the other hand, LASEK has certain potential clinical benefits that are different from LASIK. For example, in patients with thin corneas or the need for a high correction (meaning a deeper ablation), starting at the epithelium minimizes the concern over corneal thickness. "You have that extra depth for ablation because you are starting at the surface rather than beginning under the stromal flap," Davila said. In addition, "Bowman's membrane under the epithelium provides a nice surface for doing an ablation. This membrane is very smooth." However, one of the downsides of LASEK is the pain factor, Davila noted. "In some cases, the pain is not much less than with photorefractive keratectomy (PRK)." More followup visits early on also are usually required. "This can be an inconvenience for both the patient and physician,"she said. There is also a slower visual recovery with LASEK.

"Clinicians will be looking at those trade-offs, and on a patient-by-patient basis, evaluating which procedure will be better for a particular patient, " Davila predicted. "At this point in time, without some other technological development, I would be surprised to see LASEK reach 10% of refractive procedures." LASEK currently represents between 1% and 3% of the market. Visx does not promote one procedure over the other. "We leave that completely to the discretion of the doctor," Davila said. "It is a patient/doctor decision. But both LASIK and LASEK can deliver excellent clinical results, and therefore I think it is good that both are available."

Stephen Joffe, chairman and CEO of LCA-Vision, said that LASEK is "complementary and additive" to LASIK. "It's being performed primarily in patients who currently are not relative or absolute candidates for LASIK. These patients mainly have too large of a pupil or too thin of a cornea. Therefore cutting a traditional flap is not advised." LCA-Vision owns and operates 31 LasikPlus laser vision correction facilities in the U.S. and performs more than 65,000 procedures a year. However, LASEK comprises "less than 3% of volume," Joffe said. "We've been offering the procedure for over one year now." He said he expects that the low LASEK percentage will rise slightly before reaching a plateau. "LASEK will remain as a niche procedure," he said. "The majority of our surgeons don't like performing LASEK in patients who have greater than -4 diopters of myopia. "

Joffe believes that LASIK will remain king of the mountain. "The results are staggering," he said. "Virtually 100% of our patients achieve 20/40, and over 90% are 20/20." Comparable results have been seen with LASEK in patients with no greater than -4 diopters of myopia. However, with LASEK, "healing is slower as with PRK," he said. "LASEK patients don't have the dramatic immediate effect as with LASIK, but within a few weeks the results are identical." Because of LASEK, LCA-Vision has been able to expand its patient base. "These are patients we would not have treated in the past," Joffe said. Likewise, "PRK represents less than 1% of volume for

us, and it has been like that for a long period of time." Overall, he said, "LASEK is one more tool in the toolbox."

There also are a number of patients who are intrigued by LASEK being a bladeless procedure. "Many patients are really scared about undergoing LASIK because they hear about the blade used to make the flap," Joffe said. If the fear factor of LASIK is effectively and aggressively promoted, there could be an additional group of patients favoring LASEK.

Nonetheless, "LASIK has been an easy procedure to sell because it doesn't hurt very much and vision is quickly restored," said Daniel Durrie, MD, director of refractive surgery at the Hunkeler Eye Institute in the Kansas City area. In contrast, "LASEK is associated with slower visual recovery and more discomfort. From a marketing standpoint, these are definitely two hurdles." Still, there are advantages to surface ablation. "It is a safer procedure than LASIK because it does not cut the cornea," Durrie said. Further more, because LASEK does not cut across the corneal nerves, "the temporary dry eyes in surface ablation lasts a shorter period of time and is not as severe as in LASIK. Data is also starting to show that there is slightly less induced higher-order aberrations with LASEK, resulting in higher-quality night vision." When Durrie presents both the pros and cons of each procedure, patients are about evenly split over which one they choose. "This is the same speech that I gave five years ago," he said. "At that point in time, 98% of my patient signed up for LASIK. But now it is 50/50." A recent European survey found that 22% of refractive procedures involve surface ablation (including PRK). "So LASEK is growing," Durrie said. "But flap LASIK also is not standing still. We are now doing IntraLASEK. Popularity should switch back and forth as the technology develops."

Although LASIK and LASEK are comparably priced, "there are practitioners who perform 100% surface ablation simply because it is safer and that is what they tell their patients they should have," Durrie said. However, LASEK is "a more complicated procedure than LASIK," said Stephen Kilmer, director of corporate communications at TLCVision. Moreover, "some individual practitioners have promoted LASEK as a new advancement over LASIK. In the crowded provider market, everyone is looking for some kind of distinguishing advantage." Kilmer frowns up on such misleading advertising and said it does not occur within TLCVision. The company, which has 128 fixed refractive centers and more than 300 mobile access sites, performs nearly 200,000 procedures a year. "I would estimate LASEK makes up less than 1% of volume," Kilmer said. Conversely, LASIK represents more than 95%. "There has not been a shift from LASIK to LASEK," he said. In addition, "the difference between LASIK and PRK is in comfort, convenience and healing time. There is also the "wow" factor with LASIK." Kilmer expects LASEK to remain a "niche, specialized technique." And even though the procedure requires some specialized training, "I think all doctors want to be well-versed in every technique, so I don't believe the training is an issue."

By contrast, he said he can easily imagine customized corneal ablation giving LASIK a run for its money in the refractive market within the next two years. "Custom ablation is arguably a different procedure," he said.

11/17 *EyeWorld Week* reported that **ASCRS** would represent physicians in the **Nidek** vs. **VISX** lawsuit. According to EyeWorld Week, approximately 600 VISX laser users in the U.S. received subpoenas Nov. 1 in the ongoing litigation in which Nidek alleges that VISX infringed on its patents covering excimer laser calibration, blend and/or transition zones and the treatment of mixed astigmatism. Nidek says the subpoenas were necessary in order to obtain information about the number and types of procedures performed in order to determine the total damages Nidek could collect from VISX, and noted that it does not intend to sue physicians for patent damages.

