OPHTHALMIC LASER UPDATE -- January 2001

12/26 Following **VISX's** surprise pre-announcement that it would have an earnings shortfall for its fourth quarter (see the Dec. 26th brief in last month's newsletter), **Laser Vision Centers** chairman and CEO John Klobnak said, "We want to make it clear that this release is not referring to LaserVision. We are current on all of our payables to VISX and all other vendors. LaserVision remains well capitalized and profitable. Today's news from VISX further proves what we have been saying for several quarters. We believe there will be company failures. There is no question that the business models of some companies are simply not sustainable. The first rule of business is you can't lose money on every sale and make it up on volume. I would caution prospective patients, as with any purchase, to use extreme care when agreeing to pay in advance for a `too good to be true' price which is to be delivered at some point in the future."

LaserVision also announced that its Board of Directors had authorized an expansion of its share repurchase program. Earlier this year, the company announced share repurchase programs for up to 9.9% of the company's outstanding shares. The most recent share repurchase plan allows for up to an additional 10% to be repurchased.

12/26 Ted Huber and Anthony Sterling of **Banc of America Securities** issued an update report on **VISX**, downgrading the company based on "slowing industry procedure volumes; deteriorating consumer confidence and negative consumer spending trends; and the possible insolvency of one or more of VISX's customers." They also cited deteriorating fundamentals in VISX's customer base, which will result in lowered procedure volumes in 2001.

Chris Shibutani, MD (who has taken over for Robert Faulkner -- who is leaving the firm) and Tatyana Daniels of **Chase H&Q** also issued an update on VISX. They said:

- We are trimming our revenue estimate for 4Q from $50.4 million to $45.8 million and EPS from $0.19 to $0.16 to reflect VISX's pre-announcement.
- On December 18, 2000, we trimmed our estimates for both industry-wide and VISX procedure volumes and are leaving those unchanged. We believe VISX 4Q sequential procedure growth will decline by 4%.
- The majority of the revenue cut comes from systems revenue. Our estimate goes from $17.2 million to $13.5 million.
- We continue to believe investors should step aside from VISX shares due to the slowdown in the LVC market coupled with the anticipation that VISX will continue to lose share.

Their revised estimates for year 2000 U.S. procedures is 1.365 million (53% year over year) -- based on a flat fourth quarter over the third quarter, and a 13% y/y growth for 2001, yielding 1.549 million procedures.

1/1 Another in the onslaught of negative press reports on LASIK was issued by *Reuters*. Entitled, "Discount Centers Upset Laser Eye Surgery Sector", the report quotes three analysts and John Klobnak of **LaserVision Centers**. "With the vast proliferation of laser eye centers and the procedure's increasing popularity among those hoping to shed their glasses, discount centers have popped up around the country, throwing the relatively young industry into tumult," the unnamed author wrote. "The industry has been beaten up fairly well this year," said stock analyst Joanne Wuensch of **ING Barings**. "There's been a proliferation of low-end centers, which probably won't be able to make it."

As companies and physicians react to the discount presence and a general economic slowdown threatens to curtail discretionary consumer spending on services like elective surgery, the 6-year-old laser eye surgery sector is ready for a shake-out in 2001, analysts said. Prices should reach an equilibrium of about $1,000 per eye, and lower-priced centers that perform the procedure, as well as companies that distribute lasers to ophthalmologist offices, may not survive. "They haven't shown they can make money. They seem to be financially unstable," said analyst Hans von der Luft of **McDonald Investments** about the discount centers. "In the first half of 2001, there's going to be some consolidation."

Analyst David Gruber of **Lehman Brothers** said leading distributors of the lasers, such as **LCA-Vision Inc.**, LaserVision Centers Inc., and Canada's **TLC Laser Eye Centers Inc.**, have felt the squeeze from lower prices and ophthalmologists who are beginning to purchase directly from laser makers. (I believe David meant to say -- and was probably mis-quoted, "that leading surgery centers such as LCA....and that some of their physicians were splitting off and going into business for themselves".) "Pricing is going south and that would have a disproportionate impact on the corporate centers. As physicians become more comfortable with the procedure, they'll buy their own machines." The amount of procedures grew 50% in 2000 and should grow by about 20% in 2001, Gruber said, so the sector is by no means dying.

John Klobnak, founder, chairman and chief executive of LaserVision Centers, a distributor of lasers (to doctor's offices) that has worked with about 9,000 ophthalmologists in the United States, is not pleased with the discount centers and their effect on the sector. "These too-good-to-be-true prices are often too good to be true," he said. Some of the offers contain fine print that eventually boosts the price, he noted. Klobnak objected to the way in which some discount centers have commoditized a health care procedure. "This is not a cell phone, a palm pilot or a computer. This is surgery. People just really need to be careful right now." Klobnak said consolidation in the industry would take place, but as one of the market leaders, his St. Louis-based LaserVision Centers is finding it difficult to find a profitable company to acquire. Klobnak said that combining cataract surgery and the laser surgery to correct near-sightedness or far-sightedness is an opportunity to boost laser eye surgery

companies in 2001. "We have a great potential to work with doctors to do both -- it's a great opportunity for us and for them," he said.

1/2 **Novartis Ophthalmics** announced that it had completed the transition from **CIBA Vision** to become a separate eye health unit, operating under the Pharmaceutical Division of parent company **Novartis AG**. Dan Myers, president of Novartis Ophthalmics, North America, said, "A key initiative for Novartis Ophthalmics this coming year is to reach and teach consumers about the importance of early detection of potentially serious eye diseases, and to make them aware of the therapies available to them in the fight for healthy sight. We will continue to build awareness for out breakthrough products such as Visudyne therapy for age-related macular degeneration (AMD) and Resula, the only treatment for glaucoma containing a docosanoid."

1/2 Scott Carson, founder, president and CEO of **U.S. Medical, Inc.** -- a provider of new and pre-owned capital medical equipment (CME) to hospitals, physicians, dentists and other medical professionals -- announced that the organization had signed an exclusive agreement with **Sunrise Technologies International, Inc.**, to become the exclusive North American distributor of Sunrise Technologies' ophthalmic laser treatment for far sightedness (hyperopia). The agreement, a complementary partnership, gives U.S. Medical exclusive distribution rights to market the HYPERION LTK system to all disciplines in all markets in the United States.

"U.S. Medical is very excited about the sales potential of the HYPERION LTK System for our fast-growing company. The addition of Sunrise's proven LTK Laser System is part of our strategic plan to continue our expansion into the ophthalmic market, and we look forward to substantial sales of the HYPERION LTK System in 2001, as well as the revenue generated by the equipment financing. This financing component is key to the agreement between Sunrise Technologies and U.S. Medical," said Carson. "This strategic partnership with Sunrise Technologies further supports our company's mission: to improve the access, cost and quality of global health care," said Robert Lambrix, CEO of U.S. Medical, whom founder Scott Carson hired last March to take the helm of his fast-growing company. In addition, the two companies have signed an agreement in which Sunrise will invest $2.4 million in U.S. Medical, thus giving Sunrise Technologies approximately 4% ownership.

(It should be noted that **Asclepion-Meditec** also holds an ownership position in U.S. Medical, having purchased slightly more than 10% of the company last fall, when it also struck a distribution deal with the company for its aesthetic line of lasers.)

According to Russell Trenary, president and CEO of Sunrise, "Our mission has been to revolutionize the treatment of far sightedness. As a result of our new agreement with U.S. Medical, the number of sales representatives will increase from 11 to more than 40, which is an increase of nearly 400% in sales staff contacting physicians specializing in

refractive procedures. This distribution agreement will significantly broaden our reach. We need to spend more time with more doctors than we were able to in the last half of 2000. Our goal this year is to continue to seed the marketplace with large volumes of HYPERION lasers to help the doctor reach the significant and virtually untreated hyperopic marketplace. The combination of these two great sales teams will significantly help Sunrise."

In its own release about the deal with U.S. Medical, Sunrise noted that U.S. Medical had also agreed to the immediate purchase of 15 HYPERION LTK Systems. The purchase increased the number of lasers shipped in the 4th quarter of 2000 to 41. "We believe that shipping over 90 lasers in only six months represents a unit volume that is the largest initial launch in the history of this industry. This is an excellent start given the current economic conditions where discretionary spending has notably slowed which has caused refractive surgeons to act more slowly than they might have under economic conditions that earlier prevailed," added Trenary.

The company also announced that it plans to reduce expenses by approximately $20 million in 2001. Over $15 million in non-cash expenses incurred in 2000 associated with previous private placements will not recur. The company also expects to reduce spending about $5 million in 2001 due to reductions in expenses associated with the launch of the HYPERION as well as reductions in manufacturing overhead, personnel and general and administrative expenses.

1/2 **Lasik Vision** announced that it had reached agreement for a private placement of $4 million Units at $0.21 per Unit to John Porter, a director of the company, and founder and director of Europe's largest optical retailer, **Grand Vision SA**. Each Unit consists of one common share and one warrant to purchase a common share at a price of $0.28 per share until December 31, 2002. The private placement is part of a $7 million financing agreed to be provided by Porter. The balance of $3.0 million is to be provided by way of a Secured Convertible Note to be drawn down, from time to time, by the company, subject to certain conditions, prior to December 31, 2002. The Note will be repayable, to the extent not previously converted, on December 31, 2002. Interest at the rate of 20% per annum, compounded monthly, will accrue and be payable at maturity on any portion of the Note not converted. The principal balance of the loan and accrued but unpaid interest from time to time is secured by a charge on property of the company and its wholly-owned subsidiaries in Canada and the United States. In addition, subject to the full $7 million being advanced, Porter will receive a further warrant to purchase up to $5 million of Common Shares at a price of $0.28 per share exercisable until December 31, 2002.

The proceeds from the financing will be used to improve the company's working capital position, which has a Cnd$30 million debt to pare down, so it can resume it clinic expansion plans.

Upon approval by the Canadian Venture Exchange (CDNX) and shareholders, and co-incident with the closing of the first tranche of the financing, Dr. Hugo Sutton will step down as CEO and the Board will appoint Neville Fridge as president and CEO. Fridge is an experienced financial executive with a master's degree in economics from Oxford University in England and an MBA from Harvard, and was most recently with the management consultant company of **Bain & Co.**

1/3 **LCA-Vision** reported record fourth quarter procedures of 16,411, up 92% from 8,541 procedures for the same period a year ago. Sequentially, procedures were up slightly (0.5%) compared with last quarter's 16,341. For all of 2000, the company reported 59,144 procedures, up from 33,266 in 1999, a 78% gain. "Fourth quarter 2000 procedure volume reflects continued growing consumer demand for our value-priced services during what is our seasonally slowest quarter of the year," said Tom Wilson, LCA-Vision CEO. "In analyzing the fourth quarter, it is important to note that severe winter storms in Atlanta, Cincinnati, Chicago, Minneapolis and Washington, D.C. resulted in approximately 1,000 procedures being rescheduled from December into the first quarter of 2001. When these procedures are added to the normally strong increase in demand that happens in January, the result is a backlog of scheduled treatments at an all-time high as we begin the New Year."

Commenting on plans for the current year, Wilson said, "While we intend to open approximately the same number of new centers as we did last year, the first rollout won't occur until some time in the second quarter. In the first quarter, we want to maximize the benefits of anticipated strong growth by focusing on productivity, price realization and capacity utilization in all of our existing centers -- all the factors that will drive a return to profitability. For the full year, we believe that growing demand in the value-priced segment of our industry will support our goals of generating solid operating profits and positive cash flow in every quarter."

1/3 **Asclepion-Meditec AG** and **ICON LASER EYE CENTERS, Inc.** announced that they had signed a letter of intent for a strategic cooperation that includes the clinical trials for the FDA-Registration of Asclepion's MEL 70 G-Scan for the U.S. market as well as a strategic supply agreement for excimer lasers to be used in ICON's centers in North America, Europe and the Middle East. The FDA trials will be run at several of ICON's most experienced laser centers in the United states. The lasers required will be installed within the next 40 days. Both parties agreed to disclose further details after having signed the final contract.

"With this cooperation we gain access to the significant corporate center segment of the laser vision correction market. These centers now represent about 45% of total procedures done in the U.S. market." commented Bernhard Seitz, Asclepion's CEO. He regards ICON as a good candidate for future growth in this segment. Upon FDA approval, the ICON group also represents a significant potential for replacement of older

broad beam and slit scanning lasers within their U.S. centers. Asclepion itself has realized growth of about 45% in its Vision business unit in the past financial year and leads the market in customized ablation with more than one hundred TOSCA (Topography Supported Customized Ablation) installations worldwide.

Under the strategic supply agreement, ICON will purchase an initial quantity of MEL 70 G-Scan lasers for use in North America and Europe. Further purchases of lasers are intended as older units will be replaced in ICON's existing centers and new centers will be opened. Simone Mencaglia, CEO of ICON commented on the growth of his company, "With Asclepion, ICON has the strategic partner to support our rapid growth in the LVC business, We opened more than 27 centers in the last twelve months and expect this growth rate to be sustained in the future." With these results, ICON is among the fastest growing corporate laser center companies. ICON operates about 43 centers worldwide, 28 in the U.S., 6 in Canada and 9 in Europe, including 3 roll-on/roll-off systems. The total number of eyes treated has risen from 25,831 in the financial year 1999 to about 84,879 in the financial year 2000 and amounts to a growth rate of some 286%.

ICON has tested Asclepion's MEL 70 G-Scan extensively over the past six months. Ghassan Barazi, COO of ICON underlined the high quality of the laser system. "We have tested the MEL 70 G-Scan in several of our high volume centers where it has proven to be highly reliable and very cost effective. These test centers conducted more than 700 treatments per month during the six month probation phase. The laser showed outstanding results on the standard treatments like myopia and astigmatism. In addition, this new technology produces perfect results on hyperopia which is usually difficult to treat using other lasers. Excellent results are also achieved with customized ablation using TOSCA where Asclepion provides an easy to use software link. Due to the latter treatments we get large numbers of U.S. patients coming to our Canadian centers as these treatment cannot be offered in the U.S. today...the encouraging financials of ICON gave Asclepion the confidence to choose ICON for what seems to be a long lasting strategic partnership. The fact that ICON is cash flow positive and not affected by the problem of customer deposits, which within ICON is a nonsignificant item, has certainly differentiated us from other providers."

Upon FDA approval, it is intended that ICON under certain conditions will have an option for an exclusivity agreement with Asclepion to be the sole purchaser of Asclepion's lasers for use in the U.S. for a one-year period.

In a related matter, I received three research reports on Asclepion over the past several weeks, a brief report of December 19th from **Delbruck Asset Management** following release of Asclepion's year-end report; a December 20th initial coverage report from **Commerzbank**; and a **DG Bank** research report issued on January 3rd. All three reports are enthusiastic about the company's future, with sales forecasts of E60-63 million for the

2001 fiscal year, up from the E41.9 million accomplished in 2000, and looking for sales of E82-85 for 2002.

The COMMERZBANK report notes:

We are initiating coverage of Asclepion Meditec, one of the technology and innovation leaders in the development of new medical and cosmetic therapies using laser technology, with a BUY recommendation and a target price of E39.

* U.S. market position strengthened: In the past few months, Asclepion has strengthened its market position in the U.S. considerably. It has secured 10.6% of the shares of **U.S. Medical Inc.** for $4 million. In addition, all the laser systems of the aesthetic division have been approved by the FDA and can now be marketed. In our view this will facilitate additional revenue in the region of E10-12 million in 2000/2001.
* Technological leadership proved: CCA and the new laser system modules TOSCA, WASCA and AWACS will pave the way to more individual and less painful methods of treatment.
* PAD - tooth treatment without pain: Together with the UK company, **Denfotex Ltd.**, Asclepion is developing a new type of minimum-invasion tooth treatment (caries and root canals). First products are set to be launched in 2001 and will create further sales potential for Asclepion.
* Growth strategy continued: The company recently released its FY 1999/2000 results. Sales reached E41.9 million, representing growth of 22%. EBIT increased at a faster rate, by 35% to E4.7 million (including currency gains). These figures were in line with our previous expectations. Furthermore, Asclepion has announced acquisitions that should enable the company to expand its product portfolio significantly.
* Valuation: We are of the view that neither revenue growth rates nor technological leadership are so far sufficiently reflected in the share price. Our DCF analysis gives a fair value of E39. The shares currently trade on a 2002E P/E of 23.0x. We believe this valuation is justified due to Asclepion's unique growth opportunities.

1/3 **Prime Medical Services Inc.** announced that its Board of Directors had authorized an additional $10 million for the repurchase of shares of its Common Stock. This expanded the company's buyback program to $45 million. Ken Shifrin, chairman, stated, "Nothing within the fundamentals of this company -- our consistent financial performance, our strong cash flows, our dominant place in the lithotripsy industry, our growth in the manufacturing segment and the vast potential of the refractive vision correction market -- suggest our equity should be trading at such a low price. Accordingly, we are prepared to continue to purchase shares, and can do so with the confidence that our cash flow and an available $82 million in credit facilities will provide the liquidity necessary to grow our business."

1/5 **Bausch & Lomb** issued a flurry of news releases. The first announced that the company expected to report results for both the fourth quarter of 2000 and for fiscal 2001 that were lower than the guidance issued in conjunction with its third quarter 2000 earnings release on October 12, 2000. Based on preliminary financial results, and prior to the impact of a change in accounting estimate in the generic pharmaceuticals business described below, the company estimates that it will report revenues of approximately $460 million for the fourth quarter ended December 30, 2000. These results are modestly lower than previous guidance and are primarily attributable to weaker-than-expected sales in the company's U.S. refractive surgery business. The company has experienced a slowdown in purchases of capital equipment for refractive surgery procedures by its customers in this market, and sees evidence that consumer demand for elective refractive surgery procedures has recently slowed in tandem with the deceleration in the overall U.S. economy. The company also has increased its bad debt reserves modestly in the fourth quarter due to the uncertainty of collecting receivables from a customer in this business. As a result, the company now estimates earnings per share for the fourth quarter to be in the range of $0.69-$0.71, exclusive of the impact of the following additional accounting charges and events: 1) The recording of an offset to sales of approximately $7 million, reflecting a change in accounting estimate in connection with the transition to a new methodology for calculating reserves for contractual pricing allowances in its U.S. generic pharmaceuticals business; 2) The write-up of the value of inventories purchased as part of the previously announced acquisitions of **Groupe Chauvin** and **Woehlk Contact Lens GmbH**, in accordance with generally accepted purchase accounting rules, and similar in nature to adjustments recorded as part of third quarter 2000 results; 3) The acquisition of **Optex Ophthalmologics**, a subsidiary of **Atlantic Technology Ventures, Inc.**, for $3.0 million plus additional payments contingent upon receipt of regulatory approvals and sales. B&L had previously entered into a development, supply and license agreement with Optex for the development of the Catarex technology for the surgical removal of cataracts. In connection with the acquisition, which is expected to close in the first quarter of 2001, the company is terminating the original agreement and will take control of and redirect the development efforts for the technology; and 4) further restructuring, which will result in the cutting of an additional 350 jobs, following the announcement in October of cutting 450 jobs, bringing the total to 800.

In its Guidance for 2001, the company is taking a cautious stance regarding the near-term opportunities in the U.S. refractive surgery market. The instability in that market is expected to adversely impact 2001 results as compared to prior expectations, as will the payment of patent royalties to **VISX, Incorporated**, pursuant to the settlement agreement reached by the parties and announced in a separate news release.

Commenting on the company's revised expectations for 2001, William Carpenter, Bausch & Lomb's chairman and CEO said, "While our expected results for 2001 will be impacted by period costs associated with restructuring initiatives, the impact of adopting SFAS No. 133 and the settlement with VISX, a major factor in our revised expectations is our

concern over the state of the refractive surgery market in the U.S. There is no question that a number of corporate providers in the U.S. are reigning in their plans to upgrade equipment or add new centers in order to preserve capital. There is also evidence that the number of procedures performed in the market slowed at the end of 2000 as consumers held off on expensive elective surgical procedures, reflecting the overall slowdown in the U.S. economy. Although we believe these issues are short-term in nature, at this point we believe it is only prudent to be very conservative in our estimates for our U.S. refractive surgery business. Worldwide, consumer interest in refractive surgery is stronger than ever, and outside the U.S., where we have the leading position, the refractive surgery market is continuing to enjoy robust growth. Longer term, the refractive surgery market will continue to be fueled by advancements in technology that improve procedural outcomes. Accordingly, we will concentrate our efforts in 2001 on commercializing our Zyoptix technology for customized refractive surgery. We will also maintain our strategy of investing to support our key new products for contact lens wearers, and most importantly, we will more than double our investment in 2001 to support clinical and market studies for our Envision TD technology for treating retinal and other diseases of the back of the eye. These are the most important long-term growth opportunities for Bausch & Lomb, and we must and will continue to fund them appropriately to realize their tremendous potential."

In the announcement of the settlement and license agreement with VISX, B&L said that under the terms of the agreement, VISX had licensed its patents relating to refractive excimer lasers, including its United States Patent No. 5,108,388 (Trokel), to Bausch. As consideration, Bausch had licensed its patents relating to refractive excimer lasers to VISX and will pay a royalty to VISX for each procedure performed in the United States using Bausch & Lomb's refractive laser. Neither party has licensed to the other any patents relating to wavefront diagnostics. In accordance with the terms of the Settlement and License Agreement, the parties will file a stipulated order dismissing the patent infringement action filed by VISX against Bausch & Lomb in September 2000 in the United States District Court for the District of Delaware. Under the agreement, all other terms and conditions are confidential. (What was left unstated was the size of the royalty payment from Bausch to VISX for each procedure done on a B&L laser. Dave Therkelsen of **Dain Rauscher Wessels** speculated that the amount was probably about $50, allowing B&L to retain some ongoing income stream from its lasers.)

In the Catarex acquisition announcement, B&L said that they had signed a Letter of Intent to acquire the assets of Optex for an initial payment of $3 million and ongoing royalty payment obligations upon product commercialization as described in the existing Development, Supply and License Agreement between Bausch & Lomb and Optex. The Letter of Intent provides that Bausch and Optex will negotiate in good faith a binding Asset Purchase Agreement pursuant to which Bausch would purchase the assets of Optex for $3 million payable at closing, $1 million of which would be fully creditable against future royalty payments at a payout rate to be determined. In addition, Optex would be

entitled to receive additional consideration pursuant to the Agreement, namely $1 million once Bausch receives regulatory approval to market the Catarex device in Japan, minimum royalties, and a royalty on net sales. Finally, Optex would also have the option to repurchase the acquired assets from Bausch if it abandons the Catarex project. The existing Agreement would be terminated upon the signing of a binding Asset Purchase Agreement.

In a conference call with analysts and investors, Carpenter warned of a "bumpy road ahead" for the short-term. "Clearly, as we have gone through the second half of 2000, we've hit a hit a pretty significant pot hole, blaming in part "unprecedented declines in foreign currency" and a market slow down far beyond its expectations in North America. Overall, we expect growth in the mid-single digits in 2001 and upper single digit growth next year."

According to *Rueters*, Ted Huber, a **Banc of America Securities** analyst, said investors could grow impatient now that Bausch & Lomb "is taking their third set of charges since December 1999. They will probably be concerned whether this is the last shoe to drop. If this business can't deliver more predictable performance, their portfolio of businesses could be broken up or there could be management changes. More than ever, the company must show people that it is capable of meeting earnings estimates in a consistent way." He said the company launched its laser eye surgery business in 2000, with plans to wrest market share from four entrenched companies, including market leader VISX Inc. "They're a late entrant in a crowded field and launched the laser surgery business at a time when the U.S. economy was slowing down. And these are elective procedures that are not reimbursed by insurers, so they are somewhat like consumer luxury goods. And people held back."

In their report on the situation, Ted Huber and Anthony Sterling lowered their estimate for the company based on the deeper lowered headcount and the U.S. economic slowdown. They stated that the previous guidance had called for about $20 million in procedure fees from the company's U.S. refractive business in 2001. They now expect 2001 revenue growth to be slightly below the previous guidance of 10%. Assuming a 2-3% reduction in growth, management was calling for $10-15 million in royalties, but without knowing the size of the royalty payment to VISX, this number will now be significantly lower.

1/5 Chris Shibutani and Tatyana Daniels of **Chase H&Q** issued a research note on **VISX**, following the B&L/VISX settlement announcement. They thought the settlement was "positive", but that the procedure slowdown remained a concern. Some of their highlights:

● This is a positive event for VISX as it allows the company to collect a royalty for every procedure performed in the US on a B&L laser, reaffirming the core of VISX's value.

However, we do not yet know how positive, as the company did not disclose how much the royalty is. This is similarly negative for **Bausch & Lomb**, **Nidek** and **LaserSight**.

● We have long viewed the VISX patent position as superior to B&L's and have thought the likelihood of a settlement was moderate to high; a thesis supported by the PTO's favorable re-examination of the '388 patent back in September. That said, we do not expect near-term financial upside to VISX to be significant, particularly in view of B&L's current modest share within an industry with decelerating procedure volume growth. We estimate B&L could gain perhaps 3% of procedures in 2001, which we estimate to be 1.5 million procedures, growing at 13% Y/Y.

● We continue to believe procedure growth has slowed dramatically industry-wide, and we believe the trend will continue through 2001.

● The meaningful upside is if VISX could eventually receive royalties from the 15% of the market that VISX and Alcon's Summit Autonomous do not have.

● Further, this reduces the need for B&L to buy VISX, and therefore the premium that B&L might pay for VISX. However, VISX's leadership position remains a potentially valuable strategic asset for B&L, and we believe B&L could still potentially acquire VISX because of the company's price.

● Net, net we view this as an incremental positive for VISX, but not significant enough to mitigate the continuing impact of dramatically declining rates of procedure growth throughout the LVC market. Thus, we maintain our Market Perform view on the stock.

Ted Huber and Anthony Sterling of **Banc of America Securities** also provided their take on what this meant for VISX:

* VISX announced that it had come to terms with Bausch and Lomb regarding its patent infringement law suit. As part of the settlement, VISX has dropped its suit charging that BOL infringes the Trokel '388 patent. VISX's consideration will include an undisclosed per procedure royalty and licenses to certain BOL refractive patents.

* The agreement has minimal near-term financial impact on VISX given BOL's late arrival in the U.S. excimer laser business and small base of lasers. Assuming the most generous assumptions, we do not believe this agreement will contribute more than $0.04 per share to VISX 2001 cash flow.

* However, the agreement is important because it gives VISX another card to play in its pending litigation with Nidek. The outcome of this expected 4Q01 trial is still very uncertain but evidence of licensees strengthens VISX's case.

* Today's news marginally improves confidence that VISX's $100 royalty fee will survive for the long term. But BOL's comments today also add to concerns about slowing 2001 procedure growth. This risk drives our current Market Perform rating on VISX shares.

1/5 **KeraVision, Inc.** said it had received a Nasdaq "staff determination letter" indicating that the company's securities may be delisted from the Nasdaq National Market as of January

10, 2001. The company has requested a hearing before the Nasdaq Listing Qualifications Panel to review the staff determination.

1/5 **Taglich Brothers, Inc.** initiated coverage of **LCA Vision** with a "speculative buy" rating. Its key considerations included:

- LVC is currently the most rapidly growing surgical procedure in the U.S., with industry sources projecting a 55% increase in 2000 over 1999, and a 33% increase in 2001. Statistics show that 1.5 million procedures will have been performed by the end of 2000, representing only a 3% penetration of the overall laser vision correction market.
- Demographic trends show an aging baby boomer population which suggests a growing market, with the long-term outlook remaining positive.
- The intense pricing environment should be short-lived, as many competitors can not operate profitably at current levels. LCA-Vision is positioned to survive the price war as they exhibit a strong balance sheet consisting of almost $40 million in cash and investments, virtually no debt, and $10 million in an unused bank line of credit.
- The past year saw LCA's market share increase by 4.2% from 3.5% of the laser vision market, and its fourth quarter procedure volume grew 92% over the previous year's quarter (but only 0.5% sequentially!).

1/8 A possible treatment for the estimated 272,000 Americans who suffer from the potentially blinding disease of keratoconus will be the subject of a new clinical feasibility study approved by the FDA. In a joint announcement, **Clinical Research and Statistics (CRS)**, a Scottsdale-based physician research group, and **KeraVision**, said the study will initially involve 20 keratoconus patients at four U.S. centers, with possibly more patients and centers to be added subject to FDA review and approval of initial clinical results.

Under the FDA's conditional approval of an "Investigational Device Exemption," CRS surgeons will be able to test whether the prescription inserts can improve patients' vision by strengthening and reshaping corneas that have been damaged by keratoconus.

"CRS believes the INTACS technology may fill a gap for the estimated quarter-million Americans who are ineligible for other vision-improving treatments because of their thin, misshapen corneas," said Charles Casebeer, MD, CEO and Medical Advisor of Clinical Research and Statistics. "Prescription inserts may be the answer since they are designed to normalize the curvature of the cornea and do so in a way no other technology can -- without removing tissue or further weakening the corneal structure." KeraVision chairman and CEO Thomas Loarie said, "The CRS study may pave the way for INTACS prescription inserts to be used in therapeutic applications, which would be in addition to the refractive applications previously approved by the FDA. KeraVision is delighted by their effort to improve the lives of a medically underserved group, including possibly reducing or eliminating the need for corneal transplants in severe keratoconus cases."

The initial keratoconus feasibility study will be conducted at four CRS-affiliated clinical sites. These include the Eye and Ear Institute at the University of Pittsburgh, Jules Stein Eye Institute at the University of California-Los Angeles, Nevyas Eye Associates/Delaware Valley Laser Surgery Institute of Bala Cynwyd, PA, and Lasersight Eyecare Medical Group, Inc., of Santa Barbara, CA.

The keratoconus study is the first of three studies that the CRS physician group want to conduct for INTACS prescription inserts. The group next plans to seek FDA approval to use prescription inserts to treat LASIK patients. Potential LASIK-related applications for the KeraVision technology include treating people with post-LASIK complications such as corneal thinning, undercorrection and visual regression - that is, cases where prescription inserts might be used to reshape a damaged cornea. Also included in a second study could be people with severe myopia who might be treated with a combination of LASIK and prescription inserts in order to limit surgical ablation to the cornea - a key advantage of the INTACS product. Subject to FDA approval, a proposed third study would explore the use of INTACS inserts in treating glare, halos, starbursts, decentered laser ablations and several other post-LASIK complications.

Physician-sponsored clinical studies of INTACS inserts for keratoconus have been underway in Europe since 1997, followed in January 2000 by a KeraVision-sponsored clinical study. Early clinical results reported at major international medical meetings have been encouraging, although limited and preliminary. The company plans to apply this year for formal "CE mark" approval to allow sales of INTACS inserts for keratoconus throughout the European Union.

1/8 According to *OptiStock*, on November 15th, Dr. Paul van Saarloos filed a complaint with the Western Australian Industrial Relations Commission against **Q-Vis Ltd.** alleging unfair dismissal. Dr van Saarloos is claiming re-instatement and/or compensation from Q-Vis in respect of his dismissal. Dr. van Saarloos was the managing director of Q-Vis until its market listing in July; he is also the inventor of the company's excimer and solid state refractive lasers, according to the complaint.

Also according to the complaint, Dr van Saarloos was the second Q-Vis senior executive to take legal action against the company. Simon Gordon, another former member of the company's management, with significant knowledge of the refractive laser industry, has commenced proceedings against Q-Vis in the Supreme Court of Western Australia for wrongful dismissal and contractual entitlements and also in the Western Australian Industrial Relations Commission for unfair dismissal.

A request has been made for a statement from the company about these matters.

1/8 Laura Johannes and James Bandler, staff reporters of *The Wall Street Journal*, gave their take of the **Bausch & Lomb** pre-announcement, and of the slowdown in the refractive

surgery market, in a piece entitled, "Slowing Economy, Safety Concerns Zap Growth in Laser Eye Surgery". "...growth in the laser eye-surgery market has come to a screeching halt after five giddy years of expansion. Concern about side effects and efficacy are mounting. Also to blame is the slowing economy. The surgery generally costs from $1,000 to $2,500 an eye and isn't covered by insurance. "Clearly we're seeing consumers saying that since it's an elective surgery, postponing it is something they can do," says William Carpenter, chief executive of Bausch & Lomb Inc." Carpenter firmly believes the market for eye-zapping equipment will rebound as the economy improves. Irving Arons, of **Spectrum Consulting**, Peabody, Mass., predicts the number of surgeries will begin growing again soon and finish the year up by 50%.

John Klobnak, chief executive of **Laser Vision Centers Inc.**, a St. Louis company that runs a chain of some 320 surgery centers, says he believes an industry shakeout is due. "We think there is only room for two or three corporate competitors, and the consolidation is going to happen within the next 12 months," says Paul Doneshrad, chief executive of **Aris Vision Inc.**, a closely held Los Angeles chain of surgery centers. Aris has agreed to buy **ICON Laser Eye Centers Inc.** of Toronto and a controlling interest in **Gimbel Vision International Inc.**, another Canadian chain with U.S. operations, at undisclosed terms. The average price of eye surgery was about $1,700 an eye last year, down from $1,800 to $1,900 in 1999, says Spectrum's Mr. Arons. However, the discounts sometimes came at a cost of poorly trained doctors and less follow-up care. A growing number of patients suffered poor results, such as blurry vision that is uncorrectable even by glasses or contacts. Malpractice lawsuits mounted.

Doyle Stulting, a professor of ophthalmology at Emory University in Atlanta, says that at the best centers, serious complications occur in only a half-percent of patients. However, in the hands of ill-trained operators, as many as 15% of patients will be unhappy with the results, he says.

Lehman Brothers analyst Kenneth Goldman predicts that after an industry shakeout, the players left standing will enjoy strong demand. In five years, he says, "there's no reason to think that someone 30 years old is going to be wearing a pair of glasses with coke-bottle lenses."

1/9 **Nidek Co., Ltd.** announced that it had filed a complaint in U.S. District Court in San Francisco, California, against **VISX Inc.** for infringement of U.S. Patent Nos. 5,445,633; 5,624,436; and 6,136,012. The complaint alleges that VISX's Star excimer laser systems infringe the Nidek patents which cover fundamental and advanced technologies required to carry out laser vision correction. U.S. Patent No. 5,624,436 covers calibration techniques, and has an equivalent Japanese patent, currently the subject of litigation instituted in Japan by Nidek against VISX's Japanese distributor.

Nidek is seeking monetary damages for past infringement and at least a permanent injunction to prevent VISX from further manufacture and sale of infringing excimer laser systems. Nidek also alleges that the infringement by VISX is willful and is seeking treble damages as well as attorney fees.

A quick reading of the patents indicates the subject matter to be:

5,445,633 -- issued August 29, 1995, "Ablation apparatus for ablating a cornea by a laser beam". "to provide an ablation apparatus for ablating a cornea by a laser beam to obtain a smoothly curved surface of the boundary between the ablation area and the non-ablation area (the transition area) and also to obtain a corneal epithelium regeneration smoothly".

5,524,436 -- issued April 29, 1997, "Laser beam and ablating apparatus and related method". "to provide an apparatus for ablating by laser beam and an ablating method using the apparatus, capable of easily correcting change of the ablation rate".

6,136,012 -- "Apparatus for operation on a cornea". "use of a slit aperature having a varialbe slit width for restricting the irradiation area of the laser beam to allow controlled correction of astigmatism, both myopic and mixed".

1/9 **NovaMed Eyecare, Inc.** an owner and operator of practice-based, single-specialty ambulatory surgery centers (ASCs), is well-positioned for continued growth in the $47 billion U.S. eye care industry, Stephen Winjum, chairman, president and CEO told the **JP Morgan H&Q Healthcare Conference** in San Francisco. A key factor in NovaMed's outlook, Winjum noted, was its success in acquiring, developing and operating practice-based, single-specialty ASCs in its six core regional markets across the United States. "Our business model and growth strategy are both focused on continuing to find ways to further leverage our highly productive and profitable surgical facilities."

NovaMed's 15 ambulatory surgery centers would make it the fourth-largest ASC owner and operator in the U.S. and one of the largest in the eye care industry. The company's surgical facilities also include 14 practice-based laser vision correction centers and five fixed-site laser services installations. Surgical facilities accounted for 29% of NovaMed's consolidated net revenues for the 12 months ended September 30, 2000, but nearly 66% of its segment operating earnings for that period, with operating margins of nearly 40%. During that period, more than 43,000 eye surgery procedures were performed in NovaMed's facilities, up notably from 31,000 procedures in calendar year 1999. "NovaMed is well-positioned to capitalize on the three compelling factors driving eye care industry growth," Winjum said. "These factors -- growth in freestanding outpatient surgery, the aging of the U.S. population and growth in refractive surgery -- complement our surgical facilities-focused, regional density business model, which accommodates the

growing demand for both refractive surgery and the treatment of complex vision conditions, such as cataracts and glaucoma."

The growth in freestanding outpatient surgery is expected to continue, Winjum noted. Ophthalmic surgeries account for approximately 27% of the estimated 6.7 million surgical procedures performed in ASCs in 2000, a number projected to grow by approximately 7% annually through 2006, when 9 million ASC surgical procedures are projected.

1/9 **Premier Laser Systems, Inc.** announced that it had suspended negotiations with **Pro-Laser Ltd.** for the purchase of its EyeSys corneal topography business unit and the planned merger between the companies. Premier's chief executive officer Robert Mosier stated, "The parties could not reach agreement on the proposed terms of these transactions. Premier, through its financial advisor, **The Magnum Group, Inc.**, had been in contact with a number of companies that were interested in the EyeSys asset, as well as additional companies that would like to pursue merger discussions." Premier intends to place the EyeSys asset into a sealed bid auction process with a minimum opening bid being at least $1 million.

Premier filed for Chapter 11 protection in March of 2000. Since then it has been disposing of certain assets and seeking a merger partner. Premier and Pro-Laser had entered into a letter of intent last September for Pro-Laser to acquire the EyeSys business unit from Premier. ProLaser had also signed a letter of intent to merge with Premier in October 2000. Premier intends to continue its efforts to sell EyeSys and its remaining assets as well as seek a merger partner.

1/10 **Allergan, Inc.** announced that it had signed an agreement with **Photochemical Co., Ltd.** for the right to develop and commercialize ATX-S10, a light-activated modified porphyrin compound used for photodynamic therapy of age-related macular degeneration. In pre-clinical testing, ATX-S10 has shown promise in the treatment of choroidal neovascularization (irregular blood vessel growth in the back of the eye), a condition associated with age-related macular degeneration. Furthermore, in the pre-clinical testing conducted, the ATX-S10 treatment regimen exhibited highly focused tissue selectivity capabilities that may, if validated in the forthcoming clinical trials, favorably impact the therapeutic results. "The in-license of this dynamic technology represents a significant further commitment by Allergan to establish a robust presence within the retinal disease arena and to provide additional depth to our already strong new product pipeline," said David Pyott, president and CEO of Allergan. "To date, medical alternatives in this debilitating disease area have been extremely limited. Allergan very much looks forward to pursuing the clinical development of a technology that will address this large, under-served market."

1/10 The January issue of *Refractive Market Perspectives* highlights two stories: a breakdown of the laser centers by type; and a new forecast for U.S. procedure growth for 2001. According to Dave Harmon, sales of almost 500 new excimer lasers in 2000 exceeded expectations, and about 27% of U.S. laser centers now own more than one laser. According to his count, at the end of 2000, there were 398 corporate centers, 170 institution centers, and 488 surgeon-owned centers, for a total of 1,056 operating centers in the U.S. This compares to 725 in 1999, for a net gain of 331 centers during the year. The newsletter contains a breakdown of the corporate centers by publicly held and private corporations, including both fixed sites and mobile lasers (of which there are now 63 of the 398 total). A very interesting analysis.

As for the prediction for procedure growth for 2001, Harmon expects a further slowdown, with a projected growth rate of about 30%, to give 1.8 million procedures this year. Although final 2000 numbers are not yet in, he believes that the growth in 2000 was only about 47%, giving just under 1.4 million procedures last year. In a table, he forecasts a 27.6% increase in installed lasers (from 1,357 to 1,732) and a 23.1% increase in laser centers (from 1,056 to 1,300), while the number of refractive surgeons will increase 10.5% from 3800 to 4200.

1/11 **Lasik Vision Corp.** announced that its Board of Directors had agreed to rescind the non-brokered private placement to John Porter, an outside director of 3,125,000 units at $0.80 per unit announced on December 5, 2000 and which was about to be completed. The sum of $2.5 million previously advanced by Porter will, subject to the approval by the Exchange, be represented by a Secured Convertible Note, repayable on January 10, 2003 to the extent not previously converted. Interest at the rate of 20% per annum, compounded monthly, will accrue and be payable at maturity on any portion of the Note not converted. The Note will be convertible in whole or in part, at the holder's option at any time up to January 10, 2003, into Units, each Unit consisting of one common share and one share purchase warrant, at a price of $0.38 per Unit. Each warrant entitles the holder to purchase one common share at the price of $0.38 until January 10, 2003.

The company has received the first tranche of $1.5 million, part of the $7.0 million private placement to Porter. Neville Fridge has been appointed as president and CEO, replacing Dr. Hugo Sutton who remains chairman of the Board of Directors.

1/11 **TLC Laser Eye Centers Inc.** announced its fiscal second quarter results for the period ended November 30, 2000. As previously reported, more than 27,100 paid laser procedures were performed at TLC refractive centers in the second quarter, representing a 12% decline from the same period a year ago. TLC's second quarter refractive net revenues were in-line with paid procedure volumes, totaling $35.6 million. Total net revenues for the quarter were $38.4 million. TLC's net loss before restructuring charges was $13.4 million (35 cents per share). This compares to a net profit of $1 million (3 cents per share) reported in Q2-00. TLC reported on October 25, 2000, that it intended

to exit from its eye care e-commerce enterprise, **EyeVantage.com Inc.** As contemplated, TLC took one-time charges in its fiscal second quarter of $14.6 million. For the 2000 second quarter, the net loss after the restructuring charges was $28 million (74 cents per share). TLC remains well capitalized with a cash position of $61.5 million reported at the end of Q2-01.

Elias Vamvakas, TLC's chairman and CEO commented that, "recent statements from other industry participants, both service providers and laser manufacturers, have echoed what we've been saying for sometime now. The market is hyper competitive and characterized by a great deal of consumer uncertainty over pricing. While too early to predict with any degree of certainty, this turmoil seems to have reached its climax during our second quarter. Now, almost alone in our refusal to compete primarily on price, TLC's positioning and commitment to providing the highest level of care and the best clinical results will leave us well placed strategically for the future."

1/12 **Laser Vision Centers, Inc.** reached a settlement with the FDA, of the administrative complaint filed in April 2000. The complaint against the company and four of its executives related to the prior use of so-called "international cards" software that enabled its excimer lasers to be used to perform laser eye surgeries for higher myopia cases (greater than -6.0 diopters) than what was initially approved by the FDA. The FDA ultimately approved the use of an excimer laser for higher myopia cases in January 1998. Many ophthalmologists have taken the position that FDA restrictions on physicians' use of laser equipment through software control -- rather than the traditional means of labeling -- deny physicians the flexibility to treat individual patients as the physician deems medically necessary, and represent an unwarranted intrusion upon physicians' rights to practice medicine according to their best medical judgment.

Under the terms of the settlement agreement, the company and the four executives will pay a total of $1.5 million to settle all claims in the Complaint. The FDA had sought payment of as much as $5 million. The settlement contained no finding of any wrongdoing on the part of the company or any of its executives. A company spokesperson stated that the company was disappointed to have been "singled out" by the FDA on a matter that was clearly widespread and in use by nearly every laser operator and surgeon performing refractive surgery at the time. The company believes that in bringing the proceedings, FDA acted in a manner inconsistent with its stated guidelines which provide for the agency to issue warning letters to alert individuals that a practice may not be in accordance with FDA's standards. Given the lack of customary warnings, the fact that other laser operators engaged in the same practice were not the subject of FDA enforcement and other mitigating circumstances, the company believes its defenses to the proceedings had substantial merit. Despite the perceived strength of its case, the company determined that the time and expense of pursuing the initial administrative civil trial, and a possible appeal, could have been more than the cost of the settlement and would have been a significant distraction to management. In view of the very critical

issues faced by the company the board of directors concluded that it was in the best interests of the company and its shareholders to resolve the matter by this settlement.

1/15 **ICON Laser Eye Centers, Inc.** announced that 23,461 LASIK and/or PRK procedures were performed at ICON wholly-owned and affiliated centers during the fourth quarter of 2000. This figure represents an approximate 144% increase over the 9,614 LVC procedures performed in the fourth quarter of 1999. (But only a 2.1% increase over the third quarter of 2000.) "ICON is very pleased with the significant procedure growth that we experienced in 2000," said Simone Mencaglia, president and CEO of ICON. "Our Value LASIK model allowed us to swiftly enter into new North American markets, further establishing the ICON brand as synonymous with excellence at an affordable price." In its drive toward profitability, ICON continues to pursue operational efficiencies, while its accelerated expansion program has firmly positioned them among the largest LVC providers in the world. "We look forward to further increasing our world market position and achieving our ultimate goal of sustained profitability in 2001," added Mencaglia.

For the year, ICON performed 84,872 LVC procedures, up approximately 230% from the 25,831 procedures performed in 1999. ICON performed 7,814 procedures in the month of December 2000, up from 2,957 procedures during the same period in 1999. With its holidays, December is traditionally a slow month in the LVC industry.

The company also announced that it had made an offer to purchase all of the outstanding shares of **Lasik Vision** for 60 cents per share, representing 50% premium to the Monday, January 15, 2001 closing price for Lasik Vision common shares of $0.40. Some additional conditions included:

1. at least 51% of Lasik shares being tendered to the ICON offer;
2. termination of the announced private placement by Lasik Vision director John Porter;
3. restructuring of Lasik Vision's indebtedness on terms satisfactory to ICON;
4. ICON being satisfied with the results of its due diligence of Lasik Vision; and
5. The waiver by Lasik Vision's board, or other termination, of its shareholders rights plan.

ICON concluded tht it believed that its offer was superior to the Porter transaction for Lasik Vision shareholders, which would result in granting control of Lasik Vision to an insider for $7 million. In announcing the offer, Ghassan Barazi, CEO of ICON, stated that, "the combination of the two North American leaders in the `Value Lasik' model wouls deliver significant operating synergies both through the elimination of duplicative overheads, including head office, call center and marketing and advertising costs, and enhanced brand marketing. The combined entity would have a total of 69 laser vision correction centers prior to the closing of a small number of overlapping clinics in highly competitive markets. ICON also planed to introduce its `Value Lasik' model of operating

cost controls to the Lasik Vision centers. The larger critical mass would provide a platform for future growth. These would result in greatly increased shareholder value for both ICON and Lasik Vision shareholders."

ICON also announced that it and **Aris Vision, Inc.** of Los Angeles had agreed to terminate their proposed merger. Neither party will have any obligation to the other as a result of the termination of the merger, except for ICON's obligation to repay U.S.$1 million borrowed from Aris. The parties are presently negotiating the terms of repayment.

1/16 **Laser Vision Centers** announced that it had completed its acquisition of **O.R. Providers, Inc.** of Twinsburg, Ohio, a privately held company that provides mobile cataract services in Ohio, Indiana, Tennessee, Kentucky and Michigan. LaserVision, through its **Midwest Surgical Services, (MSS) Division**, is the world's largest provider of mobile cataract services. This acquisition expands LaserVision's cataract business into 39 states and adds twenty-four locations. LaserVision stated that it expected the acquisition to be immediately accretive. Chairman and CEO, John J. Klobnak, said, "Our acquisition of O.R. Providers supports our objective to expand our cataract business. A strong cataract presence provides LaserVision with more leverage in both our cataract and laser refractive surgery business. We continue to believe we will be the consolidators in the mobile cataract business. This brings our acquisitions to 5 since 1998 and we continue to evaluate additional M&A options."

1/16 **SurgiLight** announced that it had concluded an Agreement to provide the company with up to $30 million of standby equity based financing from **St. Annes Investments, Ltd.**, an institutional investor. The deal provides SurgiLight with the right, but not the obligation, to issue shares when it wishes over the next eighteen months, subject to certain monthly maximum and minimum amounts up to a maximum of $30 million. The draw-downs are subject to the filing of a registration statement with the Securities and Exchange Commission covering the resale of the shares. Pricing will be based upon the volume weighted average price of the company's stock during the investment period. JT Lin, president and CEO of SurgiLight, said, "This standby equity based financing will give us the flexibility to issue equity when needed to finance the expansion of the company and in particular the clinical trials of its new IR-3000 laser system for presbyopia correction and the marketing of its FDA cleared EX-308 laser for psoriasis treatment. We expect that draw-downs under the committed equity line will commence in the early part of 2001 after the registration of the shares becomes effective."

1/16 **KeraVision** announced that it was taking additional steps to conserve cash. Saying that it was committed to supplying its surgeon-customers with INTACS micro-thin prescription inserts, the company unveiled additional steps that were designed to conserve cash and allow product development activities to continue. The company said it began a workforce reduction of 38 employees, or 76%, in order to maintain a tightly focused

core group of 12 employees. Most senior management positions were eliminated as part of the workforce reduction. KeraVision chairman and CEO Thomas Loarie said, "We are pleased with the results of the integrated test market program that was launched last September. In both San Diego and Green Bay we have seen consumer interest and revenues build for INTACS inserts. Unfortunately, KeraVision has not been able to raise the additional cash needed to continue or expand the test market program. With the growing interest in potential therapeutic applications for INTACS inserts, including possibly treating LASIK-related night blindness and other LASIK complications that are beginning to receive media attention, we believe this is the time to move to a research and development model. We want to preserve a commercial presence in the myopia market and support the company's surgeon-customer base while also giving these potential new product applications time to develop."

Noting that an infusion of cash would be needed to continue operating or to expand KeraVision's business model into additional markets, Loarie said that the restructuring program was designed to achieve the next best thing. "Our intent is to slowly build KeraVision's myopia business in the U.S. while continuing the clinical study programs that are key to potential new treatment applications for the INTACS insert technology."

The focus of the restructured company will be:

* Myopia -- The company's initial product, INTACS inserts for the largest segment of nearsighted adults (-1.0 to -3.0 diopters of myopia), is already approved by the FDA and available through several hundred specially trained eye doctors across the U.S. KeraVision plans to continue supporting these doctors with product and limited advertising and promotional back-up.
* Myopia for wider treatment ranges -- Patient enrollment is complete for the FDA-regulated Phase III clinical trials involving a wider range of myopia treatment. The company plans to apply in late 2001 or early 2002 for FDA approval for INTACS inserts to treat up to -4.5 diopters -- or roughly about 90 percent of the adult nearsighted market.
* Hyperopia -- KeraVision expects to apply for European Union "CE mark" approval this year for its hyperopia INTACS inserts which have been in clinical studies there since early 2000.
* Keratoconus corneal thinning disease -- This month the FDA approved using INTACS inserts in a feasibility clinical study involving patients with keratoconus, a degenerative corneal-thinning disease that has eluded an effective treatment short of corneal transplants. The study will be independently conducted by Clinical Research and Statistics (CRS), the same physician group that was responsible for FDA approval of the LASIK vision correction technology.
* LASIK repair treatments -- The same physician research group is preparing to apply for FDA approval to study INTACS inserts to treat a wide range of LASIK-related problems, including night blindness, glare, halos, double vision and certain other post-surgery complications.

* Severe myopia -- A potential third CRS-sponsored study would, subject to FDA approval, study INTACS inserts in combination with LASIK to treat people with severe cases of myopia. In this hybrid procedure, INTACS inserts would be used as a complement to LASIK in order to minimize laser ablation to the cornea and provide a zone of safety for in patients' eyes.

1/16 **20/10 Perfect Vision GmbH** reported that preliminary analysis of data collected from refractive treatments on normal eyes using a combination of 20/10 Perfect Vision's WaveScan and the **VISX** STAR S3 ActiveTrak with Variable Spot Scanning (VSS) showed that 100% of the patients achieved 20/20 or better vision. Of those patients, 89% achieved vision better than 20/20 and 44% achieved 20/16 or better vision at the one month follow-up. "This is the first concrete advancement toward a new standard for refractive surgery," said Dr. Frieder Loesel, President of 20/10 Perfect Vision. "Our goal is to raise refractive surgery results well beyond current expectations. The exciting results of these treatments hint at what is possible when you successfully combine accurate wavefront sensing with precision excimer laser shaping."

As reported in October, the 9 patients in this small-sample study had refractive errors ranging from -1.75 to -3.75 D spherical equivalent. The patient's eyes were first measured using the WaveScan Wavefront system, which obtained a WavePrint (a unique "fingerprint") of each eye. The laser then used this information to create a PreVue lens for each eye, allowing the patients to preview their wavefront corrected vision before the surgery took place. All the patients experienced better than 20/20 vision using the PreVue lens. The surgeons then used a VISX STAR S3 ActiveTrak Excimer Laser system with Variable Spot Scanning to perform the surgery. Variable Spot Scanning allows ActiveTrak to treat the specific errors revealed by the WavePrint by using laser beams of various shapes and sizes ranging from less than 1 mm up to 6.5mm.

"The uncorrected vision (UCVA) in 7 out of 9 eyes after surgery was equal to or better than the corrected vision before surgery. Furthermore, no patient lost any best corrected vision (BCVA)," said Doctor Loesel. "This is indeed exciting, since we normally expect that a patient's post-surgery uncorrected vision will only be as good as their pre-surgery best corrected vision. We believe the explanation for these results lies in the ability of the WaveScan to identify higher order aberrations as measured by an Optical Aberration Index, and in the ability of the laser to take this information and create customized ablations to specifically reduce these aberrations in wavefront treated eyes." Patients continue to be treated internationally using this exclusive 20/10 Perfect Vision and VISX technology. Results of these and other ongoing studies will be presented at upcoming professional meetings at Hawaii 2001 and ASCRS in San Diego. Plans for U.S. clinical trials using a similar protocol will be announced in a few months.

1/16 **Lasik Vision Corporation** announced its response to the January 15, 2001 unsolicited takeover proposal made by **ICON Laser Eye Center, Inc.** for all of the outstanding shares

of Lasik Vision for $0.60 per share, payable in common shares of ICON. According to Dr. Hugo Sutton, chairman of the Board, "We have reviewed this unsolicited proposal, which is not a formal offer. If an offer is received, the Board will review that offer and make a recommendation which it believes is in the best interests of shareholders at that time. Our Board is committed to improving shareholder value and we will continue to evaluate and seek all strategic alternatives to maximize shareholder value."

1/17 In an interesting sidelight to the above offer, *The Globe and Mail's* VOX column published a short story about the two discount operators above, with reference to the position it apparently puts **TLC Laser Eye Centers**.

"It's looking grim for **ICON Laser Eye Centers** and its potential merger partner, **Lasik Vision**. But they're just reaping what they've sown. It was they, and a handful of imitators, who undermined the profitability of the laser eye surgery business with their deep discount approach. Now, inevitably, they've become victims of the price war. Amazingly, they cling to the notion the volume approach is salvageable, which, given their balance sheets, confirms they'll disappear before long unless they change their minds. Either way, it's good news for TLC Laser Eye Centers. Having recognized early that the aggressive pricing strategies of its upstart rivals couldn't last, TLC stuck to its guns, maintained its prices and high levels of service, and battened down the hatches. It has done a reasonably good job of it, putting the finishing touches on a restructuring that involved writing off non-core assets, cutting costs and improving efficiencies. With $60-million (U.S.) in cash at last count, TLC is in good shape to weather the last stages of the storm, which will see more consolidation, more bankruptcies and more stable pricing. There are risks, of course, namely that fears of a slowing economy could push consumers to postpone treatment. Surgery volumes fell in the United States in the second half of last year. But TLC says its volumes are beginning to pick up, and it's very feasible that the company will return to profitability within two or three quarters. The potential for laser surgery is huge, and, TLC is the best way to play it."

ICON responded to the article, claiming that the misconceptions that have been created by its high-priced competitors are attempting to confuse consumers about the reasons for different pricing models in the laser vision correction (LVC) industry. Pricing has become a major issue in the LVC industry and its profile has been enhanced recently in light of the offer by ICON to purchase all outstanding shares of Lasik Vision Corporation, ICON's key competitor in the value-priced LVC market. Pricing for an LVC procedure (one eye) varies from US$500 to US$2,000. The LVC industry competitors who charge high procedure fees do so because a substantial portion of their fees are shared with optometrists and others who are paid referral fees, facility fees and manufacturer royalties. For example, in the TLC Laser Eye Centers co-management model, TLC obtains its customers from the optometrist who is paid a substantial referral fee - the TLC model is optometrist-driven marketing, not customer-driven marketing. In

contrast, ICON markets directly to the customer and thereby avoids substantial referral fees. This savings is passed on to the ICON customer.

Furthermore, TLC uses Tiger Woods at a cost of US$2 million per year to market its business. Mr. Woods' fee is paid for by TLC's clients through higher procedure costs. ICON employs a broad-based direct marketing program rather than high-priced celebrity endorsements. Again these savings are passed on to the ICON customer. In the last 12 months of reported financial results the following is demonstrated in comparing ICON with TLC Laser Eye Centers:

	TLC Laser Eye Centers	ICON
Average revenue per procedure	US$1,446	US$529
Total cash costs per procedure	US$1,507	US$494
EBITDA per procedure	(US$61)	US$35

High-priced competitors would have the public believe that a higher price is charged because the medical quality of the procedure is higher. Ghassan Barazi, president of ICON, stated: "This is nonsense. We provide excellent care at an affordable price. We do a substantial number of procedures at each laser eye center and therefore our surgeons have more experience in performing these procedures. The difference in the procedure fee is not because of medical quality but in how the procedure fees and facility fees are shared." In the past 12 months of reported financial results, TLC had a US$45 million loss representing 24% of its US$187 million in revenue compared to ICON's US$3.7 million loss representing 10% of its US$37.5 million in revenue.

It is clear from the numbers stated above that TLC, not ICON, is charging below cost on each procedure. ICON is generating positive cash flow (EBITDA) on each procedure and TLC has negative EBITDA per procedure. Even though TLC has average revenue of US$1,446 per procedure compared to ICON's average revenue of US$529, it is TLC, not ICON, that is generating negative EBITDA and this is because of TLC's business model where it has to share so many fees -- fees that are paid by the consumer. Barazi stated: "At the end of the day unfortunately for TLC their model will have to change because we offer the consumer a choice to deal directly with their LVC provider and to pay less for the procedure. While TLC does not welcome the competition as it robs them of market share, we welcome the competition -- we want the consumer to make the choice. This is the reason why we have made a takeover bid for Lasik in order to create a stronger Value Lasik competitor in the LVC industry. This objective is good for consumers as well as the shareholders of Lasik and ICON."

1/17 **VISX** announced financial results for the fourth quarter and twelve-month period ended December 31, 2000. Revenue for the quarter was $42.5 million compared to $75.1

million for the comparable period of the prior year. The net loss was $528,000 (1 cent per share) compared to net income of $25.8 million (38 cents per share) in the comparable period of the prior year. Proforma net income, excluding the $18 million fourth quarter increase in reserves against accounts receivable and other assets due from customers, was $0.17 per share. Commenting on the announcement, Mark Logan, chairman and CEO of VISX, stated, "Although the fourth quarter was a difficult one, we are optimistic about our industry and the positive effect physicians using VISX systems continue to have on the lives of consumers. At least two-thirds of the approximately three million total U.S. procedures performed to date have been VISX procedures. We are the technology leader with the most recently FDA-approved laser system, the VISX STAR S3 ActiveTrak. Our R&D pipeline is full, and we have the resources, both financial and human, to move new products and innovations to the marketplace."

Revenue for the twelve-month period was $200.2 million compared to $271.3 million for the prior year. Net income was $35.2 million (55 cents per share) for the year, compared to net income of $91.8 million ($1.35 per share) for the prior year.

A closer look at the income statement shows that system sales for the fourth quarter were down 46% from the same quarter a year ago, but up a little from the third quarter; while licensing and service revenues were down 73% from last year's fourth quarter and 12% from this year's third quarter (primarily the result of the drop in per procedure fee from $250 to $100, along with a drop in procedures performed on VISX lasers).

As Logan put it during the analyst teleconference, "2000 was a challenging year...as third and fourth quarter results were disappointing, being the first to feel the downturn in the U.S. economy." He felt that growth in the industry would resume, hopefully during the 1st or 2nd quarter of 2001. The company sold 49 lasers during the fourth quarter, but wouldn't break down where these were placed, in the U.S. or overseas. (Our guess is that 25 were placed in the U.S. and 24 went overseas.) The company also converted 35 laser systems from the S2 to S3 configurations during the quarter (at $100,000 each), and expects to do double that in Q1 '01. They expect to convert between 350 - 400 systems this year. The average selling price for a new S3 is currently running about $235,000. VISX management expects that there will be between 1.6-1.7 million procedures done in the U.S. this year. (Compared to the 2.2 million I've forecast, and the 1.8 million forecast by Dave Harmon of **MarketScope**.)

The following day, Ted Huber and Anthony Sterling of **Banc of America Securities** released their take on the VISX announcement. They said:

* VISX reported Q4 EPS of $0.17 (excluding an $18 MM charge) vs. $0.38, in line with the company's pre-announcement on 12/26.
* We calculate that VISX procedure volumes were 220,000, down 14% sequentially and up only 18% y/y. This key operating result is significantly worse than our expectation for

a low-single-digit decline and indicates accelerating market share losses for VISX and broader laser vision market weakness.
* VISX's management is now guiding investors to expect EPS of $0.17-0.19 for 1Q01 and $0.80-0.85 for 2001. This guidance assumes market procedure volume growth in the 20% range and comparable growth in VISX procedure fees and licensee revenue.
* Our operating assumptions continue to be more conservative than the company's and are in line with recent performance. We look for a 1% year over year decline in VISX's 2001 procedure volume, assuming it loses share in a 15% growth market.
* We are adding a penny to our 1Q01 EPS estimate of $0.16. Our $0.74 full year 2001 EPS estimate remains unchanged. We are lowering our 2002 EPS estimate to $0.86 from $1.04 to reflect 15% EPS growth from $0.74.
* We continue to rate VISX shares Market Perform. We believe VISX's shares are fully valued at 9.5x 2001 projected cash flow, a slight premium to VISX's peer group of other lower growth/lower EPS visibility medical device stories.

Chris Shibutani and Tatyana Daniels of **JP Morgan H&Q** (the new name for the former **Chase H&Q**), also put out their VISX update report. They noted:

* VISX reported 4Q00 EPS a penny above our reduced expectations but fell short of our revenue estimate, reporting revenues of $42.5 million and EPS of $0.17, versus our estimates of $45.8 and $0.16, respectively.
* Top line short fall appears to have been driven by disappointing results in procedure driven licensing revenues. We estimate VISX's annual procedure growth rate was only 25% as procedures declined 8% sequentially; coming in below our recently reduced estimates of 31% annual growth with 4% sequential decline.
* Though the company placed a total of 49 lasers in the quarter, slightly below our estimate of 55, results from the first quarter of STAR S3 system upgrades were stronger than our expectations. VISX reported placing 45 upgrades (?), well ahead of our 30 system estimate; helping to bring total system sales revenue in-line with our overall estimate.
* With the expectation that a more challenging economic environment will continue to dampen the rate of procedure growth within the U.S. LVC market, management tempered guidance on the 2001 EPS outlook, citing a range of $0.80 - $0.85. We thus lower our estimate for 2001 EPS from $0.89 to $0.80, consistent with our modest expectations for procedure growth industry-wide and view that VISX is vulnerable to erosion of their current share.
* We continue to believe investors should step aside from VISX shares due to the slowdown in the LVC market and reiterate our Market Performer rating on VISX shares.

1/19 **Lasik Vision Corporation** announced that following discussions between the company and one of its external directors, John Porter, the private placement announced on December 6, 2000 in terms of which Porter subscribed for 3.125 million shares to the value of $2.5 million and warrants to acquire an additional 3.125 million shares of the

company at $0.80, will not be rescinded as previously announced on January 11, 2001. The company received the full subscription price of $2.5 million from Porter and expects to close this financing shortly.

Porter is also participating in a further private placement announced by the company on January 3, 2001 in terms of which he will provide financing of $7 million comprising $4 million of units at $0.21 per unit (a total of 19.0 million units), each unit comprising of one common share and a warrant to purchase a common share at a price of $0.28 per share until December 31, 2002; together with a further $3 million to be secured by way of a convertible note, to be advanced from time to time to the Company, but no later than 45 days from January 3, 2001.

As a result of the placement, Porter will hold approximately 22 million shares (or 36%) out of a total outstanding of 61 million shares. On a fully diluted basis, assuming conversion of the convertible note and the exercise of all Porter's warrants, but before exercise of any warrants and options held by holders unrelated to Mr. Porter, he would hold approximately 66 million shares (or 63%) out of a total of approximately 105 million shares. The proceeds from the financings will be used to meet current obligations and provide working capital for ongoing operations. Over the past several weeks, the company has renegotiated the repayment and credit terms of its agreements with its key suppliers to provide for deferred payment programs in relation to certain past due liabilities.

As a result of the financings Porter will acquire effective control of the company and, subject to the exercise of warrants and conversion rights, he could acquire absolute control. In these circumstances the policies of the Canadian Venture Exchange (the CDNX) require that the company must obtain shareholder consent to the financing and the company has obtained the written consent to the financing from twenty-two shareholders holding in total 20.616 million shares (52% of the current total outstanding shares of approximately 39 million, excluding shares held by Porter or parties related to him). The company is now awaiting regulatory approval to the transaction by CDNX. Porter has already made an initial advance as part of the financing, in the sum of $1.5 million to the company and the company, subject to regulatory approval being given, expects to receive a further sum of $2 million from Porter immediately.

Upon receipt of Porter's initial advance, pursuant to the terms of the financing and in order to meet the requirements of one of the company's major creditors, Dr. Hugo Sutton stepped down as CEO of the company (remaining chairman of the Board) and Neville Fridge was appointed as president and CEO and a Director.

ICON Laser Eye Centers responded to the above announcement, stating that it believed that the proposed financing arrangement by Lasik with Porter was oppressive and not in the best interests of the shareholders of Lasik. The proposed financing arrangement with

Porter was designed to hand over control to Porter at prejudicially low prices without giving Lasik shareholders an opportunity to review the proposed change of control transaction at a meeting of Lasik shareholders called for that purpose. Any change of control transaction with an insider should be the subject of approval of shareholders of Lasik at a meeting of shareholders with the usual requirement to obtain approval by a majority of the minority shareholders. It is oppressive to attempt to have an insider transaction, especially one that involves a change of control, approved in writing by an inside selective group of shareholders.

ICON management further stated, "Lasik has attempted to solicit the approval of the Lasik shareholders holding a majority of shares in writing, therefore on a very selective basis without holding a shareholders meeting. ICON has obtained a copy of the five-page document sent to selective shareholders. This five page disclosure document consists of a letter to shareholders, a term sheet on the Porter financing and a shareholder consent form. Incredibly, nowhere did the five-page document disclose the Bonus Warrant to Porter. This Bonus Warrant has now been deleted in the recent changes to the proposed financing....ICON further believes that the Porter proposed transaction, being a related party transaction, should be subject to the approval of a majority of the minority shareholders voting at the shareholders meeting. The Lasik press release is also presumptive and pre-emptive of the regulatory oversight of the Canadian Venture Exchange and is therefore misleading in its entirety. ICON is proceeding with its previously announced tender offer to acquire all the shares of Lasik. It has requested Lasik's shareholder list from its transfer agent and proposes to mail the Takeover Bid Circular as soon as practicable after receipt of the list."

1/22 According to *EyeWorld Week*, **Q-Vis Ltd.** announced that the 3-month follow-up data from initial U.S. clinical trials for its Eye:Q solid state 213-nm refractive laser exceeded the FDA's clinical safety and efficacy criteria for refractive lasers. Forty-nine eyes were included in the follow-up. The trial is the first step of the U.S. clinical trial program, in which the company plans to include 500 eyes as part of its application for premarket approval from the FDA.

1/22 **Miravant Medical Technologies** announced that it had signed a non-binding letter of intent with **Pharmacia Corporation** to provide Miravant up to an additional $20 million line of credit. The terms and conditions under which any such funding would be available to the company are subject to further negotiation between the parties.

The company also announced that Pharmacia is currently performing an interim analysis of 12-month patient data from two U.S. phase III clinical trials being conducted to investigate the effects of SnET2 on the `wet' form of age-related macular degeneration (wet AMD). Pharmacia has elected to continue the clinical trials to their 24-month conclusion in December 2001, when a full analysis of safety and efficacy data will be performed. Goran Ando, MD, Pharmacia's executive vice president and president of

research and development, stated, "Our decision to support the pivotal trials through the two-year endpoint reflects Pharmacia's commitment to the SnET2 program. This continuation may benefit the medical community by providing longer-term, controlled treatment data for this very serious eye disease." "Pharmacia's continuing commitment to the SnET2 program demonstrates the value of having a large, global pharmaceutical partner," added Gary Kledzik, chairman and CEO of Miravant.

Data from the 12-month interim analysis will not be made available during the double-masked clinical trials to avoid potential bias to the ongoing study. In regard to other indicators, the trials have been operationally well conducted. The demographic characteristics are well balanced among treatment and placebo groups and are consistent with the objectives of the clinical protocol.

1/22 **Lasik Vision** announced that it had received appropriate approval from the CDNX to close its previously announced $7.0 million private placement to John Porter. Meanwhile, no formal offer had yet been received from the company's competitor, **ICON Laser Eye Centers Inc.** It had been a condition in ICON's announced takeover proposal that Porter's financing be withdrawn, therefore, no formal offer is expected in view of the impending completion of the financing. Neville Fridge, president and CEO of Lasik Vision, stated that the company will now move ahead with the benefit of the new financing and a strengthened management team. He went on to say: "We intend to take the company forward, focusing on the company's most important strengths: its outstanding quality of care, its market position as the provider delivering the largest procedural volumes in North America and its highly competitive cost structure. We believe these strengths will serve the company well, both as a competitor and with the anticipated consolidation which many in the industry expect will occur before the end of the year."

ICON responded saying that it intended to proceed with its offer to acquire all the shares of Lasik Vision Corporation, despite the recent announcement by Lasik that it had "received appropriate approval" from the Canadian Venture Exchange for the proposed private placement financing by John Porter, an insider of Lasik. ICON believes that there are compelling reasons for the Porter Financing to be reviewed at a shareholders' meeting, including the following:

1. The private placement is being made to an insider;
2. The private placement would result in a change of control through the issue of up to 66 million shares; and
3. No information circular containing full disclosure of all material facts concerning this transaction has been provided to shareholders.

ICON believes there should be full disclosure to all shareholders in order to allow independent shareholders to make an informed decision on any consent required for approval of the Porter Financing. ICON has requested that both the CDNX and the

British Columbia Securities Commission review the proposed private placement transaction and the procedures followed to obtain its approval.

1/23 Dr. Mark Cohen, president of the *Canadian Association of University Professors of Refractive Surgery (CAUPRS)*, announced the results of a study assessing the visual outcomes and complications of a new laser eye surgery technique. The study, the largest of its kind, analyzed 26,000 procedures using a new "Total Cornea LASIK" technique. The study demonstrated that recent improvements in technology have eliminated laser-associated night vision problems while other improvements in technique have dramatically reduced complications.

The principal reason for the superior results was due to the fact that the entire cornea was treated: "Older techniques use a fixed excimer laser beam of a maximum 6 mm diameter," explained Dr. Cohen, "but the pupil, the central opening which limits light rays that enter the eye, can enlarge up to 8 mm in diameter in dim light. It is therefore impossible to adequately treat the cornea with a 6 mm laser beam." It is this untreated part of the cornea that can produce decreased night vision and the "halo effect" in dim light. The technique Total Cornea LASIK uses a laser beam that scans the entire surface of the cornea, a process called "scanning spot" technology. As a result, the area treated is larger than the pupil. The treatment is also more uniform and therefore more effective.

The study also demonstrated that new techniques in creating the LASIK flap have almost completely eliminated the major risks associated with the LASIK procedure. One of these complications, called a "free flap", where the flap detaches from the cornea, did not occur once during the 26,000 procedures of Total Cornea LASIK.

1/23 **Gimbel Vision International** announced that the previously announced share exchange between Dr. Howard Gimbel and Judith Gimbel of majority interest in GVI with **Aris Vision, Inc.** was proceeding as planned.

1/24 **Paradigm Medical Industries Inc.** announced that the company had achieved record sales for a single month in December of $1.26 million. "We're very proud of this achievement and look forward to more of this kind of performance now that our flagship product, the Photon Laser System for Cataract removal, is approved for sale in Europe," commented Thomas Motter, Paradigm's chairman and CEO. "The Photon approval in Europe is just one of a number of factors impacting the company's ability to generate record revenues. Our recently FDA approved Ultrasound Workstation for Eye Care combining several systems is proving to be an outstanding success. The company had record orders at the annual *American Academy of Ophthalmology* meeting last October in Dallas. As more of our products are sold an ongoing revenue stream is generated, in some cases exponentially, from the disposable and consumable products they use," Motter stated.

1/24 **LaserSight** provided an update on the planned commercialization of its UltraShaper durable keratome. The company also announced a favorable resolution of litigation related to its License and Royalty Agreement with Luis Ruiz, MD and Sergio Lenchig with respect to keratomes. Upon completion of the company's Quality Evaluation the UltraShaper will be ready for commercial distribution.

Michael Farris, president and CEO of LaserSight commented, "By settling this dispute and extending the terms of the license, we can focus on completing the quality evaluation of our UltraShaper durable keratome and its commercial launch. The UltraShaper represents an advancement in design and technology that should appeal to all refractive surgeons, but especially those surgeons who developed their surgical technique using the previous gold standard Automated Corneal Shaper (ACS). Our market research shows a strong demand for a state-of-the-art keratome that would allow the refractive surgeon to use the more conventional ACS surgical technique. Surgeons had reluctantly moved to other keratomes after the manufacture of the ACS was discontinued." According to **Market Scope's** *Comprehensive Report on the U.S. Refractive Market* (November 2000), there were approximately 1400 ACS units placed worldwide, with 600 of those units in the U.S.

Farris continued, "The patented UltraShaper design improves ease of use, and based on our testing leads to more predictable surgical outcomes. In fact, our current Quality Evaluation Testing of the 160-micron keratome head with an 8.5-mm suction ring, on corneas with K values in the range of 41 to 46, has yielded flaps from 8.0 to 9.0 millimeters in diameter and a hinge size of 5.5 millimeters. The average flap thickness was 155 microns. We are not aware of any other manufacturer publishing clinical data concerning device performance to this standard. With LaserSight's single-design surgeons have not had to utilize multiple suction rings or heads, however, the company does plan to develop an additional suction ring to address the small number of cases requiring a larger diameter flap. The data show that the broad range of K readings did not result in a variation of flap thickness outside of the clinically acceptable range. The results of our testing have confirmed the UltraShaper to be a device capable of meeting the needs of surgeons with ease of use and reliable performance."

Working with refractive surgeons LaserSight was able to develop this advanced design that incorporates advancements into the UltraShaper that address a number of the issues encountered with current keratome designs. The ease of assembly after cleaning has been improved by utilizing a three-piece construction. Drive gears have been recessed to minimize the possibility of lid or lash entrapment, a constant speed drive motor is utilized and the applanation plate has been integrated into the keratome head. The blade angle is 25 degrees. The open design of the keratome head allows the surgeon to observe the creation of the flap. A unique LaserSight patent-pending blade handling and insertion system permits blade inspection and insertion without the blade ever being touched by hands or instruments. This handling system also ensures a more positive blade location

and alignment. In addition, the UltraShaper can accommodate a surgeon's preference by creating nasal and temporal flaps, rather than just the superior flap created by one of the currently popular keratomes. The MicroShape control console utilized with the UltraShaper incorporates operating and safety features not available with prior generation systems. A high and low suction level have been incorporated into the console, allowing use of a lower suction setting during fixation of the keratome on to the globe of the eye. A "low suction" warning prevents the keratome from advancing when the console detects suction below a preset limit.

The UltraShaper is part of LaserSight's MicroShape family of keratome products which, in addition to the durable keratome, includes UltraEdge keratome blades for both the UltraShaper and ACS keratomes, and control consoles. LaserSight's UltraEdge blades are precision ground from surgical grade stainless steel and are cleaned and sterilized utilizing a proprietary process. MicroShape products are utilized to create the corneal flap during a LASIK procedure and have all received FDA marketing clearance. It is currently estimated that approximately 1.4 million LASIK procedures were performed in the U.S. during 2000. The number of U.S. LASIK procedures is anticipated to increase to 1.8 million during 2001 and 2.3 million in 2002. In addition, the international market for LASIK is expected to grow from 1.1 million to 1.7 million procedures during the same period. The total U.S. market for keratome blades is expected to grow to $37 million during 2001. Farris added, "The technology we have brought to the UltraShaper has already been recognized by refractive surgeons who have had the opportunity to evaluate the instrument. We are pleased with the market's acceptance of the UltraShaper. In addition to product revenues from UltraShaper sales, LaserSight's other MicroShape products will help us develop a strong recurring revenue stream associated with sales of UltraEdge blades and other consumables to users of both the UltraShaper and ACS keratomes."

LaserSight's self-imposed internal quality assurance procedures, that are in addition to any FDA requirements, provide that as a final step before commercial release a product must complete a Quality Evaluation. The Quality Evaluation clinical activities for LaserSight's UltraShaper durable keratome are being conducted in two phases. During Phase I, which has been completed, a single instrument was utilized to produce 275 corneal flaps. All corneal flaps met the company's and the surgeon's criteria for acceptance. Phase I activities were conducted at seven sites in order to obtain user feedback from a cross-section of users. Phase II of the Quality Evaluation, which has already began, is also a multi-site evaluation that will utilize additional UltraShapers to create at least 1500 LASIK flaps. Upon successful completion of Phase II, the UltraShaper durable keratome will be released to commercial distribution. LaserSight expects to complete Phase II of the Quality Evaluation by the end of February 2001 and to ship its first commercial units soon thereafter.

The company also announced that it has settled its litigation with Luis Ruiz, MD and Sergio Lenchig regarding an amendment to the 1997 License and Royalty Agreement. In exchange for the resolution of all claims the parties have entered into an Amended and Restated License and Royalty Agreement that has the following terms:

* The company has a paid up, royalty free license until July 31, 2002 in exchange for making quarterly payments during this time period totaling approximately $3.3 million, approximately the same minimum payments that were provided for in the original agreement during this term.
* The term of the license was extended by 3 years until July 31, 2005.
* During the three year extended term the company will pay minimum royalties that total $2.9 million.
* The 50% royalty rate called for in the original agreement was eliminated until July 31, 2002 and thereafter will be reduced to 10%. This 10% royalty will only be owed if the calculated royalty amount exceeds the amount of minimum royalties the company has committed to pay.
* Dr. Ruiz and Mr. Lenchig have each received approximately 365,000 shares of the company's common stock.

Farris concluded, "The possibility of replacing a significant portion of the very large existing base of ACS keratomes with our UltraShaper is exciting for LaserSight. When the UltraShaper is launched we will be able to offer our customers a complete line of refractive surgical products which should translate into increased sales revenues and an ongoing stream of recurring revenue from sales of UltraEdge keratome blades. We estimate that we can satisfy our entire minimum royalty obligation under the revised agreement with sales of the UltraShaper and related blades to less than 15% of current ASC users."

1/25 **Bausch & Lomb** released its fourth quarter and year-end results. Reported revenues for the quarter were $462.4 million, down 1% from the $466.6 million reported in the fourth quarter of 1999. Revenues in 2000 were reduced by $6.8 million as a result of a previously announced change in accounting estimate in connection with the transition to a new methodology for calculating reserves for contractual pricing allowances in the U.S. generic pharmaceuticals business. Excluding the impact of this change in accounting estimate, revenues in the fourth quarter of 2000 were $469.2 million, up 1% from the prior year period. Net earnings were $4.6 million (9 cents per share) for the quarter, compared to $17.2 million (29 cents per share) in the same period last year. Excluding the impact of accounting charges and other items recorded in both years, net earnings were $37.4 million (70 cents per share), compared to $51.4 million (88 cents per share) in 1999.

Full-year 2000 reported revenues from continuing businesses were $1,763.1 million, essentially flat with the $1,756.1 million reported in 1999. Excluding the revenue impact

of the change in accounting estimate in the U.S. generic pharmaceuticals business, revenues were $1,769.9 million, a 1% increase over the prior year. On a constant dollar basis, revenues increased 3%. Comparable basis net earnings from continuing operations for the full year 2000 were $139.2 million ($2.54 per share) compared to $132.6 million ($2.26 per share) in 1999.

Revenues in the company's surgical segment increased 6% from the prior year's quarter, and increased 12% in constant dollars. Double-digit growth in revenues from products used in refractive surgery was partially offset by the negative impact of currency and continued flat performance for cataract products. Within the refractive surgery product portfolio, growth was stronger in markets outside the U.S., particularly Asia. As discussed in its January 5, 2001 press release, the company has experienced weaker demand for capital equipment for refractive surgery procedures by customers in the U.S., and sees evidence that growth in consumer demand for elective refractive surgery procedures has recently slowed in that market as a result of the deceleration in the U.S. economy.

Very little was said about the company's refractive surgery business during the accompanying teleconference. Basically, Bill Carpenter reiterated that revenues were up 6%, with cataract business being flat, and refractive surgery having strong growth, especially outside the U.S., especially in Asia. The U.S. business was not so good, with several potential customers putting off purchases of capital equipment in light of the slowed down economy, and the slowdown in refractive procedures. The company plans to commercialize Zyoptix, starting in Europe and Asia this quarter -- with more than 40 systems installed, either complete systems or upgrades, while filing for approval in the U.S. sometime later this year. Carpenter anticipates growth in refractive procedures this year to be in the upper teens in the states, while growth continues outside of the U.S. in the 30%-40% range. Bausch has stopped reporting on laser sales, so would not provide any details for the quarter, Carpenter would only say that he was pleased with performance in the U.S. and the demand outside of the U.S.

Following the quarterly release, Ted Huber and Anthony Sterling of **Banc of America Securities** filed their update report. The highlights included:

* BOL reported 4Q00 EPS of $0.70 vs. $0.88 in 4Q99, in line with its pre-announcement on 1/5/01. Revenues of $469.2 million were better than our $460 million estimate due mostly to higher than expected acquisition growth and better than expected surgical revenue. In general, growth was lackluster across most of BOL's product lines.
* The company maintained its $2.35-2.40 EPS guidance for 2001, but guided 1Q01 EPS to $0.11-0.13 on flat revenue growth (vs. $407 MM in 1Q00). To hit $2.35 EPS for 2001, BOL will have to significantly accelerate revenue and earnings in 2H01.
* We are lowering our 1Q01 EPS estimate to $0.13 and our 2001 and 2002 EPS estimates to $2.30 (from $2.35) and $2.63 (from $2.68). The factors behind our revisions include

more conservative (than guidance) estimates for pharmaceuticals and vision care revenue growth and low visibility on the company's ability to hit very back-end loaded estimates in 2001.

* This level of earnings assumes several positive developments in 2H01 including: (1) no currency impact, (2) acquisitions turn accretive, (3) restructuring cost savings are realized, (4) prices stabilize in the generic pharma business, (4) and IOL production ramps.

* Given the negative trends impacting BOL's business in the near term and risks to achieving aggressive financial targets for 2H01, we do not see any catalysts to drive multiple expansion in the near term. At 18.7x our revised 2001 EPS estimate of $2.30 (15.3x earnings excluding goodwill), we believe BOL's shares are fully valued. Maintain Market Perform rating.

1/25 **DRS Technologies, Inc.** announced the receipt of a sizable multi-year production order, leveraging its extensive experience in complex military electro-optical targeting and laser systems for successful expansion into the rapidly growing commercial laser vision correction industry. As the worldwide exclusive manufacturer of electro-optical modules for the LADARVision System used in corrective laser eye surgery, the company's **DRS Optronics** unit in Palm Bay, Florida, captured a $32 million order from **Alcon Summit Autonomous**, an international leader in laser vision correction systems. For this award, DRS will produce additional optics module assemblies, which contain the unique high-speed eye tracker and microscope elements, the precision laser optics and the excimer laser enclosures. The LADARVision System is the only system that combines this laser radar eye tracker with narrow-beam shaping technology for the correction of near-sightedness, far-sightedness and astigmatism. It is the first FDA-approved laser system to incorporate an eye tracker during surgery.

1/26 **Lasik Vision** announced that it had closed a second tranche of $2.0 million of the $7.0 million private placement with John Porter, one of its external directors, announced on January 3, 2001. As a result, the company issued a further 9,523,809 shares to Porter to bring his shareholdings to 19,991,666 shares (33.8% of total outstanding). In addition, Porter holds warrants to purchase a further 19,791,666 common shares.

Following on the appeal by **ICON Laser Eye Centers Inc.** and its adviser, **Northern Securities Inc.** to the British Columbia Securities Commission for a hearing and review of CDNX's approval of the Porter financing, ICON and NSI brought an urgent application to the BCSC today for an interim order preventing any further completion of the Porter financing pending the hearing and appeal. ICON and NSI have agreed to adjourn the hearing in view of the fact that the $2.0 million advance had been received earlier in the day and the related shares issued. The issues involved in the appeal and review are expected to be resolved prior to receipt of the next instalment of the Porter financing. The Porter financing is the key component of the comprehensive financial

restructuring of the company presently underway, without which the company would have been unable to meet its financial commitments.

Lasik also announced today that it had reached agreement, subject to the approval of the Canadian Venture Exchange, for a new private placement of $2.2 million of Units at $0.26 per Unit, which is less than the maximum allowable discounted price of the company's shares which closed at $0.33 on January 25, 2001. Each Unit will consist of one common share and one share purchase warrant entitling the holder to purchase one common share at a price of $0.33 until January 24, 2003. The proposed placement will be made to Tom Bradford, Michael Likierman, Sir Leslie Porter, Jean Selignan, Cliff Stanford, Bruce Steinberg, David Siegel and Anthony Weldon, all of whom are overseas investors, and the **Chelverton Fund**, a European investment fund. No commissions are payable in connection with this latest placement. The latest private placement is part of the ongoing restructuring of the company and will be used to improve the company's working capital position and settle past due obligations as agreed between the company and its major suppliers.

1/29 **Sunrise Technologies International** announced that nearly 500 U.S. and International ophthalmologists attended the *Hawaii 2001* meeting in Koloa, Kauai, Hawaii. The company sponsored a number of events, including a dawn breakfast meeting on Friday that attracted approximately 300 doctors, and a specific HYPERION LTK System training session on Monday where doctors had an opportunity for hands-on training on the system. New topics that were discussed included various drying techniques, new nomograms and other treatment methods that are being used by doctors with the HYPERION LTK System in their efforts to satisfy the farsighted patient. "Fellow refractive surgeons had a busy week. We were able to discuss the SUNRISE LTK patient experience and the procedure's efficacy. We are finding that this three second procedure, where there is no cutting of tissue, is reassuring to patients," said Lee Harman, MD, of Arlington, Washington who was one of the presenting surgeons at the dawn breakfast meeting on Friday.

"The Hawaiian 2001 Eye Meeting provided an excellent opportunity to discuss the HYPERION LTK System and its three second, no touch procedure with refractive surgeons. In addition, it gave doctors a chance to talk with each other about techniques, patient profiles and other issues important to them in treating patients. Those interactions not only help advance our procedure, but all of refractive surgery," said Russell Trenary, Sunrise chairman and CEO.

1/29 In a surprise move, **Bausch & Lomb** that Hakan Edstrom had resigned from the company in order to pursue other career opportunities. His resignation is effective immediately. Edstrom had been president of the Americas Region (formerly B&L's Surgical Division, before the latest company reorganization). The president of the Americas Region was responsibile for the commercial aspects of Bausch & Lomb's contact lens, lens care,

cataract, refractive and pharmaceutical businesses for the region comprising the United States, Canada and Latin America. The company said that it had initiated an external search to fill the position.

1/29 Charles Olsziewski and Les Funtleyder of **UBS Warburg** issued a research note on **TLC Laser Eye Centers**. The key points of their report were:

* Although TLC's business fundamentals deteriorated last year, we believe that the developments were transitory in nature and that the 90% decline in its market capitalization was overly harsh. Our sense is that significant change is coming on the near-term horizon that will propel TLC's shares meaningfully higher in 2001. The stock has already more than doubled year to date.
* TLC, a provider of laser vision correction services, was severely impacted by the irrational activities of the "deep" discounters, those that charge just $500 an eye. We have always believed that their business models were economically untenable and we have evidence to suggest that many of these competitors are now in dire financial condition and will probably not survive.
* A pickup in procedure volumes, coupled with a much reduced breakeven point, should allow the company to be in the black by the May quarter. If TLC can demonstrate to investors that it can return to sustained profitability, we believe that its shares can reach the double-digit level some time this year. We therefore continue to rate TLCV a Strong Buy for aggressive, risk-tolerant accounts.

