MEDICAL/SURGICAL LASER UPDATE -- January 2002

12/27 **CardioGenesis Corporation** announced the closing of a $2.0 million private placement of its common stock with the **State of Wisconsin Investment Board**. The private placement involved 2.2 million shares of CardioGenesis common stock at a fixed price and terms agreed in mid-December.

12/29 The *American Society for Aesthetic Plastic Surgery* made the following predictions for 2002:

* In the aftermath of September 11, Americans will continue to reevaluate their priorities; some will focus on personal improvement and, perhaps for the first time, consider cosmetic surgery as an option.

* New surgical and skin care techniques offering improved results for darker skin will increase cosmetic procedures among ethnic minorities in the U.S.

* Non-surgical "pick-me-ups" such as injectable wrinkle treatments (including Botox and the newer Myobloc) and skin resurfacing with peels and lasers that require little or no downtime will be the fastest growing segment of the cosmetic surgery market.

* The trend toward "short scar" and "minimal incision" cosmetic surgery will continue as more plastic surgeons adopt these newer techniques in response to patient demand.

* Current fashion interest in midriff-baring tops and low-riding jeans will increase the popularity of abdominal contouring procedures such as lipoplasty (liposuction), tummy tuck and, for those wanting a more sculpted abdominal musculature, "abdominal etching."

* The popularity of thong lingerie and swimwear will stimulate an increase in cosmetic surgery of the buttocks, including lipoplasty for contouring of full buttocks and buttock augmentation for adding curves to flat buttocks.

* Advances in the formulation of silicone gel will encourage renewed interest in its potential FDA approval as a safe and effective breast implant filling material.

* The interface between plastic surgery and anti-aging treatments involving nutritional and other "wellness" therapies will increase as plastic surgeons respond to consumer interest in alternative medicine.

* Fat from lipoplasty procedures will be further investigated as an important source for stem cells, opening the door to a new era in aesthetic surgery utilizing patients' own "manufactured" tissue for a variety of cosmetic enhancements.

* Additional states will mandate accreditation of office-based surgical facilities as consumers demand the highest safety standards for ambulatory surgery.

12/31 **Lumenis Ltd** announced it completed the integration of the **Coherent Medical Group** on schedule with the closure of seven facilities. These included the closure of manufacturing sites in Seattle, Washington, and Tel Aviv, Israel, and five sales offices in Norwood, Massachusetts, Munich, Germany, Cambridge, England, Paris, France, and Tokyo, Japan. Some of these facilities will retain skeleton personnel until vacated in favor of new tenants. "These closures are final steps in the integration of Coherent Medical Group," said Yacha Sutton, president and CEO. "We have consolidated our manufacturing sites and balanced production between the United States and Israel. We have combined sales offices, strengthening our sales channels around the world. I am especially proud that these steps are being completed on the schedule we originally announced. In spite of a challenging economic environment and in the midst of the integration program we are continuing to show strong performance. We are on track for meeting our financial targets including a record fourth quarter, significantly surpassing historical performance of the combined **ESC** and Coherent businesses."

1/2 **Medical Insight, Inc.** released its newest market study covering the Worldwide Epilation Market. Hair removal methods and market segments analyzed in this study included laser and light-based hair removal, electrolysis, and waxing for both the professional and home markets. Since the introduction of light-based hair removal, the worldwide epilation market has undergone dramatic changes. The number of devices installed in medical, aesthetic, electrology, spa and salon locations is predicted to exceed 17,000 units in the 5-year forecast period, according to study author Michael Moretti. Last year, more than 5 million light-based hair removal treatments were performed, generating $1.3 billion in fees for service providers. Light-based treatment is topped only by waxing, which will bring in more than $3.3 billion through more than 111 million treatments. In contrast, electrolysis will generate only about $436 million this year in treatment revenues.

Procedure growth is being fueled by lower treatment prices, heightened advertising, and consumer awareness of the procedure. As this happens, more and more practitioners who offered other hair removal treatments -- like electrolysis and waxing -- are incorporating light-based hair removal into their businesses. Approximately 5% of the 6,500 spas in the U.S. have said they plan to add laser hair removal to their menu of services over the coming year. The greatest potential for hair removal devices lies in the home consumer market, according to Moretti. Home-based epilation product sales reached $8.7 billion in 1991, and is expected to grow to more than $9.5 billion by 2003. Analysts believe that lasers will be the next innovation in the home market, and major consumer products manufacturers currently have R&D projects underway to develop low-cost light-based epilation devices. "I believe that a laser-razor consumer product will have a major impact on the market within the next few years," observed Moretti.

1/7 **The Spectranetics Corporation** announced that Rod Passman, MD, and Erica Englestein, MD, of Northwestern Memorial Hospital in Chicago, successfully removed two

defibrillator leads and five pacemaker leads in one procedure from a 49-year-old man. The tip from one last pacemaker lead was left in place because it was heavily embedded in scar tissue at the apex of the heart. The patient tolerated the procedure well and had no significant complications. Dr. Passman commented, "We had initially planned to take four leads out one day, and then remove the rest in a follow-up procedure, but adhesions stuck many of the leads together, making it necessary to remove them all at once. Although the procedure turned out to be lengthy, it was not particularly difficult. Importantly, the patient's quality of life is improved since he now has received a functioning cardiac rhythm management device, and, as a result of the lead extractions, there is only minimal risk that blood flow though the implant vein will become occluded." Charles Coates, Spectranetics senior product manager for lead removal products, commented, "This case ties the record for removal of the most obsolete leads in one procedure using our laser equipment. It highlights how safe, effective, and easy-to-use our lead removal products are."

Spectranetics is currently conducting two investigational trials designed to obtain FDA approval to market products in the United States for additional applications: the LACI study (Laser Angioplasty for Critical Ischemia) tests laser angioplasty to improve circulation in the lower leg and the PELA trial (Peripheral Excimer Laser Angioplasty) deals with blockages in arteries in the upper leg.

1/8 **The Plastic Surgery Company** announced it had completed a significant refinancing resulting in an increase in shareholders equity of approximately $800,000 and conversion of $4.1 million in short-term debt to long-term debt. On December 31, 2001, the company entered into a Loan Agreement cooperatively negotiated with the company's largest debt holders, pursuant to which the company refinanced a one-year, $4.1 million note due January 2, 2002 to a five-year term note bearing a 12% interest rate. The note holders are prior owners and the current managers of the company's largest network of cosmetic surgery centers, **The Florida Center For Cosmetic Surgery**, which account for approximately $10 million in annual revenues. Separately, the same debt holders will convert approximately $800,000 of an additional $1 million three-year note, into Common Stock of the company. Upon the completion of this note conversion, the company will have converted over $2 million of debt to equity over the last four months.

1/8 **Miravant Medical Technologies** announced that it had begun treating patients in a Phase II clinical trial of PhotoPoint photodynamic therapy (PDT) for plaque psoriasis, a chronic skin disease in which the immune system triggers accelerated growth of skin cells. The clinical trial is an open-label, drug and light dose-ranging study to assess the safety and efficacy of single topical PhotoPoint treatments. The study targets 54 patients with moderate plaque-type psoriasis who will be treated at multiple U.S. dermatology centers and followed for up to 12 weeks. PhotoPoint PDT uses Miravant's proprietary light-activated drug MV9411 to locally treat psoriatic plaques, abnormal skin lesions that can cause patients discomfort or pain. The drug is prepared in a topical formulation to efficiently penetrate the skin. In the two-step investigational procedure, varying doses of PhotoPoint MV9411 are applied directly to psoriatic plaques followed by a light

treatment. This proprietary drug completed a Phase I drug-only safety study with healthy volunteers in 2001.

1/8 **Medtech Insight, LLC**, a leading provider of business information and insight on medical technology markets, announced the publication of their newest market and technology report, "New Technologies and Emerging Markets in Myocardial Revascularization and Regeneration." This 200-page report provides a detailed analysis of next generation technologies that are designed to overcome the morbidity and complications of bypass surgery and solve the inherent problem of restenosis following angioplasty/stenting procedures. Among the technologies covered in the report include: automated anastomotic devices; restenosis technologies (drug-eluting stents, vascular brachytherapy); novel myocardial revascularization systems (photoangioplasty, coronary angiogenesis and transcatheter bypass); and myocardial tissue regeneration/repair therapies (autologous cellular transplants, structural cardiac support and ventricular volume reduction). The cumulative U.S. market for these emerging myocardial therapeutic technologies is forecast to reach about $4.2 billion in 2006 and almost $5.5 billion in the year 2010, registering a greater than 50% average annual growth rate throughout the decade.

"Automated anastomosis devices and drug-eluting stents are expected to have the most profound impact on cardiac surgery and interventional cardiology in terms of market growth," stated Sharon O'Reilly, president and CEO of Medtech Insight. "Large established companies such as **CORDIS/J&J**, **GUIDANT**, **COOK**, **BOSTON SCIENTIFIC** and **ST. JUDE MEDICAL** as well as smaller players like **JOMED**, **PERCLOSE**, **COLLATERAL THERAPEUTICS**, **VENTRICA** and **HEARTSTENT**, are in line to benefit from the rapid adoption of these technologies. For more information about this report, contact Scott Pantel at **www.sales@medtechinsight.com**

1/9 My local paper, *The Salem Evening News*, carried an *AP* news feature that covered the use of lasers to treat children suffering from hemangiomas, a ball of tissue and blood vessels growing just under the skin, a type of birthmark that grows out of control like a tumor as cells divide rapidly, filling the mass with blood. The article discusses the work of Dr. Milt Waner, a pediatric ear, nose and throat doctor and facial plastic and reconstructive surgeon at Arkansas Children's Hospital, probably the world's expert in treating this type of problem. "It's a very unique surgery," says Waner, one of a few doctors in the world who will do this type of procedure on a child under age 3. "People are concerned. ...They're worried about the child bleeding to death on the table."

To limit blood loss, Waner has perfected his craft using various methods of injecting adrenaline into the site and cutting carefully with a heated blade and a laser that seals off blood vessels and limits scarring. He performs about 500 of these surgeries a year. For about 90 minutes, Waner snips and cauterizes, then pulls the hemangioma free. The surgery isn't cheap. It can cost from $15,000 to $40,000, but the hospital has a special fund to help pay for those who cannot afford it. And Waner has been known to waive his

surgical fee. "I don't want people to struggle, so if they can't afford it we'll find a way to help them," Waner says. "We've never turned a child away."

He says it took five years to perfect the surgery. "It's all self-taught," he says. "I was always fascinated by things that have never been done. ... I don't like to work in the box." Waner went to medical school in his home country of South Africa. He spent three years in Australia at the University of Sydney, practicing and researching the surgery he would later perfect before coming to Arkansas in 1989. Waner says he worked with a physicist in Sydney to develop a special laser that limits scarring. The initial laser that physicists working under him continue to advance came from an unlikely source. It was a copper-vapor laser used in bombs. Waner says he sought out the inventor for help in modifying the laser for use in surgery. He now has a team of physicists helping him develop even more advanced lasers.

1/9 **Cell Robotics International, Inc.** announced that the US Department of Health & Human Services through the Centers for Medicare & Medicaid Services (Medicare) determined reimbursement allowances on the Lasette and its Home-Use Disposable Cartridges. Medicare's 2002 fee schedule lists both items with their associated allowables for each state on its website. Terry Hamilton, the company's National Director of Sales said, "Having Medicare coverage opens up the large home-use diabetes monitoring market in the United States. This gives us the catalyst to develop a large network of home-use product distributors. This coverage should also greatly enhance the exposure and sales of the Lasette as Cell Robotics continues to provide the only `needleless' means for a healthcare worker to obtain a capillary blood sample in the clinical setting. More importantly, within the U.S. clinical market the Lasette eliminates `sharps' accidents and fulfills the requirements of the Accidental Needlestick Safety and Prevention Act for a healthcare institution."

The Lasette allows people with diabetes to sample their blood for glucose measurements without a steel needle. Individuals that currently use the Lasette experience less pain, soreness and residual bleeding. Additionally, in the clinical setting, use of the Lasette for capillary blood sampling prevents needlestick cross-contamination accidents. Cell Robotics' president and CEO, Dr. Ronald Lohrding, said, "Obtaining Medicare reimbursement for the Lasette is tremendously important. The three major milestones that generally must be met to successfully penetrate the home-use diabetes market are: technology that improves the quality of life for customers, FDA clearance and Medicare coverage. With the Lasette's award winning technology and broad FDA clearance we believe Medicare payment coverage will make the product financially more attractive to patients. As valuable as insulin pumps have been in improving the health of people with diabetes, it is my understanding that these products achieved rapid market penetration into the home-use diabetes market only after Medicare and other third party reimbursements were available."

1/10 **Lowe Grob Health & Science**, a medical and scientific marketing firm based in Cambridge, Mass., was chosen by **Candela Corporation** to handle the launch of CBeam,

a pulsed dye laser for psoriasis. Billings are undisclosed. The Candela assignment includes up-front positioning, branding, core creative and implementation of the launch including advertising, collateral and sales support materials. "We are excited by Candela's technology and the opportunity they have to revolutionize the treatment of psoriasis," said Larry Grob, president of Lowe Grob. "We look forward to drawing on our solid history in laser therapeutics to help Candela establish a strong competitive position through targeted professional and consumer programs."

1/11 **Lumenis Ltd.** announced that it had established its new European headquarters in Amsterdam, The Netherlands to be headed by Mike Terry, executive vice president, European Operations. In addition to coordinating all sales, marketing, and service activities for Europe, the new headquarters will host Lumenis' main distribution center outside the United States. Lumenis has also opened a branch in Schaffhausen, Switzerland, to manage its portfolio of Intellectual Property and other intangible assets outside the United States. Hadar Solomon has been appointed Managing Director of Lumenis Schaffhausen. He will also continue in his role as Corporate Secretary. "The new European offices will provide Lumenis with substantial financial benefits including a continued reduced tax rate, as a result of the Commissionaire structure which we have established," said Yacha Sutton, president and CEO of Lumenis. "The new Amsterdam office will help us to increase our penetration into the European market."

1/14 **Lumenis Ltd.** and **Boston Scientific Corporation** announced that they had extended their strategic cooperation, signing an exclusive agreement to distribute Lumenis' holmium lasers and accessories in Japan. The agreement relates to Lumenis' Versa Pulse holmium lasers and accessories which are used for the treatment of a variety of urological disorders, including stone disease (kidney, ureteral and bladder). The agreement gives Boston Scientific exclusive rights to sell Lumenis' holmium lasers, laser fibers and accessories in Japan. "We are very pleased to extend our partnership with Boston Scientific, a well-respected leader in urology," said Yacha Sutton, president and CEO of Lumenis. "Our US strategic alliance has enabled us to achieve substantial success in the US. We believe this Japanese partnership should provide another major opportunity for both businesses."