Because complying with the subpoenas would be expensive and burdensome, the *American Society of Cataract and Refractive Surgery* engaged a California-based attorney to quash or reduce the burden of responding to the subpoenas. The society's goal is to significantly reduce the number of physicians who must respond to the subpoenas. To be represented by the ASCRS-retained attorney, and come under the protections associated with the effort, those physicians who received subpoenas must sign a "letter of engagement", which will be mailed within the next week. ASCRS notes that its action does not support one company versus another in the dispute, rather the action is intended solely to support its members.

According to *Cataract & Refractive Surgery Today*, VISX vice president and General Counsel, John Runkelin, on November 11th, sent a letter to VISX customers, stating, "VISX recently learned that Nidek has served subpoenas on approximately 600 of its customers in the United States," and that VISX believes "the number, scope and timing of the subpoenas are improper" and "impose an undue burden and expense on its customers." Runkel's letter further stated that VISX intends to file a motion with the court to attempt to eliminate or reduce the burden of responding to the subpoenas, and that VISX has negotiated a blanket extension of the date for physicians to respond to the subpoenas until Decmeber 2, 2002.

11/18 **Nidek** responded to both the ASCRS statement and VISX letter by issuing a "Dear Physician" letter, explaining that suing the VISX users was the only way it could find out how many procedures were being done on VISX lasers that might infringe the Nidek intellectual properties on trial in order to determine a damages calculation. As a precedent, VISX had sued Nidek laser users. "In a prior case, still pending where VISX sued Nidek for patent infringement, VISX subpoenaed virtually **ALL** Nidek users seeking procedure counts and procedure information to be used for damages calculation. Nidek took the responsibility of representing these Nidek doctors and paid for their legal costs in responding to the subpoenas. VISX also took the unprecedented step of actually suing a number of Nidek Physicians for patent infringement. Nidek is defending and representing those doctors at Nidek’s expense. The current subpoenas are for the Nidek patent infringement case against VISX. Nidek determined that VISX

was infringing three of Nidek's patents, dealing with system calibration, blend/transition zones and mixed astigmatism. Nidek has the burden of proving its damages for each of the three patents. Nidek sought to obtain information dealing with the numbers and types of procedures directly from VISX. VISX however responded by indicating that it didn't have specific procedure information. Nidek was faced with no information from VISX and left no choice but to pursue the information-gathering task directly from VISX Excimer laser users. VISX by its actions in the pending litigation thus forced Nidek to get damages related information from VISX users directly even though the damages are claimed only against VISX."

"Nidek was not pleased at having to subpoena VISX doctors, but was left with no other reasonable alternative. Nidek counsel is certainly open to work with doctors and alleviate the burden but the information is essential to Nidek's damage claims against VISX. Nidek, unlike VISX, will not sue doctors and it will not collect per-procedure fees from doctors. VISX's suit against Nidek is aimed squarely at preserving the VISX income model, which is predicated on collecting user fees. VISX's tactics thus included suing doctors as a scare tactic. Nidek's case against VISX is based on VISX illegally using valuable Nidek technology in the Star series systems for which Nidek is entitled to damages from VISX. These subpoenas are directed to collecting information as to the extent of infringing use of that technology so that Nidek can be awarded its damages from VISX."

11/20 **Miravant Medical Technologies** announced that it had signed a non-binding letter of intent with a private party to provide the company a convertible line of credit up to $12 million. The funds will be available in increments of up to $1.0 million per month with associated warrants for shares of common stock. The transaction is subject to the finalization of definitive documents. Miravant also disclosed that it was currently in direct discussions with the FDA to review comprehensive safety and efficacy data from the completed phase III clinical trials for PhotoPoint SnET2 to treat wet age-related macular degeneration (AMD). Over 900 patients participated in two phase III clinical trials conducted at 59 U.S. ophthalmology centers.

"We are pleased to announce the letter of intent for additional funding, which I believe can be finalized at desirable terms," said Gary Kledzik, "Regarding our lead drug SnET2, we held a recent guidance meeting with the FDA that was productive. This was the first opportunity to lay out the full range of results from in-depth phase III data analyses, including statistically significant treatment effects in select patient populations. We are encouraged by these discussions and the potential to move towards a future filing for SnET2."

11/20 **Medjet Inc.** which recently announced that **VISX** decided to give up its option to merge with Medjet and will no longer fund joint R&D, issued the following statement. Dr. Eugene Gordon, chairman and CEO of Medjet explained, "Visx did not specify a reason for their decision. I note that during the past months consultants to Medjet carefully compared an advanced version of the Medjet device to the leading

blade-based LASIK microkeratome in use in the U.S. today. They found that Medjet's waterjet microkeratome performance was equivalent in terms of edge geometry and flap coverage. However, Medjet's device was considerably more reproducible in terms of flap dimensions, thickness and uniformity, and it produced far smoother wound surfaces. To the best of Medjet's ability to make an extremely complex measurement, Medjet believes that there was less tissue loss associated with the waterjet cut. However, the comparison blade device elevated the intraocular pressure to an undesirably high level, more than ten times normal. Medjet's device elevated the intraocular pressure only slightly, to a safe level of about 1½ times normal. This difference is a critical advantage for Medjet's device."

Based on current studies at Medjet, its device also produces whole epithelial flaps for use with LASEK, an alternate refractive surgery procedure. Medjet previously presented publicly to the medical community that the same device can also produce shaped flaps for refractive correction, eliminating the need for the laser altogether. Dr. Gordon explained, "We believe strongly that Medjet has a superior technology for refractive surgery and we are actively seeking potential partners to help us bring it to the marketplace."