OPHTHALMIC LASER UPDATE -- February 2001

1/11 I received a copy of Al Kildani of **Pacific Growth Equities'** report on **TLC Laser Eye Centers**, following their reporting of their fiscal 2nd quarter results. Some of Kilani's comments included:

* TLC's net revenues were a disappointing $38.4 million, compared to our estimate of $47.4 million. The revenue shortfall was not unexpected, since TLC had previously reported Q2:01 procedure volume of 27,100 representing a year-over-year decline of 12%. Although Q2 is a seasonally weak quarter, we were surprised to see such a significant decline. However, we view the decline as an aberration and look for flattish procedure growth going forward.
* Visibility continues to elude the LVC industry, but we see some positive indications emerging. We continue to await some semblance of clarity as to how the competitive landscape is evolving in the LVC industry. At this time, little has changed from last quarter. Deep discounter still proliferate, thus diminishing the opportunity for high-end service providers like TLC. We maintain that these deep discounters employ business models and pricing strategies that are not economically viable in the long term...We believe the providers facing difficulties paying vendors like **VISX** are those that operate at the discount end of the spectrum. Compounding these concerns, an economic

slowdown is hurting an industry that is reliant on disposable income. Nonetheless, early indications for 2001 suggest that procedure volumes are resuming their pattern of seasonal growth. We still look for overall procedure volume to increase 35%-40% for 2001. Unfortunately, it is unclear how much of this market opportunity TLC will be able to capture.

1/29 **Q-Vis Limited** announced its results for the quarter to 31 December 2000. The company reported a total operating and investing cash outflow of $1.9 million for the quarter and an outflow of $4.4 million for the half-year. Total cash outflow for the quarter totaled $1.9 million whereas for the half-year to 31 December 2000 total cash flow was positive $5.2 million due mainly to the impact of the company's successful listing on the Australian Stock Exchange in July 2000. The company's cash reserves at 31 December 2000 totaled $13.2 million.

Managing Director, John Roper, said the financial results of the half-year were pleasing as they met company expectations and the company remained on course to meet or exceed each of its key milestones. "The important point is we are efficiently achieving our milestones as we move towards commercializing the solid state Eye:Q laser," Roper said. "This is evident in the initial results of our U.S. clinical trial, which were very positive for the first stage." Results of the 3-month post-operative evaluation of the company's initial U.S. clinical study of 49 eyes for its Eye:Q solid state 213 nm LVC laser indicate that the Eye:Q exceeds all of the FDA's clinical safety and efficacy criteria established for refractive lasers. This clinical study was the first stage of the U.S. clinical trial program in which data for approximately 500 eyes will ultimately be submitted to the FDA for review as part of the submission to the FDA for Pre-Market Approval (PMA) of the Eye:Q in the U.S. The company intends to treat additional patients in the coming months as part of the next stage of the U.S. clinical trial.

1/30 **ICON Laser Eye Centers Inc.** and **Lasik Vision Corporation** announced that their respective Boards of Directors had unanimously approved a business combination of the companies to create the largest LVC company in the world. Under the terms of the agreement, ICON will make an offer to acquire all the issued shares of Lasik on the basis of one ICON share for two Lasik shares. The new company will be a dominant company in the Value Lasik sector of the market. The combined company will perform more than 200,000 LVC procedures annually, well in excess of its next largest competitor, **TLC Laser Eye Centers**. The new company intends to combine the successful low cost model developed by ICON with the systems for standardized medical procedures developed by Lasik.

The combined company will have approximately 70 laser eye centers. Over the previous 12 months, the combined company had revenue of $150 million and positive earnings before interest, taxes, depreciation and amortization. The business combination is expected to result in substantial operational efficiencies including reductions in selling,

general and administrative expenses, marketing and advertising expenses. These annual savings are expected to be substantial in the first full year following the business combination. The expected platform resulting from the combination of Lasik and ICON will better enable the combined company to increase revenue and achieve profitable growth. The combined company expects to have substantial increased revenue in the first full year following completion of the business combination. The anticipated revenue enhancements and cost savings are expected to result in a significant increase in shareholder value.

Ghassan Barazi, president of ICON said: "ICON and Lasik provide an excellent strategic and operational fit. ICON and Lasik are the only two value providers that have achieved national scale in Canada and the United States." Neville Fridge, president and CEO of Lasik, stated: "The combined company will have growing European operations and be poised for aggressive growth."

John Porter, a director and major shareholder of Lasik, agreed to tender his shares to ICON to support the transaction. Porter currently owns 19,991,667 Lasik shares representing approximately 33% of the issued common shares of Lasik. Dr. Hugo Sutton, chairman of the Board of Lasik, has agreed to tender his Lasik shares to the ICON offer. Dr. Sutton owns 7,357,500 Lasik shares representing 12.2% of the issued Lasik shares.

In recent private placement transactions, Porter had invested $6.0 million in Lasik out of a proposed total of $9.5 million. Lasik and Porter have agreed, subject to the timely completion of the business combination, not to proceed with any further funding under the previously announced financing arrangements between the two parties and that Porter's net investment in Lasik will be reduced to $4.75 million. ICON agreed to raise $4.75 million in new equity financing through **Northern Securities Inc.**, its exclusive financial advisor and agent. Northern Securities is also acting as financial advisor to ICON on the business combination. On January 26th Lasik announced a new private placement of $2.2 million by a new group of investors. These investors will be given the opportunity to invest this amount in the ICON financing.

Lasik and ICON have agreed that the management of the newly combined company will consist of Porter (or his nominee) as chairman of the Board, Simone Mencaglia, vice chairman and European CEO and Ghassan Barazi, president and CEO. Currently, Mencaglia is chairman and CEO of ICON and Barazi is president and COO of ICON. The companies have agreed that the newly combined company will have a Board of Directors consisting of seven members, three each nominated by ICON and Lasik with a seventh director to be chosen by the two companies. The companies have also agreed to form a new Medical Standards Board with equal representation from Lasik and ICON, the Board having the responsibility of maintaining the excellence of quality medical care in the integrated company. The companies have agreed to immediately set up an

Integration Committee headed up by Messrs. Barazi and Fridge, to facilitate the business combination.

ICON has agreed to issue 4.0 million common shares to Lasik in exchange for 8.0 million common shares of Lasik. ICON also will issue 5,900,000 warrants and options of which 3,300,000 warrants will be issued to its shareholders. The warrants and options will have an exercise price equal to the issue price of the common shares issued by ICON in the $4.75 million financing. ICON expects to be in a position to mail its circular to Lasik shareholders on or about February 2, 2001, and the two companies expect to close the transaction on or about February 28, 2001.

During the Q&A session of the accompanying teleconference, the question was asked as to which laser platform the combined group would use, since ICON had been using **Nidek** lasers, and Lasik **VISX** systems. The response was that the company would look at what they had and what looked best for the future, including deals offered by the laser companies. They hope to stay on the cutting edge of technology. It was also noted that if they raised their average fee per procedure by $100 (from the current about $500), it would increase the bottom line by $20 million, based on the premise that the combined companies would do greater than 200,000 procedures annually. They expect that combining forces will lead to savings in excess of $100 million, such as reducing the number of call centers and marketing efforts, which has yet to be worked out. They expect to continue aggressive expansion in the North America and Europe, and eventually into Asia. A new name has not yet been determined, but it would likely contain both original names.

In an accompanying announcement, Lasik Vision said that 34,137 procedures had been done at its centers in the fourth quarter. That was a 73% increase from the 19,713 procedures done during the same period a year ago. The fourth quarter procedures represented a 15% sequential decrease from the 40,191 procedures performed in the third quarter of 2000. For all of 2000, the company reported 136,600 procedures. This was a 197% increase from 46,000 in 1999. "In the fourth quarter of 2000, Lasik Vision performed more paid laser procedures than any other provider in the laser vision correction industry, which affirms our business model and the growing demand in the value-priced segment of our industry. This is a great accomplishment for our young company in an industry still in its infancy and is a testimony to the quality of care and excellent clinical outcomes provided by our highly skilled surgeons, many of whom are the most experienced in the world," said Neville Fridge, president of Lasik Vision Corporation.

1/30 **Paradigm Medical Industries** announced it had completed an option agreement with **Johns Hopkins University** giving Paradigm the right to license Hopkin's new eye drop that promotes faster healing and the reduction of haze post operatively sometimes associated with LASIK. According to Paradigm's chairman and CEO, Thomas Motter,

"LASIK has quickly grown into a $3 billion industry. This product will be used prophylactically on all patients undergoing LASIK Surgery because surgeons cannot determine which patients will have a post-operative `haze' problem or slow corneal healing. Since it will be in use world-wide on every patient, it has the potential to generate annual revenues of between $500 million and $1 billion. In addition to LASIK, there are millions of other surgical procedures performed each year involving incisions into the cornea for which this product will undoubtedly be used to promote faster healing times thus reducing the dangers of complications from infection and shortening the required exposure time to antibiotics, steroids, and anti-inflammatories."

Dr. David Silver, of the **Applied Physics Laboratory** at Johns Hopkins and co-inventor of the drop explained that their group learned that there was a need for such a product, scientifically referred to as a `plasminogen activator', after spending a year as a visiting professor in an honorary chair at Johns Hopkins prestigious **Wilmer Eye Institute**. "I have been aware of Paradigm's know-how and talent for the past several years and am confident they will be able to bring the product to market this year," Dr. Silver commented. "We expect this patented product to soon become a necessity for almost all surgical procedures involving the cornea, and serve as a `flagship' product around which an ethical pharmaceutical franchise can be built which is in keeping with Paradigm's charter to fill in all squares on the eye care matrix through the introduction of products that are revolutionary and proprietary in each product category," Motter concluded.

1/30 **Prolaser Medical Systems** announced that the FDA had approved an Investigational Device Exemption (IDE) application for the RODENSTOCK DTK refractive laser system. The IDE allows the RODENSTOCK DTK to be put into clinical trials for the correction of spherical Hyperopia between +0.75D and +2.5D in 100 eyes at 4 sites in the U.S., in order to collect safety and efficacy data required to support a PMA application.

"We are delighted that the FDA have approved our IDE," Volker Dockhorn, ProLaser Medical executive vice president and CTO, said, "and we are looking forward to initiating enrolment of the first 100 subjects with key refractive surgeons in the U.S., led by Dr. George Waring, our principal investigator and medical monitor".

DTK has been performed in Europe and internationally since 1997 and clinical data from a three year European multi-center study was included in the IDE, providing initial evidence of safety and efficacy. The peripheral and minimally invasive treatment utilizes a contact mode, continuous wave diode laser to correct hyperopia.

1/30 **Bernstein Liebhard & Lifshitz, LLP** announced the first of several securities class action lawsuits on behalf of purchasers of the publicly-traded securities of **QLT, Inc.**, purchased between August 1, 2000 and December 14, 2000, inclusive (the "Class Period"). The case is pending in the United States District Court for the Southern District of New York.

Named as defendants in the complaint are QLT, Julia Levy (president and CEO) and Kenneth Galbraith (executive vice president and CFO until October 31, 2000).
The complaint charges defendants with violations of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by issuing materially false and misleading financial information regarding the company's condition and prospects. Specifically, the complaint charges that during the Class Period defendants issued to the investing public false and misleading financial information, press releases, and other information concerning the demand for Visudyne, a drug made by the company that was recently approved by the FDA to treat wet age-related macular degeneration ("AMD"), an eye disease that causes blindness in elderly people. On December 14, 2000, QLT announced that it expected to miss its sales estimates for the fourth-quarter ended December 31, 2000. QLT attributed the shortfall to slower than expected growth in demand for Visudyne due to lack of reimbursement from governmental health administration authorities, private health insurers, and other third party payers for the cost of Visudyne treatment in Europe and the United States. QLT also lowered its sales forecasts for the year 2001. These statements contradicted prior information issued by defendants concerning the demand for Visudyne and the company's prospects. In response, the company's common stock price plummeted approximately 31% on extremely heavy volume, losing $12.375 per share from the prior day's close of $40.438 per share. The dissemination of this materially misleading information caused QLT's common stock to be artificially inflated throughout the Class Period. Defendants were motivated to inflate the price of QLT stock so that company insiders could dump their own shares on unsuspecting investors. Indeed, when the price of QLT stock was at its highest level of the year, defendants Levy and Galbraith sold over 157,000 shares of QLT stock, reaping proceeds of approximately CND$18.32 million.

Plaintiff seeks to recover damages on behalf of all those who purchased or otherwise acquired QLT securities during the Class Period.

(Following this announcement, several other law firms joined the battle.)

1/30 **IRIDEX Corporation** announced positive results from a recently published study (Newsom, McAlister, Saeed, McHugh: "Transpupillary thermotherapy for the treatment of choroidal neovascularization", *Br J Ophthalmol* 2001;85:173-179) performed at **King's College Hospital** in London, England using an IRIDEX OcuLight laser to assess the efficacy of transpupillary thermotherapy (TTT) photocoagulation for the treatment of choroidal neovascularization (CNV) secondary to age-related macular degeneration (AMD). The study results were consistent with previously published material on the effectiveness of TTT for occult CNV. In addition, the study was the first published paper to show favorable results using TTT to **treat predominantly classic CNV**.

In the study, physicians performed LongPulse, low irradiance photocoagulation following a TTT protocol in 44 eyes of 42 patients using the IRIS Medical OcuLight Slx laser

system. Of the 44 eyes treated, 32 eyes were predominantly occult CNV and 12 eyes were predominantly classic CNV. At 6 months follow-up, predominantly occult membranes were successfully closed in 78% (25/32) of eyes and were recurrent in 5% (3/32) of eyes. Predominantly classic membranes were successfully closed in 75% (9/12) of eyes with no recurrences. This high closure rate was associated with vision stabilization (± 1 line) or vision improvement (2 or more lines) in 71% of patients with occult membranes and 67% of patients with classic membranes.

"This study further validates TTT's success in treating occult wet AMD," said Theodore Boutacoff, president and CEO of IRIDEX Corporation. "While previously published data showed TTT was effective for patients with occult CNV membranes with up to a 10% classic component, this study demonstrates that TTT may be effective for patients with predominantly classic CNV (i.e. with more than a 50% classic component), a patient population currently treated with Visudyne photodynamic therapy (PDT) as the standard of care. While the number of patients in this study are small, these results suggest that the wet AMD patient population who may benefit from TTT treatment could be significantly larger than originally believed. Further studies are needed to determine where TTT will ultimately fit in relation to other treatment modalities in the standard of care for the treatment of wet AMD."

Commenting on the English study results, Dave Therkelson of **Dain Rauscher Wessels** reported the following:

* In 32 eyes with predominately occult wet AMD, vision stabilized or improved in 71% of eyes. This is consistent with earlier studies of the TTT procedure and this patient population.
* What was NEW is that the study also looked at a small group of patients with predominately classic wet AMD. This is the population that QLT's Visudyne is indicated for. In this group of 12 eyes, vision stabilized or improved in 67% of patients.
* This is significant as it is the first data set that we've seen that is competitive to QLT's data.
* Of course, it was a very small non-randomized study of only 12 eyes. In addition, it is likely that optimizing the laser energy is more challenging with predominately classic lesions.
* I would not expect any short-term implications for QLT's stock price. However, it is worth noting and monitoring for future studies.

Iridex also released its fourth quarter and year-end results, with annual sales reaching a record $33.4 million from $26.9 million in 1999, an increase of 25%, while net income was a record $2.4 million (33 cents per share) as compared to $1.6 million (24 cents per share) in 1999, an increase of 49%. Fiscal 2000 sales increased 30% in the U.S. to $21.5 million from $16.5 million in 1999. Internationally, sales increased 15% to $11.9 million from $10.4 million in 1999. The strong increase in worldwide sales of ophthalmology

products was offset in part by a decrease in sales of aesthetic products. Fiscal 2000 income from operations increased to 8.3% as a percentage of sales from 6.8% in 1999. The improvement was due to a slight increase in gross margins and a decrease in selling, general and administrative expenses as a percentage of sales, offset in part by an increase in research and development expenses as a percentage of sales.

For the fourth quarter, sales were $7.9 million compared to $8.3 million in the corresponding 1999 quarter. Net income was $428,000 (6 cents per share) compared to $783,000 (11 cents per share) in the corresponding 1999 quarter. The fourth quarter included an abnormally low tax rate, which resulted in an effective tax rate of 28% for the year. Despite strong sales growth for the year, worldwide sales for the fourth quarter decreased 5% from the previous year's quarter. The company believes the lower sales were primarily due to physician concerns over Medicare reimbursement for certain Age-related Macular Degeneration (AMD) procedures and uncertainty caused by the general economic climate. In total, U.S. sales in the fourth quarter decreased 10% compared to the previous year's quarter, which had high sales of the OcuLight infrared product line due to publication of two minimally invasive AMD studies during that prior year quarter. All other U.S. ophthalmic and aesthetics product lines showed sales growth in the fourth quarter compared to the previous year quarter.

International sales increased 3% in the fourth quarter compared to the previous year quarter. The increase in ophthalmology sales was offset in part by a decrease in aesthetics product sales. Increased international ophthalmology sales was due primarily to increased sales of the OcuLight infrared laser products compared to the previous year quarter. The increase in sales occurred as a result of increased physician interest in using minimally invasive procedures to treat AMD with the OcuLight infrared laser products.

"I am pleased with our record sales and earnings performance for the year," commented president and CEO Theodore Boutacoff. "These results could have been even better if the reimbursement issues for certain AMD treatments, which use our OcuLight infrared laser, and the delay of shipments of our new Apex 800 hair removal product had not impacted our momentum during the second half of the year. Going forward, we are concerned about the U.S. economy. However, we are encouraged that the introduction of the Apex hair removal system is near. We also are very pleased that studies that support the efficacy of minimally invasive AMD procedures using our products are growing and expect increased international sales of the OcuLight infrared product line to continue into 2001 as communication of the minimally invasive AMD procedures expands. We also expect any ambiguities in the Medicare reimbursement process will be resolved by the second half of the fiscal year. We will continue to focus our efforts on product and clinical procedure development that can help physicians treat the leading causes of blindness and preserve vision in ophthalmology and patient needs in dermatology."

1/30 *The Washington Post* carried an article about orthokeratology (the use of overnight rigid gas permeable contact lenses) to correct vision, entitled "Risky Nightwear". Apparently the FDA has published guidelines on the kinds of clinical studies that would be required to show safety and efficacy of the overnight treatment, and one company, **Euclid Systems**, was expected to submit its clinical trial results to the agency. Orthokeratology -- also known as "ortho-K," "precision corneal molding" and "eccentricity zero molding" -- has been around for decades in one form or another. What's relatively new is technology that allows contact lenses to be shaped in just such a way that the cornea is molded (critics say "squeezed") into a shape that allows uncorrected vision following overnight wear. The reshaping, which the new technology has speeded up significantly, is similar to what occurs during laser eye surgery, but in a reversible (critics say "temporary") fashion. When the lens-wearing schedule is abandoned, the cornea reverts to its original state, as does eyesight. Many optometrists are already touting overnight orthokeratology, even before anyone has convinced the FDA that it is safe and effective. "Wear your contacts at night and see during the day without them," says one who advertises on the Internet. The lenses that are used "gently reshape your corneas while you sleep," says another. Almost none of the ads inform consumers that the lenses are approved by the FDA only for daytime use and only to temporarily reduce minimal to moderate nearsightedness. The FDA says optometrists can advertise unapproved uses of contact lenses as long as no specific lens is mentioned. Between 80% and 90% of optometrists who use ortho-K recommend overnight wearing schedules, says Steven Ernst, general manager and primary contact lens consultant at **Contex**, one of three manufacturers with FDA approval to market orthokeratology.

The FDA says overnight use of the lenses can cause harm, and it has required manufacturers to warn consumers that the safety and efficacy of nighttime use has not been established. Warnings can fail to reach consumers, however, as optometrists have significant discretion over how they educate their patients. People wearing the lenses overnight are at risk for corneal warpage and infection, which in rare cases is sight-threatening, the FDA says, and no good studies have shown the procedure's safety. Consumers in the orthokeratology market face prices anywhere from $800 to $3,000 per person, Ernst says. Ophthalmologists -- who as eye surgeons have a stake in opposing alternatives to laser eye surgery -- say orthokeratology is a poor alternative. For about the same cost, patients can fix their eye problems permanently with laser eye surgery, says Robert Maloney, spokesperson for the American Academy of Ophthalmology. "Most eye doctors feel very strongly that overnight wear of contact lenses is a mistake," Maloney says, as it "significantly increases the risk of a blinding eye infection. Newer materials may reduce the risk, he says, but no one has proven this."

1/31 **Sunrise Technologies International** announced that it had conducted a workshop and presented a clinical paper at the *European Society of Cataract and Refractive Surgery (ESCRS)* winter meeting that concluded in Cannes, France. Nomograms that are already available to international doctors were presented showing the SUNRISE LTK effect can

last longer than a patient's lifetime. In addition, doctors presented data for U.S. nomograms indicating that some of the SUNRISE LTK effect can last 10 years or more.

A workshop with the HYPERION LTK SYSTEM was conducted by three veteran SUNRISE LTK surgeons, Thomas Kohnen, MD of the Johnann Wolfgang Gothe University Center for Surgery in Frankfurt Germany; Emmanuel Rosen, MD of The Rosen Eye Surgery Center in Manchester, UK, and Sandra Belmont, MD, Director of the Laser Vision Correction Center and Corneal Service at New York Weill Cornell Medical Center of New York Presbyterian Hospital. In addition, Dr. Belmont presented a paper entitled, "Longevity Of Non-Contact LTK". "I've treated over 200 patients with the SUNRISE LTK Procedure. The high patient satisfaction continues to convince me that the SUNRISE LTK Procedure may well become the procedure of choice for treatment of mild to moderate farsightedness because of its excellent safety profile, effectiveness, low learning curve for physicians and ease of treatment for the patient," said Dr. Belmont.

Over 300 refractive surgeons attended the meeting at Cannes, making it one of the largest ESCRS winter meetings in the organization's history.

1/31 **SurgiLight Inc.** announced that it exhibited the IR-3000 laser at the *European Society of Cataract and Refractive Surgeons (ESCRS) Winter Conference* in Cannes, France. In addition, Dr. JT Lin presented 2 papers on laser presbyopia reversal: "Technical Up-date for Presbyopia Correction", and "Clinical Results for Laser Presbyopia Reversal". Both papers were co-authored by: Oscar Mallo, MD, David Martinez, MD, Anthony Perasso, MD, and M.Y. Hwang, Ph.D. The IR-3000, however, is not currently FDA approved for presbyopia reversal and is not for sale for that application.

At the Conference the company was approached by ophthalmologists from many European Countries including France, Italy, U.K., Holland, Switzerland, Spain and Greece, regarding participation in the upcoming scientifically controlled clinical trials. Phase I studies are expected to commence in the next few weeks in Europe followed by the U.S. According to the clinical results performed to date, the company believes that its IR-3000 system for presbyopia correction offers many advantages over other non-laser methods including simpler surgery with potentially less regression. At the ESCRS's Conference, Dr. Lin had presented a "new theory" using the "flexible" sclera-tissue filling effects to explain the "stable" results of IR-3000.

2/1 **ICON Laser Eye Centers, Inc.** announced today that, through its agent **Northern Securities Inc.**, it had completed the first tranche of an offering by way of private placement of up to 500 units at $1,000 per unit. In the first tranche 300 units were sold for gross proceeds of $300,000. Each unit is comprised of:

* $1,000 principal amount of secured debentures maturing April 30, 2001 bearing interest at the rate of 12% per annum, and
* 1,000 options. Each option is exercisable into three quarters of one warrant at no additional cost for a term of one year. Each whole warrant is exercisable into one common share for a term of two years at $0.50 per share.

Northern Securities Inc. received a 10% selling commission and compensation options that entitle it to acquire, at no additional cost, 60,000 compensation warrants. Each compensation warrant entitles Northern Securities Inc. to acquire one common share at a price of $0.50 per share for a term of two years. The proceeds from the private placement will be used for general corporate purposes, which may include the repayment of outstanding debt obligations.

The following day, the company announced that it proposed to offer, by way of private placement, up to 6,666,666 special warrants at $0.60 each via **Northern Securities Inc.** The offer will be conditional on completion of the previously announced ICON acquisition of **Lasik Vision** and regulatory approval. Each special warrant is exercisable into one common share of ICON and one-half of a common share purchase warrant at no additional cost. Each whole warrant will entitle the holder to purchase one common share of ICON at a price of $0.80 for a term of two years. The Corporation intends to file a prospectus to qualify the issuance of common shares and the warrants. If clearance of the prospectus is not received by the 120th day following the completion of the special warrant offering, each special warrant will be exercisable for 1.1 common shares and .55 common share purchase warrants.

Northern Securities Inc. will receive a commission equal to 8% of the gross proceeds of the offering and broker's warrants equal to 10% of the number of special warrants sold. Each broker's warrant will entitle Northern Securities Inc. to acquire one common share at a price of $0.60 per share for a term of two years. ICON anticipates completion of the special warrant private placement on or about February 21, 2001, subject to execution of definitive agreements. The net proceeds will be used for general corporate purposes, which may include debt reduction.

2/2 **Atlantic Technology Ventures** announced the signing of an Asset Purchase Agreement between **Bausch & Lomb** and **Optex Ophthalmologics, Inc.**, a subsidiary of Atlantic, pursuant to which Bausch will acquire substantially all the assets of Optex for an initial payment of $3 million and ongoing royalty payment obligations upon product commercialization as described in the pre-existing development, supply and license Agreement (the "Development Agreement") between Bausch and Optex. The Asset Purchase Agreement provides that Bausch purchase the assets of Optex for $3 million payable at closing, $1 million of which will be fully creditable against future royalty payments at a 30% payout rate. In addition, Optex is entitled to receive additional consideration pursuant to the Purchase Agreement, namely $1 million once Bausch

receives regulatory approval to market the Catarex device in Japan, minimum royalties, and a royalty on net sales. Finally, Optex also has the option to repurchase the acquired assets from Bausch if it abandons the Catarex project.

The Development Agreement will terminate upon the closing of the acquisition. The closing will take place upon the satisfaction of certain conditions that Atlantic expects will be met during the current fiscal quarter. One condition is that Optex completes delivery of 2,400 Catarex handpieces as described in the Development Agreement. "The net financial effect of this proposed sale of Optex's assets is that Optex will immediately receive a $3 million payment upon closing, instead of waiting to receive the original $6 million clinical and regulatory milestone payments pursuant to the Development Agreement," said Dr. Joseph Rudick, president of Optex and CEO of Atlantic. "Apart from this, Optex is still entitled to receive royalty payments as described in the Development Agreement. The other main implication of this proposed sale is that Bausch & Lomb has assumed complete responsibility and control of the Catarex development program."

2/4 Wendy Lawton of Seattle's *The Oregonian*, published an article entitled, "Eye surgery patients unite to warn others: Don't be blind to risks -- Support groups forming in the Northwest show the popular laser procedure isn't for everyone". In the article, she relates how support groups for Oregon and Washington have formed for patients with post-surgery problems, following the lead of similar groups in California, Michigan, and Florida. As she put it, "In living rooms, restaurants, attorneys' offices and on the Internet, people are talking about the dark side of the hottest medical marvel: laser eye surgery. While there's no shortage of happy post-laser patients, some can't see beach sunsets or bedside clocks. Some bump into walls. Some can't drive at night. A few have lost hobbies or jobs. Yet these men and women -- surrounded by ecstatic converts, gung-ho advertisements and glowing news stories about laser procedures -- feel invisible and isolated." But industry experts estimate that about 100 lawsuits are on file in state and federal courts, compared to the millions who have had the procedure done successfully. Using estimates that between 1% to 3% of procedures result in persistent problems, than roughly 14,000 to 42,000 people might have suffered vision damage in 2000, based on the 1.4 million procedures done. As Lawton reports, the most common complaint is difficulty with driving at night, a symptom caused by a physician performing a small diameter ablation procedure on someone with large pupils. Perhaps, a patient who should have been told he/she was not an appropriate candidate (at least for the laser equipment that the particular doctor had).

2/5 **Novartis Ophthalmics**, the eye health unit of **Novartis AG** and **QLT Inc.** announced that the FDA had issued an approvable letter to expand the use of Visudyne (verteporfin for injection) therapy. Currently, Visudyne is approved for the treatment of predominantly classic subfoveal choroidal neovascularization (CNV) caused by age-related macular degeneration (AMD), the leading cause of blindness in people over the age of 50. The

expanded indication would include treatment of predominantly classic subfoveal CNV caused by other macular conditions such as pathologic myopia (PM) and ocular histoplasmosis syndrome (OHS), among others.

An FDA approvable letter typically indicates that the agency intends to approve the application. In the letter the FDA states that it has reviewed the application and requests further clinical information relating to OHS, which is expected to fulfill the necessary criteria to obtain the broad supplemental indication for Visudyne therapy. The additional information has been submitted to the agency. Final approval is expected to be issued in the next few months.

Visudyne therapy has already been approved for commercial use in 31 countries for the treatment of AMD. CNV is a growth of abnormal blood vessels under the central part of the retina or macula. "This is a significant development in our efforts to capitalize on Visudyne's tremendous potential," said Dr. Julia Levy, president & CEO of QLT. "And, as in AMD, Visudyne may well represent the only hope for many patients around the world affected by these other conditions. We are hopeful that the FDA will review this new information quickly." Dan Myers, president of Novartis Ophthalmics, North America said, "More effective treatments are needed for CNV due to causes other than AMD. We look forward to improving the quality of life for many thousands of individuals through this expanded indication."

CNV due to Pathologic Myopia (PM) is caused by abnormal blood vessels that grow under the center of the retina as a result of an abnormal elongation of the back of the eye associated with severe near-sightedness or myopia. It generally occurs among people over 30 years of age and can result in a progressive loss of vision. The worldwide incidence of CNV due to pathologic myopia is estimated to be 50,000 new cases per year, excluding Asia where the incidence may be even greater due to a higher prevalence of pathologic myopia. Ocular Histoplasmosis Syndrome (OHS) is a condition caused by a fungal infection of the retina. It can lead to severe, irreversible vision loss and is a leading cause of blindness in adults who have lived in the geographic areas where the soil mold Histoplasma capsulatum is found. The condition is caused by inhaling the fungus from soil or other areas that have been contaminated by the droppings of birds or bats. The fungus generally remains in a dormant stage but tends to become more aggressive when a person's immune system is compromised.

According to the *MotleyFool.com*, the "approvable" letter to expand uses for their Visudyne ophthalmic drug should provide a boost for QLT. The news is more important to investors in smaller QLT, which manufactures Visudyne, than those invested in the larger, more diversified Novartis, which markets it. QLT's light-activated drug delivery technology has excited many investors with its potential, especially after QLT pioneered the technology with its Photofrin cancer treatment (which it sold to **Axcan Pharmaceuticals** in June in exchange for cash, shares, and future milestone payments).

Visudyne's potential new uses expand its market by 50,000 a year, promising to further boost to QLT's share of Visudyne revenue from $20 million in its first six months on the market.

2/6 **LASER VISION CENTERS**, presenting at the **UBS Warburg Healthcare Services Conference** in New York, gave guidance on its third quarter that ended January 31, 2001. The company said that it expected EPS for the third quarter would range from $0.00-$0.02 excluding a one time charge for its recent FDA settlement. In addition, the company said:

* Third quarter refractive case volume increased 36% year-over-year and 22% sequentially.
* November and December were slow months due to weather and economic concerns, but January was the best month ever for refractive case volume, increasing over 30% over the previous best month, June 2000.
* December and January are usually the slowest months for cataracts due to the company's heavy geographic weighing in the North Central states.
* Third quarter SG&A would include front loaded costs from the company's recent decision to enter the Ambulatory Surgery Center (ASC) business which were not included in previous analyst models.

2/6 **Lasik Vision** announced that it had closed the first tranche totaling Canadian $1.3 million of the previously announced Canadian $2.2 million private placement of Units at $0.26 per Unit. Each Unit consisting of one common share and one share purchase warrant entitling the holder to purchase one common share at a price of $0.33 until January 24, 2003. The placement is to overseas investors, including a European investment fund. The securities issued pursuant to the placement will be subject to a 12 month hold period as required by prevailing securities legislation. No commissions were payable in connection with this placement.

2/6 **Paradigm Medical Industries, Inc.** announced that **McDonald Investments Inc.**, a division of **KeyCorp Company**, had renewed its agreement to provide general financial advisory services to Paradigm in connection with Paradigm's consideration of potential financing transactions, mergers and acquisitions, and other strategic projects. In addition, McDonald will assist Paradigm in preparing a detailed financial business model, in assessing Paradigm's growth prospects and associated capital requirements, and in developing a financing proposal for presentation to potential investors or strategic partners. Paradigm chairman and CEO, Thomas Motter, stated, "We like McDonald because of its comprehensive coverage of the eye care industry. This level of sophistication in matters pertaining to innovation in eye care and the company's history of participation in the field makes it the preferred choice for Paradigm. McDonald, more than any other investment banking firm, has focused on emerging eye care companies

with revolutionary technologies representing true breakthroughs that create completely new markets."

2/6 The ability to acquire, develop and manage practice-based, single-specialty ambulatory surgery centers (ASCs) is the key to the current profitability and growth potential of **NovaMed Eyecare, Inc.** in the $47 billion U.S. eye care industry, Ronald Eidell, executive vice president and CFO, told the **UBS Warburg Global Healthcare Services Conference**. "Our business model and growth strategy are focused on leveraging our highly productive and profitable surgical facilities in our six core regional markets in the United States. As a result, NovaMed is well positioned to accommodate growing demand for the treatment of complex vision conditions -- including cataracts and refractive surgical procedures -- as it capitalizes on the three key factors driving long-term industry growth."

An important growth driver is increasing demand for freestanding outpatient surgery, Eidell noted. Ophthalmic surgeries accounted for approximately 27% of the estimated 6.7 million surgical procedures performed in ASCs in 2000, a number projected to grow by approximately 7% annually through 2006, when 9 million ASC-based surgical procedures are expected. NovaMed's 15 ambulatory surgery centers would make it the fourth-largest ASC owner and operator in the U.S. and one of the largest in the eye care industry. The company's surgical facilities also include 14 practice-based laser vision correction centers and five fixed-site laser services installations. These surgical facilities accounted for nearly 66% of NovaMed's segment operating earnings for the 12 months ended September 30, 2000, with operating margins approaching 40%. During that period, more than 43,000 eye surgery procedures were performed in NovaMed's facilities, up notably from 31,000 procedures in calendar year 1999. Eidell also said that he expects NovaMed to benefit from the other two key factors driving long term industry growth: the aging of the U.S. population, which is driving increased need for and spending on eye-related surgeries and eye care services, and continued growth in refractive surgery.

2/7 **LCA-Vision Inc.** presenting at the **UBS Warburg Global Healthcare Services Conference**, gave guidance on the company's first quarter ending March 31, 2001, and the full year 2001. The company said that it expected procedure volumes in the United States to increase to an average of 263 per center in the first quarter of 2001 compared to an average of 162 per center in the fourth quarter of 2000, and that total company procedure volumes for the full year 2001 are expected to exceed 100,000, doubling the cumulative number of procedures performed since the company's inception.

Additionally, the company reported:
* Patient acquisition cost per procedure is expected to decline from $212 per procedure in the fourth quarter of 2000 to $127 per procedure in the first quarter of 2001.
* The company expects to open an additional 12-15 centers in 2001 beginning in the second quarter.

* The company expects fully-diluted EPS for the full year 2001 to range from $0.10-$0.16.
* The company has completed over 100,000 procedures to date.

2/7 **Novartis Ophthalmics** and **QLT Inc.** announced top-line results that showed Visudyne therapy reduces the risk of vision loss in a new population of patients with wet age-related macular degeneration (AMD). The results were from a multi-center phase IIIb randomized placebo-controlled study, called the VIP (Verteporfin In Photodynamic therapy) trial in which most patients had lesions composed of occult subfoveal choroidal neovascularization (CNV) without classic components.

Visudyne is currently approved for the treatment of patients with predominantly classic subfoveal CNV caused by AMD, the leading cause of severe vision loss in people over the age of 50. In addition, the results also confirmed the benefits of Visudyne therapy at 24 months in the treatment of CNV due to pathologic myopia, for which regulatory approval is pending in North America and Europe. "Results from this new study are extremely important because they demonstrate that Visudyne therapy can reduce the risk of moderate to severe vision loss in a large number of patients each year for whom, previously, there was no proven treatment," said Dr. Neil Bressler, retinal specialist and Chair of the Visudyne Study Advisory Group.

"These results represent a significant milestone in our efforts to expand the use of Visudyne so that most patients with wet AMD can one day benefit from Visudyne therapy," said Dr. Julia Levy, president and CEO of QLT. "We plan to consult with regulatory authorities to determine how best to proceed from a regulatory and clinical standpoint." "Visudyne has already gained a wide acceptance around the world having received regulatory approval in 31 countries," said Luzi von Bidder, Head of Novartis Ophthalmics. "With respect to this new information, we will work aggressively, to make this therapeutic advance available to this new patient population as quickly as possible."

A complete analysis of the results is currently underway. Further details will be submitted for publication in a peer-reviewed medical journal and presented at the *Association for Research in Vision and Ophthalmology (ARVO)*, to be held April 29 to May 4, 2001, in Fort Lauderdale, Florida.

The following day, **QLT, Inc.** reported financial results for the fourth quarter and fiscal year ended December 31, 2000. For the year, QLT reported a net profit of CDN$9.5 million (14 cents per share) compared to a net loss of CDN$33.3 million (54 cents per share) in 1999. For the quarter, the company reported net profit of CDN$3.5 million (5 cents per share) compared to a net loss of CDN$11.6 million (18 cents per share) during the same period in 1999. "This has been a landmark year for QLT," said president and CEO, Dr. Julia Levy. "The approval and immensely successful launch of Visudyne

(verteporfin for injection) represents a tremendous opportunity, not only to sustain profitability but to seek out and develop complementary prospects for our company."

For the fiscal year 2000, total Visudyne sales were approximately US$98 million (CDN $148 million) representing the most successful ophthalmic pharmaceutical product launch on record. Sales in the United States accounted for roughly two-thirds or US$65 million of total Visudyne sales, with the remainder (US$33 million) coming from Europe and other markets. Total sales in the fourth quarter were approximately US$38 million (CDN $58 million) representing a 22.5% increase over the third quarter of 2000. Approximately two-thirds or US$25 million of fourth quarter sales came from United States with Europe and other markets responsible for the remaining US$13 million.

Visudyne therapy was approved in the U.S. in April 2000, and in Europe in July 2000, for the treatment of predominantly classic subfoveal choroidal neovascularization (CNV) due to age-related macular degeneration (AMD). The treatment has now been approved in a total of 31 countries. QLT's revenue from Visudyne sales consists of reimbursement for manufacturing and other costs along with 50% of the Visudyne net profits which are calculated as sales less marketing, overhead and manufacturing costs and shared with **Novartis Ophthalmics**, the eye health unit of **Novartis Inc.** QLT's net share of Visudyne sales (excluding the reimbursement for manufacturing costs and other costs) for 2000 was approximately 16.5% of total sales for the year. "We've only begun to realize the potential of Visudyne therapy," said Dr. Levy, noting that recent U.S. market research with retinal specialists revealed a high level of satisfaction with the efficacy and safety of Visudyne, and the expectation that the number of patients treated with Visudyne would increase 24% over the next quarter. "As more and more physicians adopt the treatment and as we expand the product label to include a wider range of AMD patients as well as new ocular disease areas, I believe Visudyne will become one of the sector's most successful products." By year-end, approximately 1,300 laser systems for use with Visudyne were in place and roughly 1,750 eye care professionals had received training in the use of Visudyne for AMD.

Dr. Levy went on to cite a number of additional goals achieved by QLT during the year including:
-- Supplemental filing resulting in an FDA approvable letter to expand the Visudyne label to treat pathologic myopia and other ocular conditions.
-- Positive recommendation from the European Medicines Evaluation Agency (EMEA) for Visudyne therapy in patients with pathologic myopia.
-- Completion of the sale of PHOTOFRIN to **Axcan Pharma**.
-- Completion of patient enrollment for the Visudyne study in Japan.
-- Development progress in oncology, autoimmune and cardiovascular disease areas.
-- Completion of new headquarters and research facilities in Vancouver, Canada.

In addition, favorable clinical results using Visudyne to treat an entirely new patient group -- those with the "occult" form of AMD patients were announced yesterday.

The company also provided an outlook for 2001. The company concurs with the current range of analysts' estimates for global 2001 Visudyne sales, which range from US$212 million to US$250 million. Approximately two-thirds of these revenues are expected from the United States and the remainder from markets in the rest of the world. The company expects that its net share of profits from Visudyne sales (excluding the recovery of manufacturing and other costs) will approximate 25% of total sales for 2001.

2/8 **LaserSight** announced that it had received notification from the FDA that the company may begin commercial distribution of its AstraMax diagnostic workstation. The company also announced that it had received a Notification of Allowance from the U.S. Patent and Trademark Office for a patent application related to its AstraMax technology.

The AstraMax diagnostic workstation, an integrated refractive workstation designed to provide precise diagnostic measurements of the eye, will be one of the most advanced diagnostic devices offered on the market. The AstraMax will provide topographic information from the anterior and posterior corneal surfaces, provide pachymetry (corneal thickness) and provide photopic pupil size information. In addition, unlike current instruments, the AstraMax will also include anterior corneal measurements from limbus to limbus and provide both photopic and scotopic pupil size measurements. Currently an ophthalmologist or optometrist would need to utilize at least two separate diagnostic instruments to obtain the diagnostic information that the AstraMax can acquire. The diagnostic measurements from the AstraMax can be utilized for a broad spectrum of ophthalmic applications. The AstraMax incorporates virtually instantaneous image acquisition through the use of patented multi-camera technology that provides faster and more accurate measurements than conventional topographers through triangulation and a patented checkered polar grid illumination pattern to uniquely integrate these technologies into a single instrument. An AstraMax integrated workstation can be utilized in both ophthalmic and optometric practices for planning ophthalmic procedures that require precise and accurate measurements of the eye. These procedures include contact lens fitting, cataract extractions, clear lens extractions, and planning for customized laser ablations.

In 2000, there were approximately 1450 corneal topographers sold throughout the world. Sales of topographers are expected to grow to 1725 units in 2001 and to 2070 units in 2002. LaserSight believes that an integrated diagnostic workstation like the AstraMax, capable of measuring pachymetry and pupillometry, in addition to anterior and posterior corneal topography, should fill a long expressed need of the market and be able to capture a significant share of the corneal topography market. As part of LaserSight's Astra family of products for the company's CustomEyes customized ablation products, the AstraMax workstation will provide refractive surgeons with the precise diagnostic measurements

that are required for planning customized ablations with the company's anticipated AstraPro software. AstraPro is the proposed surgical planning tool that utilizes the AstraMax's advanced levels of diagnostic measurements for the planning of personalized refractive treatment plans.

LaserSight also received a Notice of Allowance from the U.S. Patent and Trademark Office for a patent related to its AstraMax technology. When issued, this patent will cover a method for simultaneous automatic measurement of the anterior and posterior corneal surfaces, corneal thickness and optical aberrations of the eye. The invention utilizes a wave front measurement technique that incorporates multiple resolution micro-lens arrays and a keratometric target. The company now holds five issued or allowed patents on the technologies underlying the design and operation of the AstraMax diagnostic workstation, which include use of multiple cameras for accurate corneal surface height measurements, the checkered polar grid and a technology related to wave front measurement that can be incorporated into the instrument. A number of additional patents related to the AstraMax technology are pending.

In addition, the company provided an update on the status of the FDA approval for utilizing its LaserScan LSX precision beam scanning laser system to treat astigmatism. In December 2000 the company filed an additional PMA Supplement requesting that the LSX be approved to treat myopia and myopic astigmatism utilizing the LASIK procedure. The company subsequently received notification from the FDA that the FDA had completed its initial review and determined that the additional PMA Supplement for LASIK was sufficiently complete to permit review. With the filing of the LASIK supplement in December 2000, the company now has two supplements for astigmatism under consideration at the Agency. Approval for the company's PARK PMA Supplement has taken longer than anticipated. On February 7, 2001 LaserSight received a response to its pending PMA Supplement for the LSX to treat astigmatism utilizing PRK, and will be preparing its response to the FDA. LaserSight's confidence in receiving approval to treat astigmatism is further strengthened by the fact that the company now has two PMA Supplements pending with the FDA.

2/8 **NovaMed Eyecare** announced that net revenue for the year ended December 31, 2000, rose 34% from 1999 to $135.6 million. Net income for the year increased 18% from pro forma 1999 to $5.3 million (21 cents per share), up 5% from pro forma 1999, despite a 16% increase in fully-diluted weighted-average shares outstanding. Pro forma 1999 amounts reflect adjustments for previously disclosed items associated with NovaMed's initial public offering, completed August 18, 1999.

For the fourth quarter, net revenue of $34.8 million rose 17% from the fourth quarter 1999. Net income for the fourth quarter totaled $1.3 million (5 cents per share) compared to net income of $1.7 million (7 cents per share) in 1999's fourth quarter. The profitable fourth quarter, 2000 results were achieved despite the adverse effects of several items.

First, the severe winter weather that occurred in December in several of the company's core regional markets negatively impacted the number of eye surgery procedures performed in the company's surgical facilities. In addition, the fourth quarter slowdown in the U.S. economy which, along with continuing competitive conditions in the laser vision correction marketplace, affected demand for elective refractive surgery.

"Capacity utilization in our surgical facilities is the most important driver of NovaMed's earnings, with almost two-thirds of our segment operating earnings coming from our surgical facilities," said Stephen Winjum, chairman, president and CEO. "Procedure volume in our surgical facilities in January 2001 increased notably from December 2000 levels, getting the new year off to a very solid start. We are well positioned for growth in 2001 and now expect full year net revenue growth of approximately 15% to 20%, together with net income, earnings per share and cash flow growth of approximately 20% to 25%."

Surgical facilities focus drives profitable operating earnings growth. Operating earnings in NovaMed's surgical facilities segment grew 36% to $17.1 million in 2000. For the year, NovaMed's surgical facilities represented 65% of NovaMed's consolidated operating earnings on a segment basis, up from 62% in 1999. Approximately 41,500 surgical procedures were performed in 2000 in NovaMed's facilities, up 42% from approximately 29,200 surgical procedures in 1999.

2/9 **ICON Laser Eye Centers** announced that 8,619 LASIK and/or PRK procedures were performed at ICON's wholly-owned and affiliated centres during the month of January 2001. This figure represents an increase of approximately 111% over the 4,089 LVC procedures performed during the same period in 2000 and a 10.3% sequential increase from the month of December 2000. "ICON is pleased to report that its Value Lasik model continues to show strength in the highly competitive LVC market," said Ghassan Barazi, president and CEO of ICON. "Furthermore, we expect that as a result of our recently announced merger with **Lasik Vision**, ICON's strength will be dramatically enhanced. The merger will create a powerhouse Value Lasik provider, capable of delivering profitable growth in stark contrast to the steady losses reported by several of the industry's full-price participants."

Over the previous 12 months, ICON and Lasik Vision together had revenue of $150 million and positive earnings before interest, taxes, depreciation and amortization (EBITDA). After the first full year, the merger is expected to result in substantial operational efficiencies, including reductions in selling, general and administrative expenses, marketing and advertising expenses. "The value pricing strategies of both ICON and Lasik have dramatically altered the North American marketplace for LVC, and a combined operating entity will be well-positioned to capitalize on the continued growth in this market," added Barazi. "As the patient population continues to educate

itself on the LVC market, we look forward to continuing to strengthen our reputation as a leader in delivering the highest patient care along with affordable pricing."

2/10 The February issue of *Refractive Market Perspectives* headlined the announced merger of **Lasik Vision** and **ICON Laser Eye Centers**, and provided additional information about the U.S. procedure results for the fourth quarter of last year. (I think I've covered the Lasik/ICON story in the briefs above, so I won't go into further details from the newsletter.) As for last year's fourth quarter results, David Harmon described them as "flat growth", with a sequential growth of 0.3%, compared to growths of 15.7% in the first quarter, 14.8% the second, and 3.9% in the third. The slowing growth was attributed to the general slowing of the U.S. economy, and declines in consumer confidence levels and an overall decrease in consumer discretionary spending. Some of the slowdown was also attributed to consumer confusion over pricing, bad weather, and the turmoil at the deep discounter operations. For the year, Harmon claims that there were 1.43 million procedures, compared to 950,000 in 1999, for an annual growth rate of 50.3%. During the year, more than 830,000 people underwent refractive surgery, bringing the total treated since 1995 to 1.9 million. (Just for the record, my figures only total 1.6 million people treated to date, as some people, especially in the early days of refractive surgery, had only one eye done. Also, according to my records, at the end of 2000, 0.88% of the vision care population (180 million) and 2.53% of the "target" population (35% of the vision care population) had been treated.)

Harmon projects 1.82 million procedures for this year, a growth rate of 27.3%, with the keys being a slow growth U.S. economic environment, and absence of significant business failures which could disrupt patient access and jeopardize growing consumer confidence in LASIK. (My more bullish forecast still holds out for a 52% growth rate, leading to 2.2 million procedures this year.)

2/12 **Lasik Vision Corporation** said that it had received the formal take-over bid circular from ICON Laser Eye Centers on February 8th, relating to the Offer by ICON to purchase all of the common shares of Lasik. The Offer, under which ICON will issue one-half of one ICON common share in exchange for each outstanding Lasik common share, will be open for acceptance until 5:00 pm (Toronto time) on March 1, 2001, unless withdrawn or extended.

The ICON offer is conditional upon there being validly deposited at least 51% of the outstanding Lasik common shares. Among other things, the offer is also conditional upon completion of due diligence by February 16, 2001, satisfactory restructuring of Lasik's debt, and ICON obtaining subscriptions for a private placement of at least CDN$4,750,000 of equity at a minimum price of US$0.60 per ICON share.

2/12 **ICON Laser Eye Centers** announced that, through its agent **Northern Securities Inc.**, it had completed the second tranche of an offering by way of private placement of up to

500 units at $1,000 per unit. In the second tranche 200 units were sold for gross proceeds of $200,000.

Each unit is comprised of:
* $1,000 principal amount of secured debentures maturing April 30, 2001 bearing interest at the rate of 12% per annum, and
* 1,000 options. Each option is exercisable into three quarters of one warrant at no additional cost. Each whole warrant is exercisable into one common share for a term of two years at $0.50 per share.

Northern Securities Inc. received a 10% selling commission and compensation options that entitle it to acquire, at no additional cost, 28,986 compensation warrants. Each compensation warrant entitles Northern Securities Inc. to acquire one common share at a price of $0.69 per share for a term of two years.

The proceeds from the private placement will be used for general corporate purposes, which may include the repayment of outstanding debt obligations.

2/12 **Sunrise Technologies International, Inc.** announced that the first surgeries performed by the HYPERION LTK System in a European University setting had been successfully completed at the *Johann Wolfgang Goethe University Center for Surgery* in Frankfurt, Germany. Thomas Kohnen, MD, who is the European Medical Monitor for Sunrise, performed the surgeries. "I've been experienced with LTK for seven years since I worked with Douglas Koch, MD in Texas. I'm pleased that we are able to offer this exciting new surgical technique to our hyperopic patients. This technology was designed specifically to treat hyperopia and its combination of safety and efficacy appears to have a prominent role to play in refractive surgery," said Dr. Kohnen.

The company, which has had its European sales team in place only since the fourth quarter of 2000, has already placed HYPERION LTK Systems in Great Britain, Sweden, Israel, Belgium and Germany.

2/13 **LASER VISION CENTERS** announced that it had completed the acquisition of **Southern Ophthalmics, Inc.** of Georgetown, SC, a provider of mobile cataract services to ten locations throughout Georgia and South Carolina. LaserVision, through its **Midwest Surgical Services, (MSS)** subsidiary, is the world's largest provider of mobile cataract services. Financial details were not disclosed.

"We are pleased to have Southern Ophthalmics join the LaserVision family," Jack Klobnak, LaserVision chairman and CEO said. "This acquisition further demonstrates our commitment to the development of a total eye care services company and solidifies our leadership position within the mobile cataract business." Harry Oxner, president of

Southern Ophthalmics said, "LaserVision is well regarded in the ophthalmic community and we are honored to be part of this exciting, growing organization."

2/14 **KeraVision** reported financial results for the fourth quarter and year ended December 31, 2000. Revenues for the quarter totaled $313,000 and were based primarily on surgical procedure volume compared to revenues of $1.9 million for the previous fourth quarter which were based primarily on sales of start-up surgical instrument kits and start-up inventories. Net loss for the quarter was $8.7 million (52 cents per share) versus $9.5 million (52 cents per share) for the fourth quarter in 1999. The decrease in net loss was primarily due to curtailments in marketing and other activities that did not directly support the company's test market program. Revenues for the year were $2.4 million compared to $10.5 million for the prior year. Net loss for the year was $37.7 million ($2.12 per share) compared to a net loss of $27.3 million ($1.88 per share) in 1999.

KeraVision also announced that it has received notification that, effective February 14, 2001, its stock has been delisted from the Nasdaq National Market. Effective immediately the company's common stock is eligible to trade on the OTC bulletin board.

2/15 **VISX** announced that the FTC had dismissed the case it initiated against VISX in 1998, bringing to an end the FTC's challenges to VISX's patents. "VISX is pleased with the FTC's decision to dismiss its challenge to our patents and its affirmation of the strength of the '388 Patent and the breadth of its coverage," commented Liz Davila, VISX's CEO. "We believe that this decision underscores the strength of VISX's patent portfolio. VISX currently holds 175 patents worldwide in the field of laser vision correction, with 99 additional patent applications pending."

As previously announced, in June 1999 an FTC administrative law judge issued an initial decision ruling in VISX's favor and dismissing the FTC's complaint against VISX related to the company's use of its patents. In his 145-page decision, which followed an extensive FTC investigation and a thorough six-week trial, the judge found the FTC's position to be without merit. The FTC attorneys appealed the judge's decision to the full Commission. In December 1999 the FTC attorneys filed a motion to dismiss their complaint against VISX conditioned upon the United States Patent and Trademark Office (PTO) issuing to VISX a Reexamination Certificate of United States Patent No. 5,108,388 in the form then being considered by the PTO. In their motion, the attorneys for the FTC stated, "Our analysis of the new versions of the original claims 1-5 indicates that they are sufficiently broad to cover all commercial uses of the excimer laser to perform laser vision correction as that procedure is performed today."

The Reexamination Certificate of U.S. Patent No. 5,108,388 was issued by the PTO in September 2000 with the "new versions of the original claims 1-5" referred to by the FTC. In addition, 60 new claims were added to the patent in the course of the

reexamination proceeding. Because this condition had been met, the Commission dismissed the complaint filed by its attorneys against VISX.

2/15 *The Globe and Mail* published a positive article about **TLC Laser Eye Centers**, written by Leonard Zehr, entitled, "TLC shares rising from the ashes: Laser eye surgery firm's turnaround reflects consolidation in the sector". He wrote, in part, "TLC Laser Eye Centers' stock price is rising from the ashes against a backdrop of consolidation in the laser eye surgery industry and hopes that a brutal 18-month price war is winding down."

After losing 90% of its market capitalization last year and trading below its cash position at the start of this year, TLC shares were quoted above $10 on Tuesday for the first time since last July. Yesterday, the stock closed at $8.95 on the Toronto Stock Exchange, more than five times its 52-week low of $1.67 on Jan. 9. Much of the turnaround reflects continuing consolidation in the sector. **Lasik Vision Corp.** of Vancouver and **Icon Laser Eye Centers Inc.** of Toronto, two deep discounters, have agreed to merge. And **Aris Vision Inc.** of Los Angeles is acquiring control of **Gimbel Vision International Inc.** of Calgary.

But Charles Olsziewski, an analyst with **UBS Warburg LLC**, said investors will be "surprised at the extent of cost-cutting that TLC is doing" when the Toronto-based leader in laser eye surgery reports its next two quarterly financial results. That, combined with a pickup in surgical procedures, caused Olsziewski to recently raise his earnings estimate for TLC to 6 cents (U.S.) a share from 1 cent for the fourth quarter ending May 31, 2001. That would be TLC's first profitable quarter after five consecutive quarters in the red...He figures the company will post a loss of 53 cents a share for the current fiscal year, rebounding to a profit of 40 cents for the year ending May 31, 2002. "People see a $3-to-$5 stock that can make 40 cents a share and has financial strength, and it gets people interested," he said. "Volumes have been building and that momentum feeds on itself."

Over all, Olsziewski expects TLC's total procedures at its 60 clinics this year to fall 6% to 125,500, but climb 27% to 160,000 in fiscal 2002. "Consumers may now be choosing providers that they think will be around in the future," he said, referring to financially troubled discounters that offer laser surgery for $500 to $750 an eye, but are scrambling to raise capital in order to survive.

Industry procedures rose 36% last year to 1.5 million and Al Kildani, an analyst with **Pacific Growth Equities Inc.**, expects 25% to 30% growth this year. "Most of the incremental growth last year was captured by the discounters," he said. "If the discounters are showing signs of not being able to remain in business for the long term, those eyes have to go somewhere, and it's likely the incremental growth this year will be picked up by traditional firms like TLC."

Olsziewski said that if TLC can demonstrate to investors that it can return to sustained profitability, "we believe that its shares can reach the double-digit level some time this year."

2/15 **LCA-Vision Inc.** reported financial results for the three months and year ended December 31, 2000. Laser vision correction revenues for the fourth quarter rose 5% to $14.4 million, compared with $13.7 million in the fourth quarter of 1999, and for the full year increased 12% to $63.1 million, compared with $56.4 million for 1999.

Fourth quarter average price realization per procedure was $877 and the contribution margin was 78.6%, compared with an average price realization per procedure of $954 and a contribution margin of 78.3% in the third 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 $1.6 million (3 cents per share) compared with a third quarter net loss of $201,000 (0 per share). A year ago, LCA-Vision reported fourth quarter net income of $5.4 million (10 cents per share), which was attributable to a one-time gain. The net loss for the 12 months was $2.4 million (5 cents per share), compared with net income applicable to common stock of $10.8 million (21 cents per share), in the comparable period last year.

"The company is now the leading provider of laser vision correction in the United States using the **Bausch & Lomb** scanning laser. We are now firmly established as the No. 1 or the No. 2 provider of laser vision correction in 12 of the 15 U.S. markets in which we operate," said Thomas Wilson, CEO. "LCA-Vision has now completed more than 100,000 procedures since inception, and we expect to cross the 200,000 procedure count threshold in 2001." Wilson went on to say, "The company is focused on three key profit drivers in 2001: the cost of patient acquisition, average price realization and capacity utilization. New marketing and advertising plans are driving down the per-procedure cost of patient acquisition from an average of $217 in the fourth quarter of 2000 to an expected range of $125 to $150 in the first quarter of 2001. By the end of the first quarter of 2001, the company will have multiple laser technologies available in all of our markets. Offering the consumer a choice of laser technology and aftercare options is positioning the company to improve price realization. Since the beginning of January 2001, over 80% of patients have selected advanced laser or acuity options for additional fees."

Commenting on center capacity utilization, Wilson said, "LCA-Vision is committed to improving the utilization of each center's practical capacity, which currently stands at approximately 800 procedures per month. Notably, LasikPlus centers in the United States are on track to increase volumes from an average of 162 procedures per center per month

in the fourth quarter of 2000, to an average of more than 250 procedures per center per month in the first quarter of 2001."

Wilson also discussed the company's outlook for the year 2001 and the current balance sheet. He said, "We expect the first quarter 2001 to be solidly profitable, and the year to be in the range of $0.10 to $0.16 per share. Cash flow from operations in 2001 will be sufficient to fund planned center openings for the year. The company's balance of cash and short-term investments at December 31, 2000 was $28.3 million. These funds are available for the ongoing common share repurchase program or to fund strategic acquisitions."

2/16 Following the **LCA Vision** report of fourth quarter results, in which management indicated procedure growth for the first quarter could be as much as 30% - 50% up over the fourth quarter, and similar reports from other sources, Ted Huber and Anthony Sterling of **Banc of America Securities** issued a new research report on **VISX**. In it they concluded:

* Based on anecdotal information from a number of different industry sources, 1Q01 U.S. refractive procedure volumes appear to be pacing at a much stronger rate than we had previously estimated.
* We are raising our Visx 1Q01 EPS estimate to $0.19 from $0.17 and our 2001 estimate to $0.79 from $0.74 to reflect a higher level of procedure volumes. We are raising our forecast for 1Q01 Visx sequential procedure volume growth to 10% from 5%.
* In spite of a more positive outlook for 1Q01, we believe earnings visibility remains limited due to: 1) volatile quarter to quarter industry growth, 2) an acceleration of Visx market share losses in 4Q00, and 3) longer term pricing uncertainty.
* At 10.6x 2001 cashflow and 20.0x 2001 consensus EPS, Visx is trading in line with its peer group of 15% growth medical device companies. Given limited earnings visibility, we believe this represents full value for its shares. Maintain market perform.

2/19 **Lasik Vision Corporation** and **ICON Laser Eye Centers** announced that they had agreed to waive their respective conditions under the Pre-Acquisition Agreement between ICON and Lasik Vision made February 6, 2001 relating to due diligence investigations and for undisclosed material adverse changes. The Offer was conditional on the due diligence enquiries being completed to the satisfaction of each of ICON and Lasik Vision by February 16, 2001. Accordingly, ICON will be proceeding with its Offer to purchase all of the common shares of Lasik Vision dated February 7, 2001. The Offer remains subject to other conditions as set out in the Offer including a requirement that Lasik Vision's outstanding debt is restructured to ICON's satisfaction. ICON is proceeding together with Lasik Vision to resolve this requirement.

2/20 **Sunrise Technologies International** announced that over 90 new doctors in Texas had been trained on the HYPERION LTK System this month. That brought the total number

of U.S. doctors who have been trained since FDA approval on June 30, 2001 to nearly 600. The two Texas seminars were held in Dallas on February 11 and in Houston on February 17th. The Dallas seminar was held in conjunction with James McCulley, MD at the Zale Lipshy University Hospital Laser Center for Vision at Southwestern Medical Center. The Houston seminar was held in conjunction with Douglas Koch, MD at the Baylor College of Medicine, Cullen EyeInstitute.

"These regional seminars are proving to be a very effective method in training doctors on the HYPERION LTK System. Respected physicians like Dr. McCulley and Dr. Koch showing our 3 second no-touch procedure to other doctors in their communities in an interactive environment helps everyone understand the potential of this exciting new procedure," said Russell Trenary, Sunrise chairman and CEO. Additional regional seminars will be held in Arizona, California and Virginia by the end of March, bringing the total to eight regional seminars held around the country thus far in 2001.

2/22 **LaserSight** announced that it had filed a PMA Supplement with the FDA requesting approval to utilize its LaserScan LSX excimer laser system to perform LASIK treatment of hyperopia and hyperopic astigmatism in the range of spherical equivalent equal to +0.5D to +8D. This range allows treatment of astigmatism up to +6D. The company previously announced that it filed a PMA Supplement for LASIK treatment of myopia and myopic astigmatism during December 2000. LaserSight currently has four PMA Supplements under active consideration at the FDA, including the supplement for its AccuTrack active eye tracking system.

Michael Farris, president and CEO of LaserSight commented, "We now have PMA Supplements pending at the Agency for approval to treat the full range of LASIK indications. After we receive the FDA's approval for our pending LASIK treatment requests, refractive surgeons in the U.S. will be able to use the same advanced state-of-the-art precision beam microspot scanning technology platform in the LaserScan LSX that the company has provided to its international customers for over two years. Since May, 1998 our international users have been able to use their LSX systems to treat the entire range of refractive errors including myopia, hyperopia, astigmatism and mixed astigmatism."

(Given the announcement below, it looks like LaserSight's astigmatic approvals might come to late to be meaningful for their investment partner, **TLC**!)

2/22 **TLC Laser Eye Centers Inc.** announced that it had entered into a multi-year technology alliance with **Alcon**, a subsidiary of **Nestle SA**. The alliance, which significantly expands an existing business relationship between the two industry leaders, will result in major benefits to laser eye surgery patients in the United States. A variety of Alcon manufactured surgical instruments, accessory products and prescription drugs are already used in TLC centers. As TLC continues to lead in this arena, the company will persist in

researching and implementing anything that it can clinically to reduce the risks to its patients and to provide high quality results. Consistent with that strategy, TLC has agreed to adopt the next generation of flying-spot small beam technology offered by the **Alcon Summit Autonomous** LADARVision system as its primary platform in the Company's refractive centers. TLC is planning to employ the LADARVision system in every one of its markets throughout North America.

The Alcon Summit Autonomous LADARVision system has been approved by the FDA for using the LASIK procedure to treat myopia with or without astigmatism, hyperopia with or without astigmatism, and mixed astigmatism. The LADARVision system is the only FDA-approved laser to achieve all these indications. The LADARVision incorporates the patented LADARTracker, which compensates for eye movements during surgery and guides the laser beam. The LADARVision system is the only FDA approved laser system to combine laser radar eye tracking with narrow beam shaping technology during surgery.

While financial terms were not disclosed, this agreement provides a level of unique partnership that will not result in any capital cost to TLC. (This looks like the old King Gillette razor blade theory -- give away the razor and make your money on the blades! But, in this case, its an awfully expensive razor!)

"We are delighted that TLC recognizes our advanced technology and its potential benefit for their patients," said Bill Barton, Alcon's vice president and General Manager, Surgical. "With the range of conditions that can be treated and the proprietary tracking technology, we feel LADARVision is the only logical choice." Dr. Jeffery Machat, TLC's Co-National Medical Director commented that "today's announcement further demonstrates TLC's unique ability to remain at the clinical forefront of the laser eye surgery industry by taking advantage of the company's preferred access to the newest refractive technologies."

OPHTHALMIC LASER UPDATE -- March 2001

2/26 The February 26th issue of *Design News Online* featured an article on Charles Munnerlyn, the founder of **VISX**, who was voted the magazine's Engineer of the Year. The lengthy article describes how Munnerlyn designed and built one of the first excimer lasers for sculpting the eye, and traces his career, beginning with a physics degree from Texas A&M, followed by his PhD from the Institute of Optics at the University of Rochester. He first worked for **Tropel**, a company designing lenses for Xerox copiers, Polaroid cameras and for space satellites. While at Tropel, he developed the Dioptron, an automatic digital device to measure refractive errors of the eye. With the purchase of Tropel by **Coherent** in 1972, and its move to Palo Alto, Munnerlyn moved along with the company, becoming R&D director of Coherent's medical division. Along with Terry Clapham, a collaborator for 25 years, the two engineers started their own business in

1978. developing and building the Digiton tonometer. However, after they ran out of funds, they rejoined Coherent and began developing medical lasers, including one of the first pulsed YAG systems. Frustrated by the pace of development at Coherent, the two went out on their own again in 1983, and joined **CooperVision**, where they developed an ophthalmic YAG laser, which was displayed at the 1983 AAO meeting. About that time, they met Steve Trokel who was interested in developing an excimer laser. Buying out their developmental design, as part of a CooperVision development program, they then formed VISX in 1988, and the rest, as they say, is history.

2/27 **Asclepion-Meditec AG** announced results for the first quarter of the 2000/2001 business year. Consolidated sales rose by 29% over the first quarter of the previous year to E11.7 million. The gross result increased by 34%, to E6.0 million, putting the gross margin at 51.3%. The operating result rose from E0.2 million in the previous year to E1.6 million (+750%). The result after taxes for the reporting period improved by 163%, from E0.3 million to E0.7 million euro. Compared to the comparative period for the previous year the result before interest and taxes (EBIT) rose by 22%, from E0.8 million to E0.9 million. The impact of the dollar weakening over the euro could not fully be avoided by the Asclepion Group.

Asclepion's CEO, Bernhard Seitz, expressed his satisfaction with the first quarter of the 2000/2001 business year: "The results which we have attained in the first three months of the current business year have encouraged us to continue with the present strategy of expansion with a simultaneous enhancement of our profitability. We will further expand our position as the global technology and innovation leader. Our expenditure on research and development -- with 16% of sales higher than in the last business year and above the average level of the industry -- is proof of the company's commitment to continual innovation."

With a growth of 132% in sales, the Aesthetic business unit developed, as planned, extremely positive. The driving forces behind this successful development have been the -- now complete -- sales team in this unit, a portfolio of innovative products with an average age of two years and all with CE and FDA approvals, and the successful strategic co-operation with **U.S. Medical, Inc.**. The sales targets agreed upon with U.S. Medical for the U.S. market were repeatedly surpassed in the past quarter.

Sales in the Vision business unit fell slightly (-8%) over the first quarter of the previous year. The heavy demand for the new diagnostic system WASCA Analyzer could not be satisfied in full and as planned. Some of the deliveries had to be postponed until the second quarter. However, all of the bottlenecks in the development of manufacturing capacities will be remedied in the second quarter of the current business year. WASCA offers the possibility in refractive surgery to diagnose errors in the entire optical system of the eye, and to use these findings in individualized laser treatment with the excimer laser MEL 70 G-Scan. In this area of individualized patient treatment of vision defects

(customized ablation), Asclepion is the world's market leader with more than one hundred and twenty systems sold. On the basis of this positioning in competition with others, Asclepion also assumes that growth rates will be good in the future.

Market researchers forecast major growth potential with dental lasers in the field of erbium lasers with a variety of applications, ranging from low-pain caries treatment, endodontolgy and periodontology through to soft tissue surgery and root canal sterilization. The new KEY III erbium laser is about to be launched onto the market. This compact and user-friendly system, which was developed together with the company **Kaltenbach & Voigt (KaVo)**, has a range of advantages over competing systems. A number of innovative application possibilities make the KEY III a system with the aid of which dentists worldwide will be able to improve the quality and user-friendliness of treatments. KEY III is to be presented for the first time at the *International Dental Show (IDS)* in Cologne at the end of March 2001. Thus, following the planned lack of sales in past quarters, the Dental business unit will in future again contribute to sales and earnings. In the Service unit the growth rate for sales was 42%, and thus higher than the company average, reflecting the strong increase in the number of system placements in the recent years.

2/27 **Paradigm Medical Industries, Inc.** disclosed that it expected to report record revenues of more than $8 million for the year ended December 31, 2000. This would compare with revenues of $1.7 million in 1999. Final audited financial results for 2000 are expected to be released in mid-March. "The significant improvement in our sales in 2000 resulted from several favorable factors, including initial shipments to Europe in the fourth quarter of our Photon Laser System for cataract removal," said Paradigm's chairman and CEO, Thomas Motter. "We also experienced higher sales in virtually all of our surgical and diagnostic devices and disposable products. Sales in the final quarter of 2000 approached $3 million."

Motter added that several acquisitions completed during the year, including the Dicon perimeter and topographer lines from **Vismed** and the blood-flow analyzer from **OBF, Ltd.**, contributed to the company's growth. "Our results in 2001 will also be favorably impacted from the carry-forward benefits of these acquisitions. We sustained a greater operating loss in 2000, compared with 1999, due mainly to our decision to create an internal direct sales force in advance of commercializing new products and systems and assimilating the acquisitions. Our fourth-quarter results began to show a reversal of negative trends. Paradigm's results in 2000 clearly indicate that our company improved its market share in both the surgical and diagnostic device segments of the eye-care industry. More importantly, our performance reinforces our strategy of developing and introducing new, high-tech equipment for medicine".

The Paradigm CEO noted that the company is optimistic about the outlook for 2001 and beyond. "We expect to receive FDA approval of our Photon Laser System and could

launch sales in this country before the end of this year. The Photon Laser System has a clear market opportunity in 72 countries. To date, we have only sold into 15 countries. The Photon Laser System represents a breakthrough technology for cataract removal. The current state-of-the-art technology has been in existence for the last 30 years."

2/28 An official from **Alcon Surgical** confirmed my speculation that the deal struck between **Alcon Summit/Autonomous** and **TLC Laser Eye Centers** did not result in capital payments to Alcon for the LadarVision lasers. Rather, they will be placed in TLC centers and financed on a purely "per procedure" basis.

2/28 **ICON Laser Eye Centers** and **Asclepion-Meditec** announced that they had signed a strategic alliance agreement, according to which, Asclepion agreed to sell to ICON 30 of its MEL 70 G-Scan lasers (including customized ablation diagnostic) and also agreed to lend ICON $3 million. The agreement provides that ICON will issue an aggregate of $10.5 million principal amount of secured convertible debentures to Asclepion in connection with the loan and the laser purchases. The secured convertible debentures will accrue interest at the rate of 5% per annum and are convertible, subject to adjustment as is set out in the convertible debentures, into 5 million common shares of ICON. The loan will be secured by a first fixed and floating charge on the assets of ICON and one of its material subsidiaries and ICON's obligations to Asclepion in respect of the laser purchases will be secured by a first charge on the laser machines. The secured convertible debentures will be repayable in seven years.

The agreement provides that ICON will cause its European subsidiaries, for a minimum period of two years, to enter into an exclusive supply arrangement with Asclepion. In addition, ICON, in respect of its Canadian and Mexican operations, will enter into a supply arrangement for a minimum period of two years pursuant to which it will purchase a minimum of 75% (in respect of its Canadian operations) and 50% (in respect of its Mexican operations) of its lasers from Asclepion. Pursuant to the agreement, ICON also granted Asclepion pre-emptive rights in respect of any additional share issuances and agrees not to issue additional common shares if, as a result of such share issuance, the aggregate number of common shares owned by Asclepion on a fully-diluted basis would represent less than 11% of ICON's issued and outstanding common shares (5.5% if ICON acquires 100% of **Lasik Vision's** issued and outstanding shares pursuant to the take-over bid). The agreement also provides that Asclepion will be issued one Series A Preference Share which, among other things, will entitle Asclepion to that number of votes as is determined by dividing the aggregate principal amount outstanding under the convertible debentures by $2.10, subject to adjustment as is set out in the convertible debentures. The Series A Preference Share will entitle Asclepion to nominate one member to ICON's Board of Directors and vote, separately as a class, to elect one Director of ICON so long as the secured convertible debentures remain outstanding or, if converted into ICON shares, so long as Asclepion continues to beneficially own more than 3% of ICON's issued and outstanding common shares. Finally, ICON, pursuant to the agreement, will

issue to Asclepion an option entitling Asclepion to purchase up to 1.7 million common shares of ICON at a purchase price of $0.60 per share. The option expires on the 90th day following closing of the Asclepion transaction.

"With Asclepion, we feel that ICON has the strategic partner to support our rapid growth in the laser vision correction (LVC) industry," said Ghassan Barazi, COO of ICON. "The purchasing of Asclepion's lasers will support expansion in our new clinics as well as providing for the future replacement of units in established clinics. In addition, the cash investment will provide us with the working capital needed to execute our growth strategy."

ICON and Asclepion will run U.S. FDA trials for Asclepion's lasers at several of ICON's most experienced clinics in the U.S. Among its technological advances, Asclepion's advanced laser system leads the market in the area of custom ablation. Upon FDA approval, ICON has an option of acquiring a one year exclusive supply arrangement with Asclepion in the United States in respect of Asclepion's MEL 70 G-Scan lasers.

"ICON operates in the fastest growing segment of the LVC industry and we view them as a solid partner to participate in this market expansion," said Dr. Bernhard Seitz, CEO of Asclepion-Meditec. "We look forward to partnering in their continued growth. The cooperation in the FDA trials will speed up our registration process as we are working with the most experienced high volume centers of ICON." "We have tested the MEL70 G-Scan laser extensively over the past nine months and the results have proven to be highly reliable and very cost effective," continued Barazi. "The laser showed outstanding results on standard treatments such as myopia and astigmatism. In addition, this new technology produces perfect results on hyperopia that is difficult to treat using other lasers. The latest CCA upgrade -- a technology that removes the plume from the ablation without drying the cornea -- results in an astonishing predictability of the achieved results."

2/28 Tim Ruel of *The Honolulu Star-Bulletin*, wrote about **Lasik Vision** abruptly closing an office in Honolulu, entitled: "Eye surgery patients are left in the dark. Lasik Vision's demise leaves about 170 awaiting refunds or surgical care." Apparently, two weeks ago, Lasik Vision Corp. permanently shut its office on the top floor of the 16-story Pacific Park Plaza in Kakaako. The Vancouver, British Columbia-based company, founded in 1997 and now saddled with debt, is being bought out this week by a larger, publicly traded chain of laser eye centers, Toronto-based **ICON Laser Eye Centers Inc.** ICON spokesman Joe Krupa said about 50 Lasik Vision patients in Hawaii still await treatment. Another 120 need postoperative consultation and possibly more surgery. Lasik Vision patients are being referred to ICON's local office, the Pan-Pacific Laser Eye Institute, located at 1440 Kapiolani Blvd., across from Ala Moana Center. The Pan Pacific office has one ophthalmologist to handle the influx.

Lasik Vision opened its Kakaako office in August, promising discounts of up to 75% from standard eye surgery prices in Hawaii. The closure of the Honolulu office has left many patients frustrated and confused. A Lasik Vision staff member, who requested anonymity, said Friday that the company has had employees show up to work as usual, direct customer calls to a toll-free number, and wait for further instructions.

2/28 **ICON Laser Eye Centers** announced that, provided at least 51% of the outstanding common shares of **Lasik Vision Corporation (Lasik)** are tendered to ICON's offer to acquire all of the outstanding shares of Lasik by 11:59 PM. (Vancouver time) on February 28, 2001, ICON will take up all Lasik shares tendered, as all other conditions to its offer, including the minimum financing requirement, have now been either satisfied or waived. ICON will also keep its offer open for a further ten days to give all Lasik shareholders a further opportunity to tender to its offer. It is intended that Ghassan Barazi, ICON's president and COO, will be appointed Lasik's CEO.

ICON also announced that it has agreed with John Porter, the largest Lasik shareholder, to issue to him or related entities up to $5 million of ICON shares at $0.60 per share, of which $1.5 million will be subscribed now and the remaining $3.5 million will be subscribed over the next 45 days, as required by ICON to fund the restructuring of Lasik. Porter and related entities would own approximately 28% of the number of outstanding shares of ICON immediately following the acquisition of 100% of Lasik. Porter has agreed that these shares may not be voted until this transaction is approved by ICON shareholders (post the Lasik take-over), who are not affiliated with Porter. In addition, immediately upon the acquisition by ICON of at least 51% of the issued and outstanding shares of Lasik, John Porter will become a Director and chairman of the Board of ICON.

ICON has also agreed to issue between CDN$3 million and CDN$8.5 million of special warrants at $0.60 each in a private placement led by **Northern Securities**. Each special warrant is exercisable into one common share and one-half of a common share purchase warrant, with each warrant exercisable at $0.80 per share for a period of two years. CDN$1.5 million of these special warrants will be issued against an assignment of promissory notes of Lasik, and the balance will be subscribed in cash.

The company also acknowledged the strategic agreement with **Asclepion-Meditec**, noted just above.

3/1 **VISX** announced that United States District Court Judge for the Northern District of California, Charles Breyer, had issued an order dismissing the consolidated securities fraud class action (shareholders) lawsuits filed against VISX and certain of its officers in early 2000. The February 27th ruling will result in a final judgment for VISX and its officers on these consolidated complaints at the trial court level. Commenting on the Court's decision, VISX's CEO Liz Davila, stated, "We are delighted that the District Court has vindicated VISX and its officers in these matters. The Court's ruling

establishes, without a doubt, the absence of any factual basis for the claims asserted by plaintiffs. This is an excellent outcome for VISX."

3/1 **ICON Laser Eye Centers, Inc.** announced that 48,448,066 common shares, representing 82% of the outstanding common shares of **Lasik Vision Corporation (Lasik)** had been tendered to ICON's offer to acquire all of the outstanding shares of Lasik. ICON has taken up all of the Lasik shares tendered, as all other conditions to its offer, including the minimum financing requirement, have been either satisfied or waived. ICON is keeping its offer open until Monday, March 12, 2001 to provide all remaining Lasik shareholders a further opportunity to tender to the offer.

"We are very pleased to have been able to complete the transaction within such a short window of time," said Ghassan Barazi, president of ICON. "I think our ability to close the deal so swiftly speaks to the operational synergies and common business objectives shared between the two companies. Together we are a dominant force in the laser vision correction (LVC) industry." ICON believes that a combination of ICON and Lasik will result in the creation of the pre-eminent laser vision correction (LVC) company offering value lasik services. The combined company performed in excess of 200,000 annual procedures in 2000, had combined revenues of approximately $100 million in fiscal 2000 and will have 70 LVC centres in North America and Europe.

"As in any industry that is rapidly expanding, consolidation is a strategic step towards building market share and controlling costs," said Neville Fridge, president and CEO of Lasik. "Beyond building our market share in North America, with ICON, we also now have European operations from which to pursue an aggressive growth strategy. The expected platform resulting from the combination of Lasik and ICON will better enable the combined company to increase revenue and achieve profitable growth. The combined company expects to have substantial increased revenue in the first full year following completion of the business combination. The anticipated revenue enhancements and cost savings are expected to result in a significant increase in shareholder value."

The new senior management team at ICON will consist of John Porter as chairman of the Board, Simone Mencaglia, vice chairman and European CEO and Ghassan Barazi, president and CEO. Currently, Mencaglia is chairman and CEO of ICON and Barazi is president and COO of ICON. An integration committee, headed by Messrs. Barazi and Fridge is facilitating the takeover.

3/2 **LaserSight** announced that the United States Patent and Trademark Office had issued a Notice of Allowance, thereby completing its examination of LaserSight's reissue application for the company's U.S. Patent No. 5,520,679, known as the '679 (JT Lin) patent. After a more than 2½ year review of the reissue application, including detailed analysis of a number of public protests filed by a third party, the Patent and Trademark

Office confirmed the company's broad patent rights to precision beam microspot scanning laser refractive surgery and issued LaserSight 68 additional patent claims.

Prior to the reissue, the original '679 patent included one independent claim and 23 total claims, whereas the reissue application adds nine new independent claims, and a total of 68 additional claims to better encompass the breadth of technology to which LaserSight is entitled. The 23 original claims remain essentially unchanged. Michael Farris, president and CEO of LaserSight, commented, "This reissue will allow LaserSight to protect the uniqueness of its LaserScan LSX's precision beam microspot scanning technology. The value of LaserSight's intellectual property portfolio has been enhanced by this Notice of Allowance. 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."

The Patent and Trademark Office allows reissue applications to be filed subsequent to a patent being issued to allow a patent owner to broaden claims that may have been constructed too narrowly in the original patent. The Notice of Allowance of LaserSight's reissue application confirms that the original '679 claims were, indeed, narrower than necessary, and the claims added during the reissue have strengthened and expanded the scope of the patent's coverage. The fundamental teachings of the original '679 patent encompass a refractive laser system utilizing an excimer laser with a low fluence and high repetition rate that ablates corneal tissue using small pulses delivered to the corneal surface in an overlapping pattern. Through the reissue process, LaserSight was able to broaden several elements of the '679 Patent's original claims by removing certain restrictive elements. As an example, LaserSight now owns exclusive rights to methods for ablating tissue which comprise the provision of 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 Hz to 1000 Hz; the focusing of the pulsed output laser beam onto the tissue to a predetermined generally fixed spot size; and the scanning of 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.

LaserSight will be notifying the other laser manufacturers as to the broad claims added to the '679 Patent as a result of the reissue.

The company's LSX excimer laser system offers refractive surgeons a unique combination of patented features not available with any other refractive laser currently available in the U.S. market. These features include the lowest laser fluence (90 millijoules per square centimeter) delivered in a true gaussean 0.8 mm precision scanned microspot beam, the highest laser pulse repetition rate (200 Hz) approved by the FDA

and proprietary patented beam scanning patterns that optimize refractive outcomes and smoothness of the corneal surface. Farris continued, "The smoothness and precision available with the microspot scanning technology incorporated into our LaserScan LSX has become an important factor when surgeons are considering a laser purchase. It is recognized that a smooth and uniform ablation must be achieved to deliver the high quality custom ablation procedures the market is seeking. The increasing recognition and acceptance of scanning laser technology is apparent from the number of our competitors who have introduced some form of a scanning laser system into the U.S. market."

Farris concluded, "The allowance of this patent marks the beginning of a new era of next generation technologies and patents for laser refractive surgery as refractive surgeons move away from the prior generation of broad beam lasers and their related patents."

3/2 Toronto's *Globe and Mail* included a story about the **ICON Laser Eye Center** merger with **Lasik Vision**, entitled, "Bad news overshadows good response to ICON bid Eighty-two per cent of stock tendered, but eye doctors walk off job in pay dispute." According to author Leonard Zehr, although 82% of the outstanding common shares of Lasik Vision Corp. had been tendered under its offer to acquire Vancouver-based Lasik for a total of $40-million in stock, Lasik Vision eye surgeons walked off the job yesterday in a continuing pay dispute with the financially troubled company.

"We're at a point where we are unable to contact Lasik doctors to come into work," said Joe Krupa, a spokesman for ICON. "This is the first day with the new company and ICON is looking for ways to reach a fair and just settlement with the doctors," he added. "But we need time to do this." The walkout by surgeons is the latest in a series of troubles to hit Lasik. Many patients, who earlier paid $1,000 deposits for laser vision correction surgery, have been unable to obtain refunds in recent months. Moreover, many patients of ICON and Lasik have complained that they were not informed about clinic closings in recent days. Krupa said ICON is planning to hold a conference call "hopefully Monday" to address the issue of patient refunds. "All I can tell you is that we are working to reach a fair and just compromise."

The new company, which would be the industry leader with 70 clinics in North America and Europe, has already consolidated operations in Honolulu, Toronto, Windsor, Ont., and Vancouver, he said. Toronto-based ICON previously disclosed that Lasik had been behind in payments to surgeons, optometrists and "others" by up to six weeks. But in an interview yesterday, one Lasik ophthalmologist, who spoke on condition that he not be identified, said many surgeons have not been paid in three months. Lasik doctors receive a fee of $150 an eye for the surgical procedure. Some surgeons are owed as much as $140,000 while part-timers are owed as little as $10,000, the source said. He said a newly formed association of Lasik surgeons has rejected an offer of $5,000 cash, with an option of ICON stock valued at 60 cents a share or 50 cents on the dollar for remaining unpaid wages. "But the offer came with a stipulation that we had to work for ICON for half of

what we were making at Lasik," he said, adding that ICON would pay doctors $75 an eye for the laser procedure. (In contrast, **TLC Laser Eye Centers** typically pays its surgeons 15% of global fees or between $300-$400 per eye.) ICON has extended its offer for Lasik to March 12.

3/2 According to an article published in *Ophthalmology* (March 2001), lack of oxygen, often experienced by climbers at high altitudes, causes a temporary change in vision in people who have undergone the LASIK refractive surgery procedure. The lead author of the study, Major Mark Nelson, Chief of the Refractive Eye Surgery Center at Fort Bragg, North Carolina, pointed out that the effect of lack of oxygen at high altitudes on people who have had LASIK is the opposite from the effect on people who have had RK. “RK patients have a shift towards farsightedness, which makes their near vision poor, as happened in the 1996 Mount Everest mountain-climbing disaster. Our study results indicate that LASIK patients may develop a shift that would cause their distance vision to become blurry. If distant vision becomes blurred at high altitudes, it may make it difficult to navigate over long distances.” However, climbers needn’t choose between climbing and vision correction surgery. Another significant finding is the difference in the degree of vision change, which is very small in those who have had LASIK compared to those who have had RK. “I expect people could climb Everest after LASIK,” said Lawrence White, MD, a coauthor of the study and author of previous studies about RK and lack of oxygen at high altitudes, “but they might carry some glasses to help with any significant nearsightedness encountered.”

3/3 *The Vancouver Sun* published an article on **Lasik Vision** entitled, "Lasik Vision surgeons bail out". Authors David Baines and Ian Lindsay wrote that a walkout by surgeons who claim they had not been paid since December had closed all but one of Vancouver-based Lasik Vision Corp.'s 25 laser eye-surgery centres in North America. "Basically the whole network has been shut down," said Joe Krupa, communications director for Toronto-based **ICON Laser Eye Centers Inc.**, which formally acquired Lasik this week. The only centre still performing procedures Friday was the West Georgia clinic in Vancouver, manned by Lasik founder Dr. Hugo Sutton. After swapping his Lasik stock for ICON shares, Sutton became a significant ICON shareholder and has a heavy financial interest in maintaining Lasik's operations. Krupa said four other Lasik centres in Burnaby, Windsor, Toronto and Honolulu were closed last week to eliminate redundancy arising from the merger. Patients were being referred to ICON centres in those cities, he said. Krupa also confirmed that about 50 people at Lasik's head office in Vancouver had been dismissed within the last week, also to reduce redundancies arising from the merger. Krupa said the company, which has not formally disclosed any of these developments, will issue news releases next week addressing these matters. Meanwhile, he advised Lasik patients who are concerned about their status to call Lasik's toll-free telephone number.

The closures and layoffs have resulted in widespread inconvenience and upset among Lasik patients. *The Honolulu Star-Bulletin* reported the closure of the Lasik centre in that city had left about 50 Lasik patients awaiting treatments and another 120 needing post-operative consultation and possibly more surgery. (See the February 28th brief above.) The newspaper reported that Lasik patients are being referred to ICON's local office, which had only one ophthalmologist to handle the influx. Several unpaid creditors have also filed lawsuits in B.C. Supreme Court. Krupa noted the merger was ratified by shareholders only on Thursday: "ICON is working hard to remedy all these problems."