"The partnership with Lumenis has provided our customers with a broader range of products to treat urological disorders," said John Pedersen, president of **Boston Scientific/Microvasive Urology**. "The Lumenis laser products are multi-purpose technologies for endoscopic treatment of stones, soft tissue and the prostate and have provided a new standard of care for millions of Americans. We are enthusiastic about being able to offer these products to our Japanese customers. This reinforces Boston Scientific's ongoing commitment to the urology community to deliver high-quality, minimally invasive therapies."

1/15 **PLC Systems Inc.** announced that **Edwards Lifesciences Corporation** had exercised a pre-existing option to assume full sales and marketing responsibility in the United States for PLC's CO_2 Heart Laser 2 system and associated TMR procedural kits used in the

surgical treatment of severe angina. The CO_2 TMR laser is the only such device with published long-term angina relief results for five years following the procedure. In January 2001, PLC announced it entered into a multi-year exclusive distribution agreement with Edwards for PLC's newest CO_2 TMR laser system and associated disposable kits, with the companies sharing certain marketing responsibilities. During 2001, PLC maintained its own sales force, which concentrated on selling and placing CO_2 Heart Laser 2 systems in hospitals. Edwards focused its efforts on expanding CO_2 TMR market adoption primarily through education and sales of TMR disposable kits to cardiovascular clinicians and institutions throughout the United States. As a result of the exercised option, PLC's experienced U.S. sales representatives are now members of Edwards' sales team.

"Edwards' assumption of the sales and marketing responsibility for the CO_2 Heart Laser 2 in the U.S. clearly demonstrates an increased commitment to making PLC's CO_2 TMR laser technology a standard of care," stated Mark Tauscher, president and CEO of PLC Systems. "We believe this arrangement greatly enhances the potential for increased market penetration of our CO_2 TMR laser technology. The PLC and Edwards relationship continues to capitalize on each company's strengths, which include Edwards' strong sales and marketing presence in the cardiovascular market and PLC's proven CO_2 TMR laser technology." "We believe the CO_2 TMR laser technology represents an important advance in the treatment of severe and often debilitating angina, or heart pain," said Michael Mussallem, chairman and CEO of Edwards Lifesciences. "With Edwards' clinical and educational capabilities behind this technology, we think it has the potential to become the technology of choice for surgeons and cardiologists who want to achieve more complete revascularization for their patients."

PLC is expected to significantly benefit from reduced sales and marketing expenses in 2002 and beyond as CO_2 TMR sales and marketing activities are performed by Edwards. In connection with the option exercise, Edwards will receive increased gross margins pursuant to the distribution agreement. The net impact of the option exercise on PLC's 2002 operations is expected to be a reduction in anticipated net loss and cash burn of approximately $2 million. The option exercise involves no cash or other financial consideration.

Tauscher concluded, "We anticipate that the elimination of PLC's U.S. sales and marketing expenses and Edwards' increased commitment to the TMR business, which we believe will translate into increased market adoption and TMR disposable kit shipments, will enable PLC to reach quarterly profitability during 2003."

To date, more than 7,500 patients have been treated with a CO2 TMR Heart Laser.

1/15 **The Spectranetics Corporation** announced that it had received approval to continue its PELA (Peripheral Excimer Laser Angioplasty) study, without the need to randomize patients. The study extension, PELA III, allows the excimer laser to be used to treat total occlusions at least 10 cm. long of the main thigh artery for 120 additional patients at 21

sites. Patients will be enrolled in PELA III during the follow-up and approval phases of the PELA Trial, which completed randomized patient enrollment on November 30, 2001, and is on track to receive FDA approval in 2003. Joseph Largey, president and CEO of Spectranetics, commented, "We're delighted to be able to continue usage of our large 2.2 mm. and 2.5 mm. peripheral catheters for PELA III prior to completion and approval of our original PELA trial. Importantly, PELA III is a registry, so the doctors involved can treat every indicated patient with our laser without randomizing half to a non-laser modality. All PELA patients have pain walking, and some have pain resting, both of which significantly impair their quality of life. With this study extension, we can assist more patients while continuing to work with a small group of doctors to establish laser treatment as the `gold standard' for treating long blockages in the superficial femoral artery of the thigh."

1/15 **Trimedyne Inc.** held a conference call to discuss the company's laser devices, which are being used in new minimally invasive, outpatient procedures as alternatives to conventional surgeries. Trimedyne's proprietary lasers and laser needles are the only laser products cleared for sale by the U.S. FDA for use in Trimedyne's new Endoscopic Laser Foraminoplasty or `ELF' procedure, in which the laser is used to open the foraminal space in the spine, enabling the surgeon to see the disc, vertebra and nerves. Orthopedists are now using Trimedyne's ELF procedure to treat herniated and ruptured lumbar discs on an outpatient basis.

The company announced that its proprietary lasers and laser needles will be featured in two nationally televised health education programs on the treatment of herniated and ruptured discs by a non-profit television network, Channel TBN, one the world's largest TV broadcasters.

Trimedyne also disclosed that its proprietary laser and laser needles are now being used with a new, specially designed implant in a new, minimally invasive, foraminoplasty/spinal stabilization procedure to treat degenerated lumbar discs on an outpatient basis. Preliminary results on 10 patients at one year show a 90% success rate, based on pain relief scores. Published success rates for conventional surgery to treat degenerated discs are 40-77%. The company estimates the U.S. market potential for this new procedure, if the implant is approved for sale for the FDA, reimbursed by insurers, accepted by surgeons and adopted by hospitals and surgicenters, could reach $600 million per year. The new spinal implant is experimental, is not approved for sale by the FDA and may not be available commercially for 2-3 years or longer.

Trimedyne's present laser, laser needles and other fiber optic devices for use in foraminoplasty to treat herniated and ruptured lumbar discs, arthroscopy to treat damage in joints, lithotripsy to fragment stones in the kidney, ureter and bladder sinus surgery and other applications in ENT surgery and gynecology, along with the new spinal implant (if approved for sale by the FDA for use in degenerated lumbar discs) represent, if reimbursed by insurers, accepted by surgeons and adopted by hospitals and surgery centers, an aggregate market potential of $1.1 billion per year.

Trimedyne also discussed several new, experimental laser devices in development for the treatment of enlarged prostates in men, excessive uterine bleeding, female stress incontinence, severe heartburn (GERD) and recurrent earaches. If these devices are shown safe and effective in clinical trials, approved for sale by the FDA, reimbursed by insurers, accepted by surgeons and adopted by hospitals and surgicenters, would represent an aggregate U.S. potential market of $1.4 billion annually. The company plans an aggressive program to educate Medicare, insurance companies and HMOs on the savings possible with its less costly, outpatient laser procedures. Trimedyne also plans an aggressive program to educate the public on the availability of its less invasive, less costly alternatives to surgery. The first step in this program is Trimedyne's laser devices being featured in the aforementioned nationally televised programs on Channel TBN.

Trimedyne discussed its new marketing strategy, arising from its revenue sharing agreements with laser rental companies and its acquisition of **Mobile Surgical Technologies Inc. (MST)** in late 2000. To accelerate adoption of its new, less invasive procedures, Trimedyne rents its lasers, along with a trained operator, to hospitals and surgery centers on a `fee per case' basis, enabling them to learn the new procedures, see the patient benefits and assess the patient volume and reimbursement. When they're comfortable with the results, they can buy or lease the laser or continue to rent it. This shortcuts the delays encountered in selling `big ticket' capital equipment to hospitals with limited funds. Trimedyne projects its revenues will increase from $7.7 million in fiscal 2001 to $11 million for its fiscal year ended Sept. 30, 2002, and anticipates a turn around from a substantial loss in fiscal 2001 to break even from operations in fiscal 2002. While predicting sales and earnings entails substantial risks and uncertainties, Trimedyne anticipates revenues of $20 million and earnings of $2.2 million in fiscal 2003, with substantially increased revenues and earnings projected for subsequent years, assuming its new laser devices are approved for sale by the FDA, reimbursed by insurers, accepted by surgeons and adopted by hospitals and surgicenters. Of course, such projections entail substantial risks and uncertainties, which can affect actual results.

1/16 According to Michael Moretti, Editor, of *Medical Insight, Inc.*, "Treating active acne with new light-based devices can generate a profitable new practice revenue stream as opposed to simply prescribing medications. Several systems have been commercialized for this application, and more are expected to emerge this year. These new technologies finally offer physicians an opportunity to participate in the estimated $5 billion acne treatment business which is currently ruled by the pharmaceutical giants." Included in his analysis were acne treatment systems from **Lumenis Inc.**, **Radiancy, Inc.**, and **Cynosure Inc**.

ClearLight from Lumenis Inc. is a high-intensity violet-blue light based system that was developed specifically to treat acne. This system, which was the first light-based treatment device to be commercialized, was introduced in Europe in 2000. FDA clearance has been applied for in the U.S. and is expected shortly. Meanwhile, ClearLight is only sold outside of the U.S. "More than 1,000 patients have been treated at leading universities and private clinics," according to Yariv Matzliach, director of marketing for

the Aesthetic Business Unit at Lumenis. "Clinical trials have also been conducted by world acne treatment opinion leaders such as Prof. Alan Shalita and Prof. James Leyden," he added. According to Matzliach, competitive systems simply provide spot treatments. "Even if a certain lesion heals faster, unlike ClearLight, competitive devices do not destroy bacteria in other sebaceous glands," he said. "The key point of distinction between ClearLight and other systems is that ClearLight is the only system that photodestructs propionibacterium acnes in facial, back and chest sebaceous glands. The porphyrins in p. acnes are 5-10 times more sensitive to the violet-blue light emitted by ClearLight as compared to green or red light. This explains ClearLight's ability to provide 65% reduction in 4 weeks." Commenting on the efficiency of the system, Yariv Matzliach commented that "fewer treatments are necessary resulting in significant time and cost savings."

"We recommend ClearLight acne phototherapy to all our patients with inflammatory acne and to patients with cystic acne who cannot or do not want to receive medications," said Yoram Harth, MD, head of the photodynamic therapy unit at Elisha Hospital in Haifa, Israel. "I have experienced a response in more than 80% of treated patients. In patients with papulo pustular acne, we notice a 65% decrease in acne lesions after eight biweekly, 15-minute treatments. A significant decrease in inflammation has also been observed in patients with more severe cystic acne."

In December 2001, Radiancy, Inc. received marketing approval in Canada for its new ClearTouch Acne Replacement Kit ($750) used in conjunction with the company's SpaTouch PhotoEpilation System ($14,900). ClearTouch acne therapy employs a combination of filtered green wavelengths of light and heat. When the light-generating handpiece is passed over the affected skin, it penetrates the tissue and targets the acne by shrinking the sebaceous glands and destroying acne-causing bacteria. "I was initially skeptical about ClearTouch, but I have seen a definite reduction in the red papules," said Christopher Ho, MD, an assistant clinical professor of dermatology at the University of California in Los Angeles. "The light energy or the heat of the device also appears to render a superficial exfoliation. Two to three days after the procedure, patients tend to comment that their skin feels softer. This is especially important to women." Dr. Ho, who has been using ClearTouch therapy since August, generally performs weekly treatments over a period of 6 to 8 weeks. After completion, "there is about a 30% to 40% reduction in the severity of acne," he said. Using ClearTouch is also convenient. "By exchanging the head, which contains a light bulb, you can easily switch from hair removal to acne treatment," Dr. Ho noted.

"Because ClearTouch reduces the inflammatory papules, people who do not wish to take antibiotic treatment orally may benefit from this treatment," Dr. Ho said. "Some patients are against taking systemic medications because of the potential side effects. Plus, conventional systemic medications do not make the skin softer."

All non-pustular phases of acne can be treated effectively with the PhotoGenica V Star pulsed-dye laser ($64,900) from Cynosure Inc. according to Henrik Mikkelsen, MD,

director of the Dermatologic Skin Clinic in Birkerod, Denmark. "A dominating pustular phase must be treated by conventional therapy before laser treatment," Dr. Mikkelsen said. "Primarily, we treat the red papules that can be present for a period of time." At Dr. Mikkelsen's practice, the fluences for facial acne are between 1.8 J/cm^2 and 2.4 J/cm^2, using a 10-mm spot size with 50% overlapping. However, he has not tried combined retinoid therapy. In fact, he prefers to cease retinoid treatments several months before starting laser treatment. "The elements of acne are very sensitive to pulsed-dye laser treatment, even with low treatment fluences. Purpuric reaction is not necessary," Dr. Mikkelsen said.

1/17 **Laserscope** announced that it had signed a distribution contract with **Japan Medical Equipment & Consultants (JMEC)** to distribute the Lyra Surgical Laser System and Accessories into the aesthetic market in Japan. In commenting on the agreement, Eric Reuter, Laserscope president and CEO said, "We are very pleased to have secured this relationship with JMEC to distribute the Lyra, which is consistent with our strategy to expand the distribution of the Lyra system worldwide. The JMEC team has a unique and very successful market approach in Japan that is highly centered on ensuring their physician customers' success. JMEC's marketing and sales teams work closely with their physician customers to assist them in presenting and marketing their practices, in addition to providing the physicians with a comprehensive training program focusing on the use of the product. JMEC understands their customers' needs extraordinarily well and they select equipment and services that they believe will meet these needs and improve patient satisfaction. The Lyra laser is rapidly becoming known worldwide as the premier laser product for safely and effectively treating hair removal and leg veins on patients of all skin types. JMEC selected the Lyra for their market because of its unique wavelength, patented epidermal cooling technology, and compact design. We expect to get regulatory clearance from the Japanese Ministry of Health and Welfare for the Lyra in early 2002 and JMEC will begin marketing the product shortly thereafter."

1/17 **The Spectranetics Corporation** announced the first successful use in the United States of higher laser parameters with the POINT 9 X-80 catheter to open a difficult-to-treat coronary lesion. After balloon angioplasty and laser atherectomy with conventional power settings failed, Douglas Ebersole, MD, of the Watson Clinic in the Lakeland Regional Medical Center, Lakeland, Florida, used the Spectranetics POINT 9 X-80 catheter with higher energy parameters (80 fluence; 80 Hertz) to open a pilot hole in a calcified, 90-percent occluded right coronary artery (RCA) in a 59-year-old man. The lesion was then successfully ballooned and stented. Spectranetics is introducing higher laser parameters on a limited basis in the United States prior to a general market introduction. Dr. Ebersole commented, "Higher laser parameters worked well to open a channel through the RCA after conventional treatment failed. Following the laser treatment, subsequent balloon dilation and stenting were easy. Furthermore, laser atherectomy minimized the risk of distal embolization. Given the difficulty treating this lesion with conventional endovascular tools, I believe the availability of higher laser parameters may have spared this patient the trauma of bypass surgery."