11/21 **Alcon, Inc.** announced that it had commenced a voluntary recall of the SKBM microkeratome, which it obtained as part of its acquisition of **Summit-Autonomous Technologies, Inc.** The company decided to recall the units after receiving a very small number of complaints that the applanation glass on the head of the handpiece could loosen or become misaligned. If not checked for misalignment, the corneal flap could be made at an undesired depth, which, in rare instances, could lead to patient injury. Alcon took this pro-active approach voluntarily because of its long-standing commitment to maintaining the highest standards of product quality and patient safety. Alcon estimated there were about 350 units in the worldwide market today. Year-to-date SKBM sales of $3 million in 2002 represented approximately one-tenth of one percent of estimated 2002 total sales for Alcon worldwide. Alcon announced that it expects to take an after-tax charge of approximately $15 million in the fourth quarter. This charge includes the estimated costs of the recall and termination of the SKBM product line. Alcon reaffirmed its prior guidance for adjusted earnings per share for the fourth quarter and fiscal year, which excludes the impact of the recall as well as other one-time items reported previously. Given Alcon's diversified portfolio of products and the negligible contribution of the SKBM to total sales, management also confirmed sales and earnings guidance for 2003.

11/21 **QLT Inc.** announced a reduction of its workforce to reduce operating expenses and concentrate its resources on key product development programs and business initiatives. The company has reduced its overall headcount by 65 people or approximately 18%. QLT will provide its employees affected by the workforce reduction with severance and human resources support to assist with outplacement. "Although we regret losing members of the QLT team, we are ensuring that our labor needs are aligned with our current and future plans which are focused on developing

the projects in our pipeline. We are committed to fully funding our development pipeline as those projects reach and achieve the critical milestones that will move them into final stages of clinical development," said Paul Hastings, CEO and president. "The reduction in labor and operational expenses announced today is intended to better position the company to continue in its position of strength, the development and expansion of our commercial product Visudyne and our promising pipeline while at the same time meeting our objective of significant and sustainable earnings growth."

A restructuring charge of approximately $4.5 million (CDN) will be recorded in the fourth quarter. The restructuring initiative is expected to result in estimated annualized savings of at least $5 million (CDN).

11/22 *Cataract & Refractive Surgery Today e-News* reported that the Honorable Judge Kenneth Lee of the Arizona Superior Court, Pima County, issued a seven-page opinion and order granting Defendant's (**University Physicians**) post-trial motion for a new trial, and set aside the record $4 million jury verdict awarded to Plaintiff Stephan Post on May 9, 2002, based on discovered evidence presented by Plaintiff's expert witness, Jeffery Machat, MD, at a post-trial evidentiary hearing during which Dr. Machat changed his standard-of-care opinion.

As reported by *Cataract & Refractive Surgery Today*, during the trial, Plaintiff's expert Dr. Machat testified that the "VISX S2 laser with 3.1 software, which was used on the Plaintiff, had an effective treatment zone of 5.5 mm with a surrounding blend zone of 0.5 mm on all sides to create an overall treatment zone of 6.5 mm for a person with Plaintiff's eyesight. In the effective treatment zone, the patient receives full treatment; and in the blend zone, the patient receives partial treatment." Dr. Machat's understanding at the time of his expert testimony during trial was that the "VISX S2 laser with the 3.1 software that was used in Canada was the same as that used in the United States and specifically on the Plaintiff. Given these areas of treatment and the Plaintiff's measured pupil size, Dr. Machat testified that Defendant breached the applicable standard of care in its treatment of the Plaintiff."

"During the trial Defendant's experts testified that the VISX S2 laser with a 3.1 software that was used in the U.S. and on the Plaintiff had an effective treatment zone of 6.5 mm with no blend zone for a person of Plaintiff's eyesight. Defendant's experts testified that given that treatment zone and Plaintiff's measured pupil size, there was no breach of the standard of care."

Defense counsel asked the Court to conduct a post-trial evidentiary hearing when Dr. Machat contacted counsel for the Defendant by telephone after the trial and indicated that at the time he testified during the trial, "his understanding of the software programs for the VISX S2 laser with the 3.1 software available in the U.S. and Canada was incorrect." He testified at the trial they were the same, but after the trial learned they were, in fact, different. This information would change his standard of

care opinions and he would now opine that there was no breach of standard of care by the Defendant in its treatment of the Plaintiff. Dr. Machat stated that the outcome of the case was a grave injustice and he would assist in any way possible to reverse the outcome of the trial.

During the post-trial evidentiary hearing conducted by the Court, Dr. Machat did in fact testify that, "his opinion was that the Defendant had not breached the applicable standard of care in its treatment of the Plaintiff." Dr. Machat further testified at the hearing held after the trial that, "at the time of the trial it was his mistaken belief that the VISX S2 laser with a 3.1 software that was used in Canada had the same effective treatment zone as the VISX S2 laser with 3.1 software that was used in the U.S."

Plaintiff Stephan Post and his counsel have 30 days to appeal the Court's ruling granting a new trial. Judge Lee has set a status conference for January 3, 2003, to address the new trial date and assignment of the case.

OPHTHALMIC LASER UPDATE -- December 2002

11/27 **Aris Canada Ltd.** released results for its third quarter. During the quarter, refractive procedure volumes for Aris Canada Ltd. totaled 1,892, a 33% decrease over the comparable period in 2001. Third quarter volumes from North American operations amounted to 1,892, a 24% decrease from the prior year. Other non-North American operations generated volumes of nil due to the disposal of substantially all of the Corporation's interest in its Bangkok, Thailand centre on March 26, 2002. In the prior year third quarter, procedure volumes from non-North American operations were 330.

Procedure volumes for the nine month period were 7,079 compared to 10,218 from the same period in 2001. North American procedure volumes were 6,781 for the period compared to 9,242 from the same period in 2001. Procedure volumes from centres outside North America were 298 and 976 for the respective nine month periods in 2002 and 2001.

Consolidated revenues for the third quarter were $1.4 million. Consolidated revenues for the third quarter of 2001 were $2.5 million. Revenues from Canadian operations were $1.4 million as compared to $1.7 million for the prior year third quarter. Operations based in the United States generated revenues of $69,000 in the third quarter, versus $751,000 in the third quarter of 2001.