When the merger was proposed in January, the firms said the merged entity would have about 70 centres performing more than 200,000 procedures and generating revenues in excess of $150 million US per year, easily out-stripping major competitor **TLC Laser Eye Centers Inc.** of Mississauga, Ont. It is not clear what effect consolidation would have on those figures. Also, the companies' financial capacity remains a wild card. Both provide low-cost surgical procedures and have been generating heavy losses that have drained their treasuries. Steps have already been taken to regenerate their coffers. John Porter, now chairman of the merged entity, has agreed to buy up to $5 million U.S. of ICON shares at 60 cents each. ICON chief financial officer Ken Wightman said Friday the first instalment of $1.5 million is expected "any day now" and the balance within 45 days. German laser machine supplier **Asclepion-Meditec AG** has also agreed to provide the company with 30 machines and a $3-million U.S.loan in exchange for a $10.5-million convertible debenture. The debenture will accrue interest at five per cent and is convertible into five million ICON shares, the company said. "With Asclepion-Meditec, we feel ICON has the strategic partner to support our rapid growth in the laser vision correction industry," ICON chief operating officer Ghassan Bazari said. Wightman said the first $500,000 of the $3-million loan was advanced in January and the balance is expected in about a week. "It's a good start, but it's not all we need." He noted that ICON also plans sell between $3 million and $8.5 million Cdn worth of shares in a private placement led by **Northern Securities** of Toronto. "But the biggest source [of funds] will be improved cash flow from Lasik once we rationalize our operations." Wightman refused to say whether ICON plans to use the proceeds to pay the surgeons: "We should have a press release next week with a response." However, he insisted that patients who have paid deposits to Lasik will get their surgeries.

3/5 **LaserSight** announced that its subsidiary, **LaserSight Patents, Inc.**, had entered into a business arrangement with respect to U.S. Patent No. 4,784,135 (the Blum '135 patent) with **Alcon**. As part of the arrangement, LaserSight sold the Blum '135 patent to Alcon for $6.5 million and assigned to Alcon certain licenses to the Blum '135 patent. LaserSight will retain a non-exclusive royalty free license under the Blum '135 patent and will retain the license to the Blum '135 patent that was previously granted to **VISX**. The Blum '135 patent is the fundamental blocking patent that underlies the technology of UV laser refractive surgery.

LaserSight and Alcon will share in royalties received from any future licenses to the Blum '135 patent. The company will also receive a portion of any recovery from parties found to be infringing the Blum '135 patent Michael Farris, president and CEO of LaserSight, commented, "Developing strategic partnerships around our intellectual property portfolio will permit LaserSight to maximize its market position. We currently have 22 U.S. patents issued or allowed, and more than 20 additional patents pending, all related to the laser vision correction industry. It is the company's strategy to generate a recurring revenue stream from its intellectual properties, and we are currently in discussions regarding other strategic opportunities to license certain of our patents. Our U.S. Patent No. 5,520,679 (the JT Lin '679 patent) covers methods for performing ophthalmic surgery using a scanning laser and, as previously announced will be reissued with 68 additional broader claims. We have received several inquiries regarding our willingness to license our scanning patent and the terms upon which such a license might be granted. The '679 scanning patent, and its counterpart when reissued, covers the next generation technology for laser vision correction and is the technology underlying our precision beam microspot scanning LaserScan LSX excimer laser system."

The company's agreement with Alcon also provides for a time period during which LaserSight has agreed not to claim Alcon infringes the Lin '679 scanning patent and for the parties to discuss a possible transaction related to the '679 patent. As part of this transaction LaserSight also granted Alcon a royalty free sub-license under U.S. Patent No. 5, 630,810 (the Machat '810 patent) with no right to sublicense. The Machat '810 patent relates to a method of preventing central islands that occurred in earlier generation broad beam refractive laser systems

In August 1997, LaserSight purchased the Blum '135 patent from **IBM** for $14.9 million. Shortly thereafter, the company granted an exclusive paid up license in the cardiovascular field in exchange for a payment of $4 million. In a subsequent transaction during January 1998, the company sold the international counterparts to the Blum patent for $7.5 million, and granted a partially paid up license in the U.S. to **Nidek Co., Ltd.** In addition, since that time LaserSight has realized approximately $6 million in royalty revenues from licenses to the patent. Upon closing the transaction with Alcon, LaserSight will have received a total of approximately $24 million from the Blum '135 patent and will continue to enjoy a royalty free license in the U.S.

3/5 **TLC Laser Eye Centers Inc.** announced that over 33,500 paid laser procedures were performed at TLC refractive centers in the third quarter of fiscal 2001. The company noted that over 800 of the quarter's paid procedures were generated by its new "TLC Affiliate Centers" program. This quarter's total paid procedure volumes were up marginally from 33,300 paid procedures reported for the same period a year ago, but grew more than 24% from the previous (second fiscal) quarter.

During the third quarter, the company continued to enjoy strong success in executing the TLC Advantage program, the company's exclusive marketing and service partnerships with several HMO's and vision plans, now covering more than 70 million individual lives. This plan generated more than 30% of the quarters' total paid procedure volumes. This compares to 12% of total paid procedure volumes in the same period last year. Reflecting TLC's brand value and relative pricing strength, revenues are again expected to be in-line with paid procedure volumes.

Elias Vamvakas, TLC's chairman and CEO, commented that "eight months ago, we announced that TLC would not participate in a price war. We have never wavered from the belief that superior quality of care and the best clinical results will be the long-term determinants of success in this business. Almost alone in its decision not to compete on price, TLC committed instead to strengthening its premium model, taking advantage of its preferred access to the newest refractive technologies, protecting its financial resources, and adding new flexibilities to its cost structure. As much of the industry chaos is subsiding and pricing has begun to stabilize, we have built a foundation to take advantage of the growth opportunities that we see lying ahead in the field of permanent vision correction."

3/5 **NovaMed Eyecare, Inc.** announced that it had entered into a multi-year agreement, extending and expanding its existing refractive technology supply relationship with **Alcon Laboratories, Inc.**, a subsidiary of **Nestle SA**. "We are pleased to expand and extend our refractive surgery technology agreement with Alcon," said Stephen Winjum, NovaMed Eyecare chairman, president and CEO. "We are already a major user of Alcon **Summit Autonomous'** refractive technology, and this new agreement insures continuing this relationship for many years to come." "This agreement keeps NovaMed's ASCs and laser vision correction centers at the leading edge of laser vision correction technology. Our refractive surgeons and our patient-consumers will benefit from the installation of Alcon's LADARVision system in our surgical facilities," said Daniel Durrie, MD, NovaMed's National Director of Refractive Surgery.

"Alcon is pleased to announce that after an extensive evaluation of all currently available laser technologies, Novamed has decided to convert to LADARVision as its primary laser in each of its markets," said Bill Barton, Alcon's vice president/general manager, Surgical. "Novamed has chosen a procedural financing program that amortizes the cost of the laser over time on a per-procedure basis. (Similar to the **TLC** deal.) This type of program is common among other laser manufacturers and has been successfully used by Alcon for phaco equipment as well as lasers. Our customer's experience shows that LADARVision provides outstanding clinical outcomes. This supports the FDA-approved claim for improving the accuracy of corneal shaping," Barton added. "We are excited that Novamed has elected to continue replacing their older technology with this exciting new technology. And we are delighted they have teamed with Alcon, the world's largest full-line eye care company."

3/6 **Sunrise Technologies International, Inc.** announced it reviewed some of its 2001 plans at the **Lehman Health Care Conference** in Orlando, Florida. The company said it expects break even or positive cash flow in the 2nd quarter 2001. The full effect of the more than $20 million expense reduction announced in January will be realized early in the 2nd quarter. Russell Trenary, Sunrise chairman and CEO reviewed other initiatives to look for in 2001 at the Lehman conference:

-- **U.S. Medical**, the company's exclusive U.S. distributor will complete the installation of the machines it bought from Sunrise early in 2001 in refractive practices around the country.
-- U.S. Medical is expected to purchase additional machines within several months.
-- Sunrise's own U.S. sales force will continue its direct selling efforts in targeted refractive practices.
-- **HYE KWANG TECHNOLOGIES** of Seoul, South Korea the exclusive Sunrise distributor for the Korean market will begin to purchase in the 1st quarter of 2001.
-- European purchases will begin in the 1st quarter of 2001.
-- The referring base of doctors using the SUNRISE LTK treatment is expanding.
-- The evolution of SUNRISE LTK "best physician treatment methods" is well underway.
-- There are improved financing alternatives for the refractive surgeon.
-- Some doctors are increasing their own promotional spending reflecting their comfort level with both their own clinical results and the market opportunity.

3/7 *The Wall Street Journal* contained a legal notice dated February 21, 2001, in the **Summit Technology** Securities Litigation, announcing a proposed settlement of the consolidated shareholders suit against Summit. The announcement states that a hearing will be held on April 25th to determine if the proposed $10 million settlement should be approved, along with allocation of legal fees and awards to plaintiffs.

3/7 **Sunrise Technologies International** announced that it had sold its first HYPERION LTK System to **HYE KWANG TECHNOLOGIES**, its exclusive distributor in Korea. The sale is permitted because the Sunrise HYPERION LTK System passed the critical first step, the Standard and Test Method. It is considered the most difficult milestone in the Korean regulatory process. "We are pleased that HYE KWANG TECHNOLOGIES has already received this approval and look forward to completing the next two phases of the regulatory process," said Russell Trenary, Sunrise chairman and CEO. HYE KWANG TECHNOLOGIES is Korea's largest refractive laser distributor. Sunrise previously announced that it had reached agreement with HYE KWANG for the committed minimum of 60 HYPERION LTK Systems in Korea over a three year time period.

3/7 **Atlantic Technology Ventures** announced the closing of the sale by **Optex Ophthalmologics, Inc.**, its 80%-owned subsidiary, to **Bausch & Lomb Incorporated** of substantially all of the assets of Optex for an initial payment of $3 million and ongoing

royalty payment obligations upon product commercialization as described in the pre-existing development, supply and license agreement.

3/7 **Lasik Vision Corporation** and **ICON Laser Eye Centers, Inc.** announced that Lasik Vision had established a full-time patient response team to inform and accommodate patients affected by the takeover of Lasik Vision by ICON. "ICON and Lasik Vision sincerely apologize for any current scheduling inconveniences and wish to assure all patients that both companies are dedicated to ultimate patient satisfaction and excellent laser eye treatment at an affordable price," said Ghassan Barazi, COO of ICON. Lasik is currently in the process of developing and implementing a comprehensive business plan aimed at the future business of Lasik and the possible integration of certain ICON and Lasik Vision operations. Lasik acknowledges that some patients scheduled into Lasik Vision centres have been experiencing scheduling inconveniences as a result of corporate changes and a subsequent walkout by several Lasik Vision doctors. The walkout by a majority of Lasik Vision doctors was initiated on March 2, 2001 and temporarily interrupted patient services in Lasik Vision centres. The labor dispute is in relation to back-compensation for services performed prior to ICON's takeover of Lasik Vision. Since Monday, some Lasik Vision doctors have begun to return to work and Lasik Vision has been making arrangements to reschedule affected patients. Lasik Vision has made an initial offer to all Lasik Vision doctors and is working diligently to come to a fair and equitable agreement with them. "Our main concern at the present time is to assure all Lasik Vision patients that Lasik Vision and ICON are dedicated to providing exceptional medical treatment and superior customer service," continued Barazi. "We have been working around the clock to contact and inform all patients affected by the takeover. ICON fully expects that Lasik will reach a fair settlement with its ophthalmologists." On February 23, 2001 ICON began the process of closing overlapping Lasik Vision clinics in Burnaby, Honolulu, Windsor, Toronto and London, Ontario. Two additional clinics in Santa Monica and Long Beach have also been closed. Patients in these cities have been informed of the change and have been rescheduled wherever possible into geographically convenient Lasik Vision centres. Where this has not been possible, ICON has agreed to ensure that those patients are scheduled in a geographical convenient ICON centre.

3/7 **SurgiLight** announced that it intends to begin Phase I clinical studies using its IR-3000 laser for Laser Presbyopia Reversal (LPR) in Spain within a month. The company received Institutional Review Board (IRB) approval at the Department of Ophthalmology, Institute Universitari Dexus where Carlos Verges, MD will perform this Phase I clinical study on a total of ten eyes. This Phase I clinical study follows the initiation of the baseline studies and research at the University of Utah Health and Sciences Center, John A. Moran Eye Center. Nick Mamalis, MD, began the baseline study in February and the preliminary results from these studies have been promising. JT Lin, president and CEO commented: "We are very excited that we are about to begin the Phase I clinical studies. This represents the first step in the regulatory process. We have been working diligently on this project and I would like to thank the employees and

consultants for their dedication and expediency in moving the company forward through this time consuming process. We are ahead of the schedule that the Board has approved and I realize that this is due to the dedication of our team. We are also delighted to have a physician as respected and experienced in this type of study as Dr. Verges working with us on this ever so important study."

3/7 **LCA-Vision Inc.** announced that it had extended office hours at its LasikPlus centers and expanded coverage of the company's national call center at 888/529-2020 to ensure that patients impacted by a competitor shutdown can still receive high quality, value-priced eyecare in a timely manner. "Over the last few days, we have learned of some confusion in the marketplace between our LasikPlus brand and another laser vision correction provider that has a name similar to ours. Unfortunately this morning, a Cincinnati television station pictured LCA-Vision corporate headquarters when reporting upon the problems occurring at a competitor's location," said Tom Wilson, LCA-Vision CEO. "Let me make it clear that LCA-Vision's LasikPlus and **Lasik Vision** of Canada are two distinct brands operated by two separate companies. Lasik Vision centers are operated by **Lasik Vision Corporation** of Canada, which was acquired last week by **ICON Laser Eye Centers Inc.**, another Canada-based provider of discount laser vision correction services. Since then, it has been reported that a number of Lasik Vision centers have been closed and that Lasik Vision's surgeons have refused to work due to a dispute over back pay. LCA-Vision has not closed any of the company's 33 U.S. LasikPlus centers and currently has no intention of closing any."

Wilson continued, "LCA-Vision has more than $28 million in cash and short-term investments and no debt. We are experiencing continued strong growth in revenue and procedure volume. We expect that cash flow from operations will be more than sufficient to fund the 10 to 15 center openings planned for the year 2001.

3/7 **Prime Medical Services** announced record revenues and record EBITDA per share for both the fourth quarter and 2000. Revenues for 2000 of $130.7 million represent a 16% increase over 1999 revenues of $112.1 million. EBITDA for the year was $43.6 million as compared to $42.7 million in the prior year. EBITDA per share increased over 8% to $2.69 per share in 2000 from $2.50 per share in 1999. The company's refractive business unit performed exceptionally well in a difficult environment. Refractive revenue grew from $3.4 million in 1999 to $23.5 million in 2000. Procedures increased year over year from 8,163 to 28,173, and on a same store basis (as if owned), from 28,297 to 32,631 or 15%. EBITDA after minority interest grew to $7.0M. Like many in the industry, Prime refractive centers faced significant competition from the corporate discounters and unexpected growth in the number of laser centers in the market. Unlike others, Prime chose not to chase price at the expense of profitability and responded instead by concentrating on prudent use of our advertising dollars and competitive advantage; notably the experience, reputation and clinical outcomes of our surgeon partners and our ability to economically acquire state-of-the-art technology. Accordingly, we have been

able to maintain our price per procedure in an industry characterized by significant price compression.

3/8 **LaserSight** announced that it had filed a PMA Supplement with the FDA requesting approval to utilize its LaserScan LSX excimer laser system to perform LASIK treatment of mixed astigmatism with the astigmatic component in the range of +0.5 diopters to +6.0 diopters. LaserSight now has five PMA Supplements under active consideration by the FDA. Michael Farris, president and CEO of LaserSight, commented, "We are continuing to file PMA Supplements that, when approved, will allow refractive surgeons using our LaserScan LSX system to treat a broad range of refractive error using the same advanced state-of-the-art precision beam microspot scanning technology the company has provided to its international customers for over two years. Since May 1998, LaserSight's international customers have been using their LSX systems to treat the entire range of refractive errors including myopia, hyperopia, astigmatism and mixed astigmatism."

3/10 The March issue of *Refractive Market Perspectives* headlined the fact that surgeon-owned centers had gained market share during the relatively flat fourth quarter, growing at 3% over their share during the third quarter. Both corporate and institution owned segments declined, the former by 1.4% and the latter by 2%. Dave Harmon attributes the differences to three factors: continued expansion in the number of surgeon-owned centers in contrast to the retrenchment at many corporate centers; problems at corporate centers, including cash flow at low-priced centers; and cutbacks at other laser center companies that have reduced capacity and created distractions. Market share of surgeon-owned centers now stands at 43.3%, while corporate centers hold a 46.6% share, compared to the 10.1% held by institutions. Of the corporate centers, **Laser Vision Centers** had a 17.5% share; **TLC** 17.4%; **LCA Vision** 9.7%; **ICON** 8.7%; **Lasik Vision** 8%; **Clear Vision** 6%; **NovaMed** 3.8%; **Prime Medical** 4.8%; and **Aris** 2.7%. All others had a 21.3% share.

The newsletter also commented on the closing of the ICON acquisition of Lasik Vision, with the ensuing "chaos", covered in full, above, in this newsletter. Harmon went on to comment, "With so many changes occurring at such a rapid pace, it is difficult to predict what impact they will have on a combined ICON/Lasik or on the industry. The negative impact of a surgeon walkout is difficult to estimate. Certainly, competition will attempt to take advantage of the closings in local markets. However, with promises of additional capital, it appears likely that the business will continue to operate after the dust clears."

3/12 **LASER VISION CENTERS** announced that revenues for its third quarter ended January 31, 2001 were $25.3 million up from $22.5 million for the same quarter a year ago, a 12% increase and a record revenue for the company. Revenue for the nine-month period was $69.2 million compared to $64.3 million for the nine-month period ended January 31, 2000. The company said U.S. and worldwide refractive case volume set new records for the quarter. U.S. refractive case volume increased 37% from 26,593 for the quarter

ended January 31, 2000 to 36,335 for the quarter ended January 31, 2001. Worldwide, refractive case volume grew from 27,514 procedures to 37,031 procedures.

Prior to a one-time charge related to a recent FDA settlement which was previously announced (for the so-called "Bermuda" cards), net income for the quarter was $535,000 (2 cents per share) compared to net income of $1.5 million (6 cents per share) for the same quarter a year ago. Including the charges, the company posted a net loss of $1.0 million (5 cents per share) for the quarter. Prior to the one-time charge, net income for the nine-month period was $2.2 million (9 cents per share) compared to $9.6 million (38 cents per share) for the nine-month period. Including the charges, net income for the nine-month period was $551,000 (2 cents per share).

"We are pleased to report another strong quarter. In spite of the recession, weather and price pressure, case volume seems to be regaining momentum. As we predicted, we continue to see discounters having problems," LaserVision chairman and CEO John Klobnak said. "We believe we will be the beneficiaries of problems with predatory price business models. Our cataract business continues to grow organically and by acquisitions and we are pleased with the progress we are making in our Ambulatory Surgery Center business. We continue to believe that our low cost, no bricks and mortar business model puts us in the best position to succeed going forward."

3/13 **ICON Laser Eye Centers, Inc.** announced that approximately 57.3 million common shares, representing approximately 97% of the outstanding common shares of **Lasik Vision Corporation (Lasik)** had been tendered to ICON's offer, which expired at 5:00 p.m. (Vancouver time) on March 12, 2001, to acquire all of the outstanding shares of Lasik. ICON has taken up all of the Lasik shares tendered. John Porter, a resident of Bermuda, has deposited all of the approximately 20 million common shares of Lasik owned by him to the Offer in exchange for approximately 10 million common shares of ICON. To provide ICON with financing to complete the Offer, Porter subscribed for 2.5 million special warrants of ICON at US$0.60 per special warrant. Each special warrant is exercisable, with no additional consideration, for one ICON common share. Porter has agreed that the 2.5 million common shares issuable on the exercise of the special warrants may not be voted until the transaction has been approved by ICON shareholders who are not affiliated with Porter. As a result of these transactions, Porter has acquired approximately 19.7% of the total outstanding common shares of ICON and 23.5% after giving effect to the exercise of the special warrants.

3/13 **Prime Medical Services Inc.** announced that it had reached agreement in principle to acquire the assets of **Calumet Coach Company**. The acquisition, which will be made through the company's Harvey, Ill.-based manufacturing subsidiary, **AK Associates LLC**, is subject to the preparation of definitive documents and the completion of customary approvals. Terms were not disclosed. Calumet, which is privately held, was founded in 1946 and is a global leader in the design, engineering and construction of mobilized

medical, broadcast and special purpose technologies. Calumet was the first, in 1978, to mobilize full body CT scanners, and in 1985, delivered the first fully mobile MRI system. The company also has built mobile excimer laser trucks for transporting the lasers to doctors offices.

3/15 **Blue Cross and Blue Shield of North Carolina (BCBSNC)**, the state's largest health insurer, announced even deeper discounts for laser vision correction surgery through the company's popular Optic Blue discount program. The increased discount means that beginning today, March 15, 2001, BCBSNC customers will be able to get laser vision correction surgery for $1,249 per eye, a reduction of about $150 per eye from Optic Blue's previous price. The new price is 20% below the average statewide price for laser vision correction surgery. Since the company unveiled the innovative program last June, hundreds of BCBSNC members have taken advantage of Optic Blue. With approximately 15 locations for customers throughout the state, Optic Blue remains one of the most comprehensive laser eye surgery discount programs available. The per-eye price includes consultation, surgery performed by a reputable, board-certified physician, follow-up visits and any additional services following the surgery. Optic Blue also covers any corrections necessary for the life of the patient.

3/19 **LaserSight** announced that it had finalized a $13 million loan and credit facility with **Heller Healthcare Finance, Inc.** The asset based financing consists of a $10 million revolving credit line and a $3 million term loan. The revolving credit facility is based on eligible receivables related to U.S. sales. The term loan calls for interest only payments during the two-year term of the note, with a balloon payment of principal upon expiration of the term. Michael Farris, president and CEO of LaserSight, commented, "We are pleased with Heller's expression of confidence in LaserSight's ability to capture a significant share of the U.S. market for refractive laser systems. This financing, and the proceeds from our recent transaction with **Alcon**, further strengthen the resources that are necessary for achieving a leadership position in the U.S. for our LaserScan LSX precision beam microspot scanning system and for launching our UltraShaper durable keratome and our AstraMax integrated diagnostic workstation."

3/19 **Medjet Inc.** announced that its Board of Directors had decided to explore strategic alternatives that may be available to the company, including the possible sale of the company, entering into one or more joint ventures, a merger or restructuring. Eugene Gordon, Medjet chairman said, "Our new waterjet microkeratome unit under development is working well and its advantages for use in refractive surgery have been evident to surgeons that have used it. We believe that exploring strategic options may hasten its introduction and help Medjet's common stock to more accurately reflect the quality of its technology."

3/20 **ICON Laser Eye Centers, Inc.** announced that all conditions precedent to the closing of the previously announced strategic alliance with **Asclepion-Meditec AG (Asclepion)** had

been met. (See the 2/27 brief above.) Under the terms of the alliance, Asclepion has agreed to sell to ICON 30 of its MEL70 G-Scan lasers (including customized ablation diagnostic) and has loaned US$3 million to ICON. ICON has issued an aggregate of US$10.5 million principal amount of secured convertible debentures to Asclepion in connection with the loan and the laser purchases. The secured convertible debentures will accrue interest at the rate of 5% per annum and are convertible, subject to adjustment as is set out in the convertible debentures, into 5 million common shares of ICON. The loan is secured by a charge on the assets of ICON and one of its material subsidiaries and ICON's obligations to Asclepion in respect of the laser purchases will be secured by a first charge on the laser machines. The secured convertible debentures are repayable on December 31, 2007.

"With Asclepion, we feel that ICON has the strategic partner to support our rapid growth in the laser vision correction (LVC) industry," said Ghassan Barazi, COO of ICON. "The purchasing of Asclepion's lasers will support expansion in our new clinics as well as provide for the future replacement of units in established clinics. In addition, the cash investment will provide us with the working capital needed to execute our growth strategy." ICON will cause its European subsidiaries, for a minimum period of two years, to enter into an exclusive supply arrangement with Asclepion. In addition, ICON, in respect of its Canadian and Mexican operations, has entered into a supply arrangement for a minimum period of two years pursuant to which it will purchase a minimum of 75% (in respect of its Canadian operations) and 50% (in respect of its Mexican operations) of its lasers from Asclepion.

ICON has also granted Asclepion pre-emptive rights in respect of any additional share issuances and has agreed not to issue additional common shares if, as a result of such share issuance, the aggregate number of common shares owned by Asclepion on a fully-diluted basis would represent less than 5.5% of ICON's issued and outstanding common shares. ICON has issued to Asclepion one Series A Preference Share which entitles Asclepion to that number of votes as is determined by dividing the aggregate principal amount outstanding under the convertible debentures by US$2.10, subject to adjustment as is set out in the convertible debentures. The Series A Preference Share entitles Asclepion to nominate one member to ICON's Board of Directors and vote, separately as a class, to elect one Director of ICON so long as the secured convertible debentures remain outstanding or, if converted into ICON shares, so long as Asclepion continues to beneficially own more than 3% of ICON's issued and outstanding common shares. Finally, ICON has issued to Asclepion an option to purchase up to 1.7 million common shares of ICON at a purchase price of US$0.60 per share. The option expires on June 15, 2001.

As part of the alliance, ICON and Asclepion will run US FDA trials for Asclepion's lasers at several of ICON's most experienced clinics in the US. Upon FDA approval,

ICON has an option of acquiring a one-year exclusive supply arrangement with Asclepion in the United States in respect of Asclepion's MEL70 G-Scan lasers.

3/20 Brent Mudry of *Street Wire* reported more bad news for **Lasik Vision**. In a story entitled, "Lasik faces $801,000 suit from ad agency", Mudry detailed that the cash-strapped Vancouver company faced a $801,000 suit from a major Vancouver advertising agency, **Palmer Jarvis DDB**, a division of **Omnicom Canada**, which claimed it is owed $801,219 plus interest and legal fees for advertising services provided.

3/23 **Novartis Ophthalmics** and **QLT Inc.** announced that the European Commission had granted Marketing Authorization for Visudyne (verteporfin for injection) for the treatment of subfoveal choroidal neovascularization (CNV) secondary to pathologic myopia (severe near-sightedness), a serious eye disorder that can result in a progressive loss of vision. Visudyne is already approved for the treatment of predominantly classic subfoveal (CNV) caused by age-related macular degeneration (AMD). Pathologic myopia CNV generally occurs in people over 30 years of age. Visudyne is the first approved drug treatment for this devastating condition.

3/23 In a not unexpected development, **KeraVision, Inc.** announced it had filed in the U.S. Bankruptcy Court, Oakland Division, for protection pursuant to Chapter 11 of the U.S. Bankruptcy Code. KeraVision and its Board of Directors said that they had explored a number of options before determining that an orderly wind-down of operations and sale of its assets offered the best alternative to maximizing the value of the company. The company intends to file a motion to sell all of its inventory, equipment and intellectual property to the highest bidder and expects a sale to close in the next two months. In its filing papers, the company cited its inability to obtain sufficient financing and the large capital expenditures required to develop its business as factors that have had an adverse affect on the company's ability to continue to operate.

3/23 Following the announcement by **VISX** that it had obtained FDA marketing approval for its variable spot scanning system for treatment of myopia, Ted Huber of **Banc of America Securities** issued an updated research report on the company. Some of the highlights included:

* At Fridays close, VISX announced it received FDA approval for variable spot scanning for the treatment of myopia on its Star S3 laser system. This approval will increase the ablation zone by 51%, extending myopic treatment to 8mm from 6.5mm previously (i.e. for larger pupil size).
* The ability to treat patients with a larger pupil size is a positive selling feature as it will allow doctors added flexibility in tailoring treatment for patients. Other benefits of variable spot scanning technology include reduced procedure time and less corneal tissue removal.

* Clearly, this approval is an important step in VISX's march toward developing its custom ablation technology and will give them another positive selling feature for its new Star S3 lasers. VISX expects to begin U.S. clinical trials for custom ablation in the next few weeks.
* While in our opinion this news is positive for VISX, it does not fundamentally change our investment thesis on VISX and our view of the role of custom ablation in the refractive surgery industry. While we continue to believe custom ablation will improve patient outcomes at this point it is not clear whether it will offer a significant sustainable competitive advantage to any single laser vendor.

3/26 **The Arnold and Mabel Beckman Foundation**, an independent, nonprofit foundation established for the purpose of supporting scientific research, announced the approval of the **Doheny Eye Institute's** request for funding to perform outstanding basic research and translational studies in Age-related Macular Degeneration (AMD). The Beckman Foundation approved funding for six years totaling $10 million.

"The Beckman Foundation is pleased to be able to support the Doheny Eye Institute's research efforts in AMD," stated Jacqueline Dorrance, executive director of the Beckman Foundation. "The funding of this project will dramatically expand the scope of macular degeneration research at the **University of Southern California (USC)** and will provide a framework for expanding current NIH and private research support."

AMD is the leading cause of severe visual loss in Americans over the age of 65. In 1997, the National Eye Institute estimated that AMD already causes significant visual impairment in approximately 1.7 million of the 34 million Americans over the age of 65. The AMD research to be conducted by the Doheny Eye Institute is focused around the following four programs utilizing interdisciplinary approaches:

1. Utilize a variety of cutting-edge chemical approaches, such as site-directed spin labeling, to analyze the characteristics of extracellular deposits in the macula, such as drusen.
2. Determine which genes and proteins are expressed in models of macular degeneration and human AMD tissue, utilizing high throughput genomic and proteomic techniques, and develop novel methods for analysis and interpretation of this data.
3. Establish the molecular mechanism and pathways in the development of choroidal neovascularization using genomic, proteomic, transgenic knock-out and gene therapy approaches.
4. Study the molecular pathways in photoreceptor function as a basis to develop strategies to promote photoreceptor survival and function.

"Our goal is to develop an interdisciplinary and interactive team of outstanding scientists who will focus their efforts on the problem of AMD," said Dr. Steve Ryan, president of the Doheny Eye Institute. "Within a five year period this team of scientists will develop

an understanding of the molecular basis of AMD." The Beckman Macular Degeneration Center will provide a bridge to interface between biology and chemistry. These basic discoveries and resulting knowledge will lay the foundation for development of novel therapies through a parallel translational AMD clinical research initiative funded by the Doheny Eye Institute, emphasizing collaborations with the pharmaceutical industry, the USC School of Pharmacy and the Doheny AMD Clinical Trials Center.

3/26 **The LASIK Institute** announced the six recipients of its Refractive Research Initiative, funded at $59,000. The winners are:

Avni Murat Avunduk, MD, LSU Eye Center, New Orleans, LA -- "Comparison of Corneal Structural Changes after Myopic LASIK & PRK Using Confocal Microscopy"

Isabel Bichao, MD, The Wilmer Eye Institute, Johns Hopkins University, Baltimore, MD -- "Evaluation of Nighttime Visual Problems Pre and Post-Refractive Surgery: Visual Function (Contrast Sensitivity and Transient Glare) in Mesopic/Scotopic Conditions"

Kenneth Ellis, MD, Department of Ophthalmology, University of California, Irvine, CA -- "LASIK-Driven Endothelial Lamellar Keratoplasty"

David Hardten, MD, Minnesota Eye Consultants, PA, Minneapolis, MN -- "Prospective Evaluation of Neuroprotective Qualities of Brimonidine during Laser In-Situ Keratomileusis (LASIK)"

Samir Shar, MD, Department of Ophthalmology, University of California, Irvine, CA -- "Procurement & Eye Bank Storage of the Anterior Corneal Surface for LASIK Flap Exchange"

Edward Wong, MD, Department of Ophthalmology, University of California, Irvine, CA -- "Nerve Growth Factor & Corneal Healing after Controlled Sensory Denervation"

The LASIK Institute is a non-profit educational organization funded by a generous unrestricted educational grant from **Alcon Summit Autonomous**.

OPHTHALMIC LASER UPDATE -- April 2001

3/20 **WaveLight Laser Technologie AG** announced that revenues had increased 222% for the half-year ending January 31, 2001, compared to the same period a year ago. For the half year, revenues were E11.5 million, compared to E3.6 million for the same period in 2000. The company also posted an EBIT of E530,000, compared to -E2.2 million last year. "The positive half-year figures confirm our growth strategy. Both in the area of ophthalmology and aesthetics, we have penetrated the market as a comprehensive supplier," said Max Reindl, the company's CEO.

The stable path of success in the area of innovative ophthalmology products and the intensive and successful expansion of its competence in the area of aesthetics were the primary factors leading to WaveLight's overall positive results development. In the aesthetics division alone, the Franconian medical laser manufacturer brought in sales revenues of E2.2 million for the reporting period. Compared to the same period a year ago, this corresponds to an impressive increase of 280%.

"Our considerable progress in the area of aesthetics and our success with our high-tech ophthalmology systems, the ALLEGRETTO WAVE and the ALLEGRETTO WAVE ANALYZER, reaffirm our projections for closing the current business year on July 31, 2001 with a positive operating result," Reindl added.

3/22 **Asclepion-Meditec AG** announced that it is one of the first companies to be certified to the new ISO-9001:2000 regulations. Thus all the endeavors on the part of the company to optimize its internal processes have now received official recognition. Asclepion, which was certified at the end of 1997 to ISO-9001:1994 and to the European medical device directive MDD/93/42/EEC, has in recent months created the necessary framework for successful certification to the new norm. This norm essentially requires the consistent orientation of the organization to the core processes inside and outside the company. These include, for example, innovation processes, all the flows in manufacturing, from procurement management through to delivery, as well as all after-sales activities. The organizational streamlining of the entire company and the swift reaction to customer needs are the main goals. Quality management for procurement, internal logistics, manufacturing and dispatch are now integrated in the newly created Operations division. In addition, the external relationships of the company were optimized and oriented closely to specific customer groups. Thus, the two business units Vision and Aesthetic have developed separate sales channels so as to be able to better address customer needs and to pursue the desired growth targets in a more focused manner.

3/27 **SurgiLight Inc.** announced that the United States Patent and Trademark Office had issued a Notice of Allowance to the company for a broad patent right for the method and apparatus of presbyopia correction using various lasers. The allowed patent was submitted to the US Patent Office by Dr. JT Lin, president and CEO of the company, in November of 1998. This is the company's first U.S. patent issued for a new laser technology for the correction of presbyopia. The allowed patent covers a very broad range of laser spectra, from ultraviolet (150-320) nm to infrared of (0.9-3.6) microns, and the use of scanning devices and fiber-coupled lasers. SurgiLight has filed an additional continuation-in-part application to broaden the claims and cover additional claims of the patent. The company also filed the Patent Cooperation Treaty (PCT) application for its allowed US patent to protect its patent rights in most international countries. The company currently has five patents pending directly related to the laser technology for presbyopia correction (filed between November of 1998 and February of 2001). These pending patents cover a broad range of laser spectra and devices for the correction of

presbyopia and innovative laser beam reshaping techniques. The company believes that these pending patents are extremely innovative and very different from anything in the prior art.

3/27 **VISX** announced that it strongly opposed the efforts of Carl Icahn and his affiliates to elect Icahn's slate of directors at VISX's May 4, 2001 Annual Meeting. The Icahn group recently filed preliminary proxy materials with the Securities and Exchange Commission. Elizabeth Davila, CEO of VISX, stated, "The Icahn proposal contains nothing new for VISX stockholders. Our Board of Directors has not only considered, but has also acted on, the measures the Icahn group says it would consider. Our experienced management team is committed to enhancing stockholder value through execution of our business plan, continuation of a significant stock repurchase program and willingness to review strategic transactions that recognize the value of VISX. "In addition, we believe that the depth of experience and strategic vision of the company's Board of Directors and management team is essential to the company's success and makes us best suited to lead VISX into the future," Davila added.

3/28 **ICON Laser Eye Centers, Inc.** announced that its Board of Directors was holding a strategic corporate planning session to discuss the deteriorating financial situation of its newly acquired subsidiary, **Lasik Vision Corporation (Lasik Vision)**. Lasik Vision's employees have been informed that the company is now unable to meet its payroll obligations and, as a result, operations at all Lasik Vision locations have been temporarily suspended. Ernest Remo has resigned as a director of Lasik Vision and Ghassan Barazi has resigned as CEO. Immediately following the meeting, The Board of Directors of ICON intends to announce plans with respect to Lasik Vision. In addition, the Board also intends to provide an update with respect to ICON's business strategy given the current commercial circumstances.

In other company news, Brian Hamm resigned as Canadian director of ICON. The Board will meet to elect a suitable replacement during the planning session.

3/29 Laura Johannes of *The Wall Street Journal* published an article entitled, "New Surgery to Correct Presbyopia Is Promising, but Results Are Mixed". The thrust of the story is about the surgical treatment to correct presbyopia developed by Dr. Ronald Schacher and his **Presby Corporation**, based on Schacher's theory that presbyopia is caused by the lens growing as people age, increasingly crowding the muscles in the eye. The surgical procedure gives the lens more room to work, and thus allows the muscles to once again act on the lens. As related in the story, the procedure seems to work on some people, perhaps about half of those it was tried on, but not all. The FDA is reviewing the company's request to expand the clinical trial. **SurgiLight's** competing laser process was mentioned, but not elaborated on.

3/29 **LCA-Vision Inc.** announced that the company's U.S. LasikPlus and Canadian LCA-Vision centers were offering free post-operative eye exams to patients who had already undergone LASIK procedures, yet were unable to receive post-operative care due to the recently announced closings of a competitor's centers. "Proper post-operative care is as important as proper pre-operative care and the surgery itself," said Vincent Marino, MD, a member of LCA-Vision's Medical Advisory Board who has personally performed more than 10,000 LASIK procedures. "We are taking this bold step to help ensure that patients impacted by a competitor's closing will have the opportunity to experience the tremendous benefits of laser vision correction, without unnecessary complications."

LCA-Vision has established a toll-free telephone number, 800/988-5129, for patients to schedule a complimentary post-operative eye exam at any of the value-priced LasikPlus or LCA-Vision centers across the United States and Canada. Alternatively, for those patients located in areas that are not readily accessible to one of the company's centers, referrals will be made to physicians affiliated with LCA-Vision's extensive nationwide network of independent providers.

3/30 **LaserSight** announced financial results for the fourth quarter and year ended December 31, 2000. Revenues for the fourth quarter increased approximately 37% to $6.4 million from $4.6 million in the fourth quarter of 1999. The company reported a net loss of $12.0 million (52 cents per share) for the fourth quarter including one-time charges totaling $4.6 million, compared to a net loss of $4.6 million (26 cents per share) in the same period of 1999. Excluding the effect of one-time charges related to impairment losses and inventory write-offs, the net loss for the fourth quarter was $7.4 million (32 cents per share). (A LaserSight spokesperson said that "impairment" meant, "When you can no longer "justify" carrying an intangible asset on the books on the basis of historical data or future projections, it becomes impaired and should be written down.")

For the year, the company's revenues were $34.5 million, an increase of approximately 59% from $21.7 million in 1999. The company reported a net loss for 2000 of $21.4 million ($1.02 per share) including one-time charges totaling $4.6 million, compared to 1999's loss of $14.4 million (89 cents per share). Excluding the effect of one-time charges related to impairment losses and inventory write-offs, the net loss for the year was $16.8 million (80 cents per share).

Michael Farris, president and CEO commented, "During 2000 we were able to achieve important technological progress towards broadening our product line and establish a pipeline of PMA Supplements at the FDA. These actions were taken to enhance our competitive position over the long term. We have subsequently strengthened our intellectual property portfolio and have improved our cash position through a series of important financial transactions. With PMA Supplements pending for the LASIK treatment of myopia with astigmatism, hyperopia with astigmatism and mixed astigmatism, we are progressing with our strategic plan and anticipate a significant ramp

up in the sales of our LaserScan LSX precision microspot beam scanning system upon receipt of these approvals. During 2000, the LSX was approved in the United States only for the PRK treatment of simple myopia. Given this limited approval, LaserSight's ability to maintain sales to U.S. customers during 2000 is a strong endorsement for the future potential of our precision microbeam spot scanning technology. As the market for refractive laser systems continues to shift away from older generation broad beam laser systems and broad beam systems that have been incrementally modified to emulate scanning, to the newer precision microspot beam scanning technology, LaserSight is ideally positioned to take advantage of this technology shift with the LSX and our strong intellectual property portfolio built around scanning technology."

Farris continued, "Although 2000 was a challenging year, our expectations for 2001 and beyond are high for LaserSight following a year of organizational growth, important progress with our products, and continuing technological advancements. We have made significant progress to better position the company to immediately capitalize on its opportunities once FDA approvals are received. The Notice of Allowance recently received from the U.S. Patent and Trademark Office for the reissue of our '679 scanning patent serves to strengthen our proprietary technology for this new generation of scanning lasers. It is our intent to leverage the value of this intellectual property through licensing and other strategic arrangements with strong partners."

As the company had previously announced, the agreement to sell its Blum '135 patent to **Alcon Laboratories**, Ft. Worth, TX, provided for a time period during which LaserSight agreed not to claim Alcon infringes the Lin '679 scanning patent and for the parties to discuss a possible transaction related to the '679 patent. LaserSight recently agreed to Alcon's request to extend the time period for patent license discussions for an additional 30 days.

For the quarter, the company sold a total of 22 laser systems compared to 13 systems during the same quarter in 1999. The company sold a total of 90 laser systems for the year, an increase of approximately 38% from the 65 systems sold for all of 1999.

Following the company's financial report, Al Kildani of **Pacific Growth Equities** issued a research update. He said, "LaserSight reported Q4:00 financial results and not surprisingly, results fell below our expectations as the U.S. sales effort is hampered by the delayed approval for astigmatism. Total revenues of $6.4 million compared with our estimate of $8.6 million. Revenues were based on the sale of 22 laser systems during the quarter. Gross margin of 37.6% was negatively impacted by a one-time inventory write-off of $500 thousand for a discontinued aesthetic product. We had estimated gross margin of 60%. Total operating expenses of $14.5 million included a one-time charge of $4.1 million for impairment losses. Excluding one-time charges, the company reported EPS of ($0.32) compared with our estimate of ($0.19). For reasons unclear to anyone outside the regulatory process, LaserSight continues to experience a delay in receiving

approval for the astigmatism indication from the FDA. The extended FDA delay in astigmatism approval compels us to lower estimates. Our model now assumes that astigmatism is approved 180 days after the LASIK PMA was filed with the FDA in December 2000. This suggests a late June approval, consequently our U.S. LSX sales ramp begins in Q3:00. Also, we have keratome revenues essentially beginning in Q2:01. The net effect of this push out in sales is to reduce our FY:01 revenue estimate to $50.4 million from $66.1 million. Our model now projects break-even in Q4:00 and a loss per share of ($0.51) for the year, down from our previous estimate of ($0.08). We continue to believe that FY:02 can be a year of significant growth for LaserSight should all of its regulatory approvals fall into place by the end of 2001. We now project total revenues of $85.3 million in FY:02, down from $90.1 million. Our FY:02 EPS estimate declines to $0.22 from our previous estimate of $0.29. Until the FDA clears this indication, we believe any potential appreciation in stock price is capped (barring other significant news events). While disappointed by product and regulatory delays, we see significant value in the company's technology and intellectual property portfolios. We therefore maintain our Buy rating, but reduce our YE:01 price target to $8 to reflect our lower estimates."

3/30 **Gimbel Vision International** and **Aris Vision** jointly announced that the share exchange between Aris and Dr. Howard Gimbel and Judith Gimbel, previously announced by Gimbel Vision, had been completed. Aris acquired a majority interest in GVI in exchange for shares in Aris. "The relationship between GVI and Aris will strengthen both our companies financially and operationally," said Karen Gimbel, president and CEO of GVI. "In addition to producing operational efficiencies, the relationship with Aris will give GVI access to more U.S. and international markets in a competitive industry where size and market reach is increasingly important."

Through a wholly-owned Canadian subsidiary, Aris acquired from the Gimbels approximately 64% of the outstanding common shares of GVI. In exchange, the Gimbels acquired shares of Aris' Canadian subsidiary which are exchangeable for shares of Aris, the Canadian subsidiary's parent. Aris plans on nominating directors to GVI's board.

3/30 **SurgiLight** announced financial results for the twelve months ended December 31, 2000. Revenues of $3.3 million were an increase of approximately 14% over the $2.9 million for the same period in 1999. The increase of revenue was mainly due to the revenue increase of Laser Eye Centers and the revenue from system sales. The revenue excluded revenue generated from **EMX** and the 9-month revenue from **AMTI**, which were spun off in January, 2000. The operation income prior to the depreciation and amortization was $116,000 and the net loss after depreciation and amortization, was $192,000 (1 cent per share) compared to a net income of $66,000 (1 cent per share) in 1999. The net loss in 2000 was mainly attributed to the increase of research and development and clinical trial expenses.

In October, 2000, the company acquired the entire inventory and technology of the Ophthalmic Laser Division of **Premier Lasers, Inc.** (Irvine, CA). As a result of this acquisition, the company reported an inventory increase of $2.8 million, which consisted of 150 finished laser systems, 200 sets of components and 1000 pieces of optical fibers. The inventory items reported in 2000 were based upon the price the company paid for the acquisition. The company believes that the manufacturing fair market value of the inventory shall be over $6.5 million.

3/30 **ICON Laser Eye Centers** announced that effective immediately, Ernest Remo, a director of ICON, had been appointed chairman of the Board. Simone Mencaglia resigned the position of chairman, but remained CEO of ICON and a director of ICON. "We firmly believe that we have the human and financial resources to entrench ICON as the leading laser vision correction (LVC) provider in the value-segment of the industry," said chairman Remo. "Our absolute number one priority at ICON remains our commitment to our patients, our doctors and our staff. All patients will continue to receive the best in preoperative assessment and post-operative care from our team of experienced optometrists, and each procedure is performed by one of our highly trained ophthalmologists." ICON had earlier released an official press release related to the deteriorating financial situation of its newly acquired subsidiary, **Lasik Vision**. ICON will release an official statement related to Lasik Vision early next week, following the strategic corporate planning session it is holding this weekend. ICON sympathizes with Lasik Vision patients affected by the operating interruption at Lasik Vision clinics, and we are reviewing all circumstances and intend to provide more information to all patients as soon as possible.

4/2 **VISX** released the content of a letter to its stockholders urging them to sign, date and return VISX's proxy card to re-elect the five VISX nominees for director:

March 30, 2001

To Our Stockholders:

In our recent proxy statement, we alerted you to the possibility that Carl Icahn, a New York-based financier, might initiate a proxy contest at VISX's upcoming Annual Meeting, scheduled for May 4, 2001. It now appears that this is exactly what Mr. Icahn and certain of his controlled companies are planning to do. The Icahn group wants to control VISX's valuable corporate franchise, without offering VISX's stockholders anything for their shares. Your Board of Directors unanimously urges you to reject the Icahn group's self-serving actions and not to sign or return any proxy card you may receive from them. The Icahn group offers nothing new. In a strained effort to create a "platform" on which its hand-picked nominees can seek election, the Icahn group, tells you that its nominees intend to do three things if elected: institute a stock repurchase program, review strategic alternatives and form an executive search committee. Your

Board of Directors acted upon each of these three measures long before they were suggested by Mr. Icahn.

Your Board of Directors has already implemented an active stock repurchase plan.

-- VISX has repurchased approximately 13 million shares of its stock since 1997. In the last three months alone, VISX has repurchased over 4 million shares, or approximately 7% of the shares outstanding.

-- Because our currently authorized 10 million share repurchase program is nearly completed, we are preparing to implement a new plan so this process can continue. Our Board and management are working to determine the appropriate size for our next repurchase program, which we expect to announce shortly.

Your Board of Directors has already implemented a review of strategic alternatives.

-- Last year VISX announced that it was working with its outside financial and legal advisers, **Goldman Sachs & Co.** and **Skadden, Arps, Slate, Meagher & Flom LLP**, to assist VISX in reviewing strategic alternatives, including possible sale, merger or business combinations, that would enhance stockholder value. While the process has not resulted in any specific transactions to date, VISX remains receptive to opportunities that would enhance stockholder value and recognize VISX's record of profitable performance and its global leadership position.

-- The VISX Board continues to actively explore the possibility of available transactions; however, in the absence of such a transaction, VISX will continue to focus aggressively on stimulating growth in laser vision correction procedures and increasing VISX revenues and earnings.

In February 2001, your Board of Directors effected a smooth transition of management and it does not need to form a new search committee.

-- The VISX Board has had in place a succession plan as authorized by a Governance Committee of the Board, under which Elizabeth Davila was selected to succeed Mark Logan as Chief Executive Officer. This committee of outside directors retained an executive search consultant, and its process confirmed the view that Ms. Davila is the best person for the company's CEO position.

-- Ms. Davila came to VISX five years ago as its Executive Vice President and Chief Operating Officer. Her performance at VISX combined with her previous professional experiences, including eight years in the field of ophthalmology, made her the best person for the job in the opinion of the Committee. Ms. Davila's

appointment as VISX's CEO was extremely well received by our shareholders, analysts, employees and customers, and there has been a smooth and seamless transition.

-- Even the Icahn group admits that while it would form a search committee, it has no current specific plans to change the existing management or operations of VISX.

The Icahn group has presented nothing new to VISX stockholders. The VISX Board of Directors has already considered and acted upon each element of the Icahn group's platform. Your Board of Directors unanimously opposes the attempt of the Icahn group to acquire control of VISX through a proxy contest. Your Board of Directors is committed to enhancing stockholder value through pursuit of the company's business plan, continuing stock repurchases and continuing to remain open to sale, merger or other business combination transactions that recognize VISX's value and global leadership position. Don't let Carl Icahn and his hand-picked nominees take control of your company. We urge you not to sign any proxy card that the Icahn group may send you. Protect and enhance the value of your investment in VISX today. If you are a registered stockholder, please sign, date and return the enclosed GOLD proxy card. If you get a white instruction card from your broker, bank or nominee, please sign and return the instruction card telling them to execute a GOLD proxy card on your behalf. A postage paid return envelope is enclosed for your convenience. Thank you for your continued confidence and support and for voting your VISX proxies promptly.

On Behalf of the Board of Directors

Sincerely,

/s/ Elizabeth H. Davila, President and CEO
/s/ Mark B. Logan, Chairman of the Board

4/2 **Sunrise Technologies International** announced that the HYPERION LTK System had been approved for sale in Canada. The company was granted a Medical Device Licence by the Therapeutic Products Directorate Medical Devices Bureau in Ottawa, Ontario. The company emphasized that it will price the HYPERION in Canada as it does in the United States. It has decided not to follow the lead of some other refractive companies, which priced their refractive lasers in Canada cheaper than in the U.S., which adversely affected U.S. doctor's ability to compete along the northern tier of the U.S.

"We are very pleased to receive this regulatory approval from the Canadian government. No Canadian doctor has yet used the HYPERION LTK System in Canada. We are grateful that Canadian refractive surgeons and their patients will now have the opportunity to experience this fast, safe procedure that does not cut or remove any

corneal tissue. We believe it is an excellent choice for treating farsighted patients and will be a welcome addition for refractive surgery in Canada," said Russell Trenary, Sunrise chairman and CEO.

The Canadian refractive surgeons will be able to use the international nomogram, which creates the opportunity for longevity of effect that is longer than the life of the patient.

4/2 According to the *American Academy of Ophthalmology*, a study pooling results from several population-based eye disease studies conducted on three continents shows that tobacco smoking is the principal known preventable risk factor associated with age-related macular degeneration (AMD). The study appears in the April 2001 issue of *Ophthalmology*. The study, analyzing combined data from studies conducted in Beaver Dam, Wisconsin, Rotterdam, the Netherlands, and the Blue Mountains area, west of Sydney, Australia, shows that apart from age, tobacco smoking is the only risk factor consistently associated with any form of AMD in each study location and overall.

Academy spokesperson Paul Sternberg, MD, said, "This study corroborates and reinforces previous studies that have suggested the link between tobacco smoking and the development of macular degeneration. The Academy supports the authors' call for increased health advocacy efforts to reduce the smoking rate, including among the elderly."

4/3 **LCA-Vision** reported that a record number of procedures were performed in its value-priced LasikPlus centers during the first quarter of 2001, at average prices higher than during the previous quarter. For the quarter, 25,061 procedures were performed in the company's wholly owned centers, representing an increase of 100% compared with 12,504 procedures performed during the same period a year ago, and an increase of 53% compared with 16,411 procedures performed in the previous quarter. The average number of procedures per center per month increased to 246 in the first quarter from 156 in the fourth quarter of 2000. In addition, the average price per procedure increased to $902, compared with $877 in the fourth quarter of 2000.

"The outstanding increase in first quarter 2001 procedure volume is due to a combination of strong seasonal demand and the success of LCA-Vision's consumer-driven, value-pricing business model, which allows the company to offer consumers a choice of laser technology and aftercare options at price points that are accessible to a very large number of people," said Tom Wilson, LCA-Vision CEO. "Due to our tiered pricing, we are able to increase market realization while both matching our competitors' lowest prices and increasing market share." Commenting on pricing trends, Wilson said, "Price competition in this industry was brutal last year, and we are pleased to report a modest increase in the average procedure price in the first quarter. Going forward, we will seek opportunities to increase pricing as market conditions permit."

4/3 **ICON Laser Eye Centers** reported that its subsidiaries **Lasik Vision Corporation** and **Lasik Vision Canada Inc.** will make assignments in bankruptcy. **Deloitte & Touche LLP** will serve as trustee in bankruptcy for the Canadian assets of both Lasik Vision Corporation and Lasik Vision Canada Inc. Inquiries regarding Lasik Vision should now be directed to Deloitte's Vancouver office at 604-669-4466.

"Greater than anticipated operating liabilities at Lasik Vision, exacerbated by a work stoppage by Lasik Vision doctors, has necessitated this action so that ICON can focus its resources on addressing the needs of Lasik Vision's patients while continuing to offer ICON's patients the best value in laser vision correction services," said Ernest Remo, ICON's chairman of the board. "ICON remains operationally solid and committed to the highest levels of patient care and satisfaction through this challenging period. Simone Mencaglia, ICON's CEO and a director, will be temporarily relocating from ICON's European offices to ICON's corporate offices in Windsor, Ont., in order to develop a comprehensive strategy to address the needs and concerns of former Lasik Vision patients who have been disrupted by the current circumstances. "ICON's immediate concern is to assist all Lasik Vision patients who require postoperative care or who are awaiting surgery. Care for these patients will be arranged through ICON's facilities," stated Mencaglia. ICON's board has also charged Mencaglia with exploring a full range of alternatives aimed at strengthening ICON's operations during this restructuring and insuring that the concerns of Lasik Vision's patients are addressed to the fullest extent possible. Efforts are currently under way by ICON to contact Lasik Vision patients and ICON is in the process of activating a call centre dedicated to addressing the concerns of all Lasik Vision patients who are awaiting procedures at Lasik Vision centres or who require postoperative care. The toll-free number for this call centre will be distributed via press release and posted on ICON's Web site (**www.iconlasik.com**) as soon as it becomes available.

The company also announced that it had received an equity investment from John Porter, a director of ICON. Under the terms of the deal, Porter has purchased a Special Warrant for US$1 million which is exercisable into 4 million common shares -- representing a price of US$0.25 per common share. The proceeds will be used by ICON for working capital purposes. "This marks Porter's second investment in ICON and we are very pleased by his continued endorsement of ICON's strategy in the value-based segment of the laser vision correction (LVC) market," said Ernest Remo, chairman of the Board of ICON.

In a separate deal, the company also announced that it had completed the private placement of 160,625 special warrants at US$0.60 each with a private investor for gross proceeds of US$96,375. The details of this transaction were initially announced on February 2, 2001. "This investment (also) represents a continued endorsement of ICON's strategy in the value-based segment of the laser vision correction (LVC) market," said Ernest Remo, chairman of the Board of ICON.

4/4 Victoria Colliver of the *San Francisco Chronicle* wrote about the plight of **Lasik Vision's** patients in Northern California in her story, "Left in the Lurch: Doctor walkouts, closures of Lasik Vision Medical Centers have patients scrambling". One patient Nigel Fleming, who went for his follow-up visit four days after surgery found the vision center closed. Another doctor told him the Canadian chain, which had recently been purchased by another Canadian company, was having financial problems and was shutting down. "If they'd told me they were in the middle of a corporate takeover, that the staff had not been paid and there were lawsuits against the clinic . . . I'd have taken my eyes somewhere else," said Fleming, a writer who formerly was a biotechnology entrepreneur. Now the San Francisco resident joins as many as 2,000 other patients in the United States and Canada who have been left in the lurch following the staggered closures of Lasik Vision Corp. clinics. A sign on the heavily advertised Lasik Vision Medical Center on California Street says the staff was locked out of the computer system and directs patients to a competitor, **LasikPlus Vision Centers**, which has offices in San Jose and Concord.

Mike Donnelly, a spokesman for LasikPlus' parent company, **LCA Vision Inc.** in Cincinnati, said the company has agreed to provide Lasik Vision's patients with a free follow-up visit.

Al Kildani, an analyst with **Pacific Growth Equities** in San Francisco who follows laser eye surgery clinics, wasn't surprised by the center's troubles. "They were basically trying to perform a surgical procedure below cost. Last time I checked, that's not a strategy for long-term success in the business world," Kildani said. "The lesson to be learned here is there is no free lunch," he said. "If someone is charging less, there's a catch. You don't value-shop for a surgical procedure."

4/4 **VISX** pre-announced that it expected earnings per share to be in the range of $0.20 to $0.21 per share, due in part to a sequential 23% increase in licensing revenue over the fourth quarter 2000. These results exceed previous guidance. The company also said that its Board of Directors had authorized a new Stock Repurchase Program under which up to 10 million shares of the company's common stock may be repurchased. VISX has repurchased approximately 13 million shares of its stock since 1997. In the last three months alone, VISX has repurchased over 4 million shares, or approximately 7% of the shares outstanding. Commenting on the repurchase plan, Liz Davila, VISX president and CEO, said, "The Board's unanimous decision to adopt a new program reflects our continued commitment to enhancing stockholder value. VISX is both the technology and market leader in our sector. We believe the repurchase of our stock represents a compelling investment opportunity and is prudent use of our capital."

Under the new plan, the company will continue to conduct purchases through open market transactions in accordance with applicable securities laws. The amount of shares purchased and the timing of purchases will be based on a number of factors, including the number of shares needed for replenishment of employee benefit plans, the market

price of the stock, market conditions, and as the company's management deems appropriate. As a result of these factors, the actual number of shares repurchased cannot be precisely determined at this time.

Following the pre-announcement, several analysts published update reports, including Ted Huber of **Banc of America Securities**, Kenneth Goldman and David Gruber of **Lehman Brothers**, and Chris Shibutani and Tatyana Daniels of **JPMorgan H&Q**.

Huber noted:

* VISX pre-announced 1Q01 EPS of $0.20-$0.21 vs. consensus of $0.18 and our estimate of $0.19. We attribute the upside to larger than expected share repurchases during the quarter and higher than expected procedure volumes (sequential growth of 20% vs. our estimate of 10%).

* VISX 1Q01 results look to be much higher than expectations. We would note, however, that this is the 4th of the last 6 quarters that procedure volumes have come in much different than expectations (above or below). Despite the 1Q01 strength, we do not believe refractive surgery procedure volumes are immune to economic cycles and our model reflects our conservative outlook for the remainder of 2001.

* Separately, VISX's Board authorized a 10 MM share repurchase program. We estimate the repurchase of 10 MM shares could be $0.04 accretive on an annual basis. However, the timing and extent of repurchases is unclear.

* The positive announcement from VISX comes a month before its annual shareholders meeting on May 4th in which investor Carl Icahn (owns 10% of VISX) plans to nominate a slate of directors to VISX's Board. With a non-staggered election of directors, Icahn could gain control of the company.

* We are raising our 2001 and 2002 EPS estimates by $0.02 each to account for the upside in 1Q01 and to reflect a lower sharecount going forward. However, we believe earnings visibility remains limited due to: 1) volatile quarter to quarter industry growth, 2) solvency problems at major laser corporate customers, and 3) longer term pricing uncertainty.

* At 11.2x 2001E cashflow and 22.5x 2001 consensus EPS, VISX is trading at a 20%-30% premium to its peers. Given limited earnings visibility, we believe this represents full value for its shares. Maintain Market Perform.

Goldman and Gruber commented:

We reiterate our 3 Market Perform rating. VISX has pre-released upwards earning guidance for 1Q01, indicating EPS in the range of $0.20-0.21. With a sequential Q-O-Q increase of 23% in licensing revenue (inclusive of **Bausch & Lomb** contributions ?) and a 4 million share repurchase in the quarter, we believe the good news is tempered with the likelihood of diminishing capital equipment sales in the US. Excimer laser units sales are a forward indicator of "high margin" license fees. We reiterate our thesis that although the company's LASIK procedure growth seems substantive, their market share in terms of unit placements may be slipping, foreshadowing a procedure growth rate falling below the 22-25% predicted for the market in 2001.

While Shibutani and Daniels had this to say:

* VISX announced that it expects EPS for 1Q01 to come in at $0.20 - $0.21 - above our and street expectations of $0.18.

* Upside was driven primarily by stronger than expected licensing revenue, which grew 23% sequentially over a difficult 4Q00 – and notably ahead of our modest 8% Q/Q estimate.

* VISX's license revenue growth, during this traditionally strong (seasonal) first quarter, is consistent with results reported thus far by the laser vision correction service providers (e.g., LCAV), suggesting that market growth in the U.S. of LVC procedures tracked ahead of our conservative projections during 1Q01.

* Coupled with the company's recent announcement to continue with its share repurchase program (4 million shares purchased during 1Q with indications of intent to purchase additional shares going forward), we make adjustments to our model - raising our 1Q01 revenue and EPS estimates from $46.7 million and $0.18 to $50.6 million and $0.20. Thus, for 2001 our estimates go from $201 million and $0.80 to $205 million and $0.85.

* Although the better-than-expected first quarter results provide a meaningful stimulus for us to once again begin warming up to the VISX story, in view of the ongoing uncertainties with the company (i.e., increasing competitive dynamic amongst laser manufacturers and the overhang of a proxy challenge for management control) combined with a lack of clarity with regard to the underlying sources and sustainability of procedure growth outperformance for VISX and the LVC industry in general, we maintain our overall cautious outlook.

4/4 **LASER VISION CENTERS** said that it remained on solid financial footing. The company made the announcement due a bankruptcy announced by a Canadian competitor with a similar name, **Lasik Vision Corporation**, a subsidiary of **ICON Laser Eye Centers, Inc.**

As of January 31, 2001 the company's most recent reported quarter, LaserVision had $23 million in cash and short-term investments. Excluding one-time charges, LaserVision has reported twelve consecutive quarters of profitability, the most of any company within the excimer laser access sector. In addition, the company said that it is the largest excimer laser provider in the world and performs more Lasik procedures on a quarterly basis than any other corporate entity. "We believe it is important to assure investors and patients that there is no relationship between LaserVision and LasikVision," LaserVision chairman and CEO John Klobnak said. "While we certainly sympathize with LasikVision employees who may find themselves out of work and patients who may have either lost deposits or find themselves in need of postoperative care, we have been clear in our message that business models such as that used by LasikVision and others are not viable. We are very proud that we remain financially strong and have maintained responsible pricing and quality patient outcomes throughout this price war that appears to be nearing an end. We look forward to a time when our industry returns to recognizing Lasik as a surgical procedure and not a commodity."

4/4 **IRIDEX** announced that it expected sales for the first fiscal quarter ended March 30, 2001 would be approximately $5.6 million, $2.2 million less than expected for the quarter. As a result, the company now expects a loss from continuing operations for the first quarter of 2001 to be between $0.16 and $0.20 per share. In addition, the company expects to take a one-time first quarter charge in connection with the discontinuation of its scientific and industrial activities in its Laser Research segment.

"The revenue shortfall in the first quarter of 2001 is primarily due to three factors," commented Ted Boutacoff, president and CEO of IRIDEX. "First, the initial commercial shipments of the Apex 800 hair removal system did not commence in the first quarter and are now planned for the second quarter of 2001. Second, sales of our ophthalmology infrared products were lower than expected due to a combination of the weakening economic conditions in the United States and uncertainties surrounding Medicare reimbursement for certain Age Related Macular Degeneration (AMD) procedures using our products. Third, key component supply difficulties delayed shipments of our DioLite and OcuLight GL and GLx laser systems. This is the first quarter in 8 years in which we will not be profitable. As a consequence, the company is reviewing its cost structure and will take appropriate actions consistent with its revised revenue expectations. However, considering our impending launch of a new product into the hair removal market, the overall outlook for our business is still good. As such, we are expecting to maintain our headcount, but we will shift personnel into operations with growth."

The company now expects initial commercial shipments of the Apex to occur in the second quarter of 2001. The company underestimated the time it would take to certify and begin manufacturing the Apex 800. Shipments made during the first quarter for market preference evaluation yielded very favorable responses from physician users.

Domestic ophthalmology bookings during the first quarter were approximately 25% lower than expected. The company believes that lower than expected ophthalmology product sales occurred due to a combination of the weakening economic conditions in the U.S. and uncertainties surrounding Medicare reimbursement for certain AMD procedures. During the second half of 2000, the Health Care Financing Administration (HCFA) deferred reimbursement decisions for Transpupillary Thermotherapy (TTT) and other AMD procedures to the discretion of the medical directors for the local Medicare carriers. Favorable coverage decisions from these local carriers have taken longer than expected. The company believes that the continued delay in Medicare reimbursement for certain AMD procedures is further impacting order placement for IRIDEX products used to perform these procedures. The company is actively working with local Medicare carriers to resolve this issue and expects favorable resolution late in 2001. They expect that the reimbursement issues and the economic downturn together will negatively impact U.S. ophthalmology sales for the balance of 2001, if conditions do not improve.

The company experienced delays in shipping its green laser systems (such as the DioLite 532 for dermatology and the OcuLight GL and GLx for ophthalmology) due to a supply shortage of a key component. As a result, the company closed the quarter with an increased backlog for such products and related delivery devices of approximately $500,000. The company believes that sufficient quantities of the component will be available during the second quarter to satisfy both the first quarter backlog and the second quarter production requirements. The company is discontinuing the scientific and industrial activities of its Laser Research segment in order to better focus available resources on its medical applications and products. Scientific and industrial product sales for the first quarter of 2001 were insignificant. The company expects to take an expense charge for discontinuing the scientific and industrial efforts while reporting first quarter results.

Based on current business conditions, the company is updating its guidance for the second quarter and fiscal 2001 for continuing operations. For the second quarter, the company expects sales to be between $7.2 and $7.6 million with approximately break-even earnings per share. For the year 2001, the company expects sales to be similar to fiscal 2000 and earnings from continuing operations to be slightly profitable for the year. This guidance is preliminary and will be updated in the first quarter earnings release scheduled for Tuesday, April 24, 2001.

4/6 **Sunrise Technologies International, Inc.** announced financial results for the fourth quarter and year ended December 31, 2000. Revenues for the quarter and full year were $3 million and $13.4 million respectively, compared to $5,000 and $26,000 for the same periods in 1999. Operating expenses for the three-months and year were $7.6 million and $30.5 million respectively, compared to $5.3 million and $18.9 million for the same periods in 1999. The increase in operating expenses was due to the ramp-up of sales and marketing expenses and other related infrastructure expenses to support the HYPERION

LTK System product launch, as well as significant increases in non-cash expenses. Inclusive in the operating expenses for the quarter and year were $1.1 million and $6.1 million of non-cash expenses, related to the fair market value of warrants and non-qualified stock options issued to employees and consultants in lieu of cash as compared to $471,000 and $1.9 million for the same periods of 1999.

Net losses for the quarter and year were $6.0 million (12 cents per share) and $38.0 million (79 cents per share) as compared with $6.1 million (13 cents per share) and $26.1 million (60 cents per share) for the same periods in 1999. Approximately $1.4 million (3 cents per share), or 24% and $16.5 million (34 cents per share), or 43% of the net loss for the three-month and year were attributable to non-cash expenses. Further, $330,000 and $10.4 million of these non-cash expenses, were associated with the financing costs of the $10 million revolving bank line of credit, the January 2000 and the January 1999 financings. The remaining $1.1 million and $6.1 million of non-cash expenses were associated with the issuance of warrants and non-qualified stock options. The company closed the year with cash and cash equivalents of $975,000 and working capital of $6.3 million as compared to $10.6 million in cash and cash equivalents and working capital of $5.8 million at December 31, 1999. As of December 31, 2000 the company had drawn down $3 million from its revolving bank line of credit and as of March 31, 2001, $6.6 million had been drawn down. As of April 1, 2001, $400,000 remains available under the line of credit and the additional $3 million can be drawn down if the guarantor pledges more assets. The company received a "going" concern opinion on its audited financial statements for 2000. The company reported that it is aggressively taking steps to size the company to current sales levels, and that it's eliminating $20 million of cash spending in 2001 at current sales levels. The company believes lower spending at current sales levels will result in positive to neutral cash flow in the 2nd quarter, 2001, and throughout the balance of the year.

The company previously announced that its exclusive U.S. distributor, **U.S. Medical** agreed to purchase fifteen HYPERION LTK Systems. The revenues from that sale are recognized when each unit is installed at the customer's site. Eleven of these lasers will be installed in the first quarter of 2001, and the balance are scheduled for installation in the second quarter.

Procedure revenues in the fourth quarter were only $134,000, compared to $1.3 million for the third quarter. This was explained by the company, that they had bundled 150 pre-sold procedures with the sale of each system in the third quarter, and had yet to see a substantial re-order of procedure cards from those who had purchased those systems. During the fourth quarter, fewer pre-sold procedure cards (in the order of about 100) were bundled with each system. The company said that in the current quarter, only a few procedures were pre-sold, in the order of 5-10, so that they could better gauge the number of procedures actually being performed by current system owners.

According to Russell Trenary, chairman and CEO, "The year 2000 marked a new phase for the company. We received a unanimous recommendation for approval for the HYPERION LTK System from the FDA Ophthalmic panel in January 2000. On June 30, 2000, we received final FDA approval and immediately began shipping. We enjoyed a strong third quarter, which was our first quarter of post FDA approval, and then were disappointed at how the macro economic forces affected our fourth quarter. Even so, we were pleased with the results we achieved when compared to others results within the refractive surgery industry. We look forward to a much stronger first quarter in 2001. During 2000, we have successfully scaled up manufacturing, created an excellent after sale support effort, sustained an expert in field technical support group, trained hundreds of ophthalmologists to perform the SUNRISE LTK procedure, and now we look forward to turning our inventory position into cash in 2001."

Another announcement made during the accompanying teleconference with analysts was that Sunrise was engaged in a co-selling program with **Bausch & Lomb**. The two companies, where appropriate, were "bundling" the purchase of both the BOL Technolas 217C excimer, with the Hyperion LTK system, with wraparound financing for the purchase of both devices, that allows doctors to acquire both devices for one monthly payment. The Technolas laser is not yet approved for treating hyperopia, so bundling with the Sunrise laser addresses that concern among buyers. As announced by Russ Trenary, there was no "contract" in place, but the two companies were cooperating in closing deals.

The company also issued a statement that it anticipated significantly more than a 100% increase in first quarter 2001 revenue over fourth quarter 2000. The company reiterated that it anticipates its operations in the second quarter of 2001 will be cash flow positive to neutral. Eleven of the original fifteen HYPERION LTK Systems purchased by U.S. Medical of Denver, Colorado, have been installed and will be recognized as revenue in the first quarter 2001. The others are scheduled to be installed early in the second quarter. In addition, new purchase orders from U.S. Medical were executed in the first quarter of 2001, and the company's own direct sales team continued their selling efforts. This brings the number of SUNRISE LTK Systems currently in the market place to over 100.

4/6 The following is from the 8-K filing made by **SurgiLight Inc.**:

As of October 17, 2000, the company purchased the business and assets of the **Centauri Ophthalmic Laser System** product line of **Premier Laser Systems, Inc.**, a California corporation, for $3.725 million ("Purchase Price"). Pursuant to the terms of the Purchase and Sale Agreement ("Purchase Agreement") between the company and Premier, the company paid $500,000 of the purchase price at the closing of the acquisition and issued its promissory note ("Note") for the remaining $3.225 million. To date, the company has paid $1.5 million on the Note. The original February 28, 2001 due date on the Note has been extended to April 15, 2001. The Note is secured by 320,000 shares of the company's

common stock and the purchased assets. Pursuant to the terms of the acquisition, Premier assigned to the company certain patents relating to ophthalmic devices and granted a worldwide, irrevocable, transferable and exclusive license under certain other patents in the ophthalmic field. The purchase required the approval of the U.S. Bankruptcy Court for the Central District of California because Premier is in Chapter 11 bankruptcy. This approval has now been obtained. As of January 22, 2001 the company has received 150 finished laser systems from Premier that were in Premier's inventory and is awaiting an additional components to finish an additional 200 additional product sets to be delivered in the next few weeks.

4/9 *Bloomberg News* reported that, "VISX Market Share May Slip as Surgery Centers Switch to Rivals". According to several analysts quoted, VISX likely will continue to lose market share this year as surgery centers switch to rival's products. "It's a piece of a tough story for VISX," **Banc of America Securities** analyst Ted Huber said of the **Lasik Vision** bankruptcy. "They are losing share with the corporate (surgery) centers." **TLC Laser Eye Centers Inc.**, the biggest operator of surgery centers with 55 U.S. clinics, stopped buying VISX lasers, which it once used exclusively, and signed an agreement last month to use lasers made by rival **Alcon Laboratories**, a unit of **Nestle SA**, TLC spokesman Stephen Kilmer said. Another leading center, **LCA-Vision Inc.**, has been switching to lasers made by contact-lens company **Bausch & Lomb Inc.** LCA-Vision uses Bausch & Lomb lasers for more than 50% of surgeries, CFO Alan Buckley said. A year ago, LCA used VISX lasers for almost all surgeries.

Even with the setbacks, VISX remains the industry leader, with almost three times the market share of its nearest rival, and the company plans to upgrade its lasers to stay ahead of competitors, Lola Wood, VISX spokeswoman said. "We're going to be focused on maintaining and even growing our market share," Wood said. The company will boost research and development spending by 27% more this year.

"It's really a three-horse race here," said **Robertson Stephens** analyst Wade King. "The general feeling is that VISX's market share would decline slowly. But we believe they held their own in the latest quarter, which is better than expected." VISX lasers are used in about 65% of surgeries in the $2.1 billion U.S. vision-correction market. That's down from almost 80% at the beginning of 1999, analysts said. The company's market share will likely dip to about 60% by the end of this year, according to analysts.

4/10 According to *Reuters*, financier Carl Icahn, who has been attempting to gain control of VISX for months, nominated his slate of directors for the company's board and said he would seek to sell the company for at least $32 per share, according to an SEC filing. The filing also said Icahn's slate of directors, if voted in, would push to double the company's share repurchase program to 20 million shares from 10 million shares. The repurchase would be accomplished through an immediate offer of $25 per share rather than waiting to make open market purchases over a long period of time. Selling the firm to a bidder

for $32 per share would represent a premium of more than 40% based on VISX' closing share price of $19.10 on the New York Stock Exchange on Tuesday. VISX, which is the No. 1 maker of laser eye surgery equipment, has been trying to stave off various moves by Icahn, whose company owns about 10.5% of VISX's shares. VISX officials said they had no comment as they had not immediately seen the filing.

Ted Huber of **Banc of America Securities** immediately issued an updated research report:

* In a filing with the SEC, investor Carl Icahn (10.5% owner of VISX) nominated a slate of 5 directors for VISX Board and outlined a proposal for the sale of VISX by auction for at least $32 per share. In addition, Icahn called for doubling VISX's recently authorized share buyback to 20 MM shares, conducted through a tender offer at $25/share (vs. open market transactions).

* We are not convinced that Icahn's plans will result in a meaningful change in the value of the company. We believe that VISX has already been pursuing a sale of the company and Icahn's presence, in our view, does not bring new suitors to the table. We believe that efforts to sell VISX have been unsuccessful largely because of concerns about what VISX's business model will be in 2002 and what the future level of earnings will be. We believe the long term viability of VISX's business model will hinge on the outcome of the trial with Nidek (expected in 1H02).

* Assuming a sales price of $32/share, VISX would have an enterprise value of about $1.7-1.8 billion. At 24.4x 2001E cashflow and 40x 2001E EPS, this valuation appears unrealistic.

* A proposal from Carl Icahn with significant actions was not unexpected. We believe this news is the first in a series of posturing that will take place between VISX and Icahn between now and VISX's May 4th Board meeting. However, in our view, regardless of whether VISX's current management or Carl Icahn is in charge of the company, the uncertainty related to VISX's underlying business model does not change. Maintain Market Performer rating.

Chris Shibutani and Tatyana Daniels of **JPMorgan H&Q** also issued an updated research note:

* We are upgrading VISX shares to a BUY from Market Performer, based upon our belief that information provided in an SEC filing yesterday by financier Carl Icahn, in his effort to obtain control of the company, provide an immediate-term impetus for the stock to rally.

* We set a near-term Price target of $25 -- which derives from Icahn's proposal that a board under his control would propose doubling the current share buyback program to

20 million shares, or roughly one-third of shares outstanding, through an immediate offer at a price of $25 per share; with Icahn offering to lend the funds necessary to finance the repurchase.

* Icahn's proposal to sell the company in an auction at a minimum bid of $32 per share presents the major risk going forward. We believe the risk is that the company will be unable to successfully attract a buyer at the proposed $32 opening price. Our current assessment is that the list of potential strategic buyers is both limited in number and lacking in motivation -- a concern which derives from our observation that the level of interest by potential strategic buyers of the company was limited even when VISX was trading considerably below current levels.

* No changes to our estimates. Last week we raised our 1Q01 and 2001 EPS estimates (from $0.18 to $0.20 -- in line with management guidance, and from $0.80 to $0.85, respectively) following the company's pre-announcement of better than expected Q1 earnings. We estimate that share repurchases of the proposed magnitude, and at the most aggressive timing, would provide $0.06 and $0.09 upside to our '01 & '02 EPS estimates respectively.

According to **Thompson Financial**, "Analysts believe that Icahn's imagination has gotten the best of him. **Lehman's** Ken Goldman pointed out that nobody wanted the company last year at $10, much less its current price of $20.60. Also, **McDonald Investment's** Hans Van Der Luft noted, "I think its an extremely aggressive price target based on current industry fundamentals slowing, a highly competitive market," and given the value possible suitors would assign the company."

4/10 The April issue of *Refractive Market Perspectives* featured a preview of the upcoming ASCRS meeting and an article on the average pricing of LASIK rising in the fourth quarter. Of interest in the ASCRS review was that **VISX** would be previewing femtosecond laser technology developed by its partner **20/20 Perfect Vision**. (It should be recalled that Joseph Bille, the founder of 20/20 Perfect Vision, was also the founder of **Intelligent Surgical Laser**, who had introduced a picosecond laser, and whose technology patents were sold, via **Escalon Ophthalmics**, to **IntraLase**, who is also developing a femtosecond laser, and in fact is launching its Pulsion FS keratome at the meeting.)

Dave Harmon reported that based on a survey of 400 refractive surgeons conducted last December, average prices for LASIK increased almost 5% by the end of the year, reversing a declining trend during the year. As noted, fee increases at low-price centers, along with declines in market share at **ICON** and **Lasik Vision** led to the small upswing in average prices. According to the survey, average prices increased 3% during the fourth quarter over prices for the third quarter, rising to $1699 per eye, from the year's low of $1650. For the year, the average price fell 18% from that posted during last year's fourth

quarter ($2079). The other interesting point from the survey, 33% of respondents reported offering tiered pricing, allowing them to offer a low price for basic service and a higher price for more complicated surgeries, thus providing an overall higher average sales price. Regional pricing variations continue to be significant, with the lowest prices reported in the Rocky Mountain region and along the West Coast, while highest prices were reported in the Northeast and Mid-Atlantic areas. (For a detailed analysis of pricing trends contact **MarketScope** at **info@mktsc.com**.)

4/11 **ICON Laser Eye Centers, Inc.** announced that 8,285 LASIK and/or PRK procedures were performed at ICON's wholly-owned and affiliated centres during the month of March. This monthly figure represents an increase of 32.7% over the 6,243 LVC procedures performed during the same period in 2000, and a 14.2% increase over the month of February. The total number of procedures performed in the first quarter of 2001 grew by 60.5% over first quarter 2000 results.

"ICON is pleased to note the significant increases in procedures on all three measures - monthly, quarterly, and yearly - as of the end of March 2001," said Ernest Remo, chairman of the Board of ICON. "Our confidence in the soundness of our business model is bolstered by these figures and we feel the positive numbers are testament to our quality of patient care and the positive referrals from ICON's patients."

4/11 **TLC Laser Eye Centers** announced its third quarter results for the period ended February 28, 2001. The company reported fiscal 2001 third quarter net revenues of $47.6 million that were in-line with paid procedure volumes, and also up 24% from last quarter. Total third quarter operating expenses were $34.4 million, representing a 20% improvement from the same period a year ago and a 16% improvement from last quarter. The company had net income of $428,000 (1 cent per share) for the quarter, compared to a net loss of $3.1 million (8 cents per share) for the same quarter in 2000.

Elias Vamvakas, TLC's chairman and CEO, commented that, "This quarter's performance clearly demonstrates a quick and dramatic financial turn-around for the company. We plan on continuing to strengthen our premium model, take advantage of our preferred access to the newest refractive technologies, protect our financial resources, and add new flexibilities to our cost structure as we move forward. TLC is proud to lead the exciting and relatively young field of permanent vision correction."

4/12 **VISX** reported financial results for the first quarter, with revenue of $51.6 million compared to $64 million for the comparable period of the prior year (when the per procedure fee was $250 compared to the current $100). Net income was $12.6 million (21 cents per share) compared to net income of $19.6 million (30 cents per share) in the comparable period of the prior year. Assuming a $100 per procedure fee for the entire first quarter of 2000, earnings for the first quarter 2000 would have been $0.13 per share

on an adjusted basis as compared to $0.21 per share actual for the current quarter, an increase of 62% on a comparable basis.

Commenting on the results, Liz Davila, CEO of VISX, said, "This first quarter was strong for VISX on all major fronts. Compared to Q4 2000, licensing revenues grew 23%, systems sales were up 29%, and we increased market share. In ever-greater numbers, customers are advertising to consumers the benefits of the VISX STAR S3 ActiveTrak, and consumers are responding. Additionally, we continued to bring innovative technologies to market. During the quarter VISX received FDA approval for wider ablation zones using Variable Spot Scanning (VSS). We also initiated our FDA clinical trials for wavefront-driven ablations. Looking ahead, we are confident that VISX is positioned more strongly than ever to lead the industry through many more years of growth. MarketScope has projected that the U.S. laser vision correction procedure market will grow at a compound annual growth rate of 28% over the next four years. Undoubtedly growth in some years will be greater than others. Because of softness in the current economic environment, we project 20% growth in 2001. We expect growth to accelerate as the economy recovers."

VISX also commented on the revised preliminary proxy materials filed by Carl Icahn relating to his proposed proxy contest. With regard to the Icahn group's revised platform to auction the company, VISX believes Icahn continues to offer nothing new to VISX stockholders. VISX has already implemented a thorough review of its strategic alternatives. While a well-organized process led by its financial advisor **Goldman, Sachs & Co.** has not resulted in any specific transaction, the VISX Board of Directors and management remain receptive to any opportunity that recognizes VISX's record of profitable performance, its global leadership position and strong future prospects.

VISX believes its stock repurchase program, including the recently announced 10 million share authorization, is a prudent use of its capital and represents a compelling investment opportunity. The company views Icahn's proposal to raise more than $300 million of new debt to finance his proposed buy-back as detrimental to both the short-term and long-term value of VISX. VISX believes the Icahn group's proposed plan would dilute earnings, severely weaken VISX's balance sheet, and deprive VISX of the financial and strategic flexibility that it needs to invest in R&D. In short, VISX believes Icahn's scheme would plunge the company into debt and restrict its ability to invest in its future.
During the accompanying teleconference with analysts, the company reported that it had sold 53 laser systems during the quarter, along with 91 upgrades to the S3 ActiveTrak and that it expects to do about the same in the second quarter. VISX also reported that the average selling price during the quarter was higher, with the upgrades higher by approximately 10%. They also said that the increase in royalty income was across the board, both with corporate clients (royalty revenues from their top 4 corporate clients increased by 40%) and surgical centers. The company still feels that the VISX laser is the

workhorse of the industry, and although competitors may be making progress in placing systems, the bulk of procedures are still done on VISX lasers.

Following the release of financials, Ted Huber of **Banc of America Securities** was one of the first to issue an updated research report:

* VISX reported EPS of $0.21 for 1Q01, in line with its recently revised expectations and our model. Strong procedure growth (up an estimated 23% y/y and 18% sequentially) and continued share buy backs (4.1 MM shares) drove the performance. VISX gained share for the first time in several quarters.

* We modestly increased our procedure estimates for the balance of 2001 as VISX can benefit from higher laser utilization stemming from STAR S3 upgrades (we expect near 90 per quarter in 2001). But we still expect a significant slowdown in procedure growth (to 9% y/y for VISX 2Q01) due to 1) a slowing laser surgery market and 2) difficult comparisons due to declining volumes from certain corporate customers.

* Our EPS estimate is now $0.85 for 2001, driven by 14% procedure growth in a market we expect to grow near 20%. Continued share repurchases, at current prices, will be nearly EPS neutral. If VISX is able to hold share and/or robust procedure growth continues, EPS could be nearer to $0.90. Our 2002 EPS estimate goes to $1.00 from $0.93, representing 17% y/y growth.

* VISX shares trade at 24.1x 2001 EPS and a 2001 PEG ratio of 1.6x, 25% and 14% premiums respectively to its peer group of lower growth, small cap medical device companies. We believe VISX's shares are expensive given 1) continued volatility in quarter to quarter procedure growth and 2) the prospect of lower procedure fees in 2002 if VISX can't beat Nidek in court 1H02.

4/13 The law firm of **Schoengold & Sporn, P.C.** announced that it was filing a class action lawsuit on behalf of all persons and entities that purchased the publicly traded securities of **Bausch & Lomb** during the period April 13, 2000 through August 24, 2000 (the "Time Period").

The complaint alleges that during the Time Period, Bausch & Lomb was suffering the effects of several critical, long-term problems associated with its vision care and pharmaceutical segments, including a lack of growth in new business and pricing pressures from competition. However, instead of disclosing the true nature and extent of these problems, Bausch & Lomb misrepresented that it was addressing certain short term issues that were in the process of being fixed. When the true nature and extent of the problems began to be disclosed, Bausch & Lomb's stock price declined precipitously. The claims asserted arise under Sections 10 and 20 of the 1934 Act. Named as defendants in the suit are Bausch & Lomb and William Carpenter, Bausch & Lomb's then chairman

and CEO. The case is pending in the United States District Court for the Western District of New York. Any subsequently filed cases seeking similar relief and relating to the same facts as alleged herein are expected to be consolidated into this case.

4/15 In the current issue of *Optoelectronics Report* (formerly Laser Report), Kathy Kincade presents a writeup about a new optical system for producing variable spots with a laser. As she put it, "Variable spot sizes are nothing new. But a family of zooming optical systems developed by a visiting scholar at Stanford University takes the ability to change the optical parameters of a laser beam in a controlled manner to new heights. The device could have significant implications for beam-delivery systems used in a number of cosmetic applications in dermatology, dentistry, and ophthalmology." George Nemes, the inventor, describes his system, which he has called VariSpot, as a "zoom-type telescope and focusing system that provides a round spot with a continuously adjustable diameter at a fixed working distance. Typical spot diameters using VariSpot range from 0.05 mm to 10 mm and even, in some cases, 20 mm, while fixed working distances range from 25 mm to 1000 mm. The VariSpot has a cylindrical shape with the size ranging from 5 mm in diameter and 50 mm in length, to approximately 30 mm diameter and 300 mm in length, depending on the specific design."

Existing optical existing optics and beam delivery systems for medical and industrial lasers have either a fixed spot at a given distance or a complicated system to change that spot size in a narrow range (1.5-3 times) by changing the working distance. VariSpot simply changes the spot size by rotating a ring (either continuously, or in steps) and keeps the same working distance, avoiding any other refocusing or adjustment of the distance. In addition, the dynamic range of the device is much broader than anything existing today (and perhaps more than necessary in typical applications). Therefore, VariSpot can be used with the same laser to have a broader range of applications, requiring a broader range of power densities at the target.

According to the inventor, VariSpot can be designed in conjunction with any kind of beam delivery system and any kind of laser, from CW to pulsed (all time scales except the femtosecond lasers) and at any wavelength (UV, VIS or IR spectral range). It can also be developed for a free space or for a fiber coupled laser. VariSpot, or the beam delivery system based on it, can be attached either directly to the laser or as a handpiece to a fiber delivery system. There are three different operating modes for the device, each having several possible designs: focus-mode, image-mode, and projection-mode. The focus mode gives the smallest spot size, and also has the largest ratio of maximum-to-minimum spot size (or dynamic range, i.e., 100 - 400 times); the image mode has a relatively smaller ratio (5-20 times) and replicates the input beam intensity profile at the target plane (for example a uniform beam profile, best for most medical applications); the projection-mode is intended for large screen projections and not for medical or industrial applications.