Joseph Largey, president and CEO of Spectranetics, commented, "Over the years Spectranetics has made independent advancements in its laser equipment and fiber optic catheter platforms. This is the first time we've advanced both as a system, and I'm excited about the potential. By adjusting the energy and delivery system simultaneously, the laser could become an indispensable atherectomy tool -- handling plaque, thrombus, scar tissue, and increasing amounts of calcium in blood vessels of all sizes."

1/17 **CardioGenesis Corporation** announced that its preliminary financial results for the fourth quarter ended December 31, 2001, did not meet internal expectations due in large part to a drop in laser sales resulting from unfavorable economic conditions, which negatively impacted capital equipment budgets of its prospect hospitals during the quarter and lengthened decision cycles. Revenue for the fourth quarter is expected to be between $2.4 million and $2.6 million, and the company anticipates reporting an operating loss of between $2.9 million and $3.3 million, before any special charges. CardioGenesis plans to announce final results for its fourth quarter and year-ended December 31, 2001, and host a conference call, in mid-to late-February.

Due to the preliminary fourth quarter results, CardioGenesis has taken a number of steps to reorganize and realign its domestic sales force and corporate staff and to reduce the Company's cost structure to amounts appropriate for current and expected mid-term levels of revenue. In the sales and marketing organization, a number of under performing sales territories were eliminated and combined with other territories resulting in a sales force reduction of approximately 40%. The sales and marketing organization now has 18 professionals. Combined with a 15% reduction in corporate staff, the total company-wide staff reduction is approximately 28%. These changes are expected to generate annual payroll cost savings of approximately $1.7 million. In addition, a number of other cost containment measures have been implemented.

"While we are all very disappointed with the fourth quarter results, we are committed to reaching our goal of becoming profitable and increasing shareholder value," Quinn said. "We have streamlined our workforce, eliminated non-essential expenses and are emphasizing strict cost controls as we continue to focus on making our TMR franchise profitable and obtaining FDA clearance of PMR before year-end."

1/17 **BIOLASE Technology, Inc.** announced that it was expanding its international operations with the establishment of **BIOLASE Europe GmbH**. BIOLASE Europe will focus on increasing sales in Europe, the Middle East and North Africa and providing BIOLASE customers with superior customer support services. Jeffrey Jones, BIOLASE president and CEO, commented, "Starting out the new year, we have already put into place critical elements to increase our worldwide international business with a key focus on Europe. The establishment of BIOLASE Europe GmbH is an important step towards strengthening our infrastructure to significantly expand sales in Europe, the Middle East and Africa. Our business plan called for immediate expansion in Europe in 2002 and BIOLASE Europe will allow us to significantly grow our business in 2002 and beyond. The European market is important to our future growth and we already have a strong

customer base consisting of both private practices and several universities. Universities using and conducting research with the company's Waterlase system include the University of Aachen in Germany, the University of Barcelona in Spain, the University of Athens in Greece, and the University of Vienna in Austria. BIOLASE Europe will allow us to provide our customers with the best technical and clinical support in the industry on a more timely basis. This further demonstrates our commitment to our European and international customers and will enable our business partners to accelerate sales of the company's Waterlase and LaserSmile systems."

1/21 **DUSA Pharmaceuticals, Inc.** reported a corporate update, including a Q4 end-user Kerastick sales increase, the initiation of the new national reimbursement codes for Levulan Photodynamic Therapy (PDT), 2002 investment spending/financial guidance, pipeline progress and other corporate highlights.

During the fourth quarter of 2001, DUSA continued to support **Berlex Laboratories, Inc.**, (a U.S. affiliate of **Schering AG**, Germany, DUSA's worldwide dermatology marketing partner (except Canada)), in its U.S. marketing efforts of DUSA's Levulan PDT for non-hyperkeratotic actinic keratoses (AKs) of the face or scalp. Berlex recently reported that during Q4 2001, end-user sales of Levulan Kerastick brand applicators from distributors to doctors totaled 2,448 units, a 49% increase compared to the 1,638 units sold during the prior quarter. The increase was primarily due to increased usage at selected centers, as these centers make Levulan PDT a key part of their AK treatment regimen, based on its benefits for patients. Although the absolute numbers are still small, and are not a direct reflection of DUSA's Kerastick revenues (which are based on shipments from DUSA to Berlex, and from Berlex to the distributors), the percentage increase is encouraging. By the end of Q4, contracts for approximately 300 BLU-U brand lights were in place, net of approximately 45 returns, compared to 231 contracts at the end of Q3, and 100 at the end of 2000. The 2001 returns were primarily related to reimbursement concerns, which we are hopeful will diminish during 2002.

As previously announced, as of January 1, 2002, CPT code 96567, the new national reimbursement code for the light application portion of Levulan PDT, came into effect, along with a `J-code' that reimburses doctors for the full cost of the drug. Doctors may also bill for any applicable visit fees. As the various state formularies and insurers implement these Medicare codes over the next 3-6 months, any remaining uncertainties related to reimbursement should be eliminated. The codes will also facilitate electronic billing for the therapy, eliminating paperwork involved with the previous manual billing method. DUSA is hopeful that these changes, along with Berlex's ongoing education and marketing programs, will help build increasing acceptance of our therapy during 2002 and 2003, as an important new treatment modality for this common pre-cancerous condition.

As previously reported, for 2001 DUSA expects to report total revenue of approximately $9.2 million, including product revenues, reimbursement of 2/3rds of agreed-upon dermatology R&D expenses by Schering AG, amortization of Schering AG's milestone

payments, and interest income. Expenses will total approximately $16.5 million, for a net 2001 loss of approximately $7.3 million, or approximately $0.3 million above previous expectations. This was due almost entirely to increased spending on the Barrett's esophagus dysplasia studies, as patient accrual proceeded more quickly than originally anticipated. For 2002, DUSA is not anticipating a significant change in revenues. The company does expect ongoing increases in US Kerastick end-user sales, especially after the first 3-6 months, as insurance carriers adopt the new national reimbursement codes, doctors become more comfortable with the therapy, and more light units are placed in offices. However, because of the large Kerastick inventories still in stock at Berlex, DUSA does not expect to deliver significant new Kerastick supplies to Berlex until later in 2002, or even into 2003, depending on sales levels. Outside of North America, Schering AG still expects the first approvals of Levulan PDT during 2002, but significant international sales are not expected before 2003. Therefore, the Company expects overall baseline revenues for 2002 to be similar to last year's, or approximately $9.2 million. For 2002, DUSA also expects baseline expenses to be similar to 2001 levels, or approximately $16.5 million. This will cover its dermatology Levulan PDT development program in partnership with Schering AG, its internal Levulan PDT development program (internal costs), G&A, and other ongoing expenses (including manufacturing and QA costs). During 2002, the Company also plans approximately $5-6 million of additional spending, including significant expenses related to its Barrett's esophagus dysplasia trials, its FDA-required Phase IV long-term AK tracking study, and additional overhead related to the construction and operation of our new Kerastick manufacturing line at our Wilmington facility, as described below. In total, current planned expenditures for 2002 are expected to be approximately $21.5-22.5 million, which would result in a net loss for the year of approximately $12.3-13.3 million. This does not include any additional new spending that may be required during the year, such as costs related to the potential acquisition or development of new products or companies; any decision, in cooperation with Schering AG, to increase Levulan PDT dermatology spending levels; any additional Levulan PDT internal clinical trial costs that become justified later in the year; and any extraordinary miscellaneous costs and expenses.

During Q4, aggressive recruitment in our Phase I/II Levulan PDT dermatology trials for warts and onychomycosis (being conducted in cooperation with Schering AG) led to completion of patient enrollments by year-end. Initial results are expected from both trials during the first half of 2002, with Phase II trials to follow, subject to satisfactory results from the current trials. The drug dose-ranging study on acne was also completed during Q4, but the specific low-dose protocol tested was not able to replicate the clinical efficacy seen in previous independent research using higher doses (but which was associated with significant side effects). Further development activity to better optimize the therapy is under consideration. However, DUSA and Schering AG still have 3 dermatology indications under active development, including a new AK-related indication. As mentioned above, DUSA has decided to make a significant investment in developing Levulan PDT for the treatment of Barrett's esophagus dysplasia, a common and serious pre-cancerous condition with no approved medical treatment. DUSA expects preliminary results from its current trials in early-stage and late-stage dysplasia during

the first half of this year, after which it intends to seek a development and marketing partner for this important indication. For prevention of restenosis, we have been supporting a UK investigator study using Levulan PDT in high-risk patients with peripheral vascular disease. However, in light of the significant recent progress made in treating this condition with drug-coated stents, we have decided not to carry out any additional studies at this time. With respect to Levulan PDT and PD for other internal indications, including brain and/or bladder cancer, we continue to explore strategic alternatives to advance development of these products. We also continue work on the licensing and/or acquisition of complementary products, including some late-stage opportunities that could add significant value to DUSA's pipeline.

Following our agreement with **North Safety Products** that will lead to expiration of the current Kerastick contract manufacturing arrangement before July 1, 2003, DUSA decided that the best way to ensure certainty of supply in the future was to build a Kerastick manufacturing line at our Wilmington facility. The construction process is now underway, with the initial build-out expected to take approximately 6 months, followed by the facility and stability testing required for FDA approval.

1/22 **ICN Pharmaceuticals, Inc.** announced that it had executed an agreement to acquire substantially all of the assets of **CoolTouch Corporation**, a pioneer in the development of non-invasive laser systems for wrinkle reduction and hair reduction. ICN anticipates that this transaction will be completed within the next 15 days. The acquisition solidifies ICN's position as a leading comprehensive dermatology company offering specialty physicians three advanced therapy modalities: laser devices, cosmeceuticals and pharmaceuticals for the improvement and maintenance of healthy skin.

Mark Taylor, executive vice president of North America at ICN, stated, "With the addition of the CoolTouch products to our successful NLite Laser Collagen Replenishment business, ICN will be the leader in developing and marketing advanced non-ablative laser technology, cosmeceutical and pharmaceutical therapies to help physicians meet the growing consumer demand for younger-looking and healthier skin. The acquisition of CoolTouch complements our existing leading line of cosmeceutical products led by Kinerase (N6-Furfuryladeine), one of the leading post procedure moisturizers and GlyDerm, a comprehensive line of science based skin care products. This creates a tremendous amount of synergy with our leading prescription products, which include Glyquin, a leading hydroquinone product for treatment of hyperpigmentation and Efudex (Fluorouracil), the industry leading product for actinic keratosis."

Gary Lask, MD, Clinical Professor and Director, Dermatology Surgery & Laser Center, UCLA School of Medicine, characterized the integration of the two companies by saying, "For physicians, this is the first time that a company with a demonstrated commitment to helping doctors grow new markets has had devices, cosmeceuticals and pharmaceuticals under one umbrella. We all know that the three modalities are best used in combination to achieve optimal results for our patients. ICN is now in a position to

offer comprehensive support in developing new multi-modal skin care therapies and new market opportunities for physicians."

The addition of CoolTouch, to the existing NLite Laser Collagen Replenishment technology, provides ICN with an installed base of over 500 laser systems and over 100,000 procedures per year. According to the American Society of Aesthetic Plastic Surgery (ASAPS) as many as 5,000 non-invasive wrinkle reduction systems may be placed in the U.S. in the next three-to-five years generating up to 1.5 million procedures annually, creating a potential $1.2 billion market for physicians. Susan Kilmer, MD, Dermatologist, a practicing dermatologist in Sacramento, California said: "ICN's purchase of CoolTouch makes sense as this will combine the two most probable mechanisms for collagen remodeling. The NLite offers shorter wavelengths and the pulse widths target the microvasculature. The CoolTouch deposits heat non-specifically also stimulating collagen remodeling. The two in combination offer great potential to enhance patient results." Jay Burns, MD, Associate Professor, UT Southwestern Medical Center Dallas said: "It is reassuring to see a company like ICN be so enthusiastic about the non-ablative skin care market. We have only just begun to realize the potentials for non-ablative technology offered by NLite and CoolTouch. Both of these technologies will ultimately offer the patient access to the world's best non-ablative skin care."
Dale Koop, CEO of CoolTouch Corporation will immediately assume command of ICN's newly formed U.S. dermatology device unit, **ICN U.S. Photonics**. Dr. Koop is an industry leader in this field having founded the aesthetic laser business while at **Coherent Medical**. He will manage the combined photonics business including the NLite, CoolTouch and Varia laser brands. NLite and CoolTouch, both FDA cleared for peri-ocular wrinkle reduction, are the two leading non-ablative wrinkle reduction laser systems in the United States. The Varia system is approved for the treatment of leg veins and hair reduction. Dr. Koop said, "I am excited about working for ICN. We are committed to growing the non-ablative wrinkle reduction market to its fullest potential and to developing other breakthrough skin care technologies to help doctors serve their patients and expand their practices." The acquisition of CoolTouch also gives ICN a stronger intellectual property position in skin care technologies. Marc Clement, developer of the NLite Laser Collagen Replenishment system, stated, "With the acquisition we now have an extensive patent portfolio for technologies in wrinkle reduction and the treatment of a wide range of other aesthetic and therapeutic skin care conditions. This gives us a full pipeline of new technologies that will allow us to work with our physician customers to take advantage of the growth opportunities in a wide range of skin care procedures."

1/23 **BIOLASE Technology, Inc.** announced that unaudited sales for 2001 increased to $17.9 million, up 85% from $9.7 million in 2000. Fourth quarter 2001 sales increased to approximately $5.8 million, up 57% compared with $3.7 million in last year's fourth quarter. The company noted that orders and shipments of both its Waterlase and LaserSmile systems increased despite setbacks caused by the weakened U.S. and global economies. "Annual and fourth quarter results represent yet another sales record for BIOLASE. In only three years we have grown our annual sales from $1.4 million to $17.9 million and achieved profitability ahead of schedule. We have successfully

introduced a revolutionary new technology that is improving the standard-of-care for both patients and dentists and we have established BIOLASE as the world leader in laser dentistry," commented Jeffrey Jones, BIOLASE president and CEO. "We are building the infrastructure both domestically and internationally to continue aggressive growth. We are confident 2002 will be another year of strong growth for the dental laser market and anticipate that BIOLASE will further strengthen its leadership position. We also expect demand for our dental laser products to accelerate as dentists and patients become increasingly aware of the numerous revenue, marketing and clinical benefits afforded by our technology, and as we expand the approved indications of use."

BIOLASE expects to announce audited financial results and to hold an investment-community conference call the week of February 18, 2002.

1/23 **Miravant Medical Technologies** announced a cost restructuring program to reduce overhead costs and streamline operations while continuing to progress the company's key development programs. This restructuring is designed to lower the company's annual projected net operational cash burn rate. "These reductions are appropriate in light of our current funding environment and will allow us to sustain our ongoing development programs," said Gary Kledzik, chairman and CEO. "We are committed to continue advancing Miravant's pipeline of new generation drugs, which represent potential licensing opportunities."