For the nine month period, consolidated revenues were $5.3 million, including $4.8 million from Canadian operations and $512,000 from United States operations. Comparative figures for the same period in 2001 were consolidated revenues of $9.1 million, Canadian revenues of $5.3 million and United States revenues of $3.8 million. The net loss of $804,000 for the three month period was comparable to the $763,000 net loss for the prior year's third quarter. The net loss of $1.9 million for the nine month period was an improvement over the $2.3 million net loss for the prior

year's same period. Excluding the restructuring charge of $785,600 recorded in the first quarter of 2001, the loss for the period was $1.5 million.

During the second quarter, the Corporation became in arrears in payments in respect of certain of its obligations under capital leases. Given the existence of cross-violation debt covenants, the Corporation's obligations under capital leases and long-term debt have been classified as current liabilities. The Corporation is working with its creditors to resolve these arrears, and the future success of the Corporation depends on the continued support of these and other creditors. Certain of the Corporation's creditors are seeking to collect their debts. The Corporation is pursuing all available alternatives in order to meet the demands of its secured and unsecured creditors, including the sale of its remaining refractive surgery clinics in Canada. In addition, the Corporation is exploring possible business combination, recapitalization or similar transactions in order to maximize shareholder value. The Corporation's ability to continue as a going concern is subject to the continued cooperation of the Corporation's secured creditor, the ability to meet the demands of its unsecured creditors and the securing of acceptable long term financing, or, alternatively, the entering into of a recapitalization, business combination or similar transaction. There is no guarantee that the Corporation can address all of these risks and uncertainties. If the Corporation is unable to address any or all of these risks, it may be forced to restructure or liquidate its operations pursuant to applicable creditor protection legislation.

Effective September 1, 2002, the Corporation sold its Winnipeg, Manitoba centre. This sale removed approximately $478,000 of obligations under capital leases from the Corporation's balance sheet. On July 30, 2002, the shareholders of the Corporation approved the sale of the assets of the Corporation's Alberta centres to **I Care Services Ltd.** This transaction was finalized October 15, 2002. The proceeds to be received are approximately equal to the net book value of the assets being sold. It is anticipated that the net proceeds will be paid to the Corporation's secured creditors in partial satisfaction of the Corporation's outstanding indebtedness. In conjunction with the completion of this transaction, the Corporation changed its name to Aris Canada Ltd., effective October 16, 2002, from **Gimbel Vision International Inc.**

12/2 **SurgiLight, Inc.** announced its financial results for the third quarter ended September 30, 2002. For the quarter, over-all sales decreased as expected to $599,000 from $801,000 in the prior year third quarter, including the traditionally slow summer months, primarily because of the company's specific focus on developing markets for its proprietary OptiVision system for the treatment and reversal of presbyopia. However, sales for the nine months of fiscal 2002 reached $3.1 million compared to $2.0 million for the same period in 2001, a 58% jump. For the 2002 third quarter, the company reported a net loss of $90,000 (0 cents per share) compared with a net loss of $1.6 million (7 cents per share) for the year-earlier period of 2001.

For the nine months, the company continued to show profitable net income of $678,000, compared to a loss of $2.0 million for the same period of 2001. The over-all increase in net income was primarily attributed to the increase in clinical sales of OptiVision outside the U.S. in the face of declining revenues from its business at overseas laser treatment centers. While the company recorded increased costs associated with contract labor required to assist with clinical trials and advertising and selling expenses, it effected substantial decreases in administrative expenses and appreciation and amortization primarily associated with its center business. In addition, professional fees decreased significantly during the past year as litigation was resolved. The company's total assets increased to $8.6 million from $8.0 million as of December 31, 2001. This increase in total assets is mainly attributed to the increased accounts receivables generated from the sales of the OptiVision laser systems. Total current liabilities at the end of the third quarter increased to $2.4 million as the **Merrill Lynch** line-of-credit and certain **Premier Laser Systems** payments came due. This change was also reflected retroactively into the second quarter as the company's new auditors reviewed the second quarter with the knowledge that Merrill Lynch had now declared the loan in default. The company has received a commitment letter for a $10 million line-of-credit which would replace the $500,000 Merrill Lynch line. The company's working capital is $880,000.

SurgiLight chairwoman and CEO, Colette Cozean, commented, "We expected a difficult third quarter since a majority of our sales are from Europe and around the world, where long summer vacations are the norm. The company's management team did an excellent job of limiting expenses during the third quarter, resulting in a relatively small loss for the period. I was particularly impressed by the enthusiasm shown by ophthalmic surgeons at the American Academy of Ophthalmic Surgery meeting last month as they evaluated our two-year clinical results, which show almost no regression (1/4 Diopter) after OptiVision treatment and with the vast majority of patients reading without glasses."

12/2 **Nidek Co. Ltd.** took the proactive step of explaining its position and company ideology in the patent litigation actions it is going through. The company made an announcement saying that it would like to clarify a few issues that have come to its attention over the last few weeks, regarding the issuing of subpoenas to **VISX** excimer laser users and its patent litigation against VISX. Nidek and VISX are currently involved in several complex lawsuits involving patent rights. VISX has asserted patents against Nidek in one suit, and in another Nidek has asserted its patents against VISX. In both cases the plaintiff (patent owner) is required to prove the damages claimed assuming that patent infringement is first determined to exist.

"There is ample precedent for this current action of sending Subpoenas to VISX laser users as a means of obtaining information admissible in court to prove alleged damages", said the company. In a prior case, still pending where VISX sued Nidek for patent infringement, VISX subpoenaed virtually ALL Nidek users seeking procedure counts and procedure information to be used for damages calculation. Nidek took the

responsibility of representing these Nidek doctors and paid for their legal costs in responding to the subpoenas. VISX also took the unprecedented step of actually suing a number of Nidek Physicians for patent infringement. Nidek is defending and representing those doctors at Nidek's own expense.