Nemes is commercializing VariSpot through **ASTiGMAT**, a company he founded in San Jose, CA, in 1999. He is currently interested in establishing OEM and co-development relationships. He also is looking at developing related products, including short-length, high-magnification (10x and 20x) telescopes for lasers and instruments to measure laser beam characteristics (for laser manufacturers), equivalent to laser beam profilers, using unconventional optics.

What quickly comes to mind, is the similarity of VariSpot to the **VISX** Variable Spot Scanning System (VSSS) recently approved by the FDA. However, in conversations with both a spokesperson for VISX and with the inventor, there doesn't appear to be any connection between the two companies (yet). Nemes told me that he is in the process of applying for a patent for his invention and that an initial patent search did not turn up anything similar to his design. Nemes can be reached at **gnemes98@hotmail.com**.

4/16 **U.S. Medical, Inc.**, announced that it had formed a strategic alliance with **ClearVision Laser Centers, Inc.** of Lakewood, Colorado, the nation's largest privately held laser vision correction provider. Through this new partnership, U.S. Medical will work closely with ClearVision to develop new markets throughout the country. In addition, U.S. Medical will be the reseller of used CVC excimer lasers and other related equipment. According to Scott Carson, founder and president of U.S. Medical, "This new strategic partnership with ClearVision Laser Centers gives U.S. Medical extraordinary depth in the ophthalmic market. We are pleased to be able to work with this highly successful organization, which is the provider of choice for many of the country's finest LASIK surgeons."

Thomas Rogan, CEO of ClearVision, added, "In the current refractive market, LASIK surgeons are searching for stability and high quality services. We are the best option for independent surgeons who want to provide excellent care to their patients in their own communities. We are delighted that the new relationship with U.S. Medical will enable us to reach even more communities across the country."

4/17 Yet another newspaper kicked in with a story about the bankruptcy of **Lasik Vision** and its effect on patients, this time *The New York Times*. Kenneth Chang wrote about Lasik Vision in New York in his bylined story, "Bankruptcy Leaves Eye Patients in the Lurch". Apparently, the Lasik Vision center in Garden City, N.Y. was one of many that closed up shop following the acquisition of Lasik by **ICON Laser Eye Centers**. When a patient (Michael Jaffe) called up for a followup visit, he found the following message posted on the company's answering machine: "Due to circumstances beyond our control, we are unable to take your call or to see patients at the Garden City office. This may be a permanent arrangement." As the story went on to report, there was a happy ending. Jaffe had kept the cell phone number for his surgeon, Dr. Dan Reinstein, formerly the chief medical officer for Lasik. He was able to contact him and found out that he was setting up alternative arrangements for his patients at his own expense.

4/17 **Coherent, Inc.** announced that the FDA had cleared its application to market the Selecta 7000 Glaucoma Laser System. The Selecta 7000 was specifically designed to perform Selective Laser Trabeculoplasty (SLT), which incorporates a new patent protected technique for the treatment of open angle glaucoma, the leading cause of preventable blindness in Americans over the age of 40. Open angle glaucoma is a progressive degenerative disease in which the optic nerve is slowly destroyed. It affects more than 50 million people worldwide. If left unchecked open angle glaucoma cases can result in total blindness. The only accepted treatment for open angle glaucoma is to lower intraocular pressure.

SLT lowers intraocular pressure by using short pulses of low energy laser light to target melanin containing cells in the trabecular meshwork which drains fluid from the eye, resulting in increased fluid outflow. The selective technique is much less traumatic to the eye than argon laser trabeculoplasty (ALT), the current laser procedure. The limitations of ALT are primarily related to its coagulative effect, which leads to scarring of the trabecular meshwork. SLT retains the therapeutic benefit of laser treatment -- reduced intraocular pressure, without the collateral thermal damage to non-melanin containing cells and to the trabecular meshwork structure. The treatment, performed in an ophthalmologist's office, was devised by Mark Latina, MD, at the Wellman Laboratories, Massachusetts General Hospital in Boston, from whom Coherent acquired an exclusive license to commercialize SLT and market the relevant laser technology. Coherent developed the Selecta 7000 specifically for SLT.

According to Dr. Latina, "SLT has the potential to change the standard of care for patients with open angle glaucoma." SLT is being performed today in many international markets using Coherent's Selecta 7000 Glaucoma Laser System, including Japan where it has been approved by the Ministry of Health, Labor and Welfare for more than two years.

In the next few weeks, **Coherent Medical Group** will be joining forces with **ESC Medical Systems, Ltd.**, and thereafter the combined company will change its name to **Lumenis**. Yacha Sutton, president and CEO of ESC Medical Systems, and the soon to be formed Lumenis commented, "This innovative product benefits patients and our customers alike. Anything that helps prevent blindness is especially gratifying. We are excited about the vast array of products that Lumenis will soon be able to offer worldwide to help treat this and other ophthalmic diseases as well as products used for aesthetic and surgical applications." Jim Taylor, Coherent Medical Group president, commented, "Coherent is pleased to be part of the original research team exploring the treatment of the leading cause of preventable blindness affecting as many as 3 million Americans and more than 50 million people worldwide. Additionally, Coherent will continue to benefit from this type of innovation as the owner of approximately 16.5% of the equity in Lumenis."

(For more on the development of SLT and its application as a front-line treatment for open angle glaucoma, see my accompanying article on the technology that will be published in the May issue of *Medical Laser Report* and in the May 15th issue of *Ocular Surgery News*.)

4/18 In another cannon shot across the bow in the ongoing saga of Carl Icahn's attempt to either take over **VISX**, or to force an auction for its sale, Icahn issued a challenge to VISX's management in a letter sent to Liz Davila, VISX's CEO. Icahn stated that he had recently had "preliminary discussions with the senior management of two companies in the ophthalmic industry regarding the potential acquisition of VISX through a merger in which VISX shareholders would receive a combination of cash and securities of approximately $32 per share. While there can be no assurance that these discussions would ultimately result in a transaction or even an offer, each of these companies indicated that they would be interested in discussing such a transaction." He also stated that he had met with representatives of the **Industrial Bank of Japan**, a member of the **Mizuho Financial Group**, who indicated that, subject to due diligence, they would be willing to consider supplying financing. However, there is no assurance that any financing would be available on acceptable terms for a transaction. Icahn also noted that the Industrial Bank of Japan informed him that they would be interested in reaching out to foreign companies to discuss their possible interest in a transaction with VISX.

In his letter, Icahn challenged the management of VISX to promise shareholders that they will immediately conduct an open auction for VISX and submit for shareholder approval the best offer for the company at or above $32 per share. Icahn stated that in his opinion potential acquirers of VISX are currently likely to be doubtful of the sincerity of management's intentions to review strategic alternatives when, at the same time management says, as VISX did in a January 17, 2001 conference call, that "the company is not for sale." Icahn stated that if the company agreed to submit for shareholder approval the best offer for the company that is $32 per share or better, management would remove this doubt and facilitate the auction process. Icahn also noted that Ms. Davila and Mr. Logan, the company's past CEO, had already sold substantially all of their VISX holdings at very good prices.

Icahn further observed that, although VISX had not disclosed the terms of the **Bausch & Lomb** license agreement and he did not know the terms of that agreement, he could not help but wonder whether the agreement includes a standstill that precludes Bausch & Lomb from bidding for VISX. Icahn asked whether VISX management would be willing to release Bausch & Lomb from any such restriction so that it could, if it so desired, act as a bidder for this company. In addition, Icahn stated that he was "troubled by a number of statements made by management on their quarterly earnings conference call on April 12, 2001 and their press release of the same date, which statements I consider both misleading and disingenuous."

The statements of concern included the company's assertion that earnings had increased 62% by comparing earning to the past first quarter as if procedure fees had been cut for the full quarter, while in reality, "first quarter earnings per share declined 30% year over year, from $0.30 per share in 2000 to $0.21 per share in 2001. In addition, you acknowledged in the conference call that licensing revenue declined 32% year over year despite industry-wide growth in procedures. This decline is largely explained by management's ill-advised decision to reduce procedure fees from $250 to $100 in February of 2000. Shareholders deserve a clear, straightforward accounting of the reasons for VISX's poor performance not a confusing juxtaposition of a real earnings decline and a hypothetical earnings increase."

The second area of concern was the company's claim that its relationship with "**TLC Laser Eye Centers**, VISX's second largest customer, is "very strong". In contrast to management's view however, on February 22, 2001, TLC announced that it has adopted technology provided by rival **Alcon** as its primary platform in the company's refractive centers. While VISX may indeed be retaining the legacy business of procedure fees from TLC's existing VISX lasers, it appears clear that VISX is losing TLC's new business to rival Alcon. If VISX's relationship with TLC remains so strong, then why is it that TLC is buying new lasers from Alcon, not VISX?"

Icahn went on to say that his $32 bid was based on his study of the recent acquisition of **Summit Autonomous** by Alcon Holdings, and his analysis of the market valuation of **Allergan**.

VISX quickly responded to Icahn's letter, urging shareholders to reject the Icahn slate and to protect the value of their VISX investment by re-electing the VISX directors. Liz Davila went on to say, "We have already engaged in a review of our strategic alternatives with our outside financial and legal advisors. We and our advisors have contacted a number of companies in the ophthalmic and non-ophthalmic industries about possible sale, merger or business combinations. Based on our discussions, we do not believe that there is a currently available transaction that would enhance stockholder value. However, we at VISX continue to be receptive to and will review proposals. If Carl Icahn has had discussions with interested parties that have a bona fide proposal, those parties should contact VISX or our financial advisor, **Goldman, Sachs & Co.**

Allergan felt that it had to respond to having its name mentioned by Icahn in relation to his bid for VISX, issuing a statement that its strategic focus continued to be the growth of its specialty pharmaceutical business, primarily through its own R&D pipeline.

4/18 **SCHWIND eye-tech-solutions** announced that it would present a new and innovative microkeratome for refractive surgery: the **Carriazo-Pendular** at the upcoming ASCRS meeting in San Diego. According to the company, the pendular movement of the microkeratome offers a completely new way for successful LASIK. (Microkeratomes of

the 1st generation had a linear cut, while 2nd generation devices had a rotating cut. Now, 3rd generation devices have a pendular cut.) The company said that had obtained exclusive world wide distribution rights from **View Point Technology** for the Carriazo-Pendular, developed by the well-known specialist in refractive surgery, Cesar Carriazo, MD, of Barranquilla, Colombia.

"We get the ball rolling" is the motto of the product introduction, referring to the ball-shaped surface of the Carriazo-Pendular, which distributes the pressure mainly to the center of the eye and protects the corneal center this way. Easy handling and assembly, constant flap thickness and a mechanical safe and solid construction are further advantages of the new unit, which is still under clinical investigation. Due to the minimum dimensions of the suction ring and motor the Carriazo-Pendular is also suited for very small eyes.

4/19 **QLT Inc.** reported global Visudyne sales of approximately US$48 million (CDN$73.5 million) for the quarter ended March 31, 2001. This compares to global Visudyne sales of US$38 million (CDN$58 million) in the fourth quarter of 2000, representing approximately 26% quarterly increase. QLT expects to release its full financial results on Wednesday, April 25, 2001.

Preliminary estimates of net income for the quarter indicate that the company should record profitability above the high-end range of current analyst expectations. "We are pleased that the continued efforts of our marketing partner, **Novartis Ophthalmics**, and acceptance of Visudyne therapy by retinal specialists has resulted in the third consecutive quarter of greater than 20% growth in Visudyne sales," said Dr. Julia Levy, QLT's president and CEO. "In the first 12 months since the product was launched, total Visudyne sales have exceeded US$140 million, making Visudyne the most successful ophthalmic pharmaceutical product based on first year sales. More importantly, retinal specialists in over 35 countries have now performed more than 120,000 treatments with Visudyne therapy."

Overall growth in global Visudyne sales of approximately 26% over the fourth quarter of 2000 was consistent with market research results previously released by QLT projecting increased usage by physicians. Commercial Visudyne sales in the United States for the quarter were approximately US$31 million (CDN$47.5 million), representing approximately 65% of total sales for the quarter. The remaining US$17 million (CDN$26 million) was related to sales in Canada, Europe and other markets. QLT expects that its share of Visudyne net profits (excluding the reimbursement for manufacturing and other costs) for the first quarter will be approximately 21% of total Visudyne sales. QLT's revenue from Visudyne sales consists of reimbursement for manufacturing, third-party royalties and other costs along with 50% of the Visudyne net profits which are calculated as sales less marketing, overhead and manufacturing costs.

4/20 Carl Icahn dropped the second shoe, sending yet another letter to **VISX's** Liz Davila, with yet another proposal, this time stating that "since you are `receptive' to proposals for VISX (as stated in her April 18th response to his first proposal that day), he would be willing to engage in a cash merger...in which VISX shareholders would receive $32 per share, subject to due diligence and financing." Icahn noted the significant commitment of money, time and effort necessary in order to investigate such a transaction, but declared that "if VISX agrees with me to submit to a vote of shareholders the best offer of $32 per share or higher from any qualified bidder, then I will be willing to commit the significant funds needed to commence the necessary effort to conduct due diligence and to attempt to raise the financing for the transaction. I have been in contact with the **Industrial Bank of Japan**, a member of the **Mizuho Financial Group**, and they are prepared to commence due diligence efforts immediately. If the results of due diligence are acceptable, one of my affiliated companies would provide a significant portion of the purchase price in order to effectuate the offer, in addition to the funds to be derived from financing sources." He went on to say, however, "that he could not assure that his efforts will ultimately result in his consummation of the transaction, but that it was his belief that in any event [his] efforts, together with a clear commitment by VISX, may move the auction process forward and bring out other potential bidders."

VISX once again quickly responded, stating, "VISX and its Board of Directors remain committed to discussing the potential acquisition of VISX with credible buyers. VISX has not been recently contacted by an ophthalmic or non-ophthalmic company expressing interest in purchasing VISX, including any company Mr. Icahn may have been referring to in his letter dated April 18, 2001. VISX is skeptical of Mr. Icahn's proposal to buy all of VISX for $32 per share in cash. The company is concerned that this is just another ploy by Carl Icahn to garner votes on the eve of the May 4th Annual Meeting. However, consistent with the VISX Board's desire to explore possible business combinations, VISX management and its financial advisor, **Goldman, Sachs & Co.**, are prepared to promptly meet with Mr. Icahn concerning his proposal and its conditions and contingencies."

4/20 **ICON Laser Eye Centers, Inc.** issued an update on how the recent bankruptcy of **Lasik Vision** would affect patients currently awaiting surgery under contract with Lasik Vision. On April 3, 2001 ICON announced that greater than anticipated operating liabilities at Lasik Vision, exacerbated by a work stoppage by Lasik Vision doctors, necessitated the bankruptcy of Lasik Vision. ICON continues to focus its financial resources on addressing the needs of Lasik Vision's patients while continuing to offer ICON's patients excellent medical treatment. ICON chairman Ernest Remo stated, "ICON's main concern has been and continues to be on providing exceptional patient care for former clients of Lasik Vision. ICON is committed to the fulfillment of Lasik Vision patients' medical needs and to assist Lasik Vision patients who require post-operative care or are awaiting surgery. The bankruptcy of Lasik Vision has been a very unfortunate experience for all parties involved, but ICON remains committed to providing the best value in laser vision correction services."

In a comprehensive information package recently sent to all Lasik patients, ICON outlined the appropriate courses of action to be taken by those affected by the bankruptcy of Lasik Vision. The package addresses the following key points:

-- Patients who require post-operative care should contact ICON's call centre at 1-877-SEE-ICON to find the participating ICON location closest to them and/or to book a post-operative appointment at an ICON facility, free of charge. Where re-locating to an ICON facility is not a feasible alternative, patients should contact their original doctor directly.

-- Patients who have paid a deposit and are currently awaiting surgery: ICON is aware that many Lasik Vision patients paid a deposit to Lasik Vision for their procedure, and, as a goodwill gesture, ICON is offering bilateral (both eyes) laser vision correction for the price of $1,500, minus the patient's original deposit paid to Lasik Vision (up to a maximum credit of $1,000). This offer is available at any participating ICON laser eye location and the balance is due on or before the date of surgery. This offer is also completely transferable to another person, as long as they are a medically-eligible candidate for laser vision correction surgery. Certain restrictions apply.

-- Lasik Vision patients who have paid a deposit but are ineligible for laser vision correction, or for those clients interested in investigating the eligibility of their refund claim with **Deloitte and Touche**, please download the proper forms to file a Proof of Claim against Lasik Vision from ICON's website at **www.iconlasik.com** or with the bankruptcy trustee at **www.bankruptcy.deloitte.ca**. Clients can also fax their request to 604-685-4046.

ICON sympathizes with all Lasik Vision patients, employees, physicians and creditors affected by the bankruptcy of Lasik Vision. ICON made every effort possible to rescue Lasik Vision from insolvency but, in the end, was unable to so.

4/20 Eight eye surgeons who formerly performed surgery at the California **LASIK VISION** facilities announced that they will assist patients who were treated at those facilities in obtaining follow-up care. They also will assist patients whose scheduled surgeries were canceled because of the abrupt closure by management of the LASIK VISION facilities on March 28. The facilities were closed without advance notice to either physicians or patients, leaving many patients needing follow-up care or awaiting surgeries that had been scheduled. The eight physicians, from San Diego to San Francisco, will provide or facilitate post-operative care for all patients treated at the LASIK VISION facilities in the various locations where they now practice.

Dr. Richard Rothman, speaking on behalf of the surgeons, said, "As physicians, we have an ethical obligation to take care of our patients that is separate and apart from any financial dealings between the patients and LASIK VISION. Individually we intend to

live up to that ethical obligation. Our goal has always been to practice good medicine and to help our patients reduce their dependence on glasses and contact lenses. We are sorry that the business decisions of LASIK VISION temporarily interrupted our ability to provide this care to our patients."

In addition to performing or facilitating follow-up care and additional necessary procedures for those patients who already have had surgery, Rothman said, the physicians will assist people who were scheduled for surgery but had not had it by the time LASIK VISION facilities closed. All the physicians have agreed to reduce their current surgical fees to make the procedures as affordable as possible for these patients, he said.

4/23 **Bausch & Lomb** announced the creation of a new company focused on the research and development of new refractive surgical technologies for vision correction and enhancement. The new company, called **Technovision**, is a joint venture formed by Bausch & Lomb with Kristian Hohla, Ph.D., the founder of the **Technolas** laser business in 1985. Dr. Hohla will serve as president of the new company. Technovision will focus on the development of new ways to correct and/or enhance vision, as well as new ophthalmic diagnostic devices. Bausch & Lomb is providing an undisclosed amount of capital to fund the joint venture and will have first right to commercialize any product developed by Technovision.

"We believe that by maintaining a small-company entrepreneurial environment under the leadership of Kristian Hohla, we can continue to develop and commercialize the next state-of-the-art technologies for our ophthalmic surgical customers," said Gary Aron, senior vice president of Research, Development and Engineering for Bausch & Lomb. "We know this model works, having developed both the Technolas laser and the Zyoptix(Infinity) system for personalized vision treatments in record time."

"The idea is to continue to drive development at a rapid pace," said Dr. Hohla. "The creation of Technovision allows us to maintain a small, focused entrepreneurial environment which has been very successful in developing new technologies." Technovision will be housed with Bausch & Lomb's Technolas laser operations and its German commercial headquarters near Munich.

4/23 **VISX** announced that its advisors have contacted Carl Icahn and invited Icahn to present for the Board's consideration a fully defined offer to acquire the Santa Clara based company. VISX has agreed to provide Icahn with confidential information following execution of a customary confidentiality agreement with no standstill provision. VISX stated that it remains skeptical of Icahn's proposal and his willingness to provide the necessary funding. "We are concerned that this proposal may be in fact a ploy to garner votes for his hand-picked slate of directors, but we intend to treat Icahn as we would any other interested party," said Elizabeth Davila, CEO of VISX. "We encourage Icahn to make a proposal with definitive terms that can be evaluated by VISX's Board of

Directors. Only upon the receipt of a definitive proposal can any responsible board seriously evaluate and recommend a transaction to stockholders," said Ms. Davila. VISX stated that its nominees are best positioned to provide an independent and objective evaluation of any definitive proposal ultimately made by Icahn.

Icahn came back with his own news release, stating that, "I cannot understand why VISX does not simply accept my proposal to submit to shareholders the best offer of $32 per share or higher if they are, as they claim, serious about pursuing an acquisition."Icahn reiterated that he is willing to engage in a cash merger with VISX in which VISX's shareholders would receive $32 per share subject to due diligence and financing. Icahn stated, "Just as the company has provided earnings data which we find to be vague and confusing, we are confused by their vague and inconsistent statements about whether or not the company is for sale."

Icahn stated that he would be willing to commit the necessary money, time and effort to pursue the diligence and financing efforts that would be needed, but only if VISX agrees with him to submit to a vote of shareholders the best offer of $32 per share or higher from a qualified bidder. He declared, "I do not wish to be in the position of committing a great deal of my time and capital to pursuing due diligence efforts and lining up financing commitments for a fully financed offer, only to have VISX management refuse to allow shareholders to vote on it." Further, he does not understand the failure of VISX management to meet this simple requirement. However, Icahn noted, "I continue to be concerned that VISX's entrenched management will act in its own interest and not in the interest of the shareholders."

4/23 **Moria Inc.** announced that it had acquired the exclusive rights to market and sell the MK QuickRinse (MKQR) in North America. Manufactured for Moria by **American OptiSurgical**, of Lake Forest California, the MK QuickRinse is the only fully automated "Cleaning, Rinsing, and Drying" station available on the market to handle the important considerations of thoroughly cleaning microkeratomes and surgical instruments. The MKQR assures that fresh, distilled water and filtered air are used every time a microkeratome part is cleaned. No water or soap is ever re-used from patient to patient, and the filtered compressed air aids in the drying of microkeratome parts without the use of expensive and possibly toxic canned air. The MKQR utilizes an OSHA approved surgical instrument cleaner, that comes in precisely measured ampoules for exact cleanser-to-water mixing ratios. Just as importantly, the MKQR eliminates the use of standard Over-the-counter "dish detergents", which have been reported to be a possible cause of diffuse lamellar keratitis.

4/24 **IRIDEX Corporation** announced that sales for the first quarter ended March 31, 2001 were $5.7 million, a decrease of $2.3 million compared to the corresponding quarter in 2000. The company reported a net loss from continuing operations for the first quarter of $924,000 (14 cents per share) compared to net income from continuing operations of

$726,000 (10 cents per share) for the corresponding quarter in 2000. In addition, the company discontinued its Laser Research segment which comprises its non-medical operations, recording a one-time after tax charge of $893,000 (13 cents per share) during the quarter.

"Consistent with our preliminary report, the revenue shortfall this quarter was primarily due to the delay in shipment of the Apex 800, the economic downturn in the U.S., uncertainty over Medicare reimbursement for certain ophthalmic procedures using our products, and a component delay," commented Theodore Boutacoff, president and CEO of IRIDEX. "We have made headway in several of these areas. First, the Apex 800 hair removal system is moving through our manufacturing transfer process and our marketing organization is readying for a worldwide launch this quarter. Second, the key component supply has improved with the arrival of useable supplies and we expect that useable supplies of the component will continue. Looking ahead, we see many opportunities for IRIDEX to improve. In the short term, we expect our business to improve during the second quarter with the launch of the Apex 800, resumption of product shipments delayed by the component shortage and close cost management. For the balance of the year, we expect refocused efforts on revenue generation in our medical business, continued expense management and expected favorable results from AMD studies to lead to profitability in the second half of the year."

4/25 **Refractec, Inc.** announced that the FDA accepted for filing, the companies Pre-Market Approval (PMA). The PMA requests approval of Conductive Keratoplasty (CK) using the ViewPoint CK System for the treatment of spherical hyperopia between 0.75 and 3.00 diopters. "This is a pivotal FDA submission for Refractec because it marks the end of the clinical trial phase for the ViewPoint CK System and the beginning of an exciting period for Refractec," said Mitchell Campbell, president and CEO. "We look forward to introducing this product to the U.S. market, where more than 40 million people who suffer from hyperopia would benefit from an FDA approval of the ViewPoint CK System."

Refractec is the only company to use radio frequency energy to reshape the cornea and permanently correct farsightedness. The ViewPoint CK System is already approved in most major international markets. According to world-renowned ophthalmologist Marguerite McDonald, MD, medical monitor of the clinical trials and director of the Southern Vision Institute in New Orleans, LA, "The FDA clinical study of CK indicated that most patients continue to not need glasses one year after the procedure."

More than 400 eyes in the United States have been treated in the FDA Clinical Trials. Dr. Edward Manche, an FDA clinical trial investigator from Stanford University School of Medicine, performed the first CK procedure in America. "I treated the first half a dozen patients in the United States," Manche said. "So I've been following them now for two and half years and I noticed the benefits of CK immediately. My patients have

experienced consistent visual outcomes throughout the clinical trials." In addition, principle investigator and leading ophthalmologist, Dr. Robert Maloney, from the Maloney Vision Institute in Santa Monica, CA said, "The CK procedure is a less invasive and less expensive alternative to LASIK for the treatment of hyperopia. CK patients are gaining improved eyesight and they no longer need their glasses, just as with LASIK. But it's faster to perform because no tissue is cut or removed from the eye."

4/25 **NovaMed Eyecare, Inc.** announced that net revenue for the first quarter ended March 31, 2001 rose 17% from the first quarter of 2000 to $36.9 million. Net revenue grew in each of the company's segments, driven in part by an 19% increase in procedures performed in NovaMed's surgical facilities. First quarter net income totaled $1.2 million, (5 cents per share) compared to net income of $1.5 million (6 cents per share) in the first quarter 2000. "These results get 2001 off to a solid start," said Stephen Winjum, NovaMed chairman, president and CEO. "Despite the effects of a softening economy, we continue to believe we are well-positioned for full-year 2001 growth in net revenue, earnings and cash flows."

Consolidated income from operations of $2.77 million for the first quarter increased modestly over the comparable prior year period amount, as operating expenses increased primarily as a result of the revenue growth and the inclusion of the company's new Southeast operations. Corporate expenses and sales and marketing expenses were equal to or below last year's first quarter levels, reflecting the continuing effect of actions that began mid-year 2000 to better align these expenses with projected growth. First quarter 2001 depreciation and amortization expenses were approximately 32% higher than the year-earlier period, reflecting the company's large capital investments made in 2000, primarily to acquire or develop ASCs and laser vision correction centers as part of the initiative to build a new, core regional position in the Southeast United States.

4/25 **QLT Inc.** reported financial results for the first quarter ended March 31, 2001. For the quarter, QLT reported net income of CDN$12.7 million (19 cents per share)/US$8.3 million (12 cents per share), compared to a net loss of CDN$12.5 million (19 cents per share)/US$8.6 million (13 cents per share) in the same period in 2000. "We were able to report our fourth consecutive quarter of profitability due to better-than-expected growth in Visudyne sales, favorable foreign currency rates and prudent management of our internal cost structure," said Dr. Julia Levy, QLT's president and CEO. "In the first 12 months of launch, physicians treated an estimated 50,000 patients and performed more than 120,000 Visudyne treatments resulting in total sales of more than CDN$220 million/US$140 million. We believe this represents the best first year sales performance for any eyecare pharmaceutical product."

Visudyne sales for the first quarter of 2001 of CDN$73.5 million/US$48 million were announced by QLT following the reporting of first quarter sales by marketing partner **Novartis** on April 19, 2001. Visudyne is now available in more than 35 countries for the

treatment of predominantly classic subfoveal choroidal neovascularization (CNV) due to age-related macular degeneration (AMD), the leading cause of severe vision loss in patients over 50. Approximately 65% of first quarter sales for Visudyne were in the United States with the remaining 35% in Europe, Canada and other markets. Dr. Levy added, "With an excellent first quarter behind us, we expect Visudyne sales for 2001 to be between CDN$348 million and CDN$387 million/US$225 million and US$250 million. The company expects quarter-to-quarter growth in sales will have continued variability due to fluctuations in key foreign currency rates and usage patterns. We continue to expect QLT's share of net profits from Visudyne will grow to approximately 25% of total Visudyne sales for the year."

QLT's revenue from Visudyne sales consists of reimbursement for manufacturing and other costs along with 50% of the Visudyne net profits which are calculated as sales less marketing, overhead and manufacturing costs. Due to the continued marketing investment required to support product launches outside the United States, QLT's share of Visudyne net profits (excluding reimbursement for manufacturing and other costs) for the first quarter was 21.5 % of total Visudyne sales.

During the ensuing annual general meeting, Dr. Levy highlighted the company's accomplishments over the past year, and outlined management's goals for 2001. The accomplishments included:

- Launch of Visudyne in more than 35 countries by **Novartis Ophthalmics**

- Best first year sales performance of any eyecare pharmaceutical product

- Achievement of profitability for fiscal 2000

- Opening of the new research and headquarters facility in Vancouver.

The four key goals for management in 2001 include:

- Work with Novartis to continue the ongoing successful launch of Visudyne and achieve Visudyne sales for 2001 of between US$225 million and US$250 million with 25% of sales flowing back to QLT.

- Expand the market for Visudyne by seeking approvals in additional countries, continuing to study the long-term benefits of Visudyne and conducting additional studies to broaden the approved indications.

- Broaden the product pipeline through a combination of internal research, in-licensing, research collaborations or acquisitions.

- Manage operations and the cost structure appropriately to deliver continued near-term earnings for our shareholders while investing in new products for long-term sustainable earnings growth.

4/26 **Bausch & Lomb** announced the results of its operations for the first quarter ended March 31, 2001. Net sales during the period were $412.2 million, up 1% from the $408.9 million reported in the first quarter of 2000. In constant dollars (excluding the impact of changes in foreign currency exchange rates), revenues grew 5%. Excluding the impact of restructuring charges and asset write-offs recorded in the current period and non-recurring gains recorded in both years, net earnings were $6.2 million (12 cents per share), compared to $23.9 million (42 cents per share) in the first quarter last year. Reported earnings in the first quarter were reduced by charges and asset write-offs of $11.0 million after taxes (21 cents per share) associated with the company's previously-announced restructuring initiatives, as well as the write-off of the company's minority investment in a business-to-business e-commerce venture for the vision care industry. Net earnings in the current period were augmented by a gain of $3.5 million after taxes (7 cents per share) from the sale of a portion of the company's equity interest in **Charles River Laboratories, Inc.** that the company retained when that business was divested in 1999. In the first quarter of 2000, the company recorded non-operating income of $15.2 million after taxes (26 cents per share) related to the settlement of patent litigation. Including these items and a small gain due to the adoption of SFAS 133, the company reported a net loss of $1.0 million (2 cents per share) in the current period, compared to net income of $39.1 million (68 cents per share) in the first quarter of 2000.

Revenues from products for cataract surgery grew 10%, and 15% in constant dollars. Results in 2001 benefited from incremental sales of surgical products acquired from **Groupe Chauvin**, as well as improved supply of the company's foldable intraocular lenses and strong demand for the company's Millennium line of phaco-emulsification equipment and disposables. Sales of products for refractive surgery declined 8%, and were down 5% in constant dollars. The decline was driven by results in the Americas region, where market disruption in Canada, caused by the cessation of operations of the largest provider in that market, as well as continued soft demand for capital equipment in the U.S., led to significantly lower sales than in the comparable period in 2000.

Commenting on the announcement, William Carpenter, Bausch & Lomb's chairman and CEO, said, "Our results this quarter were consistent with our expectations. Coming into this year, we were aware that there were a number of factors that would make for difficult year-over-year comparisons this quarter." Carpenter noted that market prices for many of the company's multi-source pharmaceutical products sold in the US were dramatically higher in the first quarter last year, before competitive activity resulted in broad-scale pricing erosion in the middle of 2000. In addition, the weakening of foreign currency rates against the dollar since last year significantly reduced the company's reported revenues and earnings. Another factor, Carpenter explained, was the higher level

of research and development investment during the current period, primarily to fund the continued development of Bausch & Lomb's Envision TD technology to treat sight-threatening diseases of the back of the eye.

"Despite these challenges, during the first quarter we demonstrated clear progress in areas that will be essential factors in our return to sustainable earnings growth," Carpenter continued. "Our key new contact lens products continue to perform very well. Pricing in our US multi-source pharmaceutical business has remained stable, and the results of our European pharmaceutical business exceeded our expectations. The supply of our foldable intraocular lenses is significantly improving, which has helped accelerate the growth in sales of our line of products for cataract surgery. And although the U.S. market for equipment for refractive surgery remains soft, worldwide growth in refractive procedures has continued to be robust, and demand outside the U.S. for our Zyoptix system for personalized refractive surgery has exceeded our expectations."

Following the release of financials, Ted Huber of **Banc of America Securities** released an updated research report. Some of his findings included:

* BOL reported 1Q01 EPS of $0.12 (excluding non-recurring items) vs. $0.42 in 1Q00, within the range of management guidance of $0.11-$0.13. Revenue of $412.2 MM was slightly above our $407.6 MM estimate.

* On balance, BOLs 1Q01 performance was weak; we estimate internal growth (excluding currency and acquisitions) was negative 3-4% y/y. We believe BOL lost share 1Q01 in contact lenses, pharmaceuticals and refractive surgery; held share in lens solutions; and gained share in cataracts.

* We are lowering our 2001 EPS estimate to $2.10, a penny below BOLs revised guidance of $2.11-$2.13 (vs. $2.35-2.40 previously). The lower estimates are due to the negative impact on 2Q01-4Q01 EPS from declining interest income ($0.06) and currency ($0.17).

* We now forecast 2001 revenue growth of 5.2% y/y (1.6% y/y excluding acquisition and currency), roughly 50 b.p. below guidance. Note that BOLs 2001 guidance predicts accelerating growth in 2H01 for the pharmaceuticals, refractive and contact lenses businesses.

* We believe investors are beginning to value BOL on 2002 numbers given the myriad of one-off items effecting BOLs 2001 results. At 16.3x our 2002 EPS estimate of $2.59 and a 2002 PEG of 1.4x, BOL trades at a discount to its peers. This, we believe, is appropriate given negative trends in several BOL businesses and the modest growth prospects for this portfolio (excluding Envision). Maintain Market Performer rating.

4/26 **Nidek, Inc.** announced that it had filed a pre-market approval supplement with the FDA requesting approval for an increased optical zone of 6.5 mm for myopia treatments with the Nidek EC-5000 Excimer Laser System. Currently, the Nidek EC-5000 is FDA-approved for a 5.5 mm optical zone with a 7.0 mm transition zone in the treatment, reduction and elimination of myopia and myopia with astigmatism, as part of LASIK.

Hiroshi Okada, general manager and vice president of Nidek, Inc. commented, "We are continuing to file PMA supplements that, when approved, will allow refractive surgeons using our Nidek EC-5000 system to treat a broader range of refractive errors using the same state-of-the-art scanning-slit technology. Increasing the size of the optical zone may allow for future expanded treatment parameters and options on our innovative, technologically advanced platform." The Nidek EC-5000 Excimer Laser System is currently being evaluated for its ability to safely and effectively treat hyperopia and hyperopia with astigmatism as part of the LASIK procedure.

4/26 The battle continued. **VISX** announced that its Board of Directors amended the company's Stockholder Rights Agreement to make clear that the Board would not stand in the way of an all cash tender offer at or above $32 per share. Elizabeth Davila, CEO of VISX said, "This amendment to VISX's Stockholder Rights Agreement underscores our commitment to enhancing stockholder value. We believe that Carl Icahn's proposal to buy VISX is disingenuous. However, if Icahn is sincere, our Board has provided him the opportunity to take a fully-financed all cash offer at or above $32 per share directly to stockholders. We are confident that stockholders will recognize that this amendment further demonstrates the independence and objectivity of our Board. We continue to see no benefit to stockholders in electing Carl Icahn and his nominees. It is time to focus on the facts. We believe that Icahn and his group pose a threat to the short and long-term value of VISX. His proposal to auction the company offers nothing new to stockholders and his stated stock repurchase scheme, which would require the company to raise $300 million of new debt, would dilute earnings and restrict VISX's ability to invest in the future."

The Board's amendment makes the Rights Agreement inapplicable to the purchase of shares of the company's common stock on or prior to July 31, 2001 pursuant to a fully-financed, all cash tender offer for any and all shares of the company's common stock at a price of at least $32 per share. This amendment requires that the number of shares purchased in the cash tender offer must represent at least a majority of the company's outstanding shares on a fully diluted basis (excluding shares owned by the offeror and its affiliates or associates). This amendment also requires that as part of its cash tender offer, the offeror must agree to complete a merger transaction promptly after the closing of the tender offer in which all shares not purchased in the cash tender offer would be converted into the right to receive an amount in cash equal to the price paid in the cash tender offer. A copy of the amendment to the Rights Agreement will be filed with the Securities and Exchange Commission shortly.

Carl Icahn promptly responded, observing, "VISX management continues to be disingenuous in its actions and public statements. In my view, management's most recent statement reflects the same reprehensible approach as was evidenced in their April 12, 2001 earnings press release, which I found to be vague and confusing at best. Management understands that my proposal contemplates the conduct of due diligence but the form of confidentiality agreement they have provided to me would likely make a tender offer impossible by preventing me from making disclosures that may be necessary in a tender offer. Management is also well aware that my prior statements contemplated a cash merger not a tender offer and that financing a merger is quite different from financing a tender offer. In an `LBO', such as a financed all cash merger, commercial lenders desire to secure their loans with a lien on a company's assets. A tender offer does not allow this. These financing requirements are well known to VISX management and its financial advisors."

Icahn stated, "I call upon VISX to stop the confusing verbal jousting and simply agree with me to submit to a vote of shareholders the best offer of $32 per share or higher from any qualified bidder. As I have said before, I believe that a clear commitment by VISX may move the auction process forward. Today's ploy by VISX does not advance that process."

4/26 **Sunrise Technologies Inc.** announced financial results for the first quarter ended March 31, 2001. Revenues and other income for the first quarter of 2001 were $6.4 million as compared to $18,000 for the same period in 2000 and $3 million for the fourth quarter of 2000. This represents an increase of $6.4 million in revenues and other income from the first quarter of 2000 and an increase of $3.4 million or 116% from the fourth quarter of 2000. "We believe the increase in sales is due to increasing acceptance and adoption of the SUNRISE LTK procedure by ophthalmic surgeons. Our procedure revenue was 51% higher in the first quarter of 2001 vs. the previous quarter. We believe doctors are learning how to attract and treat hyperopic patients, and as these success stories spread throughout the ophthalmic community we believe even greater acceptance of the SUNRISE LTK procedure will occur," according to Russell Trenary, chairman and CEO of Sunrise.

The company reported that the sales efforts of its refractive business managers and the sales representatives of its exclusive U.S. distributor, **U.S. Medical** have helped increase the sales figures. The installed base of HYPERION LTK Systems exceeds 100 units. In addition, the company reports that it is experiencing increases in its sales lead flow in the first quarter vs. the fourth quarter of 2000. "In addition, our surveys continue to show that consumers very much prefer a safe procedure before they will choose to have refractive surgery. We believe safety is the strongest attribute of the SUNRISE LTK procedure, as evidenced by the number of eye doctors having it performed on themselves," added Trenary.

Operating expenses for the first quarter of 2001 were $4.8 million as compared to $5.0 million for the same period in 2000 and $7.6 million for the fourth quarter of 2000. This represents a 5% decrease from the first quarter of 2000 and a 37% decrease from the fourth quarter of 2000. The decrease in operating expenses from both the first and fourth quarters of 2000 results from the company's restructuring efforts and reductions in non-cash expenses.

Net loss was $4.0 million (8 cents per share) in the first quarter as compared to a net loss of $16.0 million (35 cents per share) in the first quarter of 2000 and $6.0 million (12 cents per share) for the fourth quarter of 2000. Approximately $791,000 (2 cents per share), or 20% of the net loss for the first quarter of 2001, was primarily attributable to non-cash expenses associated with the financing costs for the January 2000 private placement and the $10 million revolving bank line of credit, which is guaranteed by one of the company's investors. This compares with non-cash expenses of $10.2 million (22 cents per share), or 64% of the net loss for the first quarter of 2000, and $1.4 million (3 cents per share), or 24% of the net loss for the fourth quarter of 2000. Net loss per share for the first quarter of 2001, when adjusted for non-cash expenses and the one time restructuring expense was $0.04 per share. The company believes second quarter operations will be cash flow positive to neutral, as inventories continue to decrease and accounts receivable are collected.

During the accompanying conference call, Trenary noted that the company and its marketing partner expected to have a good selling meeting at the ASCRS this weekend. With the training program to be held during ASCRS, more than 800 surgeons will have been trained on the Hyperion LTK laser. He further noted that the company expected Korean marketing approval during the current quarter. Of the installed base of greater than 100 laser systems, more than 90% are installed in the U.S., with most placed on straight deals -- either direct purchases or leases, with only a few on a per procedure basis. Commenting on the number of procedures performed to date, estimated at about 10,000, Trenary noted that most of the systems sold during last year's third quarter were sold with as many as 150 pre-sold procedures, while the machines being sold currently (1st quarter) were being sold with between 5-25 pre-sold procedures. Thus, going forward, the company will have a better estimate of the running procedure rate, based on re-orders of procedures.

4/26 **VISX** reported that **Institutional Shareholder Services (ISS)** recommended that VISX stockholders vote FOR the company's slate of director nominees at VISX's Annual Meeting scheduled to be held on May 4, 2001. ISS is widely recognized as the leading independent proxy advisory firm in the nation. Their work is relied upon by hundreds of major institutional investment firms, mutual funds, and other fiduciaries throughout the country. In reaching its decision to recommend a vote FOR the five VISX directors over Carl Icahn and his slate, ISS noted that "The incumbent directors would be in a far better position to evaluate the terms of an Icahn offer than the dissident nominees, most of

whom have ties to Icahn or his companies." ISS went on to point out that "The incumbent board appears to be fully willing and able to fairly evaluate Icahn's offer, as well as any other bids that may arise in competition with the Icahn bid." In conclusion, ISS stated, "We believe that shareholders would be best served by the retention of the incumbent directors over the dissident slate."

Elizabeth Davila, CEO of VISX said, "We are very pleased that ISS recognizes our efforts to enhance stockholder value and has recommended that stockholders vote for VISX's director nominees. Like ISS, we see no benefit to stockholders in electing Carl Icahn and his nominees."

Following the announcement, Chris Shibutani and Tatyana Daniels of **JP Morgan H&Q** lowered their rating for the company, from "buy" to "long-term buy". They gave the following reasoning:

- The impetus for our near term “trading buy” upgrade on April 11th and $25 price target was that Carl Icahn, in his updated filing with the SEC in which he proposed an acceleration and increase in the company’s share repurchase program at $25 per share and further stated his intent to sell the company in an auction process, provided an immediate-term catalyst for the stock to rally.

- The decision to lower our views now is consistent with our recommendation that investors consider taking profits at current levels.

- The basis for our downgrade stems from our sense that the driver for further near-term gains, i.e., successful potential sale of the company at or above a $32 per share level as proposed by Icahn, continues to represent a significant risk.

- With one week to go before the May 4th shareholder meeting, the announcement last night by Institutional Shareholder Services (ISS - an independent proxy advisory firm) of their recommendation that shareholders vote in *favor* of VISX’s current directors over Carl Icahn, we believe may influence the potential response of a meaningful percentage of shareholders in VISX management’s favor. In the event of the potential outcome whereby VISX’s current management and board retain their positions exiting the May 4th meeting, we believe this lowers the potential that the company will be put up for sale, with the subsequent potential impact of creating downward pressure on the stock over the near-term.

- Our Long-Term Buy rating reflects our view of the company’s outlook on a more fundamentals driven basis, in that the LVC market and VISX’s leading position, with rates of procedure growth battered way down during the 2H00, may yet be on a more resilient and rebounding path relative to recent depressed expectations.

OPHTHALMIC LASER UPDATE -- May 2001

4/25 According to my sources, the judge hearing the settlement proceedings for the class action shareholder suit against **Summit Technologies**, allowed the $10 million settlement. The exact terms of the settlement have yet to be disclosed, but the attorneys representing the class were requesting an amount not to exceed one-third of the settlement, as well as reimbursement for their expenses incurred in the prosecution of the litigation, an amount not to exceed $1.25 million. The two lead plaintiff attorneys were **Berman, Devalerio & Pease LLP** and **Berger & Montague PC**.

4/30 During a press conference held during the annual meeting of the *American Society of Cataract and Refractive Surgery (ASCRS)*, Michael Farris, president and CEO of LaserSight discussed LaserSight's view as to how patents and other intellectual properties will shape the future of companies participating in the refractive surgery market. Farris commented, "The investment community looks at companies in the laser refractive surgery industry as being value based with emphasis on state-of-the-art products that capture recurring revenues based on strong and enforceable patents. As a competitor in the refractive market, LaserSight's value is based on its proprietary technology, strong intellectual property portfolio and its broad range of state-of-the-art products that assist refractive surgeons in achieving the best clinical outcomes for their patients."

LaserSight's value is derived from its portfolio of refractive products and its owned and licensed patents. It is LaserSight's intent to realize revenue by licensing its patent(s) to other refractive surgery manufacturers. The company's current and future products from which revenues are derived include; its LaserScan LSX excimer laser system and associated per procedure fees; its AstraMax integrated diagnostic work station and its AstraPro diagnostic planning software which is currently under development and the company believes will offer an opportunity to charge a premium usage fee in both the U.S. and international markets when commercially released; and its keratomes and blades.

The company's LaserScan LSX excimer laser system is based on precision micro-spot scanning technology covered under its U.S. Patent No. 5,520,679 (the '679 patent). LaserSight recently announced that the U.S. Patent and Trademark Office issued a Notice of Allowance for reissue of its '679 patent. The fundamental teachings of the original '679 patent encompass a refractive laser system utilizing an excimer laser with a low fluence and high repetition rate that ablates corneal tissue using small pulses delivered to the corneal surface in an overlapping pattern. LaserSight was able to broaden several elements of the '679 Patent's original claims by removing certain restrictions and by adding approximately 68 new claims to better encompass the breadth of technology which is covered by the '679 patent. This reissue allows LaserSight to protect the uniqueness of the LaserScan LSX's precision beam microspot scanning technology, and provides an opportunity for the company to license its scanning technology to other

companies that currently offer, or intend to offer, scanning laser systems. The company also indicated that it has another U.S. scanning patent application undergoing examination that is a Continuation in Part of its original application for the '679 patent. The claims in this continuation are comprehensive in nature in that they cover a basic laser having a pulsed output laser beam of a fundamental ultraviolet wavelength and scanning the pulsed output beam of that laser into a pattern of substantially overlapping pulses on tissue such that adjacent ablation spots on a single ablation layer of tissue significantly overlap one another.

Farris noted, "The reissue of our '679 scanning patent allows LaserSight to protect the uniqueness of its LaserScan LSX's precision beam microspot scanning technology. The value of LaserSight's intellectual property portfolio has been enhanced by this Notice of Allowance. 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. The smoothness and precision available with the microspot scanning technology incorporated into our LaserScan LSX has become an important factor when surgeons are considering a laser purchase. It is recognized that a smooth and uniform ablation must be achieved to deliver the high quality custom ablation procedures the market is seeking. The increasing recognition and acceptance of scanning laser technology is apparent from the number of our competitors who have introduced some form of a scanning laser system into the U.S. market. The allowance of the '679 patent marks the beginning of a new era of next generation technologies and patents for laser refractive surgery as refractive surgeons move away from the prior generation of broad beam lasers and their related patents."

LaserSight has already begun notifying the other laser manufacturers as to the broad claims added to the '679 Patent as a result of the reissue. Farris added, "Developing strategic partnerships around our intellectual property portfolio will permit LaserSight to maximize its market position. We currently have 22 U.S. patents issued or allowed, and more than 25 additional patents pending, all related to the laser vision correction industry. It is the company's strategy to generate a recurring revenue stream from its intellectual properties, and we are currently in discussions regarding other strategic opportunities to license certain of our patents. The '679 scanning patent, and its counterpart when reissued, covers the next generation technology for laser vision correction and is the technology underlying our precision beam microspot scanning LaserScan LSX excimer laser system."

As previously announced, LaserSight entered into an agreement with **Alcon**, Ft Worth, TX which provided for a time period during which the company has agreed not to claim Alcon infringes the Lin '679 scanning patent and for the parties to discuss a possible transaction related to the '679 patent. On March 30, 2001 LaserSight announced that this time period was extended to allow discussions to continue. LaserSight has also received several inquiries and has begun discussions with other companies regarding our

willingness to license our scanning patent and the terms upon which such a license might be granted.

The AstraMax integrated diagnostic workstation is based on technology and patents acquired from **Premier Laser Systems, Inc.** In March 2000, LaserSight purchased all of Premier's intellectual property related to a development project that was designed to provide front-to-back analysis and total refractive measurement of the eye. This acquisition has resulted in LaserSight currently holding five U.S. patents, six foreign patents, and a number of pending patent applications, along with an exclusive license to nine additional patents, to the technology that has allowed the company to complete development of the AstraMax and secure its intellectual property rights in this new and important diagnostic technology for precision diagnostic measurements of the eye needed for customized ablations. Among the more important patents related to the AstraMax, are two U.S. patents to a multi-camera corneal analysis system that provides faster and more accurate measurements than conventional topographers through virtually instantaneous image acquisition utilizing a stereo-based multi-camera triangulation technology, and a patent covering the method of corneal analysis using a checkered polar grid illumination pattern. The AstraMax workstation, designed to provide precision diagnostic measurements of the eye, is one of the most advanced diagnostic devices offered on the market. Unlike conventional topographers, the AstraMax provides complete anterior limbus to limbus topography, posterior corneal measurement, scotopic pupil size and anterior chamber depth measurement with a single exposure. Currently an ophthalmologist or optometrist would need to utilize at least two separate diagnostic instruments to obtain the diagnostic information that the AstraMax can acquire. The diagnostic measurements from the AstraMax can be utilized for a broad spectrum of ophthalmic applications. An AstraMax integrated workstation can be utilized in both ophthalmic and optometric practices for planning ophthalmic procedures that require precise and accurate measurements of the eye. These procedures include contact lens fitting, cataract extractions, clear lens extractions, and, when approved, planning for customized laser ablations. All measurements are aligned on a common axis and are available for export to LaserSight's AstraPro individualized ablation planning software as part of the company's CustomEyes approach to custom ablation.

The UltraShaper durable keratome is produced under a license to U.S. Patent # RE35, 421 from Luis Ruiz, MD and Sergio Lenchig of Bogota, Colombia, and is part of LaserSight's MicroShape family of keratome products which, in addition to the durable keratome, includes UltraEdge keratome blades for both the UltraShaper and ACS keratomes and control consoles. The UltraShaper represents an advancement in design and technology that should appeal to all refractive surgeons, but especially those surgeons who developed their surgical technique using the previous gold standard Automated Corneal Shaper (ACS). LaserSight's market research shows a strong demand for a state-of-the-art keratome that would allow the refractive surgeon to use the more conventional ACS surgical technique. According to **Market Scope's** Comprehensive

Report on the U.S. Refractive Market (November 2000), there were approximately 1400 ACS units placed worldwide, with 600 of those units in the U.S. LaserSight has the opportunity to replace a significant portion of the ACS installed base with its UltraShaper durable keratome. UltraEdge keratome blades are currently sold at a list price of $55 each. These blades can be used in the older ACS keratomes as well as in the UltraShaper. In the U.S., conventional LASIK practice is to use a new keratome blade for each patient. Since LASIK is generally performed on a bilateral basis, the total market for keratome blades is considered to be one half the number of procedures performed, or estimated to be performed, in any given year. It is currently estimated that approximately 1.4 million LASIK procedures were performed in the U.S. during 2000. The number of U.S. LASIK procedures is anticipated to increase to somewhere between 1.6 to 1.8 million during 2001 and to 2.3 million in 2002. In addition, the international market for LASIK is expected to grow from 1.1 million to 1.7 million procedures during the same period. The total U.S. market for keratome blades is expected to grow to $37 million during 2001.

4/30 **Paradigm Medical Industries** announced that its Board of Directors voted to extend the exercise date of the company's Class A warrants and **Kenneth Jerome** warrants by one year. These warrants would have expired on July 10, 2001. The exercise price of the approximately one million Class A warrants outstanding is $7.50 per share. In connection with the company's initial public offering in 1996, Paradigm issued and sold to its underwriters (Kenneth Jerome) warrants to purchase 200,000 warrants ranging in price from $7.50-$8.125 per share. As of December 8, 2000, 10,000 of these warrants had been exercised. Commenting on the action by the Board of Directors, Paradigm's chairman and CEO, Thomas Motter, stated, "The exercise of our Class A warrants and the Underwriter warrants will result in the company receiving nearly $9 million in cash."

4/30 The **CDNX** announced that effective at the close of business May 14, 2001, the common shares of **Lasik Vision Corporation** would be delisted. **ICON Laser Eye Centers, Inc.** advised CDNX that 57,354,633 company common shares were taken up by ICON pursuant to ICON's Offer to Purchase dated February 7, 2001, and exchanged for 28,677,320 ICON common shares. Accordingly, the company no longer meets *Canadian Venture Exchange (CDNX)* Tier Maintenance Requirements with respect to shareholder distribution and will be delisted.

5/1 Carl Icahn finally gave up in his quest to gain control of **VISX**. VISX issued a statement in response to Carl Icahn's announcement that he had ended his proxy contest and withdrawn his proposed slate of nominees to the VISX Board of Directors. Elizabeth Davila, CEO of VISX said, "We are pleased that Mr. Icahn has recognized our commitment to enhancing stockholder value and has ended his proxy contest and withdrawn his proposed slate of director nominees. As we have stated, we are prepared to permit Mr. Icahn to commence due diligence in order to formulate a definitive all-cash proposal at $32 per share or higher following his signing of a customary confidentiality agreement. VISX remains focused aggressively on stimulating growth in laser vision correction procedures and increasing VISX revenues and earnings."

5/1 According to the *Associated Press*, **Bausch & Lomb Inc.** announced it will work with the **University of Rochester** to create a leading research and clinical hub. Over the next several years, Bausch & Lomb will provide $5 million in cash and equipment to the university to help recruit academic and clinical research scientists to its ophthalmology department. Dr. Jay Stein, senior vice president and vice provost for health affairs and CEO of the University of Rochester Medical Center and Strong Health, said the commitment will allow the university to develop the "most advanced ophthalmic technologies in the world, and to make them available to bring the joy of sight to citizens throughout upstate New York." Dr. Steven Feldon, the current associate chairman of ophthalmology at the **University of Southern California**, has been named to head the university's ophthalmology department beginning Oct. 1. Feldon also is vice president for business development, marketing and finance at the **Doheny Eye Institute** in Los Angeles.

Last year, Bausch & Lomb gave the university $3 million toward the *Alliance for Vision Excellence*, focused on improving technology, techniques and products used to correct vision problems. This announcement expands that relationship.

5/1 **Sunrise Technologies** announced that it had received regulatory approval to begin selling the HYPERION LTK System in Korea. The company was notified on April 30, 2001 that it had received KFDA approval through its exclusive distributor in Korea, **HYE KWANG TECHNOLOGIES** of Seoul. "This approval is excellent news for the company. We believe the Korean laser vision correction market is one of the most active in Asia. The initial response to our HYPERION has been encouraging among many leading surgeons in the Korean ophthalmic community. This approval clears the way for a very active selling effort," said John Hendrick, Sunrise COO, who manages the Korean effort for the company. "Many Korean surgeons believe that LTK will be an excellent way to treat presbyopia with mono vision. They also are excited about the technology's potential in treating hyperopia," said Hui Hwang, president and CEO of Hye Kwang Technologies Co., Ltd.

5/2 Following completion of the ASCRS meeting in San Diego, Ted Huber of **Banc of America Securities** issued a summary report of the meeting, "ASCRS: Continued Refractive Growth & Evolutionary Technology Advances". (Note that his comments about second quarter procedure growth are somewhat different than those offered by Dave Harmon in his monthly newsletter summarized in the 5/10 brief below.)

* Refractive surgeons and other industry participants indicate that refractive procedure volumes were robust in April and bookings for May look strong. As such, we are increasingly confident in our 2Q01 5% sequential growth estimate in U.S. industry refractive procedure volumes.

* Based on our review of the most recent clinical data, our thesis on custom ablation remains unchanged. While custom ablation technology is likely to improve outcomes for certain patients, we do not believe it will offer any particular laser vendor a sustainable competitive advantage.

* All the major laser players are marching together toward U.S. approval in the mid-2002 to 2003 timeframe. **Alcon**, **VISX** and **Bausch & Lomb** have commenced U.S. clinical trials for custom ablation. **Nidek** and **LaserSight** plan to begin trials by year end.

* For the first time, VISX publicly shared some of its R&D efforts beyond custom ablation. Some of its new technologies include: 1) using a femtosecond laser to create lamellar flaps and for intrastromal refractive procedures, 2) using stem cells to treat AMD, and 3) using a laser-etched silicone chip for directed cell growth in subretinal implantation.

* Pricing in IOLs remains competitive. In a market that continues to shift toward acrylic IOLs, Bausch & Lomb and **Staar Surgical** are aggressively trying to maintain market share with their base silicone IOL lenses. Growth in Staar's new Collamer IOLs is slower than expected.

* Competition remains high in the microkeratomes market and we believe BOL's Hansatome may be losing placement share. **Moria** has three new microkeratomes on the market. Allergan is making progress with its Amadeus microkeratome and **Becton Dickinson** has placed nearly a dozen microkeratomes in the U.S. since January.

5/2 **QLT Inc.** reported that it had filed a supplemental counterclaim against **Massachusetts Eye and Ear Infirmary (MEEI)** as part of an ongoing patent dispute pending in the United States District Court for the District of Massachusetts. QLT's action is in response to the issuance of United States Patent No. 6,225,303 (the '303 patent) yesterday to MEEI for a method of treating unwanted choroidal neovasculature in a shortened treatment time using QLT's proprietary compound Visudyne (verteporfin). QLT alleges that the '303 patent is invalid and unenforceable because of inequitable conduct by MEEI and its patent attorneys in obtaining the patent from the United States Patent and Trademark Office. Specifically, QLT asserts that MEEI and its attorneys secretly filed the patent application naming MEEI researchers as sole inventors, and wrongfully withheld from the Patent Office material information indicating that researchers at **Massachusetts General Hospital (MGH)** and QLT were co-inventors of the patent. QLT further alleges that in filing the patent application and claiming exclusive ownership of the claimed treatment method, MEEI sought to pressure QLT into paying MEEI exorbitant royalties on sales of Visudyne.

The '303 patent is derived from the same patent family as U.S. Patent No. 5,798,349 (the '349 patent) which names researchers from each of QLT, MGH, and MEEI as inventors

and is jointly owned by all three entities. In its supplemental counterclaim, QLT seeks to correct inventorship of the '303 patent to include the MGH and QLT researchers who contributed to conception of the treatment method. QLT further requests a declaration of non-infringement of the '303 patent, based upon its co-ownership rights and also based upon a non-exclusive license provided to QLT under the terms and conditions of MEEI's use of Visudyne in its pre-clinical studies.

"MEEI's patent strategy is part of a continuing campaign by MEEI to deny credit to the researchers at MGH and QLT who conceived this important new method of treating age-related macular degeneration," said Dr. Julia Levy, president and CEO of QLT. "In fact, research on this method began at MGH, and only after MGH reported encouraging results from their initial animal studies did MEEI researchers join the collaboration."

In December 1998, QLT successfully concluded negotiations with MGH to exclusively license MGH's co-ownership rights under the '349 patent in exchange for a reasonable royalty on U.S. Visudyne sales. QLT offered to enter into a license agreement with MEEI on the same terms as the MGH license, but MEEI demanded royalties many times greater than MGH's. When QLT did not agree to MEEI's demands, MEEI brought the pending litigation, which seeks, among other things, the imposition of a court-ordered royalty. Visudyne therapy is protected by a series of U.S. and foreign-issued patents either owned by or under exclusive license to QLT, that cover the composition of matter, formulations and manufacturing, and the method of use in treating AMD and other conditions.

In a related story, data presented at a symposium held during the annual Association for Research in Vision and Ophthalmology (ARVO) conference, showed that average visual acuity remained stable during the third year of Visudyne (verteporfin for injection) therapy in patients with age-related macular degeneration (AMD), the leading cause of blindness in people over the age of 50. The research was sponsored by **Novartis Ophthalmics**, the eye health unit of **Novartis AG** and QLT Inc.

Favorable two-year results were previously published in the February 2001 issue of the *Archives of Ophthalmology*. The results are based on an extension of the pivotal Phase III clinical trial called the **TAP (Treatment of AMD in Photodynamic therapy) Investigation**, a two-year randomized, double-masked, placebo-controlled trial. Following the conclusion of the trial, 78% of the original 609 patients in the TAP Investigation were offered Visudyne therapy in an ongoing open-label extension trial regardless of whether they previously received Visudyne or a placebo in the original study. In the extension trial, the average visual acuity of patients originally assigned to Visudyne with predominantly classic subfoveal choroidal neovascularization caused by AMD (the indication for which Visudyne is currently approved), remained stable between the 24th and 36th month of follow-up, while the number of Visudyne treatments required continued to decrease. During the third year of treatment, patients received an average of 1.4 treatments, a decrease from the 3.4 and 2.1 treatments received in the first

and second year, respectively. Furthermore, the favorable safety profile previously demonstrated with Visudyne continued throughout the third year.

"It is encouraging that, on average, vision remained stable through the third year of follow-up," said Dr. Neil Bressler, Chair of the Visudyne Study Advisory Group, and retinal specialist and Professor of Ophthalmology at the **Wilmer Eye Institute of the Johns Hopkins University School of Medicine** in Baltimore, Maryland. "This finding, coupled with the fact that no additional safety issues arose from continued treatments, should instill even greater confidence in the long-term benefits of Visudyne therapy within the medical community." Detailed findings based on the three-year data will be submitted for publication in a peer-reviewed medical journal.

5/2 **LCA-Vision Inc.** reported financial results for the three months ended March 31, 2001. For the first quarter, the company posted a net profit of $1.3 million (3 cents per share), the highest quarterly net profit since LCA-Vision was founded. For the fourth quarter of 2000, the company posted a net loss of $1.6 million (3 cents per share), while in the year-ago first quarter, LCA-Vision reported net income of $62,000 (0 cents per share). Laser vision correction revenues for the first quarter rose 56% to $22.4 million, compared with $14.4 million in the fourth quarter of 2000, and were up 24% compared with $18.2 million for the first quarter of 2000.

First quarter average price realization per procedure rose to $897 and the contribution margin increased to 80%, compared with an average price realization per procedure of $877 and a contribution margin of 78.6% in the fourth quarter of 2000. Contribution margin is calculated by deducting medical, professional and license fees from laser refractive surgery revenues.

"Our strong 2001 first quarter results demonstrate the ability of LCA-Vision to meet the company's financial goals by focusing on three key profit drivers: the cost of patient acquisition, average price realization and capacity utilization," said Thomas Wilson, CEO of LCA-Vision. "We remain on target to complete in excess of 100,000 procedures in 2001, and to deliver full-year earnings in line with analyst expectations of $0.10 to $0.16 per share. New center openings in the second half of this year will build the foundation for continued gains in market share and profitability in 2002 and beyond."

5/3 **Prime Medical Services, Inc.** announced financial results for the first quarter ended March 31, 2001. Revenues for the quarter rose 11% to $32.7 million from $29.4 million in the comparable quarter last year. Net income for the quarter was $2 million (13 cents per share) compared with $3.3 million (20 cents per share) in the year-ago period. Commenting on the results, Brad Hummel, Prime's president and CEO, said, "While consolidated revenues for the quarter were up 11% over the prior year due to growth in our refractive vision correction business segment, lithotripsy revenues declined on a same period comparison. The latter resulted from payor mix changes and the impact of the

implementation of the outpatient Prospective Payment System reimbursement schedule in the second half of 2000. We are, however, encouraged by an increase in the number of lithotripsy procedures that has followed an aggressive effort to re-engineer a number of our physician partnerships."

Subsequent to the quarter's end, Prime announced its acquisition of the assets of **Calumet Coach Company**, a global leader in the design, engineering and construction of mobilized medical, broadcast and special-purpose technology. For more than 50 years, Calumet has provided innovative, built-to-order mobile units for industry giants such as **General Electric**, **Philips**, **Siemens** and **Marconi** across a range of climates, terrains and uses. Prime paid approximately $10 million in cash and contributed working capital for this acquisition. Prime currently operates a fleet of 68 lithotripters and 15 refractive surgery centers in 33 states. These centers perform approximately 36,000 lithotripsy and 33,000 LASIK procedures on an annual basis.

5/3 **Bausch & Lomb** announced that it had begun clinical studies in the United States for its ZYOPTIX(Infinity) system for truly personalized laser vision correction. This follows receipt of an approved investigational device exemption (IDE) from the FDA, the first step in the process of preparing a submission for FDA approval of the Zyoptix system. Using advanced diagnostic tools to determine the unique features of each eye, Bausch & Lomb's Zyoptix system is the first to integrate both topographic and wavefront diagnostic information for personalized laser vision correction. In addition to offering a customized vision correction solution, this advanced technology is designed to offer patients the potential for better outcomes. The announcement was made at the national meeting of the *American Society of Cataract and Refractive Surgeons* held in San Diego.

"With the IDE received in late March, early results of the first U.S. study are extremely encouraging," said Stephen Slade, MD, an ophthalmic surgeon with a private practice in Houston and medical monitor for the Bausch & Lomb sponsored FDA study. "With 20 eyes completed, the procedure has consistently resulted in vision that has been initially evaluated at better than 20/20." The current study involves 40 patients (80 eyes) and follows a protocol in which one eye of the patient is treated with the standard PlanoScan LASIK procedure and one eye is treated with the new Zyoptix system. The patient is not told which eye is receiving which treatment, resulting in unbiased feedback. In addition to Dr. Slade, an internationally recognized surgeon, educator and co-founder of the Laser Center of Houston, other investigators participating in the study are Daniel Durrie, MD, assistant clinical professor at the University of Kansas Medical Center and at Hunkeler Eye Institute in Kansas City, Mo., and Scott MacRae, MD, Director of Refractive Surgery, Professor of Ophthalmology and Professor in the Center for Visual Science at the University of Rochester.

After six months, data from the U.S. Zyoptix system trials will be submitted to the FDA, which may consider approval or ask for further study. The filing would be considered a supplement to Bausch & Lomb's existing approval on the Technolas 217A excimer laser.

Following the announcement, Rich Dzierwa of *BridgeNews*, commented, "Immediate reaction (to the news of commencing clinical trials of the Zyoptix system) was positive, as the company is sorely in need of some clearly upbeat news. However, a successful trial of the new system does not necessarily guarantee success in the marketplace. The announcement by Bausch & Lomb Thursday that it received an approval from the U.S. Food and Drug Administration that allowed it to begin clinical studies in the U.S. for its Zyoptix system for customized laser vision correction led to a 4.2% uptick in the company's stock, as the investment community reacted to one of few recent developments from the Rochester, N.Y.-based eye care specialist in some time...However, with the trading day winding down Friday, the firm's shares slid 3.7%, or 1.63, to 42.88. That adjustment from the investment community may be more appropriate than the elation of the previous day. While Bausch & Lomb hopes Zyoptix, which is said to allow more definitive patient diagnosis and treatment, will deliver higher profits than standard so-called LASIK corrective eye surgery, it is possible the company could be blindsided by a disappointing reception from the ophthalmology community and consumers."

"Several issues worry us," said Dhulsini de Zoysa of **Salomon Smith Barney** in a research note filed after the company broke the news. De Zoysa said deteriorating market pricing and litigation risk has her firm tempering its optimism for the start of clinical trial. "Management believes the company's intellectual property portfolio in this area is strong," de Zoysa explained, "but recall that they felt the same way when they launched the Technolas system in the U.S. Any party that holds patent claims to prior `art' could pose a similar risk," she said. Salomon Smith Barney is searching for independent verification of Bausch & Lomb's intellectual portfolio for Zyoptix. "Until we find it, we will remain cautious."

Procedure fees paid to Bausch & Lomb by ophthalmic surgeons who use its standard LASIK equipment are $100. The company's executives anticipate a higher premium for procedure fees for the advanced Zyoptix technology. "Our math suggests that a 5% conversion of the standard LASIK procedure to the customized procedure could contribute about $0.015 per share to Bausch & Lomb, assuming a $120 fee," de Zoysa wrote. This upside is uncertain at best, as LASIK procedure growth in the U.S. has slowed and consolidation at the practitioner level may limit the fees paid Bausch per patient treatment. If the Zypotix customized surgery technique drives the standard procedural fee lower that could lower the fees Bausch obtains from practitioners. In addition, de Zoysa is not convinced demand for Zyoptix will materialize as fast as the company believes. "Conversion of the market from standard to customized surgery may prove more challenging than Bausch & Lomb expects. Although the lure of customized

surgery makes for great advertising, most clinicians with whom we have spoken believe the standard procedure is appropriate for over 80% of patients. That combined with patients' proven price-sensitivity suggests to us that market conversion may build slowly." Even if all of those concerns prove baseless and the introduction of the system is a success, investors should not look for contribution to the revenue stream soon. The company expects to launch the system in the U.S. in the second half of 2002. Hence, a material contribution may not be seen until 2003.

5/4 **VISX** announced that stockholders re-elected all five of the following incumbent VISX nominees to the Board of Directors at the company's Annual Meeting: Elizabeth Davila, Glendon French, John Galiardo, Jay Holmes, and Richard Sayford. Stockholders also ratified the appointment of **Arthur Andersen LLP** as VISX's independent auditors. Immediately following the Annual Stockholders Meeting, the Board of Directors met and elected Elizabeth Davila, to serve as chairman of the Board. Ms. Davila will retain her existing positions of president and CEO.

5/4 Having spent the past two weeks in court arguing his case against Medicare fraud indictments, Dr. Antoine Garabet, CEO and chief surgeon at **Laser Eye Centers of Glendora, CA** and his lawyer, Richard Marmaro, of **Proskauer Rose LLP**, have issued the following statement regarding the court rulings:

"Dr. Garabet treated over 2000 Medicare patients during the period of 1995-1997. The government in their case investigated his entire Medicare billing for the period of six years. Now, after a two-week trial, the court has dismissed 13 counts and the jury has found Dr. Garabet not guilty on six counts. The jury did, however, find Dr. Garabet guilty on four counts involving two patients who were treated between 1995 and 1997. While we are obviously disappointed that the jury did not agree with us on four out of 22 counts, we are confident that we will be vindicated as the court process continues."

Marmaro went on to say: "The total amount of Medicare billing for which Dr. Garabet was found guilty was approximately $2,000. And, again, as stated in court, it is important to note that during that same time period Laser Eye Center had more than $10 million in billings. *And that the issues in court had nothing to do with LASIK procedures but, rather were related to Medicare billing.* The court has scheduled a hearing on our motion for judgment of acquittal on July 23, 2001."

5/8 **Realeyes AG**, an affiliate of **WaveLight Laser Technologie AG**, has opened another eye clinic for the correction of visual disorders in the German city of Freiburg. This new clinic will give patients in Germany’s southwest, as well as in nearby Switzerland and France, immediate access to refractive surgical procedures carried out with the innovative laser systems manufactured by WaveLight. "With a base in Freiburg, we are ideally positioned to establish ourselves in the Tri Rhena region, a market comprised of southwest Germany, the French region of Alsace and the Swiss canton of Basel. The

correction of visual disorders using the most technologically advanced laser systems is now available to this vibrant economic region," said Max Reindl, CEO of WaveLight and member of the supervisory board at Realeyes AG.

Patients will be treated in Freiburg with WaveLight's ALLEGRETTO WAVE System (AWS). This system together with the innovative measuring system, the ALLEGRETTO WAVE Analyzer (AWA), form a comprehensive system that is the most technologically advanced of its kind when it comes to the correction of nearsightedness, farsightedness and astigmatism. Demand for the AWS and the AWA systems is high, and their production in Erlangen is correspondingly running at full capacity, just as are sales via WaveLight's distribution partner, the U.S.-American **Coherent Medical Group**. "Our sales concept has taken hold, and we currently occupy an excellent position on the market for ophthalmology laser systems," said Reindl, by way of explaining the success of WaveLight Laser Technologie AG's *refractive* sales concept.

The Munich-based Realeyes AG, of which WaveLight holds a 49% share, distinguishes itself in terms of its high standards of quality in the area of refractive surgery. At selected locations, such as the Munich airport and now in Freiburg, patients are offered service-oriented treatment based on a business model that has proven successful in the United States.

5/9 **LASER VISION CENTERS** announced that U.S. refractive case volume for its fiscal year 2001, which ended April 30, 2001, increased 34% over its fiscal year 2000. The company performed 135,141 refractive cases in the United States during fiscal 2001, up from 100,814 for fiscal 2000. For the fiscal fourth quarter of February, March and April 2001, LaserVision said that more than 37,740 U.S. refractive cases were performed, an increase of 29% over the fiscal fourth quarter 2000. The company has now performed more than 355,050 refractive cases worldwide. The company said it believes that it performs more Lasik procedures on a quarterly basis than any other corporate entity. As of May 1, 2001, LaserVision operated 106 excimer lasers in the United States providing access to over 710 surgeons in more than 310 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**.

5/10 The May issue of *Refractive Market Perspectives* highlighted the recent ASCRS meeting, with Dave Harmon reporting on the "showcased technologies" presented at the meeting. (I have enclosed Dave's writeup with this newsletter, a somewhat shortened version of what appears in his own newsletter, prepared for publication in the June issue of *Medical Laser Report*.) The other lead story was a report, as he put it, of the "astounding" growth in refractive procedures during the first quarter of this year. According to his survey of clinics and doctors, refractive procedures grew 16.9% over the results obtained in last

year's fourth quarter, and were greater than the 15.7% growth obtained in last year's first quarter. Harmon observed that this fast start may indicate that industry projections for slower growth in 2001 may be overly conservative. For the quarter, procedures totaled approximately 440,300, which included about 12,000 U.S. patients traveling to Canada and Mexico for surgery. This compared to 376,000 procedures in the fourth quarter and 314,000 in last year's first quarter. Harmon also reported that sales of new lasers declined somewhat to 81 units, down from the 112 sold during the fourth quarter, and 109 in last year's first quarter. He also reported that approximately 22 lasers were second or multiple lasers placed in existing laser centers, for a net gain of 49 new laser centers during the quarter. At the end of the quarter, he estimated that there were 1100 total centers, up from 1051 at the end of the year. Of these, only three were new corporate centers, while 46 were surgeon-owned centers. Institution centers remained flat.

Harmon further reported that growth expectations for the second quarter are noticeably lower than the first quarter, as many laser centers are reporting level to lower procedure volumes during April. Harmon is still holding with a forecast of 1.82 million procedures (27.3% growth) for 2001, somewhat lower than my projections for 2.2 million procedures, and a 52% growth rate.

5/10 **Miravant** announced consolidated financial results for the first quarter ended March 31, 2001. Revenues and interest and other income for the first quarter decreased to $403,000 from $1.6 million for the same period in 2000. The net loss for the quarter was $4.8 million (26 cents per share) compared to a net loss of $5.0 million (28 cents per share) for the same period last year. As of March 31, 2001 the company had cash and marketable securities of $17.1 million. Revenue comparisons reflect a decrease in reimbursements for clinical trial costs received from Miravant's corporate partner, **Pharmacia Corporation**, which has an exclusive, worldwide, royalty-bearing license for the PhotoPoint drug SnET2 in ophthalmology. As the phase III clinical studies for `wet' age-related macular degeneration (AMD) near completion, Miravant's costs and reimbursements are decreasing as Pharmacia directly assumes more of the late-stage responsibilities for this program.

In January Miravant signed a non-binding letter of intent with Pharmacia for up to $20 million in additional corporate funding. The terms and conditions of this additional financing are being finalized with an anticipated announcement later this quarter. During the first quarter, Miravant reported advances in its cardiovascular programs focused on the large potential markets of restenosis (re-narrowing of coronary arteries following balloon angioplasty) and atherosclerosis (blockages in blood vessels). Intravascular PhotoPoint photodynamic therapy (PDT) combines a proprietary light-sensitive drug with Miravant's guidewire-compatible light catheter to target problem cells within artery walls. In February favorable preclinical results were presented at the *Cardiovascular Radiation Therapy V and Restenosis Forum*, Washington D.C., and in March at the *American College of Cardiology*, Orlando. In coronary artery and other preclinical models, PhotoPoint PDT

has demonstrated a significant inhibition of restenosis following balloon angioplasty, reduction of intimal hyperplasia following vascular grafts and reduced plaque build-up in atherosclerosis. Cancer results were also reported in March at the *American Association for Cancer Research*, New Orleans. PhotoPoint PDT in preclinical tumor models demonstrated selective destruction of tumor neovasculature (new vascular networks that sustain tumors) -- a potential means of inhibiting tumor growth.

Gary Kledzik, chairman and CEO, stated, "We are greatly encouraged by the impressive preclinical results presented this quarter by thought-leaders in oncology and cardiovascular disease. They reflect positively on our concentrated efforts to expand the PhotoPoint pipeline beyond macular degeneration." The company's leading drug, PhotoPoint SnET2, licensed to Pharmacia, will complete phase III clinical trials in December 2001 for wet AMD.

5/10 **Laser Corp.** announced results for the first quarter ended March 31, 2001. Revenues for the quarter increased 35% to $851,888, as compared to $631,549 for the same period in 2000. The company recorded a net loss for the period of $209,533 (13 cents per share) as compared to a net loss of $188,310 (12 cents per share) in 2000. Joyce Wickham, president and CEO, commented, "We are pleased by the company's first quarter increase in sales. The loss was primarily due to increased costs of accelerated marketing and sales expenses related to the medical products. This investment in marketing and sales has resulted in an increase in the number of ophthalmic surgeons using the Dodick Laser PhotoLysis System, the public awareness of and requests for laser cataract removal surgery, and has also greatly increased media attention. We believe that we must continue to invest our resources in developing and increasing demand for our medical products with anticipated sales growth, profitability and share appreciation."

5/10 **Novartis Ophthalmics** and **QLT Inc.** announced that the *American Journal of Ophthalmology*, a leading peer-reviewed medical journal, had published favorable two-year results from a phase III clinical trial, showing Visudyne (verteporfin for injection) therapy has a significant treatment benefit in age-related macular degeneration (AMD) patients presenting with occult without classic choroidal neovascularization (CNV). This is the first time a benefit has been shown in these patients in a large-scale randomized clinical trial. "Based on these results, ocular photodynamic therapy with Visudyne should be considered as a treatment for AMD patients with lesions composed of occult without classic CNV with presumed recent disease progression," said Dr. Neil Bressler, Chair of the Visudyne Study Advisory Group and retinal specialist and Professor of Ophthalmology at the Wilmer Eye Institute of the Johns Hopkins University School of Medicine in Baltimore, Maryland. "The results clearly show that for these patients, Visudyne therapy reduces the risk of moderate and severe vision loss, particularly in cases presenting with either smaller lesions or lower levels of visual acuity."

Dr. Julia Levy, president and CEO of QLT added, "These findings are significant as this patient group currently has no treatment options. To this end, we will aggressively pursue approvals based on these positive results by completing filings in Europe and Canada within the next few months. In the U.S., following discussions with the FDA, it was determined that in accordance with standard practice, a second trial is necessary for replication. We intend to initiate this study in the third quarter once a protocol has been agreed upon with the FDA." "This publication, on the heels of the release of favorable three-year data in predominantly classic AMD patients, will broaden the use of Visudyne," said Luzi von Bidder, Head of Novartis Ophthalmics. "Visudyne has already gained wide acceptance around the world as an effective treatment for AMD and through the continued publication of strong clinical results such as these, its importance will continue to grow."

5/14 **VISX** announced that **LaserSight** had agreed to dismiss its lawsuit against VISX on the `810 patent (Machat central island patent) and was prohibited from re-filing the patent infringement action at a future date. Commenting on the dismissal, Liz Davila, VISX chairman, president and CEO, said, "Given our knowledge of this patent, VISX was surprised when LaserSight initiated the countersuit. We are pleased to see LaserSight drop its claims." As part of the agreement, Lasersight also granted VISX and its customers a worldwide covenant not to sue for infringement of the `810 patent or any of its foreign counterparts. VISX did not compensate LaserSight in any manner for the dismissal or covenant. The dismissal of LaserSight's countersuit will have no effect on the ongoing patent infringement action filed by VISX against LaserSight.

5/14 **Asclepion-Meditec AG** announced that it had received FDA marketing approval for its high-end diagnostic system, the WASCA Analyzer. This means that Asclepion is now able to market this system, which is also CE-approved, extensively in the important world markets. Asclepion has already started to ship the system to customers. The WASCA Analyzer can be used to diagnose all causes of defects in the eye's optical system. "This makes it possible to treat patients' particular vision defects by operating with an unprecedented degree of precision," said Dr. Bernhard Seitz, chairman of Asclepion-Meditec's Board of Management.

The versatility and potential of this diagnostic technology will be demonstrated at one of the largest German ophthalmologic exhibitions, the *DOC*, to be held in Nuremberg from 17 to 20 May, 2001, in an extensive series of presentations. The potential derives in particular from the possibility to link the WASCA Analyzer directly to the MEL 70 G-Scan excimer laser. An additional software module is added to augment the WASCA Analyzer into the WASCA Workstation, which can quickly convert the diagnostic data into treatment data for the laser. Combining WASCA technology with the high optical precision offered by the MEL 70 G-Scan excimer laser yields a significant increase in visual comfort in operations to correct vision defects in comparison with other techniques used in the past.

The WASCA Analyzer diagnostic system is a joint development by Asclepion and the U.S. company **WaveFront Sciences, Inc.** and is based on the wavefront aberrometry process. According to the company, it is technologically superior to any of its international competitors as its resolution -- and therefore its measuring precision -- is many times greater than that achieved by any rival products.

5/14 According to *OptiStock*, **Buchmann Optical Holding N.V. (BOH)**, has signed a letter of intent to purchase a majority of the shares of **Pro-Laser Ltd.**, through the issue of new shares constituting at least 51% of Pro-Laser's issued shares. In return, BOH will contribute 51% of its **Briot International** subsidiary, invest E2.5 million, and assume responsibility for management of Pro-Laser. The goal is to merge Briot and **Weco** to create solid cash flow for refractive surgery instrument development.

OptiStock also reported that **Q-VIS Ltd.** received TGA (Therapeutic Goods Administration) approval for the latest model of the Q-VIS Quantuum solid-state refractive laser. The approval allows the company to sell the laser in Australia and export it to certain international markets. An earlier model of the Quantuum, the Eye:Q, is in clinical trials in the U.S. Q-VIS said that the new model is improved technically and is more compact and ergonomically designed.

5/15 Mary Agnes Welch of the *Windsor Star* reported that **Icon Laser Eye Centres** teetered on the brink of oblivion Monday after the resignations of its senior staff and the temporary closure of its administrative centre on Wyandotte Street East. About 70 workers at the administrative office were locked out Monday morning by the building's landlord, who is also the company's founder and former president, Ghassan Barazi. Barazi resigned Friday on the advice of his lawyer after it became apparent that the payroll would not be met. To avoid personal liability for the shortfall, Barazi said, he stepped down. The chairman of the board and company's CEO also resigned over the weekend, added Barazi. Also last weekend, Barazi repossessed the office and changed the locks because back rent was owed. A note attached to the door indicated the building's owner, a numbered Ontario company, had terminated the lease. A separate notice instructed the workers to meet in a nearby park. The workers who gathered at about 9 a.m. were told not to speak to the media. Late Monday, the company's remaining officials obtained a court injunction allowing them back into the Wyandotte Street office. company spokesman Joe Krupa said staff would be on the job this morning. "The company is doing all we can. There is a plan in place," said Krupa, who said further details would be available today or Wednesday. Krupa expected workers to receive their regular pay on Friday and he said patient care was not affected. But Barazi said doctors in Windsor and London canceled appointments to protest non-payment and to avoid performing surgery when follow-up care might not be available.

5/15 **SurgiLight** announced financial results for the first quarter ended March 31, 2001. Revenues for the quarter were $647,000 compared to $761,000 in the first quarter of

2000 and $243,000 for the fourth quarter of 2000. The lower revenues during the quarter were primarily the result of the company's spin-off of the EMX division in December, 2000 and the decrease in system sales. The IR-3000 systems delivered in this quarter were for clinical trial uses only. The total current assets increased to approximate $5.0 million from $3.35 million of the quarter ended March 31, 2000 attributed mainly to the system assets acquired from **Premier Laser Systems, Inc.** by the company. For the quarter, the company reported a net loss of $136,000 (1 cent per share) compared to a net loss of $30,000 (0 cents per share) for the same period of 2000.

The company is currently conducting a Phase I human study in Spain with its IR-3000 laser for presbyopia correction. The company completed the base-line study at the University of Utah and began the Phase I human study in Spain using its IR-3000 laser for presbyopia correction. The company is also completing its final study of cataract treatment using the IR-laser acquired from Premier. The company has recently submitted the second 510(K) premarket notification for its EX-308 excimer laser for the phototherapy treatment of the skin disorder known as vitiligo. The EX-308 laser received its first clearance for the treatment of psoriasis in August of last year. Psoriasis and vitiligo affect a worldwide population of about 2%-3% or 100 million, according to the report by Dr. Spencer at Mt. Sinai Hospital, NY.

5/15 **LaserSight** announced financial results for the three months ended March 31, 2001. Revenues for the first quarter were $4.4 million compared to $8.7 million in the first quarter of 2000 and $6.4 million for the fourth quarter of 2000. The lower revenues during the quarter were primarily the result of the previously reported delay in FDA approval for utilizing the LaserScan LSX for treating myopic astigmatism. During the quarter, the company sold 13 refractive laser systems compared to 19 systems in the first quarter of 2000. The company reported a net loss of $2.5 million (11 cents per share) compared to a net loss of $2.8 million (14 cents per share) reported for the first quarter of 2000. Included in the quarter ended March 31, 2001 was a $4.0 million gain on sale of the Blum patent, as previously reported.

Michael R. Farris, president and chief executive officer of LaserSight, commented, "While sales during the first quarter continued to be affected by delays in FDA approvals, our recent experience at the annual meeting of the *American Academy of Cataract and Refractive Surgery (ASRCS)* has once again shown that interest among refractive surgeons for LaserSight's LaserScan LSX precision microspot beam scanning technology remains strong as they continue to seek more advanced scanning laser technologies that will further improve their clinical results and move them ahead of their competition. The decision to purchase a refractive laser system is based not only on today's treatment results, but also on the laser system's ability to interface with the new techniques that are emerging for planning and execution of customized ablations. LaserSight's patented low fluence, high repetition rate precision scanning technology together with its CustomEyes approach to individualized ablations offers a state-of-the-art technology platform for

tomorrow's custom approach to laser refractive treatment. Our laser, keratome and diagnostic products are now recognized as offering advanced technology with features that lead to intuitive ease of use."

A working prototype of LaserSight's AstraMax integrated diagnostic workstation was demonstrated for the first time during the ASCRS meeting. The AstraMax represents groundbreaking improvements in product functionality through its unique patented integration of the measurement of anterior and posterior corneal elevation, corneal thickness and scotopic pupil size into a single instrument. The UltraShaper durable keratome was displayed during the same meeting. The anticipated commercial launch of the UltraShaper during the second quarter means that surgeons now have a keratome alternative that offers the ease of use and reliable performance of the Ruiz design. Farris added, "LaserSight's management remains focused and confident that the market opportunity remains strong, and that once FDA approvals are received the market will be driven towards our compelling products. We will continue to broaden our product line by introducing new platforms and enhancements that will result in optimum procedure success for our customers and their patients."

During the accompanying teleconference, Farris commented on the announcement that the company had dropped the countersuit against **VISX** concerning the Machat central island patent. He said that based on information found during discovery, the company decided that its resources were better spent on other matters.

5/16 According to the *FDA Enforcement Report* issued on May 16, 2001, the **Alcon/Summit Autonomous** LADARVision Excimer Laser System and Alcon/Summit Autonomous LADARVision 4000 Excimer Laser System have been recalled. The reason for the recall is an identified system malfunction that involves shooting "unanticipated laser pulses" that can create central corneal defects in LASIK patients. As stated in the FDA report, the devices were "adulterated in that unanticipated laser pulses reaching the cornea will cause ablation of the corneal surface, which could result in a central corneal defect of about 1mm in diameter".

Additionally, there were two field reports filed with the *Center for Devices and Radiological Health (CDRH)* in December 2000 citing "events" with the LADARVision system that appear to be associated with the recall malfunction, six months prior to the FDA Enforcement report. One of these events reportedly involved treatment of a patient and resulted in an adverse outcome.

The reports do not indicate what action was taken by Alcon/Summit/Autonomous to address the recall, which affected 136 units in the U.S., Canada, Italy, United Kingdom, Spain, Australia, Greece, Thailand, and the Philippines.