Miravant's current business status is as follows:

● With appropriate spending adjustments, including cash on hand plus funding due under our existing agreements with Pharmacia Corporation, Miravant has current operating capital for approximately 9 - 12 months. Miravant has financed its operations and development programs over the last 12 years through various sources and is exploring additional funding opportunities going forward.

● In ophthalmology, Miravant and Pharmacia are continuing to analyze phase III clinical results for our first-generation drug SnET2 in age-related macular degeneration (AMD). Future development plans for the drug will be determined after completion of the analyses.

● In dermatology, the company is focusing its efforts to accelerate patient accrual in the phase II clinical trial of PhotoPoint MV9411. Investigators are enrolling approximately 54 patients in the drug and light dose escalation study for plaque psoriasis, a chronic skin disease affecting approximately 5 million Americans.

● In cardiovascular disease, Miravant continues to generate positive results in preclinical studies for restenosis and atherosclerosis. Results of studies with lead drug PhotoPoint MV0633 will be presented in early February at the Cardiovascular Radiation Therapy Conference, Washington D.C.

1/23 **Laserscope** announced intermediate results from its multi-site clinical evaluation of the Niagara PV Surgical Laser System used for the Photo-Selective-Vaporization of the Prostate (PVP) in the treatment of Benign Prostatic Hyperplasia (BPH), known as enlarged prostate. The intermediate results from the multi-site trials, based on procedures done for the first 42 out of 140 patients enrolled, are significant for many reasons. First, the procedures have been performed in an outpatient setting, with 41% of the patients treated using local anesthesia and the balance were treated under general or spinal anesthesia. Second, the mean treatment time was less than 20 minutes. Third, 43% of the patients treated were released without a catheter immediately post-operatively and the remaining patients, who received catheterization as a precaution, had their catheters removed within 24 hours. Fourth, all patients exhibited immediate symptom relief post-operatively and the post-operative and three-month follow-up measurements of the key clinical patient satisfaction metrics were dramatic. At the three month follow-ups, patient flow rates were up 235% over pre-operative levels, AUA symptom scores decreased by 83%, and post-void residual volumes decreased by 97%. Transient and mild dysuria (painful urination) was noted in 5% of patients. There were no reported complications or other side effects.

"We developed the Niagara to meet a tremendous market need," said Eric Reuter, Laserscope president and CEO. "Over 13 million men in the United States alone are diagnosed with BPH each year and over 2 million seek treatment. Until the Niagara was developed, there were no solutions that (1) provided the patient with immediate symptom relief, (2) had low to no risk of side-effects, and (3) were fast and easy for the physician to perform. These preliminary clinical results further indicate that the Niagara PVP procedure accomplishes all three."

"In addition to the new patients who exhibit symptoms each year, we believe there is also a significant potential market demand from the millions of men who have been prescribed medical therapy (drugs) for their symptoms over the past decade, who are not satisfied, and who may consider the PVP treatment as an alternative," continued Reuter. "The numerous drug therapies that are marketed for BPH in many cases do not adequately address the patients' fundamental symptoms. These drug therapies are expensive, and have been associated with numerous side effects. The various other minimally invasive surgical solutions such as the "thermal therapies" (microwave and radio-frequency devices) that "cook" the prostate tissue but do not remove it immediately are inadequate for many cases, often require long catheterization times, and patient satisfaction is not high. In fact, many urologists believe that just like the drug therapies, these thermal therapy solutions simply delay the inevitable fact that the prostate tissue must eventually be removed to give patients complete relief. A more invasive treatment is the Trans-Urethral Resection of the Prostate (TURP) procedure, today considered the "gold standard", with over 150,000 procedures done each year in the US. The TURP procedure is associated with many potential complications and side effects including blood loss and loss of sexual function. Since this alternative is often shunned by patients because of safety concerns, many of the unhappy drug therapy patients are believed by

many urologists to be "warehoused" while they are waiting for a truly safe and complete treatment for their symptoms."

"This multi-site clinical study was initiated to further prove that the operative speed, unmatched clinical results, durability, safety, and patient satisfaction of the PVP procedure which were demonstrated by Dr. Reza Malek at the Mayo Clinic in Rochester, MN, over the past 3 years could be replicated in the hands of other physicians," said Reuter. "We are very excited but not surprised that these preliminary clinical results from the multi-site trials indicate that this is the case. We expect the long-term results to be at least as durable as those demonstrated during the Mayo clinic study. It is interesting to note that the immediate post-operative and long term follow-up clinical results of the Mayo Clinic study were so outstanding, that many in the medical community viewed them with hope but with considerable skepticism as well. This skepticism was based on the fact that numerous other approaches which have been tried for this procedure, including several other laser technologies, have caused disappointment because of the clinical compromises that were necessarily made. We believe that the results of this trial will help dispel this skepticism, create a great deal of patient and physician excitement, and help raise worldwide awareness about our unique and complete solution. From a patient's perspective, there are simply no other available treatments known that provide the immediate symptom relief, long term durability, and the low risk of side effects that the PVP procedure offers. From a physician's perspective, the Niagara PV product is extremely fast, precise, and easy to use. The existing availability of national reimbursement for all sites of service and the substantial potential for cost reduction over the TURP procedure makes the PVP procedure a financial winner with hospital administrations and urology group practices who are highly sensitive to costs as well as to patient results."

"Our goal is to have the Niagara PVP procedure become known as the gold standard for treating BPH within 5 years," concluded Reuter. "Ensuring that our physician customers have satisfied patients is the key to achieving this goal". The Niagara PVP system uses a unique and proprietary combination of a specific wavelength of high energy 532 nanometer (green) laser light delivered in a chain of pulses called StarPulse through a single-use sterile fiber optic delivery device used under endoscopic visualization. These high intensity light pulses quickly and precisely vaporize and remove obstructive prostate tissue while causing complete hemostasis. The PVP procedure is minimally invasive and done in an outpatient setting. In many cases, local anesthesia consisting of a prostate block and light IV sedation is used to relax the patient and the procedure typically takes less than 20 minutes to perform. A catheter is often not required and patients are ambulatory immediately after surgery. The Niagara PVP is now available for sale in the US and will be available in certain select countries worldwide beginning in the Spring of 2002.

1/23 **Candela Corporation** announced that sales for its second quarter, ended December 29, 2001, had grown 36.4% over the immediately preceding quarter ended September 29, 2001. The company reported sales of $14.2 million versus $14.7 million a year earlier.

For the quarter, the company posted a loss of $1.2 million (11 cents per share) versus a profit of $848,000 (7 cents per share) one year earlier. Gerard Puorro, Candela's president and CEO, commented, "Last quarter we said we were optimistic that the actions we had taken to strengthen our North American distribution channels would have a positive impact in the short term. The increase in sales this quarter is the beginning of that impact. The continuation of distribution channel strengthening and the introduction of new products make us increasingly confident that we have begun to return to a sustainable pattern of growth."

1/24 **DIOMED, Inc.** announced it had gained FDA clearance (510k) to market EVLT (EndoVenous Laser Treatment), a proprietary, minimally-invasive procedure to eliminate varicose veins. DIOMED's EVLT is the first laser-based varicose vein treatment available in the US that effectively and safely treats varicose veins without hospitalization, general anesthesia, or the risks associated with open surgical procedures. "EVLT is a 45 minute office procedure that allows patients to return to normal activity immediately," said Robert Min, MD, Director of Cornell Vascular and an Assistant Professor of Vascular Interventional Radiology at Weill Medical College of Cornell University in New York City. "There is minimal discomfort, low risk of complications, and the procedure is simpler and less expensive than other treatments."

EVLT is currently available in Europe and boasts a 97% success rate in treating hundreds of patients. Wade Fox, vice president of Sales and Marketing of DIOMED commented, "Up until now, many patients did not seek treatment for varicose veins. EVLT is less invasive than alternative treatments and offers new hope for men and women who suffer with the unsightly, often painful condition." EVLT works by using a diode laser fiber to close the greater saphenous vein, the main vein that runs the length of the inner leg. Closure of this vein allows the branch veins that have become twisted and varicose to shrink and lose their unsightly appearance. Varicose veins affect 1 out of 2 people age 50 and older, and 15%-25% of all adults. For these patients, EVLT means shorter recovery time, greater success rates, no scarring, less cost, and greater convenience.

"EVLT is a major milestone, which will drive DIOMED's ability to increase sales and build a recurring revenue stream via our disposable kits," commented Peter Klein, CEO of DIOMED.

1/24 **BIOLASE Technology, Inc.** announced that it had received the first ever FDA clearance for complete hard and soft tissue laser root canal therapy. BIOLASE can now market its Waterlase technology for root canal procedures for both hard and soft tissue procedures, which will broaden the applications that dentists and specialists, such as endodontists, can perform with the YSGG laser. This clearance covers all enamel, dentin, pulpal and diseased tissue removal, shaping and cleaning aspects of root canal therapy. This includes tooth preparation to obtain access to the root canal, pulpotomy, pulp extirpation, pulpotomy as an adjunct to root canal, root canal debridement and cleaning, root canal preparation including enlargement.

"This clearance is a significant and historical milestone for the dental profession, for patients and for BIOLASE," stated Jeffrey Jones, BIOLASE president and CEO. "Companies around the world have coveted and diligently worked to develop technology to improve and advance endodontics. BIOLASE once again leads the way with this monumental first. While BIOLASE is the dominant player in dental lasers, we do not take that position for granted. We are committed to furthering clinical advancements, improving our technology and most importantly, providing our customers with excellent support. This clearance is an important step towards achieving these objectives and it is further evidence of our superior technological and clinical expertise that we continue to lead the market with. This is part of our basis to ensure that our sales continue to grow aggressively for many years to come."

William Chen, DMD, commented, "This approach to endo/root-canal therapy with the Waterlase is revolutionary. For performing pulpotomies, the Waterlase will either reduce or eliminate the need for anesthesia in most cases. From our case studies, it was demonstrated that there is a great advantage of patient comfort using the Waterlase and I strongly believe that there is a bactericidal effect in the canal by the laser irradiation. Correspondingly, it is my opinion that this will lead to a reduction in the need for antibiotics after treatment. Patients treated with Waterlase showed dramatically reduced postoperative pain, discomfort and swelling. I also believe the potential is very good to significantly reduce or eliminate the need for anesthesia in complete root canal therapy and in reducing the need for post-operative treatment. Past concerns of lasers heating and damaging tooth structure are no longer an issue with the Waterlase."

According to the American Association of Endodontists (AAE), "More than 14 million root canal procedures are performed every year. Endodontic treatment, often referred to as root canal treatment, is a common dental procedure that saves damaged teeth from having to be extracted. The only alternative to a root canal is having the tooth extracted and replaced with a bridge, implant, or removable partial." Dr. Martin Kimmel, DDS, a leading Clinical Investigator for new laser applications, and teacher in the Dental Residency program at St. Barnabas Hospital, commented, "In a study conducted at the Dental Clinic of St. Barnabas Hospital in New York, a new and exciting modality for root canal procedures was investigated. This study clearly demonstrated the Waterlase's ability to remove pulpal tissues as well as tooth structure from the root canal walls. The procedures were performed with specially designed tips that are flexible and narrow, and can easily navigate inside the canal to effectively clean and remove diseased tissue. This represents a major advancement in dental technology that will provide numerous clinical benefits to our patients."

According to Dr. Chen, the Waterlase gives dentists the ability to perform an entire root canal with only one tool, the laser, rather than using drills, scalpels and endo-files. He added, "Other advantages of laser endodontics include: laser irradiation in the root canal can reduce bacterial pathogens; laser energy can remove debris and smear layer, which consists of organic and tooth substances (inorganic, organic elements such as pulp tissue, debris, odontoplastic processes, micro-organisms and blood cells); the laser energy also

removes dentin from the canal wall and can smooth and resolidify the dentin to close the openings of tubules, resulting in a smooth internal structure and a better apical seal for the obturation material. An additional advantage of the Waterlase is the capability of opening calcified canals which currently represents a challenge for other endodontic instruments. The concern of the thermal effect that can cause periodontal damage with other laser wavelengths is resolved due to the advances of the YSGG Hydrokinetic technology using water."

MEDICAL/SURGICAL LASER UPDATE -- February 2002

1/29 **Lumenis Ltd.** announced that its revenues for the fourth quarter ended December 31, 2001 would be about $101 million or 8% higher than the combined revenues of its legacy businesses, **ESC Medical** and **Coherent Medical Group**, for the corresponding quarter in 2000. On a local currency basis revenues grew by about 10%. Results reflect record fourth quarter sales. Lumenis said that it also expects continuing cash operating results to be in line with consensus estimates. As previously announced, the company continues to expect one-time charges (pre-dominantly non-cash) in Q4 and little or no non-recurring charges in Q1 2002. Prof. Jacob Frenkel, chairman of Lumenis' Board of Directors commented, "Management is to be congratulated on delivering to shareholders such impressive results. I am particularly pleased by our significant progress in cutting costs, over $35 million to date, compared with our original target of $25 million, while at the same time maintaining strong top line performance. The company is positioned to build on its recent success."

Yacha Sutton, president and CEO of Lumenis added, "The challenging economic environment in Q4 with its direct impact on US hair removal sales combined with a sharp decline in the Japanese Yen make the Q4 revenue numbers particularly gratifying." Commenting on the 2002 plan, Sutton said, "This year should mark several important operational milestones for the business, aside from 2002 financial performance:

-- The introduction of products for dermatology, ophthalmology, ENT, veterinary, and dentistry coupled with a significantly expanded distribution network.

-- A $27 million investment in R&D, by far the industry's highest level. We expect these dollars to yield a whole group of new products/applications for 2003 and onwards.

-- An overhaul of our manufacturing infrastructure to reduce costs going into 2003. We are targeting a $20 million improvement in our cost of goods sold."

Sutton also commented on various balance sheet issues. "We expect 2002 to be a balance sheet-focused year. We are working to improve inventory turns, targeting 4x turns by the end of Q1 2003. Cash generated from this reduction should offset dollar growth in receivables stemming from increased sales. We also expect to cash out almost all the accruals related to the integration which were already charged through the P&L by the end of Q1 2002. Finally, we are expecting about $10 million in capital expenditures,

significantly higher than usual, as we make major investments in infrastructure." Regarding the on-going first quarter Sutton continued, "Adjusted for seasonal weakness of the first quarter, we are off to a strong start."

1/29 **BIOLASE Technology, Inc.** announced that attendance at its 2nd Annual Clinical Laser Symposium increased by 400% over last year's meeting. The main objective and focus of the Symposium was advanced training on the company's Waterlase and LaserSmile systems. Over 240 dentists and hygienists from around the world, academicians from five different universities, and leaders from important dental organizations attended the BIOLASE Symposium. The meeting was held at Dana Point, California. Simultaneously, BIOLASE held a User's Meeting for European Waterlase clinicians and researchers in Berlin, Germany. These meetings were totally dedicated to Waterlase and LaserSmile clinical applications and technology.