The current subpoenas are for the Nidek patent infringement case against VISX. Nidek determined that VISX was infringing three of Nidek's patents, dealing with system calibration, blend/transition zones and mixed astigmatism. Nidek has the burden of proving its damages for each of the three patents. Nidek sought to obtain information dealing with the numbers and types of procedures directly from VISX. VISX however responded by indicating that it didn't have specific procedure information. Nidek was faced with no information from VISX and left no choice but to pursue the information gathering ask directly from VISX Excimer laser users. VISX by its actions in the pending litigation thus forced Nidek to get damages related information from VISX users directly even though the damages are claimed only against VISX.

In contrast to Nidek's defending it's users when subpoenaed by VISX, VISX has now stated that each doctor should obtain legal advice from their own attorneys. VISX thus has not provided the necessary information to Nidek and has left the doctors to defend at their own expense. Nidek was not pleased at having to subpoena VISX doctors, but was left with no other reasonable alternative. Nidek counsel is certainly open to work with doctors and alleviate burden but the information is essential to Nidek’s damage claims against VISX. Nidek, unlike VISX, will not sue doctors and it will not collect per-procedure fees from doctors. VISX's suit against Nidek is aimed squarely at preserving the VISX income model, which is predicated on collecting user fees. VISX's tactics thus included suing doctors as a scare tactic. Nidek's case against VISX is based on VISX illegally using valuable Nidek technology in the Star series systems for which Nidek is entitled to damages from VISX. These subpoenas are directed to collecting information as to the extent of infringing use of that technology so that Nidek can be awarded its damages from VISX.

12/3 **STAAR Surgical** announced that it had received the CE Mark for the Toric Implantable Contact Lens (TICL). U.S. companies are required to obtain the CE Mark on medical devices they want to sell in the European Union, much like FDA approvals are required in the U.S. The approval allows the company to market the TICL in every European Union country, including the large Italian, Spanish and French Markets.

The TICL is the only posterior chamber phakic intraocular lens able to both reduce pre-existing astigmatism and provide correction of myopia (nearsightedness) or hyperopia (farsightedness) in one procedure. According to industry sources, approximately 20% of the population suffers from astigmatism, with the percentage much higher among severely myopic and hyperopic patients. David Bailey, STAAR's CEO and president said, "Our new regulatory staff has done an excellent job. The

expeditious review and approval indicate the progress the company has made in quality assurance and regulatory compliance. Bringing the TICL to market represents a milestone for the company. Each lens is made-to-order for each patient. This make-to-order business has posed many challenges for us, which we have met with full force. Meeting these challenges shows me that we have the right organization in place in Switzerland to successfully meet the targeted delivery date promised on these lenses. Moving to a make-to-order business model allows STAAR to once again lead the industry by eliminating the need for consignment inventory. This has huge benefits for the company's working capital and cash flow." Bailey said STAAR has produced and delivered a significant number of TICL to customers within the EU under the `named patient' procedure, requiring a considerable amount of paperwork on the physician's part to use pre-approved products. "This gives an indication of the level of interest in the marketplace. With CE approval and a faster delivery commitment, we expect sales of this product to increase steadily."

12/4 **IRIDEX Corporation** said that it had begun revenue shipments of the EndoLase green laser photocoagulator module, which will be incorporated into the **Bausch & Lomb** Millennium Microsurgical System. The Millennium is a fully integrated platform designed to offer vitreo-retinal surgeons all the tools they need for operating room procedures. Dr. Eugene de Juan, Jr., Professor of Ophthalmology and CEO of the **Doheny Retina Institute** in Los Angeles, California, commented, "I am excited about the addition of the EndoLase 532 nm module to the Bausch & Lomb Millennium surgical system. IRIDEX has a reputation as a high quality laser photocoagulator manufacturer in the retinal community and the addition of this module to the Millennium will make it the most complete, fully integrated surgical system on the market."

Theodore Boutacoff, president and CEO of IRIDEX, said, "We are pleased to begin shipments of the EndoLase module. We look forward to continuing this relationship with Bausch & Lomb for years to come." Bausch & Lomb displayed the Millennium at the American Academy of Ophthalmology meeting held in Florida in October 2002. Bausch & Lomb recently received 510(k) pre-market clearance for the product from the FDA and plans to start marketing the Millennium EndoLase module worldwide.

12/5 *The American Society of Cataract and Refractive Surgery (ASCRS)* announced that the *American Academy of Ophthalmology* and the *Ophthalmic Mutual Insurance company (OMIC)* had joined an ASCRS initiative to quash a subpoena issued to approximately 600 ophthalmologists. The subpoena is part of an action in which **Nidek Co., Ltd** has brought patent infringement claims against rival ophthalmic laser manufacturer **VISX Incorporated**. The companies' lasers are used in LASIK vision correction procedures. As a member service, ASCRS/ASOA, the Academy, and OMIC are equally supporting the action whose goal is to quash the third-party subpoenas altogether; failing that, to significantly reduce the number of physicians who must respond, or to find some other way to reduce the burden of responding.

Speaking for their respective organizations, Stephen Lane, MD, ASCRS president-elect, Dunbar Hoskins Jr., MD, Academy executive vice president, and Timothy Padovese, OMIC president and CEO noted that all three organizations have overlapping memberships (insureds, in the case of OMIC); that all three organizations have received complaints from their members about the subpoenas; and complaints that the subpoenas are excessively burdensome in terms of staff time/costs, and legal fees. "We are deeply troubled by what the evidence would suggest is a legal strategy to use our physician members as pawns in this seemingly endless legal battle between competitive commercial interests. It is wrong. We oppose it," the executives agreed. "That the Academy and OMIC have joined ASCRS in this action acknowledges that we all see putting our members in the middle of corporate disputes as a serious policy concern," said Dr. Lane.

"It is unconscionable that businesses would involve their current and future customers in these types of corporate disputes. It adds unnecessary burdens to already overworked physicians and creates antagonism toward the companies. Nothing good can come from it," said Dr. Hoskins. "Nearly 40 percent of OMIC's 3,000 insured ophthalmologists perform LASIK surgery, making Nidek's unfair subpoena a particular hardship on OMIC membership. OMIC's Board of Directors is pleased to work with ASCRS and the Academy to quash a subpoena that is not only unwarranted but also truly reprehensible," said Padovese.