However, according to a company spokesperson, Alcon initiated an on-site field fix for the problem, replacing the thyratron, the part that regulates the pulses, on all of the affected machines over a period of ten days, and no lasers were actually taken out of service (except for the field fix) or returned to Alcon. The company notified the FDA of its action in February.

5/17 **ICON Laser Eye Centers, Inc.** issued an update on the recent corporate developments and changes in management and the board of directors. A group of insiders consisting of John Porter, **Asclepion-Meditec** and Simone Mencaglia have offered, subject to regulatory approvals and the execution of a definitive agreement, to acquire ICON's European operations for $6 million, by the assumption of $3 million of ICON debt to Asclepion-Meditec and a $3 million cash investment, of which $1.75 million had already been received by ICON. The balance was to be paid over 21 days. In addition, the European company will acquire 5 million ICON shares at 10 cents/share, subject to regulatory approval. The transaction has been approved by disinterested Board members. Successful completion of this transaction would amend John Porter's agreement to invest $5 million directly into ICON. Asclepion-Meditec will maintain a strategic alliance with both ICON and the new European entity. The remaining $7.5 million Meditec debenture which was to fund the purchase of lasers will be allocated equally between the two entities based on the number of lasers purchased by each entity. The conversion rate on ICON's portion of this debenture will be reduced from $2.10 to $0.60, subject to regulatory approval.

The directors have determined that ICON is in serious financial difficulty. This transaction will provide ICON with a necessary cash infusion and improves ICON's balance sheet by the elimination of the Asclepion-Meditec debenture. In addition, it relieves ICON from the responsibility for financing the growth of the European operations and will allow it to focus on the continued development and improvement of the North American operations. ICON will still require additional capital.

The following changes in officers and directors have been made:

- Ernest Remo has resigned as Chairman and a Director.
- Simone Mencaglia has agreed to resign as CEO in 30 days following a search for a new CEO.
- Ghassan Barazi has resigned as President and a Director.
- John Porter has resigned as a Director.
- Ken Wightman has resigned as CFO.
- George Chajes has been engaged as a consultant.
- Pat Rooney has been engaged as a consultant pending completion of the CEO search.

The company also received notice from the British Columbia Director of Employment Standards that ICON is liable for approximately Cdn.$753,000 in unpaid wages and severance pay to former employees of **Lasik Vision Canada Inc.**

Asclepion-Meditec AG followed the above announcement with a statement of its own. The company announced that it had restructured its Strategic Alliance Agreement with ICON Laser Eye Centers, Inc. which was announced in February 2001. The restructuring involves the transfer of the US$ 3 million loan from Asclepion to a new European company created by the sale of ICON's European operations to a group of investors, consisting of John Porter and Simone Mencaglia. Total consideration paid amounts to US$ 6 million, $3 million of which is represented by the Asclepion loan, the balance to paid in cash by Porter and Mencaglia. The Asclepion loan will continue to have an interest rate of 5%, however it will be convertible into a significant portion of the shares of the new company. Furthermore, the loan will be secured against assets of the company. In the financial year 2000, ICON's European Operations reported sales of EUR 7.5 million. Furthermore, ICON's US$ 7.5 million convertible debenture given to Asclepion within the Strategic Alliance Agreement between both parties and to be used for the purchase of Asclepion lasers will be equally split between the new European company and ICON Laser Eye Centers, Inc., with a conversion rate lowered from US$2.1 to $0.6 per ICON share. Asclepion-Meditec AG and ICON Laser Eye Centers, Inc. continue their strategic cooperation.

The restructuring comes as result of the difficult cash situation at ICON arising from its acquisition of the company Lasik Vision Centers. To address this issue, ICON management decided to sell its European assets which are not part of its core strategic market of the US and Canada. "We regard the restructuring of the existing agreement with ICON as a chance to protect our interests in an optimal way", said Bernhard Seitz, chairman of Asclepion-Meditec AG's Board of Management. "The connection with the new European company may help us to make use of the attractive potentials in the European laser vision correction market" Seitz continued.

The following day, two newspapers reported on the ICON announcements. Scott Adams of the *Financial Post* centered on the checkered career of ICON's advisor, Pat Rooney, commenting that the company had hired a "convicted criminal" as its consultant. For Rooney, it is a return to the company he set up in 1999. His return is part of a restructuring announced by ICON yesterday and coincides with the resignation of many of the company's senior officers. Rooney is quoted as saying, "I'm not looking for a job. They (ICON) probably hired me because I'm the most experienced guy in this business, so I reluctantly took a three-month contract while I try to straighten out this mess. I don't know if I can."

The choice of Rooney as the man to turn the company around is controversial. A Canadian from Thunder Bay, Rooney was found guilty of income tax fraud in 1988 in

the U.S. and was sentenced to 30 days in jail, three years probation and 300 hours community service. He was then jailed again in 1996 for two months for submitting a false declaration in court documents related to the same case. The case dealt with unpaid taxes of US$9,000.

As part of his 1988 conviction, he was banned by the U.S. Securities and Exchange Commission from working in the securities business for three years. He has not applied to re-enter the U.S. industry. Rooney has had a checkered past in the securities business. In the early 1980s, he was a founder and chairman of **Rooney Pace & Co.**, a high-flying New York brokerage. He left in 1985. Rooney Pace was known for aggressively trading in small-cap stocks and was eventually expelled from the U.S. National Association of Securities Dealers in 1988. "I left two years before Rooney Pace went down," he said. More recently, Rooney paid US$1.04-million to the SEC last fall to settle a case against him dealing with insider trading in 1995. He settled without admitting or denying the allegation in the complaint. He and 10 others were accused of insider trading around **Luxottica S.p.A.'s** proposed takeover of **U.S. Shoe Corporation** (the owner of **LensCrafters**).

Rooney's history is disclosed in an ICON prospectus last June, though it does not mention his involvement with Rooney Pace. In the June prospectus, ICON said Rooney's "consulting relationship with ICON was terminated on May 26, 2000 and since that time he has had no involvement with ICON, other than as a beneficial shareholder." He owned or beneficially owned 888,888 ICON shares then and says he is still a shareholder. "I'm not looking to come and fix this company. Believe me, I've got lots better things to do with my life," said Rooney. "You know the saying, `It's a dark and dreary job, but someone has to do it.' It happens that I started the company... so I know everything about the company. They all know my background. I either do this or a lot of people get hurt, including me. Do I wish that I didn't have [the conviction] on my record? Yes. I would prefer not to have this job, but if I don't then everybody loses a lot of money." He said he is experienced at turning companies around. "I turn lemons into lemonade."

Rooney is named as a consultant pending completion of the CEO search. George Chajes, a director of **eAutoclaim Inc.**, is also named as a consultant. Rooney said he is a "very small" shareholder in eAutoclaim. Past ICON documents and press releases say Rooney initiated a merger between **Vista VisionSpA** and **Temav SpA** in late 1998. The two entities were Italian laser vision correction centers that combined through a reverse takeover to form ICON in 1999. Rooney was president of **Atlantic Central Enterprises Ltd.**, a Bermuda-based company, at that time. Last year, ICON bought three laser eye centres in Toronto, Windsor, Ont., and Scottsdale, Ariz. They were principally owned by Atlantic Central, but also owned by officers of ICON and parties related to **Thomson Kernaghan & Co.**, a Canadian brokerage that was ICON's investment banker.

The second story appeared in the *Vancouver Sun*. David Baines wrote that with the disclosure that ICON was in serious financial difficulty, it could mean that patients who provided deposits for surgery, or have had surgery and require post-operative care, may meet the same fate as patients of ICON subsidiary **Lasik Vision Corp.** of Vancouver. Those patients were left to fend for themselves in early April when Lasik Vision, which had been acquired by ICON a month earlier, went bankrupt. At that time, bankruptcy trustee Jervis Rodriguez of **PricewaterhouseCoopers** estimated about 16,000 Lasik patients across North America were owed more than $10 million in refunds.

Lasik relied on this cashflow to finance operations, but when trouble surfaced, it evaporated, creating a financial crisis. ICON has similarly been relying on patient deposits to finance operations. As of Sept. 30, an undisclosed number of patients had provided $3.4 million in deposits. The current amount is not known. Until now, the company had insisted it had arranged sufficient financing to process patients, but stock-market investors clearly thought otherwise. They bid down the stock from a high of $1 in January to a low of eight cents last week.

Last month, two Vancouver doctors sued ICON for nearly $300,000 for money they claim the company owes them for services rendered and the earlier sale of their laser-eye surgery firm to ICON.

5/17 **Gimbel Vision International** reported the results of operations for 2000. For the year, Gimbel performed 18,156 refractive vision correction procedures, a decrease of 23% from the prior years volume of 23,501. The company's six Canadian-based centers did 11,712 procedures, a decrease of 7% from 1999. The company's five centers based in the United States completed 4,755 procedures representing a 12% decrease over the prior year. Refractive procedure volumes completed at the company's centers outside North America decreased by 69% in 2000 to 1,689. Excluding procedures from Brazil operations which were divested in 1999, procedures performed outside North America increased by 22%. For the year, the company generated revenues of $17.0 million as compared to $21.2 million in the prior year. Sixty percent of total revenues were generated from Canadian operations as compared to 55% in 1999 and 41% from operations based in the United States as compared to 38% in the prior year. Seven percent of 1999 revenues resulted from Brazilian operations which were divested during that year. The loss from operations before other items (equity in earnings of associated company and loss on write-off of investments) was $1.9 million as compared to earnings of $2.3 million in the prior year. The loss in 2000 was due to intensifying competition in the refractive vision correction market resulting in price compression in both Canadian and U.S. markets, and negative publicity regarding the risks arising from refractive vision correction.

As of December 31, 2000, the company had written-off its investment in Houston, Texas. As a result of dramatic changes in the Houston market, the Houston center was viewed

as not having the potential to make a positive contribution to the company's overall results. The company is currently negotiating the terms of the severance of its relationship with its partner in the Houston center.

5/18 At the company's Annual Meeting, chairman, president and CEO Stephen Winjum told shareholders that the focus of **NovaMed Eyecare, Inc.** will be on the acquisition, development and management of surgical facilities in both existing and new markets, to position the company for profitable growth in 2001 and beyond. The company's strategic focus is supported by its solid financial position, which includes strong operating cash flows and funds available through its $50 million bank line, approximately half of which is presently undrawn, Winjum said. As a result, the company is poised to capitalize on the three key growth drivers in eyecare: (1) growth in demand for freestanding outpatient surgery; (2) the trend toward an older age mix of the U.S. population; and (3) growth in demand for refractive surgical solutions to vision problems.

Shareholders re-elected Lance Piccolo and John Hunkeler, MD to NovaMed's board of directors. Piccolo has been a director of the company since November 10, 2000, when he was appointed to fill a vacancy on the company's board. He served as chairman and CEO of **Caremark International, Inc.** from 1992 through 1996, following its spin-off from **Baxter International, Inc.** and continues to serve as vice chairman of **Caremark Rx, Inc.**, a leading prescription benefits management firm. Dr. Hunkeler is NovaMed's National Medical Director and has been a director of the company since January 1997.

5/21 **KeraVision, Inc.** announced that the U.S. Bankruptcy Court, Oakland Division, had approved a sale of substantially all of KeraVision's assets to **Addition Technology, Inc.** for $1.0 million. The company expects the sale to close in the next month. After the closing, the company expects to convert its bankruptcy case to a Chapter 7 liquidation.

We have learned that Charles Crocker, one of the company's original investors and board members is part of the group that will acquire KeraVision's assets. We also understand that Tom Silvestrani, the former R&D director, will also be part of the new ownership.

5/21 As noted in *OptiStock*, Peter Brabeck, CEO of **Nestle SA**, said that despite interest shown by various companies, he does not intend to sell the **Alcon** pharmaceutical subsidiary. Brabeck is quoted by *Reuters* as saying, "Alcon's business is not strategic to Nestle but called the unit a leader in ophthalmology and added that it is growing, with a very good financial position."

5/21-
5/23 **Paradigm Medical Industries, Inc.** reported a net loss of $1.9 million (15 cents per share) on sales of $1.5 million for the first quarter, ended March 31, 2001, after giving effect to non-cash warrant expenses and other extraordinary charges. This compares with a net loss of $1.7 million (18 cents per share) on sales of $2.1 million in the year-ago period.

Excluding charges, the net loss for the first three months of 2001 was $1.45 million (11 cents per share). "Results were in line with our expectations," said Paradigm chairman and CEO, Thomas Motter. "We projected revenues of $1.5 million and an operating loss of $1.5 million. Our first quarter typically has the greatest amount of seasonality. This was especially true this year. We experienced greater-than-expected customer prebuying during the final quarter of 2000, and saw customers delay purchases until April. We also had some reorganization of our sales department during the first quarter and lost two sales representatives, which delayed the aggressive European launch of our Photon Laser System Workstation for cataract surgery by three months."

"We expect to see improvement in our second quarter revenues, especially in the sale of our Blood Flow Analyzer (BFA) machine, which is on backlog following our receiving authorization last month from the CPT Code Research and Development Division of the American Medical Association to use a common procedure terminology code (CPT) for our device," Motter added. "The BFA collects unique information about blood flow to the eye, used to identify patients at risk for glaucoma, so that treatment can be initiated before irreversible damage to the retina occurs. The CPT code provides a reimbursement to doctors of $57.00 per patient."

Two days later at its annual meeting, Motter updated the company's recent activities and strategies, and commented on recent business trends in his Letter to Shareholders.

Dear Fellow Shareholder:

I am writing to you in my continuing effort to keep you informed of the performance and progress of Paradigm Medical Industries, Inc. The last 18 months have been challenging and extremely rewarding for Paradigm Medical. We made the successful transition from a startup Research and Development firm into an emerging Marketing and Manufacturing enterprise. Our future has never looked brighter. We are on the fringe of commercializing three significant, broad-based growth platforms where the market opportunity exceeds $1 billion per year.

Specifically:

(1) The American Medical Association recently approved a new common procedure terminology code (CPT) for reimbursement to doctors for use of our Ocular Blood Flow Analyzer (BFA) device. This proprietary device collects unique information about blood flow to the eye used to identify patients at risk to glaucoma so that treatment can be initiated before irreversible damage to the retina has occurred. Through reimbursement, our BFA machine should be affordable to tens of thousands of clinical practitioners (optometrists and ophthalmologists) who can now use it as a prescreen on their patients for glaucoma. The BFA is less costly than other devices, takes less time to complete a screen (about two minutes), and provides more data about ocular blood flow to

practitioners than any other equipment on the market. Also, it is patented. The market opportunity for Paradigm could exceed $500 million annually. We expect to see the initial benefits of this opportunity during the second half of this year.

(2) Our company is nearing completion of additional clinical trials at the request of the FDA to be submitted to the agency for approval in this country of our Photon Laser System for cataract removal. We were awarded the CE Mark in Europe last year for sale of this workstation and had initial commercial sales overseas late last year. International sales have continued into 2001. Final FDA approval of the Photon System is expected later this year. The U.S. market opportunity for our new equipment could result in a sales volume of 100-150 units within the next few years (a $10-15 million business) with a corresponding sales potential of $5-10 million from our disposable products. The global opportunity for our Photon System and associated disposable products could exceed $150 million.

(3) A third dimension of our growth involves our option agreement with Johns Hopkins University. This option gives Paradigm the right to license a new eye drop that promotes faster healing and the reduction of haze post operatively sometimes associated with the popular new laser vision correction surgery known as LASIK, which eliminates the need for glasses. LASIK has already grown into a $3 billion industry. Paradigm is preparing to conduct clinical trials on this new drug for submission to the FDA this year. The worldwide opportunity for the eye drops could be $500 million-$1 billion.

Our company is encouraged by the breath of our new product offerings and has strengthened its internal operations and marketing efforts to enable Paradigm to be well positioned to maximize its success and returns in these opportunities.

2000 Results Reflect A Turning Of The Tide

Our financial results in 2000 were not indicative of what management expects to accomplish during the next few years. Paradigm reported substantial losses last year on revenues of $8 million, an increase in sales of 7% from 1999. Our operating losses were considerably lower than the reported $9 million loss (equal to $0.81 per share). Excluding extraordinary charges the loss was $0.50 per share versus a loss of $0.62 per share in 1999. The charges (mostly non-cash expenses) involved inventory write-downs and issuance of warrants and stock options granted to non-employees for services. The company also ramped up expenditures to organize an internal sales and marketing force to distribute our equipment and consumable products. This was accomplished in advance of commercialization of our new products. Accordingly, we incurred substantial costs without any benefits from sales, etc. Our so-called "burn rate" approached $5 million in 2000. We expect to reduce this rate substantially this year, to $2.5-3.0 million. Our internal projections suggest the company will be cash flow neutral to positive in 2002. And we believe Paradigm will have sizable surplus cash in the future, adequate to meet

both our organic and external requirements for growth. Excluding any benefits from increased sales of BFA equipment and disposable products associated with the adoption of the CPT code, we had estimated revenues in 2001 could approach $12 million. We now believe our sales can exceed that projection.

Financial Forecast

Our management team continues to focus on our extremely tight cash position. Clearly, though, with our expectations of significantly increasing sales of the BFA and opportunities in our other growth platforms, it is likely the company will require additional financing this year. Proceeds would be used primarily to ramp up our manufacturing and marketing efforts. We already have a $20 million equity line in place, but will likely seek other financing arrangements to provide additional flexibility. Our Board of Directors recently approved to extend the exercise date of our Class A warrants and Underwriter warrants by one year. These warrants, with exercise prices of $7.50 to $8.125 per share, would have expired July 10, 2001. We believe shareholders should view this action favorably. Ultimately, conversion of these warrants into Paradigm Medical common stock could result in a cash inflow to the company of $9 million.

Paradigm Medical has excellent technology, a dedicated and proven management team, and is on the threshold of transition into a fast-growing and profitable enterprise. We're excited about our future and remain dedicated to the creation and growth of shareholder value. We thank you for your continued support.

Sincerely,

Thomas F. Motter chairman and CEO

5/25 Further to the most recent *Canadian Venture Exchange (CDNX)* Bulletin dated May 18, 2001, and in accordance with Rule C.1.07, trading in the shares of the **ICON Laser Eye Centers** were suspended at the close of trading May 25, 2001. CDNX is currently reviewing the affairs of the company including compliance with the requirement for a minimum of three directors, the acceptability of a certain individual in the affairs of the company and the failure to file audited financial statements for the year ended December 31, 2000. Members are prohibited from trading in the securities of the company during the period of the suspension or until further notice.

OPHTHALMIC LASER UPDATE -- June 2001

5/29 **LaserSight** announced that it had entered into a Settlement and License Agreement with **VISX**. Under the terms of the agreement LaserSight received a license to patents held by VISX that relate to refractive excimer lasers, including United States Patents Nos. 4,718,418 (L'Esperance) and B1 5,108,388 (Trokel) and agreed to pay a royalty for each

procedure performed in the United States using a LaserSight refractive laser. As part of the agreement, VISX purchased a fully paid up license to U.S. Patent No. 4,784,135 (the Blum Patent). In accordance with the terms of the Settlement and License Agreement, the parties will file a stipulated order dismissing the patent infringement action filed by VISX against LaserSight in November 1999 in the United States District Court for the District of Delaware. This litigation was set for trial in June 2001. Under the agreement, all economic terms and conditions are confidential.

Michael Farris, president and CEO of LaserSight, stated, "We are very pleased to have settled this matter and to eliminate the expense and distraction associated with the litigation. Our agreement with VISX is another step in allowing our shareholders to realize the full value of our state of the art technology. We will now be able to focus our management and financial resources on the sales and development efforts for our LaserScan LSX, UltraShaper keratome and AstraMax diagnostic work station."

5/29 **Asclepion-Meditec AG** announced its revenue figures for the first half year of the 2000/2001. Consolidated sales rose by 33% over the first six months of the previous year to 23.5 million euro. (That means that second quarter sales were 11.8 million euro, a small increase over first quarter sales of 11.7 million euro.) The gross profit improved by 37% to 11.8 million euro; this corresponds to a gross margin of 50.1% for the first six months of the current financial year. The operating result also developed positively. Compared to the first six months of the 1999/2000 financial year it rose by 242% to 1.6 million euro. Earnings after taxes rose by 43% to 0.7 million euro. Earnings before interest and taxes (EBIT) decreased by 1.4 million euro, to 0.8 million euro. This decrease essentially resulted from the elimination of currency gains which the company had realized in the previous year. Since the second quarter of the current financial year Asclepion has hedged itself to a greater degree against currency rate fluctuations. Thus the significance of such factors on the future development of the company has been eliminated virtually totally.

Asclepion's CEO, Bernhard Seitz, said: "The position attained by our company and the initiated strategic and operational measures make us confident that we can continue in the current year on the successful path already taken." Sales in the Vision business unit increased by 16% over the comparative period for the previous year. This positive development is due, above all, to the growth in sales of the new wavefront diagnostic system WASCA. Delivery bottlenecks in the first quarter of the current financial year have, as reported, been remedied. With a growth of 90% in sales, the Aesthetic business unit developed very positively in the first six months of the current financial year. The development was aided by strategic measures for the internal orientation of sales and the development of new regional markets. Thus, for instance, new sales partner agreements were concluded with distributors. In the Dental unit the company expects excellent growth opportunities from the **KaVo** KEY Laser 3, whose market launch came at the end of the second quarter at the International Dental Show (IDS) in Cologne. Compared to

its predecessor, this laser has a wider range of applications and a feedback system which is unique to the market as it independently identifies caries in relatively inaccessible locations in the mouth and automatically controls its removal. The growth in sales in the Service unit was a scheduled 27%, once again confirming the enhanced customer orientation on the part of the company and its close ties with customers.

5/29 **Sunrise Technologies International** announced that it had reached a settlement of its lawsuit against **Sturza Institutional Research, Inc. (SIR)** and Evan Sturza. The action was filed in the U.S. District Court for the Northern District of California. SIR also announced that it had terminated research coverage of Sunrise. "Sunrise has achieved its business objective and is pleased with the resolution," said Russell Trenary, Sunrise chairman and CEO.

5/30 **Gimbel Vision International** announced that, subject to regulatory approval, it had entered into a letter of intent with **Aris Vision** of Los Angeles, CA to negotiate a management services agreement whereby Aris would provide certain day-to-day administrative and consulting services to GVI for a fee. "GVI anticipates that the management services agreement will allow us to benefit from Aris' management resources and minimize overhead costs, resulting in improvements to our financial position," said Clifford James, chairman of the board of GVI. GVI expects that cost savings and revenue generating initiatives implemented during the fourth quarter of 2000, along with operational synergies achieved by GVI through its affiliation with Aris, will begin to be reflected in the company's financial results in the second quarter of this fiscal year.

The company also reported first quarter results of operations. During the first quarter of 2001, refractive procedure volumes for Gimbel totaled 3,491, a 28% decrease over the comparable period in 2000. First quarter volumes from North American operations amounted to 3,186, a 28% decrease over the prior year. Other non-North American operations generated volumes of 305 as compared to 379 in the prior year first quarter. The company expects that second quarter volumes will increase markedly over that achieved in the first quarter.

Consolidated revenues for the first quarter amounted to $3.3 million as compared to $4.8 million in the prior year first quarter. Revenues from Canadian operations were $1.4 million as compared to $2.8 million for the prior year first quarter. Operations based in the United States generated revenues of $1.9 million versus $2.0 million in the first quarter of 2000. The net loss of $1.4 million for the three month period ended March 31, 2001 was lower than the $5,998 in earnings for the prior year's first quarter. The comparative decline in current year first quarter earnings was due to the decrease in volumes recorded in the first quarter of 2001, a lower average pricing of refractive surgical procedures in the Canadian market for the current versus prior year first quarter, and a $785,600 restructuring charge recorded in the quarter. This charge recognizes

restructuring costs which will be incurred to realize the operational synergies made available as a result of the March 30, 2001 purchase of a 64% interest in the company by Aris Vision, Inc. The costs have been recorded as a current and long term `Restructuring costs' liabilities in the balance sheet. Pending the completion of negotiations with certain senior management personnel, the company anticipates that these costs, which are severance related, will be incurred over a 12 to 36 month period to minimize the impact of these costs on the company's cash flow.

The company expects that cost savings and revenue generating initiatives implemented in the fourth quarter of 2000, along with operational synergies achieved by the company through its affiliation with Aris will begin to be reflected in the company's financial results in the second quarter of this fiscal year. The expected cost savings, revenue initiatives, and operational synergies combined with the expected rise in volumes as noted above will have a positive impact on the company's financial results. The company remains committed to returning its operations to a financially profitable position, and growing profitability in the refractive vision correction market with a strategic focus on North America.

5/30 **Miravant Medical Technologies** announced that it had completed agreements with **Pharmacia Corporation** that will provide up to $20 million in funding, including the purchase of Miravant's drug SnET2, the purchase of certain manufacturing equipment and an amended line of credit. The PhotoPoint drug SnET2 is in phase III clinical trials that are expected to conclude in December 2001 for treating `wet' age-related macular degeneration (wet AMD), a leading cause of blindness in older adults. The parties agreed to a funding arrangement of up to $20 million as follows:

- Pharmacia is purchasing Miravant's existing clinical inventory of SnET2 active pharmaceutical ingredient, and will purchase additional quantities to be manufactured by Miravant through the first quarter 2002, for approximately $5 million.
- Pharmacia is acquiring SnET2 manufacturing equipment from Miravant for $863,000.
- Pharmacia is assuming certain lease obligations of approximately $950,000 for the SnET2 manufacturing facility through 2003.
- Pharmacia is providing a line of credit of up to $13.2 million, of which $10 million is subject to the filing of a New Drug Application (NDA) for SnET2 by Pharmacia, or on the achievement of certain clinical statistical standards in the phase III AMD clinical trials.

The funding package amends a February 1999 loan agreement with Pharmacia to provide an additional line of credit for general corporate purposes. Under the 1999 agreement, Pharmacia previously loaned Miravant a principal amount of $22.5 million, and separately made an equity investment of $19 million.

5/30 **Laser Corp.** reported that products of its subsidiary **A.R.C. Laser Corp.** generated significant interest at the recent *American Society of Cataract and Refractive Surgeons (ASCRS)* annual meeting held in San Diego. "We were very pleased by the increased interest and demand for our products, especially the Dodick Laser PhotoLysis System, at the ASCRS annual meeting," stated CEO Joyce Wickham. "Physicians are now recognizing the importance of low energy, small incision laser cataract removal. As evidence of the growing acceptance of the Dodick Laser PhotoLysis System, the ASCRS included two instructional courses and presentations in its official program. We were excited to see more than 100 physicians attend these presentations." In addition, the company's large exhibit on the convention floor included surgeon narrated video presentations and a hands-on wet lab for surgeons to use the Dodick Laser PhotoLysis System. The response was significant and surgeons are now becoming aware of this new technology that utilizes the latest advancements in cataract removal. The company received a number of product orders at the show and anticipates additional sales in the coming months.

5/30 **Clarity Vision**, a **Highmark company**, has contracted with **TruVision** to offer discounted laser vision correction services to Highmark Vision members in Pennsylvania and nationwide, effective June 2001. Members will be eligible to receive discounts on popular laser vision correction procedures including LASIK, PRK, and LTK from TruVision's extensive national network of over 140 independent, board-certified surgeons located in 41 states. The discounted surgical fee will be $945 per eye in Pennsylvania, and vary between $749 and $995 per eye in other states, representing significant savings from the average price of $1,350 per eye. The price includes a telephone screening, pre-operative examination, surgery, post-operative care for one year, as well as a lifetime enhancement warranty. "Clarity Vision has contracted with TruVision because we offer everything a third party administrator needs, from the administration system which includes screening, scheduling, patient reminders, customer surveys, and utilization and outcome reporting, to the most experienced provider network," said TruVision founder and president Lindsay Atwood.

In a related announcement, **Sunrise Technologies International** said that the Sunrise LTK procedure will be offered by TruVision, Inc. to members of Clarity Vision, a **Highmark Blue Cross Blue Shield company** in Pennsylvania. Members of the health plan will be eligible for the Sunrise LTK procedure effective June 2001. Clarity Vision administers vision coverage programs for over 2 million Highmark Vision members in Pennsylvania. Plans for additional U.S. service areas are being discussed.

TruVision is one of the nation's largest 3rd Party Administrators for vision care and has over 30 million members in health plans in 41 states. These health plans include **Humana**, **PacifiCare**, **Well Point** as well as various **Blue Cross and Blue Shield** plans. TruVision has approximately 140 U.S. LASIK providers under contract. "We are actively beginning to increase our LTK provider network around the country. We expect that

many of the surgeons who are already using the SUNRISE LTK SYSTEM will join our effort. We are adding this vision correction technique to provide our members with more vision options," said Lindsay Atwood, president and CEO of TruVision, Inc.

6/1 The problem of dry eye after LASIK is most likely the result of the severing of corneal nerves (LASIK-induced neurotrophic epitheliopathy, or LNE) when the flap is made, rather than diminished tear production as previously thought. This is the conclusion of a study by Steven E. Wilson, MD, in the June 2001 issue of *Ophthalmology*, the clinical journal of the American Academy of Ophthalmology.

In this retrospective case control study, individual eyes of 19 patients with moderate-to-severe erosions on the surface of the cornea (epithelium) at one to three months following LASIK were compared to eyes of 19 patients who did not develop epithelial erosions on the corneal flap. No patients who had significant signs of dry eye prior to surgery were included in the study. The comparison of the two groups of patients revealed no difference in tear production at one, three, or six months, and no significant difference in corneal irregularity or refractive correction, though some patients had a temporary decrease in visual acuity. What was found, according to Dr. Wilson, Department of Ophthalmology, University of Washington in Seattle, was "the signs and symptoms of LASIK-induced neurotrophic epitheliopathy tend to resolve at approximately six months after surgery."

Other studies have shown that on average this is when corneal nerves complete regeneration into the flap. Dr. Wilson also points out that approximately four percent of patients who have LASIK develop the LNE-associated epithelial erosions, which "may interfere with vision in some patients." Patients who have dry eye disease prior to LASIK are more likely to develop LNE and have more severe outcomes. He also said, "it is unknown whether LNE is attributable to diminished neurotrophic factors released from the nerves or some other factor such as a decrease in the frequency of blinking." He calls for further study "to clarify the mechanism and the association with the return in corneal sensation."

6/4 **Nidek Co., Ltd.** announced that **Health Canada** had issued an amended Medical Device License for the Nidek EC-5000 Excimer Laser System for the treatment of hyperopia with and without astigmatism using the LASIK procedure. The Nidek EC-5000 is now approved by Health Canada to treat myopia and hyperopia using the following procedures:

-- LASIK for hyperopia: 0 to +6.0 diopters in terms of manifest refraction spherical equivalent (MRSE) with or without a refractive astigmatism up to +4D cylinder
-- LASIK for myopia: -1.0 to -14.0D MRSE with or without astigmatism of 0 to -4D cylinder

-- PRK for myopia: -0.75 to -13.0D in terms of spherical equivalent with 0.75D astigmatism
-- PARK for myopia: -1.0 to -8.0D in terms of MRSE with astigmatism of -0.5 to -4.0D cylinder

"The EC-5000 platform is designed to expand and support different treatment parameters and options," commented Hideo Ozawa, president of Nidek Co., Ltd. "Without needing to purchase an entirely new system, the EC-5000 platform allows refractive surgeons to offer the treatments their patients require for better vision." In the United States, the EC-5000 Excimer Laser System has been approved by the Food and Drug Administration for the reduction and elimination of myopia with and without astigmatism in LASIK and PRK procedures. The Nidek EC-5000 Excimer Laser System is currently being evaluated for its ability to safely and effectively treat hyperopia with and without astigmatism as part of the LASIK procedure.

6/5 **Sunrise Technologies International** announced that its HYPERION LTK System had initial success treating astigmatism in preliminary clinical trials in patients outside of the United States. "The treatment algorithm performed as expected in the trials. The astigmatism reduction was in the proper axis and initial results of the clinical trials are promising. Patients are showing improved vision and no loss of best spectacle corrected visual acuity even at the one day and two week post-operative follow up period," said Donald Sanders, MD, Director for the Center of Clinical Research in Elmhurst, Illinois. "We are very excited that our work in the laboratory has shown initial success in transitioning into human clinical trials outside of the United States. The versatility of the HYPERION LTK System far exceeds our previous expectations, and new thinking in our research and development group will work toward continuing to capitalize on the system's potential. If longer term data prove promising, we will initiate further clinical trials both within and outside the U.S.," said Russell Trenary, Sunrise chairman and CEO.

6/5 According to a form 8-K filing, effective May 24, 2001, Richard Ajayi resigned as a director of **SurgiLight, Inc.** Ajayi cited disagreements with JT Lin, the president, CEO, and chairman of the Board of the company, as the reason for his resignation. Specifically, Dr. Ajayi asserted that Dr. Lin repeatedly refused to accept or ignored the decisions and guidance of the board of directors regarding compliance with Food and Drug Administration regulations and federal securities laws regulations. The company and the remainder of the board of directors dispute Dr. Ajayi's assertions that Dr. Lin acted outside of the board's directives concerning FDA and securities laws matters. In fact, a majority of the board of directors did not support Dr. Ajayi's positions and recommendations, which included Dr. Ajayi's wishes to become Chairman of the board of directors.

Also effective May 24, 2001, Richard Reffner resigned as a director of the company. Such resignation was not the result of any disagreement with the company on any matter

relating to the company's operations, policies, or practices. Reffner cited the difficult nature of his position both as an employee and as a member of the board. Reffner also expressed his belief that he could perform his fiduciary duties and fulfill his obligations as a board member without sacrificing his livelihood and family life. Reffner's spouse also is an employee of the company and works with him at the company's laser center in Plantation, Florida. Reffner expressed his continued focus on making the laser center profitable.

Effective May 25, 2001, Timothy Shea resigned as a director of the company. Such resignation was not the result of any disagreement with the company on any matter relating to the company's operations, policies, or practices. Rather, Shea cited the difficult nature of his position both as an employee and a member of the board. The company believes that its board of directors should consist of more outside, non-employee directors, rather than corporate insiders. Therefore, the company believes that the resignation of two inside board members, Shea and Reffner, and the replacement of such board positions with new outside directors is of substantial benefit to the company. The company has identified three or four potential board members to be nominated for election at the 2001 annual meeting to replace the three board members who have resigned. The company believes that the election of the new prospective outside directors will be in the best interests of the company because they may serve more independently than the former directors who have resigned.

6/6 **Presby Corp** announced today, that Judge Margaret Morrow of the United States District Court for the Central District of California had issued a preliminary injunction on May 31st against Douglas Steele, MD, of Los Angeles, enjoining him from performing any surgery in the United States involving the expansion or weakening of the sclera for the treatment of presbyopia. Presby Corp, and its parent company, **RAS Holding Corp** had filed a patent infringement suit against Dr. Steele earlier. Presby alleged in the suit that Dr. Steele copied, manufactured and sold in the United States a scleral prosthesis developed and patented by Presby. Presby further alleged that Dr. Steele performed numerous commercial surgeries in the United States to treat presbyopia in accordance with procedures developed and patented by Presby and that Dr. Steele had undertaken his activities with full knowledge of the plaintiffs' intellectual property portfolio, willfully infringing several of Presby's patents.

Presby is seeking monetary damages and other enhanced relief; together with a permanent injunction against further infringing activities. "Presby continues to develop a broad horizontal and vertical patent portfolio, both here in the United States as well as abroad," stated James Davis, lead counsel for Presby. "This patent portfolio includes the `base,' or fundamental, patents for the treatment of eye disorders including presbyopia through scleral expansion or weakening. Dr. Steele is representative of a small group of individuals and start-up companies that recognize the opportunity scleral expansion offers in the presbyopia market. These individuals and companies, intending to conserve capital,

enter the market without an opinion from counsel competent to review and analyze the scope of our base patents. In contrast, the large medical device companies have engaged counsel to review the patent portfolio and appreciate the breadth and strength of this portfolio."

Presby also has patent infringement suits against Howard Straub, **Restorvision**, **LensTec**, **Surgilight, Inc.** and other related parties. The company is vigorously pursuing this litigation. Davis concluded that "The only persons authorized to utilize the devices and methods covered by the patent portfolio in the United States are the investigators involved with Presby's FDA-approved clinical trials. To protect our clients' investment and to ensure the integrity of the FDA process involving scleral expansion, we are forced to pursue and thwart the activities of individuals and companies that infringe on the company's patents both domestically and internationally."

6/7 **Sunrise Technologies International** announced it had received proceeds of $2.7 million pursuant to a Loan Agreement with **International Mercantile Holding Group, Inc.**, of New York, NY. The term of the loan is five years and is repayable on May 31, 2006. The company may prepay the loan upon 30 days notice. The interest on the loan, which is payable semi-annually, is calculated at the rate of twenty-five (25) basis points below the prevailing one month London Interbank Offered Rate or approximately 3.75%. The company has pledged 2 million shares of Common Stock from the company's treasury as collateral for the loan. The collateral will be returned when the company pays off the loan. The company is also engaged in discussions with alternative financing sources. The Funds raised will be utilized at least in part to repay all or a portion of the current revolving line of credit, as well as providing additional working capital.

6/7 **QLT** and **Kinetek Pharmaceuticals, Inc.** announced they had entered into a long-term research, development and license agreement to develop compounds known as signal transduction inhibitors for the treatment of eye, immune system and kidney diseases. Signal transduction focuses on defects in cellular functions in certain disease states. First, proteins involved in cellular communications whose presence correlates with the onset of a wide range of diseases are identified and validated as targets. A series of drug candidates are then generated to selectively inhibit these targets. Kinetek has established a leadership position in this emerging field through the identification of proprietary targets and corresponding inhibitors.

The transaction consists of an initial equity investment by QLT of CDN$11 million or 3.14 million Kinetek common shares to support the research and development necessary to discover and validate two drug candidates for clinical evaluation. QLT also has the option to obtain up to three additional compounds through further equity investments of CDN$5 million per compound. QLT's initial equity investment was supplemented by a concurrent investment of CDN$5.5 million dollars by a number of Kinetek's existing major shareholders. Once a compound is ready for clinical trials, QLT has the right to an

exclusive license for that compound in the fields of ocular, immune (excluding asthma) and renal disease in exchange for milestone payments and royalties paid to Kinetek based on cumulative product sales. At that time, QLT will take over the clinical development and commercialization of each product while Kinetek retains the right to exercise a co-development option for products developed outside of ophthalmology. Total potential milestone payments combined with the initial equity investment for all five compounds combined will not exceed U.S.$80.1 million (approximately CDN$120 million). The milestone payments are based on clinical trial progress, product approvals and sales volumes.

"This collaboration presents QLT with several exciting opportunities," said Dr. Julia Levy, president and CEO of QLT. "For example, early research has shown integrin linked kinase (ILK), one of the potential targets, plays a role in diseases such as cancer, psoriasis and age-related macular degeneration. Clearly these are commercially attractive markets that fall within our areas of interest and expand our early stage pipeline beyond photodynamic therapy." "We are delighted to be a partner with QLT," said Andre Archimbaud, president and CEO of Kinetek. "We believe that Kinetek's expertise in drug discovery and medicinal chemistry combined with QLT's proven track record in drug development and commercialization provides a strong foundation for a successful collaboration. This transaction further validates our technology platform and ability to discover compounds with significant commercial potential."

Dr. Levy concurred, "This deal represents high upside potential with low downside risk. Access -- in some cases exclusivity -- to a wide variety of targets, compounds and development areas ensures a diversified investment. Furthermore, the financial impact on QLT is minimal through the early stages of development. We will continue to actively seek additional opportunities to enhance all stages of our product portfolio through the in-licensing or acquisition of products, technologies and or companies."

Kinetek is a privately held Vancouver-based biopharmaceutical company focused on the discovery and development of selective signal transduction inhibitors in cancer and inflammatory diseases.

6/7 **TLC Laser Eye Centers Inc.** announced that over 28,900 paid laser procedures (including over 500 paid procedures generated by the new `TLC Affiliate Centers' program) were performed at TLC refractive centers in the fourth quarter of fiscal 2001. While procedure volumes were down 19% from 35,816 paid procedures reported for the same period a year ago, TLC anticipates improved corresponding financial results and continuing positive operating cash flows. A year ago, TLC announced that it had made the strategic decision not to participate in an escalating industry price war instigated by a number of `deep-discount' providers who employed `below-cost' pricing to gain share, marketing the procedure as a commodity rather than recognizing it as a surgical procedure. Over the past few months, there has been a plethora of media reports

highlighting the insolvency and closure of a number of these deep-discount laser eye surgery companies and centers. The reports have, understandably, had a negative impact on procedure volumes by generating a great deal of short-term concern and confusion amongst prospective patients. Being an elective procedure, laser eye surgery volumes may have been further depressed during the quarter by current weakness in general economic conditions. New flexibilities successfully introduced to TLC's cost structure provide the company with confidence that its Q4-01 financial results will show improvement over those reported in Q4-00. Actual results will be reported in mid-July. Based on analysis of preliminary financial data, the company expects to report:

-- Cash or "adjusted" EPS before restructuring and other one-time charges within an approximate range of positive US$0.03 - US$0.06 in Q4-01. This compares to negative (US$0.20) reported in Q4-00. Cash or "adjusted" EPS excludes the effects of non-cash charges relating to the amortization of goodwill and intangibles from acquisitions.
-- Net EPS before restructuring and other one-time charges within an approximate range of negative (US$0.06) to (US$0.03) in Q4-01. This compares to negative (US$0.27) reported in Q4-00.

Elias Vamvakas, TLC's chairman and CEO said that, "TLC's focus remains on maximizing revenues, controlling costs and providing superior quality of care and clinical outcomes. As the industry and pricing continue to stabilize, this positioning will leave us well placed strategically for the future."

6/7 **Paradigm Medical Industries, Inc.** disclosed that the FDA had approved a second laser module for the company's Photon Laser System Workstation. The laser module -- 810 nm red diode -- will allow the Photon System to perform additional eye surgery procedures. Last October, Paradigm Medical received FDA approval to market the 532 nm green laser module for multiple eye surgery procedures. "The ultrasound portion of the Photon Laser System for cataract removal has already been approved by FDA," said Tracy Best, Paradigm Medical's director of Regulatory Affairs. "By adding laser surgical filtering indications for glaucoma, the surgical range for the Photon Workstation has been expanded to allow access to almost all the surgical sub-specialties in eye care."

Best noted that the 810 nm red diode laser will find application for such indications for glaucoma as transcleral cyclophotocoagulation, transcleral endo-cyclophotocoagulation, ablation of the ciliary process for the reduction of the intra-ocular pressure, and retinal photocoagulation used for diabetic patients. The 532 nm green laser module approved last year includes indications for retinal photocoagulation, trabeculoplasty, iridotomy, peripheral iridectomy, diabetic retinopathy, posterior and anterior procedures, and endo-photocoagulation. Best added, "Once we achieve final FDA approval on the integration of our patented 1064 nm laser for cataract removal into the Photon System we will be the logical choice for all the Ophthalmic Outpatient Surgical Centers and

hospitals that wish to maintain their competitive edge and at the same time reduce costs. We hope to receive such an approval later this year.

"The Photon now offers two `on-board' wavelengths plus ultrasound capability in addition to irrigation/aspiration and vitrectomy. No other ophthalmic device offers greater value covering a wide range of procedures," Best added. Paradigm Medical's chairman and CEO, Thomas Motter, commented, "This is in keeping with our workstation approach to problem solving and adding value in the cost-sensitive medical environment of the 21st century. We believe that this approval further establishes Paradigm Medical as a leader in the development of breakthrough technologies in the field of health care. The Photon Laser Cataract Removal System already has the CE Mark and is currently being placed throughout Europe. This is a first in the eye-care industry, and eliminates the need for the physician or hospital to purchase multiple lasers and ultrasonic surgical devices to perform multiple ocular surgical procedures. The physician is able to save time, money, and much needed operating room and exam space with this revolutionary device. This can ultimately translate into substantial savings for patients."

6/7 **SurgiLight Inc.** announced that the United States Patent and Trademark Office had issued a Notice of Allowance to the company for a patent for the method of refractive surgery and presbyopia correction using infrared and ultraviolet lasers. This is the second patent allowed so far for the company's laser for the new procedure of presbyopia reversal. The allowed patent with Series number 09/303,673 was submitted to the U.S. Patent Office by Dr. JT Lin, the president and CEO of the company, in May of 1999. The allowed 673-patent covers a very broad range of laser spectra, from ultraviolet (150-320 nm) to infrared of (0.9-3.6 microns). This patent covers the use of infrared 3 micron `cold-laser' for the correction of presbyopia using a fiber-coupled system which protects the company's IR-3000 model currently being used in a Phase I human trial in Spain. The 673-patent also covers new infrared lasers between 2.7 and 3.2 microns for the corneal reshaping procedure known as LASIK. The company believes that this mid-infrared laser for LASIK may be safer than the existing UV excimer lasers currently used by all of its competitors.

6/8 **KeraVision, Inc.**, the maker of INTACS intrastromal corneal ring segment implants for surgical vision correction, was acquired on June 4th by **Addition Technology, Inc.** (See our May 21st brief in last month's newsletter.) The U.S. Bankruptcy Court in Oakland, Calif., approved the purchase. The new owner plans to serve existing demand for mildly nearsighted patients and expand the surgical product technology to a broader range of corrective vision needs.

Addition Technology, Inc., is owned by **Vision Management Associates, LLC**, a newly created private investment firm. The management team of Addition Technology will consist primarily of former executives from **Wesley Jessen Corp.**, a highly successful

contact lens manufacturer acquired last year by **Novartis A.G.**, of Basel, Switzerland, which is the parent of **CIBA Vision**.

"Our near-term goals for the company are to assure refractive surgeons and their patients of a continued supply of INTACS and consultative support. We will continue to operate from our Fremont facility and plan to retain several key former KeraVision personnel to assure an orderly transition. We also plan to train and educate additional surgeons and their staff on the use of this refractive technology. In addition, we will assist surgeons, their staff and referring primary eye care providers with patient education support. Mid-term goals include expanding the range of indications and adding complementary additive vision correction technologies to the company's portfolio," said William Flynn, president and CEO of Addition Technology. He added, "Discussions with surgeons convinced us that INTACS addresses a need not well satisfied by alternative technologies. We will reformulate the KeraVision business model to better align with surgeon's clinical and economic requirements. We are excited about the potential for expanding the product line to cover a broader range of ophthalmic prescriptions, and with opportunities to add complementary technologies to our product portfolio."

Other members of the Addition Technology management team include: Thomas Silvestrini, executive vice president and chief scientific officer; Sean Ryan, vice president and COO; Ronald Artale, vice president, CFO and treasurer; and Brian Regan, vice president of sales and marketing.

6/10 The June issue of *Refractive Market Perspectives* headlined the market share gained by surgeon-owned centers, which outperformed the other sectors of the delivery market. During the first quarter, surgeon-owned centers grew 25.6% over the fourth quarter, helping to contribute to the overall 16.9% procedure growth during the quarter. Surgeon-owned centers now have the largest share of the procedure market, at 46.9%, compared to corporate centers at 45.4%, down 1.1% from the previous quarter -- partially accounted for by the closure of **Lasik Vision**, and institutions at 7.7%. **Laser Vision Centers** continues to lead the corporate sector, with a 21.6% share of procedures; followed by **TLC** at 18%; **LCA Vision** with 12.9%; followed by all others with single digit shares. Lasik Vision ceased operations at the end of first quarter, after closing several times during the quarter. Also, in the second quarter -- and as noted in this newsletter, its parent **ICON Laser Eye Centers** is also in deep financial trouble and appears to now be closed as well. According to Dave Harmon, early reports for April and May procedure volumes indicate that growth during the second quarter will be significantly lower than that for the first quarter. The continued slowing U.S. economy, seasonality, and continued business failures at low-priced centers have combined to reduce demand.

6/12 **Eyemakers Inc.**, an owner-operator of **Total Vision Solution** facilities providing a wide variety of eyecare products and services, including laser vision correction, eyeglasses,

contact lenses and sunglasses, today announced that it had entered into a financial advisory agreement with **Granite Financial Group Inc.**, an NASD member firm. Under the agreement, Granite is to assist Eyemakers in conducting a private placement with initial proceeds of up to $100,000 to be used for general corporate purposes.

6/13 **Emerging Vision, Inc.** announced the completion of the sale (in exchange for the purchaser's assumption of certain liabilities) of the ambulatory surgery center business and assets of its wholly-owned subsidiary, **Insight Laser Centers N.Y. I, Inc.**, effective May 31, 2001. This sale was in accordance with the company's previously announced decision to discontinue its non-core businesses and focus on its Sterling Optical franchise and retail optical store business. The company also continues to pursue its plan for the disposition of the assets of its majority-owned, laser vision subsidiary, **Insight Laser Centers, Inc.**, and has substantially completed its plan of disposition of the assets and liabilities of its former business to business, Internet-based, trading network.

6/13 **Bausch & Lomb** preannounced that its revenues for the second quarter of 2001 are expected to fall short of planned levels. The company is assessing the impact the lower revenues will have on its earnings for the quarter, and reviewing how much of that impact can be offset through reductions in discretionary spending. The company expects, however, that its second quarter earnings will be significantly lower than its previous guidance of $0.55-$0.57 per share. Based on results to date, Bausch & Lomb now anticipates that second quarter revenues will be in the range of 8%-10% lower than sales in the same period last year. The shortfall in revenue is primarily due to trends in the company's lens care and contact lens businesses in the U.S. In addition, demand in the U.S. for capital equipment for refractive surgery procedures remains very soft, continuing trends noted earlier in the year.

Ted Huber of Banc of America Securities LLC quickly responded with an updated research report, in which he stated:

* BOL preannounced 2Q01 results below previous guidance of $0.55-0.57. Revenue is now likely to decline 8-10% vs. 2Q00 (our estimate was +4.8%).
* By our calculations, 2Q01 EPS could be in the range of $0.10-0.15 (no new guidance on EPS was given) and 2001 EPS could be $1.25. Our estimates are under review, pending further guidance from BOL.
* BOL attributed the 2Q01 shortfall to weak domestic sales in (listed by order of magnitude): (1) contact lens solutions; (2) contact lenses; and (3) refractive surgery equipment.
* Overall, BOLs 2Q01 revenue declined an estimated 12-15% on an organic basis in markets growing, in aggregate, in the mid-single digits globally, illustrating the continued deterioration in BOLs competitive position.

* Our revised sum-of-the-parts analysis ascribes an enterprise value for BOL of $2.8-4.0 billion ($46-68 equity value per share). In our opinion, today's news increases pressure on the Board to explore alternatives.

6/13 Sandra Rubin of the *Financial Post* wrote about the ongoing problems being faced by **ICON Laser Eye Centers**, in her story, "ICON in interim receivership. Laser eye surgery clinics: `No money left' to keep firm running even temporarily".
ICON Laser Eye Centers Inc., once a leading Canadian provider of laser eye surgery, has been placed in interim receivership at the request of its largest creditor, its bank accounts empty, its staff evicted from the company's administrative office and absolutely no management remaining, according to court documents.

ICON has 38 clinics in North America, Italy, Sweden and Britain. "ICON is in financial disarray," **Asclepion-Meditec AG**, a German firm that manufactures lasers used in the popular corrective surgery, said in its application for receivership. "[It] has not made its June 1 call-centre or head-office lease payments, nor will it meet its June 8 payroll. "ICON's call-centre landlord has terminated the ICON lease and has shut down the call centre affective June 5, 2001, and the Director of Employment Standards of British Columbia has seized ICON's bank accounts." The call centre, located in Windsor, Ont., contained 30 computers ICON used to maintain patient records, bookings and financial records for its North American clinics.

Peter Ullrich, an executive with Asclepion, said in an affidavit, he had been advised that Robert Roy, the last remaining director, resigned on May 31 and "since the resignation of Mr. Roy there has been no management of ICON whatsoever." **Deloitte & Touche Inc.** was appointed interim receiver on June 8. Bob Bougie, the partner in charge of the file, said "there is no money left" to keep the company operating even temporarily, and Deloitte is merely attempting to untangle its structure and finances. "First and foremost we are gathering information trying to find out what the situation is," he said. Some ICON clinics may still be open because they are held as joint ventures, or by operating companies, and do not require head-office funding. "It's a very cumbersome and somewhat complicated ownership structure, and that is also what we're trying to sort out," said Bougie. "With no management remaining to guide us, it is a time-consuming exercise." Ghassan Barazi, the president and COO, resigned on May 17.

According to Ullrich's sworn statement, the Government of British Columbia may have delivered the fatal blow with an order late last month directing Toronto-Dominion Bank to freeze ICON's accounts and set aside $903,000. "As a result of the freezing of its bank accounts, ICON is entirely without funds to operate its business," Ullrich said. The affidavit did not explain the reason for the freeze, but a source familiar with the situation said it was in connection with unpaid wages, severance and vacation benefits owed to employees of **Lasik Vision Corp.** Lasik, a smaller rival, was acquired by ICON just three months ago, following a bitter takeover battle. The merged company was expected to

create a "laser vision correction powerhouse" with annual revenue of US$150-million. Compounding the freeze, ICON's U.S. credit card processor decided to withhold money it owed the firm because of the unusually high ratio of refund requests to payments received, said the source, who spoke on condition of anonymity. In addition, he said, John Porter, a former ICON director, changed his mind about advancing payment against the planned sale of ICON's European operation to a group of company insiders that included him and Asclepion. "We were hit with four body blows within a very short period that sparked a mass stampede for the doors -- with all the directors resigning," he said.

Following the announcement of receivership, competitor **Laser Vision Centers** announced that it would attempt to help patients and surgeons who were disenfranchised due to ICON Laser Eye Centers being placed in receivership. LaserVision said that it had established a toll-free number for patients to call. LaserVision said that it would attempt to assist patients with follow up or initial treatments by referring them to one of its 700-plus surgeons who currently work within the LaserVision network. LaserVision said that it would deal with each patient on a case-by-case basis.

LaserVision also said that it would assist any former ICON surgeons seeking laser access by providing the surgeons access to either one of its fixed or transportable laser systems. Interested surgeons were urged to contact the company.

6/19 **SurgiLight Inc.** announced that it had signed an exclusive Distribution Agreement in Canada with **EnVision Technologies, Inc.** of Canada to sell its IR-3000, which is intended to treat a variety of ophthalmic conditions including presbyopia. The distributor has committed to purchase approximately $3 Million in systems over the next three years, resulting in an additional $5 Million in recurring income for the Company over the same period. The Distributor has already provided a $70,000.00 deposit and will provide the balance of the $278,000.00 deposit in two payments before July 31, 2001. According to the terms of the exclusive Agreement, the Distributor will be responsible for obtaining the appropriate Canadian approvals prior to selling the product.

EnVision Technologies, based in Vancouver, BC, Canada is a distributor of high tech medical equipment in Canada. EnVision plans to place 20-40 laser units into Canadian surgical clinics over the next three years, primarily in private laser vision correction facilities with treatments performed by experienced laser surgeons. EnVision President and CEO, Michael Johnson, is the son of one of Canada's leading ophthalmic surgeons and has been involved with vision correction procedures his entire professional life beginning as an excimer laser operating room assistant and now as a manager and marketer of excimer laser clinic operations. Johnson commented upon signing of the agreement: "We are ecstatic to be partnering with SurgiLight as we introduce presbyopia reversal, the final frontier of laser vision correction to Canadian surgeons and patients. We have already recruited a number of Canada's most prominent ophthalmologists to use

this system and to form a medical advisory team to continue to improve and refine the technique. Through their training of new surgeons and compilation of extensive outcomes data, we hope to move rapidly to mainstream acceptance in Canada for this exciting new technology."

6/19 **LASER VISION CENTERS** announced that revenues for its fourth quarter ended April 30, 2001 were $26.9 million, up from $23.7 million for the same quarter a year ago, a 13% increase. Revenue for fiscal 2001 was $96.1 million compared to $88.1 million for fiscal 2000. The company noted that fiscal 2000 revenues included royalties of $250 per case. Laser manufacturers reduced this royalty in February 2000 to $100. If this change had not occurred, revenue for fiscal 2001 would have increased approximately 32% and would have been in excess of $116 million. Net income for the quarter was $697,000 or (3 cents per share) compared to net income of $4.3 million (17 cents per share) for the same quarter a year ago. Including one-time charges that occurred during the third quarter, the company posted net income of $1.2 million (4 cents per share) for fiscal 2001 compared to $13.9 million (55 cents per share) for fiscal 2000. Excluding the one-time charges, net income would be $2.8 million (11 cents per share) for fiscal 2001.

"The past year has been challenging for our company and our industry," LaserVision chairman and CEO John Klobnak said. "We believe the price war is now over and that the management skills of our operating staff which allowed us to maintain profitability during this period of turmoil will now lead us during this new period of stability in our industry. We feel we have the correct strategy to maintain our position as the industry leader during the coming years." As of May 1, 2001, LaserVision operated 106 excimer lasers in the United States providing access to over 710 surgeons in more than 310 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**.

6/19 Sandra Boodman of *The Washington Post* wrote about LTK in her article entitled, "The End of Reading Glasses? Far From It: A new Laser Eye Treatment May Help the Farsighted Put Off the Inevitible Badge of Aging -- but Only for a Time". In the article, she discussed how LASIK was used for the 70 million Americans who are nearsighted, and less frequently for those over 40 who are farsighted, but neither group will abe able to totally throw out their glasses because of presbyopia. She pointed out that the less invasive LTK was now available for the farsighted, but using the FDA's website, which still contains the old approval language that describes the procedure as "temporary" and decreasing over time, noted that it (LTK) or LASIK wasn't a fix for presbyopia either. The ophthalmologist quoted, Dr. Andrew Holzman of the Millenium Laser Eye Center in McLean, VA, that he had just installed the Sunrise LTK and expected it to represent about 5%-10% of the approximately 300 refractive procedures he performs monthly,

charging $2000 per eye for hyperopic LTK, compared to $1500 to $2100 for hyperopic LASIK, depending on whose laser system he uses.

The article does mention that monovision, either with LASIK, LTK or contact lenses can be used for presbyopia, not all patients can tolerate the visual imbalance.

6/20 **Family Vision Care (FVC)** of Edmonton today announced expansion plans into Vancouver. "We've acquired a Vancouver operation which was operating under **TLC Laser Eye Centers** license," said Michael Melenchuk, FVC president and CEO. "The facility will be reopened in August as **VisionMed Vancouver** where we'll be capable of performing 3000 customized vision correction procedures a year." Formerly licensed by TLC of Toronto, the **VisionMed** operation will feature new, advanced technology in its facilities. "We intend to use wavefront customized technology in our new laser eye procedure," explained Melenchuk. "It has the potential to enhance visual outcomes up to 50% and surpass 20/20 vision while reducing post-surgical problems like poor night time vision, glare and haloes." Such developments are needed in an industry that enjoyed tremendous popularity and growth before a loss of public confidence when some of the early technology didn't meet expectations. "There was a backlash, and a number of large organizations went out of business. Now, you're seeing a more cautious public that demands better technology and service for something as valuable as eyesight."

Under the FVC banner, VisionMed will continue to provide superior technology, and will also deliver a high level of service. "Our long term plan is to establish partnerships with leading clinicians and highly reputable surgeons and provide their patients with a lifetime of customized vision correction solutions," said Melenchuk. FVC was established in 1977 and is a medium sized vision care company with 79 employees and doctors. VisionMed is a 100% owned subsidiary of FVC and currently operates vision correction centres in Edmonton.

6/20 The 2nd International Allegretto User Meeting took place in Palma de Mallora during March, sponsored by Erlangen-based **WaveLight Laser Technologie AG**. Approximately 60 system users from five continents attended a series of presentations and exchanged information with their colleagues. Dr. Peter Ingham of Australia reported on LASIK results in the treatment of hyperopia; Matthias Maus of Cologne spoke on "Two Approaches to Treating Severe Nearsightedness with Strongly Pronounced Astigmatism" and a second offering on the initial results obtained with the Allegretto Wave High-Speed version for the direct application of the aberrometer.

A comparative study presented by Dr. Filippo Incarbone of Italy demonstrated the clear advantages of the Allegretto Wave over other devices. This conclusion was also confirmed by the Spanish team of physicians Camacho, Zamora and Tapia, in a presentation entitled, "1000 Eyes Treated with eh Allegretto".

Two highlights of the meeting were the presentations given by professor Theo Seiler of Zurich, on surgical techniques when carrying out LASIK and on the current situation, experiences and results associated with wavefront-guided LASIK. The next meeting is scheduled for the spring of 2002.

6/22 In what appears to be the first attempt to reverse the effect of LASIK, Dr. Barrie Soloway, Director of Vision Correction at The New York Eye and Ear Infirmary performed the first Automated Lamellar Therapeutic Keratoplasty (ALTK) to restore corneal material removed during LASIK at The New York Eye and Ear Infirmary. Since FDA approval of refractive surgery in 1995, there has been a tremendous growth in the number of patients that have undergone PRK and LASIK vision correction surgeries. With this increased amount of surgery, the number of patients that are having problems such as glare, halo, and starburst has also increased. Many patients with vision problems after LASIK vision correction surgery have been unable to have further corneal tissue removed to improve in their vision due to limitations in the amount of corneal tissue that must be left in place for safety.

Using the newest technology available from **Moria**, a French company involved in developing advanced LASIK instrumentation, Dr. Soloway is now able to add corneal tissue and help these patients. "ALTK has the advantage of creating thin sections of donor corneal material to patient's eyes," said Soloway. "As the Director of Vision Correction at The New York Eye and Ear Infirmary, I am committed to helping people see better. This goes along with the mission statement of the Infirmary".

The patient, a 51-year-old woman from New York, who underwent this procedure had problems that developed during her LASIK surgery at 4:00 PM. A call was placed to Dr. Soloway and the ALTK surgery was completed by 9:00 PM the same day. "As soon as the call came in, we worked with the New York Eye Bank and the New York Eye and Ear Infirmary to start the process of helping this patient," Soloway added. The surgery was performed in the main operating room area of the New York Eye and Ear Infirmary and the patient was awake during the entire procedure. At the completion of the surgery Dr. Soloway reported "I anticipate that this patient will have a complete recovery of her vision."

6/25 **Sunrise Technologies International** announced that it had entered into an agreement with **Silicon Valley Bank** to extend the due date of its credit facility from June 26, 2001 until August 26, 2001. The company will continue discussions with potential sources of capital to raise funds to pay off the remaining balance owed to the Silicon Valley Bank loan.

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6/26 According to *Dow Jones Newswires*, **NASD Regulation Inc.**, the Washington regulatory arm of the National Association of Securities Dealers, has for the first time barred a broker from association with any NASD member firm due to postings made on an Internet message board. NASD levied one of its harshest punishments on Don Akin of Scottsdale, Ariz., former broker at **Vanguard Marketing Corp.**, which fired him in May 2000 for posting the messages. According to official NASD documents, Akin posted between May 25, 1999, and March 6, 2000, eight false statements and seven baseless price predictions on a message board dedicated to **LCA-Vision Inc.** in which Akin personally owned stock.

6/27 **Bausch & Lomb** announced that the Zywave aberrometer, a diagnostic device that enables examination of the eye's entire optical system, had been cleared by the FDA for sale in the United States. The Zywave aberrometer joins B&L's Orbscan II, a multi-dimensional system for mapping the anterior and posterior surfaces of the cornea and measuring corneal thickness, in the company's portfolio of diagnostic products. The Zywave aberrometer uses wavefront technology, in which a beam of light is reflected off the retina, to determine the unique features of each eye and identify abnormalities throughout the entire optical system. In eyes where there is an abnormality, the measurement of the variations between the actual direction of the outgoing beams of the light and their optimal positions determines the overall aberration of the eye. "This clearance by the FDA for sale of the Zywave aberrometer in the United States is a significant step toward Bausch & Lomb's plans to create an entire platform of personalized vision solutions that will range from customized contact lenses to customized LASIK," said William Carpenter, chairman and CEO.

The company also announced that it had begun selling its Zyoptix (Infinity) system in Canada. Zyoptix is the company's personalized laser vision correction system. According to B&L executives, the Zyoptix system is the first to integrate both topographic and wavefront diagnostic information for personalized laser vision correction. Early results from the first Zyoptix systems used commercially in Europe indicate that patients treated with Zyoptix appear to have improved results compared with the company's current LASIK Planoscan laser. The Zyoptix commercial data shows that at the 1 month visit, 47% of eyes had a 1-line to 2-line improvement in best corrected visual acuity (BCVA). At 3 months, this increased to 55% of patients with a 1-line to 2-line gain in BCVA. At the 1-month follow-up, the data from the Zyoptix commercial sites indicated that the average postop uncorrected visual acuity was equivalent to the preoperative BCVA. Zyoptix is composed of two distinct portions: a wavefront analysis device (Zywave) coupled with an advanced corneal mapping system (Orbscan II). Surgeons are able to individually tailor treatments for their patients in a manner they could not previously do, said Bausch & Lomb executives. "Unlike any other LASIK technology, the Zyoptix

system for personalized vision correction takes into account the eye's complete optical system to deliver the most precise procedure and clinical outcome," said Gordon Balazsi, MD, of the **Laservue Eye Centre** in Montreal.

6/27 **MotleyFool.com** questioned "Whatever happened to VISX?" Bill Mann wrote about VISX and the laser vision correction market, bringing up the drop in the company's valuation following the drop in per procedure fees, the ITC finding against the company, and Carl Icahn's attempted raid to gain control. He concluded, "VISX's model, like every other company with much of its valuation tied up in its implied ability to derive royalties from patents, had a significant Achilles heel. Patents are not natural law, and should not be treated as such. Investors who insisted that VISX was worth the price in 1998 missed this key fact, and now many of them have moved on, no doubt licking their wounds." He did note, however, that the company was creating $0.24 of cash for every dollar that it brings in, a huge amount. "And as Fools know, it's cash, not earnings, that provide the fuel that drives companies."

6/28 Today was a "red letter" day for the LASIK industry. First *U.S.A Today* published a mostly negative article headlining that "LASIK risks (are) understated", and reporting that patient complications can run up to 5% of surgeries -- a number that is widely disputed within the industry, where "good" surgeons complication rates are usually less than 0.5%. Then, that evening on *PrimeTime Live*, a hidden camera piece exposed the sloppy diagnostic techniques done by a discount LASIK surgeon, which could lead to poor candidates being told that they are eligible for the surgery.

The *U.S.A Today* story reported, "Thousands are learning what the ads don't say: The surgery can cause life-altering complications that can't be fixed." Several patients' stories followed, describing burning and dry eyes, inability to drive at night or read for long periods, and various other vision abnormalities. The article noted that few patients who developed problems had understood the possible risks. Although the newspaper said that the operation is 95% complication-free, it outlined critics' points: profit pressures on surgeons, "sloppy care," inadequate patient screening, and possible long-term problems. Roy Rubinfeld, MD, associate clinical professor, Georgetown University, and in private practice in Chevy Chase, MD, said that the surgery depended upon the physician's skill. Other industry supporters stated that complications are rare. The article included charts of patient risk factors and symptoms of "failed LASIK surgeries."

7/3 **Sunrise Technologies International** announced it had secured $1.1 million in additional funding pursuant to a loan agreement with **International Mercantile Holding Group, Inc.** of New York, NY. This is the second round of loan proceeds the company had received from International Mercantile this month. The company pledged 2 million shares of Common Stock as collateral for the loan. The collateral will be returned when the company pays off the loan. Russell Trenary, chairman and CEO commented, "We are pleased to complete a second round of financing with IMHG and look forward to

working together again soon. This additional source of liquidity for Sunrise allows us to not only raise additional funds necessary for working capital, but allows us to restructure our credit line with **Silicon Valley Bank** and/or structure a new credit facility with other capital sources. We are additionally gratified to be in discussions regarding a number of alternatives with substantial financial institutions which, we hope, will establish long term relationships."

7/5 **Sunrise Technologies International** announced it had shipped 138 HYPERION LTK Systems since its approval to market the device by the FDA on June 30, 2000. The company shipped 28 laser systems in the 2nd quarter 2001, including 5 to ophthalmic centers in South Korea. "We are very pleased with our sales performance in our first year. The company has had to face many challenges including a softening economy that have affected buying decisions by many prospective customers. Amidst that, we were able to place what we believe is a record number of refractive laser vision correction systems into the market place in a first year following FDA approval. Additionally, during the second quarter we have been able to lower our cost structure, reduce our cash burn rate and slightly improve our quarter ending cash balance," said Russell Trenary, Sunrise chairman and CEO.

7/8 According to *OptiStock*, the previously announced acquisition of **Pro-Laser Group** by **Buchmann Optical Holding** is nearly completed, with BOH's signing of an agreement to acquire the majority of Pro-Laser shares though the issuance of new shares amounting to more than 51% of issued share capital in return for E7.34 million in cash. BOH has the option to execute the merger of **Briot** and Pro-Laser during the next two and a half years. BOH will manage Pro-Laser Group, with Jacky Buchmann as chairman and other new board members replacing Ronnie Jaegermann, Jon Haglund, and other Pro-Laser directors. Jaegermann has also resigned as CEO and president.

OptiStock also reported that Simon Gordon, former sales and marketing director at **Q-Vis Limited**, was awarded 46,500 pounds sterling after what the Western Australian Industrial Relations Commission found was an unfair dismissal from the company in May 2000. Gordon is also suing for damages related to alleged breaches of his employment and share option agreements; the Supreme Court of Western Australia is expected to hear the suit next year.

7/9 **LCA-Vision Inc.** reported that 22,940 procedures were performed in the company's wholly owned centers for the three months ended June 30, 2001, representing an increase of 65% compared with 13,888 procedures performed during the same period a year ago. In centers open at least 12 months at the beginning of the quarter, procedure volumes were up more than 36% from the second quarter of 2000. In a continuing upward trend, the average price per procedure increased to $933 in the second quarter of 2001, compared with $897 in the first quarter of 2001. Tom Wilson, LCA-Vision CEO, commented, "Improving price realization started in the fourth quarter of 2000, and is a

trend we expect will continue for the balance of 2001." Commenting on plans for new centers in 2001, Wilson said, "Our first center opening of 2001 will occur later this month. Additional centers will be opened in both new and existing markets and will be funded with cash flow from operations. We will continue to focus on improving the financial performance of existing centers, and on growing our market share."

7/9 Ted Huber and Anthony Sterling of **Banc of America Securities** issued an earnings change report on **Bausch & Lomb**. In it they said they were reducing their 2001 and 2002 EPS estimates to $1.23 (from $2.10) and $1.63 (from $2.59) respectively. The reasons given were the downward revisions from weak domestic sales in contact lens solutions, lenses, and refractive surgery equipment. In their report, they had the following to say about the lowered sales revenues for refractive surgery equipment:

"Growth in BOL's refractive surgery business is likely to come in weak due to continued sluggishness in capital equipment sales and a deceleration in industry laser surgery volumes in the U.S. We believe a flood of used refractive lasers hit the market in 1H01 after two major competitors folded (**LasikVision** and **ICON**) resulting in fewer new laser placements and price pressure. BOL's 1Q01 refractive surgery revenue declined 5% yr/yr (in constant dollars) with the U.S. business declining more than 5%. We believe BOL's refractive business declined yr/yr in 2Q01 (vs. our previous estimate of +9% in constant currency)."

7/9 Writing for *Reuters*, Angela Moore wondered what ever happened to Carl Icahn's bid for **VISX**? As she noted, Icahn never submitted a formal takeover bid for the company, so many didn't take his offers seriously. "As the smoke clears, shareholders, analysts and merger experts now are watching for Icahn's next move." "The silence since the (proxy) contest was dropped has been staggering," said Patrick McGurn, vice president at proxy advisory firm **Institutional Shareholders Services**. "People may be saying it wasn't a real offer and the silence underscores that, but, on the other hand, a lot of people have gone broke underestimating Carl Icahn."

"The company is fairly valued right now," said Ted Huber, an analyst at **Banc of America Securities** who has a neutral rating on the stock. "I never really thought Icahn's $30 per share objectives were very realistic." "On a fundamental basis, there is a potential for slowing procedure trends in the second half because of the slowing economic climate," said Hans von der Luft, an analyst at **McDonald Investments**, with a hold rating on VISX. "This is an elective surgery; that's going to play a role."

7/10 *Medical Industry Today* reported on the Pulsion FS laser from **IntraLase**. As noted in the article, the technology was developed by researchers from the **University of Michigan** and its **Kellogg Eye Center**, and uses an ultrafast laser that acts like a scalpel to create a surgical cut in the cornea. A study on the procedure was published in the June issue of *Ophthalmology Clinics of North America*. The laser is FDA-cleared as an alternative to

mechanical microkeratomes for LASIK. "Because the microkeratome is a mechanical device, there can be a significant amount of variability of how thick or thin flap is that can lead to complications," Dr. Ron Kurtz, co-founder of IntraLase, told Medical Industry Today. "The majority of LASIK complications are related to microkeratome rather than excimer laser."

The Pulsion FS is a femtosecond laser that operates at a wavelength of 1,000 nanometers. The laser emits light in extremely fast pulses at about 100 femtoseconds, which results in each pulse being roughly a billion times faster than electronic camera flash. This allows physicians to precisely create the initial flap in the cornea. The device was introduced in April at the *American Society of Cataract and Refractive Surgery* meeting in San Diego. Using the Pulsion FS, "you can have a surgical effect inside of tissue without affecting the surrounding areas, which is very different than excimer laser, which hits the first thing that it comes in contact with," said Kurtz. "Therefore by focusing this laser into the internal portion of the cornea we can create a cut in the cornea and any three-dimensional shape within the cornea. That allows us to create a very high precision corneal flap with essentially none of risks associated with mechanical device. This is just the first application where there's already a significant market and where the technology has a clear clinical benefit for the eyes," Kurtz continued, adding that the device is in proof-of-concept trials for a number of applications, but was unable to provide specific details.

7/10 **Nidek Co., Ltd.** announced that the Canadian Federal Court of Appeal upheld a 1999 Trial Division ruling in favor of Nidek saying that the company's EC-5000 Refractive Surgery Laser System does not infringe on **VISX's** Canadian Patent Nos. 1,243,732, 1,271,813 and 1,254,658. The appeal was heard before three Canadian Federal Court of Appeal judges in Ottawa, Ontario. Judge Marc Noel found that Nidek and Howard Gimbel, MD, and Donald Johnson, MD, two prominent Canadian eye surgeons, did not infringe upon the patents as VISX claimed. Judges A.M. Linden and Julius Isaac concurred with Judge Noel in his finding. As a result of this decision, VISX's appeal was dismissed with costs; VISX must now pay a portion of the legal fees incurred by Nidek and the doctors as a result of the suit.

Nidek also believes that the ruling may also be considered a beneficial legal precedent in current litigation filed by VISX against Nidek in the United States, as the allegations are similar to those of the Canadian lawsuit. Proceedings in the U.S. lawsuit are expected to begin in summer 2002.

Hideo Ozawa, president of Nidek Co., Ltd, responded to his company's latest legal victory stating, "We are very pleased our position has again been upheld in court, although we regret the ordeal our Canadian customers have been forced to endure. This ruling reaffirms Nidek's position that the EC-5000 can be used by physicians without fear of infringement allegations raised by VISX." The long-running suit, filed by VISX in

1994 against Nidek (Drs. Gimbel and Johnson were added as parties by VISX in 1995) was originally "dismissed with costs" by Justice J.E. Dube in December 1999. At that time, VISX appealed the ruling. "Nidek has opened up the refractive surgery market with new technology and will vigorously defend the surgeon's right to choose the latest technology to benefit their patients and advance the practice of medicine," added Ozawa. "This is our most recent victory in the excessive, frivolous lawsuits that have been repeatedly brought against us by VISX."

VISX also filed patent infringement suits against Nidek in France (in 1994), England (in 1998), and United States (in 1998). Nidek has prevailed in England, as well in the United States ruling handed down by the International Trade Commission (ITC) in 2000. The suit in France is in progress. In response to the ITC ruling, Nidek filed a suit against VISX for violation of U.S. anti-trust laws. Nidek also filed declarations stating that Nidek does not infringe upon VISX patents and that their patents are unenforceable. Both the suit and declaration are currently pending. In August 2000, Nidek filed a lawsuit against **VISX Japan**, **Japan Focus, Inc.**, and **JFC Sales Plan, Inc.** for infringement of one of its Japanese patents before the Tokyo District Court. The three companies cited import, sell and/or provide technical support of the VISX device in Japan.

In January 2001, Nidek also filed a complaint in U.S. District Court in Northern California against VISX for infringement of three of the company's U.S. patents, which cover fundamental and advanced technologies required to carry out laser vision correction. Both the suit and the complaint are currently pending.

VISX quickly responded, disputing the Nidek news release, saying that it views as inaccurate and misleading the press release from Nidek, that VISX is suing in the United States for patent infringement. VISX believes that the Nidek press release is misleading in that it presents only half of the information regarding a court appeal in Canada. In this action, both VISX and Nidek appealed a prior decision. The court upheld the prior decision on both issues. VISX CEO, Liz Davila, said, "The appellate court's conclusion was a non-event for both parties. Neither gained from the decision." VISX also believes that statements by Nidek that the appeal decision in Canada is relevant to the U.S. case brought by VISX against Nidek are totally inaccurate. The patents under which Nidek is being sued in the U.S. have no relationship whatsoever to those involved in the Canadian case. Ms. Davila further stated, "The U.S. case involves totally distinct intellectual property, different inventors, and a different system of patent law. There is no relationship between them. VISX remains confident of its U.S. Federal District Court case and looks forward to the trial of its claims in Federal Court."

7/11 According to **TLC Laser Eye Centers**, doctors at the TLC Laser Eye Centers in Toronto said that Michael Peca, a star forward in the National Hockey League, was progressing extremely well following his recent Custom LASIK surgery. The surgery was performed on June 27th by TLC Regional Medical Director, Dr. Omar Hakim. Peca, Team Canada

captain, is the latest in a growing list of professional athletes who have turned to LASIK surgery to improve their performance. He is among the first athlete to take advantage of the new Custom LASIK technology.

"One of the reasons Michael selected TLC was because of our experience with Custom Lasik technology. We were the first in North America to perform this surgery in March 2000," Dr. Hakim said. "Problems with my contact lenses during games interfered with my ability to perform at my best," said Peca, who started wearing glasses when he was 12 years old. "To be a perfect athlete, you have to be in perfect health and have perfect vision. I wanted to get the best technology available today with one of the most experienced surgeons. I am really pleased with my results so far and I'm told my vision will likely get even better." "Michael was an excellent patient and the surgery went very well," Hakim said. "When he got up from the laser, he looked up and had a big smile on his face -- he could already see the clock at the end of the room clearly."

The surgery was performed using **Bausch & Lomb's** Zyoptix customized ablation laser technology (ZyWave and the Technolas 217C laser). However, it should be noted that the TLC Waterloo Custom LASIK center also uses the Custom LASIK system from **Alcon Labs** (LadarWave and the LadarVision laser), and also the ray-tracing diagnostic equipment from **Tracey Technologies**.

7/11 The July issue of *Refractive Market Perspectives* headlined the shift in ownership among the corporate centers, with the recent failures of the low price companies (**Lasik Vision** and **ICON Laser Centers**). With these failures, corporate-owned centers have slipped to 30.2% of total laser centers, down from 36.7% at the end of the first quarter (and from their high of 45.2% in 1997). Institutions have also failed to keep up with the market growth and now account for less than 14% of centers, while surgeon-owned centers now account for 54.6% of operating laser centers, the dominant sector. Today the four dominant corporate companies, **TLC**, **Laser Vision Centers**, **Clear Vision** and **LCA** now account for only 17.6% of laser centers and 25.9% of procedures. The roadside is littered with failed companies, including **Beacon**, **Vision America**, **Vision Twenty-One**, **Physician Resource Group**, and **Global Vision**, in addition to the latest failures, ICON and Lasik Vision. At June 30th, Laser Vision had a 9.3% share of total centers; followed by TLC with 4.4%; LCA Vision with 2.5%; NovaMed with 2.1%; ClearVison with 1.4%; and all other corporate centers with 11.8%.

On the subject of the collapse of ICON, Dave Harmon attempted to contact the 24 laser centers originally operating in the U.S., and found of 21 contacted, nine were now operating under a new name; nine were closed; and three were still operating under the ICON Laser Centers name.

Also in the July issue, Dave Harmon took a look at the Japanese market for refractive surgery, a year after regulatory approval of PRK. As he found, the anticipated demand

in Japan has failed to materialize. Laser operators reported very low volumes with as few as 200 procedures per laser on an annualized basis. With a total population of 126 million including 60 million myopes (about 50% of the population are myopic), and 125 laser centers (and more than 140 lasers) in operation, only 40,000 procedures are estimated to be done this year and in 2000. Despite the huge opportunity, cultural barriers have apparently held back the growth of refractive surgery, as they have also done in Europe. However, awareness of the procedure is very low in Japan, with medical advertising not commonly done and promotional activities limited. According to Harmon, "As the referral base of successful patients expands, and awareness levels grow, the Japanese market could turn around."

7/12 **LaserSight Incorporated** announced that it had completed a $3 million equity financing with **BayStar Capital, L.P.** and **BayStar International, Ltd.** The financing was a private placement of approximately 1.3 million shares of Series F preferred stock purchased at $2.35 per share. The terms of the placement also give the company the option to place an additional $2 million worth of Series G preferred stock with the BayStar entities, at a price of $2.50 per share, if prior to September 30, 2001 the FDA approves the company's LaserScan LSX to treat myopic astigmatism and if certain other conditions are met. If the company does not exercise such option the BayStar entities have an option for a limited period of time to purchase up to $4 million of Series G preferred stock at a per share price based on 85% of an average of the volume weighted average price for the 10 days preceding the exercise of such option.

In a separate announcement, LaserSight provided an update on the status of its PMA Supplement for the LASIK treatment of myopic astigmatism utilizing its LSX precision microspot scanning excimer laser. The submission is in the latter stage of the review process, which includes labeling discussions with the FDA. The company is actively working with FDA to update the labeling and to resolve any additional questions.

On the subject of its UltraShaper Durable Keratome product, performance testing for the UltraShaper has been completed at ten sites, with more than 1580 LASIK flaps produced without any adverse events like buttonholes, perforations or free caps. Management believes the performance testing has also validated the consistency of flap thickness, diameter and hinge size produced by the UltraShaper. The keratome is currently in pilot production and shipments are expected to commence later this month.

7/12 **STAAR Surgical** announced that Health Canada had issued a Medical Device License for its Implantable Contact Lens (ICL), clearing the way for the company to begin early marketing and distribution of the ICL throughout Canada. Health Canada gave wide ranging approval of the ICL for use in hyperopic (farsighted) eyes from +3.0 diopters to +20.0 diopters and for use in myopic (nearsighted) eyes from -6.0 diopters to -20.0 diopters. "We are extremely gratified by this decision," said David Bailey, STAAR's CEO and president. "This is the first approval of the ICL or any phakic implant in North

America and it has come even earlier than anticipated. We believe the potential of the Canadian refractive market will exceed $600 million, with the eventual U.S. market potential exceeding $6.0 billion. With this approval, we can aggressively grow STAAR's business in the refractive marketplace, which we believe will be a substantial segment of both our near and long term growth. Given the recent reduction in LASIK procedures caused by quality of vision issues in Canada, we believe STAAR is well positioned to establish the ICL as the pre-eminent alternative procedure for farsighted and nearsighted vision correction within the approved range. Visual outcomes and patient satisfaction are very high with the ICL, which is an essentially reversible procedure and STAAR is confident of the long term patient satisfaction which will be obtained relative to currently available options."

"A good portion of the data reviewed by Health Canada was from the U.S. clinical trials of the ICL. This is the first true scientific review of that data giving us great cause for optimism and we are certainly pleased by the Health Canada decision." "Until now, there was no acceptable refractive surgical procedure for many of these patients," said Howard Gimbel, MD (Calgary, Alberta, Canada) who participated in the clinical studies of the ICL. "Patients with refractive errors within the approved range or with thin corneas are excellent candidates for the ICL. We plan to begin offering ICL's to our patients now that they are available." (Later in the month, **Gimbel Vision** announced that it had begun offering the ICL, especially for those people suffering from high levels of near or farsightedness.)

7/12 **TLC Laser Eye Centers Inc.** announced its fourth quarter and annual results for the period ending May 31, 2001. As previously reported, more than 28,900 paid laser procedures (including over 500 paid procedures generated by the new `TLC Affiliate Centers' program) were performed at TLC refractive centers in Q4-01, representing a 19% decline from Q4-00. A year ago, TLC made the strategic decision not to participate in an escalating industry price war instigated by a number of `deep-discount' providers who employed `below-cost' pricing to gain share, marketing the procedure as a commodity rather than recognizing it as a surgical procedure. During the fiscal 2001 fourth quarter, there were a plethora of media reports highlighting the insolvency and closure of a number of these deep-discount laser eye surgery companies and centers. The company believes that the reports, understandably, had a negative impact on procedure volumes by generating a great deal of short-term concern and confusion amongst prospective patients. Being an elective procedure, laser eye surgery volumes may have been further depressed during the quarter by current general economic conditions.

Despite the quarterly weakness in procedure volumes, TLC reduced its cost structure which enabled the company to generate improved corresponding financial results and continuing positive operating cash flows. TLC's fiscal 2001 fourth quarter net revenues of $40.1 million were in line with paid procedure volumes. Total fourth quarter operating

expenses were $32.7 million, representing a 36% improvement from the same period a year ago and a 5% improvement from last quarter.

For the 2001 fiscal year, net revenues totaled $174 million. Including the effects of non-cash charges relating to the amortization of goodwill and intangibles from acquisitions, along with restructuring and other one-time charges, the net EPS loss for the fiscal 2001 year was ($1.00) compared to a net EPS loss of ($0.16) in the 2000 fiscal year. Despite the turmoil that gripped the industry throughout the period, TLC managed to generate $15 million in cash from operating activities in fiscal 2001, ending the year in a strong financial position with more than $54 million in cash and marketable securities. Elias Vamvakas, TLC's chairman and CEO, commented that, "fiscal 2001 was another period of challenges met and milestones achieved by TLC. By refusing to compete primarily on price, and by putting patient care first, TLC has built an enduring brand and maintained our leadership position in this exciting industry. Throughout fiscal 2002, TLC's focus will remain on providing superior quality of care and clinical outcomes while maximizing revenues and controlling costs. As the industry and pricing continue to stabilize, this positioning will leave us well placed strategically for the future."

7/12-
7/13 **VISX** announced financial results for the second quarter and six-month period ended June 30, 2001. The company also announced settlement of multiple antitrust lawsuits. Revenue for the second quarter was $49.4 million compared to $48.0 million for the comparable period of the prior year. Pro forma net income was $0.21 per share, excluding the effect of $37.8 million in litigation settlements described below. Net loss, including the one-time charge for litigation settlements, was $10.7 million (19 cents per share) compared to net income of $4.2 million (7 cents per share) in the comparable period of the prior year. Commenting on the results, Liz Davila, CEO of VISX, said, "Equipment sales were strong in the second quarter. We believe that this performance
-- especially in an economy in which capital spending is generally down -- is another sign of VISX's continuing market share gains. Licensing revenues, while down from Q1 2001 (down 10%), increased over Q4 2000. There is no doubt that consumers are delaying discretionary spending on procedures until the economy strengthens. In the meantime, VISX is increasing its lead in the laser vision correction market."

In the second quarter, VISX began shipping its WaveScan System, becoming the first company to commercialize wavefront technology. On this development, Ms. Davila stated, "Our FDA clinical study combining VISX STAR S3 Variable Spot Scanning (VSS) and WaveScan diagnostic input is proceeding very well, with clinical results that we believe are exceptional. We are extremely well positioned for accelerated growth in procedures, which we are confident will occur with renewed overall economic growth."

Revenue for the six-month period ended June 30, 2001 was $101 million compared to $112 million for the comparable period of the prior year. Pro forma net income was $0.42 per share for the six-month period ended June 30, 2001 excluding the effect of $37.8 million in litigation settlements described below. Net income, including the one-time charge for litigation settlements, was $1.9 million (3 cents per share) for the six-month period compared to net income of $23.7 million (37 cents per share) for the comparable period of the prior year.

On the legal front, VISX and **Summit Autonomous Inc.**, a subsidiary of **Alcon**, have settled antitrust class action and other claims involving **Pillar Point Partners** and the per procedure license fees charged by the companies to their customers through February 2000. Pillar Point was formed in 1992. VISX will pay a total of approximately $37.8 million in one-time payments and related costs and fees. (Compared to $25 million for Alcon.) The company has taken a one-time litigation charge of approximately $0.40 per share after taxes in the quarter. Discussing the legal settlements, Ms. Davila remarked, "The focus of these lawsuits is early 1990's and involved former management, long gone, from both Summit and VISX. This settlement is one more step in our program to `clear the decks' of litigation. There are clear strategic advantages to VISX in settling these lawsuits. The direct benefit from all of this is that management can focus its energies on key U.S. patent litigation and on running the business." (It should be noted that Alcon had decided to settle their portion of the suits, which would have left VISX to defend them on their own. Thus, the decision to settle was a prudent one.)