"The growth and success of the Dana Point Symposium further demonstrates that the dental community is enthusiastically embracing our technology. Private practitioners are learning that not only do the Waterlase and LaserSmile systems improve the standard-of-care for their patients, they also energize them personally, their staff and their bottom line," commented Jeffrey Jones, BIOLASE president and CEO. "Additionally, a growing number of researchers around the world are studying and documenting the important clinical advantages of our technology. While our main objective was providing advanced clinical training, the meeting resulted in significant sales. While some sales were made to new prospects attending the meeting, the majority were to current customers purchasing additional lasers. This clearly indicates that they have been successful implementing BIOLASE systems into their practices and they recognize the clinical and financial benefits of owning more than one system."

During the three-day Dana Point meeting, 25 presentations were given by leading clinicians, researchers and laser scientists on advanced clinical uses of the Waterlase and LaserSmile systems, laser physics and safety, and marketing a dental laser practice.

During the same time as the Dana Point Symposium, BIOLASE also held a User's Meeting in Berlin, Germany, in conjunction with the German Dental Laser Society (Deutschen Gesellschaft fur Laserzahnheflkunde - DGL). Several world-renowned dental laser experts using the Waterlase participated in both the DGL and BIOLASE User's Meetings. These included Prof. Dr. Norbert Gutknecht, from the University of Aachen and current Vice-president of the DGL; Prof. Dr. Wolfgang Sperr, Head of the Department of Conservative Dentistry, University of Vienna-Austria; and Dr Gerhard Will, renowned publisher and chief editor of "Zahnarzt Wirtschaft Praxis," considered to be one of the most respected dental laser publications in the world.

1/30 **The Spectranetics Corporation** announced publication of an article in the December 2001 *Journal of Pacing and Clinical Electrophysiology*, reporting a 20% complication rate associated with abandoned noninfected pacemaker leads. Adam Bohm, MD, and a group of colleagues from Semmelweis University in Budapest, Hungary, performed a

retrospective study of 60 patients in whom leads were abandoned between 1969 and 1999 at the authors' Pacemaker Clinic. The study found that 12 of the 60 patients, or 20%, with retained noninfected leads had complications related to the abandoned lead. Among them, seven (12%) had a serious or potentially dangerous complication requiring a surgical procedure, including two that required open-heart surgery. The other five (8%) patients required long-term medication for various problems.

Charles Coates, senior product manager at Spectranetics, commented, "To our knowledge, this is the first article published in a respected medical journal that takes a hard look at the complication rate associated with abandoned noninfected pacemaker leads. The 20% complication rate reported in this article needs to be weighed against the 98% success rate associated with Spectranetics' lead removal products. That's one of our marketing messages this year. We believe that Spectranetics' products are used in the majority of lead removal procedures, but the vast majority of nonfunctioning leads are still abandoned in the body. They're abandoned because the risk of leaving them is underestimated, and the risk of removing them overestimated. Many physicians are not yet aware of the huge improvement in lead removal safety since Spectranetics' lead removal system was approved by the FDA in December 1997. Our marketing plan this year is to more effectively communicate this message to referring physicians, in addition to those that perform lead extraction procedures."

1/31 **Cell Robotics International, Inc.** announced that it had extended its intellectual property coverage of the Lasette product line by licensing a key patent from **BD** (formerly **Becton, Dickinson and company**). Specific terms and conditions of the Agreement were not disclosed. Dr. Ronald Lohrding, Cell Robotics' president and CEO said, "We are delighted to have successfully completed this Agreement with BD. Combining Cell Robotics' patents on various aspects of laser finger perforation with the license to BD's intellectual property provides us with very strong patent protection for this revolutionary Lasette product line." (No description of the licensed patent was provided.)

2/6 **Palomar Medical Technologies Inc.** announced financial results for the fourth quarter and year ended December 31, 2001. Revenues were $3.8 million for the quarter, compared with revenues of $3.7 million for the fourth quarter last year. Net loss for the quarter was $391,000 (5 cents per share), including loss from operations accrual reductions of $1.2 million, as compared with net loss of $3.2 million (31 cents per share), including a loss from operations settlement charge of $700,000, for the corresponding quarter in 2000. Gross profit was $1.3 million, or 34% of revenues, for the fourth quarter, as compared to $1.1 million, or 30% of revenues for the corresponding quarter in 2000.

For the year, revenues were $16.7 million, compared with revenues of $13.2 million for last year. Net loss was $5.5 million (54 cents per share) as compared with net loss of $9.6 million (97 cents per share) for the previous year. Gross profit was $5.3 million, or 32% of revenues as compared to $2.6 million, or 20% of revenues for 2000.

During the fourth quarter of 2001, substantial cost reductions were implemented; the company expects these cost-cutting measures to reduce payroll costs by more than 20% in 2002, as well as decrease expenses throughout the organization. In addition, the company plans to focus its efforts on expanding its distribution network, both domestically and internationally. Palomar's license agreement program continued to expand with additional companies signing 7.5 percent royalty-bearing sublicenses. These agreements continue to reaffirm the interest in the company's technology and validate the methods established as industry standards for safe and effective hair removal. Palomar expects its license program to continue its current trend, thereby increasing the profitability of its intellectual property portfolio.

Chairman and CEO Louis (Dan) Valente, commented "We are happy with the financial trends over the past few quarters and continue to meet our longer term milestones in spite of the current unfavorable economic environment. In the fall, we started shipments of the Palomar EsteLux light-based hair removal system and the Palomar Q-YAG 5 laser system for tattoo and pigmented lesion removal. The early feedback from customers using the EsteLux has exceeded our expectations. In 2001, we also shipped the Palomar SLP1000 (super long-pulse) diode laser system for hair removal and the treatment of spider veins. This breakthrough SLP technology has been cleared by the FDA as providing safe and effective hair removal and vascular treatments for all skin types, from very fair to very dark complexions, including tan skin. Pioneered by Palomar, SLP allows the company to develop advanced products at substantially lower cost than comparable technologies, enabling us to set a new industry standard. With our strong product mix, decrease in fixed costs, increasing number of sublicenses and expanding distribution channels, we expect 2002 to be an exciting year for Palomar. Those factors, coupled with our extensive intellectual property portfolio and the most advanced technology in the industry, clearly position Palomar to become a powerful force in the growing cosmetic light-based market."

2/6 **Miravant Medical Technologies** announced that its intracoronary PhotoPoint results will be presented at the *Cardiovascular Radiation Therapy 2002* meeting in Washington, D.C. PhotoPoint photodynamic therapy (PDT) uses drugs that are activated by light to target problem cells within blood vessels. Miravant has conducted an extensive preclinical evaluation of its proprietary photoreactive (light-activated) compounds in cardiovascular models, selecting PhotoPoint MV0633 as its lead clinical drug candidate. In advanced preclinical tests conducted in porcine coronary artery models at the Washington Hospital Center, PhotoPoint MV0633 demonstrated efficacy for the prevention of restenosis, or the re-narrowing of arteries that commonly occurs after balloon angioplasty for obstructive coronary artery disease. Results showed a statistically significant reduction in neointimal hyperplasia (cell overgrowth) in PhotoPoint treated arteries versus controls, with all treated arteries remaining patent at follow-up. Additionally, PhotoPoint PDT with MV0633 may be a candidate therapy for atherosclerosis, an occlusive disease of arteries that is potentially life threatening. Preliminary studies in a preclinical atherosclerosis model at the Washington Hospital Center showed MV0633 accumulates in

atherosclerotic plaques within 1-4 hours. Current efforts are focused on the potential use of MV0633 to reduce atherosclerotic lesion size.

2/6 **Laserscope** announced that St. Vincent Charity Hospital is the first site in the state of Ohio to perform a new, minimally invasive laser treatment for enlarged prostate, which affects over 13 million men who are newly diagnosed with BPH each year in the United States alone. With only 150 of these new surgeries performed to date nationwide, St. Vincent Charity Hospital has introduced the new procedure into the Cleveland area. The first two patients who received the treatment earlier this week experienced no pain and experienced no complications. "The clinical trial results are stunningly convincing, almost too good to believe," said Dr. Lapeyrolerie, who performed the procedures at St. Vincent Charity Hospital. "I pursued training in this procedure so that I could bring this option to my patients here in Cleveland. Niagara PV Laser Treatment is definitely a breakthrough. Now patients can have a simple, 20-minute laser procedure, which is minimally invasive, highly effective and with very few risks." Eric Reuter, president and CEO of Laserscope added, "The results experienced at St. Vincent Charity Hospital are consistent with intermediate results from our multi-site clinical evaluation of the Niagara PV Surgical Laser System."

2/6 **The Spectranetics Corporation** reported revenue of $7.2 million in the fourth quarter of 2001, up slightly from $7.1 million in the fourth quarter of 2000. A continued strong gross margin of 71% of sales combined with improved operating efficiencies resulted in a turnaround at both the operating income and net income levels in the fourth quarter compared with the prior year. Net profit was $442,000 in the quarter (2 cents per share). The net loss in the fourth quarter of 2000 was $813,000 (3 cents per share), excluding a $1.2 million reorganization charge and $170,000 of taxes on a discontinued operation. As reported, the company lost $2.2 million (9 cents per share) in the fourth quarter a year ago. For the year ended December 31, 2001, Spectranetics reported revenue of $27.8 million, up 3% from $26.9 million in 2000. Net income for 2001 was $590,000, (2 cents per share). In 2000, the net loss was $3.7 million (16 cents per share), excluding $1.2 million of reorganization reserves, $3.7 million of litigation costs and $170,000 of tax expense related to discontinued items. As reported, the company lost $8.7 million, (37 cents per share) in 2000. Joseph Largey, president and CEO of Spectranetics, commented: "We accomplished our two most important goals in 2001 -- a successful financial turnaround and significant progress on our clinical trials. For the first time in the company's 17-year history, we achieved profitability at both the operating and net income levels, while generating about a million dollars in positive cash flow and strengthening the balance sheet. In the clinical arena, during 2001 we completed enrollment in our PELA trial, which deals with arterial blockages in the upper leg, and began our LACI II trial, which treats blockages to the lower leg. Both trials are on target to receive FDA approval in mid to late 2003, and will open a market opportunity to Spectranetics we estimate conservatively to be at least one-half billion dollars annually. It's exciting to contemplate this opportunity to supply products that could significantly improve the quality of life for millions of people with peripheral artery disease in this country. However, we fell short of our sales goals in 2001 for the fourth quarter and the

year. Our business didn't regain its momentum after the September 11 attacks, and our August 2001 U.S. sales force restructuring heightened the impact, since many of our field sales personnel were new to the company or new to their territory in the fourth quarter. The 'seasoning' of our field sales force throughout 2002, combined with aggressive marketing programs, should produce solid revenue growth for Spectranetics in the coming year."

The company further stated that its highest priority for 2002 is revenue growth, and the company intends to place 30-50 new lasers this year, thereby strengthening its market position prior to receipt of FDA approval for peripheral atherectomy in the legs, which the company expects to receive in 2003. Spectranetics anticipates revenue growth in the 10-15% range in 2002 as a result of expanded marketing efforts, a growing and more seasoned field sales force, and a special promotion in which lasers will be offered for $90,000, compared with a current list price of $249,000. The company plans increased investment in clinical trials and marketing to fuel growth, yet anticipates it will remain profitable and cash flow neutral for the year.

Joseph Largey commented, "Spectranetics successfully implemented a financial turnaround in 2001, achieving profitability and positive cash flow. In 2002, making our lasers available to the medical community is critical. We are targeting high-volume medical facilities that can use our laser for multiple applications, including coronary atherectomy and lead removal, and that show significant potential for peripheral atherectomy once we receive FDA approval. Our key operating initiatives are also aligned with our goal of preparing the company and the market for laser atherectomy in the legs. As might be expected, our leading clinical priority is to accelerate completion of our LACI (Laser Angioplasty for Critical Limb Ischemia) trial, which deals with blocked arteries to the lower leg. We will also be working to prepare our PELA (Peripheral Excimer Laser Angioplasty) submission to the FDA in as timely a manner as possible.PELA deals with blocked arteries in the upper leg. Both of these trials are on target for FDA approval in 2003."

"We'll also be making some key investments in 2002 to prepare for marketing peripheral atherectomy in 2003. We'll be adding senior marketing personnel, establishing insurance reimbursement procedures, spurring publication of clinical studies in peer-reviewed journals, establishing a higher profile at medical conferences, developing product enhancements tailored to the peripheral opportunity, training physicians and printing marketing materials. We intend to `hit the ground running' once either PELA or LACI is approved." Paul Samek, Spectranetics' CFO, added, "In 2002, we anticipate revenue growth in the 10-15% range compared with 2001, a gross margin %age in the high 60s, and profit for the year and all remaining quarters after approximately break-even results in the first quarter. If our current-year strategy is successful and FDA approvals come in the second half of 2003 as expected, we anticipate 15-20% growth in 2003 with a gross margin %age in the low 70s and strengthening profitability."

2/7 **Candela Corporation** said it would introduce its new C-beam pulsed dye laser at the annual meeting of the *American Academy of Dermatology* on February 22nd in New Orleans. The parameters of the new C-beam pulsed dye laser (585 nm wavelength and .45 ms pulse duration) are ideally suited for two procedures of high current interest: psoriasis treatment and scar treatment. Commented Candela president and CEO, Gerard Puorro, "This new C-beam laser extends Candela's contributions to, and franchise in, medical applications. C-beam fills a treatment void in psoriasis, where current therapeutic options can have debilitating side effects. Surgical scar treatment is another unfilled need. In the U.S. alone, the ongoing surgical caseload produces more than 50 million incision sites annually that can benefit from early intervention with the C-beam pulsed dye laser."

In psoriasis treatment, the C-beam penetrates below the epidermal surface, through the psoriatic plaque, directly to the overdeveloped capillary bed below that supplies blood, oxygen and nutrients to the plaque from within. This is in contrast to excimer laser treatment for psoriasis, whose shorter wavelength of 308 nm does not penetrate the psoriatic plaque, but attempts to clear the plaque from the outside in. Targeting laser energy with the C-beam creates heat within these capillary microvessels and ablates the vessel. A complete program of treatment can destroy the structure of the plaque, leaving new, clear epidermis. This approach creates a new healthy skin structure from the dermis outward. Brian Zelickson, MD of the University of Minnesota recently followed up with patients who were subjects of his 1996 investigation published in the *Journal of the American Academy of Dermatology*. Dr. Zelickson commented on the results of his follow-up, "In our studies, we selected patients with chronic plaque-type disease that tends to be unresponsive. It usually takes between two to six treatments at three-week intervals. Often the remission is quite long. We have some people who are actually five or six years out and still clear of the disease. One patient is seven years out from his two PDL treatments, and shows no recurrence of plaque."