As reported by *OSN SuperSite*, ASCRS is not becoming directly involved in the patent infringement lawsuit, the association stressed. John Ciccone, a spokesperson for ASCRS, said the organization obtained the services of the law firm **Ferralla Brown and Martel** in San Francisco for the purpose of attempting to either quash the subpoenas or secure a protective order against the subpoenas for those VISX surgeons served. VISX and Nidek are currently engaged in discussions over the subpoenas. Should the companies fail to reach an agreement, ASCRS plans to file a motion to quash the subpoenas in Federal District Court on Dec. 13.

12/5 **LCA-Vision, Inc.** announced that it had appointed **Zimmerman and Partners Advertising** as creative agency for its LasikPlus vision correction facilities. The move follows Zimmerman's appointment as media-buying agency in October. Total billings for the account now stand at $15 million annually.

"We are pleased to be working with Zimmerman," said Jeff Dowdle, executive vice president of marketing, LCA Vision. "They have a clear understanding of our business objectives and their Brandtailing methodology will build our brand as well as do what Zimmerman does best: deliver sales. We were impressed with Zimmerman's strategic insight that helped us redirect our focus toward our true growth opportunity: contact lens wearers. LasikPlus truly provides a superior way to correct vision problems, and the "Contacts are Out. LasikPlus is In" campaign theme hits that message head-on."

12/6 As reported by Matt Leingang in the Rochester *Democrat and Chronicle*, a Rochester woman is suing **Bausch & Lomb Inc.** for $40 million, claiming the company is responsible for a surgical blade that broke off in her right eye during LASIK surgery. B&L manufactured and distributed the blade with known defects -- a weak spot capable of breaking when subjected to stress, according to the lawsuit, which was filed this week in state Supreme Court.

The disposable single-use blade, known as the Accuglide, severely and permanently injured Sharon Guess during LASIK surgery on March 8, 2001 at Reed Eye Associates in Greece, NY the lawsuit said. The mishap erratically cut her cornea, leaving heavy scarring, said her attorney, Albert Parisi of Rochester. "Guess, who is in her late 30s, now has vision in her right eye that is hazed and she will likely need a corneal transplant," Parisi said.

The blade, which was made in a St. Louis lab that B&L acquired when it purchased **Storz Instrument Co.** in 1997, has an "extraordinary safety profile and history of effectiveness," said B&L spokeswoman Margaret Graham. Graham declined to comment on specific allegations in the lawsuit, but she said the blade has a commanding share of the world market in eye surgery and this is its only lawsuit.

As the popularity of LASIK eye surgery grows in the United States -- more than 1 million undergo the procedure each year -- so have the number of lawsuits, mostly aimed at negligent surgeons who fail to properly screen patients or incorrectly calibrate the laser, said Kent Buckingham, a former eye doctor who now practices medical malpractice law in Midland, Texas. Product liability cases have been less common, Buckingham said. "I'm not aware of many cases that have gone after equipment manufacturers, particularly this blade."

Dr. Ronald Reed, who performed the surgery on Guess, is not a defendant in her lawsuit. "At this point, I'm unaware of anything that he may have done wrong to break the blade," Parisi said. The Accuglide blade is a key component of B&L's Hansatome microkeratome, an instrument used at the beginning of LASIK surgery to cut a circular flap in the cornea. A doctor then lifts the flap and aims a laser at the underlying corneal tissue, reshaping it for sharper sight. Afterward, the flap is carefully returned to its original position.

As reported by *EyeWorld Week* later in the month, Bausch & Lomb recalled its Accuglide disposable blade (Lots 517984 and 517985) due to a number of reports of diffuse lamellar keratitis (DLK) connected to use of the product, according to Paul Weber, JD, **Ophthalmic Mutual Insurance Co. (OMIC)**. The recall came less than a month after a New York woman filed suit against the company for eye damage during LASIK surgery in which the Accuglide blade was used. Bausch & Lomb has sent letters to purchasers of the blades, who practice at hospitals and surgery centers, announcing the recall. OMIC representatives advise physicians to contact the hospital or surgery center where they operate to find out if they have used any of the blades on

the recall list. Physicians should contact patients who may have been treated using the recalled blades, OMIC said. Any physicians who have used a recalled blade and have patients who have experienced complications such as DLK should contact OMIC immediately. More information is available by calling 800-562-6642.

12/9 The December issue of *Ophthalmic Market Perspectives* featured the Nidek summons to VISX laser users for the upcoming spring trial. As part of the report, Market Scope noted that, according to its 3Q survey of refractive surgeons, VISX still had a 60% share of the laser refractive procedure market, followed by Alcon with a 20.4% share; Nidek with 10%; B&L with 8.4%; LaserSight with 0.1%; and all others with 1.1%. The issue also noted the recall of the SKBM microkeratome by Alcon, which was reported with a 3.6% share of the microkeratome market. The leader was B&L with a 52.7% share, followed by Moria with 23.1%; Nidek with 6.2%; Allergan with 5.9%; IntraLase with a 4.4% share; and all others with 4.9%.

Two other articles discussed the continued contraction in U.S. corporate laser centers, down to a little over 300 by the end of the third quarter of 2002, compared to a peak of over 400 during the first quarter of 2001; and the slight increase in LASIK average price during the third quarter, to $1626, up 5.1% over the second quarter of 2002.

12/10 **LCA-Vision Inc.**, presenting at the **CCBN Virtual Healthcare Conference** (**www.CCBN.com**) provided a positive update on the outlook for the fourth quarter of 2002 and full-year 2003. During the webcast, management disclosed the following:

-- Fourth quarter procedure volumes will be up in excess of 10% on a year-over-year basis.

-- Based on improved eye exam bookings and higher treatment conversion rates, management expects a return to profitability in the first quarter of 2003.

-- The company will open its next LasikPlus center in Cleveland, Ohio in early January, with openings planned for additional markets in the first half of 2003.