The settled claims were brought on behalf of VISX and Summit customers nationwide and patients in certain states and the District of Columbia who had refractive surgery performed on the companies' laser systems. The settlements are subject to court approval and include: The consolidated antitrust class actions brought on behalf of VISX and Summit customers nationwide and pending in Multi-District Litigation in the United States District Court in Arizona (captioned: In re Pillar Point Partners Antitrust and Patent Litigation, MDL No. 1202, the "Arizona MDL"); the consolidated antitrust class actions brought on behalf of patients in certain states and the District of Columbia and pending in California Superior Court for Santa Clara County (captioned: In re PRK/LASIK Consumer Litigation, No. VC772894); Robert Burlingame, MD v. Pillar Point Partners, et al., also pending in the Arizona MDL; John Shepherd, MD Ltd. v. Pillar Point Partners, et al., also pending in the Arizona MDL; **Freedom Vision Laser Center, LP** v. VISX, Incorporated, et al., also pending in the Arizona MDL; and Antoine Garabet, MD, et al. V. Summit Technology, Inc. et al., pending in California Superior Court of Santa Clara County (No. VC787359).

During the subsequent teleconference, Ms. Davila noted that the company had sold 40 Star S3 lasers during the quarter and had performed 133 upgrades. That compared to the 45 lasers sold and 91 upgrades performed during Q1. In addition, 6 WaveScan units were shipped. (The company is in the process of ramping up production of the WaveScan units

and expects to ship considerably more units during the third quarter.) Ms. Davila also commented on the "market opportunity" for laser vision correction, noting that of the 55-65 million Americans who are candidates for surgery, only about 4% have had it, leaving the remaining 96% as representing, as she put it, "A 96% opportunity".

The company anticipates selling an additional 40 lasers during the 3rd quarter, along with at least another 110 upgrades and, as noted above, a substantial number of WaveScan devices, which list at $75,000. When questioned about the surplus of used lasers on the market with the collapse of the deep discounters, Ms. Davila noted that the **Lasik Vision** systems belonged to them, and they were able to reclaim them for resale. In response to a question about the recent "negative press" on LASIK, she countered that their market research showed that most people interested in having the procedure were not influenced by the articles in the press, but rather were influenced by "word of mouth", which continues to be good.

The following day the company announced the U.S. Patent Office's issuance of a Notice of Intent to Issue a Reexamination Certificate in the reexamination of VISX's U.S. Patent 4,903,695, known as the '695 Warner-L'Esperance LASIK Patent. As a result of the reexamination, which began more than three years ago, the original patent claims covering the LASIK method of performing laser vision correction were upheld by the Patent Office. The Patent Office reviewed extensive submissions of prior art by a third party and by VISX and found all of the original '695 claims patentable over the prior art. In addition, the Patent Office allowed 40 new claims covering the LASIK method.

"Obviously we are delighted that the Patent Office thoroughly examined and upheld the claims of this fundamental LVC patent. This outcome is significant because it is a reaffirmation for all our licensees of the strength of our patents," said Liz Davila, chairman, president and CEO of VISX. **VISX believes that all LASIK procedures performed in the United States are covered by the '695 Patent.** This coverage includes all past procedures performed since FDA approval of excimer laser systems for refractive surgery. The patent will expire in 2007. The company expects the Reexamination Certificate to be issued by the U.S. Patent and Trademark Office within the next few months. (From the tone of her comments during the teleconference, it appears that VISX will then take appropriate action against any non-licensees of their patents. Current licensees include Alcon [via their original cross license as part of the Pillar Point breakup], **Bausch & Lomb**, and **LaserSight**.)

Following the VISX release of financial data, both **Banc of America Securities** and **JP Morgan H&Q** issued update reports.

In their report, Ted Huber and Anthony Sterling of BOA Securities said:

● Procedures declined 2Q01. Volumes were down 10% sequentially and 5% year over year, well below company and Street expectations of double-digit growth. The laser vision market is maturing and consumer spending is soft.
● 2Q01 operating EPS met expectations. VISX delivered operating EPS of $0.21 with robust sales of its Star S3 upgrade and effective cost controls (both COGS and SG&A). Reported EPS was a loss of $0.19.
● Lowering 2001 and 2002 EPS estimates. Our new $0.18 3Q01 EPS estimates (guidance is $0.16 to $0.19) assume an 8% y/y decline in procedure volumes. 2002 estimates of $0.91 assume 13% volume growth (no guidance).
● VISX settled an antitrust suit and booked a $38 million charge. Though litigation charges have been a recurring item for VISX in the past two years, we see the Nidek case as the only major legal challenge ahead.
● Shares are fully valued given negative growth and poor EPS visibility. In addition to the slowing and unpredictable volume trends, VISX's key patent suit with Nidek remains. The anticipated 2H02 verdict in this case should define industry pricing and profitability.

Their reasoning behind the headlines included:

In 2Q01, VISX's procedure volumes declined for the first time ever as the steep and steady decline in laser vision procedure volumes continued. As we expected, slowing consumer spending patterns are taking their toll on procedure volumes. Seasonal patterns also appear to be at work as patients are increasingly choosing the first quarter as their favorite time of year for this procedure. Economic trends aside, we believe this industry will struggle to again generate consistent 20% growth off such an existing large base of procedures. While the untreated patient pool remains large (we estimate over 50 million Americans), we believe the patients with the most to benefit have already acted. Year over year growth in VISX's quarterly volumes was over 100% for much of 1999 and exited that year at 72%. In 2000, growth was in the 40% range and exited the year at 22%. 2Q01 procedures were down an estimated 5% while the company and the Street had been looking for double-digit growth. We are now forecasting an 8% drop in volumes 3Q01 and total growth of only 4% for 2001 for Visx. Assuming an improved economy in 2002, we believe VISX's procedure growth can return to the low double digits off the easy 2001 comps.

These declines in our volume forecast drive our new (lower) EPS estimates for VISX. While we view VISX as broken growth stock for the near-to-mid-term, we give the company high marks for its cost control efforts. Cost reductions in the factory and in SG&A made the quarter for VISX. This ability gives us confidence in our 3Q01 estimates but visibility is low thereafter given the unpredictability of procedure volume growth. On yesterday's earnings call, VISX declined to provide guidance beyond 3Q01. Our Market Performer thesis is based on 1) poor visibility for procedure growth and 2) the uncertainty in VISX's business and pricing model that stems from Nidek's challenges to its patent position. Though we believe the odds favor a VISX victory in its 1Q02 court

battle with Nidek, a loss by VISX would likely result in further declines in its pricing and profitability. Trading near 18x our revised 2002 EPS estimate, we believe VISX shares are fully valued.

2Q01 Details: In a tough economy and maturing market, VISX had to rely on its STAR S3 upgrades to drive revenues. It installed 133 of these units (guidance was 90) and exited the quarter with a backlog. VISX is now looking to do 110 S3 upgrades 3Q01. These numbers speak to the surgeons' loyalty to the VISX platform and the attractiveness of the S3's enhanced features. Laser placements fell to 40 from 50 the prior quarter and 81 2Q00. VISX began shipping its Wavefront diagnostic unit during the quarter. Sales of this device should help keep hardware revenues up 2H01 as S3 upgrade units decline (VISX is quickly working though its installed base). Impressively, VISX cost of goods declined by $2 million sequentially while its hardware revenues were flat. SG&A expenses were off more than $250k sequentially in spite of the near $1 million cost of its proxy fight. These factors helped VISX to generate a 35.2% operating margin and the $0.21 of operating EPS. Reported EPS was a loss of $0.19 including the $38 million settlement of an outstanding class action anti-trust lawsuit. Though litigation charges have been a recurring item for VISX in the past two years, we see the Nidek case as the only major legal challenges ahead. VISX also reported the reissuance of its '695 Lasik patent by the U.S. PTO. VISX stated the original claims emerged from the PTO review intact and 40 new claims were added. This patent is not part of the Nidek litigation at this time. VISX's receivables and inventories rose sharply during the quarter. The slowing payments represents a modest cause for concern only 2 quarters after VISX took a large charge for uncollectible accounts.

Chris Shubatani and Tatyana Daniels of JP Morgan H&Q had this to say:

Economic Uncertainty Flattens Growth Outlook in Laser Vision Correction Industry:

- We are downgrading VISX to Market Performer from Long-term Buy.
- Economic uncertainty continues to dampen the overall outlook for the Laser Vision Correction industry as procedure volumes decline further below expectations.
- For VISX, despite favorable resolution of various issues during 2Q, visibility beyond 3Q remains limited and potential catalysts are mostly '02-'03 events.
- We lower our projections for procedure volumes industry-wide-in 2001, from 1.6 million, +18% Y/Y to 1.48 million procedures, up only 9% Y/Y.
- For VISX, we now project a pattern of declining revenues through 2003 and substantially lower our EPS estimates to $0.74, $0.68 and $0.80 for '01 through '03.

Of note, the two analysts further said that with VISX posting a 10% sequential decline in per-procedure derived revenues in the second quarter, they now estimate that industry-wide LVC procedures may have declined 13% sequentially versus their prior estimates of a modest 3% gain. They now believe that only 373,000 procedures, down from their

previous estimate of 425,000 procedures, were done industry-wide in Q2. They now are projecting only 1.48 million procedures for 2001, down from their previous 1.6 million estimate. Looking ahead, they foresee a rebound to 1.5 million procedures in 2002, and 1.7 million in 2003.

7/13 The *Associated Press* reported that President Bush visited Johns Hopkins Hospital and toured its Wilmer Eye Institute, where Dr. Morton Goldberg discussed an experimental laser treatment for treating AMD under development at the Institute. It turns out that the experimental program shown was the one being developed by **PhotoVision Pharmaceuticals**, which was licensed from Wilmer by old friend, Dr. Terry Fuller.

The PhotoVision technology is a thermally-labile liposomal drug delivery system that is being applied to AMD. Rat through primate studies have shown substantially greater vessel closure than with **QLT's** or **Miravant's** PDT drugs, and the closure appears to be permanent (with the prospect for limited or no retreatment). The two steps involved are 1) thermal release of the drug contained within the liposome via a low level energy and 2) visualization (for diagnostic purposes) or excitation (for a PDT agent). Due to the Light Targeted Delivery (LTD) of the drug, there is no need to select a drug based on its ability to localize at its target. This opens up the opportunity for use of more effective drugs. In contrast, in the PhotoTarget system, the drug is released only where desired to be used and there is not a `clearance ratio' between target tissue and surrounding tissues to be concerned about. The drug is placed only where it is needed. The result is a highly effective treatment with virtually no collateral damage and a large therapeutic window, according to PhotoVision president, Terry Fuller.

As reported by teh company, the PhotoTarget drug delivery system incorporates the application of a second-generation liposome technology (small spherical phospholipid vesicle) that allows for the release of an encapsulated drug exactly at the time and location desired, with virtually no release elsewhere in the body. The encapsulated drug is then injected intravenously into the bloodstream. Upon intentional rupture of the liposome the drug is released. The release is controlled by gentle warming of the liposome with a source of light focused at the required site. The result is disruption of drug-containing liposomes that have been specially formulated to be heat-labile at 41˚C (105.8˚F). The heat is generated for a brief moment, and unlike laser-based photocoagulation therapies currently used, does not result in damage to adjacent tissue. When the liposome contains a dye, it can be made to fluoresce by illumination with a second, blue light. The fluorescence can be easily viewed under an ophthalmic microscope or fundus camera and the image captured on a digital camera. This technique permits exquisitely precise visualization of the retina and identification of abnormal vessels in both classic and occult AMD. The degree of identification is unavailable through any other non-invasive technique. The liposome can also contain photo-reactive drugs. In this case, following release from the liposome, the photo-reactive drug is activated with a source of red light that triggers a chemical reaction, solely at the target

site. The chemical reaction causes release of a highly reactive species called ‘singlet oxygen’ that rapidly and specifically "hits" the cells that are either contained in or are within a very small distance from the photodynamic drug. In the case of AMD, this results in destruction of the CNV. In contrast to alternative approaches to using photo-reactive drugs, PhotoTargeted delivery results in extraordinarily precise and irreversible destruction of the CNV with virtually no damage to the retina or surrounding normal vasculature. This benefit is expected to translate into increased clinical efficacy with respect to maintenance of visual acuity and rate of recurrence.

7/16 **STAAR Surgical** announced that it had received PMA approval from the FDA for it's AquaFlow Collagen Glaucoma Drainage Device for use in the correction of open-angle Glaucoma. The company is prepared to begin shipment of the device immediately. The AquaFlow has been approved and marketed in other countries for several years. In 1997, AquaFlow received CE Mark allowing it to be marketed throughout the European Union. Earlier this year a Medical Device Licensure was received from Health Canada, allowing the marketing of AquaFlow throughout Canada. According to David Bailey, president and chairman of STAAR, "We have made a significant investment to prepare for marketing of the AquaFlow upon FDA approval. We have trained over 300 physicians who are now ready to use the AquaFlow and shipments will begin immediately. FDA approval of the AquaFlow is a major milestone for STAAR Surgical as it opens a potential market in the U.S. of approximately $70 million."

Stephen Bylsma, MD of the Shepard Eye Center in Santa Maria, California who is the medical monitor for the AquaFlow said, "While the traditional trabeculectomy (glaucoma surgery) is very effective, the potential risks are not trivial. With the AquaFlow procedure, we have an effective way to lower intraocular pressure with much lower risks than standard trabeculectomy. This means a quicker return to normal activities for the patient and fewer visits and post-operative procedures for both patient and doctor. I have been impressed by the consistent results of the AquaFlow procedure, with patients returning to normal activities much faster than with traditional glaucoma surgery. Most patients have a good lowering of intraocular pressure and remain without the need for eye drops to control their pressure."

STAAR's AquaFlow Collagen Glaucoma Drainage Device is implanted as part of a lower risk, non-penetrating surgical procedure for the treatment of glaucoma that helps to significantly reduce pressure in the eye. AquaFlow study patients had very few of the complications often associated with traditional glaucoma surgery. In most cases the AquaFlow surgery eliminates the need for glaucoma medications. Glaucoma is often associated with increased intraocular pressure. Left untreated, this increased pressure can damage the optic nerve resulting in a gradual decline in vision, blind spots and eventual blindness. Affecting roughly 67 million people worldwide, glaucoma is a leading cause of blindness if left untreated. In the U.S., there are an estimated 4 million people afflicted

with approximately 100,000 new cases diagnosed each year. The worldwide glaucoma drug market is about $1.4 billion.

Following the above announcement, Ted Huber of **Banc of America Securities** released an update report on STAAR, calling the approval a modest near-term positive for the company:

- Staar received approval for AquaFlow, a device for the treatment of open-angle glaucoma. We view this as a positive milestone for Staar as this represents an estimated $70 million market in the U.S.
- AquaFlow has been sold internationally since 1997 with modest revenue (estimated sales of $0.5 million in 2000). We expect a relatively slow ramp up of sales in the U.S. due to the following factors: 1) in clinical studies only moderate benefits were demonstrated vs. trabeculectomy; 2) possibly restrictive labeling on the product; and 3) competition vs. new glaucoma drugs.
- New multi-site clinical trial ongoing. This Staar initiated trial hopes to demonstrate the benefits of AquaFlow vs. trabeculectomy. Interim data will likely be available in 2H02. We believe positive results from this trial could go a long way in supporting adoption of AquaFlow in the market.
- AquaFlow's ultimate annual potential could be $10-20 million annually. In 2001, we believe revenue will be less than $1 million. Positive clinical results could support significant growth for AquaFlow in the 2003/2004 timeframe.

7/16 This week's issue of *Vision Monday* contained the results of survey of refractive surgery attitudes conducted by **Vision Watch**, a continous consumer study of the eyewear industry available through **Jobson Research**, a division of **Jobson Publishing**, the publisher of Vision Monday. Vision Watch uses quarterly questionaires, completed by 18,000 responding consumers to generate detailed studies of buying trends and market-share data in the eyewear industry. In surveys conducted during the fourth quarter of 2000 and the first quarter of 2001, 36,000 consumers, nearly 80% of which use some form of vision correction, were asked about their attitudes toward refractive surgery.

According to Vision Monday, the survey results indicate that a still small, but growing, percentage of eyecare/eyewear customers are having such surgery done, primarily to avoid having to wear eyeglasses and contact lenses. Among those interested, but holding back from surgery, price appeared to be the overwhelming reason for delaying having it done. (Which is different from other surveys I'm aware of, which have "fear of surgery" as the major reason for delaying or not having it done.) Based on data gathered through March 2001, Vision Watch estimates that 2.5 million people had undergone surgery by the end of 2000, up from 1.3 million at the end of 1999 and 500,000 a year earlier. The number of Americans having the procedure done was 1.2 million last year, and is expected to reach approximately 1.8 million this year, increasing to 2.9 million in 2002. (Obviously, the survey's accuracy can be questioned, as our data indicates that

cumulatively, only 1.6 million people have had refractive surgery through 2000, with only 1.45 million procedures done last year, and expected to grow to between 1.8 million to 2.2 million this year.)

Some other interesting highlights of the survey: Of those who have had the surgery done, males outnumber females by 55% to 45%; annual household incomes average $60,000 or more; and the surgery appeals to younger Americans, with 39% being 18-34; 32% 35-44; and only 29% being over 45. Some 87.5% are satisfied with the surgery and have recommended it to someone else, while only 11% would recommend against it. Of those who have not yet had the surgery, 38% showed positive inclinations, with 2% saying they would definitely have it done or had already scheduled it; and another 7% saying they would probably have it done. Only 15% said they would never consider it, while 26% thought it highly unlikely that they would get it done. And, as previously mentioned, the single most important reason for having surgery was "getting rid of the hassle of eyeglasses or contact lenses". Bottom line, "the research indicated that the eyeglass/contact lens business was not in any imminent danger of being jeopardized by a wave of consumers tossing away their eyewear, however the slow but sure growth of consumer acceptance of the procedure is something for eyewear dispensers to keep their eye on, and as more consumers take the surgery route in the years ahead, eyewear dispensers will need to find ways to make up for the revenues lost to the laser!"

7/19 **Bausch & Lomb** announced the results of its operations for the second quarter, which ended June 30, 2001. Net sales during the period were $414.0 million, down 9% from the $455.2 million reported in the second quarter of 2000, and in line with updated guidance the company issued on June 12, 2001. In constant dollars (excluding the impact of changes in foreign currency exchange rates), revenues were down 5%. Net earnings were $6.8 million (13 cents per share) compared to $34.6 million (64 cents per share) reported for the second quarter of 2000. Prior year earnings reflected charges totaling $.10 per share related to the company's attempted acquisition of a competitor and the settlement of litigation. Excluding these items, net earnings in the second quarter of 2000 were $40.0 million (74 cents per share). On a geographic segment basis, revenues in the company's Americas region were down 26%. Sales in Europe grew 31%, and grew 42% in constant dollars, including the impact of acquisitions. Revenues in Asia declined 12% on a reported basis, and were down 3% when adjusted for currency changes. In the U.S., revenues declined 31% from the same period last year, and constituted 39% of total company sales. Outside the U.S., revenues grew 15%, or 25% in constant dollars, including incremental revenues associated with acquired businesses.

Sales of products for refractive surgery declined 19%, and were down 17% in constant dollars. The decline was driven by the Americas region, where the company's results continue to be impacted by soft customer demand for new capital equipment and intense competition in the U.S., as well as market disruption caused by the cessation of the North American operations of certain large chains of refractive surgery centers. Outside North

America, sales of refractive surgery products were up sharply in local currency, benefiting from robust growth in refractive surgery procedures and continued strong demand for the company's Zyoptix system, the first commercially-available system for customized refractive procedures.

Commenting on results for this quarter, William Carpenter, Bausch & Lomb's CEO, said, "Our business outside the U.S., which now comprises the majority of our sales, continues to perform very well in most markets, excluding the impact of swings in currency exchange rates. As we highlighted in June, however, our performance continues to be hindered by the very difficult conditions we are dealing with in the U.S. market. While we anticipate that these issues will remain challenging over the rest of 2001, we are confident that we are taking the right steps to ensure that our businesses are well-positioned for a return to solid growth next year."

Following the release of financials, Ted Huber and Anthony Sterling of **Banc of America Securities** issued their update report. Highlights included:

- **Top-line freefall and no forward guidance.** BOL revenues and profits plunged 2Q01 (down 9% and 83% respectively) and management will offer no predictions about the future. We believe BOL shares are expensive with few positive catalysts ahead.
- **Vote of confidence in Management:** BOL's Board is sticking with the current management team but has brought in former Chairman William Waltrip to lead the Board.
- **Revenue declines across the Board:** Excluding currency, revenue fell 2% in contact lenses, 22% in solutions, 2% in cataracts and 17% in refractive surgery. Pharma revenue declined 9.8%, excluding currency and acquisitions.
- **No quick solutions:** We see no quick turnaround in BOL's deteriorating competitive positions and difficult market conditions. We see slower sales declines and a slight profit rebound 2H01 and 2% revenue growth in 2002.

Refractive (9% of 2Q01 revenue): Revenues declined 19% yr/yr (-17% in constant currency). Domestic sales continue to be impacted by a slowdown in the number of new refractive surgery centers being opened. Compounding the slowdown was the closure of two Canadian refractive surgery chains (**Lasik Vision**, **ICON**), which has created a secondary market for inexpensive used equipment. Sluggish capital equipment sales are also weighing on BOL's microkeratomes business. Also contributing to the weakness in revenue was a 5% yr/yr decline in industry laser surgery volumes in 2Q01. This weakness is likely to continue into 2H01. Internationally revenues grew 24% yr/yr as BOL benefitted from continued growth in refractive surgery procedures (year to date European industry refractive procedures are up 50% yr/yr) and robust demand for its Zyoptix system (30 OUS placements) for customized procedures.

7/19 With the recent FDA approval for **Refractec** to begin its Phase III clinical trial to study the treatment of presbyopia using Conductive Keratoplasty (CK), the company believes that this is welcome news for the future of vision correction for millions of Americans, present and future, that suffer from presbyopia. "By age 45, nearly eight out of ten adults need corrective lenses for presbyopia. The number becomes 100% in people over 50," stated Dr. Daniel Durrie, FDA clinical investigator. "Suddenly, after 45 those who had been lucky enough not to need glasses now need them for reading. Based upon my previous experience with CK, these patients should be able to read newspaper print immediately after the procedure."

Conductive Keratoplasty is performed using a new device called the ViewPoint CK System, which is manufactured by Refractec. The device uses radio frequency energy to shrink collagen tissue within the cornea, thus reshaping it. The ViewPoint CK System is already approved in most major international markets.

"We hope the presbyopia clinical trial gets us closer to eliminating the need to wear glasses just because you're 40+ and your eyes are naturally aging," said Dr. Penny Asbell, a principle investigator for the FDA clinical trials and Professor of Ophthalmology at Mount Sinai School of Medicine in New York.

A few days after the announcement above, an article about CK appeared in *Medical Device Daily*, written by staff writer, Holland Johnson. It picked up on the major themes of the above news release by the company, with a little additional information supplied by a company source.

As quoted in the article, Lauren Kanner, vice president of marketing for Refractec, said, "unlike radial keratotomy where a doctor makes slits to weaken the cornea and flatten it, this new technique is a strengthening procedure. A small probe is inserted into the cornea and radiofrequency is released and that denatures the [corneal] tissue so that the cell structure is very tight." This shrinks tissue in a localized spot, she said, thus creating a tightening band that steepens the center part of the cornea. This steepening of the cornea "gives patients excellent distance and/or near vision." Start to finish, the procedure takes a little less than three minutes. "Patients can actually read their watch or newspaper right away. There is a little swelling that goes on initially, but by the end of the first week patients have adjusted to both their distance and near vision." This is generally a one-time procedure, according to Kanner, except in the case of presbyopia. "The difference in presbyopia, unlike hyperopia or myopia, is that presbyopia tends to be a bit more progressive because it's really just a breakdown in the ability to focus as you age," she said. So some people probably will have to be done at the ages of 40 and 50, but not every year.

7/24 **IRIDEX Corporation** announced that sales for the second quarter ended June 30, 2001 were $7.1 million, a decrease of $1.7 million compared to the corresponding quarter in

2000, but an increase of $1.4 million compared to the first fiscal quarter of 2001. The company reported income from continuing operations for the second fiscal quarter of $11,000 (0 cents per share) compared to $747,000 (11 cents per share) for the corresponding quarter in 2000. Net income from continuing operations for the second quarter of 2001 was $935,000 higher than the net loss from continuing operations reported in the first quarter of $924,000. The company also announced that revenue shipments of the Apex 800 Hair Removal System had begun. (See the brief in the Medical/Surgical section of this newsletter.) There was no revenue from the Apex 800 in the second quarter of 2001.

"We were able to return to a breakeven level in the second quarter," commented Theodore Boutacoff, president and CEO of IRIDEX. "Thanks to higher than expected sales of ophthalmology products and to aggressive cost controls which kept expenses in line with sales. The key component supply issue, which hampered sales in the first quarter, has been resolved. While we remain cautious, we see a number of opportunities to improve profitability. In the short term, revenue from the Apex 800 combined with expense management should return us to a modest level of profitability in the third quarter. Efforts to have more Medicare carriers reimburse our AMD procedures are encouraging and we expect to see it translate to increased sales of products used for these procedures by the fourth quarter."

7/25 **QLT Inc.** reported financial results for both the second quarter and first half of 2001. For the six months period, QLT reported net income of CND$19.3 million (US$12.6 million) (28 cents (US19 cents) per share) compared to CND$1.7 million (US$983,000) (2 cents (US1 cent) for the same period in 2000. For the quarter, QLT reported net income of CND$6.6 million (US$4.3 million) (10 cents (US6 cents) per share) compared to CND$14.2 million (US$9.6 million) (21 cents (US14 cents) per share for the same period in 2000 and CND$12.7 million (US$8.3 million) (19 cents (US12 cents) per share) in the first quarter of 2001. Net income was lower in the second quarter of 2001 compared to the same period last year due to a one-time gain from the sale of PHOTOFRIN rights to **Axcan Pharma** recorded in Q2 2000. The strengthening of the Canadian dollar during the second quarter also impacted net income. Excluding the effect of the resulting foreign exchange loss, the Company would have reported net income of 15 cents (US10 cents) per share for the second quarter, 2001. This compares to first quarter earnings per share of CND$0.11 (US $0.07), excluding foreign exchange gains.

"We continue to be pleased with the growth in sales of Visudyne generated by our marketing partner, **Novartis Ophthalmics**, the eye health unit of **Novartis AG**," said Dr. Julia Levy, QLT's president and CEO. "Visudyne has clearly been adopted as the therapy of choice in treating age-related macular degeneration. We look forward to expanding the use of Visudyne through approvals in new jurisdictions as well as new indications."

Worldwide Visudyne (verteporfin) sales grew 17% in the second quarter to CND$86.7 million (US$56.2 million) over the first quarter of 2001 and 120% over the same period last year. Approximately 64% of second quarter sales for Visudyne or CND$55.5 million (US$36.0 million) were generated in the United States with the remaining 36% from sales in Europe, Canada and other markets. Unit sales for Visudyne grew to approximately 49,000 vials in the second quarter, representing a 21% increase versus the first quarter of 2001. The difference in unit sales and dollar sales growth relates to foreign currency fluctuations. QLT's revenue from Visudyne consists of reimbursement for manufacturing and other costs along with 50% of the Visudyne net profits which are calculated as sales less marketing, overhead and manufacturing costs. QLT's share of Visudyne net profits (excluding reimbursement for manufacturing and other costs) for the second quarter was 26.8% of total Visudyne sales. "Despite a higher percentage this quarter, we continue to expect QLT's share of net profits from Visudyne to be approximately 25% of total Visudyne sales for the year," added Dr. Levy.

Nine new country approvals for Visudyne were received during the second quarter, bringing the total number of countries where the product is commercially available to 48. Advances in European reimbursement were made during the quarter with France, Italy, Spain and Sweden implementing reimbursement policies. Novartis Ophthalmics continues their efforts in European countries where reimbursement remains outstanding.

7/25 **NovaMed Eyecare, Inc.** announced that revenues for the second quarter ended June 30, 2001 increased 9.6% from the second quarter of 2000 to $37.4 million. Net income for the quarter of $1.2 million (5 cents per share) declined from $1.5 million (6 cents per share) in the second quarter 2000. Cash flow from operations (EBITDA) for the quarter totaled $5.0 million, up 8.4% from $4.7 million in last year's second quarter. Surgical procedures performed in NovaMed's surgical facilities in the quarter increased 5.2% from the prior year period to 14,320 procedures. In the second quarter, cataract surgical procedures increased 31% to 5,733 procedures, while laser vision correction procedures declined 16% to 5,569.

For the first half of the year, revenues rose 13% from the first half of 2000 to $74.2 million. First half net income totaled $2.4 million (10 cents per share) compared to net income of $2.9 million (11 cents per share) in the prior year first half. Cash flow from operations (EBITDA) for the first half 2001 of $10.0 million increased 10.5% from $9.1 million in last year's first half. First half 2001 surgical procedures performed in NovaMed's surgical facilities increased 11.6% from the first half 2000 to 28,905 procedures. Cataract surgical procedures increased 20% to 10,202 procedures and laser vision correction procedures increased 6% to 12,727.

Consolidated income from operations in the second quarter totaled $2.7 million, down slightly from $2.8 million in the prior year period, primarily reflecting soft demand for

laser vision correction surgery. Lower second quarter 2001 corporate expenses and sales and marketing expenses when compared to the second quarter 2000 were offset by higher expenses primarily associated with the expansion in the Southeast region. Consolidated income from operations of $5.5 million for the first half declined slightly from $5.6 million in the comparable prior year period, reflecting the factors cited above.

NovaMed owns and operates 15 practice-based, single-specialty ambulatory surgery centers and operates 15 practice-based laser vision correction centers in six core U.S. regional markets, including Chicago, Kansas City, Louisville, St. Louis, Richmond and Atlanta/Chattanooga. NovaMed is affiliated with approximately 120 eye care professionals in its six core regional markets and also provides services under six fixed-site laser services agreements.

7/26 **Novartis Ophthalmics** and **QLT Inc.** announced that the Therapeutics Products Directorate of Health Canada had granted approval for Visudyne (verteporfin for injection) therapy for the treatment of predominantly classic subfoveal choroidal neovascularization (CNV) due to pathologic myopia. Visudyne was previously approved in May 2000 in Canada for the treatment of CNV due to age related macular degeneration (AMD), the leading cause of blindness in people over the age of 50. "This approval will make a significant difference in the lives affected by this condition," said Dr. Pat Harvey, Retina Unit, Vision Science Program, Toronto Western Division, University Health Network. "Until now, we had limited treatment options to offer patients faced with the prospect of losing their sight from this disease which affects people in the prime of their lives."

"We are extremely pleased with Health Canada's decision," said Dr. Julia Levy, president and CEO of QLT Inc. "Visudyne therapy has demonstrated the ability to stabilize, and in many cases improve vision in patients with this devastating condition. In our fight against blindness, Novartis Ophthalmics and QLT are proud to once again be leading the way in addressing serious ocular conditions."

7/26 **Eyesite.com, Inc.**, a subsidiary of **Rhino Enterprises Group, Inc.**, announced that it had changed its name to **Eyesite Laser Centers, Inc.** Eyesite operates a laser surgery center in Dallas, Texas. Sumner Rand, president and CEO of Eyesite stated, "This name change more accurately reflects the business that Eyesite is actively pursuing. Eyesite's current focus is on positioning ourselves in the estimated $50 billion worldwide eye care industry and to capitalize on the opportunities in the laser vision correction field. We still anticipate developing our web site, **www.eyesite.com**, to provide more comprehensive information and services to the eye care industry."

Rhino operates in two business segments -- business incubation and eye care. Rhino's business incubation services include providing management, consulting services, and financing to assist both start-up and emerging or developing entities, as well as

established operating enterprises to avail themselves of various growth opportunities. Its eye care segment is positioning itself to be a leading provider of affordable laser eye surgical procedures and vision correction information and products.

7/26 According to **VisionMed** of Edmonton, Canada, some 200 former **Lasik Vision** patients will receive special consideration as part of the purchase of the Edmonton operation by **Family Vision Care (FVC)**. The patients lost their pre-payments for laser eye surgery when Lasik's 14 Canadian locations went into receivership. "We've purchased all the assets and equipment of the Edmonton LASIK operation, and we will also be implementing a program for patients who had already paid for surgery when the company ceased operating," said Michael Melenchuk, FVC president and CEO. The program is directed at patients who paid in advance for laser eye surgery. While FVC is not responsible for the money lost, the company is able to provide laser vision correction services at their new facility, VisionMed, to patients who had already booked and paid for surgery. "Part of the diagnostic process had already been carried out," explained Melenchuk, "so we are willing to apply that to the surgery charge. Additional assistance is coming from the surgeons. We will be dealing with each patient on an individual basis."

VisionMed is a 100% owned subsidiary of Family Vision Care Ltd. (FVC) and currently operates vision correction centres in Edmonton, Calgary and Vancouver. VisionMed's facility in Edmonton also includes a full range of eye care services on the same premises as the laser facility. FVC is an Alberta company that was established in 1977. It is a medium sized vision care company with 84 employees and doctors.

7/30 According to *EyeWorld Week*, **Bausch & Lomb** and **Oasis Medical Inc.** are locked in a patent dispute over competing microkeratome blades. As reported by the weekly newsletter, the U.S. District Court for the Central District of California denied two motions Oasis Medical made for a summary judgment in a patent lawsuit filed by Bausch & Lomb alleging infringement of its U.S.Patent 6,051,011. The patent covers the Accuglide microkeratome blade, used in the company's Hansatome microkeratome. The court found that Bausch & Lomb made a prima facie case for patent infringement and ordered that the case proceed. In a press release, Bausch & Lomb characterized this as a "preliminary finding that Oasis Medical Inc. had infringed" the patent. However, according to Oasis, the court's observation of unclear language in the patent "is likely to result in Claim 54 being rendered invalid." Claim 54 of the patent pertains to a "rear edge" of the Hansatome microkeratome blade assembly. The court rejected definitions of the claim proposed by both companies.

OPHTHALMIC LASER UPDATE -- August 2001

7/31 **ESC Medical Systems Ltd.**, to be renamed **Lumenis Ltd.**, and **WaveLight Laser Technologie AG**, of Erlangen, Germany, signed an agreement granting ESC Medical

exclusive worldwide distribution rights for WaveLight's refractive laser products in most major markets, including the United States and Japan. This new agreement amends the previous contract between WaveLight and **Coherent Medical Group** -- which was acquired by ESC Medical in April -- for distribution of the Allegretto Wave LASIK laser system and extends the relationship to include the United States and Japan. As part of the previous agreement, ESC Medical currently markets WaveLight refractive devices in most Asian, European, Latin America and Middle East markets. The contract excludes rights in several countries where WaveLight has pre-existing agreements in effect.

"We are very pleased to expand our relationship with WaveLight and receive further endorsement for our distribution of the Allegretto Wave LASIK System, which is now recognized as the market technology leader. The amended agreement with WaveLight leverages the reach and effectiveness of our global distribution network in ophthalmology that is a key strength resulting from our union with Coherent," said ESC Medical president and CEO Yacha Sutton.

ESC Medical estimates that sales in the worldwide refractive laser market are currently at $350 million per year and growing. In the United States alone there are some 4,000 active refractive surgeons who performed more than 1.5 million procedures in 2000. "Our refractive product is setting a new standard for the industry. The WaveFront technology employed by the Allegretto yields superior results compared to products existing in the market, and we have seen enthusiastic response by ophthalmologists," said Max Reindl, president and CEO of WaveLight. "The amended agreement with ESC extends the global reach of our technologies and teams us up with the clear market leader in ophthalmic lasers."

According to ESC Medical estimates, presently only 15% of the nearly 4,000 active refractive surgeons in the United States own a refractive laser device. Furthermore, with 15,000 ophthalmologists in the United States, several thousand more could potentially become active refractive surgeons as the technology progresses. Also, just 2% of LASIK candidates have already undergone the procedure. Japan, the world's second largest ophthalmic device market, is at an earlier point in the adoption cycle, with device penetration in only a small percentage of potential sites.

"Although WaveLight's Allegretto Wave LASIK System is currently just a small part of our ophthalmic business, we believe that it represents a major earnings and growth opportunity for ESC Medical. The United States and Japan represent two very large potential markets for refractive surgery, and we are pleased to be able to gain a foothold in these markets with this outstanding product," said Sutton. "Our existing installed base of ophthalmic lasers puts us in contact with more than 20,000 ophthalmologist offices and clinics around the world. This product builds on our track record of marketing cutting edge products with significant private pay opportunities to physicians."

Under the terms of the agreement, ESC Medical, already the market leader in ophthalmic lasers in Japan, will undertake the process of obtaining approval for import and sales of Allegretto from the Ministry of Health, Welfare and Labor in Japan. In the United States, WaveLight is conducting a clinical study at 11 sites in preparation for filing for approval by the FDA. ESC Medical will use its extensive U.S. field service organization to support the clinical trial sites and establish the infrastructure for the U.S. product launch.

7/31 **LCA-Vision Inc.** reported financial results for the three and six months ended June 30, 2001. For the second quarter, the company posted net income of $755,000 (2 cents per share) compared with a net loss of $668,000 (1 cent per share) in the second quarter of 2000. Laser vision correction revenues for the second quarter increased 43% to $21.4 million, compared with $15.0 million in the second quarter of 2000. For the six months, the company reported net income of $2.1 million (4 cents per share) versus a net loss of $606,000 (1 cent per share) in the first six months of 2000. Laser vision correction revenues for the first half of 2001 increased 32% to $43.9 million compared with $33.2 million in the first half of 2000.

"Although I am pleased that operating results improved nicely for the first six months of 2001, the short-term outlook is uncertain. The impact of a slowing economy and reduced consumer spending that we experienced toward the end of the second quarter has continued through July. While we believe that this slowdown will be relatively short-term, we nevertheless are moving to reduce operating costs and we have postponed plans to open new centers. Despite these measures, we do not foresee operating profitability in the third quarter," commented Tom Wilson, LCA-Vision chief executive officer. "We remain fully committed to our business model and we have recorded steady procedure price increases since December and we expect this trend to continue. Clinical outcomes at our LasikPlus centers have been outstanding, and the benefits of laser vision correction to the millions of Americans affected by poor vision are just as powerful as ever," Wilson added. "We are proud to be a charter member of the recently formed Refractive Surgery Industry Association, whose goals include addressing misinformation concerning laser vision procedures, and to maintain a widespread, favorable and accurate perception of our industry."

The company just opened a new LasikPlus center in Richmond, Virginia. The initial patient response in Richmond has been outstanding. "Already, appointments for eye exams are fully booked until September and we expect the center to be profitable in its first full quarter of operation," according to Wilson. LCA-Vision owns and operates 32 LasikPlus laser vision correction facilities in the U.S., plus one in Canada and a joint venture in Europe.

7/31 **SurgiLight Inc.** announced that it had signed an exclusive Distribution Agreement with **Schmidt Group Practice company** of Taiwan to sell its IR-3000, which is intended to treat a variety of ophthalmic conditions including presbyopia. The exclusive license

covers Taiwan, China, Hong Kong, Singapore, Malaysia and Indonesia and certain other small countries. The distributor has committed to purchase more than $8.5 Million in systems over the next three years. The Distributor will provide a $300,000 license fee before September 15, 2001 plus $1 million in equal installments over the 18 months from market approval in Taiwan. In addition, SurgiLight will receive recurring income from procedural fees and sale of disposable items such as fiber hand pieces and fiber tips. Schmidt plans a final due diligence trip to SurgiLight in early August.

According to the terms of the exclusive Agreement, the Distributor will be responsible for obtaining the appropriate International approvals prior to selling the product except for the Chinese approval which will be obtained by SurgiLight. Schmidt Group Practice is based in Taipei, Taiwan and operates more than 20 clinics in Taiwan. It has a division in China for the distribution of medical equipment. Schmidt Group plans to place up to 120 laser units into Pacific Rim clinics over the next 3 years.

This agreement follows directly on the heels of a similar agreement to sell the IR-3000 in Canada through **EnVision**. Envision committed to $3 million in system sales and $5 million in procedure fees over the next three years. JT Lin, president and CEO of SurgiLight stated, "These two licensing agreements demonstrate the recognition that Surgilight's laser system for treatment of presbyopia is an important advance in the field of ophthalmology. Schmidt/Taiwan Group is a well respected healthcare company and has more than 15 years experience in selling medical equipment and operating general clinic. We eagerly anticipate working closely with Schmidt Group and their team, which has a proven management and regulatory track record, to bring this advanced technology to the areas serviced by Schmidt. The Pacific Rim is a critical market, which should be well managed by the experienced Schmidt Group team."

7/31 **Prime Medical Services, Inc.** announced financial results for the second quarter and six months ended June 30, 2001. Revenues for the second quarter increased by 18% to a record $38.9 million from $33.0 million for the comparable year-ago period. Net income before nonrecurring items was $2.1 million (14 cent per share) for the quarter compared with $3.3 million (20 cents per share) a year earlier. For the six months period, revenues increased by 15% to $71.7 million from $62.4 million during the same period a year ago. Net income before nonrecurring items was $4.1 million (26 cents per share) compared with $6.6 million (40 cents per share) for the year-ago period.

Ken Shifrin, chairman, stated, "Our most significant accomplishment this quarter was the May acquisition of **Calumet Coach**, the world's leading manufacturer of mobile medical technology. We are making excellent progress with the integration of this acquisition and are pleased with the improvements being implemented at both of our Chicago-based manufacturing facilities, now operating as **AK Specialty Vehicles**. The consolidation has been very well received by our customers. Product demand is accelerating, a trend we expect will continue through the remainder of 2001. Revenues from this business

segment for the second quarter 2001 were $12.4 million, a 123% increase over the same quarter in 2000."

Brad Hummel, President and CEO, commented, "Our refractive vision correction (RVC) unit experienced a 20% decline in procedure volume, which we attribute to general economic conditions and marketplace confusion resulting from bad publicity primarily related to discount providers. While we are disappointed with the revenue declines, RVC remains a solid cash flow contributor. Pricing appears to be stabilizing and there continues to be competitive shake-out and a greater consumer awareness of the importance of the surgeon and the quality of the technology employed when making a decision regarding LASIK surgery. We believe the experience and reputation of our physician partners, as well as the investment we have made in technology, have broad appeal to prospective LASIK patients, placing our business on a solid footing for continued profitability."

Prime currently operates a fleet of 68 lithotripters and 15 refractive surgery centers in 33 states. These centers perform approximately 36,000 lithotripsy and 30,000 LASIK procedures on an annualized basis.

7/31 **Blue Cross and Blue Shield of South Carolina** members have saved millions of dollars on laser eye surgery since the insurer launched its discount LASIK vision correction program last September. Under the program, more than 1,300 members have had the surgery performed by network doctors, saving members over $2 million. The program is one of the first in South Carolina which allows members significant discounts on LASIK vision correction services. Members of Blue Cross and its subsidiary companies can receive discounts on LASIK services, including a vision exam, pre-operative care, the surgery itself and post- operative care. The cost for members is $799 per eye. The services are provided by **TruVision**, an organization that works with experienced ophthalmologists and provides discounts and other vision services to millions of people nationwide.

"The program is a huge success," said Rick Gallion, Blue Cross' director of complementary and alternative medicine. "Because our members each save hundreds of dollars when they have the surgery, many more people now are opting to have it." Between September 2000 and July 2001, 12,848 members inquired about the program, and 2,618 of them scheduled pre-operative eye exams. Network doctors performed 2,676 LASIK procedures on 1,338 members following the pre-operative exams. In customer satisfaction ratings, 97% said the quality of service at the laser surgery centers was good or excellent, 95% said the follow-up care was good or excellent and 96% rated the quality of service at the call center good or excellent. Those surveyed also would recommend the program and were happy with the price: 97% said they would recommend the program to family and friends and 95% said the price they paid was good or excellent."

8/1 **SurgiLight** announced that 3 clinical and technical papers were presented on presbyopia using SurgiLight technology at the *International Society of Refractive Surgery (ISRS) Conference* just held in Orlando, Florida. The first paper presented at the Conference summarized clinical results using the IR-3000 system for the treatment of presbyopia performed in The Bahamas. Dr. Todd Beyer and Dr. John Rodgers presented their results and theory regarding the change in accommodation with the treatment of 20 patients. Dr. Beyer, who was also treated, presented detailed results of his own follow-up. Dr. Beyer has shown some regression as has one other patient, due to one of his radial cuts not being per protocol. No complications were reported.

The second paper showed the results from Argentina on 61 eyes from 35 patients (with a mean age of 53.2 years) performed by Oscar Mallo, MD. Dr. Mallo concluded that 87% of these cases showed a post-operative reading of J1 (equivalent to 20/25 near vision) on a follow up of 1 to 11 months. The IR-3000 laser results are much better than those obtained by other non-laser methods. The third paper about a new theory for the Laser Presbyopia Reversal (LAPR) was presented by JT Lin. Dr. Lin provided details of the mechanism of the laser procedure and guidance for many of the clinical and technical issues. Dr. Lin proposed two equations that account for the majority of the surgical presbyopia effect. A session at ISRS was devoted to treatments of presbyopia. Presbyopia is currently one of the hottest topics among ophthalmologists worldwide.

8/1 According to a study in the August 2001 issue of *Ophthalmology*, both conventional monovision (dominant eye corrected for distance vision) and crossed monovision (dominant eye corrected for near vision) after PRK refractive surgery are valuable options for patients with presbyopia. In this retrospective observational case series of 144 patients, 45 years or older, surgically corrected for presbyopia, the authors found 88% of the patients satisfied with the visual outcome after monovision PRK. This patient satisfaction rate is higher than the 76% success rate of contact lens monovision. Further, ten times more patients received unilateral (one-eye) rather than bilateral (two-eye) treatment. Sandeep Jain, MD, lead author of the study, said, “Treating only one eye to achieve monovision creates the potential for a more economical alternative to conventional bilateral treatment.”

The authors also found that crossed monovision, whether created intentionally or unintentionally through unpredictable refractive outcomes, yielded satisfactory results. In this series, 43% of the patients had crossed monovision. Also, unilaterally treated monovision patients had an 11% rate of unpredictable outcome, representing a 32% lower rate than those patients receiving full bilateral treatment.

8/1 **STAAR Surgical** presented its business strategy to enable the company to become cash neutral on business operations by the end of the third quarter and both cash positive and profitable on business operations early in 2002. The plan is the result of a "root and branch" review promised by chairman and CEO David Bailey to shareholders at

STAAR's annual meeting held May 25th. To implement the plan, resolve current inequities in the business and to position the company for strong growth and profitability going forward STAAR expects to take an approximate $12 million in charges over the next several quarters.

Highlights of the plan are:

* Returning the company to its roots and heritage of developing and marketing unique, high margin visual implants underpinned by a solid IP portfolio.
* Strengthen management in certain key positions with qualified candidates whose experience and knowledge will contribute to STAAR's goals and objectives going forward.
* An immediate 25% reduction in the world-wide work force.
* Make operations more efficient by consolidating manufacturing and distribution, projected to return a significant savings on a go-forward basis.
* Develop new partnerships and relationships that will further our market reach and enhance the company growth and profitability.
* Implement successful commercialization of the company's newest approved products, Aquaflow, which received FDA approval in the U.S. and the Implantable Contact Lens (ICL), which received a Medical Device License from Health Canada. The company expects these products to account for approximately 40% of Group Sales within three years.
* Strengthen research & development and marketing for the company by doubling spending in these areas over the next three years so STAAR is better able to create and market new products necessary to ensure a strong and viable future for the company.
* Reduce the cost of manufacturing silicone Intraocular Lens (IOL) by 30% by first quarter 2002 to turn the product into a profitable cash generator for the company.
* Review events that lead up to the recent voluntary recalls prompted by the packaging of the three-piece Collamer lens and a material issue with the Silicone IOL and making the necessary changes to eliminate this cost of non-conformance.

The costs of implementing the new strategy are:

* An estimated $2.5 million charge expected to be taken in the third quarter, 2001 for severance and the write down of certain production assets. By removing excess capacity and manpower the company will generate significant go-forward projected savings. In addition, through the charge, the company expects to reduce unit production costs for the Collamer IOL by at least 30%.
* Subject to appropriate discussions with local workforces, in the fourth quarter, 2001 an estimated $1.0 million charge will be taken to close certain overseas operations, generating annual savings in excess of $1.0 million.
* In the fourth quarter, the company will take an estimated $2.8 million write-down to bring plant capacity and equipment for Silicone IOL business in line with current market

conditions. This is anticipated to lower manufacturing unit cost for the Silicone IOL by at least 30%. Based on volumes within our plan, this will provide payback in 15 months.

Additional costs will be taken to correct inequities in the company management found during its "root and branch" review:

* In the second quarter an estimated $2.0 million charge for excess and obsolete inventory.
* A $3.6 million charge will be taken in the second quarter, 2001 for failed products found during the company's voluntary recall of the three-piece Collamer IOL and the Silicone IOL's.

Taken together these charges total an estimated $12 million. David Bailey said of the charges, "It is unfortunate to have to take these charges only 15 months after the company had taken a $17 million charge. However, it is a necessary cost in order to turn STAAR Surgical company into a viable strong business able to provide shareholders a strong return for years to come."

Bailey stated that the strategy the company is implementing enables STAAR to generate in 2002:

* Compound annual growth of 17% to 20%,
* Strong cash flow increases and rising profitability,
* Significant margin improvements.

"We have thoroughly reviewed all aspects of the business," Bailey added. "Going forward, I think you will be pleased with the return this investment will provide shareholders. Our strategic review started on the premise that we needed to look at everything, leave no stone unturned, and take the strong and decisive actions required to resolve any issues we uncovered if we are to regain our position as a leader in visual implant technologies. The new strategy will realize our initiatives to strengthen R&D, global marketing and deliver improved operational performance that will drive cash flow positive in the third quarter, prior to charges, and turn us profitable in 2002 as I promised shareholders at our May 25th annual meeting."

During the first half of 2001 STAAR experienced an annualized cash outflow of $6 million. In the second half of the year the company expects to be cash neutral to cash positive by a few hundred thousand dollars. In 2002 the company expect cash flow in excess of $5 million and 2003 cash flow positive in excess of $10 million.

Following the above announcement, Ted Huber of **Banc of America Securities** issued an update report on the company, in which he stated that the "restructuring was a positive, but turnaround was too early to call".

* The right moves but execution risk remains high: This restructuring is a positive but we fear that glaucoma and refractive products may not ramp up soon enough to overcome Staar's decline in cataracts.
* Staff cuts, consolidation and geographic contraction: Staar is making several moves to improve profitability and refocus its business for growth, resulting in $12 million in charges from 2Q01 to 4Q01.
* The growth strategy: Staar plans to cut cost in cataracts (over 90% of revenue) and manage that business for profits above growth. Staar expects 20% revenue growth driven by glaucoma and refractive products.
* A new management team below CEO Baily: Staar is actively recruiting a CFO and head of R&D. A new SVP of operations will take over from recently departed quality and manufacturing heads.
* BAS estimates under review, reiterate Market Performer rating: Charges aside, we expect Staar's operating results for 2001 to be materially worse than our current estimates. Product recalls and tough market conditions in cataracts should dominate the story.

8/1 **Anamed, Inc.** announced that it's PermaVision intracorneal lens had received the CE Mark and approval for commercial distribution throughout the European Union (EU). The company plans an EU launch of the PermaVision lens to correct hyperopia up to +6 diopters in mid-2002. "I am as excited by this technology as I was when I did my early Lasik procedures in 1995. This procedure goes a long way to becoming the ideal refractive procedure which is additive, adjustable and reversible," said clinical investigator Dr. Sheraz Daya, MD, of the Queen Victoria Hospital, East Grinstead, UK.

Anamed is the only company with approval to commercialize intracorneal lenses. The lens is implanted in a sutureless synthetic keratophakia procedure to correct refractive errors of the eye. While keratophakia has been under development for the past 50-plus years, it took Anamed's proprietary Nutrapore material to make the procedure viable. The Nutrapore material from which the PermaVision lenses are made mimics the properties of the stroma for water content, refractive index, optical clarity, fluid transport, and permeability of metabolites and oxygen. The micron-precisioned lenses are placed inside the cornea in a sutureless procedure to correct refractive errors of the eye. A hinged flap is made in the cornea -- just as in LASIK -- the lens is placed under this 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.

An on-going international, multi-center clinical trial was opened in December 1999, expanded to four sites in 2000 and to 14 centers in 11 countries during 2001. In addition, the PermaVision lens has successfully completed long-term porcine evaluations. An FDA-approved clinical trial of the PermaVision lens will begin in fall 2001.

8/1 As previously announced (see the July 26th brief in last month's newsletter), the purchase of the Calgary operation of **LASIK VISION Inc.** by **Family Vision Care (FVC)** will allow for special assistance to patients who lost their pre-payment for laser surgery when LASIK went into receivership. "We'll be implementing a program for patients who had paid for laser eye surgery when Calgary LASIK ceased operating," said Michael Melenchuk, FVC president and CEO. "We have purchased the entire Calgary LASIK operation and have re-opened in the same premise as **VisionMed**. We've also retained the original surgeon, Dr. Arun Lakra and most of the staff." While FVC is not responsible for the funds the patients lost when LASIK went into receivership, the company is willing to provide laser vision correction services at their new VisionMed facility for patients who had already booked and paid for surgery. "Part of the diagnostic process had already been carried out," explained Melenchuk, "so we are willing to apply that to the surgery charge. Additional assistance is coming from the surgeons. We will be dealing with each patient on an individual basis."

8/1 The July issue of *Ophthalmology Management* contained an excellent overview of emerging treatments for presbyopia. The article covered surgical modification of the cornea (i.e., monovision LASIK, LTK from **Sunrise** and conductive keratoplasty from **Refractec**); the use of intracorneal lenses (Lindstrom); incisions at or near the limbus (Thornton); laser presbyopia reversal (LAPR) (**SurgiLight**); the use of multifocal IOLs (Array from **Allergan**, and accommodating IOLs from **C&C Vision** and **Human Optics**); and implantation of scleral implants (**Presby Corp.**). Prepared by Dr. Warren Cross of Houston, TX, the article is a thorough overview of almost all of the emerging treatments being attempted today, and what might be on the horizon.

8/6 According to *OptiStock*, **Ponte Nossa Acquisition Corp.** has acquired **Visijet Inc.**, a private company that developed the FDA-approved Hydrokeratome, essentially a microkeratome that uses a high-pressure beam of water to cut corneal tissue during LASIK. Still in development, the Pulsatome which uses waterjet technology to remove cataracts. FDA approval is expected in early 2002.

OptiStock also reported that a company called **eVision**, a subsidiary of the Roanoke, Va.-based **Egg Factory**, is working on eyeglasses that focus electronically no matter which area of the lens the eye looks through, according to an article by Zillah Bahar for *TheStandard.com*. eVision uses a range-finder to measure the distance between lens and object and software to decide how much electric charge to apply to the lens, which in turn changes its index of refraction. Especially useful for people with presbyopia, eVision glasses would eliminate distortion problems caused when wearers look through zones of their progressive lenses that are inappropriate for a particular viewing task.

Unresolved technological problems include:

- Developing polymers or liquid crystals that do not make the electronic spectacles function as sunglasses. At present, the materials used in the prototype lenses absorb too much light to be useful indoors.
- Finding a place on the eyeglass frames for the microprocessor and the battery used to create the electric charge.
- Ensuring that the indices of refraction are accurate and do not distort images.
- Preventing humidity and particulate matter from affecting the performance of the charges that alter the index of refraction.

Physicist Dwight Duston, chief technology officer of the Egg Factory, thinks the eVision glasses eventually might be manufactured cheaply enough to be sold to consumers for the same price as bifocals, which cost about $400. But that's looking years into the future. For the moment, eVision's more pressing challenge is getting the newfangled specs to work correctly in the first place. Duston expects to resolve the above issues within two years, after which the glasses can move on to the development and production stage. **Johnson & Johnson**, an eVision investor, has a first option for developing the technology. At this point, the company has not made a commitment, but even if Johnson & Johnson decided not to manufacture the glasses, it could profit from a licensing agreement made with a third party.

8/9 **LaserVision Centers** announced that it had agreed to acquire certain assets and liabilities of **ClearVision Laser Centers, Inc.**, based in Lakewood, Colorado. In addition, LaserVision said that it had acquired the assets of **Ophthalmic Resources, Inc.**, an Omaha, Nebraska based cataract surgery company.

LaserVision will acquire the assets of ClearVision using restricted stock in a transaction that is expected to close within the month and has acquired the assets of Ophthalmic Resources in an all cash transaction. The company said that it believed the acquisitions would be accretive to fiscal 2002 earnings. Further terms were not disclosed.

ClearVision operates fixed and mobile excimer lasers used in refractive eye surgery commonly known as LASIK. Once the acquisitions are completed, LaserVision will operate 125 excimer lasers in the United States providing access to over 925 surgeons in more than 360 locations in 47 states. The combined corporate entity is expected to perform more than 40,000 procedures per quarter, firmly solidifying LaserVision's position as the world's largest excimer laser provider. **A.G. Edwards and Sons, Inc.** acted as LaserVision's exclusive financial advisor in the ClearVision transaction.

With the acquisition of the assets of Ophthalmic Resources, LaserVision, through its **Midwest Surgical Services** division, will provide cataract services to 226 surgeons in 251 hospitals in 36 states. "These acquisitions are excellent strategic moves for LaserVision," LaserVision chairman and CEO John Klobnak said. "ClearVision's strong presence throughout Colorado, Utah and in the Pacific Northwest provides us with an instant

network in areas where we previously have not had a strong presence. ClearVision has a service oriented culture similar to LaserVision's and once combined it should result in an enhanced service organization." Klobnak said he expected some synergies in operations from the ClearVision transaction.

8/9 **STAAR Surgical** reported results for its second quarter ended June 29, 2001, with revenues of $12.9 million, compared to revenues of $12.8 million for the second quarter last year and $13.0 million in the first quarter of 2001. The company reported a net loss for the quarter of $227,000 (1 cent per share), excluding a $2.0 million charge for excess and obsolete inventory and a $3.6 million charge for failed products. Including the $5.6 million charge the company had a net loss of $4.2 million (25 cents per share).

Revenues for the first half of 2001 were $25.9 million, compared to $27.0 million for the first six months of 2000. There was a net loss for the first half of $522,000 (3 cents per share), excluding the previously mentioned charges. After the charge the net loss was $4.4 million (26 cents per share). For 2000, the company reported a net loss of $66,000, 0 cents per share) for the first half, excluding the $24 million charge. After the charge there was a net loss of $18.3 million ($1.23 per share).

8/9 **Miravant Medical Technologies** announced financial results for the second quarter ended June 30, 2001. Revenues for the quarter increased to $2.5 million from $1.6 million for the same period in 2000. The net loss for the quarter was $2.0 million (11 cents per share) compared to a net loss of $5.8 million (32 cents per share) for the same period last year. The company has cash, marketable securities and accounts receivable of $16.5 million. Revenue comparisons reflect an overall increase due to the sale of SnET2 active pharmaceutical ingredient (API) to **Pharmacia** coupled with a decrease in clinical trial reimbursements. As the phase III clinical studies for age-related macular degeneration (AMD) near completion, Miravant's costs and reimbursements are decreasing as Pharmacia directly assumes more of the late-stage responsibilities for this program.

Gary Kledzik, chairman and CEO, stated, "Miravant made several important accomplishments during the second quarter. We signed a series of agreements with Pharmacia that provide up to $20 million of funding, initiated a dermatology clinical trial with a new PhotoPoint drug MV9411, and welcomed a highly experienced professional to Miravant's cardiovascular subsidiary. The PhotoPoint drug MV9411 is formulated in a topical gel formulation for local treatment of skin disorders such as plaque psoriasis. We are pleased that the preliminary phase I safety results look quite positive for this novel photoselective compound."

In May, Miravant and corporate partner Pharmacia finalized agreements that provide up to $20 million of additional funding to the company. Pharmacia will purchase approximately $5 million of the SnET2 API for commercial use upon regulatory approvals. The purchase commitment includes quantities of API to be manufactured

through the first quarter 2002. Pharmacia also purchased the API manufacturing equipment for $863,000 and assumed lease obligations of approximately $950,000 for the API manufacturing facility through 2003. Additionally, Pharmacia provided Miravant a line of credit of up to $13.2 million, of which $10 million is subject to the filing of a New Drug Application (NDA) for SnET2 by Pharmacia, or the achievement of certain clinical endpoints in the phase III clinical trials for wet AMD, which conclude in December 2001. Pharmacia holds the exclusive, worldwide license granted by Miravant to manufacture, use, distribute and sell SnET2 for use in ophthalmology. Under the license, Miravant is entitled to receive royalties on future gross sales of SnET2 after regulatory approvals.

In dermatology, Miravant conducted a phase I clinical safety study using the topical PhotoPoint drug MV9411. Twenty healthy volunteers were enrolled in June 2001 and completed a 30-day follow-up period for safety evaluation. Based on preliminary results, no significant safety concerns were identified in the dermatology trial. After all data are analyzed, the company will make a determination about proceeding to phase II clinical trials. In July, Miravant appointed Robert Scott, MD as the president of **Miravant Cardiovascular, Inc.** Dr. Scott, a physician with fellowships in internal and cardiovascular medicine, previously held senior positions in cardiovascular medical research at leading pharmaceutical company **Eli Lilly**. Bringing years of experience in the cardiovascular industry, Dr. Scott will pursue the strategic development of PhotoPoint photodynamic therapy (PDT) for large opportunities such as angioplasty-related restenosis.

8/9 Anne Eisenberg, wrote in *The NY Times* about **Optobionics'** retinal chips for restoring vision in people with damaged retinas being implanted in three volunteers. According to the article, researchers at the Harvard-MIT Retinal Implant Project are also working on developing a retinal prothesis, as are researchers at the University Eye Hospital in Tubingen, Germany. The major drawback of the Optobionics implanted chip may be the amount of light required to form a useable image with the device.

8/10 Dr. Barrie Soloway, Director of Vision Correction at The New York Eye and Ear Infirmary and **Presby Corp**, a company dedicated to eliminating presbyopia announced the first ever successful surgery to eliminate reading glasses using the automated PresbyDrive. This new surgical instrument provides a high level of consistency and comfort in the scleral expansion implant surgery that was developed from Dr. Ronald Schachar's theory on the cause of presbyopia. Due to FDA restrictions, three patients suffering with presbyopia from the New York area traveled to Cancun, Mexico to be the first to undergo this new technique performed by Dr. Soloway.

Prior to the recent procedures performed in Mexico, the surgery required a steady surgeon's hand and a sharp diamond knife to create the four tunnels needed in each eye to place the implants. The PresbyDrive eliminates the need for these steps by automating

the creation of the tunnel. Using a specially machined surface to conform the eye, a unique rounded scalpel makes the tunnel in less than three seconds. "Accurate tunnel placement is required for the patient to get a good result in this surgery," said Soloway. "By automating the process, it is easier to accomplish this goal. I think that the level of comfort that all three patients experienced, and their excellent early recovery of near vision was directly related to the surgery being much less traumatic to the eye. The development of this automated instrument for presbyopia surgery is what was needed to bring this surgery into the mainstream."

8/13 **Sunrise Technologies International, Inc.** announced that it will outsource the manufacturing of the HYPERION LTK System to **C-MAC Industries**, one of the world's largest contract manufacturers. C-MAC will manufacture the HYPERION LTK System at its Fremont, California manufacturing operation, which is located within minutes of Sunrise's corporate headquarters. Sunrise will sell its inventory and transfer all manufacturing labor and support to C-MAC this month. The payment for the inventory to Sunrise, worth approximately $6 million, will be made on fixed dates between now and January 30, 2002. The agreement with C-MAC is for three years. As part of the agreement, Sunrise has committed to purchase a minimum of twenty-four machines in each of eight consecutive quarters beginning with the fourth quarter of 2001. Sunrise maintains ownership of its current finished goods inventory. "The agreement will enable us to lower our fixed costs, increase our cash flow, improve our cash position, and allow us to partner with one of the world's premier contract manufacturers. It allows greater flexibility for Sunrise as we continue to grow. This agreement serves both Sunrise and C-MAC very well," said John Hendrick, Sunrise COO.

According the company's 8K filing, the selling price to Sunrise for between 8-12 units per month will be $ 84,848.00 each, based on a unit cost of $52,700.

8/13 The August issue of *Refractive Market Perspectives* reports that the slowing economy and laser center business failures, along with continued news about LASIK complications combined to reduce refractive surgery procedures in the U.S by 8.7% during the second quarter, after being up 11.2% during the first quarter. For the quarter, procedure volume fell to 401,800, including about 8,500 procedures done on Americans in Canada and Mexico. This compares to the 440,300 procedures recorded for the first quarter, and the 361,300 done in last year's second quarter. Dave Harmon also reported that sales of new lasers were essentially flat with 82 units, compared to the 81 units during the first quarter. This was a drop of 45% compared to last year's second quarter. During this year's second quarter, approximately 20 lasers were second or multiple systems placed in existing locations, for a net gain of 42 new laser centers. By quarter's end (with about 15 tradeins), there were a total of 1133 laser centers in operation in the States, up from the 1100 in operation at the end of the first quarter. Harmon now expects that only about 350 new lasers will be sold this year, as corporate expansions are essentially on hold, as the primary reason for the low total. Another factor is the upgrade program for the **VISX** Star

S3, which, as he relates, "has provided an attractive alternative to replacement of older excimer lasers."

Expectations are for a slight improvement in procedure volume for the third quarter, which should lead to continued single digit growth, especially if current economic conditions continue. "Significant market growth may be on hold until the overall U.S. economy improves." Harmon has now lowered his projections for 2001 to 1.72 million procedures, an overall 21% increase over last year's results.

The August issue also contains an overview of the recent ISRS Summer Meeting held in Orlando, Florida.

8/14 **Sunrise Technologies International, Inc.** announced financial results for the second quarter ended June 30, 2001. Revenues for the three- and six-month periods were $3.5 million and $9.2 million, respectively, compared to $424,000 and $442,000, respectively, for the same periods in 2000. The increase in revenue was due to the sale of the company's Hyperion LTK System that was approved by the FDA on June 30, 2000. The company achieved an increase in procedural sales during the 2nd quarter generating $290,000 in procedural revenue representing a 45% increase over the first quarter, 2001. The company has also hired three marketing specialists to help build procedural volume, by working with ophthalmic practices who have acquired the HYPERION LTK System. These specialists work in the practice with the surgeon and his staff to educate all persons involved with the patient about the unique characteristics of the LTK technology in treating the over 40 year old patient.

Net losses for the three- and six-month periods were $5.5 million (10 cents per share) and $9.5 million (18 cents per share), respectively, as compared with $11.9 million (25 cents per share) and $27.9 million (60 cents per share), respectively, for the same periods in 2000. Approximately $1.6 million, or 28% and $2.6 million, or 27% of the net loss for the three- and six-months period, or 3 cents per share and 5 cents per share, respectively, were attributable to non-cash expenses. Included in the non-cash expenses for the three- and six-month periods were $892,000 and $1.7 million that was associated with the financing costs for the January 2000 debt and the revolving bank line of credit and $673,000 and $899,000 that was associated with the issuance of warrants and non-qualified stock options including the settlement of a lawsuit included as part of operating expenses. For the same three- and six-month periods of 2000, $5.2 million, or 44% and $15.5 million, or 56% of the net loss was attributable to non-cash expenses.

The company has been working to reduce costs and increase working capital. On August 13, Sunrise announced it had signed a manufacturing agreement with **C-MAC Industries**. Sunrise will sell its inventory and transfer all manufacturing labor and support to C-MAC which in turn will acquire the Sunrise inventory valued approximately at $6 million. The agreement will enable the company to lower fixed costs, increase cash flow, improve its

cash position as well as partner with one of the world's premier contract manufacturers. The company also has engaged in substantive discussions with a number of funding sources to raise additional capital. Two financial institutions have authorized preparation of final financing documentation. The anticipated funds from either of these transactions will be sufficient to pay off or refinance the remaining balance owed on the **Silicon Valley Bank** credit facility as well as increase working capital.

8/14 Following up on the pre-announcement by Dr. Barrie Soloway (see the 8/10 brief above), **Presby Corp** announced the international marketing launch of the Presby Drive, an electromechanical instrument for making incisions during the Scleral Expansion Band Procedure for the Surgical Treatment of Presbyopia (SRP). The Presby Drive will be presented in conjunction with the upcoming *European Society of Cataract and Refractive Surgeons* Annual Meeting in Amsterdam. The Presby Drive mechanically makes the incision of the exact depth and length in seconds, substantially reducing SRP surgical time. The accuracy and precision of the incision for placement of the SEB has resulted in superior surgical results for patients. The Presby Drive was under development by Presby for more than a year and final international clinical testing has been completed. Recently, Dr. Barrie Soloway of New York Eye and Ear Infirmary, New York, and Dr. Gene Zdenek of Reseda, California, performed bilateral SRP on three patients in Cancun, Mexico. Dr. Soloway commented, "By the second case, I had reduced my surgical time for the procedure by 50% compared to my previous cases. I predict that due to the reliability of this instrument, bilateral SRP cases will routinely be performed in 20 minutes."

8/14 **LaserSight Incorporated** announced financial results for the three and six months ended June 30, 2001. Revenues for the second quarter were $3.5 million compared to $11.5 million in the second quarter of 2000. The company reported a net loss of $8.7 million, (36 cents per share) compared to a net loss of $2.1 million (10 cents per share) reported for the second quarter of 2000. Revenues for the six months period were $7.9 million compared to $20.2 million in the comparable period of 2000. The company reported a net loss of $11.2 million for the six months (47 cents per share) compared to a net loss of $4.9 million (25 cents per share) reported for the six months period in 2000.

During the second quarter, the company sold 10 refractive laser systems, compared to 30 systems sold during the second quarter of 2000. Revenues during the second quarter of 2000 reflected the fact that it was the first full fiscal quarter during which the company's LaserScan LSX was available for sale in the U.S. market for treatment of myopia without astigmatism. Sales of excimer laser systems in the U.S. during this year's second quarter were impacted by the delay in the FDA's approval of the company's PMA Supplement for treatment of myopia with astigmatism.

Included in the quarter was a one-time charge of approximately $0.6 million attributable to the settlement of patent litigation and approximately $1.2 million of legal expenses

attributable to patent litigation included in operating expenses. Included in the six months ended June 30, 2001 was a $4.0 million gain on the sale of the Blum patent, as previously reported, a one-time charge of approximately $0.6 million attributable to the settlement of patent litigation and approximately $2.4 million of legal expenses attributable to patent litigation included in operating expenses. These legal expenses and charges will not continue due to the settlement of the patent litigation in May 2001.

The company also announced that after a significant detailed analysis of its business plan, it was implementing a restructuring program. Subsequent to receipt of the FDA astigmatism approval and anticipated new product releases, the restructuring will allow the company to be better positioned to achieve revenue growth and profitability. The restructuring is not being implemented in response to any negative developments related to receiving the FDA astigmatism approval. Based on recent conversations with the FDA, management believes the astigmatism approval will be received in the near future. The restructuring targets areas within the company that can function with reduced staff in the short term without impacting the company's long term business plan. One component of the restructuring will result in the temporary reduction of the company's workforce of 53 employees, or 31%, with reductions spread throughout the organization. Particular attention has been given to maintaining the development, sales and service capabilities of the company in anticipation of the commercial release of the UltraShaper durable keratome, receipt of the FDA astigmatism approval and the commercial release of the AstraMax integrated diagnostic workstation. The restructuring will not affect the company's ability to respond to what it believes will be the U.S. demand for its LaserScan LSX through the end of the year due to the laser systems currently in inventory. The company also announced that its executive management group was taking a salary reduction as a part of the restructuring.

"We have carefully implemented the restructuring in order to preserve the long term interest of the company and have not altered our commitment to our current and future customers. The continued development of our scanning laser system for our CustomEyes ablation planning products including the AstraMax and AstraPro will remain a priority," said Michael Farris, president and CEO of LaserSight. "Of course we will continue to support our existing base of LaserScan LSX users with the same level of outstanding support they have been receiving. The decision to restructure came after a thorough review of all aspects of LaserSight's business. As a result of this restructuring, the company is now better positioned to meet current conditions and market needs. We believe that with the signing of the **VISX** license and the build up of systems in finished goods inventory, our immediate action must be to protect shareholder interests by preserving working capital, controlling costs and focusing on selling products. These actions better position the company to achieve profitability once we have received the FDA astigmatism approval expected in the near future. Our objective is to make LaserSight a profitable business. We will continue to concentrate our sales efforts in the international markets for the LaserScan LSX and on the commercial roll out of our

UltraShaper durable keratome and AstraMax integrated diagnostic workstation to the U.S. and international markets."

Farris concluded, "LaserSight continues to have a significant opportunity to leverage its current assets and technologies and remains in ongoing discussions regarding licensing certain patents to other laser vision correction manufacturers. LaserSight's strategy is to demonstrate financial performance after FDA astigmatism approval by optimizing its assets, financial performance and cost structure and continuing to review our operations for possible consolidations and economies of scale. We will continue to pursue new partnerships and strategic relationships that will enhance the company's growth and profitability."

In response to a question during the accompanying teleconference, Farris noted that the company had maintained its Costa Rico facility to avoid U.S. litigation, while building a GMP facility in Orlando. Now with the VISX question resolved, a consolidation of manufacturing facilities can be accomplished. (But he didn't say which facility might be closed.)

8/16 **Laser Vision Centers** announced that U.S. refractive case volume for its first quarter ended July 31, 2001, increased 5% over the same quarter a year ago. The company performed over 32,990 refractive cases in the United States during the period, up from 31,347 for the period ended July 31, 2000. The case volume does not include any procedures performed at **ClearVision**, which LaserVision announced it was acquiring after the completion of the first quarter. The company said that seasonality did occur late in the quarter and that the summer months historically were slower than other months. As of May 1, 2001, LaserVision operated 106 excimer lasers in the United States providing access to over 710 surgeons in more than 310 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**.

8/16 **Paradigm Medical Industries** reported a net loss of $3.8 million (30 cents per share) on sales of $1.8 million for the second quarter ended June 30, 2001, after giving effect to non-cash expenses, including a litigation settlement expense, and other extraordinary charges of $2 million. Excluding these charges, the company had a net loss of $1.9 million (14 cents per share) in the second quarter of 2001. This compares with a net loss of $2.1 million (19 cents per share), on sales of $1.7 million for the same period in 2000. "The second quarter was a period of transition for the company," said Paradigm's chairman and CEO, Thomas Motter. "Our underlying results showed improvement from the same period a year ago, including higher sales, higher gross profits (and margins) and lower operating expenses. We also had initial sales of our Blood Flow Analyzer (BFA) machine, following our receiving a common procedure terminology code (CPT) in April.

We now have received two CPT codes for our equipment and have geared up our internal sales force to aggressively market our products. We will have tripled our dedicated internal sales and marketing workforce before the end of this month. Our backlog of orders for the BFA has grown dramatically and we are in initial startup of new production capacity for the equipment at our 40,000-square foot facility in San Diego. We expect significant revenues from the sale of BFAs and consumable products during the second half of the year. Our second quarter results continued to be impacted, in part, by delays in our aggressive launch of the Photon Laser System Workshop for cataract surgery in Europe and customers' slowdown in new orders as they gauge the economic outlook. We also incurred the initial costs of adding to our internal sales force. The increase in sales and marketing personnel will begin to bear fruit for the company this quarter."

8/16 **Asclepion-Meditec AG** announced, earlier than planned, its results for the first nine months of the 2000/2001 financial year. The sales for this period were 30 million euro (approximately $27 million). This corresponds to an increase of 7% over the previous year. As sales in the third quarter, however, were considerably lower than expected, the earnings before interest and taxes (EBIT) fell to -4.1 million euro ($3.7 million), versus 1.9 million euro ($1.7 million) for 1999/2000. That resulted in a net loss of 1.6 million euro ($1.4 million) after interest and taxes. The major downturn in the third quarter results was from the postponement or cancellation of sales and the fact that planned sales with **ICON** only could be realized in part. As a result of the development in the third quarter, Asclepion expects sales for the entire 2000/2001 financial year to be no higher than in the previous year. Furthermore, the losses in the third quarter cannot be compensated for in the fourth quarter.

Given this situation a series of measures has been adopted. The number of employees will not be increased, and internal flows are to be streamlined, the local structures optimized, and measures taken to lower overhead costs. In addition, the market launch of products with excellent potential for sales and earnings are to be considerably accelerated. These include the extension to the MEL 70 G-Scan system platform, two new products in the Aesthetic unit and the PAD procedure for pain-free caries treatment. Market launches are planned to take place this year.

As early as the fourth quarter we expect an increase in sales to the level seen in the first two quarters. Asclepion assumes it will see double-digit growth once again and a swift return to profitability in the coming financial year.

Asclepion's business development in the first half of the year was very robust despite the onset of a downturn in the global economy. The third quarter proved, however, to be a difficult one. After sales in the first two quarters, at 11.7 million euro ($10.5 million) (first quarter) and 11.8 million euro ($10.6 million) (second quarter), were within the planned targets, in the third quarter the company had to contend with a severe slump in sales, to 6.5 million euro ($5.9 million) and thus fell considerably short of its targets. The

orders on hand as of June 30, 2001 were, at some 6.4 million euro ($5.8 million), around 94% higher than the corresponding figure for the previous year (3.3 million euro [$3 million]).

There were a number of reasons for the shortfalls and delays in sales.

- Deterioration in the business situation on important markets: Massive cash devaluation and a dramatic increase in interest rates (for example Turkey, Brazil and Argentina) have led in part to the loss of investments in laser systems or to considerable delays.

- Temporary stiffening of competition: The consolidation in the medical laser industry continues apace worldwide. Following a series of take-overs and mergers, in a number of countries there have been massive sell-offs of product lines due for discontinuation and storage capacities have been decreased.

- Difficult economic position of the co-operation partner **ICON Laser Eye Centers, Inc.**: The deliveries of the laser system MEL 70 G-Scan originally planned to be made to this key account could only be realized in part. The reason for this was the precarious business situation in which the company found itself after the take-over of the competitor **Lasik Vision Corp.** These problems have also led to one-off charges, thus burdening on the company's earnings.

- Downturn in sales with the partner **U.S. Medical, Inc.**: As a result of the hesitant purchasing policy in the USA, U.S. Medical did not place any new orders in the third quarter.

- Problems with suppliers: New products such as KEY 3 could not be delivered to the extent planned as the system components did not correspond in terms of quality and quantity with the original agreements.

As a result of this situation we have already initiated a series of general measures to achieve a sustained improvement in the company's development.

- A fundamental freeze on recruitment
- Optimization of local structures
- Reduction in overheads
- Clear streamlining of internal flows

These measures are intended to ensure that the costs structure fits in with the sales by the commencement of the new financial year. Specific measures have also been implemented to solve the above-mentioned problems, over which Asclepion has a degree of control, so as to achieve short-term improvements. The re-structuring of the co-operation with the partner ICON Laser Eye Centers, Inc. has been virtually concluded. Final results are to

be expected shortly. A number of measures have been launched with U.S. Medical, Inc. so as to stimulate sales in the USA. These are to bear the first fruit in the fourth quarter of the current financial year. The problems with the delivery of KEY 3 components have been remedied, with the effect that a significant rise in sales can be expected in the fourth quarter.

In addition to the measures described above, a number of projects whose sales and earnings potential will be tapped in the coming financial year, have picked up pace in the final phase of their development. These include the method for pain-free caries treatment PAD (Photo Activated Disinfection). With PAD a number of different innovative treatments in the field of caries therapy are possible. These include disinfection of a new quality with conventional caries treatments (for instance with the placement of fillings or crowns) and the pain-free, substance-retaining treatment of carious dental material. The market launch of one of the applications from the PAD family is to take place this year. Further technology projects with excellent potential for sales and earnings are the expansion of the product base in the Vision business unit (refractive surgery) and the launch of at least two products by the Aesthetic unit.

For the entire 2000/2001 financial year Asclepion-Meditec AG assumes that sales will be at about the same level as in the previous year. As a result of the costs structure, which was based on a higher growth rate for sales, the company expects a negative result after taxes.

Thanks to its leading technology position in a number of fields and its full range of products in the Vision and Aesthetic units, the company ranks among those with the best competitive positions. With the launch of the erbium dental laser KEY 3 and the PAD method, the company has two promising technologies which will ensure the growth of the Dental unit in the long term.

The company's management continues to believe that the fundamentally positive estimation of the potential and competitive position of our company is applicable to the coming financial year. After the conclusion of the optimization programs and the accelerated launch of new products, we assume that we can attain double-digit growth and a swift return to profitability in the coming financial year.

8/17 Thomas Tooma, MD, **TLC Laser Eye Centers** of Southern California Regional Director, announced that over 170 local optometrists attended a full-day training conducted by TLC. The session, which included education on a new, all-laser LASIK procedure, was accredited through the California State Board of Optometry. The goal of the educational symposium was to further the optometrists' education on refractive surgery, including recent developments which may make the surgery available to more patients. A highlight of the meeting was Dr. Tooma's presentation on the new FDA-approved femtosecond laser (the Pulsion from **IntraLase**) used for making the LASIK flap. This "all-laser"

procedure replaces the microkeratome blade traditionally used for making the flap and gives the surgeon one more choice when matching technology to patient." The TLC Centers in Newport Beach and Torrance are among the select few to offer this new procedure to patients. LASIK experts Wendell Wong, MD and Thomas Tooma, MD will be working with doctors of optometry to determine which patients will benefit from this new procedure.

Harry Charm, OD, past president of the California Optometric Association commented, "The new LaserFlap technology is the first significant advancement in creating corneal flaps in the last fifty years. It offers greater precision and predictability over the microkeratome blade technology and may allow certain patients to have the surgery who were not previously candidates."

TLC Laser Eye Centers sponsors educational symposia for optometrists on a regular basis. According to Dr. Tooma, "Recent reports in the media have focused on some of the potential risks associated with LASIK. This type of educational symposium ensures that all of the optometric professionals we work with understand which patients are good candidates for advanced technologies and how best to ensure that our patients achieve the best outcomes and results possible."

8/20 **VISX Incorporated** announced that it had signed a one-year research and development agreement under which VISX will provide funding to **Medjet** to pursue new ophthalmic technologies and products. VISX and Medjet have also signed an agreement that provides VISX with a one-year option to acquire all outstanding Medjet common stock in a merger transaction that would pay $2.00 per share in cash. Commenting on the agreement, Liz Davila, CEO of VISX, said, "As the technology leader, we are always looking ahead and evaluating promising opportunities. Medjet's waterjet technology not only has the potential to benefit the field of ophthalmology, but may also have applications within other medical specialties." Dr. Eugene Gordon, founder and CEO of Medjet, noted, "I am elated at the implications for Medjet. The combination of the VISX and Medjet technology augurs well for ophthalmology."

The closing of the potential merger is subject to Medjet's shareholder approval and is subject to other customary conditions to closing. VISX has also purchased from a third party all outstanding shares of Medjet's Series B Convertible Preferred Stock, which are entitled to votes equivalent to 1 million shares of common stock and vote together with the common stock. These shares represent 21% of Medjet's voting stock. VISX and Dr. Gordon have also entered into a voting agreement under which Dr. Gordon has agreed to vote all of his shares of common stock in favor of the merger, and has agreed to sell all of his stock to VISX in the event that VISX offers to complete the merger. Dr. Gordon currently holds 1.6 million shares, representing 32% of Medjet's voting stock.

8/23 **WaveLight Laser Technologie AG** said that company growth at WaveLight Laser is again expected to increase in the first quarter of the new business year beginning August 8, 2001 and ending July 31, 2002. The CEO of the Erlangen based manufacturer of high-tech medical-laser products projects a rise in sales revenue for the first quarter of the 2001-2002 year of more than 60% compared to the same period a year ago. "We expect to post Euro 7.9 million ($7.1 million) in sales revenue in the first quarter and an EBIT of around Euro 0.4 million ($360,000)," said Max Reindl, CEO of WaveLight Laser, in discussing the company's forecast for the first three months of the current business year. "Compared to the first quarter of the year 2000-2001 that would constitute an EBIT increase of a good 150%"

Reindl sees the basis for the steady growth at WaveLight in the company's excellent market positioning in its core areas of ophthalmology and aesthetics. He went on to explain that the Aesthetics Division stands to profit from the future-oriented expansion measures that were implemented last year and the Ophthalmology Division is already reaping the rewards of its global distribution agreement with Lumenis Inc.

8/23 **Novartis Ophthalmics**, the eye health unit of **Novartis AG**, and **QLT Inc.**, announced that the FDA had approved the expanded use of Visudyne (verteporfin for injection) therapy for the treatment of predominantly classic subfoveal choroidal neovascularization (CNV) due to pathologic myopia (PM, severe near-sightedness), a leading cause of blindness for people between 30 and 50 years of age, and presumed ocular histoplasmosis (OH). Currently, Visudyne is an approved treatment for a certain form of age-related macular degeneration (AMD), the leading cause of blindness in people over the age of 50. With this expanded indication, Visudyne will offer a new treatment to patients suffering from the effects of PM and OH.

8/27 **TLC Laser Eye Centers Inc.** and **Laser Vision Centers Inc.** announced a definitive merger agreement, creating North America's premier eye surgery services provider. The merger, which will be effected in an all-stock combination, combines TLC's premier laser eye surgery brand offering with LaserVision's leading position in mobile excimer laser, cataract, and related equipment access provision. More than 258,000 paid refractive procedures were performed using the two company's equipment and facilities in the most recent fiscal year, generating combined revenues of over $270 million.

International headquarters for the new company, to be known as **TLC VISION Corporation**, will be in Mississauga, Ontario. U.S. headquarters will be in St. Louis, Missouri.

Leading the combined company as chairman & CEO will be Elias Vamvakas, who is the current chairman & CEO of TLC. John (Jack) Klobnak, LaserVision's current chairman and CEO, will assume a non-executive vice chairmanship and continue as a corporate director for approximately one year, after which time he intends to retire. James

Wachtman, president & COO of LaserVision will serve as the new company's president & COO. The new company's CFO will be Charles Bono, who is currently CFO of LaserVision. Robert May and Lloyd Fiorini will be co-legal counsels for the new company. Together, the executives bring a wealth of industry, operational and business transformation experience to the new entity. The board of directors of the new company will be comprised of members from both companies' current boards of directors.

"The merger of TLC and LaserVision combines the complementary strengths of each organization, enabling the value of each company's assets to be more fully realized. Consolidation should help create a platform for growth by providing cost controls, the resources and synergies needed for expanded franchises and other development opportunities," said Jack Klobnak.

Founded in 1993, TLC enjoys a number of valuable assets including a network of more than 12,500 affiliated doctors, access to some of the newest refractive technologies, proven patient education and marketing programs, The TLC Lifetime Commitment SM to patients, a full suite of advanced information systems and support services, and a well established corporate brand.

Founded in 1986, LaserVision brings extensive relationships with more than 900 independent surgeons, a strong operations management culture, state-of-the-art mobile laser technology, and experience with the mobile cataract services and ophthalmic ambulatory surgical center businesses. LaserVision operates in the United States and the United Kingdom. Both companies are well capitalized with combined cash and short-term investments totaling more than $78 million at the end of fiscal 2001.

"This is a combination designed to achieve better patient care, higher business growth and enhanced shareholder value over both the near and long term. The new company will continue to partner with local doctors, providing the highest levels of patient care. With very little geographic overlap, the new entity will enjoy significant coverage in all major North American markets, allowing patients to access high quality care whenever and wherever they need it. The organization will also have the financial resources to provide patients with confidence in the caliber and continuity of their care," commented James Wachtman. "More than just a simple business combination, this merger is designed to generate a sum greater than its two parts. TLC VISION Corporation will essentially serve as the larger corporate umbrella, encompassing a complementary mix of four core businesses: TLC Laser Eye Centers, operating premium branded refractive surgery centers; Laser Vision Centers, providing refractive equipment access and services to independent surgeons through either fixed or mobile delivery systems; **Midwest Surgical Services**, furnishing independent surgeons with mobile access to cataract surgery equipment and services; and **Aspen HealthCare**, operating multi and single specialty ambulatory surgery centers (ASC's) where independent surgeons perform a variety of surgical procedures," said Wachtman.

"We expect to find three primary areas of synergies -- a wider array of services for both patients and eye care professionals, administrative and buying efficiencies, and sales growth," continued Wachtman. The companies believe they can achieve annual synergies of at least $10 million in pre-tax income once fully integrated. "In addition to the significant synergies provided by the merger, LaserVision's focus on operational excellence will help accelerate the performance improvement programs already underway at TLC," commented Elias Vamvakas. "This is a merger driven by strong and complementary business models. The combined company will have the necessary efficiencies and resources to capture the full value of its growth potential. Together, we will be the preeminent player in the eye surgery industry through the provision of value-added services to a leading network of affiliated doctors so they can deliver superior patient care."

Under the terms of a definitive merger agreement approved by unanimous votes at meetings of each company's Board of Directors, LaserVision's stock will be converted to TLC VISION stock at a fixed exchange rate. LaserVision shareholders will receive 0.95 shares of TLC stock, which is traded on NASDAQ, for each share of LaserVision. It is expected that the merger will be effected on a tax-free basis to shareholders.