The C-beam can also be used for treatment of new surgical incision scars. This is a larger patient population than any other group in the aesthetic laser field. It includes all plastic surgery (particularly facelifts), abdominal, breast, Cesarean sections, sternotomies, small telltale scars from liposuction and other less invasive procedures, and others. The simple C-beam procedure requires only a minute or two, and is typically delivered in three treatments at two-week intervals. C-beam keeps the area soft and pliable, optimizing the skin color match across the incision and treating the symptoms of itching and pain. Tina Alster, MD, Director of the Washington Institute of Dermatologic Laser Surgery in Washington, D.C., stated, "Based on several published studies on the use of pulsed dye laser technology on hypertrophic scars (including burn and surgical scars), the parameters incorporated in the new C-beam system correspond directly to those shown to be most successful for laser scar revision."

The C-beam system offers as an option Candela's proprietary Dynamic Cooling Device (DCD), which sprays the upper layer of skin with a fine mist of cryogen, measured precisely in volume and timing, immediately prior to the laser pulse, cooling and protecting the skin surface. During laser use, the optional DCD offers physicians

unequaled visibility, reliability and reproducibility, as well as maximized patient comfort. With the C-beam, physicians now have the exact parameters they need for treating psoriasis and scar sufferers -- two high-interest, underserved patient groups. The C-beam is compact, high-energy for added versatility, offers the unique DCD cooling option, and delivers a very high value at a bundled price of $49,900 including the optional DCD.

2/7 **BIOLASE Technology, Inc.** and **Asclepion-Meditec AG** jointly announced that BioLase has acquired a laser production facility near Munich, Germany, from Asclepion. The new facility will supply the increasing demand for BIOLASE's dental lasers in the European Community, Eastern Europe and the Middle East. The facility, which is ISO 9001 certified, now operates as **BIOLASE Europe GmbH**. It consists of two buildings equipped for laser production that will substantially increase the company's production capacity. BIOLASE Europe also has a highly qualified technical staff experienced in laser principles and design, delivery systems, optics, technical service and field support. BIOLASE Europe will manufacture both the Waterlase and LaserSmile in Germany, provide direct support for an expanding international dealer network and contribute to the company's ongoing research and development of new products.

Jeffrey Jones, BIOLASE CEO and president, commented, "The terms of this acquisition were very advantageous for both parties and allow us to significantly lower costs, both in production and engineering, while expanding production capacity now and for future growth. This new facility and staff will play an important role in growing our international business and provides the company with the infrastructure to aggressively penetrate the European laser market. We expect our European activities to contribute more significantly to our overall revenue and profitability for this year and beyond. Before making this move into Germany, we had modeled overall production capacity levels, growth rate, installed base, customers and university relationships. We had reached these levels and growth rate when the opportunity to acquire this facility and personnel was developed. We are impressed with the dedication to quality that our new German staff has already demonstrated. They have excellent technical skills and experience with lasers that will allow them to quickly ramp up production of the Waterlase and LaserSmile systems. We expect this facility to be immediately accretive and productive."

Asclepion management said, "This step is part of a set of measures introduced in the past financial year and aimed at optimizing the cost structure. The sale agreement also guarantees job security at the plant, as Biolase has taken over the entire workforce of ten." Both sides agreed not to disclose the sale price. Asclepion anticipates that the positive economic impact of the sale of the Floss facility will be effective as early as February 2002. These include a considerable improvement in the group's cost structure and reduced complexity costs resulting from the streamlined site structure. At the Floss site, Asclepion produced small numbers of standard lasers and provided services. The move to Asclepion's new company building at Jena meant that production processes and other internal workflows were optimized, so that these services can now be provided at Jena. Asclepion is looking to press ahead with its cost-cutting and optimization program

in the future. Besides optimizing the location structure and the number of employees, this also involves reducing overheads and considerably streamlining internal processes. These measures had already started to produce positive results in the fourth quarter of the last financial year.

2/11 According to the Israeli newspaper, *Maariv*, **Lumenis Ltd.** is considering various options to raise money, including share and bond issues, to improve its cashflow, according to a company spokeswoman. The Maariv newspaper reported the firm was holding talks with underwriters over a $100 million bond issue overseas. "We are always looking at ways to improve cashflow and bring shareholder value," Lynn Golumbic, Lumenis' director of corporate communications, told Reuters. "One way is via a stock issue and there are also bonds. It depends on market conditions and the stock price." "We have $71 million in bonds that are up in September and we have been considering ways to finance that." She declined to comment on the amount the company was hoping to raise. Maariv said Lumenis originally planned a share issue but due to market weakness and a sharp fall in its share price the plan was shelved.

Maariv said the company believes a bond issue will draw strong interest from Israeli institutional investors especially since one of the company's main lenders is **Bank Hapoalim** , Israel's largest bank.

2/11 In a campaign to capitalize on the unmet needs of current practices and drive adoption of new applications, **Candela Corporation** will introduce an array of exclusive marketing services for physicians to accompany imminent product introductions. This includes a new **Candela Financial Services affiliate**, to be introduced at the annual meeting of the *American Academy of Dermatology* on February 22 in New Orleans.

As David Davis, Candela's vice president for Global Marketing and Business Development, explained, "We're broadening our service offerings to complement and enhance the value of Candela ownership. Available with all new Candela lasers sold domestically, these programs were developed to fill the three largest unmet needs in laser practices today: ensuring an affordable monthly expense, assuring the laser is profitable, and increasing the quality of care."

A primary consideration for owning a laser is its affordability on a cash flow basis. To answer customers' needs for an affordable fixed lease payment, Candela is currently offering lease-rate financing at 0% interest to maximize the affordability of Candela lasers. As Davis commented, "Because of Candela's financial strength, we're able to market 0% interest rate leasing in the U.S. and offer other, specialized lease programs in most countries worldwide." Candela's new practice marketing support is a multi-faceted program. The first component is a comprehensive Practice Marketing Kit brimming with ideas, ad slicks, patient brochures, posters, patient videos explaining and promoting laser procedures, and many other tools.

The second component, called MyCandela, is an extensive array of practice marketing tools, each proven successful in scores of laser practices, nationwide. The third component includes a customized web site for the practice's laser services. Candela will customize, register and launch a practice's site from a portfolio of graphic styles. As Davis further explained, "Many practices spend thousands of dollars locally to produce a new web site, sites that frequently fail to meet their high professional standards and the expectations of their patients. We want physicians who practice with Candela lasers to be successful, and we believe that web marketing, if developed correctly, can be one of their most effective marketing tools. Patients commonly access the web for health information today; we enable our customers to capitalize on this trend."

The final element in the new portfolio of Candela value-based services is physician education. Candela is proud to support a new course on Laser Physics through an unrestricted educational grant to Boston University School of Medicine. Unlike conventional laser workshops common to the field, this web-based course will offer Category I CME credit hours. Boston University School of Medicine is accredited by the Accreditation Council for Continuing Medical Education to provide continuing medical education for physicians.

2/11 **Medtech Insight** announced a new research report on medical lasers, entitled, "U.S. Markets for Directed Energy Surgical Systems, 2001-2010", to be published in March. The report focuses on directed energy surgical systems, including: medical lasers, microwave energy, radiofrequency energy, focused ultrasound, and cryotherapy, all representing exciting growth markets in the U.S. These technologies, developed primarily by the aerospace industry, are helping to increase surgical precision and less-invasiveness, as well as decreased operating time and hospital stay, thus, making them very attractive in today's challenging healthcare climate. These systems are also enabling procedures previously beyond the reach of traditional surgery. They are applicable to a great many surgical specialties, including cosmetology and dermatology, cardiovascular interventions, OB/GYN surgery, ophthalmology, urology, oncology, orthopedic and spine surgery, head and neck surgery, and general and laparoscopic surgery. This report provides analysis of the product markets and competitive landscape for these devices over the next five and ten years and details the patient caseloads, procedure volumes, and end-use trends for each of the above-mentioned clinical applications. In addition, profiles of the key companies involved in this growing and evolving market are included. The report will include 225 pages, 50 exhibits and 25 company profiles. A detailed table of contents and more details are available at **www.medtechinsight.com/ReportA550.html**.

Please note that orders placed by February 28th will receive a $700 discount off the regular price of $4,350 and will receive a hard copy and an electronic copy of the report. To place an order, either go to the website, or call 714.596.5353.

2/11 **MicroLight Corporation of America** (formerly **LaserMedics** and then a subsidiary of **Henley Healthcare**), announced receipt of market clearance from the Food and Drug

Administration for the company's ML830 `Cold Laser' for use in the non-surgical treatment and management of carpal tunnel syndrome or CTS. "CTS sufferers are now free to seek relief from hand and wrist pain through a new non-invasive form of therapy before resorting to surgery," stated Mike Barbour, president of MicroLight. "FDA market clearance for the ML830 resulted from working with FDA examiners over the past ten years to ensure continuing compliance with the law," said Barbour. He estimates that more than $4 million was spent in this effort. "Our ML830 successfully performed in several double blind studies and in many clinical trials where some rather substantial parties were involved, including Baylor College of Medicine and **General Motors**," he added. "We are pleased that the FDA market clearance allows commercialization of this important `cold' laser technology," stated Fred Simpson, MicroLight's executive vice president. MicroLight Corporation of America is seeking strategic partnerships to manufacture and market the ML830's CTS application and to develop other clinical uses for the ML830. "The ML830 has potential for other soft tissue applications," said Simpson.

Carpal Tunnel Syndrome is the number one repetitive stress injury in America today and is a leading cause of worker lost time and disability. More than one million Americans acquire CTS symptoms each year, and over 200,000 surgical procedures are performed in the treatment of CTS at an annual cost of over $10 billion. Private insurance companies and governmental health plans bear most of that cost. Although CTS can begin suddenly, its onset is usually gradual. If not treated, CTS may lead to reduced hand function with possible permanent nerve and muscle damage. With early diagnosis and treatment, however, complete recovery usually occurs. Anything that causes swelling of the synovium that surrounds wrist tendons, or produces repeated pressure on the median nerve, can lead to CTS or make it worse if the condition already exists.

(I have been closely following this development over the past 8-9 years, having attended the General Motors news conference about the study conducted at its plants in Detroit in 1994. I have written about low level laser therapy for carpel tunnel syndrome, including the potential for this laser treatment option in *Medical Laser Report*. In the September 1994 newsletter, I estimated the market potential for biostimulation lasers could be between $150 million and $300 million within five years of FDA approval, representing the sale of 60,000 to 100,000 systems, at an average sales price of $2500 to $5000. With the expected sales price now estimated to be $8000 to $10,000 per system, my new estimated market potential could be between $480 million to $600 million or more! For more information about what I believe is a significant development in low level laser therapy, please contact me.)

2/11 A new survey (February 2002) by the *American Society for Aesthetic Plastic Surgery (ASAPS)* shows that 34% of American women would consider having cosmetic surgery, either now or in the future. According to ASAPS, this is a 3% increase compared to the same survey conducted in February 2001. The annual consumer attitudes survey of 1000 American households was commissioned by ASAPS and conducted by the independent research firm **Market Facts**.

Seventy-nine percent of all women surveyed said they would not be embarrassed if people outside their immediate family and close friends knew they had undergone cosmetic surgery. Nineteen percent of men said they would consider cosmetic surgery; this figure is down 1% from 2001. However, 79% of men (the same percentage as women) said they would not be embarrassed if others beyond family and friends knew they had cosmetic surgery.

"People today generally are not ashamed to admit that they care about their appearance, and they enjoy having the freedom to make choices about how they want to look," said Newport Beach plastic surgeon Malcolm Paul, MD, president of the 1900-member American Society for Aesthetic Plastic Surgery. According to the ASAPS survey, the majority of Americans (55%) approve of cosmetic surgery, with 57% of women and 53% of men saying they approve. The most likely to approve of cosmetic surgery (60%) are Baby Boomers ages 45-54, and the least likely to approve (48%) are 18-24 year-olds. The younger age group is, by far, the most likely (32%) to want their cosmetic surgery kept confidential, while the 65-and-over group is the least likely (13%) to be embarrassed about having cosmetic surgery. Most survey respondents (78%) said their attitude toward cosmetic surgery has not changed in the last 5 years. Only 7% have a less favorable attitude, while 15% said they have a more favorable attitude.

2/12 **Palomar Medical Technologies Inc.** announced that the super-fast, low-cost Palomar EsteLux Light-Based System is officially better than ever, having recently been cleared by the FDA for pigmented lesion treatments. The system was cleared for hair removal last year. Palomar believes that the EsteLux, which was originally designed to provide customers with good quality at an affordable price, is now without question one of the most value-priced devices on the market.

Briana Heniford, MD of the Charlotte Center for Aesthetics & Cutaneous Oncology, P.C. commented, "I originally purchased the Palomar EsteLux for its hair removal application. To my surprise, the pigmented lesion business has equaled the hair removal business. The pigmented lesions treated are primarily Solar Lentigo, better known as age-spots or sunspots. My patients are extremely happy with the treatment results on both the face and hands. They find the procedure comfortable and quick, even on large body areas such as chest, back, arms and legs."

Chairman and CEO, Dan Valente, said, "As a hair removal system alone, the Palomar EsteLux has generated intense interest. With our recent FDA clearance for pigmented lesions and our clinical success in this area, I am more excited than ever about the product. The EsteLux has proven to work great on age-spots and sunspots and other common skin discolorations. For a relatively low price, a treatment provider can buy a safe and effective, high-quality system that actually does hair removal and pigmented lesion treatments. What's more, the system is inexpensive to operate, given its extremely long 100,000-pulse lamp life. It's truly a superb device as well as an intelligent investment."

The Palomar EsteLux light-based system combines the latest flashlamp technology with simple, streamlined engineering and is both effective and economical. The system features a high pulse rate and a large spot size that makes the system extremely effective when treating large areas such as legs and backs. Users can treat more customers in less time, maximizing their return on investment. The system is smaller and lighter than current systems, which is especially desirable for mobile and/or small physician offices. The systems simple operation opens its applications to a wider band of worldwide users to include; Dermatologists, General Practice Physicians, Cosmetic or Aesthetic Physicians, Doctor Supervised Spas and Aesthetic Salons just to name a few.

2/12 **Candela Corporation** announced that it had received FDA clearance from the U.S. Food and Drug Administration to market the Vbeam pulsed dye laser for treatment of periorbital wrinkles. Candela will demonstrate this important new application for its Vbeam at the annual meeting of the *American Academy of Dermatology* on February 22 in New Orleans. Candela's Vbeam is the acknowledged leader in the treatment of a broad base of vascular lesions. Richard Fitzpatrick, MD, of Dermatology Associates of San Diego, CA, confirmed the Vbeam's position, stating, "The Vbeam combines the best wavelength with the best pulsewidth for treatment of cutaneous vessels and delivers adequate fluence with protection of the epidermis. It is clearly the best vascular laser I have seen."