Commenting on LCA-Vision's improving fundamentals, chairman and CEO Stephen Joffe said, "We anticipate a strong increase in normal seasonal volume during the first quarter of 2003, and remain optimistic about the balance of next year. Right now, we are seeing consistent improvements in all key operating metrics. Since last August, we have measurably improved the rate at which we convert scheduled eye exams into actual procedures performed. As volume grows, our fixed cost structure provides powerful operating leverage. For example, just a 5% point increase in this conversion rate translates into an additional 60 cents a year of operating earnings per share."

12/12 *THE WALL STREET JOURNAL* featured an article on wavefront-guided laser eye surgery. In the article, author Antonio Regalado stated some of the benefits of the new type of surgery, such as "not only reduces the most common side effects of standard

laser procedures, including blurry night vision; it also offers patients higher chances of achieving 20/20 vision -- or better. The Food and Drug Administration approved the first wavefront system in October (Alcon), and with other companies close behind, the procedure is expected to become widely available by the middle of next year." Regalado went on to note that, "more than three million Americans have undergone laser vision correction, which uses a laser to reshape the cornea, since the procedure first became available in the U.S. in 1995. Lasik is the most popular version of the surgery because it takes 10 minutes for each eye, and basic recovery time is about 24 hours. It costs about $1,600 per eye. But Lasik also can create side effects, including vision problems like "halos" and "glare." The FDA doesn't track rates of complications, but Dave Harmon, president of industry trend tracker **MarketScope LLC**, estimates about 3% of Lasik patients are dissatisfied with their vision. Amid bad press and a worsening economy, laser centers have seen business drop off steeply in the past two years." (I have a copy of the complete article for any that might want to see it.)

12/17 **QLT Inc.** and **Novartis Ophthalmics**, announced statistically significant preliminary results of the six-month vision outcomes of patients being treated with Visudyne for minimally classic wet age-related macular degeneration (AMD). This announcement followed a presentation given to the independent *Data and Safety Monitoring Committee (DSMC)* along with the results of two other Phase II Visudyne studies. The Visudyne in Minimally Classic (VIM) study was comprised of 117 patients equally randomized to one of three treatment arms: placebo; Visudyne standard regimen; or Visudyne reduced fluence (reduced light intensity). Early outcomes at six months showed that the mean change in visual acuity scores of patients in both Visudyne treatment arms (loss of 1.6 letters in the reduced fluence group and loss of 2.8 letters in the standard fluence group) were statistically significantly better than the loss of 9.4 mean letter change in patients receiving placebo (p value of 0.008 and 0.024 respectively). This study will continue until at least the twelve-month period to confirm longer- term benefit. More details of the six-month results will be presented at the *Macula Society* meeting in Florida in late February 2003.

The DSMC also reviewed data from two other studies of 60 patients each which are seeking improved treatment outcomes with altered regimens for Visudyne treatment. They are referred to as ADD-V (the addition of an anti- inflammatory called Voltaren Ophthalmic), and VALIO studies (an altered light treatment using delayed light after Visudyne in occult AMD). Neither of the two studies showed additional vision benefit over the standard Visudyne regimen at three-months which may not be unexpected at this early time point. Angiographic and visual acuity outcomes for VALIO at the six-month time point will be submitted for presentation at the *Association for Research Vision in Ophthalmology (ARVO)* meeting in Florida in May 2003.

All three studies confirmed the safety of Visudyne with no additional concerns observed in any of the treatment regimens used. "The six-month results of the VIM study were very encouraging," said Paul Hastings, president and CEO of QLT.

"Although these data need to be followed up to determine longer-term benefit, this is the first time we have observed prospectively positive visual acuity outcomes of Visudyne in patients with minimally classic subfoveal AMD." "We are fully committed to exploring all options to fight blindness with Visudyne therapy," said Luzi von Bidder, head of Novartis Ophthalmics. "It is great to have such promising VIM data for the many patients for whom there is no approved drug treatment currently available, and who are currently at a high risk of becoming legally blind."

QLT and Novartis are working to enhance Visudyne therapy through a comprehensive, on-going clinical trial program involving more than 1,000 patients.

12/17 **Carl Zeiss Meditec AG** presented its first annual statement since the merger of **Carl Zeiss** and **Asclepion Meditec**, for the period ended 30 September 2002. Group sales rose by 6% to EUR 204.6 million (previous year: EUR 193.3 million). The group therefore performed well in a difficult economic climate. The integration set the course for the company's further growth. The operating result (EBIT) was still burdened by the costs arising from integration. Nevertheless, the EBIT figure came in at EUR 8.4 million, after EUR 13.7 million the year before. However, the 2001/2002 statement is only comparable to that of the previous year to a limited extent. According to US GAAP the business of the former **Asclepion** was only consolidated from the start of July 2002.

"We have completed the integration process and prepared the groundwork for a successful future for the company," said Ulrich Krauss, president and CEO of Carl Zeiss Meditec. "The fact that we were able to increase our sales in such a difficult economic climate is a clear success." Synergies arising from the merger will start to impact positively on the result from as early as the first quarter of the new 2002/2003 financial year. They will be clearly visible in the second quarter. Krauss pointed to three key figures which illustrate the healthy state of the company: cash-flow from operating activities rose dramatically in the financial year ended to EUR 22.7 million (previous year: EUR 0.8 million). Liquidity more than tripled - from EUR 2.1 million the previous year to EUR 7.2 million this year. The equity ratio rose to 49%, up from 23% last year.

Carl Zeiss Meditec posted over 98% of its sales in its core business, the selling and servicing of devices for the diagnosis and therapy of eye disorders. The merger has placed the company in an excellent position world-wide: Europe accounted for just under 26% of Carl Zeiss Meditec's sales, with Germany taking a third of this. America accounted for a further 59% of the group sales. The company posted 15% of its sales in Asia, Australia and Africa.