The merger is expected to close by the end of this calendar year.

Previously on August 9, LaserVision announced its acquisition of **ClearVision Laser Centers, Inc.** It is anticipated that the ClearVision transaction will be completed prior to the close of the merger of TLC and LaserVision.

Writing on the merger in *The Wall Street Journal*, Elena Cherney noted that the TLC would be paying $98.7 million for Laser Vision, creating "North America's biggest operator of laser eye-surgery clinics." She went on to state that the deal brings together TLC's strength in urban centers with Laser Vision's share of the market in smaller towns and rural areas of the U.S., according to TLC chairman and CEO Elias Vamvakas. "The industry has seen a slowdown, and the street has been begging for consolidation in this industry," Jack Klobnak said. In their latest combined years, the two companies' revenue totaled $270 million. Between them, the companies performed 258,000 surgeries last year, or about 18% of the total 1.4 million laser-eye procedures performed in the U.S.

Meanwhile, laser-surgery clinic operators have fought a bitter price war. When the industry took off a few years ago, discount operators crowded the field and forced prices down. Vamvakas, whose TLC centers cater to the high end of the market, said his prices fell to as low as $1,800 per eye from between $2,000 and $2,500. As a result of slowing demand and competitive pricing, TLC had been posting losses. It showed a loss of $5 million in the quarter ended May 31, compared with a loss of $9.7 million a year earlier. Laser Vision remained profitable. Klobnak said his company's mobile-equipment

business, which leases laser equipment to eye doctors, has lower fixed costs and helped the company avoid losses.

Analysts have been looking for laser eye-surgery companies to consolidate and get rid of excess capacity, said Al Kildani, an analyst with **Pacific Growth Equities** in San Francisco. "This industry has been ravaged during the past couple of years by discount operators who were looking to capture market share without looking at the bottom line," he said. "A lot of those [discount operators] have gone away, leaving survivors in a stronger position."

8/27 **Q-Vis Limited**, the global leader in development of solid state laser vision correction (LVC) technology, announced it had received formal approval to market and sell the Q-Vis Quantum 213 nm refractive laser in Europe. The formal certification permits Q-Vis to distribute the Q-Vis Quantum laser into all of the countries of the European Union, including the United Kingdom and Ireland, France, Germany, Italy and Spain. The European market is the second largest in the world (after the United States) for refractive surgery, representing about 25% of the refractive laser systems and about one-third of the ophthalmologists.

Q-Vis managing director John Roper said the regulatory approval for Europe is the most significant milestone to date in the company's strategy of commercializing its solid state refractive technology. "The Quantum 213 nm is the first and only solid state refractive laser to be approved in Europe," Roper said. "A very important and sophisticated market is now open to us and our company has successfully completed a rigorous external audit process to achieve this approval. We are now positioned to advance our program, in collaboration with leading refractive surgeons and distributors, to establish and demonstrate the advantages of solid state technology in refractive surgery."

The announcement was made along with release of the company's financial results for the year ended June 30th. Roper confirmed the company's operating loss for the year at $8.7 million, an increase of $2.6 million from last year's reported loss. He said the result was in line with company expectations. Q-Vis' net assets at 30 June 2001 totaled $14.9 million with a cash balance of $12.4 million. "The results for the year to 30 June 2001 reflect the significant investment that has been made by the company in its regulatory approval, research & development and commercialization activities over the past 12 months," Roper said.

He also announced Q-Vis would exhibit the Q-Vis Quantum as the newest and most differentiated refractive laser available at the *European Society of Cataract and Refractive Surgery (ESCRS)* meeting in Amsterdam in early September.

Q-Vis was the first company to achieve regulatory approval for a solid state refractive laser when the Therapeutic Goods Administration (TGA) in Australia approved an earlier

model in April 1999. The latest Q-Vis Quantum model was approved by TGA in April 2001.

Q-Vis is currently in its second stage clinical trials as part of the U.S. Food and Drug Administration (FDA) approval process for the Q-Vis Quantum refractive laser. The company currently has two applications pending with FDA, firstly to be allowed to treat the remaining eyes needed to complete the FDA clinical trials and secondly to treat those remaining eyes with the latest model of the Q-Vis Quantum laser. Representatives of the company recently met with the FDA to confirm the scientific and clinical data required for the FDA to complete its review of these applications. Following the meeting the company believes it is on track to satisfy the FDA's requirements in respect of these applications. Based on its current information, the company believes it will complete its clinical trials and achieve its prospectus stated milestone of submission to the FDA in the second half of 2002. The FDA will then thoroughly review the submitted documentation, including rounds of questions to the company, negotiations on the scope of any approval and potential referral to an external panel.

The earlier Australian TGA export approval, coupled now with European approval, enables Q-Vis to finalize a number of placements with leading refractive centres around the world, outside of the ongoing FDA clinical trials in the U.S. While many centres have expressed interest in participating in the Global Performance Program (GPP), Q-Vis has carefully selected leading centres in target markets to be the first Q-Vis Quantum sites outside of the FDA trials. The initial placements of five systems are expected to occur during the last quarter of 2001. Additional placements in early 2002 are planned for Asia Pacific, Europe and the Americas. "We are very excited to commence the Global Performance Program," said Nick Gorshenin, Global Business Manager at Q-Vis. "The purpose behind the GPP is to demonstrate the credibility of the Q-Vis Quantum 213 nm solid state technology in key markets". The Global Performance Program is intended to demonstrate the clinical efficacy and functionality of the 213 nm solid state refractive laser technology. It is the first time that a group of leading international surgeons have had the opportunity to use a solid state refractive laser in a variety of conditions. The GPP surgeons will present their clinical results and analysis of Quantum's features and benefits over the next year.

"Refractive surgeons world wide are very conscious of technology advancements that can contribute to clinical outcomes and surgeon efficiency," Gorshenin noted. "They want data and the GPP permits leading refractive surgeons to determine these benefits for their peers around the world. Satisfactory completion of the GPP with the five initial centres is expected to lead to increased commercial activity in the major refractive markets outside of the USA and Japan in 2002," Gorshenin said.

The company also said that it had recently been issued its first two patents by IP Australia (the Australian Patents Office), both of which are key to the company's solid state

refractive laser technology. Equivalent patents are pending in major world markets including the U.S., European Community, Canada and Japan. Patent No 731325 is a cornerstone patent for the 213 nm solid state refractive laser technology that covers the frequency conversion technology in the Q-Vis Quantum, which makes the product unique. Patent No. 729904 protects the company's variable sized spot scanning delivery system for the laser beam. Commenting on the award of these Patents, Roper said, "The award of these important patents confirms the uniqueness of the company's process for generating solid state energy for refractive surgery. We are the first to achieve this technology breakthrough. The 731325 patent, in particular, underpins the Q-Vis Quantum and reinforces our position as the leader in the field of solid state refractive lasers."

The company confirmed that it intended to issue in the next few days a total of 1.4 million options in the company to senior executives, key medical consultants and employees who have joined the company over the past 12 months. None of these employees or consultants has previously been issued options by the company and each person to be issued with options is considered by the company as important to its ongoing success. The exercise prices for these options range from $2.08 to $4.00 with over 1 million of the options with exercise prices in excess of $3.00. All options to be issued will vest over a three year period.

Roper stated, "We have made a number of key appointments recently that have significantly added to the company's talent pool. We are excited by the future of Q-Vis and believe that providing these key people with options is an positive incentive for them to add value to all shareholders."

OPHTHALMIC LASER UPDATE -- September 2001

8/29 **Gimbel Vision International** reported second quarter results of operation. During the second quarter, refractive procedure volumes totaled 3,891, a 27% decrease over the comparable period in 2000. Second quarter volumes from North American operations amounted to 3,550, a 27% decrease over the prior year. Other non-North American operations generated volumes of 341 as compared to 422 in the prior year first quarter. Compared to the first quarter of 2001, second quarter volumes from North American operations increased by 11%. Procedure volumes for the six month period ended June 30, 2001 were 7,384 compared to 10,117 from the same period in 2000. North American procedure volumes were 6,738 for the period ended June 30, 2001 compared to 9,316 from the same period in 2001. Procedure volumes from centres outside North America were 646 and 801 for the respective six month periods ended June 30, 2001 and 2000.

Consolidated revenues for the second quarter of 2001 were $4.1 million, increasing from first quarter consolidated revenues of $3.3 million. Consolidated revenues for the second quarter of 2000 were $5.1 million. Revenues from Canadian operations were $2.9 million as compared to $1.4 million for the first quarter and $3.2 million for the prior year second

quarter. Operations based in the United States generated revenues of $1.2 million in the second quarter, versus $1.9 million in the first quarter of 2001 and $1.9 million in the second quarter of 2000.

For the six month period ended June 30, 2001, consolidated revenues were $7.4 million, including $4.3 million from Canadian operations and $3.1 million from United States operations. Comparative figures for the same period in 2000 were consolidated revenues of $9.8 million, Canadian revenues of $5.9 million and United States revenues of $3.9 million. The net loss of $235,148 for the three month period ended June 30, 2001 was lower than the $2,404 in earnings for the prior year's second quarter. The comparative decline in current year second quarter earnings was due to the decrease in volumes recorded in the second quarter of 2001, and a lower average pricing of refractive surgical procedures in the Canadian market for the current versus prior year second quarter. The net loss of $1.5 million for the six month period ended June 30, 2001 was lower than the $8,402 in earnings for the prior year's same period. On a geographic basis, the loss from Canadian operations was $146,188 in the second quarter of 2001 as compared to earnings of $136,939 in the second quarter of 2000. This decrease was due mainly to lower procedure volumes at lower average prices per procedure in the second quarter of 2001. A loss of $73,726 was recognized in the United States geographic segment for the second quarter of 2001 as compared to a loss of $114,555 in the second quarter of 2000. The United States segment includes the gain of $166,795 on the closure of the Eugene, Oregon, USA, centre in the second quarter of 2001 as discussed below.

The earnings before interest, taxes and depreciation and amortization was $355,768 for the second quarter of 2001 as compared to earnings of $636,201 for the second quarter of 2000.

As at June 30, 2001, the Corporation wrote-off its investment in its Eugene, Oregon, USA, centre, which was 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 the Eugene laser eye surgery centre and anticipates that the Oregon Center will be filing in bankruptcy under Chapter 7 of the United States Bankruptcy Code in the next few weeks. The Corporation's Eugene, Oregon, laser eye surgery centre defaulted under its lease agreement with **Hillside Financial International LLC** with respect to the lease of a surgical laser. The default resulted from declining financial results of the centre and, as a consequence of the declining results, delinquent lease payments. Among other effects of the default, the lessor has the right to declare the remaining approximate $445,000 balance of the lease, for which the Corporation is a guarantor, immediately due and payable. The Corporation is in discussion with the lessor in an attempt to remedy this situation.

Under terms of the aforementioned lease, the Corporation may be in cross-default of other agreements with certain other of its creditors. The future success of the Corporation

depends on the continued support of these and other creditors. The two defaults noted in the Corporation's 2000 annual report-the financial covenants default for a term loan and the change of use default for the Houston centre lease-have been remedied. A new lender was found for the term loan, which has resulted in the aforementioned financial covenants no longer being applicable. A waiver was obtained with respect to the default of the Houston centre lease, whereby two lump sum payments will be made to the lessor and the Corporation has assumed responsibility for ongoing laser lease payments.

8/30 **SurgiLight, Inc.** announced financial results for the second quarter ended June 30, 2001. The quarterly financials were filed late due to the adjustment of certain assets related to its acquisition of **Premier Lasers Systems** in October, 2000. Revenues for the second quarter were $515,000 compared to $647,000 in the first quarter of 2001, a decrease of $132,000, and $1 million for the second quarter of 2000. Six month revenues decreased to $1.2 million from $1.8 million for the same six-month period a year ago. The decrease of revenues and operating income was attributed to the company's decrease in excimer laser system sales, but was partially offset by revenues received from the Laser Center business. For the six months, the company reported a net loss of $414,000 (2 cents per share) compared to a net gain of $12,000 (0 cents per share) for the same period of 2000. The company's total assets decreased to $8.1 million from $9.5 million as of December 31, 2000. This decrease in total assets was mainly attributed to the decrease of current assets. The net cash decreased to $432,000 compared with $1.8 million at December 31, 2000. This decrease in current net cash was mainly attributed to the additional payment of $1.7 million to Premier Lasers. The company anticipates that its current cash, cash equivalents, as well as anticipated cash flows from operations and additional capital contribution from private placements will be sufficient to meet its working capital needs for the next six months. The company expects to raise additional funds before the end of the fiscal year via equity or debt financing, licensing agreements and system sales. However there is no assurance that the company will be successful in raising additional capital.

9/4 **Sunrise Technologies International** announced that the first LTK procedures were performed in Sweden. They were performed at Eye Laser Clinic (Ogonlaern) in Stockholm, Sweden by Mats Orndahl, MD, team member of world-renowned eye surgeon Prof. Bo T. Philipson, MD. "I was pleased with the three second no touch LTK procedure. It was a very easy and safe operation on the patient. I believe the Sunrise LTK procedure has great potential in treating hyperopia around the world. I look forward to working with Sunrise in developing a deeper understanding of this technology," said Prof. Philipson. The surgeries in Sweden were the first done in Nordic Europe with the HYPERION LTK System. Sunrise's European Sales and Service Team attended the *European Society of Cataract and Refractive Surgery (ESCRS)* meeting in Amsterdam, the Netherlands.

9/4 A front-page *Washington Post* article, written by Marc Borbely, criticized LASIK sales tactics in the local area. According to the article, LASIK sales practices at the local **Laser Vision Institute** chain included patient counselors receiving commissions for extracting non-refundable deposits from patients before they had received a medical exam. The $300 deposit was not refunded if the patient of LVI decided not to have surgery after a later session with medical personnel. The newspaper noted that executives at **TLC** and **LasikPlus** in the area also offered bonuses linked to sales or were considering them.

Max Musa, LVI chief executive, told the Post that his firm had stopped its commission-based system "sometime in February," but refused to comment after being told the newspaper had obtained documents showing it was still in existence in August. Former LVI patient counselors said they used "the faked meeting with the manager" approach -- common in selling cars -- to convince wavering LASIK candidates. LVI's "Patient Counselor Bonus Plan, Effective 8/1/01," printed in the paper, showed that salespeople received $1 per eye for a patient paying under $600, but up to $40 per eye when patients choose higher-priced options in the chain's tiered pricing plan.

9/5 **Laser Vision Centers** reported that revenue for the first quarter ended July 31, 2001, increased 14% to $25.3 million from $22.2 million for the same quarter a year ago. Net income for the quarter, was $253,000 (1 cent per share) compared to $1.2 million (5 cents per share) for the same quarter last year. LaserVision performed 32,997 U.S. refractive cases during the first quarter compared to 31,347 U.S. cases for the same year ago period, a 5% increase.

Through its **Midwest Surgical Services (MSS)** division, LaserVision performed 8,379 cataracts and YAG laser procedures during the period ended July 31, 2001, compared to 5,052 procedures for the period ended July 31, 2000. It operated 37 cataract delivery systems during the quarter.

Commenting on the results, LaserVision chairman and CEO, John Klobnak said, "The case volume for the quarter is reflective of the typical seasonality we experience during the summer. However, I believe these results are quite respectable in the midst of the weak economic conditions. We believe the completion of our acquisition of **ClearVision** will further complement the benefits we anticipate from our previously announced proposed merger with **TLC Laser Centers, Inc.**"

9/5 Intrastromal corneal ring segments (ICRS) are a safe and effective means of correcting low myopia (nearsightedness) was the conclusion of a study in the September issue of *Ophthalmology*, the clinical journal of the *American Academy of Ophthalmology*. The study reported the two-year outcomes of FDA phase II and phase III clinical trials, in which 452 patients were enrolled at 11 investigational sites across the country. After the surgeries, 55% of the eyes saw 20/16 or better, 76% saw 20/20 or better, and 97% saw 20/40 or better. Side effects in a small number of patients included fluctuating vision,

double images, glare, halos, and difficulty with night vision. David Schanzlin, MD, lead author of the study, explained that the corneal ring segments -- two plastic half rings surgically placed in the periphery of the cornea -- "are designed to improve the outcome of corneal refractive surgery by reducing the effects of corneal wound healing and by maintaining the spherical shape of the cornea." He also pointed out that the other types of refractive surgery, such as PRK and LASIK, do not maintain the normal spherical shape of the cornea. Clinical studies are ongoing in Europe, Mexico, and Singapore for correcting myopia, compound myopia, astigmatism, keratoconus, and complications after LASIK.

9/7 **Novartis Ophthalmics** and **QLT Inc.** announced the filing of Visudyne (verteporfin) therapy with the European Medicines Evaluation Agency (EMEA) for marketing clearance in the European Union (EU) for the treatment of occult subfoveal choroidal neovascularization (CNV) secondary to wet age-related macular degeneration (AMD). The submission was based on favorable two-year results from a phase III clinical trial showing Visudyne has a significant treatment benefit in AMD patients with occult CNV. The results were published in the May 2001 issue of the peer-reviewed *American Journal of Ophthalmology*.

The companies also filed a similar submission to the Canadian Therapeutics Products Directorate (TPD).

Visudyne is commercially available in 50 countries for the treatment of predominantly classic subfoveal CNV caused by AMD. It is also approved in over 20 countries, including the EU, U.S. and Canada, for the treatment of subfoveal CNV due to pathologic myopia (severe near-sightedness). Together, the occult and predominantly classic forms of the disease account for approximately two-thirds of all wet AMD cases at diagnosis. Annually, it is estimated that 500,000 new patients develop wet AMD worldwide.

9/10 **LCA-Vision Inc.** announced a branding partnership with **Bausch & Lomb**. As part of the alliance, LCA-Vision has named the company's flagship Cincinnati facility "LasikPlus, a Bausch & Lomb Laser Center" in order to communicate to patients both the benefits of Bausch & Lomb laser technology and the security that comes from the company's nearly 150 year heritage of improving vision through technological innovation. Under the terms of the agreement, patients who are found to be non-candidates for the LASIK procedure will be given rebates on Bausch & Lomb's portfolio of eye care products, including PureVision continuous wear contact lenses, ReNu lens care products and Bausch & Lomb over-the-counter eye drops. LCA-Vision's current non-candidacy rate for the LASIK procedure is about 20 percent. "Under this new alliance, consumers are the clear winners," commented Tom Wilson, LCA-Vision's CEO. "Bausch & Lomb will help us increase awareness of the excellent clinical outcomes available through their laser technology, and we will be able to provide a benefit for consumers who do not meet our

strict LASIK screening requirements with alternative trusted eye care solutions from Bausch & Lomb."

The Bausch & Lomb Technolas 217A laser is currently the premier option for LasikPlus patients, and was chosen by more than two-thirds of LasikPlus patients in the first half of 2001. LasikPlus will marry its services with Bausch & Lomb's technology to offer patients comprehensive eye care solutions from Bausch & Lomb, the most trusted name in sight.

9/10 **LaserSight Incorporated** announced that it had entered into a patent licensing agreement with **Bausch & Lomb Incorporated**. In addition, the two companies executed a letter agreeing to discuss potential opportunities to form a strategic alliance. The patent license agreement relates to LaserSight's United States Patent No. 5,520,679 (the JT Lin '679 scanning patent). Under the terms of the license agreement, Bausch & Lomb was granted a nonexclusive license to the '679 patent in the ophthalmic field in exchange for a lump sum license fee of $3 million, a possible additional $2 million fee and other consideration relating to a potential strategic alliance.

Michael Farris, president and CEO of LaserSight, commented, "This important strategic relationship with Bausch & Lomb extends beyond just a license to our patented scanning technology. It provides the potential for partnering in the areas of product development and joint commercial endeavors. Our companies have committed to explore opportunities to capitalize on synergies in our technologies, products and commercial capabilities." Farris added, "This agreement validates the importance of LaserSight's '679 scanning patent to the advancement of laser vision correction, provides the potential for strategic partnering with Bausch & Lomb and provides LaserSight with additional working capital in a non-dilutive manner."

The agreement grants Bausch & Lomb a license to the '679 scanning patent and a right to receive 10% of net royalties received from other licensees pertaining to the '679 scanning patent. Net royalties are the excess of all royalties received by LaserSight over all direct costs and expenses incurred by LaserSight to enforce the '679 scanning patent up to a maximum of $3 million of such costs. The net royalty payments to Bausch & Lomb will not exceed a maximum of $500,000 in any given calendar year. The agreement also provides LaserSight with the conditional option to pay Bausch & Lomb $3 million and terminate Bausch & Lomb's license to the '679 scanning patent. In addition to granting Bausch &Lomb a license to the '679 scanning patent, LaserSight has agreed to disclose certain confidential information related to its intellectual property portfolio. At the end of a review period, Bausch & Lomb has the option to pay LaserSight an additional $2 million. If Bausch & Lomb makes the $2 million payment, LaserSight has agreed to forgo its option to terminate Bausch & Lomb's license to the '679 scanning patent and Bausch & Lomb would not participate in any future net royalties LaserSight receives from the '679 scanning patent.

The agreement with Bausch & Lomb is the first license granted by LaserSight to its '679 scanning patent. The company intends to continue enforcement of its intellectual property rights. The company also announced that its previously executed standstill agreement regarding patent discussions with **Alcon** was extended through November 30, 2001. As previously announced, the U.S. Patent and Trademark Office has issued a Notice of Allowance for a reissue of the '679 scanning patent. The company believes that the patent will be reissued in its broadened form during the Fall of this year.

9/10 **TLC Laser Eye Centers Inc.** announced that over 24,100 paid laser procedures were performed at the company's refractive centers in the first quarter. The "TLC Affiliate Centers" program generated more than 600 of the quarter's paid procedures. Traditionally one of the weakest growth periods from both an industry and company specific perspective, volumes were further depressed in the first quarter by a frail macroeconomic environment. Despite experiencing a 28% decline in paid procedure volumes from the first quarter of fiscal 2001, TLC is confident that improvements made to the company's cost structure will result in little variance from the net loss of 14 cents per share reported for the same period a year ago. Actual results will be reported in mid-October. Elias Vamvakas, TLC's chairman and CEO said, "Our fixed cost business model has always been characterized by strong financial leverage which is particularly sensitive to procedure volumes. However, by continuing to focus on providing superior quality of care and clinical outcomes while controlling costs this quarter, much of the negative impact normally associated with weak procedure volumes has been successfully offset."

9/10 According to **Asclepion-Meditec AG**, the *"Customized Ablation - The Asclepion Concept"* symposium organized by Asclepion at the *ESCRS* specialist fair (held from September 1 to 5, 2001 in Amsterdam) highlighted new directions for diagnosis in laser operations on the eye. Roughly 160 participants from industry and medicine took this opportunity to discover the latest scientific findings in wavefront diagnosis. Scientists cited extensive studies to show that wavefront-supported laser operations on the eye using the Asclepion WASCA and MEL 70 G-Scan systems were already standard practice today. Every ophthalmologist in possession of these two systems can use them routinely in their daily work without the need for lengthy preparation. This has not been possible up to now with many other systems which are currently on the market. The use of WASCA is now producing major improvements in operation results, especially in PRK treatment. It will very soon also be possible to use WASCA with LASIK treatment which has already become standard practice. The necessary scientific studies will shortly be completed and are showing promising results. "The results of the scientific studies which were presented at the symposium confirm the supreme technical performance of our WASCA diagnosis system and prove the great potential which our technology holds for improving the quality of eye operations," said Bernhard Seitz, chairman of Asclepion's Management Board.

Future trends in wavefront-supported treatment were also presented at the symposium. These include the controlled treatment of all wavefront defects in the eye. The concept of "Aberration Smart Ablation Profiles" (ASAP) was introduced, representing a new kind of treatment for vision defects. This takes even the smallest of defects into account which arise, for example, when the eye adjusts from short to long focus and which, before WASCA, were not measurable. This means that, in the future, results can be obtained in operations which are not conceivable with other correction aids such as glasses. In a world premiere, Asclepion demonstrated online measuring of the eye's accommodation process using WASCA.

Some of the presentations included: Prof. Pallikaris (University of Crete) presented the results of his joint research with Asclepion. In a world first he was able to demonstrate, using a computer simulation, the influence the adjustment of the eye from close-up to long-distance vision (accommodation) has on the wavefront, for example. Prof. Dausch presented the results of a study involving over 70 patients who were treated using the PRK method combined with the WASCA wavefront aberrometer. According to Prof. Dausch's results, WASCA enabled not only standard vision defects to be remedied, it also helped to improve visual acuity. Dr. Panagopoulou from the University of Crete presented the first highly promising applications of the WASCA technology in diagnosis. Prof. Forster presented his pure research findings which confirmed that combining the Asclepion WASCA and MEL 70 G-Scan systems resulted in controlled improvements to visual acuity. Dr. Dick (University of Mainz) demonstrated in his study that topography-supported treatment will continue to play a major role. Dr. Marotta from Argentina presented the results of his study in which he showed that wavefront technology was also arousing considerable interest in South America. Prof. Lee (South Korea) presented his first, extremely detailed study into the first WASCA applications on Asian eyes which differ from those of Europeans in their physical structure etc. These results show that in Asia, too, the interest in WASCA technology is growing. Dr. Goes presented the first results of his study into wavefront-supported LASIK treatment of vision defects in which the first highly-promising results have now been published.

9/11 **Donner Corp. International** issued a Special Report on the current state of the laser eye surgery industry. Noting that **TLC Laser Eye Centers, Inc.** had recently agreed to acquire **Laser Vision Centers, Inc.**, the move reflected the trend toward consolidation in the laser eye surgery industry. Quoting from the *Wall Street Journal* article, in which Al Kildani, an analyst with **Pacific Growth Equities** in San Francisco, California, said, "Analysts have been looking for laser eye surgery companies to consolidate and get rid of excess capacity; this industry has been ravaged during the past couple of years by discount operators who were looking to capture market share without looking at the bottom line...A lot of those [discount operators] have gone away, leaving survivors in a stronger position."

The report then went on to discuss **Eyesite Laser Centers** of Dallas, Texas as one such company that is still sticking around. Currently, only one center is in operation, which opened in July 2000. In the first twelve months of operations, Eyesite generated $700 thousand in revenues while posting a $1.35 million net loss, which is primarily attributed to start-up costs. Sumner Rand, president and CEO of Eyesite Laser Centers, a subsidiary of **Rhino Enterprises Group, Inc.**, commented on the current laser eye surgery market, saying, "An estimated 1.9 million laser refractive eye surgeries will be performed this year in the U.S. and 2.8 million next year. So far in the U.S., only 4-5% of eligible patients have had LASIK surgeries performed on them; the other 95% still represent an untapped market. Our clinic was performing 5 LASIK surgeries per week last year; it is now doing 25 per week so far this year. Eyesite Laser Centers is an `open center,' where ophthalmologists can come in and use the facilities and laser equipment for a fee. The clinic's business model also allows for co-managing patients with optometry and servicing private patients directly."

9/12 The September issue of *Refractive Market Perspectives* discusses in more detail the economic downturn in the U.S. economy and the effect it is having on refractive surgery procedures. As reported, declines in procedure volumes were experienced by most laser centers during the second quarter, with only a handful of centers reporting procedure increases. On an industry-wide level, procedure volume declines at individual centers were off-set somewhat by continuing growth in new laser centers, mostly in the surgeon-owned sector, while the number of corporate centers declined due to business failures and closures of unprofitable centers. The newsletter further reported that the surgeon-owned segment grew 2%, with an increase of 68 new centers. This was due both to the combination of new centers and conversion of failed corporate centers to surgeon-owned. Dave Harmon expects continued expansion of this segment due to consolidation among corporate centers and increased marketing focus by laser manufacturers to surgeons. The market share of procedures for surgeon-owned centers grew to 52.1%, compared to 46.9% in the previous quarter. Institution owned centers increased slightly also, to 7.9% from 7.7%. During the second quarter, corporate centers accounted for only 40% of procedures, down 5.4% from their market share in the first quarter. Among the corporate center operations, Laser Vision Centers extended its leading share to 22.8%. (Which will further increase with its acquisition of the 6.4% share now held by ClearVision.) TLC declined slightly, down to 17.9% from the 18% of the previous quarter, but again, once it completes its acquisition of Laser Vision Centers (and with ClearVision), TLC Vision will command a 47.1% share of the corporate procedure volume and an 18.4% share of all U.S. LASIK procedures! Other corporate centers with measurable volumes include LCA Vision with a 14.6%, up from 11.9%; Laser Vision Institute with 6.4%; Prime Medical with 4.6%; NovaMed at 3.5%; and EBW with 3.2%. Harmon comments that early reports on July and August indicate continued softness in the demand for refractive surgery -- and with the terrorist devastation of early September, procedure volumes for the quarter could be way down.

9/12 **Sunrise Technologies International, Inc.** announced that it had entered into an agreement with **Silicon Valley Bank** to extend the due date of its credit facility until October 6, 2001, provided that the payments listed below are paid on time. The extension agreement requires the company to pay $1 million by September 14, 2001, which will be funded from a $1.75 million payment due to Sunrise from **C-MAC Industries** pursuant to the recently signed manufacturing agreement between the two companies. This will reduce the amount of the credit loan to approximately $3.9 million. Another $1 million payment is due under the terms of the extension agreement on September 21.

9/13 In this week's edition of *EyeWorld Week*, the on-line newsletter reviewed some of the refractive highlights from the recent ESCRS meeting in Amsterdam:

● At a pre-ESCRS meeting "Zyoptix Alliance Day," **Bausch & Lomb** announced that its international users had performed more than 2,500 customized corneal ablations using the combination of Zywave wavefront analysis, Orbscan II corneal diagnostics, and Technolas 217 excimer laser. Visual acuity in low-light conditions was significantly better in Zyoptix-treated eyes than after conventional LASIK.

● Marguerite McDonald, MD, reported on "Next-Generation Refractive Surgery" at an **Alcon**-sponsored symposium. Comparing the Custom Cornea technology for the LADARVision laser to conventional treatment revealed no differences in best-corrected acuity at the 20/20 level, Dr. McDonald said. But 62% of Custom Cornea cases versus 52% of conventional cases achieved 20/12.5 acuity. The real advantages of customized treatment may be seen in post-RK customized correction, she added.

● Julian Stevens, FRCS, presented three-month data on **VISX** WavePrint ablations on a group of patients who had lost best-corrected acuity as the result of previous refractive surgeries. All patients in the study experienced reduction of their higher order aberrations and achieved at least 20/30 uncorrected.

● The keynote speaker of the opening session of the ESCRS said that, based on optical principles, a refractive surgical goal of 20/10 is "not realistic."In his lecture on "Creating the ideal refractive correction," Raymond Applegate, OD, challenged the audience to consider the real functional anatomical limits to the quality of human vision. The goal of 20/25 best-corrected visual acuity is more appropriate, he said.

In a symposium on LASEK or LASIK? Laser epithelial keratomileusis, the non-flap technique that first took hold in Europe, was reported to continue to grow in popularity.

● Patrick I. Condon, FRCS, compared LASEK in 158 patients to 150 LASIK cases and found comparable visual results. Only a small number of microkeratome-related problems were encountered in the LASIK group, but the avoidance of those problems

with LASEK made it advantageous in these eyes for correction of up to 6 D of myopia, he said.

● Chris Lohmann, MD, reported on a group of 93 eyes treated with LASEK in a multicenter study. An epithelial flap could not be created in one eye, so conventional PRK was performed. In all other eyes the procedure was completed without complications, and all were within +0.5 to -0.75 D of intended correction.

In a follow-up study of the ICL, Jean-Louis Arne, MD, reviewed 2-year follow-up data on his series of 93 high myopes receiving the ICL for correction of a mean 13.86 D of myopia. Endothelial cell loss averaged 2.1% at 6 months, 2.3% at 1 year, and 2.0% from 2 to 3 years. Three "dense opacities" were seen postoperatively, and all were in eyes receiving the second- and third-generation designs. "Worrisome complications are rare," Arne said, and can be avoided with proper sizing of the new-model ICL and meticulous implantation technique.

9/15 Two Summary Notices of Class Action Settlements appeared in print: the Pillar Point Partners Antitrust & Patent litigation brought by several eye clinics that purchased VISX and Summit lasers, in the September 10th *Wall Street Journal*; and the consumer version brought in 17 states, called the PRK/LASIK Consumer Litigation that appeared in both *Parade* and *USA Weekend* over this weekend. The former suit has a settlement agreement for $50 million which will be heard on November 26th at the Sandra Day O'Conner U.S. Courthouse in Phoenix; while the latter, the consumer litigation, for $12.5 million, will be heard at the Santa Clara County Superior Court on December 17th. (More on the settlement of the two suits can be found in the July 12/13 VISX briefs in the July newsletter.)

9/17 **VISX** announced that the severity of the continued economic downturn had resulted in a sequential decline of 25% to 30% in licensing revenues as well as lower than anticipated international and domestic equipment sales. Consequently, the company was currently forecasting earnings per share to be in the range of $0.06 to $0.08 for the quarter ending September 30, 2001. Commenting on the revised earnings expectations, Liz Davila, VISX chairman and CEO, stated, "Like many other industries, the laser vision correction industry has not been immune to the downturn. As an elective procedure, laser vision correction is easily postponed by the consumer in times of uncertainty. During this time, VISX is maintaining its leadership and remains well positioned to take advantage of the tremendous growth opportunity within our marketplace once the economy improves." VISX will be announcing its third quarter 2001 financial results after the market closes on October 12, 2001.

Following VISX's announcement, Ted Huber of **Banc of America Securities** issued the following update on the company:

* VISX pre-announces 3Q01 results: VISX now expects EPS of $0.06 to $0.08 (vs. prior consensus of $0.18) as procedure volumes are expected to drop 25% to 35% from 2Q01 and 3Q00 levels.

* Why have volumes declined so sharply? We believe a combination of cyclical spending impacts, modest VISX share losses and a secular decline in the LASIK market are all contributing to this drop.

* Leading indicators look weak: Last Tuesday's horror translates to lower consumer confidence and greater levels of consumer fear, each negative influences on elective surgery demand. Our trade checks reveal some canceled appointments and a significant fall off in prospective patient screenings.

* Lowering 2H01 and 2002 estimates: Our new 3Q01 estimates are in line with guidance (revenue down 21% and EPS down 64%). We now expect EPS of $0.54 in 2002 (down 5%) on 2% procedure growth and declining equipment sales.

* Investment Thesis: VISX trades at 24x our new 2002 EPS estimates and 9.3x trailing EV/EBITDA, a premium EPS multiple and average cash flow multiple relative to peers. VISX offers limited EPS visibility given the cyclicality of its demand and reliance on defeating Nidek in court next year to maintain its pricing structure. Maintain Market Performer rating.

9/18 **SurgiLight Inc.** announced that it had filed three separate motions in the patent infringement case brought by **Presby Corp.** and **RAS Holding Corp.** pending in the Federal District Court in Florida. One motion seeks summary judgment that the broader, independent claims of Presby's patent are invalid based upon prior surgeries and publications of others, including Dr. James Salz and Dr. Leo Bores, who brought radial keratotomy to the United States over twenty years ago. Another motion seeks summary judgment that SurgiLight's accused IR-3000 laser does not infringe claims of the asserted patent directed to particular procedures using a laser for treating presbyopia. The third motion seeks summary judgment dismissing the entire patent infringement lawsuit because SurgiLight's experimental activities have been solely for the purpose of obtaining FDA approval of the IR-3000, and these activities are exempted from infringement allegations by statute.

SurgiLight previously filed another motion with the Court seeking to assert that Presby's patent is unenforceable because SurgiLight believes Dr. Ronald Schachar obtained the patent through fraud on the United States Patent and Trademark Office. Dr. Schachar is the sole inventor of the asserted patent and the chief officer of Presby Corp. On September 13, 2001, the Court granted SurgiLight's motion. SurgiLight is eager to clear itself of these charges and continue its clinical trials to develop the presbyopia procedure that SurgiLight has patented.

Three clinical and technical papers were presented on presbyopia using SurgiLight technology at the **European Society of Cataract and Refractive Surgery (ESCRS)** Conference held in early September in Amsterdam, Netherlands. The first paper presented at the Conference summarized clinical results using the IR-3000 system for the treatment of presbyopia performed in India. Dr. Vivek Kadambi's results in 15 patients stratified by age were presented. He achieved excellent results in both patients less than 50 and older than 50. His average amplitude of accommodation correction was 2.0-2.5D. Dr. Kadambi's follow-up period was up to four months. No complications were reported although one patient has shown some regression. Dr. Carlos Verges presented the results of his Phase I clinical trial in Barcelona, Spain at a session devoted to presbyopia, one of the hottest topics in ophthalmology today. In this second paper, all patients had achieved correction to J1-J3 level. Dr. Verges was pleased to report on his results and the satisfied patients. The third paper about a new theory for the Laser Presbyopia Reversal (LAPR) was presented by JT Lin. Dr. Lin provided details of the mechanism of the laser procedure and guidance for many of the clinical and technical issues.

The company also hosted two evening meetings for physicians and distributors respectively. At the meetings, Dr. Kadambi summarized his results, while Dr. Oscar Mallo (Buenos Aires, Argentina) reported on 65 eyes treated with up to a one year follow-up. A video was shown of the complete procedure with one day follow-up slit lamp exams and 10 month slit-lamp exams and an interview of a patient treated almost a year ago. Dr. Colette Cozean summarized the results of the animal study and Phase I clinical trials as well as data from the clinical sites worldwide.

9/19 **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. The companies said that they had completed the pre-merger notification filings with the U.S. Federal Trade Commission (FTC) required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The companies also anticipated filing a preliminary joint proxy statement and prospectus with the U.S. Securities and Exchange Commission (SEC) within the next few weeks. The two organizations remain confident that the merger, which is subject to certain closing conditions, including regulatory approvals and the approval of TLC and LaserVision shareholders, will close by the end of this calendar year. "More than just a simple business combination, this merger is designed to generate a sum greater than its two parts. There is little question that current economic conditions are weak. Those conditions may, however, create an even larger opportunity to capture the significant synergies that we expect from joining our two companies," commented Jack Klobnak, chairman and CEO of LaserVision.

9/20 **STAAR Surgical** presented new clinical data from its FDA clinical trial for the ICL (Implantable Contact Lens) at the second in a series of surgeon training courses being held in Canada. The data shows a very low rate of lens opacities associated with the implantation of the ICL. The U.S. FDA clinical trial is separated into two portions, the

first for myopic (nearsighted) patients and the second for hyperopic (farsighted) patients. The newest clinical results for the myopia study showed 12 lens opacities (2.3%) in a study population of 529 cases. Of these, 8 (1.5%) were seen early in the postoperative period and were non-progressive with no loss of best-corrected visual acuity at the last visit. These were most likely due to mild trauma at the time of surgery. Results for the hyperopia study were very similar with 4 lens opacities reported among 178 eyes. Of the 4, one center was responsible for 3 opacities that resulted in 2 cataract extractions. In the remaining 174 eyes implanted by 23 investigators, only one (0.6%) lens opacity was observed with no loss of best-corrected visual acuity. No late anterior subcapsular lens opacities were seen and no cataract extractions have been required.

"The data is very gratifying," said David Bailey, STAAR's CEO and president. "The rate of lens opacities was higher with our initial lens designs and before we had refined the method for determining lens size. The U.S. study confirms that with appropriate lens design and accurate sizing, the ICL produces excellent visual outcomes. The clinical investigators in the U.S. trial followed STAAR's surgical protocol which is now being taught at the Canadian training courses. There is a learning curve with every new procedure or device. These numbers are particularly impressive when you consider that many of these implantations were done by clinical investigators just developing their surgical techniques."

9/20 **VISX** announced that the U.S. Patent and Trademark Office had issued a Reexamination Certificate in the reexamination of VISX's U.S. Patent No. 4,903,695, known as the '695 LASIK Patent. During the reexamination, the U.S. Patent Office reconfirmed the patentability of the original claims. VISX added 40 claims that pertain to methods of performing laser-in-situ vision correction (LASIK). VISX believes that all LASIK procedures performed in the United States are covered by the '695 Patent. This coverage includes all past procedures performed since FDA approval of excimer laser systems for refractive surgery. The patent will expire in 2007.

9/21 **VISX** announced that it had received a ruling in its patent infringement lawsuit against **Nidek** pending in Federal Court in the Northern District of California. In the ruling, the Judge determined the scope of certain patent claims asserted by VISX. As a result, VISX believes that Nidek will be found to infringe its patents. Liz Davila, chairman and CEO of VISX, stated, "We believe this ruling provides VISX with the support needed for full injunctive and damages relief against Nidek. This is another step in the process toward trial, which we anticipate will commence in the Fall of 2002."

According to *Reuters* a Nidek representative refused to respond to the VISX announcement.

OPHTHALMIC LASER UPDATE -- October 2001

9/21 **Sunrise Technologies International, Inc.** announced that it had received an extension until September 28, 2001, on a $1 million payment due to **Silicon Valley Bank** under its current extension agreement. The company is in discussions with a number of financial entities to refinance or replace the approximate balance of $4 million owed to the bank, which is due on October 6, 2001.

9/23 **Anamed, Inc.** announced that the FDA had approved it IDE to begin a clinical trial with its PermaVision intracorneal lens for the correction of hyperopia up to 6 diopters. The company plans to open clinical sites this fall. Dr. Stephen Slade, of the Laser Center of Houston said, "The lens is designed to offer an outstanding solution to hyperopia, especially in the higher ranges. The operation is straight forward, and LASIK surgeons already possess the necessary skills. The PermaVision keratophakia lens also offers the advantage of being removable, an important option in today's refractive surgery environment."

The company earlier announced that it's PermaVision intracorneal lens received the CE Mark and approval for commercial distribution throughout the European Union (EU). This makes Anamed the only company with regulatory approval to commercialize intracorneal lenses. The lens is implanted in a sutureless synthetic keratophakia procedure to correct refractive errors of the eye. While keratophakia has been under development for the past 50-plus years, it took Anamed's proprietary Nutrapore material to make the procedure viable. The Nutrapore material from which the PermaVision lenses are made mimics the properties of the stroma for water content, refractive index, optical clarity, fluid transport, and permeability of metabolites and oxygen. The micron-precisioned lenses are placed inside the cornea in a sutureless procedure to correct hyperopia.

To implant the lens, a hinged flap is made in the cornea, just like with LASIK. The 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 flap in place. No stitches are necessary.

An on-going international, multi-center human clinical trial was opened in December 1999, expanded to four sites in 2000 and to 14 centers in 11 countries during 2001. In addition, the PermaVision lens has successfully completed long term porcine evaluations. "The overall patient data indicates that the PermaVision lens can correct vision without a laser. Perhaps even more important, the flap can be lifted and the lens removed or exchanged since tissue is not ablated or destroyed," according to Professor Herbert Kaufman, Chairman of the LSU Eye Center.

9/24 In a battle of dueling news releases, following **VISX's** announcement of September 20th that it felt it had prevailed in the court ruling in its patent infringement suit against **Nidek**, Nidek issued its own press release claiming victory. The company said that a ruling by the District Court represented a major victory that will have considerable impact on the

case as it proceeds toward trial. In the ruling, the United States District Court for the Northern District of California largely embraced Nidek's position, with Judge Charles Breyer finding for Nidek on critical issues dealing with the '388 and '843 Trokel patents. According to Nidek, Judge Breyer's claim construction ruling is a clear win for the company. The ruling arises from a `Markman Hearing', where both sides present their arguments to the Court on the interpretation of the patent claims at issue. The legal precedent from a Markman Hearing can be determinative of the outcome at trial on issues of validity and infringement of patents. For example, over VISX's strenuous objection, the District Court in a well reasoned opinion agreed with Nidek that the '388 patent requires laser ablation of not only stromal tissue but also the layers of the cornea above the stroma. As such, the FDA-approved indications for Nidek's EC-5000, PRK and LASIK, do not infringe this patent. Hideo Ozawa, president of Nidek Co., Ltd, responded to Nidek's preliminary U.S. legal victory stating, "We are very pleased with the Court's interpretation of the scope of these patents. Nidek earnestly hopes that VISX will re-evaluate its position in the various litigations between the two companies. This finding reaffirms that Nidek's technology employed in the EC-5000 is unique to Nidek alone. It is unfortunate that VISX would once again attempt to mislead the public, including investors and the medical community, with Friday's hasty and inaccurate announcement on a ruling that is open to all to evaluate."

9/24 **SurgiLight Inc.**, announced that it had signed another exclusive distribution agreement with **EnVision, Inc.** of Canada to sell its IR-3000 in Mexico and the Caribbean. The IR-3000 is intended to treat a variety of ophthalmic conditions including presbyopia. The distributor has committed to purchase approximately $3 million in systems over the next three years, resulting in an additional $3.5 million in recurring income for the company over the same period. The distributor will make a $100,000 deposit in September and purchase their first system in October. According to the terms of the exclusive agreement, the distributor will be responsible for obtaining the appropriate government approvals prior to selling the product.

EnVision plans to place 20 laser units into Canadian surgical clinics over the next three years, primarily in private laser vision correction facilities with treatments performed by experienced laser surgeons. EnVision president and CEO, Michael Johnson commented upon signing of the agreement, "We have progressed so rapidly with this technology in Canada, that we decided to accept the opportunity and challenge to introduce the IR-3000 for presbyopia in Mexico and the Caribbean. SurgiLight has been extremely cooperative in providing us equipment, training and clinical protocols and results. We are excited to continue our relationship with SurgiLight and introduce this revolutionary technology into Mexico and the Caribbean."

10/1 **QLT Inc.** reiterated that it was confident it would meet Visudyne (verteporfin) sales and earnings per share targets for fiscal 2001 to end the year with Visudyne sales of US$225-250 million dollars and pretax EPS (excluding any foreign currency gains or

losses) between CDN$0.40 and $0.50. In the wake of the tragic events of September 11, 2001, however, the company expects Visudyne sales reported in the third quarter to be approximately 6-10% lower than the consensus estimate of US$63 million. Despite lowered Visudyne sales, the company remains comfortable with the third quarter consensus EPS estimate of CDN$0.12. The decline in sales in the third quarter was expected to occur for a number of reasons. Approximately two-thirds of all Visudyne sales are generated in the U.S.; hence, a disruption in this market would have a corresponding impact on sales. Further, the last month of any given quarter typically accounts for a disproportionately higher share of Visudyne sales compared to the first two months of a quarter, due to the nature of retreatment schedules resulting from the implementation of early access programs prior to launch. As the last month of the third quarter, September would have also shored up sales from the typically slower summer months, further exacerbating the impact. Other factors that may have played a role include a temporary suspension of shipping services and general reduced productivity. Importantly, Visudyne sales were on track to meet expectations prior to September 11 and with sales levels returning to normal, the company expects to meet projected growth rates in the fourth quarter.

"Our thoughts and prayers are with those who have been affected by this tragedy," said Dr. Julia Levy, president and CEO of QLT. "As with countless other companies across North America, we will see a temporary impact on revenues but are confident in the strength of our ongoing business and our ability to meet our strategic goals and objectives."

10/1 According to *OptiStock*, **Eyemakers Inc.** signed a letter of intent for a joint venture with **Eye Academy of Europe**. Eyemakers will introduce cosmetic surgery in Eye Academy LASIK clinics in Italy and the UK. Also, in a letter to shareholders, CEO Ernest Remo said the company took over several obligations, including those for rent and equipment leases, of the previous joint venture with **ICON Laser Eye Centers**, which filed for receivership this spring. Eyemakers will open centers in new markets, such as Columbus, Ohio. The grand opening of the flagship Total Vision Solution center in San Diego will occur this month; it has an upscale optical store and two lasers for laser vision correction. The Mesquite, Texas store, formerly operated with ICON, was closed for redecoration and remerchandising and will open in October. Eyemakers is obtaining financing and completing audited financial reports for the past several years in order to catch up with SEC filings, after which it will apply for listing on the NASD OTC Bulletin Board.

10/2 **LaserSight Inc.** announced that the FDA had approved its LaserScan LSX precision microspot scanning excimer laser system for the LASIK treatment of myopia with and without astigmatism. The approval is for a range of treatment of refractive errors up to -6.00 diopters manifest refraction spherical equivalent (MRSE) with or without a refractive astigmatism up to 4.5 diopters of cylinder. The range of spherical equivalent approved for treatment is reported to address approximately 85% of the myopic patients

currently applying for refractive surgery. In November 1999, the company's LaserScan LSX was approved for treatment by photorefractive keratectomy of nearsightedness up to -6 diopters; however refractive surgeons in the U.S. are permitted to treat patients for nearsightedness up to -10 diopters. Michael Farris, president and CEO of LaserSight, commented, "LaserSight is particularly pleased to have received this latest FDA approval which has been a long anticipated milestone. With approval for LASIK treatment of myopic astigmatism the LaserScan LSX is now able to capture a more significant share of the laser refractive vision correction market. Our complete line of refractive products ideally positions LaserSight to continue to take advantage of the shift to new technology that is now occurring within the refractive market."

LaserSight's complete range of refractive surgical products includes the LaserScan LSX precision microspot scanning excimer laser system, the patented AstraMax integrated diagnostic work station, its AstraPro software, a surgical planning tool that will utilize advanced levels of diagnostic measurements for the planning of custom ablation treatments, the UltraShaper durable keratome and MicroShape keratome blades. With this complete line of products, complemented by a second-generation intellectual property portfolio, including its scanning patents, LaserSight is well positioned to take advantage of its competitive position in the refractive surgical market place through equipment sales and recurring revenue streams associated with procedure related fees, the sale of disposable products and fees collected from its patents licensed to third parties.

LaserSight will be providing this new indication to its U.S. installed base of LSX systems and expects to begin deliveries of LSX systems from inventory during this quarter. The company also has premarket approval supplements pending for LASIK treatment of mixed astigmatism, with an astigmatic component of +0.5 to +6 D, and for LASIK treatment of hyperopia of 0.5 to 8 D and hyperopic astigmatism of up to 6 D.

10/3 **Emory Vision**, an independent vision correction surgical practice affiliated with the Emory University School of Medicine, announced that it had made major advances in the way vision can be measured and treated with a technology called InterWave. Keith Thompson, MD, Medical Director at Emory Vision, has been working with researchers at **GE**, **Harvard** and **MIT** and the **Schepens Eye Institute** in Boston over the last 13 years to create this new technology now in use at Emory Vision. "InterWave allows us to take up to 70 different measurements of each patient's eye and, best of all, to have the patient interact with the technology during their eye exam so that we get a true measurement of how a patient really sees through each eye," said Thompson. "For more than 150 years, since the Civil War, eye doctors have been using the Acuity chart, which does not allow them to know for certain whether a patient sees things with a halo or glare or has different vision in various light settings." InterWave is capable of measuring the patient's entire visual system, from the cornea to the visual cortex of the brain. Emory Vision is now using InterWave technology to enhance the way its surgeons perform LASIK. The

technology allows Emory Vision surgeons to program surgical lasers differently, if necessary, for up to three separate zones of the patient's eye.

"With InterWave, we can more accurately predict how a patient will see after having LASIK, and we can use the data we gather from the InterWave exam to individualize the LASIK surgery for each eye," said Thompson. "Our better data going in can mean a better diagnosis going out." To date, approximately 175 Emory Vision patients have had their vision corrected using InterWave LASIK. Emory Vision is in the early stages of collecting surgical outcome data for those patients, but Dr. Thompson already has seen improvement of up to 200% in some of his patients' night vision.

10/3 **Nidek Co., Ltd.** announced that the Nidek Advanced Vision Excimer Laser System (NAVEX) would be available for international sale, i.e., worldwide except for the U.S. and Canada (where health official approval is required). A company spokesperson said that a supplemental PMA would be filed with the FDA by the end of 2002. NAVEX includes four components -- the Nidek OPD-Scan, Final Fit Software, the Eye Tracker System and the Multipoint Segmental Ablation hardware upgrade -- to perform customized ablation with the Nidek EC-5000 Excimer Laser System.

"NAVEX will change the way that laser vision correction procedures are performed," commented Hideo Ozawa, president and owner of Nidek Co., Ltd. "This sophisticated medical technology provides all the tools for a customized ablation procedure, helping surgeons identify the optimum visual outcome and making it a reality for their patients. Surgeons can now treat patients who previously chose to wear glasses or contacts. This system provides those patients with more freedom through its expanded treatment options." Howard Gimbel, MD, founder, Medical Director, and Senior Surgeon of the **Gimbel Eye Centre**, commented, "From the OPD-Scan measurements to the refractive surgery treatment, NAVEX allows surgeons to utilize the technology and precision of the system to make customized ablations for individual patients. In cases where complicated diagnoses and unique treatments are needed, surgeons can be confident with Nidek's advanced instrumentation."

The Nidek OPD-Scan is a state-of-the-art diagnostic instrument that combines Wavefront analysis technology with corneal topography to map the aberrations of the entire optical system, presented in the form of unique refractive power maps for the individual eyes of each patient. Incorporating corneal topography, aberrometry autorefraction and autokeratometry all in one device, the OPD-Scan allows simultaneous data acquisition in 0.4 seconds with the same axis of alignment for all measurements. Nidek's unique Final Fit Software was created to evaluate data from the OPD-Scan to determine the customized ablation parameters. The software converts data from the individual refractive maps into sphere, cylinder and irregular components that create the total ablation profile needed to produce the precise customized ablation parameters for the patient's eye. Final Fit software is intended to ensure that the surgery corrects the corneal

shape and unique, subtle optical aberrations, providing the finest optical results. The resulting data is then transferred to the EC-5000 for the refractive surgery procedure.

The Nidek Eye Tracker System utilizes high-speed digital video camera technology to follow the patient's eye ensuring laser alignment during the procedure. This is an active tracking, closed loop system, which locks onto the eye and tracks the eye's movement independent of hydration or shape changes during surgery. In conjunction with Nidek's clinically proven scanning-slit technology, the Multipoint Segmental Ablation System divides the rectangular-shaped laser beam into six small equal segments, which can be individually or simultaneously projected onto the cornea for a more efficient treatment. The Multipoint Segmental Ablation System enables the EC-5000 to direct the excimer laser beam to smaller, more specific areas on the corneal surface requiring additional treatment to compensate for subtle irregularities and aberrations of the eye.

10/5 **LCA-Vision Inc.** reported that 13,347 procedures were performed in the company's wholly owned centers for the three months ended Sept. 30, 2001, compared with 16,341 procedures performed during the comparable period a year ago. Third quarter 2001 procedure volumes were impacted by the continued weak U.S. economy, which was exacerbated by the events of Sept. 11 and the subsequent economic uncertainty. "Everyone at LCA-Vision joins with the rest of America in expressing our sympathy to those who have lost loved ones, friends and associates in the tragic attacks," commented Tom Wilson, CEO. "Our procedure volumes reflect, in part, the reluctance by many Americans at this time to pursue elective surgery. We are taking the necessary steps to adjust our business operations to better reflect current market realities." In a continuing upward trend, the average price per procedure increased to $996 in the third quarter of 2001, compared with $934 in the second quarter of 2001 and $954 during the comparable period a year ago.

Commenting on the recent **Bausch & Lomb** branding partnership with LasikPlus centers, Wilson said, "The very early results of our first test center in Cincinnati are promising; however, marketing activities were obviously suspended beginning on Sept. 11 and resumed at the end of September. If successful, additional centers will be re-branded as `LasikPlus, a Bausch & Lomb Laser Center.' We will continue to focus on new marketing efforts to grow our market share and improve the financial performance of existing centers."

10/5 Officials of the FDA have determined that **Surgin, Inc.** does not have legal authority to sell replacement blades for use with microkeratomes manufactured by **Moria, S.A.** The FDA's Office of Compliance and Office of Device Evaluation, Center for Devices and Radiological Health issued their determination after Moria raised concerns with the agency that Surgin was marketing its blades for use with Moria's microkeratomes without proper approval.

Moria brought this matter to the FDA's attention in a letter to the agency dated April 12, 2001. The FDA sent Surgin a letter dated April 23, 2001, in which the agency informed Surgin that: "Your web page(s)...incorrectly indicate that the prism blade may be used interchangeably with that of other competing manufacturers. For example, your web page ...promotes Surgin microkeratome blades for use with microkeratomes made by Moria, Incorporated...and **SCMD**. Additionally, your `competitor' page contains the claim, `Surgin has the right to freely manufacture and sell disposable lasik blades as products used in conjunction with the microkeratomes of others.' The agency disagrees with this opinion." The agency's letter continues: "Surgin's clearance for the Accublade is specifically limited for use in conjunction with the **Chiron** microkeratome. . . . Surgin may not promote or sell the Prizm blade during the pendency of your 510(k) submission for use in microkeratomes for which the blades have not received clearance, because doing so would misbrand your other legally marketed devices that are already offered for sale."

In a follow-up letter to Surgin dated June 27, 2001, the FDA said that Surgin `erred' in determining that it did not need separate FDA approval for its Prizm blades and that "a new 510(k) submission is required because a change in blade shape raises new issues of safety and effectiveness and requires design validation. Each keratome has significantly different specifications for the blade requiring validation testing for each different type of keratome replacement blade. An incorrect fit in the keratome may cause serious adverse events such as an uneven cut (resulting from blade chatter), a too shallow cut (`button-hole'), a too deep cut (corneal perforation), or a free flap." The agency reiterated in its June 27 letter that Surgin may not legally continue to promote Surgin blades for use with keratomes of other manufacturers besides Chiron.

10/9 **Eyemakers Inc.** announced the signing of a letter of intent for a joint venture with **DermOptic Inc.** of Washington, D.C. for Eyemakers to be the exclusive joint venture partner of DermOptic for the performance of cosmetic and LASIK surgery procedures in the DermOptic facilities in Fairfax, Va. and Schaumburg, Ill. These facilities are in high end malls and conform to the `Total Vision Solution' super store model pioneered by Eyemakers. Ernest Remo, chairman and CEO of Eyemakers, said, "We are pleased to have completed this step in adding these strategically located locations to our primary `Total Vision Solution' business in the United States. We look forward to working closely with the management of DermOptic and others in North America to providing the highest quality Lasik and cosmetic care possible."

10/10 **STAAR Surgical company** announced that it had executed an agreement with **Canon Inc.** and **Canon Sales Co., Inc. of Japan** resolving all claims between the parties and reaffirming the partnering arrangement to manufacture and distribute ophthalmic products based on STAAR's technology by their joint venture company, **Canon STAAR Co., Inc.**, including the company's ICL. The agreement settles the Federal lawsuit previously filed by STAAR in the U.S. District Court and the parties' respective claims

previously filed with the Japanese Commercial Arbitration Association. The parties have already commenced the necessary procedures for dismissals of the Federal lawsuit and the claims with the arbitration. The settlement does not include claims that may be made by the parties against John Wolf, STAAR's former president.

David Bailey, president and CEO said, "I have put considerable effort into rebuilding the relationship with this joint venture because I believe Canon STAAR is the best partner to work with in the Japan and Asia markets. It was my clear preference to resolve the differences of the past and move forward positively in Japan. For this reason, I made a number of trips to Tokyo. I was resolved to come to an agreement that would benefit our shareholders, as well as the interests of Canon STAAR. I believe we have met those objectives and I am delighted with the outcome." The settlement eliminates monetary liability for STAAR, while allowing Canon STAAR Co., Inc. to immediately start developing and manufacturing new products, taking advantage of STAAR's technology in Japan and the rest of the Asian market. In addition, STAAR agreed to promptly transfer its new technology and steadily and continuously supply the raw materials to Canon STAAR.

"Japan and Asia are among the largest ophthalmic markets in the world," Bailey commented. "The joint venture's distribution partner, Canon Sales Co., Inc. has an established network in these high potential markets along with extensive experience. I look forward to working with our partners in Japan and to a long-lasting relationship that will benefit our shareholders as well as Canon Sales." The company also announced that it has received the payment of a back dividend from Canon STAAR of approximately $300,000. The dividend payment was booked in the company's third quarter.

10/11 **QLT Inc.** reported global Visudyne (verteporfin) sales of approximately CDN$88.9 million (US$57.5 million) for the quarter ended September 30, 2001. This represents an increase of 86% over sales in the third quarter of 2000 and a 2% increase over the second quarter of 2001. Year to date sales for the product now total CDN$249.1 million (US$161.7 million). "We have seen U.S. sales return to normal after softening in the weeks following the events of September 11, 2001," said Dr. Julia Levy, QLT's president and CEO. "We remain confident that we will meet our annual sales target of US$225-250 million by year end as the global Visudyne franchise continues to expand with approvals in new indications and in new jurisdictions."

Visudyne sales in the U.S. for the quarter were approximately CDN$56.3 million (US$36.4 million), representing 63% of total sales for the quarter. The remaining CDN$32.6 million (US$21.1 million) relates to sales in the rest of the world. QLT's share of Visudyne net profits (excluding reimbursement for manufacturing and other costs) for fiscal 2001 remain on track to reach approximately 25% of total Visudyne sales.

10/11 **VISX, Inc.** announced financial results for the third quarter and nine-month period ended September 30, 2001. Revenue in the third quarter was $38.5 million compared to $45.7 million for the comparable period of the prior year. Net income was $4.8 million (8 cents per share) compared to net income of $12.0 million (19 cents per share) in the comparable period of the prior year. Commenting on the results, Liz Davila, VISX chairman and CEO, said, "Given the current economic environment, we are pleased to report earnings at the upper end of our most recent guidance. VISX is confident that an upturn in the economy will spark renewed growth in laser vision correction procedures. We continue to invest in our R&D pipeline and, as the industry leader, believe we will be best positioned to leverage our business during a recovery."

Revenue for the nine-month period was $139.5 million (11 cents per share) compared to $157.7 million (56 cents per share) for the comparable period of the prior year.

During the accompanying analyst teleconference, management stated that they foresaw U.S. procedures for the year to approach 1.2 million procedures, 10% lower than last year. During the quarter, the company shipped 32 laser systems, down 8 from the previous quarter, and did 125 upgrades. U.S. upgrades are now over 50% complete, while international upgrades are just beginning, and will be aggressively marketed next year. WaveScan sales continued to ramp up, with multiples of the number sold in the second quarter. Licensing revenues were down 28% during the quarter, with key card sales down 9-10% year over year.

Following the release of quarterly data, Ted Huber of **Banc of America Securities** issued an updated research report. The highlights included:

* Results in line: VISX reported $0.08 for 3Q01, at the top end of their guidance range from a 9/17 pre-announcement. We estimate that procedure volumes were down 30% sequentially and 32% year over year.

* Too early to separate 9/11 from cyclical impacts: The cyclical decline in consumer spending on discretionary luxury goods is the key driver of VISX's slowdown 3Q01. While the disaster of September 11 also affected volume in the short term (affecting both 3Q01 and 4Q01 volume) the sustainability of this effect is not yet clear.

* VISX calling for flat sequential performance 4Q01: VISX now expects $0.08 of EPS for 4Q01 on flat to slightly lower procedure volumes and lower capital equipment sales. The company will offer its views on 2002 guidance in January with the release of 4Q01 results.

* No Changes to BAS Model: VISX guidance for 4Q01 is in line with our existing model and we are sticking with our $0.54 2002 estimate based on an expected 3% growth in VISX's procedure volumes for 2002.

* VISX Shares at fair value: VISX trades at 23x our projected 2002 EPS and 10.9x 2001 cash flow (EV/EBITDA), slight premiums to its peer universe of lower growth, small cap, medical technology peers.

10/15 **TLC Laser Eye Centers Inc.** announced its first fiscal quarter results for the period ending August 31, 2001. As previously reported, over 24,100 paid laser procedures were performed at the company's refractive centers in the first quarter. The "TLC Affiliate Centers" program generated more than 600 of the quarter's paid procedures. Traditionally one of the weakest growth periods from both an industry and company specific perspective, volumes were further depressed in the first quarter by a frail macroeconomic environment.

TLC's fiscal 2002 first quarter net revenues of $35 million were in line with paid procedure volumes. Much of the negative impact normally associated with weak procedure volumes was successfully offset by a 22% reduction in operating expenses from the same period a year ago. TLC reported a fiscal 2002 first quarter operating loss of $0.11 per share, excluding non-cash charges relating to the amortization of intangibles from acquisitions, compared to a loss of $0.05 per share in the year ago quarter. The company reported a net loss of $0.17 for Q1-02 compared to a loss of $0.14 in Q1-01. TLC ended the quarter in a strong financial position with more than $47 million in cash and cash equivalents.

Elias Vamvakas, TLC's Chairman and CEO, commented that, "For us, the general economic downturn comes right on the heels of a period of industry specific turmoil. To manage our way through the current business environment, we plan on aggressively escalating implementation of the performance improvement programs that have already enabled TLC to successfully meet the industry challenge. A comprehensive cost efficiency plan, aimed at further reducing TLC's break-even procedure volume level requirements, is being rolled out across the company this week. By continuing to focus on providing superior quality of care and clinical outcomes, controlling our costs and investing wisely in initiatives that will build our business, TLC will be prepared to rebound strongly once the economic cycle turns in our favor."

10/15 **STAAR Surgical company** announced that **NovaStaar Investments, LLC** and LaMar Laster, Jr. dismissed an action filed in the Delaware Chancery Court to gain inspection of certain books and records belonging to the company.

10/16 The October issue of *Refractive Market Perspectives* headlined the estimated 145,000 procedure decline caused by the events of September 11th, and its impact particularly on New York City. Based on an informal telephone survey conducted by the newsletter, Dave Harmon estimated that the cancellation of surgeries 9/11 to 9/14; a reduction in screenings; the temporary closure of Manhattan-based laser centers; and delays due to the economic slowdown added up to the 145,000 figure as a total impact on the U.S.

industry in 2001. As stated by the newsletter, "U.S. economic recovery is the key to future market growth. A key factor will be a recovery of consumer confidence level, which should mark a return to steady refractive market growth. When the economic recovery begins, pent up demand for refractive surgery is expected to accelerate growth rates."

The newsletter also found that the average LASIK price continued to slip, as second quarter average LASIK prices fell 1.7% to $1628, compared to the first quarter. This was also a 9.6% decrease as compared to the second quarter of last year. The newsletter noted that, "While advertisements offering low prices are common, most are inducements and only apply to a small percentage of patients. A common practice employed to increase average price includes charging more for correction of higher refractive error or for astigmatism. In some cases, advertised prices do not include required pre- and postoperative care."

The newsletter also contained an excellent overview of the **Nidek** vs. **VISX** patent fight, and the results of the recent judges' decision on attempts to narrow the scope of the patents at issue. For more information, contact Market Scope at **info@mktsc.com**. The newsletter also pointed out something that I hadn't picked up previously -- the **Bausch & Lomb** co-branding arrangement that **LCA Vision** announced last month, is available to all of B&L's laser users. At least two unidentified surgeons have taken advantage of the program, that will be formally launched at the upcoming AAO meeting.

10/16 **IRIDEX Corporation** announced that **Noridian Mutual Insurance**, a Medicare Part B Carrier, published that it will begin to cover transpupillary thermotherapy (TTT) procedures administered to treat choroidal neovascularization (CNV) secondary to wet age-related macular degeneration (AMD) effective for dates of service on or after May 1, 2001. Noridian is the Medicare Part B carrier for Alaska, Arizona, Colorado, Hawaii, Iowa, Nevada, North Dakota, Oregon, South Dakota, Washington and Wyoming. Noridian is the first Medicare carrier to make a written coverage decision approving the use of the TTT protocol for the treatment of wet AMD.

The results of a study performed at Retinal Consultants of Arizona were instrumental in Noridian's decision to cover the procedure. The study results will be presented at the annual meeting of the AAO next month in New Orleans. Dr. Allen Thach, principal investigator in the study, commented, "We have treated over 100 wet AMD patients with TTT and experienced greater than 70% stable or improved vision after 9 months follow-up. I believe these positive results, along with favorable results from other studies, provided Noridian with sufficient evidence of the effectiveness of the TTT protocol to justify a change in company policy in favor of covering the treatment. We are pleased that Medicare is covering this protocol because it will provide a treatment alternative that otherwise might not be available to certain AMD patients."

The October Noridian Bulletin (Issue No. 192) reads, "Although complete, long-term study results are currently pending concerning the use of TTT on primary occult CNV, with some studies also focusing on its use in classic CNV, Noridian has determined that we will begin coverage for TTT. An LMRP (local medical review policy) covering this modality of treatment is anticipated in the future, but for now, TTT will be covered for diagnoses described by either ICD-9-CM codes 362.51, nonexudative senile macular degeneration or 362.52, exudative senile macular degeneration. TTT is to be billed using HCPCS code G0185, pending approval of a specific CPT code. Noridian recognizes that OPT (ocular photodynamic therapy) is specifically FDA-approved for treatment of ICD-9-CM code 362.52, but believe the data now available are sufficient for us to allow physician discretion for the selection of which, if either, of these treatment approaches is to be used."

Theodore Boutacoff, president and CEO of IRIDEX commented, "Up to now, reimbursement for TTT has been made on a case by case basis in a number of states. Noridian's bulletin is significant since it is the first coverage decision that has been issued in writing. We have confirmed with several customers in Noridian coverage states that they have already started receiving payment for TTT claims. The reimbursement amount varies by geographic location but reports to date indicate coverage is in the range of $670-$704."

10/17 **Pharmacyclics, Inc.** announced that it had regained worldwide rights to develop and market Optrin (motexafin lutetium) Injection for the potential photodynamic treatment of age-related macular degeneration (ARMD) and other retinal diseases from **Alcon**. Pharmacyclics will continue to develop Optrin based on its analysis of preliminary data from a 75-patient Phase II dose-ranging clinical trial recently completed by Alcon. "We are very encouraged by the visual acuity data from this trial, especially given that most patients received only one treatment over the course of the study, and currently available photodynamic therapy regimens require multiple treatments," said Richard Miller, MD, Pharmacyclics' president and CEO. "Based on these data, we will continue development of this product and seek other corporate collaborations or partnerships to help us realize its clinical and commercial potential."

Pharmacyclics and Alcon entered into an evaluation and license agreement in December 1997 for the commercialization of Optrin for ophthalmology indications, including ARMD. Under the terms of the agreement, Alcon conducted and bore all costs for worldwide development and drug registration for ophthalmology indications of Optrin. Alcon was responsible for conducting the multicenter phase II trial that was designed to evaluate safety and closure of diseased vessels (i.e., choroidal neovascularization, CNV) using various drug and light treatment regimens, and to monitor visual acuity and other clinical parameters. An abstract will be submitted to present the details of the data at the annual meeting of the *Association for Research in Vision and Ophthalmology (ARVO)* in May, 2002 in Fort Lauderdale, FL. Seventy-five patients were treated with various doses

of drug and light in this Phase II study. All patients received a single intravenous injection of Optrin, followed by light delivered to the retina. Twenty-nine patients received a second course of treatment either three or six months after the first treatment. Fluorescein angiograms were performed to evaluate safety. Photodynamic therapy with Optrin was generally well tolerated at drug doses of 2.0 mg/kg and light doses of 50, 65 or 95 Joules/cm^2. The most common side effect was mild paresthesias (i.e., tingling in the fingertips). Some patients experienced rash, and four patients had transient retinal damage, three of whom were treated with the highest doses of drug and light (i.e., 2mg/kg and 125 Joules/cm^2). CNV closure, which may be a potential indicator of biological activity, was infrequently observed. Clinical activity was assessed by serial measurements of visual acuity. A Kaplan-Meier analysis of the data demonstrated that visual acuity improved or remained stable at six months and one-year follow-up in 70% and 60%, respectively, of the 68 patients who received 2mg/kg of drug and less than 125 Joules/cm squared of light.

10/17 **Bausch & Lomb** announced it had received approval from the FDA to market its Active Eyetracking System in the United States. The eyetracker, which has been commercially available outside the United States since 1994, is a high-speed image processing system that tracks movement of the eye during laser surgery. The new system will be incorporated into all Bausch & Lomb's Technolas 217A excimer lasers sold after November 2001. The Bausch & Lomb Technolas 217A excimer laser with the Active Eyetracking System calculates both the speed of tracking and overall system reaction time, utilizing its active feedback scanner mechanism, prior to firing the laser pulse. Displacement of laser pulses due to eye movement during surgery can cause a variation in ablation patterns, with the potential for under-correction and induced astigmatism.

"The Bausch & Lomb eyetracker is a model of ease of use and accuracy," according to Stephen Slade, MD, director of the Laser Center of Houston, the first surgeons to perform LASIK surgery in the United States and a principal investigator of the Active Eyetracking System. "The Technolas 217 gets great results without it, but there are times it would have made the procedure easier and more accurate," said Daniel Durrie, MD, director of refractive surgery services at the Hunkeler Eye Centers and also a principal investigator of the Active Eyetracking System.

10/18 **Bausch & Lomb** announced the results of its operations for the third quarter, which ended September 29, 2001. Net sales during the period were $433.6 million, down 2% from the $443.2 million reported in the third quarter of 2000. In constant dollars (excluding the impact of changes in foreign currency exchange rates), revenues were essentially flat with the prior year. Net earnings were $23.3 million (43 cents per share) compared to $14.7 million (27 cents per share) reported for the third quarter of 2000.

On a geographic segment basis, third quarter revenues in the company's Americas region were down 11%. Sales in Europe grew 29% on both a reported basis and in constant

dollars, including the impact of acquisitions. Revenues in Asia declined 15% on a reported basis, and were down 9% when adjusted for currency changes. In the U.S., revenues declined 15% from the same period last year, and constituted 44% of total company sales. Outside the U.S., revenues grew 11%, or 14% in constant dollars, including incremental revenues associated with acquired businesses.

Sales of products for refractive surgery declined 22%, and were down 21% in constant dollars. The decline was again driven by the Americas region, where, due to softness in the economy, ophthalmologists and surgery centers are delaying capital equipment purchases, and consumers are postponing refractive surgery, which is an elective procedure not currently covered by most medical insurance plans. Outside the Americas region, the company continued to post solid growth in sales of products for refractive surgery, including demand for its Zyoptix system, the first commercially available technology for customized ablation procedures.

Commenting on the company's results, William Waltrip, Bausch & Lomb's chairman and CEO, said, "While our performance continues to be affected by challenging economic conditions in the United States and Japan, our businesses in other markets are, in general, doing well. We're seeing indications that our decisive actions to reduce excessive retailer's inventories of lens care products and fix our product supply problems are having the desired effects. We will continue to focus on improving our operating execution in order to position Bausch & Lomb for a return to solid growth next year. And while we are not yet ready to provide more specific guidance on our future performance, we certainly expect that the fourth quarter of this year will show continued sequential improvement over this quarter."

Following the quarter's results release, Ted Huber of **Banc of America Securities** published an updated research report on the company. Some of the highlights included:

* Results improving but outlook remains austere: Based on sequential improvements in 3Q01 revenue and margin, we believe 2Q01 marked the trough for BOL performance. 2001 results will provide easy comparisons for the year ahead yet we forecast 2002 revenue growth of only 2.8% as a soft economy and weak competitive performance should hold back growth.

* 3Q01 beats expectations: BOL reported $0.30 of profit with revenue down 2.2% and operating margins rebounding to 8.9%. The sequential improvement in profitability (370 basis points) was due to lower R&D expenditures, an artifact of milestone payment timing.

* No changes to BAS model: We continue to project EPS of $1.27 and EBITDA of near $5.65 per share, up 35% and 9.6%, respectively. Our 2002 model, based on 2.8% revenue

growth and a 8.2% operating margin, represents a conservative but realistic target for BOL. The company will not quantify its belief that results will improve in 2002.

* Fair current valuation: Assuming $0.34 of goodwill amortization is removed from BOL's P&L in 2002, the company trades at 21x our projected 2002 EPS (in line with peers) and 6.6x EBITDA, (a discount to peers). Though the model could rise in 2002 and Envision offers potential for growth in 2004 and beyond, BOL's low secular growth and poor visibility hold back higher valuation multiples.

10/19 **Novartis Ophthalmics** and **QLT Inc.** announced that the Centers for Medicare and Medicaid Services (CMS), formerly the Health Care Financing Administration (HCFA), had announced its intention to expand its national coverage policy for Visudyne (verteporfin for injection) therapy. The policy, once implemented, will include reimbursement for patients with occult only subfoveal choroidal neovascularization (CNV) secondary to age-related macular degeneration (AMD) -- a leading cause of blindness. The decision is the result of a formal request by the *Vitreous Society* as well as a series of consultations with physicians, clinical investigators and representatives from Novartis Ophthalmics and QLT. This expansion, once effective, will provide coverage for two-thirds of patients with CNV secondary to AMD.

"We are very pleased with the revised policy by CMS," said Luzi von Bidder, head of Novartis Ophthalmics. "This decision substantially expands the number of patients who will be covered under CMS' reimbursement guidelines and is a significant advancement for patients with the occult only form of wet AMD." Dr. Julia Levy, president and CEO of QLT, said, "It's very gratifying that CMS acknowledges the importance and validity of the data recently published in the *American Journal of Ophthalmology* showing Visudyne's benefit in the occult form of wet AMD."

Visudyne is commercially available in more than 50 countries for the treatment of predominantly classic subfoveal CNV caused by AMD. It is also approved in 25 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. Approximately 90,000 to 100,000 patients have undergone Visudyne therapy worldwide.

10/22 According to *OptiStock*, **Nestle SA** would sell about 25% of eyecare group **Alcon** if it decides to do a partial IPO of the unit next year, according to CEO Peter Brabeck. Analysts estimate Alcon could be worth up to $12.18 billion excluding debt, according to *Reuters*, though estimates by an analyst with **BNP** in London place its worth at around $6.4 billion to $7.7 billion.

Eyeworld reports that **Alcon Summit Autonomous Inc.** has asked **LCA-Vision Inc.** to register to sell the 14.2% stake Summit holds in LCA-Vision centers. Summit has offered

to sell the 6.6 million LCA shares it holds back to the company and will be free to dispose of the shares if the proposal is rejected, according to a filing the company made with the SEC.

10/23 **IRIDEX Corporation** announced that sales for its third fiscal quarter ended September 29, 2001 were $6.8 million, compared to sales of $8.2 million for the corresponding quarter in 2000. The company reported net income from continuing operations for the third fiscal quarter of $171,000 (2 cents per share) compared to $323,000 (5 cents per share) for the corresponding quarter in 2000. Net income of $171,000 for the third quarter included a $90,000 tax benefit. Assuming a tax provision using statutory tax rates, net income would have been approximately $50,000 (1 cent per share), which would have been within the range of analysts' estimates for the third quarter.

"Considering all of the challenges of the third quarter," commented Theodore Boutacoff, president and CEO of IRIDEX, "I am pleased we were able to accomplish as much as we did. Even with lower than expected revenues, we were essentially breakeven on an operating profit level. This was primarily due to close control of expenses and improved operating efficiencies. Our goal through the years has been to build a solid profitable company by satisfying customer needs, delivering quality products and maintaining a productive employee environment. During unstable economic times, these values have been tested. We have not been insulated from the turmoil of the world economic conditions, as our revenues and profits demonstrate. However, we feel we are weathering this storm with some semblance of stability and will continue to do what we do best -- build quality products that help people."

"The primary reason revenues were lower than expected for the third quarter," Boutacoff continued, "was a slower than expected ramp up of the Apex 800 hair removal laser system, which was the product most affected by the tragic September 11 events and aftermath. We are enthusiastic about the positive feedback we have received on the performance of the Apex 800 systems we have delivered. Customers like this exciting new product which leads us to be optimistic about its future sales prospects."

The revenue decrease compared to the prior year period primarily was the result of lower than expected sales of ophthalmology infrared products due to continued uncertainties surrounding Medicare reimbursement for age-related macular degeneration (AMD) procedures. In addition, weak economic conditions continue to have an impact on ophthalmology and aesthetic revenues. These factors were offset in part by shipments of the Apex 800 systems launched during the third quarter of this year. "Looking forward," Boutacoff added, "we expect to see increased sales of our infrared product line due to the recent announcement of **Noridian**, a Medicare carrier that covers 11 western states, that it is now covering transpupillary thermotherapy (TTT) procedures to treat wet AMD. In addition, we expect to see an accelerating revenue ramp-up of the Apex 800. Therefore, though we remain cautious about the current world economic conditions, we believe

these favorable revenue factors combined with continued expense management will improve our profitability for the fourth and ongoing quarters."

10/23 **Laser Vision Centers** announced that it expects to report a net loss of $0.07 to $0.10 per share for the second quarter ending October 31, 2001. For the same quarter last year LaserVision reported earnings per share of $0.02. For the six-month period, the company expects to report a loss of $0.06 to $0.09 compared to earnings per share of $0.15 for the six-month period. LaserVision believes that the net loss for the period will be primarily attributable to weak economic conditions that have contributed to a decline in case volume at the company's 300 plus sites throughout the United States.

As of August 1, 2001, LaserVision operated 107 excimer lasers in the United States providing access to over 665 surgeons in more than 310 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** to more than 230 surgeons at over 250 locations.

10/24 **NovaMed Eyecare, Inc.** reported results for the third quarter and first nine months ended September 30, 2001. The company also announced that it had adopted a plan to focus its core business strategy primarily on the operation and growth of its surgical facilities segment. As part of its strategic focus, the company plans to discontinue its management services operations. This business segment, which historically has been profitable, but requires high overhead expenses and is capital intensive, is accounted for as a discontinued operation in the third quarter financial statements for all periods presented. As a result, the company recorded a net loss on the disposal of discontinued operations of $27.2 million in the third quarter. As part of this strategy, the company also plans to restructure selected operations, including corporate support functions and information technology, and to close under-performing facilities. As a result, third-quarter 2001 results include restructuring charges totaling $10.9 million and other charges totaling $3.7 million. In addition to retaining its surgical facilities segment, the company will retain its steadily growing optical products and services segment as a complementary ancillary business. NovaMed will also continue to fully perform its obligations under its management services agreements until the segment is divested.

"With these actions, we are concentrating squarely on our core surgical facilities business," said Stephen Winjum, NovaMed chairman, president and CEO. "While these actions have short-term costs, we expect shareholders to benefit rapidly, through significant reductions in overhead and the redirection of capital into high-return businesses. In fact, beginning in the fourth quarter of 2001, we expect to reduce corporate overhead by more than $3 million on an annual basis and to reduce annual depreciation and amortization expense by approximately $1 million. The surgical facilities segment

is attractive due to the efficiency of our operating model and relatively low overhead requirements. As we align our expense structure to conform to our continuing operations, we expect to realize significant margin improvement."

Net revenue from continuing operations for the third quarter of 2001 totaled $16.8 million, down 5.2% from $17.8 million in the third quarter of 2000. Excluding restructuring and other charges, net income from continuing operations for the third quarter totaled $457,000 (2 cents per share) compared to $974,000 (4 cents per share) in the same period last year. After restructuring and other charges totaling $14.6 million, the third-quarter net loss from continuing operations was $8.6 million (35 cents per share). Surgical procedures performed in NovaMed's surgical facilities in the third quarter 2001 decreased 26.1% from the prior year period to 11,095 procedures. In the third quarter 2001, cataract surgical procedures increased 19.7% to 5,062, while laser vision correction procedures declined 46.5% to 3,605.

Net revenue from continuing operations for the nine months ended September 30, 2001 of $54.1 million rose 6.2% from $50.9 million in the same period a year ago. Excluding restructuring and other charges, net income from continuing operations for the nine months totaled $2.2 million (9 cents per share) compared to $2.9 million (11 cents per share) in the same period last year. After restructuring and other charges totaling $14.6 million, the net loss from continuing operations for the first nine months was $6.9 million (28 cents per share).

Surgical procedures performed in NovaMed's surgical facilities for the first nine months of 2001 decreased 4.8% from the prior year period to 39,191 procedures. In the first nine months of 2001, cataract surgical procedures increased 20.2% to 15,264, while laser vision correction procedures decreased 12.7% to 16,332.

10/24 **STAAR Surgical Company** reported results for its third quarter, ended September 28, 2001. The company's operations were cash neutral for the full quarter, ahead of management's projections to be cash neutral by the end of the third quarter. Revenues for the quarter were $12.2 million, compared to $13.7 million for the third quarter 2000 and $12.9 million in the second quarter of 2001. The company incurred a net loss for the quarter of $2 million (12 cents per share). Excluding $2.3 million of non-operating charges recorded during the quarter, the company would have reported a net loss of $701,000 (4 cents per share). Net income for the third quarter of 2000 was $542,000, (4 cents per share). In the second quarter 2001, the company incurred a net loss of $227,000 (1 cent per share) excluding a $5.6 million charge. Planned charges of $155,000 were taken during the quarter related to employee separation and the preliminary costs of subsidiary closures. The charges were considerably less than the $2.5 million previously projected due to the need to resolve certain regulatory issues in order to determine the timing and amount of the write down of certain production assets.

"While we are disappointed by the shortfall in revenues for the quarter, we enter the fourth quarter encouraged by signs that we are at the end of this short-term trend," David Bailey, president and CEO said. "A combination of the impact of our sales team being distracted by the two voluntary recalls in the second quarter and a later than expected approval of the Aqua-Flow Glaucoma Drainage Device has set our sales expectations back and resulted in lowering our revenue expectations for the year by approximately $4 million. Consequently, we believe we will lose $0.09 per share, rather than break even in 2001."

10/24 **QLT Inc.** reported financial results for both the third quarter and first nine months of 2001. For the three months ended September 30, 2001, QLT reported net income of CDN$11.6 million (US$7.5 million) (17 cents per share (US11 cents)) compared to net income of $4.3 million (US$2.9 million) (6 cents per share (US4 cents)) for the same period in 2000 and net income of $6.6 million (US$4.3 million) (10 cents per share (US6 cents)) in the second quarter of 2001.

For the nine month period, QLT reported net income of $30.9 million (US$20.1 million) (46 cents per share (US30 cents)) compared to $5.9 million (US$3.8 million) (9 cents per share (US6 cents)) for the same period in 2000.

Visudyne (verteporfin) sales for the third quarter of 2001 of CND$88.9 million (US$57.5 million) were announced by QLT on October 11, 2001. QLT's revenue from Visudyne sales consists of reimbursement for manufacturing and other costs along with 50% of Visudyne net profits which are calculated as sales less marketing, overhead and manufacturing costs. QLT's share of Visudyne net profits for the third quarter were 24.3%, in line with the 2001 fiscal year target of 25%.

10/25 **Sunrise Technologies International, Inc.** announced it had received an extension on credit facility with **Silicon Valley Bank** through November 30, 2001. In order to secure this extension, the company made a $500,000 payment that reduces the company's obligation to SVB to approximately $3.5 million. The company did not make a $1 million payment on the previously announced deadline of September 28, 2001 and did not pay off the remaining balance on October 6, 2001. Negotiations have continued since then between the company and SVB leading up to the current extension of November 30, 2001. The company has also placed approximately 20% of its employees on unpaid furlough and the remaining management and employees have taken a reduction in pay. The company continues its discussion with financing sources in order to increase its working capital and either repay or refinance its credit facility with SVB. The company cannot guarantee a successful completion of a new financing.

10/25 **Presby Corp** and its parent company, **RAS Holding Corp**, announced today that it had reached a settlement with Dr. Douglas Steel concerning a patent infringement suit filed earlier this year against Dr. Steel. In the suit, Presby Corp alleged that Dr. Steel

performed numerous commercial surgeries in the United States to treat Presbyopia in accordance with procedures developed and patented by Presby Corp and that Dr. Steel manufactured and sold a scleral prosthesis in violation of Presby Corp's patent rights. The settlement includes two types of surgeries performed by Dr. Steel, both involving incisions in the sclera of the eye in the region of the ciliary body. One type of surgery is sometimes called anterior ciliary sclerotomy or "ACS". The second type involved the same incision technique but also included the implantation of silicone spacers in the incision. Presby Corp received an undisclosed amount for each infringing surgical procedure performed by Dr. Steel. He also agreed to the entry of a permanent injunction, which prohibits him from performing or promoting any surgery in the United States that involves expansion of the sclera without permission from Presby Corp.

Presby Corp is determining the full extent of similar infringing activities by other doctors in the United States and other parts of the world and will take appropriate legal action. Presby Corp has pending patent infringement suits against Howard Straub, **Restorvision**, **LensTec**, **Surgilight, Inc.** and other related parties. The company is vigorously pursuing this litigation.

10/26 **Bausch & Lomb** announced that it had licensed the exclusive worldwide rights to a patented multifocal soft contact lens design from **Unilens Vision's** wholly owned subsidiary, **Unilens Corp., USA**. Under the terms of the agreement, Bausch & Lomb will develop, manufacture and market a cast-molded multifocal soft contact lens using the Unilens technology. For this, Bausch & Lomb will pay Unilens a royalty, ranging from 3% to 5%, of the product's worldwide sales. Bausch & Lomb will complete the development and, pending regulatory approval, will introduce his cast-molded multifocal soft contact lens for frequent replacement within the next year. From its Florida headquarters, Unilens Corp., USA, will continue to develop, manufacture and market several lathe-cut multifocal contact lenses for annual and frequent replacement including its most successful lens, the Unilens EMA. "We are very pleased to have signed a license agreement with an industry-leading global healthcare company for the eye," said Al Vitale, Unilens CEO. "The license agreement will allow Unilens to continue to focus resources on the development of innovative new specialty lens products." The addition of this multifocal soft lens "nicely complements Bausch & Lomb's existing frequent replacement products," said Michael Mulgrew, global category leader for contact lenses at Bausch & Lomb. "In the same way that our SofLens 66 toric lens met the vision correction, comfort and convenience needs for people with astigmatism, this new lens will meet the needs of the baby boomer generation, whose members are facing presbyopia. This multifocal, frequent replacement soft contact lens will be a real alternative to monovision, the contact lens choice most often made today."