The FDA's clearance of the Vbeam for the treatment of periorbital wrinkles expands the laser's utility into aesthetics, the fastest growing light-based application. In addition to the new marketing indication, Candela has also created an upgrade package for existing Vbeam users, including multiple improvements to both hardware and software. "We're excited that this new clearance validates the anecdotal feedback we've been receiving virtually since the Vbeam's introduction two years ago -- namely, that this laser has exceptional utility in the treatment of periorbital wrinkles," said Gerard Puorro, president and CEO of Candela. "The FDA clearance can increase physicians' confidence in the Vbeam not only as an important laser for the medical treatment of vascular lesions, but as a laser for periorbital wrinkle reduction. We feel this new clearance confirms the Vbeam's versatility and utility as a staple in the physician's office."

David Bank, MD, of the Center for Dermatology, Cosmetic and Laser Surgery in Mt. Kisco, NY, expressed enthusiasm for the Vbeam as a landmark tool for the treatment of periorbital wrinkles, saying, "The Vbeam has put the treatment of periorbital wrinkles in the `lunchtime treatment' category which represents a quantum jump in technology."

2/13 **Medical Insight Inc.** said it will soon release the latest and most comprehensive study on the "Market for Advanced Light-Based Dermatology Treatments". This confidential report will focus on a core group of the most common skin disorders including: acne, psoriasis and actinic keratosis. According to the author, Michael Moretti, these three disorders alone combine to form an estimated $10 billion annual market on a global basis. Moretti will present an executive briefing on the results of this study during the upcoming *American Academy of Dermatology* annual meeting in New Orleans.

The Market for Advanced Light-Based Dermatology Treatments study provides an in-depth analysis by application that includes procedure volumes and revenues, device and drug sales, market share by supplier, and market performance projected over a five-year period. Technology assessments cover both existing and emerging light-based technologies. This study also features an analysis of clinical results by application, in comparison to standard drug treatments. "Innovative light-based technologies have physicians re-thinking their treatment regimens," according to Moretti. "Ever mindful of the adverse side effects associated with many of the drug therapies available to treat these disorders, physicians and patients alike are excited to have high-tech, alternative treatment options. Early clinical trials of light-based treatments point to fewer side effects, and less patient discomfort. However, even more exciting to physicians is the opportunity to participate in this enormous revenue stream."

New light-based systems are entering the market rapidly, and pharmaceutical companies are evaluating the combined use of drugs and light to tap into this lucrative new market segment. The Market for Advanced Light-Based Dermatology Treatments study looks at the efficacy and market impact of new devices targeted to each application. Devices currently vying for a piece of the $5 billion acne treatment market include: **Radiancy's** ClearTouch System and ClearLight from **Lumenis**. In addition, several other manufacturers have multi-application systems that can potentially be used for acne. Light-based technologies targeted at the psoriasis segment of the dermatology market include: **Candela's** C-Beam dye laser, **Cynosure's** Photogenica system, the Lumenis BClear UVB Phototherapy System, and the XTRAC excimer laser from **PhotoMedex**. **Miravant Medical Technologies** announced in January that it has begun clinical trials of photodynamic therapy (PDT) for psoriasis as well.

PDT treatments for actinic keratosis discussed in this study include the Levulan Kerastick from **DUSA** (marketed by **Berlex**) and the new Metvix technology co-developed by **Galderma** and **PhotoCure**. Public companies commercializing Advanced Light-Based Dermatology Treatments include: Candela Corp., DUSA Pharmaceuticals, Lumenis, Mirivant Medical Technologies, and PhotoMedex. To obtain a copy of Medical Insight's new Market for Advanced Light-Based Dermatology Treatments study, contact: Katie Davis at **KDavis@MiiNews.com**, or call 949/830-5409.

2/12 **The Next Phase Consultancy** announced the publication of an industry update report, entitled, "Coronary and Peripheral Artery Restenosis: Developments and Trends in Prevention and Treatment", a global Situational Market Analysis Report. The report is the only one of its kind covering restenosis therapies in all of the biomedical industries -- pharmaceuticals, biotech and medical devices. It contains analysis of 140 technologies and more than 400 globally available and developing interventional therapies from 160 companies and research institutions.

RESTENOSIS following interventional treatment for coronary or peripheral artery disease has persisted for more than 20 years. Drug-eluting stents, along with hundreds

of other restenosis therapies, are now in development to prevent or treat this complicated condition.

The report consists of two volumes. The first comprises an industry overview and the second contains the unique SMArt Chart section. The complete study has more than 300 pages of information with over 45 figures and tables, a glossary of terms, and an alphabetical subject index. "Manufacturers have targeted restenosis rates of less than 5%, and drug eluting stents are on track to capture this position," asserts Victoria Hunsicker Sanko, president of The Next Phase. "Our SMA Restenosis Report, unlike any other, keeps our subscribers apprised of the latest global technology and market developments." Major modalities covered include Systemic Drug Delivery, Local Drug Delivery, Medical Devices, Gene Therapy and Other Advanced Therapies. The Winter 2002 SMA Restenosis Report Update addresses several key issues including the development status of drug-eluting stents, therapeutic ultrasound, gene medicines, and other promising technologies. The future role of brachytherapy in the prevention of restenosis is also discussed.

For more information, including the Volume I `Core Report' Table of Contents, the Volume II `SMArt Chart' Index, and ordering information, visit **www.TheNextPhase.com** or e-mail **info@TheNextPhase.com**.

2/14 **Diomed, Inc.** announced that it had completed its merger transaction with **Diomed Holdings, Inc.**, a Nevada corporation formerly known as **Natexco Corporation** (the company). As a result of the merger, the stockholders of Diomed own approximately 51% of Diomed Holdings, and Diomed has become a wholly owned subsidiary of Diomed Holdings. Coincident with the merger, the company conducted a private placement offering of its securities and raised gross proceeds of $10 million. The company intends to use the proceeds of the private placement for the payment of expenses incurred in the merger, to fund Diomed's laser development project and other research and development initiatives, to finance potential business acquisitions, and to fund Diomed's working capital needs. The business to be conducted by the company will be principally the business that Diomed conducted prior to the merger. Peter Klein, former CEO of Diomed, Inc., was appointed as the new CEO and president of Diomed Holdings, Inc.

2/15 **Laserscope** reported that revenues for its fourth quarter ended December 31, 2001 were $9.6 million, an increase of 17% compared to $8.2 million in the fourth quarter a year ago, and an increase of 21% compared to $8.0 million in the prior quarter. Net income was $120,000 (1 cent per share) for the quarter, compared to a net loss of $270,000 (2 cents per share) in the same period of 2000, and compared to a net loss of $641,000 (4 cents per share) in the prior quarter. For the year 2001, revenues were $35.1 million with a net loss of $829,000 (5 cents per share), compared to 2000 revenues of $35.4 and net income of $186,000 (1 cent per share).

"We are very pleased to report the improved financial results for the quarter," said Eric Reuter, Laserscope president and CEO. "They are the outcome of increased focus on sales of our core aesthetic product line and better performance in most of our geographic markets. The results demonstrate strong market acceptance of our products for aesthetic procedures. The fourth quarter 2001 results did not yet benefit from sales of our Niagara PV systems or of the related disposable fiber optic delivery devices, both of which we began shipping for revenue in January 2002. The results do, however, include a significant increase in our marketing and sales expenses for the Niagara PV launch. We anticipate that we will continue to incur higher marketing and sales expenses as we roll out the product. For the next several quarters, we expect to continue to fund these additional expenses with cash flows from our core business. We are targeting the large market opportunity for the treatment of benign prostatic hyperplasia (BPH or enlarged prostate), and expect the Laserscope BPH treatment solution to contribute incremental future revenues and to be the basis for future growth going forward."

"As we have previously reported," continued Reuter, "the results from the on-going clinical studies for the Photo-Selective Vaporization of the Prostate (PVP) procedure using Laserscope's Niagara PV system, continue to support our experience and the experience of our clinical investigators that this procedure will become recognized as the standard of care for BPH at some time in the near future. Currently there are approximately 180,000 surgical interventions for this disease state each year in the United States alone, and at least twice that many in the rest of the world. This is a tremendous market opportunity for Laserscope since we believe that over time, a large number of these procedures will be done using the Niagara PV equipment and the related proprietary single-use fiber-optic devices."

2/15 According to an announcement from **Archer Medical Technologies, Inc.**, CEO Bill Swor spoke of his company's patented Quadralaz laser, which "combines the utility of four most-used lasers for medical purposes, saving hospitals and physicians 75% of the purchase cost". The company has also begun FDA-approved clinical trials for a laser procedure called Heartbeat, for use in treating coronary heart disease. (I am attempting to get additional information about this company and its products.)

2/19 **Trimedyne Inc.** announced its financial results for the quarter and fiscal year ended Sept. 30, 2001. For its fourth quarter, revenues were $2.0 million, an increase of 106% over revenues of $1.1 million for the same quarter of the prior year. The company's net loss for the current quarter was $1.0 million (8 cents per share). However, a charge for obsolete and excess inventories of $272,000 was included in the results for the quarter. Excluding this charge, the company's loss for the current quarter was $750,000 (6 cents per share). In the same quarter of the prior year, the net loss was $1.9 million (16 cents per share).

For the year ended Sept. 30, 2001, revenues were $7.5 million, an increase of 22.5% over revenues of $6.1 million for the prior fiscal year. The company suffered a comprehensive loss for the year, including charges and adjustments of $2.8 million, of a total of $7.5

million (59 cents per share). However, excluding the charges and adjustments of $2.8 million, the company's net loss for the year was $4.7 million (37 cents per share), compared with a net loss of $4.7 million (41 cents per share) in the prior fiscal year.

In January 2002, Nasdaq advised the company it no longer meets the financial requirements for listing on the National Market System. Nasdaq recommended the company transfer to the Nasdaq Small Cap Market and the company has filed a request to transfer to this market. If and when transferred, there will be no change in the company's TMED symbol.

The company elected not to pay the minimum quarterly royalty for the quarter ended Sept. 30, 2000, under a patent license in urology from **Lumenis Inc.**, as sales of products covered by the license were insignificant. The license, by its terms, terminated on Sept. 30, 2000, due to said non-payment and the company ceased marketing products covered by the license. In January 2002, Lumenis filed a lawsuit against the company in the Federal District Court for the Central District of California in Los Angeles, alleging the company contributed to customers' infringing Lumenis' patents. The company believes the lawsuit is entirely without merit and will be rigorously defended. The company also intends to file counterclaims against Lumenis, including claims alleging violation of the anti-trust laws, price fixing, trade libel, patent misuse and that Lumenis infringed two of the company's patents.

The company also filed a quarterly report (SEC form 10QSB) on this date andput out its quarterly results on the 25th -- see below. It stated that for the quarter ended December 31, 2001, Trimedyne's net revenues increased $198,000 or 12% from the same quarter of the previous year, $1.9 million vs. $1.6 million. Net sales from lasers decreased by $9,000 or 1% from $641,000 in the prior year quarter to $632,000 in the current quarter. Net sales from delivery and disposable devices increased by $70,000 or 9% from $743,000 to $813,000 for the same quarters. Net sales from service and rental increased by $136,000 or 54% from $254,000 to $390,000 for the same quarters. The increase is due to growth of its revenue share program which was still in its infancy in the prior year quarter. Additionally, the acquisition of **Mobile Surgical Technologies, Inc. (MST)** contributed approximately $154,000 in the current quarter compared to $48,000 in the prior year quarter, which represented only one month of operations due to the timing of the acquisition.

For the current quarter, the company had a net loss of $113,000 (1 cent per share) based on 13.5 million weighted average number of common shares outstanding, as compared to a net loss of $2.5 million (20 cents per share), based on 12.3 million weighted average number of common shares outstanding in the same quarter of the previous year.

2/19 **Lumenis Ltd.** announced that it would introduce the BClear Targeted PhotoClearing System at the annual *American Academy of Dermatology* meeting to be held this week in New Orleans, LA. BClear, which recently received marketing clearance from the United States Food and Drug Administration (FDA), is a unique light-based therapy that

combines the proven benefits of UVB light with the latest advances in fiber optic technology for the treatment of psoriasis and vitiligo. "The introduction of the BClear system brings new hope to the millions of patients who suffer from psoriasis and vitiligo," said Yacha Sutton, president and CEO of Lumenis. "Many patients are frustrated by the inconvenience, side effects, and poor efficacy of currently available options, including topical creams and systemic drugs. As a result only 15% of psoriasis sufferers actively seek treatment. The BClear system offers these patients and dermatologists a highly targeted, effective and safe method of treatment at an attractive price. We are very pleased to add the BClear system to our expanding suite of products offered to dermatologists."

The BClear system represents a significant technological advance as it combines the proven benefits of traditional UVB light therapy with the latest advances in fiber-optic delivered light technology. The focused, high dose delivery and precise dosimetry of the BClear system allows individually customized treatments that safely and effectively treat psoriasis. Because the BClear system delivers light through a fiber-optic cable, thick and scaly plaques can be efficiently treated with significantly higher doses than those used in traditional UVB light therapy. This translates into fewer treatment sessions until disease clearance and virtually eliminates exposure to the healthy skin. "The BClear system is the first high dose, targeted treatment for psoriasis to qualify for Medicare reimbursement under an existing UVB phototherapy CPT code, which was recently raised to more than $50 per treatment," said Sutton. "We expect the combination of improved efficacy, targeted treatment and increased reimbursement to significantly increase patient traffic to dermatologists' offices for this treatment."

"I have used the BClear system for several months as part of a clinical study and the experience has been very positive," stated Christine Dierickx, MD of the Eurolase Clinic in Boom, Belgium. "Treating psoriasis, we've observed plaque thinning in the first or second treatment and clearance in as few as four to six treatments. Even with high treatment doses, side effects are generally limited and have been well tolerated by patients. The clinical results I've had are consistent with those reported in the published literature for other targeted UVB phototherapy systems."

2/19 When people look good, they feel good. And, taking steps to illuminate their smile makes a person stand out in a crowd and look up to 10 years younger. Celebrities often whiten their teeth because they know that a sparkling smile is the key to looking great. Now, everyone can have the same wonderfully white teeth as celebrities with only one quick trip to the `Zoom! Room' at their local dentist's office. **Discus Dental, Inc.** announces Zoom! -- the new technology that's more than a teeth whitening procedure, it's an experience in image enhancement and self-esteem...not to mention instant gratification. Once someone has been `Zoomed,' their teeth will immediately be whiter, giving them a boost in confidence.