In the year ending 30 September 2002 the Carl Zeiss Meditec group had a total of 869 employees. Krauss is optimistic about the new financial year which started on 1 October: "We will increase our sales in the current financial year by at least 10%. The EBIT margin will rise to about 10% in the next two financial years." Various new

products will contribute to the company's ongoing success, "Despite the financial burdens associated with the merger we still managed to increase our R&D expenditure. The aim is to secure Carl Zeiss Meditec's leadership of the market long term," said Krauss. The new laser for the correction of vision defects, the MEL 80, and the STRATUSOCT diagnosis system are both destined for success: both products enjoyed a strong market launch which will feed through to significant sales growth.

There have also been changes in the ownership structure. **DEWB (Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft) AG**, Jena, announced that it had sold its share in the company's share capital. The total of 2.4 million shares (representing 9% of the share capital) were sold to institutional investors. Back in the summer of 2002 DEWB announced its intention to sell its shares before the end of the year. Regarding the sale of the shares, Dr. Michael Kaschke, member of the Carl Zeiss Management Board and chairman of the Supervisory Board as a representative of the major shareholder in Carl Zeiss Meditec, said, "In our opinion DEWB's move which has been announced for some time is consistent and logical. Through the merger, Carl Zeiss Meditec has acquired a new scale." Kaschke continued, "Therefore, the sale of shares also represents an important step in view of the reorganization of the German stock market and of our goal to achieve an attractive free float of 40%." Ulrich Krauss, President and CEO of Carl Zeiss Meditec, said, "Our share represents an investment which is both, value- and growth oriented. By extending our circle of shareholders and completing our reorientation to become one of the leading ophthalmic companies in the world the share has now become even more attractive."

12/19 **SurgiLight, Inc.** announced the launch of the first U.S. clinical trial for laser reversal and treatment of presbyopia, using the company's proprietary OptiVision system. The first trial was cleared this month by the FDA under an Investigational Device Exemption (IDE). The company presented data to the FDA demonstrating measurable clinical successes over as long as two years at sites overseas and most recently in Canada, where that government's FDA equivalent has also sanctioned trials. Overall, trials outside the U.S. have indicated almost no regression after OptiVision surgery, with more than 80% of patients reading without glasses post-operatively. The first U.S. patients were treated at the state-of-the-art Las Vegas clinic of Jon Siems, MD, considered a pioneer in refractive surgery techniques, and principal investigator in a number of previous major trials for ophthalmic applications unrelated to SurgiLight. Among Dr. Siems' prior posts was the directorship of UCLA's Inland Laser Center.

According to Dr. Siems, the OptiVision procedure "went extremely well" with the first four patients in the trial. One woman who returned to her office that same afternoon said that she could now "read the small print without glasses for the first time in 12 years." A patient in her early 50s said that she was returning to school for a master's degree in education and was "looking forward to reading at the same speed as before I was forced to wear glasses." Dr. Siems said the presbyopia reversal procedure was "easy to learn and very controllable. The improvement in reading immediately following surgery and the next day was astonishing." He described the

procedure as "eight tiny laser cuts in the white of the eye in order to expand the lens globe and enable the eye to again focus at different distances."

SurgiLight chairwoman and CEO Colette Cozean, commented, "My personal observation of Dr. Siems' initial procedures in the past day or so brought home the reliability, repeatability and relative simplicity of this procedure in the hands of a skilled surgeon."

12/20 **Alcon, Inc.** announced that a District Judge had entered judgment vacating a unanimous jury verdict of infringement of Alcon's patents against **Nidek**. On September 25, 2002, a 10-person jury, after a 2 1/2-week trial, unanimously found that Nidek had willfully infringed two of Alcon/Summit's patents and awarded damages to compensate for the infringement. In this latest ruling, Judge Harrington found that there was insufficient evidence to support the jury's verdict, so vacated the verdict and entered judgement in Nidek's favor. Alcon believes strongly that the original verdict was correct and fully supported by the evidence at trial and will appeal the judge's ruling. The suit, originally filed by **Summit Technology, Inc.** in December 1998, alleged that the Nidek excimer laser infringed on two of Summit's crucial patents (Azema and Marshall).

The same day, Nidek issued its own press release, in which it stated: **Nidek Co., Ltd.** of Gamagori, Japan announced that it had received a favorable ruling from the United States District Court for the District of Massachusetts, holding that Nidek's EC-5000 does not infringe two patents owned by Summit Technology, Inc. Alcon Laboratories bought Summit Technology, Inc. in 2000.

In the case *Summit Technology, Inc. v. Nidek Co., Ltd., et al.,* a jury returned a verdict in favor of Summit in September 2002. Nidek immediately filed a motion for judgment as a matter of law, asking the Court to overturn the verdict as legally insufficient on a number of grounds. Nidek's motion to the Court demonstrated critical defects in Summit's proof of infringement. In a 31 page comprehensive opinion, District Court Judge Edward Harrington agreed with Nidek, holding that no reasonable jury, having considered all of the evidence in the light most favorable to Summit, could have found that Nidek's EC-5000 device infringed Summit's patents. Even under this most stringent standard, Nidek prevailed and was not found to be infringing on Summit/ALCON patents.

The result of this ruling means that the jury's verdict has been completely overturned and vacated. Judgment as a matter of law that the EC-5000 does not infringe either Summit patents will be entered in Nidek's favor. This ruling thus represents a complete victory for Nidek in the trial court in this hard fought case. "We are extremely pleased and grateful with this final decision from the court," stated Hideo Ozawa, president of Nidek Co. Ltd. "The judge's ruling reaffirms our belief that the EC-5000 does not infringe on the patents of our competitors. Nidek remains committed to its customers and, as a result of this ruling, Nidek's customers are free to

continue using their EC-5000 without the threat of an injunction. Nidek is able to continue to market and sell the EC-5000 in the US market without interruption. Nidek has over the last 30 plus years focused its efforts on developing new and innovative, quality products for the visioncare industry. We will continue our efforts to develop and introduce new products and solutions for the visioncare professional and their patients around the world," added Ozawa.

(I have a copy of the Judge's ruling for anyone who wishes to read it.)