(The reasons I have included the above brief are twofold: I am uniquely familar with this lens, having evaluated it during my contact lens consulting days; and because of that familiarity, am aware that this is an excellent lens for early-stage presbyopia. It is more

than simply a near-only reading lens, as its unique aspherical design allows near, intermediate, and distance vision, all without having to shift the lens on the eye.)

10/29 According to *OptiStock*, **Q-Vis Limited** has restructured in order to obtain an international alliance with a strategic partner to commercialize its Quantum 213nm solid state refractive surgery laser. The board appointed Ray Ogle as managing director and CEO. He has been with the company since May 2000 but was with **Johnson & Johnson** for 24 years; he will be based in the U.S. John Roper, the previous CEO, will continue at Q-Vis as a technical consultant. The company will concentrate on completing FDA clinical trials.

OPHTHALMIC LASER UPDATE -- November 2001

10/30 **LCA-Vision Inc.** reported financial results for the three and nine months ended September 30, 2001. For the third quarter, excluding a non-cash valuation reserve and special charges, the company posted a net loss of $3.7 million (8 cents per share) compared with a net loss of $201,000 (0 cents per share) in the third quarter of 2000. Including a $15.3 million non-cash valuation reserve for deferred tax assets and a $1.8 million special charge related to the company's restructuring plan, the company posted a net loss for the third quarter of $20.8 million (45 cents per share). Laser vision correction revenues for the third quarter were $13.3 million, compared with $15.6 million in the third quarter of 2000.

For the nine month period, excluding a non-cash valuation reserve and special charges, the company posted a net loss of $1.6 million (3 cents per share) compared with a net loss of $807,000 (2 cents per share) in the first nine months of 2000. Including special charges for the first nine months, the company reported a net loss of $18.7 million (40 cents per share). Laser vision correction revenues for the nine months were $57.2 million compared with $48.7 million in the first nine months of 2000.

During the third quarter of 2001, management implemented a restructuring plan to reduce operating expenses and enhance shareholder value. The cost of the plan is $1.8 million and it is expected to result in annual operating cost savings of approximately $4.6 million. In addition to the special charges associated with the restructuring plan, the company recorded a $15.3 million valuation reserve for deferred tax assets as of September 30, 2001.

"While the decrease in procedure volume and the resulting operating loss this quarter are disappointing," noted Tom Wilson, CEO, "our competitors are reporting even larger year-over-year reductions in volume and we continue to grow our market share. Looking ahead, we are taking the necessary steps to put this business back on a solid growth trajectory in the first quarter of next year and beyond."

10/30 Having significantly increased its sales and consolidated profits, and strategically expanded its overall market positioning, **WaveLight Laser Technologie AG** enjoyed an extraordinarily successful 2000-2001 business year. Whereas WaveLight showed a minus of E1.4 million for the year, the company posted a surplus of E1.0 million as of the 2000-2001 closing date on July 31, 2001. WaveLight was thereby able to increase its year-end result by more than E2.4 million.

"Just five years after the founding of WaveLight, we are operating at a profit, and we also more than met our projections for the now expired business year," said Max Reindl, CEO, in characterizing the Erlangen-based medical laser corporation's year-end closing. "With earnings per share coming in at E0.32, WaveLight has clearly demonstrated its profitability. This is also reflected in the E1.2 million EBIT, which improved by the end of the 2000-2001 business year by more than E4.5 million when compared to the result for the 1999-2000 business year."

The projected sales figures for the business year were also more than met. With sales revenues of E24.4 million, the corporation posted an increase in sales of nearly 100% over the previous year's mark of E12.8 million.

WaveLight's Ophthalmology Division was again the company's strongest sales performer in the 2000-2001 business year. In this segment alone, the company posted E13.6 million in sales, or roughly 56% of the corporation's overall sales. Compared to sales of E6.7 million in the previous year, the Ophthalmology Division succeeded at increasing its sales by more than 100%. The driving force behind this strong growth was the success of the innovative ALLEGRETTO WAVE laser system. In seeking to further reinforce the outstanding performance of its Ophthalmology Division, WaveLight entered into an exclusive sales partnership during the business year with **Lumenis Inc.** This agreement centers on sales of the ALLEGRETTO WAVE in the United States and Japan.

The Aesthetics Division, a focus of broad expansion throughout the 2000-2001 business year, also generated excellent results. With total sales revenues of E5.1 million, this division's sales grew by 60% over the previous year. "The consistent expansion of company competence in the area of aesthetics is of special significance to the future of WaveLight. This expansion was accordingly intensified throughout the business year," said Reindl by way of summarizing the future-oriented engagement of WaveLight Laser in the aesthetics sector. In continuing its policy of targeted expansion in the area of aesthetics, a policy that was initiated in the previous year with the takeover of **NWL Laser Technologie GmbH**, WaveLight acquired **MLK GmbH (Medical Laser Cosmetics)** of Nuremberg and announced its intent to acquire the medical-laser unit of the **ROFIN-SINAR** subsidiary **Carl Baasel Lasertechnik GmbH**. In the meantime, this new medical-laser unit has already been integrated into the WaveLight corporation.

WaveLight also met its projections for solid growth in the 2000-2001 business year in its Urology Division and in its Industrial Lasers Division.

WaveLight increased the number of its highly qualified employees in the 2000-2001 business year from 92 to 108. Warranting special mention in this context is the appointment of Dr. Gerhard Bolenz as CFO. This expert in international accounting has presided over the financial affairs of WaveLight Laser since October 1, 2000.

10/30 **SurgiLight, Inc.** announced that it had filed an IDE with the FDA to obtain clearance of a procedure to treat presbyopia. The filing requests the initiation of clinical trials at seven U.S. sites, involving 350 patients. Prior clinical data was collected at four overseas sites, wherein the SurgiLight OptiVision (formerly the IR-3000) Er:YAG laser was employed to remove certain eye tissue. Results showed reversal of the presbyopia condition in nine of every ten eyes of the more than 100 eyes treated, extending up to one year after surgery. This data, together with results from extensive long-term animal studies and acute laboratory studies, is being presented to the FDA for review. The clinical trials conducted to date have reported no serious complications using the patented OptiVision for the targeted tissue removal, called scleral ablation. All but six patients, the latter treated before surgeons had logged optimal experience in the new procedure, were subsequently able to read most texts without glasses; more than 80% were able to read any text without such aid. The average lens correction, or amplitude of accommodation, was nearly twice that which the surgeons had hoped to achieve. Follow-up on some patients extended for one year with no statistically significant regression in the condition.

The four clinical sites were located in Spain, India, the Bahamas and Argentina. Each of those sites is now collecting data according to the protocol submitted to the FDA in the IDE request. The animal studies were conducted on 24 rabbits under Good Laboratory Practices (GLP) at the University of Utah, Intermountain Ocular Research Center. Nick Mamalis, MD, was the principal investigator. The rabbits were evaluated immediately post-operatively, at two weeks, at six weeks and three months, compared with control animals. At two weeks, there were no differences among the rabbits on slit-lamp exam. Corneal topography showed no differences between the control and laser treated eyes, indicating that no refractive change had occurred with this treatment. Eye tissue (sclera) evaluation demonstrated that even with laser incisions up to 80% of the targeted sclera, the resulting wound was filled in by new fibrous material by six weeks. Cadaver eyes were also tested to determine if there was any deleterious effect from the laser surgery when the eye was exposed to blunt trauma. Though there was an immediate 10% decrease in strength of the overall eye structure following surgery, surgeons believe that this decrease would probably reduce with healing.

SurgiLight COO Timothy Shea stated, "Results to date indicate the significant progress the company has made over the past year in the testing of laser scleral ablation for the purpose of obtaining FDA clearance of SurgiLight's Laser Presbyopia Reversal

procedure. All of the studies have demonstrated that this procedure is safe and efficacious; in fact, results from the human trials were much better than we expected. While we cannot guarantee that the FDA will approve our IDE request, we are hopeful that we can start human testing in the U.S. in the very near future."

The company's primary target market at present is treatment of presbyopia, one of the last "frontiers of ophthalmology".

In summarizing the clinical results on the more than 100 eyes from the four test sites, the company reported that all but 6 patients (treated early in the study) can read at J3 or better with 82% reading at J2 or better, i.e. reading with no need for correction. There was no change in distance vision or astigmatism or serious complications. The patient's vision showed significant improvement over the first 1-3 days. Vision continues to improve until 2-6 weeks following surgery. At that time, the results became stable and there has been no statistically significant change in near vision for the remainder of the one year follow-up.

Average change in accommodation was 1.9 Diopters, almost twice the expected result. The procedure is easy to learn and to perform. Eight incisions are placed in the sclera; one pair in each quadrant at 1:30, 4:30, 7:30 and 10:30. The laser ablates a groove that is slightly larger than the diameter of the contact tip through 75-80% of the scleral depth. This results in a decrease in the mechanical strength of the eye of approximately 10% and what is believed to be a permanent increase in the circumference of the sclera. The complete procedure takes 20 minutes, while the actual laser time is several seconds per incision.

Dr. Oscar Mallo (Argentina), one of the first users of the procedure, claims extensive experience with the procedure. He recently examined some of his early patients, who are now one year post surgery. All of these patients presented reading easily at J1 or J2, i.e. they can read relatively small print. Two patients, diagnosed with thin scleras, did not achieve acceptable outcomes. Dr. Mallo will be presenting the results of his efforts at the American Academy of Ophthalmology in New Orleans, November 9th.

10/31 **LaserSight Incorporated** announced that its PMA Supplement to increase the laser pulse repetition rate of its LaserScan LSX precision microspot scanning system to 200 Hz for the LASIK treatment of myopia and myopic astigmatism was approved by the FDA. The PMA Supplement was submitted to the FDA on October 5, 2001 with a request for review on a 30-day real time basis. This approval is a key event in the launch of LaserSight's LaserScan LSX. The LSX is the only laser system approved in the U.S. combining the efficiency of a 200 Hz laser repetition rate, the precision of a small microspot and the highest resolution of optimized low laser fluence. These features, along with the system's design suitable for CustomEyes treatment should make the LSX the system of choice for today and for the future.

As previously announced, and in anticipation of the FDA approval for LASIK treatment of myopia and myopic astigmatism, the company arranged a $10 million revolving credit line. This revolving credit facility is based on eligible receivables related to U.S. sales and serves as an additional resource for working capital. Michael Farris, president and CEO of LaserSight commented, "The reception to our expanded range of approval has been outstanding. We are pleased to be attending this year's American Academy of Ophthalmology meeting with our expanded approvals for LASIK treatment and able to show our full technology path for custom ablation."

11/2 **Novartis Ophthalmics** and **QLT Inc.** provided an update on the status of the U.S. national reimbursement policy for Visudyne (verteporfin for injection) therapy regarding the occult form of wet age-related macular degeneration (AMD). On October 17, 2001, the Centers for Medicare and Medicaid Services (CMS) announced its intention to expand the national coverage policy for Visudyne therapy to include patients with the occult form of wet AMD. This decision, made in response to a formal request by the *Vitreous Society*, was reconfirmed by the CMS in a press release on October 19, 2001. Novartis and QLT have subsequently been informed by the Vitreous Society, a physician organization specializing in retinal diseases, that the CMS is proceeding with the policy implementation process, albeit cautiously since Visudyne is not yet approved for this indication by the FDA.

11/2 The November issue of *Refractive Market Perspectives* lead with the story about the softening demand for LASIK surgery in the third quarter. With a slowing economy and worries of terrorist attacks, surgeries were down 21.7% during the third quarter, compared with the second quarter, with an estimated 307,300 U.S. refractive surgeries, or a total of 314,800 when Americans traveling to Canada or Mexico were counted into the totals. This was a drop of 16.2% compared to last year's third quarter. Dave Harmon's revised estimate for the year now stands at 1.5 million, or a procedure growth of only 5.6% over last year. The newsletter also noted that new laser sales continued to fall during the 3rd quarter, with only 54 lasers sold, compared to 82 in the second quarter, primarily due to a lack of corporate center expansion. According to Harmon, most corporate laser centers are reducing the number of lasers operated, as they focus on more profitable locations. He expects a slight improvement during the fourth quarter, but procedure volumes will remain well below last year's level. According to an accompanying chart, with the largest expansion continuing to be with surgeon-owned centers, the total centers in operation at the end of the third quarter was 1153, up from the 1133 in operation at the end of the second quarter.

In another chart in the November issue, Harmon tabulates the changes in corporate center ownership, illustrating the drop of 49 total centers since the end of last year, highlighted by the business failures of **ICON Laser Centers** and **LASIK Vision Canada**, closing 24 and 16 laser centers respectively. In comparison, surgeon-owned centers gained 144 locations, while institutions gained two locations.

11/5 According to **Presby Corp.**, the FDA has approved the next major step towards commercialization in the United States of the Scleral Expansion Band Procedure (`SRP') for the surgical treatment of Presbyopia. The expanded FDA study follows Presby's FDA feasibility clinical trial surgeries conducted at six major universities during the past year. "The study will include extensive objective measurement techniques," said Thomas Riedhammer, COO of Presby Corp. "These techniques will further validate the significant improvements in amplitude of accommodation shown in SRP patients."

SRP was developed by Presby Corp to significantly improve the near vision of persons in their mid-40s and older. The SRP procedure uses the Scleral Expansion Band (`SEB'), a tiny implant device, which is patented virtually worldwide. The company believes that SRP restores the aging eye to the physiological condition of a much younger eye and that the patient will benefit for many years. Presby Corp's surgical technique, which the company believes is a low risk, fully reversible procedure, relies on the patented SEB implant. The SEB is inserted just below the surface of the sclera (white part of the eye) well outside the cornea (clear part of the eye). The SEB is injection molded from polymethylmethacrylate (PMMA), the historical standard for ocular biocompatibility. PMMA has been used in intraocular lens implants for nearly fifty years. Prior to the development of SRP, external lenses such as bifocals and reading glasses, were the principal alternatives available to counter the effects of presbyopia. International clinical studies have also demonstrated that SRP is effective in the treatment of ocular hypertension and primary open angle glaucoma. These disorders are often associated with the onset of presbyopia. This new surgical technique could revolutionize the treatment of presbyopia, ocular hypertension and primary open angle glaucoma.

11/5 **SurgiLight, Inc.** announced that it had signed an exclusive Distribution Agreement with **Yeomyung Technology, Inc.** of Seoul, Korea to sell its OptiVision laser (formerly the IR-3000) for ophthalmic applications, including Laser presbyopia Reversal in Korea. The distributor has committed to purchase approximately $3.2 million in systems over the next three years, resulting in up to $2.5 million in recurring income for the company over the same period. The Distributor made an $80,000 deposit in October. According to the terms of the exclusive Agreement, the Distributor will be obtaining the appropriate government approvals prior to selling the product. Yeomyung Technology, is a distributor of high tech medical equipment in Korea. Yeomyung Technology plans to place a minimum of 25 laser units into Korean surgical clinics over the next three years, primarily in private laservision correction facilities with treatments performed by experienced laser surgeons.

Yeomyung Technology president, H.S. Kim, has been involved with vision correction procedures using excimer lasers for many years. Kim commented upon signing of the agreement, "We were impressed by the recent clinical results announced by SurgiLight on one hundred cases of laser presbyopia reversal collected from four sites worldwide. We are totally convinced of the efficacy of the procedure using the new OptiVision

technology. We are excited about our relationship with SurgiLight and introducing this revolutionary technology into Korea. The market in Korea should be excellent as there are 9 million people diagnosed with presbyopia." JT Lin, Director of Business and Technology, of SurgiLight stated, "We have enjoyed working closely with Mr. Kim, who has over 15 years experience in the refractive surgery market in Korea and Japan. He has obtained similar regulatory approvals required in Korea for new procedures, so we are optimistic that he will obtain clearance for the OptiVision quickly."

11/5 **Surgin Surgical Instrumentation Inc. (Surgin)** received specific 510(k) clearance from the FDA to sell its Prizm Lasik Blades for **Moria's** microkeratome. The approval from the FDA came one week after a ruling by the United States District Court for the Eastern District of Virginia, Alexandria Division in which the court dismissed a lawsuit filed by **Moria, S.A.** and **Moria Inc.** against Surgin for false and misleading advertising in violation of the Lanham Act. The judge dismissed the case because it was not the court's place to interpret FDA regulations and guidance documents on the scope of a 510(k) clearance before the agency issuing a final determination. In response, Moria reiterated that the FDA issued Surgin two letters stating that the company did not have the authority to promote or sell its Prizm blades for use with Moria's microkeratomes without separate FDA approval.

Armand Maaskamp, president of Surgin stated that Surgin is pleased with the decision of the court and the 510(k) clearance from the FDA. "We have always believed that the action taken by Moria was more about keeping competitors out of the marketplace than about patient safety. Surgin has always been committed to patient safety and complying with all applicable legal requirements. With both the court and FDA rulings, we hope that Moria will now withdraw its threats to disclaim any responsibility for customers using Moria microkeratomes with the replacement blades that have been cleared, through the 510(k) process, by the FDA. Competition continues to be the backbone of our free enterprise system and with both rulings, we believe the consumer wins."

11/5 According to *OptiStock*, the **MarketScope** 2001 Survey of Refractive Surgeons found that nearly 70% perform laser vision correction with the **VISX** STAR platform. Of these, 67% use the STAR S3, and 33% use the STAR S2. Also, VISX technology was cited as one of the top choices for future custom ablation procedures among the five manufacturers included. And a Wall Street survey of refractive surgeons named VISX as the manufacturer with the best wavefront/custom ablation offering. For more information on the MarketScope survey, visit **www.mktsc.com**.

11/6 **Nidek, Inc.** announced today that it had received supplemental pre-market approval from the FDA for the Nidek EC-5000 Excimer Laser System to utilize an increased optical zone during the LASIK procedure. The Nidek EC-5000 is now FDA-approved for a 6.5 mm optical zone in the treatment of myopia and myopia with astigmatism, as part of LASIK. This expanded optical zone may be used with a 7.5 mm transition zone in

treating myopia and myopia with astigmatism using LASIK. "Increasing the size of the optical zone approval opens the door for expanded treatment parameters and options on the EC-5000," commented Hiroshi Okada, vice president and general manager, Nidek, Inc. "It is our continued endeavor to provide refractive surgeons with state-of-the-art tools to treat a broad range of refractive errors using our innovative, technologically advanced platform."

The increased optical zone will allow refractive surgeons greater ability to treat larger areas on the cornea during the LASIK procedure. This may also prove to be beneficial to patients who have pupils larger than normal, and were previously not candidates for LASIK.

11/6 *ASCRS* announced a major new initiative to educate the public about laser surgery. The society will commit nearly $750,000 in a yearlong effort to educate consumers and the media about the risks and benefits of laser eye surgery, and about appropriate candidates and expectations for surgery. The society is in the process of selecting a public relations agency to assist with the public education campaign.

11/6 Intacs manufacturer **Addition Technology Inc.** announced that it had received FDA approval for the 0.275 mm and the 0.325 mm intrastromal corneal inserts for the correction of myopia. The two sizes equate to predicted nominal corrections of -1.7 D and -2.3 D, respectively. Shipment of the two sizes is expected to begin before year's end.

11/7 **Medennium** announced that a new potential treatment for the nearsighted had passed another milestone with the announcement that it had received approval from the FDA to expand to Phase III of the U.S. trials of its Phakic Refractive Lens (PRL) for the treatment of myopia. The company has set up 20 investigational sites across the United States including university settings and prominent private practices. As part of the organization of these investigative sites, surgeons took part in an investigator training course and wet lab instruction under the tutelage of Medennium and several of the original U.S. and international surgeons who worked with Medennium in the early development of the product. The new lens, which is exclusively distributed by **CIBA Vision**, has the potential benefit to correct nearsightedness in patients who may not be candidates for other treatments. It is inserted in a procedure similar to artificial lens insertion in cataract surgery.

11/7 According to an official at **Sunrise Technologies**, the company has signed a binding letter with a group of investors led by **Kingman Hawkes**, in which Kingman has agreed to provide financing to the company by replacing the existing loan that exists between the company and **Silicon Valley Bank**. The loan is to be replaced with a Senior Secured Convertible Note that is secured against all assets of the company and its subsidiaries. The note will be for approximately $10 million, subject to the approval of Kingman of release of amounts over and above the existing loan amount with Silicon Valley Bank.

The term of the note will be for three years. The closing is anticipated during the fourth quarter of the year.

11/7 **Miravant Medical Technologies** announced financial results for the third quarter ended September 30, 2001. Revenues for the quarter decreased to $783,000 from $834,000 for the same period in 2000. The net loss for the quarter was $4.9 million (26 cents per share) compared to a net loss of $6.1 million (33 cents per share) for the same period last year. The company has cash, marketable securities and accounts receivable of $12.6 million. During the third quarter, Miravant sold $763,000 of SnET2 bulk active pharmaceutical ingredient (bulk API) to its corporate partner, **Pharmacia Corporation**. Pharmacia has committed to purchase a total of $5.0 million of bulk API from Miravant before March 2002. To date, Miravant has delivered a total of $3.0 million of bulk API against the open Pharmacia commitment. The funds for this purchase will be held in an interest-bearing escrow account until January 2002. Pharmacia holds the exclusive worldwide rights to use and commercially distribute SnET2 in ophthalmology.

Gary Kledzik, chairman and CEO, stated, "We are rapidly approaching a significant milestone for Miravant, with the December conclusion of the SnET2 phase III clinical trials for treating macular degeneration. We thank the many patients and physicians who have participated in this large study, and we look forward to the results, which are expected in the first quarter of next year." The SnET2 phase III clinical trials for wet age-related macular degeneration (wet AMD) conclude in December 2001, when patients complete the two-year follow-up period. Over 900 patients were enrolled in two nationwide trials at 59 U.S. ophthalmology centers. Pharmacia will perform an analysis of safety and efficacy data after the studies conclude, with results expected in the first quarter 2002. Wet AMD is the leading cause of severe vision loss in people over 50 years of age.

In dermatology, Miravant has finalized results of the phase I clinical safety study of PhotoPoint MV9411, a proprietary drug in a topical gel formulation designed to efficiently penetrate the skin. In the drug-only study, twenty healthy volunteers were given single topical applications of various doses of MV9411 and followed for one-month safety evaluation. No significant safety concerns were identified, and Miravant is planning a phase II clinical trial to investigate the treatment of plaque psoriasis. Miravant will present preclinical results for the treatment of cardiovascular disease at the *American Heart Association* Scientific Sessions 2001, in Anaheim, California, on November 11-14, 2001.

11/8 **Lumenis Ltd.** announced that it had executed a definitive purchase agreement to acquire **HGM Medical Laser Systems Inc.**, a Salt Lake City developer and manufacturer of medical laser devices for $9.7 million in cash. HGM has been marketing laser and delivery systems primarily to the ophthalmology market since the early 1980s. They have approximately 7,000 lasers installed around the world. FY2000 sales were approximately

$7.8 million, with net income of $860,000. The transaction includes the purchase of a 50,000 square foot facility valued at approximately $2.5 million.

"This transaction is part of Lumenis' strategy to grow through both organic development and strategic acquisitions. It strengthens our ophthalmic product offerings and signals our commitment to the ophthalmic business, which we acquired through the union with **Coherent Medical Group**," said Yacha Sutton, CEO and president of Lumenis. "We expect this transaction to be immediately accretive and anticipate about $4 million contribution to FY 2002 earnings. The acquisition of HGM is a good technology fit with Lumenis. HGM has developed specialized technologies to reduce the cost of manufacturing certain parts and accessories which can be integrated into high-end existing product lines and can provide the basis for future development."

Jim Shipman, who has demonstrated critical management skills as HGM CEO and president during 2000, will continue to manage the Salt Lake City facilities and close to 100 employees. Following the successful ESC-CMG integration model, integration teams have been assembled to review product, distribution and manufacturing rationalization. The company expects to close the transaction before the end of 2001.

11/9 **Nidek, Inc.** announced it had submitted a 510(k) application for the DC-3300 diode laser to the U.S. FDA. Once this application is accepted for filing, the FDA will evaluate the DC-3300 for uses in retinal photocoagulation and glaucoma procedures. The DC-3300 is intended to be used in combination with various delivery systems, such as slit lamps, binocular indirect ophthalmoscopes, endoprobes and transscleral probes. Nidek's DC-3300 is indicated for use in limited and pan-retinal, transpupillary thermotherapy (TTT), endophotocoagulation and transscleral photocoagulation, and glaucoma procedures such as laser trabeculoplasty and iridotomy. Uniquely, the purpose of transscleral treatments is not to improve vision, but to relieve pain. "Significant eye diseases such as glaucoma and retinal disorders are the leading cause of vision loss and decreased quality of life among seniors," said Hiroshi Okada, vice president and general manager, Nidek, Inc. "With the DC-3300, we hope to protect vision, and help alleviate the pain and discomfort of the more significant vision problems. Nidek is excited to be in a position to develop and provide new treatment methods for the vision care industry and the patients it treats."

11/9 **Ponte Nossa Acquisition Corporation** and **Visijet Inc.** announced that they had executed a definitive Merger Agreement to merge the two companies into a single company to be named Visijet, Inc. Closing of the merger remains subject to certain conditions, including regulatory approvals and approval by shareholders of both corporations. "We are very pleased with the merger," said Randy Bailey, president of Visijet. "It provides us with access to capital to assist in the commercialization of our products and allows us to move forward as a more visible public company within our marketplace." The first product Visijet will introduce is the Hydrokeratome, a patented FDA-approved device that uses a high pressure micro beam of water to cut the cornea as required in LASIK surgery.

Orders for over $8 million of the Hydrokeratome product have already been received from customers in Europe and Asia.

In addition to the Hydrokeratome, Visijet has developed the Pulsatome, a device that uses waterjet technology to remove cataracts. The Pulsatome will provide entry into this estimated $8 billion cataract market worldwide. FDA approval is anticipated in early 2002.

11/10 As reported by *Ocular Surgery News* from the ISRS meeting in New Orleans, conductive keratoplasty may have found its niche as a remedy for LASIK overcorrection and undercorrection, according to several surgeons.

Speakers at the *Thermokeratoplasty and Non-Excimer Lasers* session presented results with conductive keratoplasty (CK) and other new approaches to refractive surgery.

Most speakers on CK agreed its safety profile is comparable to LASIK, although concern was expressed regarding the percentage of patients who develop induced astigmatism postop. In general, the optimal number of spots should be around 12, surgeons said, although the procedure is approved for as many as 24 spots. Michael Lawless, MD, noted the refractive effect of CK tends to stabilize at about 6 months. Marguerite McDonald, MD, reported similar findings. After 1 year follow-up in her patients, 51% of 390 eyes had uncorrected visual acuity (UCVA) of 20/20 or better, 75% had UCVA of 20/25 or better, and 91% had 20/40 or better.

James Rowsey, MD, said he was concerned by the regression his patients have experienced after laser thermokeratoplasty (LTK) surgery (mean 1.5 D). Dr. Rowsey has seen close to 50% regression, with poor predictability in astigmatism correction. As a result, he recommends surgeons avoid using any type of keratoplasty on keratoconus patients.

George Waring, MD, said diode thermokeratoplasty (DTK) gives surgeons the ability to adjust the amount of energy administered more accurately than Ho:YAG laser systems can. This gives surgeons more predictable burns and more flexibility in spot placement. Dr. Waring said older patients showed less regression than younger patients with the procedure. "DTK is an evolution in thermokeratoplasty," he said, "but we need to work on the variables."

Trials being conducted outside the United States on the **IntraLase** femtosecond laser for treating presbyopia, indicate patients have experienced no loss of best corrected visual acuity, although these results are preliminary, said Ron Kurtz, MD.

11/12 **LaserSight Incorporated** and **Ligi Technologie Medicali**, Taranto, Italy announced that an agreement had been reached in which LaserSight will provide worldwide distribution

for Ligi's Corneal Interactive Programmed Topographic Ablation (CIPTA) software, a custom corneal ablation planning and programming software developed by Ligi in conjunction with LaserSight's excimer laser technology. The CIPTA software was developed to operate specifically with LaserSight's precision microspot scanning excimer laser system. Since CIPTA was introduced into international clinical use, 22 refractive surgery centers performing over 15,000 procedures per year have been licensed to perform custom ablations using the CIPTA software and LaserSight's excimer laser systems. These CIPTA custom treatments using the LaserSight excimer system demonstrate efficacy, safety, predictability and stability and such results have been published in peer-reviewed journals and presented at major ophthalmology venues throughout the world. With over 300 LaserSight excimer laser systems installed worldwide, significant opportunity exists to upgrade those systems to perform CustomEyes procedures with the LaserSight CIPTA solution. The CIPTA software will be provided on both an annual license and a per procedure fee basis. LaserSight introduced the CIPTA software and the AstraScan Custom Laser System for performing custom treatments during this year's Annual Meeting of the **American Academy of Ophthalmology (AAO)** in New Orleans, LA.

Michael Farris, president and CEO of LaserSight, commented, "I am very pleased that we have been able to complete this distribution agreement for CIPTA custom ablation planning software. Surgeons who have been shown the CIPTA software are expressing a high level of enthusiasm, and many have expressed their desire to adopt the AstraScan/CIPTA platform. CIPTA is LaserSight's first opportunity to realize recurring revenues from the international market. Currently there are over 300 LaserSight systems installed around the world. In addition to the CIPTA software license and fees, users of current versions of the LaserScan LSX will purchase an AstraScan upgrade for their systems that will facilitate use of the CIPTA planning software and effective execution of the precise ablation treatment."

The AstraScan custom laser system, introduced during the AAO meeting, is based on LaserSight's patented microspot, optimized lowest fluence and highest laser repetition rate technology. The AstraScan's features include video-based 200 Hz synchronous intelligent eye tracking, a redesigned optical delivery system, enhanced illumination systems for surgeon viewing and improved ergonomics. All of the features and improvements of the AstraScan custom laser system will be available in an upgrade package that will be offered to current users of the international version of the LaserScan LSX. The company plans to make the AstraScan and AstraScan upgrades available to its U.S. customers after all regulatory requirements have been satisfied.

Giuseppe D'Ippolito, CEO of Ligi, commented, "Having LaserSight as Ligi's distributor for the CIPTA software strengthens our position to bring CIPTA to refractive surgeons around the world. While the quality of visual outcomes using the LSX are outstanding, clinical results are even further enhanced with the addition of the CIPTA custom ablation

planning and programming software. CIPTA has already demonstrated its ability to successfully plan custom ablations to effectively treat conditions currently unable to be treated by any other system commercially available today. Treating patients with irregular astigmatism and retreating patients with decentered ablations from previously performed laser refractive procedures demonstrates the power of the CIPTA software when combined with LaserSight's laser system."

11/12 **LCA-Vision** announced that the positive results of the company's Outcome and Patient Satisfaction Retrospective Analysis, based on use of LasikPlus Advisory Board Guidelines, will be published in the Nov. 15 issue of *Ocular Surgery News*.

Outcome and Survey Results included:

- 100% of patients achieved 20/40 uncorrected vision or better, with 90% achieving 20/20 uncorrected vision or better (both eyes);
- 96% of patients would undergo the procedure again, and the remaining 4% were undecided;
- 91% of patients experienced a range of dryness from better to only slightly worse than before the procedure; of the remaining 9% with drier eyes, 89% would undergo the procedure again; and,
- 45%reported their night vision improved; 40% the same; 15% slightly worse,and 0% much worse post-operatively.

"We believe that our procedure outcomes are the best in the industry. Our strict patient selection process and high quality of care have produced the outstanding results of our Patient Outcome and Satisfaction Analysis," said Joe Dzialo, president of LCA-Vision. "The excellent results produced by the highly experienced LasikPlus surgeons and staff are key to increasing patient confidence in the Lasik procedure and in reinforcing our claim that LasikPlus facilities offer the best quality of service at an affordable price."

Patient outcomes and patient satisfaction survey results of treatment using a **Bausch and Lomb** Technolas 217 are reported from 100 patient contacts representing 199 eyes with myopia of -0.75 to -8.75 diopters, with up to 4 diopters of astigmatism. 100% of contacted patients completed the patient satisfaction survey. These contacts were successfully made from 220 consecutive patients representing 439 eyes that were treated at the beginning of 2001 to provide a six-month prospective post-operative patient satisfaction survey assessment, as well as a retrospective outcome review. Included in the Analysis are guidelines for patient candidacy and treatment, as designed by the six-member LasikPlus Medical Advisory Board. To date, the company has performed nearly 200,000 laser vision correction procedures.

11/13 **VISX** announced that the Tokyo District Court had ruled in favor of VISX. The Court held that **Nidek's** 2,809,959 Japanese Patent (`the `959 patent') was invalid and, as a

result, the patent was unenforceable. On August 8, 2000, Nidek filed a patent infringement suit against **VISX Japan K.K.**, **Japan Focus Co. Ltd.**, and **JFC Sales Plan Co. Ltd.**, alleging infringement of its `959 patent. Commenting on the Court's ruling, Liz Davila, chairman and CEO of VISX, said, "This is a clear win for VISX. From the beginning we believed Nidek brought this action to create uncertainty in the Japanese market. We are gratified that VISX achieved a decisive victory in this case."

VISX is the only U.S. company to receive approval from the Japanese Ministry of Health and Welfare for a laser vision correction system. It is estimated that more than half the Japanese population are myopic, or nearsighted. Addressing the company's market opportunity in Japan, Ms. Davila went on to say, "VISX is the industry's technology and service leader. With today's legal victory behind us, we will continue to work with our Japanese business and physician partners to educate consumers and grow the laser vision correction industry in Japan."

In response, a spokesperson for Nidek sent the following message: "There is some confusion regarding the "news" of VISX's announcement dated November 13, 2001. At this point, neither company has received official notification of the court's decision regarding the suit. Let me reiterate, NEITHER Nidek nor VISX have official documentation of that finding. So, for purposes of clarity, yes, Nidek has heard of VISX's announcement that the court may have found in their favor. However, we do not know this as fact. What we do know, and will state with absolute certainty, is that Nidek's Japanese patent '959 has no bearing on the U.S. patents currently under legal scrutiny in the U.S. District Court in Northern California. To date, Nidek has been very successful in fighting VISX's frivolous lawsuits with major legal victories in Canada, England and the United States. As you may remember, VISX filed patent infringement suits against Nidek in France, Canada, England, and United States between 1994 and 1998. Nidek has prevailed in Canada and England, as well in the United States ruling handed down by the **International Trade Commission (ITC)** in 2000. (The suit in France is still in progress.) "

11/14 **LaserSight Incorporated** announced financial results for the three months and nine months ended September 30, 2001. Revenues for the third quarter were $2.4 million compared to $8.0 million for the third quarter of 2000. Revenues for the nine months ended September 30, 2001 were $10.2 million compared to $28.2 million in the comparable period of 2000. For the quarter, the company reported a net loss of $6.5 million (25 cents per share) compared to a net loss of $4.5 million (21 cents per share) reported for the third quarter of 2000. The net loss for the nine month period was $17.7 million (72 cents per share) compared to a net loss of $9.4 million (46 cents per share) reported for the nine months last year.

LaserSight also reported on its activities during the Annual Meeting of the AAO and the ISRS's (**International Society for Refractive Surgery**) Fall Refractive Symposium held

in New Orleans. The focus of LaserSight's activities during the meetings was its advanced technology pathway for CustomEyes custom corneal ablations based on the company's AstraMax integrated corneal diagnostic workstation, its precision microspot scanning laser technology and, as recently announced, its newly acquired CIPTA custom corneal ablation planning and programming software. Refractive surgeons were also introduced to LaserSight's latest version of it precision microspot scanning technology, the AstraScan excimer laser system, an advanced technology refractive laser system optimized to perform custom corneal ablations. In addition to exhibiting its refractive products during the meeting, the company hosted a series of special events for its customers, prospects and its sales and marketing resources. Michael Farris, president and CEO of LaserSight, commented, "Attending this AAO meeting with our advanced technology pathway for custom corneal ablations and an expanded approval for LASIK treatments represents a new milestone in the growth of LaserSight as a technology leader in the field of laser refractive correction. The AAO meeting presented a unique opportunity to showcase our new products and technologies to the largest meeting of ophthalmologists in the U.S. The interest in our technologies and products was strong as demonstrated by orders received during the meeting. We had anticipated a positive reaction to our new technologies and products, and in order to ensure that we were able to maximize our effectiveness at this meeting we made a number of strategic changes to our sales organization that were intended to best position LaserSight to capitalize on our competitive advantages in the U.S. market. I look forward to being able to provide a more in-depth report on the results of our efforts at the AAO in the near future."

LaserSight also exhibited its MicroShape keratome products during the meetings. Surgeons were able to utilize the UltraShaper durable keratome that is now released for commercial distribution following an unprecedented series of clinical performance tests at 11 sites. Five keratome units were used to produce a total of 1580 LASIK flaps. All LASIK flaps were produced without any adverse events like buttonholes, perforations or free caps. Results of the product performance tests have confirmed the UltraShaper to be a device capable of meeting the needs of surgeons with ease of use and reliable performance. The company is not aware of any other manufacturer publishing clinical data concerning device performance to this standard. Results of this performance testing were presented during the AAO meeting.

11/14 **Sunrise Technologies International, Inc.** announced financial results for the third quarter ended September 30, 2001. Revenues for the three and nine-month periods ended September 30, 2001 were $1.3 million and $10.5 million, respectively, compared to $10.0 million and $10.4 million, respectively, for the same periods in 2000. This represents a decrease of $8.7 million in revenues for the three-months and a slight increase in revenues of $99,000 for the nine-months ended September 30, 2001 as compared with 2000. The decrease in revenue for the three-months was due to the uncertain economic conditions and a downturn of the refractive business market. The increase in revenues for

the nine month period was due to the increase in recognized deferred service revenues offset by the decrease in procedure revenues as compared with 2000.

"Many doctors who are interested in acquiring a HYPERION LTK System for their practices are deferring any decision until the company's financial future is better defined," said Russell Trenary, president and CEO of Sunrise. The company is in late stage discussions with a funding source in an effort to raise working capital for the company. (See the 11/7 brief above.) The money would be used to pay off or refinance the remaining $3.5 million balance on the credit facility with **Silicon Valley Bank** as well as increase working capital. The full description of those discussions can be found in the company's 10Q filing for the third quarter.

Operating expenses for the three and nine-month periods were $5.0 million and $15.4 million, respectively, compared to $8.0 million and $22.9 million, respectively for the same periods in 2000. This represents a decrease of $2.9 million in operating expenses for the three-month and $7.5 million for the nine-month period. Operating expenses for the third quarter and year-to-date include reserve adjustments of $655,000 for past-due receivables from **U.S. Medical**. Operating expenses, net of reserve adjustments were $4.4 million and $14.8 million for the three and nine-month periods. The decrease in operating expenses was due to significant decreases in non-cash expenses in 2001 that were incurred in 2000 both as a result of the issuance of warrants and non-qualified stock options and the reduction in force that was implemented in Q2 of 2001. Other expense, net of $2.3 million and $1.7 million for the three and nine-months, respectively; represent the write-down of the company's investment in U.S. Medical stock and the $700,000 received from the settlement agreement with **Lares Research** for the payment of an outstanding debt, net of expenses of $57,000. The company determined, during the third quarter, that due to existing economic circumstances that the investment in U.S. Medical stock had suffered an other-than-temporary decline in value. Therefore, the company has written down its investment. The $700,000 was received during the first quarter of 2001.

Net losses for the three and nine-month periods were $10.3 million (18 cents per share) and $20.0 million (37 cents per share), respectively, as compared with $4.1 million (9 cents per share) and $32.0 million (68 cents per share), respectively, for the same periods in 2000. Net losses for the three and nine-month periods, net of reserve adjustments and write-downs were $7.4 million (13 cents per share) and $16.9 million (31 cents per share), respectively. Approximately $1.3 million (2 cents per share), or 13%, and $3.9 million (7 cents per share), or 20%, of the net loss, respectively, for the three and nine-months, respectively, were attributable to non-cash expenses. Included in the non-cash expenses for the three and nine-month periods ended September 30, 2001 were $1.2 million and $2.8 million that was associated with the costs for the January 2000 debt financing and the revolving bank line of credit, and $164,000 and $1.1 million that were associated with the issuance of warrants and non-qualified stock options. For the same three and nine-month periods of 2000, $1.8 million, or 44%, and $17.3 million, or 54%,

of the net loss was attributable to non-cash expenses. The company closed the third quarter of 2001 with cash and cash equivalents of $63,000 and a working capital deficit of $11.0 million as compared to $975,000 in cash and cash equivalents and working capital of $6.3 million at December 31, 2000.

11/14 Ted Huber of **Banc of America Securities** issued a research report on the AAO meeting in New Orleans. In the report, entitled, "AAO Review - A Brighter Outlook for 2002", Huber said that our market performer ratings remain intact for **VISX**, **Bausch & Lomb** and **STAAR Surgical** after surveying the market and new technology landscape at this years AAO. But prospects look brighter for each of these companies and their stocks in 2002. 1Q02 could mark an acceleration in refractive surgery volumes that lifts EYE. Volumes were up sequentially in October but most surgeons and operators still remain cautious. BOL has launched three important new products 4Q01 (hydroview lens, AMD vitamins and no rub contact solution). These launches along with the restructuring of its U.S. commercial operations and new senior management could lead to revenue growth and better margins by 2Q01.

New cataract lens technologies are generating excitement among surgeons. In the refractive market, customized ablation technologies could hit the market by early 2003. Nothing from AAO changed our view that these technologies are evolutionary, not revolutionary. **Alcon** and BOL continue to lead with VISX perhaps 6 months behind.

Becton Dickinson Ophthalmology (primarily surgery disposables) launched a new microkeratome and corneal expander at this years AAO. They also featured emerging surgery technology and look poised to continue growing with procedure volume and innovation, both in house and by acquiring or partnering with others.

11/15 **Laser Vision Centers**, announced that it had performed over 26,925 refractive cases in the United States during the second quarter ended October 31, 2001, down from 29,659 for the same period a year ago. As of November 1, 2001, LaserVision operated 126 excimer lasers in the United States providing access to 830 surgeons in more than 360 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** to more than 250 surgeons at 275 locations. As previously announced on August 27, 2001, LaserVision and **TLC Laser Eye Centers, Inc.** announced an agreement to merge.

11/15 In an announcement from **Refractec** as presented at the AAO meeting, conductive keratoplasty using Refractec's ViewPoint CK system is comparable in efficacy to hyperopic LASIK, according to U.S. phase 3 trials of the device. Refractive stability has been demonstrated at 6 months and was maintained at 12 months, according to a

presentation given by clinical investigator Marguerite McDonald, MD, during a Breakfast with the Experts session. Patient benefits include sparing of the visual axis, a large effective optical zone and no induced dry eye. Multicenter U.S. clinical trials will continue until all patients have 2-year follow-up. Data from the trial will be presented to the FDA on November 30. Dr. McDonald said she believes the technology and procedure will go through the approval process easily. The safety results are excellent. Seven of 355 patients lost two lines of best-corrected visual acuity, and no eyes were worse than 20/25 best corrected. No patients who were 20/20 or better best corrected preoperatively regressed to 20/25 or worse.

11/16 **SurgiLight, Inc.** announced its financial results for the third quarter ended September 30, 2001. Revenues for the quarter were $801,000 compared to $1.3 million in the third quarter of 2000. Third quarter revenues increased 75% over the previous quarter's revenues of $515,000. Nine-month revenues decreased to $2.0 million from $3.0 million for the same 2000 period. The nine-month decrease of revenues and operating income was attributed to the company's decrease in excimer laser system sales, but was partially offset by revenues received from the Laser Center business. The increase in the last three months is due to sales of the OptiVision laser for presbyopia and from licensing agreements for this product. Upon FDA approval of the company's IDE for presbyopia, the company anticipates sales and licensing agreements for the OptiVision to increase.

For the nine month period, the company reported a net loss of $2.0 million (9 cents per share) compared to a net gain of $249,000 (1 cent per share) for the same period of 2000. This loss is primarily attributable to depreciation and amortization expense of approximately $1.2 million for the nine months, including approximately $689,000 due to a revaluation of the useful life of International Laser Equipment from seven years to three years and approximately $545,000 of legal expense primarily due to a lawsuit filed in March 2000 by Dallas-based **Presby Corp**. The company's standard operations, excluding these two items, remained essentially unchanged other than an increase of approximately $125,000 for clinical trial expense. The company had previously announced that it had filed an IDE requesting an expansion of its clinical studies to include seven sites in the United States. The FDA is scheduled to respond to the company before the end of the year. The company submitted data from more than 100 human patients and from long term and acute animal studies. The data showed that 82% of patients could read without glasses, with results stable after one year.

The company's total assets decreased to $7.0 million from $9.5 million as of December 31, 2000. This decrease in total assets is mainly attributed to the increased depreciation of fixed assets described above and the decrease in cash due to the acquisition of **Premier Laser Systems'** ophthalmic laser division. The Premier acquisition enabled the company to advance the clinical trial process. The company's working capital is $3.5 million. The total liabilities at the end of third quarter decreased to $4.3 million from $5.4 million at December 31, 2000. The decrease in accounts payable and total liabilities are mainly

attributed to the payments to Premier Laser Systems, Inc. The company anticipates that its current cash, cash equivalents, as well as anticipated cash flows from operations will be sufficient to meet its working capital needs for the next three months. The company expects to raise additional funds before the end of the fiscal year via equity or debt financing, licensing agreements and system sales. However there is no assurance that the company will be successful in raising additional capital.

11/16 *The Wall Street Transcript* published an in-depth interview with Elizabeth Davila, CEO of **VISX**, which was originally prepared for a recently canceled investment conference. During the interview, Ms. Davila talked at length about the company's future. "It's been a very exciting past year. As in every year in this very young industry, the year 2000 saw substantial ongoing growth in procedures and, I believe, a further verification of VISX's leadership position. The company has been focused primarily on the launch of the VISX STAR S3 ActiveTrak laser system, which has the most advanced active tracker in the market place and adds not only comfort and convenience for patients, but also provides an added level of assurance to doctors. The interest in our STAR S3 system, and the interest in S3 upgrades to all of our existing systems has just been amazing -- beyond all of our expectations. This has been our major focus for the past year." Ms. Davila not only discussed VISX's technology leadership during the interview but also touched on market penetration, their corporate culture, cost structure and numerous other issues affecting their business. When asked what she felt were the most compelling reasons for investors to take a look at VISX, Davila responded, "Market growth potential would be number one -- the 96% opportunity, 50 million people, good candidates, renewing each year as more individuals turn 21 and are eligible for the procedure. Number two would be VISX's leadership position which I believe has been strengthened over the past year. And we aim to keep it that way."

11/19 According to *OptiStock*, **Medjet's** third quarter revenues were $381,000, resulting from payments from **VISX** related to R&D for the waterjet-related technology. Expenses increased by 76% to $605,884 from $344,065 in Q3 2000. This was mostly due to an increase in legal fees related to an agreement and plan of merger with VISX. At Sept. 30, cash and equivalents was $210,998, and the company owed Dr. Eugene Gordon, chairman and CEO, $250,000 with interest paid monthly.

11/20 According to Reuters, financier Carl Icahn has revived his battle for control of the board of **VISX Inc.**, saying he plans to nominate individuals for all five of the board's seats at the company's next annual shareholders' meeting. "The reason for conducting such business at the annual meeting is to elect a slate of directors...who we believe will better enhance stockholder value than the current board of directors," Icahn said in a Nov. 20 letter to VISX made public in a U.S. Securities and Exchange Commission filing.

Icahn, who holds almost 11% of VISX's outstanding shares, had intended to wage a proxy fight to win five VISX board seats at the Santa Clara, California-based company's

annual meeting last May. The corporate raider then agreed on May 1 to drop his bid to elect members to the board but said he intended to buy the company himself for $32 per share, or about $1.9 billion. VISX's management team openly doubted that he was sincere in his offer to acquire the company, as Icahn never formally submitted a bid. At that time, VISX shares were trading at about $20. VISX officials were not immediately available for comment on Tuesday afternoon.

The company's stock has recently been hovering near $12, its lowest level since late January. Shares were up 95 cents, or 7.5%, to $13.55 following the announcement, after reaching as high as $13.93 earlier in the session.

11/21 **Paradigm Medical Industries, Inc.** reported a net loss of $3.6 million (28 cents per share) on sales of $1.8 million for the third quarter, ended September 30, 2001, after giving effect to non-cash expenses and other extraordinary charges of $1.3 million. Excluding these charges, the company had a net loss of $2.4 million (18 cents per share). This compares with a net loss of $1.8 million (15 cents per share) on sales of $1.6 million for the same period in 2000. "Our financial report for the third quarter does not reflect the company's current or longer-term prospects," said Paradigm Medical's chairman and CEO, Thomas Motter. "There were substantial gear-up expenses we incurred during the third quarter that penalized our results but will have a significant positive impact on our performance in the fourth quarter of 2001 and in 2002. "Specifically, our operating expenses -- e.g., marketing and selling, general and administrative, and research and development -- increased by more than $1.2 million (9 cents per share) compared with a year ago. These expenses involved increases in salaries, training and other costs associated with the hiring of 20 new sales representatives to market our Ocular Blood Flow Analyzer (BFA) and Ultrasonic Biomicroscope (UBM) equipment, the development of new products, and extraordinary non-cash warrant expenses. Our third-quarter results had several positives. Sales increased by 12% from a year ago and marked the second consecutive period of sequential revenue growth. That trend will continue during the fourth quarter. We also recorded an increase in our gross profit versus a year ago. And our gross profit margin for the third quarter and first nine months of 2001 was 40%."

For the first nine months of 2001, Paradigm Medical reported a net loss of $9.3 million, (72 cents per hare) on sales of $5.0 million, after giving effect to non-cash expenses and other extraordinary charges of $3.3 million. Excluding these charges, the net loss was $6.1 million (47 cents per share). This compares with a net loss of $5.6 million (50 cents per share) on sales of $5.3 million for the same period in 2000.

11/22 **Carl Zeiss Group**, Oberkochen, and **Asclepion Meditec AG**, Jena, intend to combine their activities in Ophthalmology to create a worldwide leading provider of ophthalmic equipment. The parties plan to merge the Ophthalmology Equipment business unit of **Carl Zeiss Jena GmbH** (a one hundred percent owned subsidiary of Carl Zeiss), and **Carl**

Zeiss Ophthalmic Systems, Inc., Dublin, CA, USA, with Asclepion Meditec AG, a publicly listed company. The Agreement in Principle which has been signed by both parties, will make Carl Zeiss the majority shareholder of the new company. The result of the transaction will be to create a company called **Carl Zeiss Meditec AG** which will be listed on the Neuer Markt in Frankfurt as an attractive Technology stock. The company will have a healthy free float and will be among the top 100 companies on the Neuer Markt.

The world market for ophthalmology is currently growing at double digit rates due to demographic developments in industrialized nations. The activities of Asclepion and Zeiss compliment each other in an ideal way in view of this fact. In the growth market of Refractive surgery, Asclepion is the largest European system provider. Carl Zeiss, on the other hand, is the leading brand for ophthalmic diagnostic systems. The new company will be able to offer a complete range of products from diagnosis, to operation, to follow up treatment. With combined sales of about E260 million in the 2001 business year ending September 30, and approximately 750 employees (of which about 400 will be located in Jena) the new company will be a leading global manufacturer of ophthalmic equipment. The combination offers a considerable potential that will insure continued company growth. For example, the strong U.S. presence of Zeiss will give Asclepion's products access to the important American market. The bundling of technological ability will insure that the new company will maintain a leading position n the development of innovative products. The proposed merger will enable the development of new generation products not only in the area of ophthalmology but also in the Asclepion areas of Aesthetic and Dental.

The management of the new company will include representatives of both Asclepion and the Carl Zeiss Group. Representatives from Zeiss, and **DEWB** (Asclepion's largest shareholder) will make up the supervisory board which will also include seats for employee representatives. The Agreement in Principle has already been approved by the supervisory board from Asclepion as well as the Advisory board of the Carl Zeiss foundation. These committee decision is made with the usual reservations. The merger will also be dependent on the following factors:

- Approval of the supervisory board of Carl Zeiss Jena GmbH
- Approval by the shareholders of Asclepion-Meditec AG at the general shareholders meeting in May 2002
- Approval by Cartel Authorities

A renowned accounting firm was hired to establish an appropriate valuation of both companies and to determine the exchange ratio. In addition, more detailed due diligence will be carried out by both companies.

Headquartered in Oberkochen, Germany, the global player Carl Zeiss is a leading international group of companies operating in the optical and opto-electronic industry. Carl Zeiss offers technologically advanced solutions for the areas Semiconductor and Opto-electronic Technologies, the Life Sciences and Health Care, Eye Care, Industrial Solutions and sophisticated products in the field of Consumer and Sports Optics. The company is directly represented in more than 30 countries and runs production centers in Europe, North and Central America, and Asia. In the 2000/2001 fiscal year a global workforce of roughly 14,200 people achieved a sales figure of over EUR 2 billion.

For years now, the Ophthalmology division of Carl Zeiss has been generating above-average earnings and is the fastest growing division within the Medical Systems business group with locations in Jena and Dublin (California). The division is one of the world's leading technology suppliers for ophthalmologists, optometrists and other eyecare specialists with solutions for the diagnosis and therapy of all pathologies of the eye (glaucoma, defective vision, cataract, retinal disorders). The special strength of the Carl Zeiss Ophthalmology division lies in its innovative products: One example is the IOLMaster which set a new standard in optical biometry and has remained unrivalled on the market since its market launch in 1999. The Visulas 690s is the world's most frequently bought laser for photodynamic therapy on the eye. The Humphrey field analyzers of Carl Zeiss Ophthalmic Systems, Inc. (Dublin) represent the gold standard in glaucoma diagnosis. The OCT Humphrey Coherence Tomography Scanners number among the leading diagnostic systems for retinal disease.

11/26 **Bausch & Lomb** announced that the FDA had approved Bausch & Lomb PureVision contact lenses for up to 30 days of continuous wear. With this new approval Bausch & Lomb PureVision lenses are now the most widely available and No. 1-prescribed silicone hydrogel lenses in the United States for up to 30 days of continuous wear. (The lenses join the previously cleared Ciba Vision lenses approved for 30 days extended wear.)

"Imagine being able to put in your contact lenses and wear them for up to a whole month. Bausch & Lomb is proud to provide this exceptional option with our patented PureVision lenses," said Mark Sieczkarek, Bausch & Lomb senior vice president and president - The Americas Region. "Nearly 13 million U.S. contact lens wearers may be eligible to join the hundreds of thousands of patients in more than 40 countries who already wear PureVision lenses for up to 30 days."

OPHTHALMIC LASER UPDATE -- December 2001

11/27 **LaserSight Incorporated** announced an order from **Ligi Technologie Medicali**, Taranto, Italy, for the upgrade of 14 of Ligi's LaserScan LSX and LS-2000 excimer laser systems to the company's recently introduced AstraScan configuration. The systems are currently installed in refractive surgery centers throughout Italy. Under the terms of the order,

LaserSight will upgrade 11 LSX systems to the AstraScan specification and Ligi will trade-in three LS-2000 systems towards the purchase of new AstraScan excimer laser systems. All of the laser systems scheduled for upgrade are currently in clinical use in conjunction with Ligi's corneal interactive programmed topographic ablation (CIPTA) software for custom corneal ablations. The financial terms of the order were not disclosed.

Michael Farris, president and CEO of LaserSight Incorporated, commented, "Ligi's commitment to upgrading their LaserScan excimer laser systems to our latest AstraScan configuration is based on their desire to ensure that corneal ablations planned with the CIPTA custom ablation planning software are performed utilizing the most advanced excimer laser technology."

The company plans to make the AstraScan and AstraScan upgrades available to its U.S. customers after all regulatory requirements have been satisfied. With over 300 LaserSight excimer laser systems installed worldwide, the Company believes that significant opportunity exists to upgrade or trade-in those systems to perform CustomEyes procedures with the LaserSight CIPTA solution. LaserSight will provide the CIPTA software on an annual license and/or a per procedure fee basis, and users of current versions of the LaserScan LSX will purchase an AstraScan upgrade to their systems that will facilitate use of the CIPTA planning software and effective execution of the precise ablation treatments.

11/27 **IRIDEX Corporation** announced that the Executive Committee of the PTAMD Clinical Trial advised study investigators that current enrollment is sufficient to detect a clinically relevant difference in the clinical outcomes of the study and that further enrollment be stopped. The PTAMD clinical trial was designed to determine whether prophylactic laser treatment for patients with dry age-related macular degeneration (AMD) could preserve visual acuity and/or reduce the risk of disease progression from dry to wet AMD (i.e. development of choroidal neovascularization (CNV)). The Executive Committee accepted the recommendations of the Data Safety Monitoring Committee (DSMC) for the PTAMD Clinical Trial that sufficient enrollment has been reached.

Dr. Thomas Friberg, Professor of Ophthalmology at the University of Pittsburgh and PTAMD Study Chairman, commented, "This is good news. We had initially thought the PTAMD trial would require 1000 patients followed for five years and are pleased that the current enrollment of over 600 patients in the bilateral arm will be sufficient to determine the effect of treatment when adequate follow-up is achieved within a year or two from now."

Theodore Boutacoff, president and CEO of IRIDEX commented, "There are about 50 million people worldwide with AMD and about 5 million new cases per year. About 90% of these have the dry form of the disease. We see the treatment of eyes with dry AMD

as a significant potential opportunity for IRIDEX and are optimistic about these developments."

The DSMC elaborated in their letter to the PTAMD Executive Committee, "Power calculations, based on accumulating outcome visual acuity data, and a review of CNV event data, indicate that the current bilateral arm enrollment of over 600 patients will provide ample statistical power to detect a clinically relevant difference in the clinical outcomes of the study. This effect should be assessed at 24 and possibly 36 months after enrollment (in the study). Further follow-up is needed to provide adequate sample sizes at these times. Therefore, we advise that enrollment is sufficient and further enrollment is to stop. Follow-up is to be strongly encouraged. No safety concerns are evident, and the protocol should be followed as it stands." The DSMC members include Donald D'Amico, MD, Professor of Ophthalmology, Harvard Medical School, Mark Johnson, MD, Associate Professor of Ophthalmology and Visual Sciences, University of Michigan Medical School, and Richard Landis, PhD, Professor of Biostatistics, University of Pennsylvania.

Boutacoff concluded, "The laser treatment used in the PTAMD trial was a Minimum Intensity Photocoagulation (MIP) procedure, one of several MIP approaches pioneered by IRIDEX, which minimizes the area of tissue damage. The Executive Committee of the PTAMD Trial selected a MIP protocol using an IRIDEX infrared laser in order to maximize preservation of sensitive retinal tissues, which is particularly important if the treatment is to be widely used as a prophylaxis."

In a second announcement, IRIDEX said that positive results of a clinical study using the company's **IRIS Medical** OcuLight SLx laser further validated the effectiveness of transpupillary thermotherapy (TTT) for the treatment of wet age-related macular degeneration (AMD). The study, presented at the recent *American Academy of Ophthalmology* meeting held in New Orleans, used TTT to treat 104 patients with occult neovascular membranes associated with wet AMD and showed stable or improved visual acuity in 79% of patients at 9 months follow-up. Dr. Allen Thach commented, "The results from our study show that the visual acuity is stabilized in 76% of patients at 6 months and in 79% at 9 months. Our data compare favorably with other non-randomized TTT studies in which visual acuity remained stable or improved in 70-81% of patients at approximately 10-month follow-up. A natural history of occult CNV in AMD showed that, at 9-12 month follow-up, 62% of untreated patients suffer the loss of two or more visual acuity (VA) lines and only 38% remain stable or experience the loss of less than 3 lines of VA."

The study was a prospective, non-randomized, non-masked case study that was performed by Drs. Allen Thach, Jack Sipperly, Pravin Dugel, Scott Sneed, and Donald Park at the Retinal Consultants of Arizona in Phoenix. One hundred and four patients were treated using the IRIS Medical OcuLight SLx and Large Spot Size Slit Lamp

Adapter. Laser treatment consisted of a large laser spot adequate to cover the CNV lesion size, typically 3000-6000 micrometers diameter, delivered for 60 seconds at 600-1000 milliwatts. Patients were evaluated for visual acuity (stable or improved vision was defined as a loss of one line, any improvement in vision or no change in the vision) and the need for additional treatment. Of the 83 patients available for 6-month follow-up (80%), visual acuity stabilized or improved in 63 patients (76%) and worsened (2 or more line loss) in 20 patients (24%). Of the 48 patients followed for 9 months (46%), visual acuity stabilized or improved in 38 patients (79%).

Theodore Boutacoff, president and CEO of IRIDEX commented, "This is another important addition to the more than 20 studies now presented on TTT for the treatment of eyes with occult wet AMD; and further validates and supports the efficacy of TTT protocol for occult CNV. We are encouraged by the growing body of clinical evidence that supports this procedure."

11/28 **SurgiLight, Inc.** said that it had received more than 90 indications of interest from attendees at the *American Academy of Ophthalmology (AAO)*, meeting in New Orleans, who expressed enthusiasm in conducting clinical trials for SurgiLight's OptiVision laser. SurgiLight made preliminary selections for its U.S. clinical trials and signed investigator agreements with Dr. Gregory Pamel of Manhattan Eye, Ear and Throat and Dr. Sandra Belmont of Cornell Medical Center. These two sites in New York are anticipated to be the first two sites in the United States upon receiving FDA clearance for an IDE. SurgiLight is continuing to collect curriculum vitae from ophthalmologists who would like to participate in future studies. An OptiVision laser system will be sold to each investigator selected to participate in the clinical trials. International interest was also high, although overall attendance at the show was low due to the recent terrorist activities. SurgiLight's distributors from Canada, Korea, Mexico and the Caribbean were in the SurgiLight booth to meet with customers from their territories. The Canadian and Mexican distributors have also filled their clinical site quotas.

SurgiLight made available three papers from doctors as well as a scientific review paper in its booth. These papers reported on more than 100 eyes with 82% of treated patients now able to read without glasses. The results have been stable out to one year. In addition, two doctors presented their one year follow-up results at the *International Society for Refractive Surgery (ISRS)* pre-meeting. The company also presented a poster paper at ISRS discussing a new theory of presbyopia.

11/28 **Gimbel Vision** reported that refractive procedure volumes for the third quarter of 2001 totaled 2,834, a 36% decrease over the comparable period in 2000. Third quarter volumes from North American operations amounted to 2,504, a 36% decrease over the prior year. Other non-North American operations generated volumes of 330 as compared to 482 in the prior year third quarter. Procedure volumes for the nine month period ended September 30, 2001 were 10,218 compared to 14,511 from the same period in 2000.

North American procedure volumes were 9,242 for the period, compared to 13,228 from the same period in 2000. Procedure volumes from centres outside North America were 976 and 1,283 for the respective nine month periods in 2001 and 2000.

Consolidated revenues for the third quarter of 2001 were $2.8 million compared to $4.1 million for the third quarter of 2000. Revenues from Canadian operations were $2.0 million as compared to $2.5 million for the prior year third quarter. Operations based in the United States generated revenues of $750,624 in the third quarter, versus $1.6 million in the third quarter of 2000. For the nine month period, consolidated revenues were $10.2 million, including $6.4 million from Canadian operations and $3.8 million from United States operations. Comparative figures for the same period in 2000 were consolidated revenues of $14.0 million, Canadian revenues of $8.4 million and United States revenues of $5.6 million. The net loss for the three month period was $762,513. The net loss for the same period in 2000 was $302,947. The comparative decline in current year third quarter earnings was due to a decrease in volumes recorded in the third quarter of 2001, and a lower average pricing of refractive surgical procedures in the Canadian market for the current versus prior year third quarter. The net loss of $2.3 million for the nine month period compares to the $294,545 in earnings for the prior year's same period.

12/3 **SurgiLight, Inc.** announced that it had executed a second agreement with **Premier Laser Systems, Inc.** to acquire its remaining Er:YAG inventory (original cost of approximately $3 million), two additional ophthalmic laser products, and the right to license or acquire additional patents. The purchase price was $350,000 in cash and $1.35 million in common stock. Both the stock and cash payments are conditional on Premier's bankruptcy court approval, as well as delivery of certain assets from Premier and will be paid in installments from December 2001 through May 2002. In addition, SurgiLight has agreed to pay associated legal and distribution fees. The first delivery of assets is scheduled for December 15th and will include CE marked finished goods lasers that SurgiLight can immediately sell to international clinical sites.

"We are pleased to conclude this additional purchase from Premier. We have an immediate need for more CE marked OptiVision lasers," stated Timothy Shea, COO of SurgiLight. "The new technology should enhance our research and development programs. In addition, Premier's shareholder base, which will be receiving the SurgiLight shares as part of the purchase price, is perfectly tailored for our company because it consists of ophthalmologists and investors interested in laser companies. The Premier shareholder base of more than 10,000 shareholders will augment our current shareholder list, helping us reach one of the criteria for becoming a Nasdaq Small Cap stock."

12/3 **Lumenis Ltd.** announced that it had completed the previously announced transaction to acquire **HGM Medical Systems**, a Salt Lake City based medical laser manufacturer. Lumenis results for the fourth quarter ended December 31, 2001, will reflect the HGM results as of December 1, 2001. "This acquisition is a good fit with Lumenis and

reinforces our leadership in the ophthalmic laser market place," said Yacha Sutton, CEO and president of Lumenis. "At the recent *American Academy of Ophthalmology* there was tremendous interest in both Lumenis' and HGM's products and significant traffic at both booths. We will be integrating certain products and specialized technologies into our existing product lines, which will be able to provide the basis for future development. We anticipate that this transaction will be immediately accretive and contribute about $4 million to FY2002 earnings."

Commenting on the closing and on Lumenis in general, Lumenis Chairman of the Board, Prof. Jacob Frenkel said, "I am pleased to see the progress that Lumenis' management team had made in reshaping the company during the past two years. This acquisition continues the positive steps we saw with the acquisition of the Coherent Medical Group. I look forward to seeing Lumenis capitalize in 2002 on its strong new products and distribution agreements to drive its growth forward. These factors present good opportunities on top of a solid base of operations driven by the company's revenue mix from both medical and non-medical products as well as management's program to reduce costs for the coming year."

12/3 **Refractec, Inc.** president Mitchell Campbell announced that the data presented to the FDA's Ophthalmic Advisory Panel on Conductive Keratoplasty (CK) received an approvable recommendation. "We are very pleased with today's outcome and look forward to the ultimate approval of our device," Campbell said. Campbell noted he anticipated receiving the agency's final approval of Refractec's CK Procedure in early 2002. The CK Procedure uses radiofrequency energy, instead of a laser, to reshape the cornea and treat hyperopia (farsightedness). "It's tailor-made for the nearly 40 million hyperopic patients who have never had the need for glasses until late in life," said Marguerite McDonald, MD Refractec's medical monitor.

The panel recommended that the FDA approve Refractec's Viewpoint conductive keratoplasty (CK) system for temporary correction of hyperopia. The system uses radio waves sent to needles placed at 90% depth in the cornea's outer periphery. In a 9-1 vote, the panel approved it for patients with +0.75 to +3.25 D and no more than 0.75-D astigmatism. Several members expressed a desire to see long-term confirmation of stability before approving indications for permanent correction.

12/3 *EyeWorld Week* reported that the Centers for Medicare and Medicaid Services (CMS) announced that it will reconsider its earlier intent to cover ocular photodynamic therapy with verteporfin for age-related macular degeneration patients with occult but no classic subfoveal choroidal neovascularization lesions. According to CMS, after posting the earlier decision memorandum on Oct. 17, it discovered new issues concerning the data from the clinical trial upon which it based its analysis. To further examine the clinical trial data, CMS generated the request for reconsideration of this indication.

12/5 Following an introductory conference call with analysts by Ron Zarrella, the new chairman and CEO of **Bausch & Lomb, Inc.**, Ted Huber of **Banc of America Securities**, issued the following report:

* Introductory conference call with new CEO: On this morning's call, Ron Zarrella identified poor execution on many fronts and high costs as the key contributors to BOL's declining performance; headcount driven cost cutting, increased R&D investment and improved execution under his leadership were the prescription. Look for detailed operational and restructuring plans with BOL's 2001 year end conference call in January.

* Back to the future: In 1998, BOL had a 15% operating margin with gross margins of 60% but R&D of only 5%. The comparable ratios for 2001 are 7%, 55% and 7%. On today's call, Zarrella's talked of returning to 15% margins while investing 10% of sales into R&D. This will require significant operating cost reductions (5% of revenue or $85 mm) and a 5% improvement in today's 55% gross margins.

* Sustained revenue grow may hold the key: This radical surgery on BOL's P&L will test Zarrella beyond the brand management for which he was praised at GM. On today's call, he focused on the right levers (cost reduction and execution through accountability) but without a reinvigoration of BOL revenue growth, these margin goals will be very difficult to attain.

* Maintain Market Performer Rating: Trading at near $35, BOL is valued at 27.7x our estimated 2002 EPS, a 28% premium to its small cap medical products peer group (7.2x trailing EV/EBITDA). This price gives BOL partial credit for an operational turn around and ascribes value to the high potential but early stage Envision project.

12/6 **WaveLight Laser Technologie AG** has become the first European manufacturer of medical lasers to successfully complete all of the necessary clinical trials for correcting myopia in the framework of FDA approval procedures. Once the current follow-up examinations have been brought to a close in the fall of 2002, WaveLight expects to receive FDA approval for the deployment of its ALLEGRETTO WAVE as a laser system for the treatment of myopia. "This represents an important milestone for the future, global sales of the ALLEGRETTO WAVE," said Max Reindl, CEO of WaveLight Laser, before going on to add that the company had already set its sights on the next step along the way to the ALLEGRETTO WAVE's total certification, namely, clinical trials for the correction of hyperopia. The hyperopia trials referred to by Reindl are now underway in the United States. A further series of clinical trials for the pathbreaking measuring system, the ALLEGRETTO WAVE Analyzer, is set to begin in the spring of 2002.

In a second announcement, the company said it had become the first manufacturer of eye lasers to carry out studies of laser systems outfitted with 500 Hz technology. The goal of

these studies was to further improve the high-quality results that can already be achieved when deploying the WaveLight excimer laser in the framework of refractive surgery. "The new technological advance represented by the deployment of the 500 Hz excimer laser confirms the soundness of our strategy of developing pioneering medical laser products from the technological leadership we have acquired," said Max Reindl, the CEO of WaveLight Laser. The study of the 500 Hz eye laser is comparable to the practice of featuring concept cars in the automobile industry in that it provides an occasion to present future-oriented technological developments. The ultimate goal of this new and ambitious WaveLight laser project is the achievement of the optimal LASIK operation, including the exact implementation of the ultra precise, customized measuring results that can be obtained with WaveLight Analyzer. The task here requires a very small spot size in order to guarantee the ultra precise removal of corneal tissue. This level of precision has now been made possible with 500 Hz technology from the house of WaveLight.

The 500 Hz treatment technology enables unprecedented speed when treating visual disorders. Up to one diopter per second can be corrected with the 500 Hz model, thereby making treatment times even shorter. According to Reindl, the small spot size together with the 500 Hz speed will lead to further improvements in refractive surgery, a field in which very high levels of treatment quality have already been attained. With this laser innovation, WaveLight once again demonstrates its technological superiority in the field of medical lasers. Current medical laser systems for refractive surgery make use of 200 Hz technology. Having diligently pursued its tech-development strategy, WaveLight Laser Technologie AG is in an excellent position to meet the challenges in the field of refractive surgery, and has once again proven its commitment to continual improvements of quality and systems capacity.

12/7 The December issue of *Refractive Market Perspectives* featured an update of the market share of third quarter procedures by providers. With the nearly 22% decline in procedures in the third quarter, compared to the second quarter, the downturn was felt less by the surgeon-owned centers than by corporate centers. Surgeon-owned centers only declined by 17%, which led to a 3.2% gain in market share. The decline in procedures at corporate centers led to a nearly 5% share loss. For the third quarter, surgeon-owned centers accounted for 55.4% of procedures, followed by corporate centers with a 35.8% share, while institution centers performed 8.8% of procedures. In addition, with the decline in the number of corporate-owned centers, they represented only 30% of the 1153 U.S. laser centers in operation during the quarter, a decrease of 2% compared to the second quarter.

Of the corporate centers, **Laser Vision Centers** extended its market share lead from 22.8% in the second quarter to 26.8% in the third. Combined with **Clear Vision's** share, Laser Vision now commands a 33.6% share of procedures. **TLC** remained in second place with a 19.8% share; followed by **LCA Vision** at 12.1%; **Laser Vision Institute** at 7.3%; **Prime** at 4.5%; **EBW** at 3.6%; **NovaMed** at 3.3%; and all others with 15.7% share.

Dave Harmon expects procedure volume to increase slightly in the fourth quarter, with demand for LASIK depending on changes in the economic condition.

12/10 Seeking protection of its breakthrough technology, **Presby Corp**, the developer of a surgical procedure and device designed to treat presbyopia and glaucoma, won a victory recently in a patent dispute against **SurgiLight, Inc.** Separately, the SEC sought documents in their investigation of SurgiLight. Magistrate Judge Baker in his findings to the United States District Court for the Middle District of Florida, Orlando Division, rejected outright SurgiLight's summary motions for dismissal of Presby's patent infringement suit. In Judge Baker's opinion:

1) There is no evidence to invalidate Presby's patents.
2) SurgiLight's activities may be infringing and are not subject to FDA research exemptions.
3) Operating on cadaver eyes is within the scope of Presby's patents.

The judge issued an order authorizing Presby to comply with a subpoena from the United States Securities and Exchange Commission to produce documents obtained from SurgiLight in connection with the patent infringement suit. The SEC launched an investigation In the Matter of SurgiLight, Inc., (HO- 8995). The SEC issued a formal order authorizing the investigation under Section 20(a) the Securities Act of 1933 and Section 21(a) the Securities Act of 1934.

"Presby Corp will assist the SEC in its investigation of SurgiLight in any manner requested," according to Thomas Riedhammer, COO of Presby Corp. After extensive worldwide research, Presby believes its technology restores the ability to focus (accommodate) through the physiological reversal of presbyopia. The technology also treats ocular hypertension and primary open angle glaucoma, which affects nearly 20 million Americans.

12/10 **SurgiLight, Inc.** announced that it was pleased that it had settled its dispute with **Presby Corp** and **RAS Holding Company** and would now continue to pursue its U.S. clinical trials without the specter of patent litigation. The parties agreed to an entry of a decree that acknowledges the validity and enforceability of Presby Corp's patent for the treatment of Presbyopia. By its terms, the consent decree provides that it may become void under certain circumstances. In addition, SurgiLight has agreed to make a one time payment from its existing cash resources to Presby Corp of an undisclosed sum of money. The remaining terms and conditions of settlement were confidential.

Colette Cozean, chairwoman, who also serves as SurgiLight's regulatory consultant, commented, "In light of the excellent results we have been achieving during our clinical trials and our planned expansion of the clinical trials worldwide, SurgiLight is relieved to have this litigation behind it, so that the company may focus its resources on its clinical

trials for Presbyopia. We believe that this procedure has the potential to benefit almost every individual over 40, who suffers from presbyopia, and look forward to testing during the clinical trial process."

The company also commented on the Presby Corp announcement immediately above. The company said Presby Corp mischaracterized the Magistrate Judge's recommendation to the United States District Court for the Middle District of Florida. The Magistrate Judge, on November 21, 2001, issued a Report and Recommendation that recommended that the case proceed to trial. The Report and Recommendation concluded that a jury would be necessary to resolve whether Presby's patent was valid or infringed. In particular, a jury would need to decide, among other issues, whether the Presby Corp. patent was invalid in light of procedures performed by a number of ophthalmologists years before the Presby Corp patent was filed and whether SurgiLight's research fell within a patent statute exemption for FDA-related activities. The case was set for a January 2002 trial, but as reported in SurgiLight's press release of December 10, 2001 the case had been settled. During Presby's patent litigation against SurgiLight, Presby sought the right to release confidential information to the SEC. SurgiLight did not object to the release of information to the SEC, but does not believe that the SEC is interested in the parties patent dispute. Unfortunately, Presby appears unwilling to let the marketplace decide which technique for the treatment of Presbyopia is the best treatment for the populace. SurgiLight encourages Presby to conduct its own clinical trials to determine the efficacy of its device just as SurgiLight will continue to do. While the FDA process continues in the United States, the international market is currently purchasing these products and thereby making their decision.

12/10 **TLC Laser Eye Centers Inc.** reported that over 17,700 paid procedures were performed at the Company's laser eye surgery centers in the three month period ended November 30, 2001. The "TLC Affiliate Centers" program generated more than 500 of the quarter's paid procedures. Seasonally the weakest period from a growth perspective, industry and company volumes were further depressed in the period by a weak macroeconomic environment. Despite experiencing a 35% decline in paid procedure volumes from the second quarter of fiscal 2001, TLC anticipates that it will report improved year-over-year results from operations, excluding one-time charges, due to the continuing success in implementing its performance improvement programs, combined with the early positive effects of its recently introduced cost efficiency plan.

TLC also announced that it had initiated a review of the carrying value of its long-term investment in **LaserSight Inc.** under current accounting guidelines. Based on preliminary analysis, TLC expects to record a write-down in Q2-02 of approximately $17-$20 million to adjust the carrying values of this investment. The company noted that this write-down will not effect its cash balances or strong financial position. Fiscal 2002 second quarter financial results will be announced in mid-January.

Elias Vamvakas, TLC's president and CEO said, "Over the past few weeks, we have seen our call volumes and bookings start to rebound as we enter what is traditionally our strongest period of growth. Without compromise, TLC will continue to focus on providing superior quality of care and clinical outcomes." As previously announced on August 27, 2001, TLC and **Laser Vision Centers Inc.** have agreed to merge.

12/10 According to *OptiStock*, **Q-Vis** released results from the most recent clinical trial in Australia of the G6 model Q-Vis Quantum 213 nm solid-state refractive laser that exceed the FDA clinical benchmarks for refractive lasers. All eyes in the 22-eye trial (treated since August and ranging from 1.25D to 6.75D of myopia with up to 1.50D of astigmatism) achieved 20/40 or better vision, with 77% achieving 20/20 or better and 41% 20/16 or better. There were no complications.

12/12 In the ongoing dispute between **Presby Corp** and **SurgiLight, Inc.**, Presby Corp said that it and SurgiLight, Inc. had settled their disputes and claims regarding Presby's patent infringement lawsuit against SurgiLight, as noted above. The parties have agreed to an entry of a decree that acknowledges the validity and enforceability of Presby's patent for the treatment of Presbyopia. SurgiLight has agreed to pay Presby an undisclosed sum of money. The remaining terms and conditions of settlement are confidential.

The company also announced that the United States Patent and Trademark Office had found that `a substantial new question of patentability' was raised in SurgiLight's patents related to Presbyopia. As a result, the PTO is reexamining patents issued to SurgiLight with consideration to withdraw those patents. In the Reexamination, the PTO found Presby Corp's patents raised substantial questions as to the validity of the SurgiLight patents. The PTO stated that Presby Corp patents `teaches employing ... lasers to remove scleral tissue' to treat Presbyopia. A final ruling by the PTO is expected within a few months. Presby Corp is the holder of multiple domestic and international patents for the treatment of Presbyopia, ocular hypertension, and primary open angle glaucoma. Presby Corp has not granted a license for its technology to any third party.

12/14 **Asclepion-Meditec AG** announced that it had posted sales revenues of Euro 41.0 million (previous year: Euro 41.9 million) in the 2000/2001 financial year. After good sales in the first two quarters (Euro 11.7 million and Euro 11.8 million respectively), the company had to contend with a severe slump in sales to Euro 6.4 million in the third quarter before recovering significantly in the fourth quarter to Euro 10.9 million. Orders on hand as of 30 September 2001 exceeded the previous year's level by more than 50 %, underlining the improved business outlook. In 2000/2001 -- as in the preceding years -- the business unit with the strongest performance was Vision. A significant factor for the decline in sales to Euro 24.1 million (previous year: Euro 26.2 million) was the cancellation or postponement of transactions planned with the key account **ICON** which ran into financial difficulties. Sales revenues of the Aesthetic business unit increased slightly to Euro 11.0 million (previous year: Euro 10.8 million). However, expansion in

this area was slower than expected due to delays in approval processes, for example in key markets such as China and Korea, and problems associated with the sales partner **U.S. Medical**. The Dental business unit benefitted from the launch of the first laser with an automatic diagnostic system for caries identification and treatment. Total sales revenue in the 2000/2001 financial year for the Dental business was Euro 0.8 million, up from Euro 0.3 million the previous year. Sales revenue of the Service business unit showed an increase of 9% to Euro 5.1 million (previous year: Euro 4.7 million) and confirms Asclepion's close ties with customers.

Asclepion was able to maintain stable prices for its products in the financial year just ended. Thus the gross margin remained virtually unchanged at a healthy level of 51.2% (previous year: 51.5%). The cost planning for research and development, marketing, sales and general administration was based on fast corporate growth: development projects were accelerated, the sales organization for Aesthetic products extended and previously unoccupied management positions were filled. It was not possible to cover the increased cost base due to the slump in sales in the third quarter. This resulted in a negative EBIT for the 2000/2001 financial year of Euro -5.0 million (previous year: Euro 4.7 million). Measures to optimize and reduce costs were speedily introduced in the third quarter of the 2000/2001 financial year. These took effect in the fourth quarter and are intended to take the company back into profit within the current financial year. The financial results of Asclepion include extraordinary effects to the value of Euro 5 million. The total has no effect on liquidity.

At this point special mention should be made of value adjustments on two investments in North America that were intended as a distribution base for Asclepion products. These did not, however, yield the expected sales increase. Allowing for these extraordinary effects, earnings before tax amounted to Euro -10.2 million (previous year: Euro 5.4 million). The net result amounted to Euro - 7.4 million (previous year: Euro 2.0 million). The equity ration is 74.3%. Asclepion has liquid and near-liquidity funds of Euro 42.9 million. The liquidity of the company is thus secured.

With adjustments in cost structures, entry into new regional markets and the introduction of several new products, the company expects to return to profit. The market launch of groundbreaking PAD technology, which permits virtually pain-free and substance-retaining caries treatment, is intended to contribute to growth in the future. As a result of the planned merger with the ophthalmic activities of **Carl Zeiss**, the company -- trading under the name **Carl Zeiss Meditec** -- will move into a new sales dimension in 2002. With sales totalling roughly Euro 260 million (base: 2000/2001 financial year) the merger will make the company the global leader in ophthalmic systems. The activities of Asclepion and Carl Zeiss complement each other perfectly. In the growth market of laser treatment of vision defects -- refractive surgery -- Asclepion is the largest European system supplier. In ophthalmology, Carl Zeiss is the leading brand for diagnostic systems in the world. Carl Zeiss Meditec will thus be able to offer a complete range of products

from diagnosis and operations through to follow up treatment. The merger will open up extensive market synergies, thus enabling faster company growth. For example, the strong U.S. presence of Carl Zeiss gives Asclepion products access to the world's most important market for ophthalmic products. Carl Zeiss will hold the majority stake in Carl Zeiss Meditec. The precise valuation ratio will be determined at the beginning of 2002 following a comprehensive due diligence. Thanks to its technology position and its pipeline, which is full of further innovative products, Asclepion regards itself well placed for the merger.

12/14 In a French study published in the December issue of *Ophthalmology*, the authors claim that the outcome of using scleral expansion bands for correcting presbyopia is "inconsistent and unpredictable, with a low level of patient satisfaction." The prospective, noncomparitive small case series enrolled six patients. Of these, four received implants in one eye and two received implants in both eyes. Near visual acuity and subjective experience of accommodation were temporarily improved in three eyes. The other five eyes showed no improvement of accommodation or near visual acuity.

Academy spokesperson James Salz, MD, said, "This small study provides useful data about this investigational technique for the surgical correction of presbyopia. Though the results indicate that scleral expansion bands are not effective or consistant enough to be considered a viable treatment for presbyopia at this time, their findings will be helpful to researchers in their ongoing investigation of treatments for presbyopia. We are eagerly awaiting the results of the U.S. FDA study on a larger number of patients."

12/17 **Laser Vision Centers** announced that revenue for the first quarter ended October 31, 2001, increased 3% to $22.4 million from $21.7 million for the same quarter a year ago. Revenue for the six-month period was $47.7 million up from $43.9 million for the six-month period in 2000. The net loss for the first quarter was $2.5 million (9 cents per share) compared to net income of $449,000 (2 cents per share) for the same quarter last year. Net loss for the six-month period was $2.2 million (8 cents per share) compared to net income of $1.6 million for the same six-month period a year ago.

The company noted that fixed asset impairment charges and merger costs associated with its pending merger with **TLC The Laser Centers** accounted for $1.6 million pre-tax (4 cents per share after-tax) of the loss. "We obviously are not happy with these results which we believe are primarily related to the recession and the redirection of the national attention to the war on terror, said John Klobnak, LaserVision chairman and CEO. We made many adjustments to our company during the quarter. We have reduced our staff and cut expenses and capital investments. We continue to tighten our belts with a weeklong furlough during the week between Christmas and New Year's for most employees. We remain well capitalized and believe we will weather this storm as the economy recovers during the next year."

12/20 **WaveLight Laser Technologie AG** posted sales revenues of E8.2 million and an EBIT of E404,000 in the first three months of the 2001-2002 business year. This performance represents a sales increase of 70% compared to the first quarter of the previous business year and an EBIT increase of more than 150%. "With this result we have exceeded our ambitious projections for the months of August, September and October of 2001," said Max Reindl, CEO of the company. In elaborating on the company's recent success, Reindl went on to point out that the dynamic development in the company's Ophthalmology Division in particular formed the basis for the positive quarterly balance.

WaveLight Laser Technologie's success in this business division is attributable not only to its technologically leading products, but also to its broad-based and global sales network. This network was expanded in July 2001 through an exclusive agreement with **Lumenis Inc.** centering on the sale of laser systems for refractive surgery in the United States and Japan. In total, WaveLight's Ophthalmology Division posted sales of E5.8 million.

Having expanded its Ophthalmology Division in recent years, WaveLight is currently undertaking to expand its competence in the area of aesthetics. This expansion was considerably accelerated during the first quarter of the 2001-2002 business year through the acquisition of the medical-laser unit of the **ROFIN SINAR** subsidiary, **Baasel Lasertechnik GmbH & Co. KG.** This new corporate unit also increases the number of WaveLight employees. As of the first quarter reference date, the WaveLight team had increased to an average of 128 employees.

Owing to the sustained and stable development in all of its business divisions, the WaveLight's executive committee is confident that the entire 2001-2002 business year (ending July 31, 2002) will show strong gains.

12/21 According to *EyeWorld Week*, **Allergan, Inc.** announced that its Array multifocal intraocular lens had received the European Union's CE marking for the treatment of presbyopia following lensectomy. The company reported that in a recent study evaluating the procedure in patients 30 to 89 years old, among those 56 or older, 75% achieved uncorrected visual acuity of 20/25 or better at distance and 80% achieved J3 or better at near. Among patients aged 55 or younger, 89% achieved uncorrected visual acuity of 20/25 or better at distance, while 95% achieved J3 or better at near. "The ability to use the Array ... to treat presbyopic patients completes the refractive portfolio and opens up exciting new possibilities," said Mike Judy, Allergan's director of Global Surgical Business, IOLs. "Many ophthalmologists believe that LASIK has limited application for presbyopes -- especially hyperopic presbyopes."

12/21 **STAAR Surgical Company** announced that the Korean Food and Drug Administration had issued conditional acceptance for the ICL under its Safety and Effectiveness Evaluation of the product. The acceptance provides the foundation necessary for

licensing the ICL for nearsightedness (myopia) ranging from -3.0 to -20.0 diopters, throughout Korea. The company expects to receive full approval of the ICL in the second quarter of 2002. The acceptance represents a tremendous opportunity for the company as they continue to build their refractive business. "Historically the Korean market has been one the strongest refractive markets in the world," said David Bailey, president and chairman of STAAR Surgical. "In the Korean market we saw the most rapid ramp ups in refractive laser procedures and we expect similar results with the ICL. We are establishing a strong marketing and distribution platform in Korea to insure we are able to take full advantage of this high potential market."

12/21 **Sunrise Technologies International, Inc.** announced it had received an extension on its credit facility with **Silicon Valley Bank (SVB)** through March 31, 2002. The company's obligation to SVB remains approximately $3.5 million. The company also obtained a $1 million loan due on March 31, 2002 from an individual shareholder to help fund company operations in the near-term. "The extension from the Bank and the interim financing are critical developments in helping the company continue its operations while efforts to increase its working capital are pursued. We have aggressively restructured the internal workings of the company to concentrate our efforts in two specific areas, current and future customers and the improvement and expansion of this technology to treat other refractive conditions," said John Hendrick, president and CEO of Sunrise. Hendrick, who has been with the company since March 2000, was appointed president and CEO last month.