Zoom! Facts:
- Immediate results

- Teeth 6 to 10 shades whiter
- Affordably priced
- Procedure takes only about an hour
- Do anything from watch TV, listen to the radio or sleep during the procedure
- Simple procedure consists of placing a whitening gel on the teeth which is then activated by a small, highly-specialized lamp
- Comfortable and fun experience, futuristically designed lamp is not a laser and transmits almost no heat, causing little or no sensitivity
- Lamp is the only one in the market created by a dentist, solely for teeth whitening purposes
- Available exclusively at dentist's offices, for dramatic and safe results

"It's fun and exciting to transform your appearance," said Dr. William Dorfman, DDS, founder of Discus Dental, Inc. "We created Zoom! to allow people with busy lifestyles to feel dramatically better about their appearance right away." Developed by Discus Dental Inc., the leading supplier of teeth whitening products for dental professionals since 1992, Zoom! can soon be found at most dentist offices across the country. In fact, over 45,000 dentists nationwide currently use Discus Dental's other award-winning teeth whitening products.

2/19 **Nidek, Inc.** announced that the Food and Drug Administration had granted supplemental 510(k) clearance for the EpiStar Diode Laser System. The EpiStar is now approved for the high fluence treatment of vascular and pigmented skin lesions and hair removal, and an improved, more aggressive cooling device to keep skin comfortable. The newly approved high fluence capability allows for increased effectiveness in treating targeted areas. The EpiStar features a redesigned integrated cooling device that cools the skin to 5°C, protecting the area from thermal exposure and minimizing patient discomfort, ensuring increased patient satisfaction. The EpiStar utilizes an 810-nanometer infrared diode laser to treat the area in a random scanning pattern, allowing for complete homogeneity and protection of the epidermis. "The additional approvals for the EpiStar allows doctors to treat patients more quickly and with increased comfort in their practices," stated Hiroshi Okada, vice president and general manager, Nidek, Inc. "Adding these capabilities to Nidek's existing suite of dermatology treatments is yet another way we support physicians in providing advanced medical tools."

2/19 **Palomar Medical Technologies Inc.** announced that it would be presenting its latest products at the *American Academy of Dermatology's* 60th Annual Meeting, in New Orleans. At the meeting, Palomar will announce a number of new and exciting hand pieces for additional cosmetic applications for the Palomar EsteLux system. The company recently introduced a number of laser/light-based products, including: the new Palomar EsteLux pulsed-light system for hair and pigmented lesion removal, the new Palomar Q-YAG 5 laser system for tattoo and pigmented lesion removal and the Palomar SLP1000 diode laser system for hair removal and vascular treatments. Shipments of the Palomar EsteLux system and the Palomar Q-YAG 5 system began at the end of the third quarter. Doctors can now offer their patients affordable cosmetic laser/light-based

treatments for all hair and skin types. This family of products will help the Company increase its revenues and gross profit over the next few quarters.

2/19 **Candela Corporation** announced that its Smoothbeam is the first diode laser to receive FDA clearance from the U.S. Food and Drug Administration for the treatment of periorbital wrinkles. Candela will demonstrate the Smoothbeam at the annual meeting of the *American Academy of Dermatology* in New Orleans. "Physicians have told us they need an affordable, briefcase-size laser. With Smoothbeam, we've leveraged the cost benefits and size advantages of diode technology to give physicians the ultimate affordable, portable laser for the treatment of periorbital wrinkles," said Gerard Puorro, president and CEO of Candela. "The Smoothbeam provides excellent efficacy while weighing just 40 pounds. This laser is already highly affordable, and when you factor in the 0% lease rate financing option Candela is currently offering, Smoothbeam is the ideal answer to physicians' needs for aesthetic lasers."

The Smoothbeam features a number of enhancements designed to optimize periorbital wrinkle treatment. Among these are: a new 6mm spot size, an increased range of fluence and new treatment parameters. The new 6mm spot on Smoothbeam can increase operator productivity by more than 2.25 times -- so procedures can be performed in less than half the time of other devices. Tina Alster, MD, Director of the Washington Institute of Dermatologic Surgery, described the advantage of the new 6 mm spot size, "The 6 mm spot size permits the operator to go much more quickly. It is also more comfortable for the patient because fewer laser pulses are required to cover the treatment area."

The Smoothbeam's gentle 1450 nm laser wavelength stimulates the formation of new, organized collagen just beneath the surface of the skin. David Goldberg, MD, Director of Skin Laser and Surgery Specialists of New York and New Jersey, explained, "We're trying to heat the water in the damaged collagen. We don't want especially deep penetration into the dermis because we also want greater safety. So, the 1450 nm wavelength is ideal. It's well absorbed by water, creating the necessary injury, and yet it's so well absorbed by water that it doesn't penetrate that deeply, thus ensuring safety." The system also improves patient comfort with Candela's proprietary Dynamic Cooling Device (DCD), which sprays the upper layers of skin with a fine mist of cryogen prior to the laser pulse, cooling and protecting the epidermis. Smoothbeam treatments are gentle, non-invasive "lunchtime" procedures. Patients and physicians alike have reported "excellent" results from the Smoothbeam, with minimal or no downtime. Dr. Alster stated, "I've been impressed that there are significant improvements in wrinkles not only at three and six months, but as long as 12 months. Smoothbeam has been very easy to incorporate into my practice, simply because patients are too busy to take time off for wound healing. It is an elegant solution for the improvement of periorbital wrinkles. Patients are happy that they now have another choice besides traditional laser resurfacing."

2/20 **BIOLASE Technology, Inc.** reported financial results for the three months and full-year ended December 31, 2001. Net income for fourth quarter was $410,000, an improvement

of $1.1 million over the net loss of $643,000 reported in the comparable period last year. Net income in the third and fourth quarters of 2001 combined to reduce the net loss for the year to $408,000, compared with a net loss of $3.7 million reported for full-year 2000. Earnings per share for the 2001 fourth quarter was $0.02, compared with a net loss per share of $0.03 for the fourth quarter of 2000. For the 2001 fiscal year, the net loss per share was $0.02, compared with a net loss per share of $0.19 for last year. The improved performance was due to record sales of $5.8 million for the fourth quarter and $17.9 million for full-year 2001, representing increases of 57% and 85%, respectively, over the sales for the comparable periods of last year. Fourth quarter gross margins remained relatively consistent, compared with fourth quarter 2000, but increased from 50% in full-year 2000 to 59% in full-year 2001. Efficiencies were also gained as selling and administrative expenses decreased as a percentage of sales both for the quarter as well as for the full year.

"Strong, consistent growth led us to cross the threshold to profitability in the third quarter and to increased profitability in the fourth quarter of 2001," said Jeffrey Jones, president and CEO. "These results reflect the continuing growth in demand for our dental laser technology despite a recession and other adverse economic events. During 2001 we were able to strengthen our intellectual property portfolio, receive important clearances from the U.S. Food and Drug Administration (FDA) and introduce a significant new product to complement our Hydrokinetic technology."

"After receiving FDA clearance last year, the company introduced its LaserSmile teeth-whitening product in the third quarter, which contributed to the acceleration of sales in the second half of 2001," said Keith Bateman, vice president of Global Sales. "Acceptance of the LaserSmile product has grown rapidly and we expect strong sales growth to continue in 2002."

"The outlook for 2002 is very promising, but there is much to be done to continue the successful growth of the company," Jones continued. "We will continue to focus on the dental markets with both the Watelase and LaserSmile products. While the sales growth has been substantial, the market potential has barely been touched. Our challenge is to allocate our resources to those segments and parts of the market where we can most effectively convert market potential into demand and sales. We believe the international market has demonstrated that it is open to our technology. Approximately 18% of our sales last year were through international channels. Our formation of **BIOLASE Europe GmbH** and acquisition of a laser facility in Germany are designed to grow international sales and greatly expand our overall capacity. Kicking off 2002, BIOLASE Europe GmbH was promptly put into play. As of today, this ISO 9000 facility has already completed production of its first Waterlase and LaserSmile units. We expect international sales to be a larger part of our sales mix this year. Domestically, we will continue to build and add to our sales force in 2002. We believe we have achieved a broad enough product acceptance so that we can now target marketing resources to particular segments of the market. We will continue to strengthen our patent positions in 2002 and expect additional applications of our technology to receive FDA clearances during the year. Our receipt of

the first ever FDA clearance for the use of Waterlase for complete root canal therapy last month was a significant milestone for the company, and should support sales growth in 2002 and beyond. Overall, we expect 2002 to be another year of strong sales growth with the generation of solid earnings and cash flow."

2/20 **PLC Systems Inc.** announced results for the fourth quarter and year ended December 31, 2001. During the fourth quarter, PLC shipped 15 CO_2 heart lasers worldwide. In the United States, 14 CO_2 heart lasers (13 HL2 and 1 HL1) and 413 disposable kits were shipped to hospitals through **Edwards Lifesciences Corporation**, PLC's U.S. sales and marketing partner. In comparison, during the fourth quarter of 2000, PLC delivered four HL1 and 292 disposable kits to United States customer accounts. PLC ended 2001 with 103 CO_2 TMR heart lasers located at heart centers throughout the U.S., which included 38 HL2 and 65 HL1 customer accounts.

Fourth quarter revenues were $2.5 million compared to revenues of $2.4 million in the fourth quarter of 2000. The net loss for the fourth quarter of 2001 was $598,000 (2 cents per share), compared to a net loss of $3.0 million (13 cents per share) in the fourth quarter of 2000. The net loss for the fourth quarter of 2000 included a one-time charge of $2.1 million (9 cents per share) which covered the estimated costs of writing down inventory and capital equipment as a result of PLC's product transition from the first generation CO_2 Heart Laser (HL1) to the next generation CO_2 Heart Laser 2 (HL2). Excluding the one-time charge, the fourth quarter 2000 net loss was $911,000 (4 cents per share).

The company continued its progress in improving operating efficiencies during the fourth quarter, which resulted in a 34% lower net loss compared to the fourth quarter 2000 net loss, after excluding the one-time charge. Improved operating efficiencies also enabled the company to limit its cash burn to $826,000 in the fourth quarter. The company ended 2001 with cash and cash equivalents totaling approximately $5.0 million.

"Our fourth quarter results cap a successful 2001," stated Mark Tauscher, president and CEO. "Our partnership strategy, which was implemented a year ago, of bringing PLC's CO_2 laser technology to the cardiovascular market through a strategic partner, was the right one. PLC's fourth quarter laser and disposable kit shipments are at record levels. Edwards' assumption of the sales and marketing responsibility for the CO_2 Heart Laser 2 in the U.S. clearly demonstrates an increased commitment to making PLC's CO_2 TMR laser technology a standard of care. We believe this arrangement greatly enhances the potential for increased market penetration of our CO_2 TMR laser technology."

2/20 **PhotoMedex, Inc.** announced the results of its fourth quarter and year end December 31, 2001. Gross revenue for the fourth quarter was $946,468 including $260,468 from domestic XTRAC laser treatments, an increase of 24% from the previous quarter, and $686,000 from international laser sales, an increase of 16% from the previous quarter. Of the 9 lasers sold internationally, 6 were to existing customers in Germany, Saudi Arabia, and Israel. In addition, the company had initial sales to customers in Taiwan and

Hong Kong. Net revenue for the quarter was $616,468, net of allowances for sales returns. Net revenue for the year was $4.7 million. In the comparable prior periods, revenue for the fourth quarter of 2000 was $339,500 and revenue for that year was $1.2 million. The prior year includes revenue from discontinued operations of $189,000.

The net loss for the fourth quarter was $4.9 million (21 cents per share). Included in this loss was a charge for the impairment of the TMR license in the amount of approximately $2 million (9 cents per share). In addition, the net loss included approximately $770,000, (3 cents per share) related to non-cash charges associated with the vesting of certain options granted to key advisory board members and other outside consultants together with increases in certain asset valuation allowances. The net loss for the fourth quarter of 2000 was $4.3 million (24 cents per share). The net loss for the year was $15.7 million (80 cents per share), including an impairment charge of the TMR license in the amount of $2 million (10 cents per share). This compares with a net loss for the year 2000 of $13.4 million (85 cents per share). Included in the net loss for 2000 were losses from discontinued operations of $646,542 (4 cents per share).

As of December 31, 2001, cash and cash equivalents were $4.1 million. Among the more notable achievements during the year 2001 were the following:

- The company now has 197 XTRAC lasers systems in the field worldwide, including 145 placed domestically with key dermatologists using the equipment on a fee-for-procedure basis, and has cumulatively sold 52 lasers internationally;

- Received FDA approval for treating vitiligo and atopic dermatitis which is in addition to the psoriasis approval received in 2000;

- There were 6 clinical articles accepted or published which continue to validate the clinical efficacy of the XTRAC laser therapy and contribute to the advancement of the insurance reimbursement process;

- **CIGNA** and several Blue Cross Blue Shield affiliates approved the XTRAC for medically necessary treatment of mild to moderate psoriasis;

- The completion of 2 private placements of common stock totaling $11.4 million;

- Approximately 50 insurance carriers paying claims in over 30 states for the costs of XTRAC therapy;

- Application to the CPT (Current Procedural Terminology) Editorial Board for a laser therapy code for reimbursement.

Jeff O'Donnell, president and CEO commented, "I am proud of the accomplishments of the PhotoMedex team this past year. We continue to build a list of private insurance companies that will reimburse their members for the XTRAC procedure. We have

successfully completed 6 clinical trials that have been accepted for publication or have been published. Our engineers worked diligently throughout the year to improve the reliability of our product. These accomplishments have resulted in the XTRAC acceptance by a large majority of key opinion leaders in dermatology throughout the world. We look forward to the upcoming *60th Annual American Academy of Dermatology Conference* in New Orleans, where there will be seven clinical presentations that include discussions on the XTRAC laser system."

2/21 **Palomar Medical Technologies Inc.** announced that a new hand piece, the LUX G, used to treat vascular lesions with the Palomar EsteLux light-based system will be shown for the first time at the upcoming *American Academy of Dermatology (AAD)* meeting. The LUX G green light hand piece greatly expands the EsteLux's treatment capabilities. The Palomar EsteLux light-based system can now be used for removing hair and vascular and pigmented lesions. With an output spectrum within the green wavelengths of light, the new LUX G is targeted at both oxyhemoglobin and deoxyhemoglobin in the blood. The green light wavelength spectrum is also highly absorbed by melanin, the pigment responsible for tanning and for producing brown spots on the skin. The treatment of vascular lesions (broken capillaries and rosacea) and the removal of pigmented lesions (age-spots, sun damage, etc.) has been successfully accomplished in the past using a variety of green light lasers. Now, with the addition of the LUX G hand piece to the EsteLux, both applications can be accomplished rapidly and comfortably.

2/21 At the annual shareholders' meeting of **Axcan Pharma Inc.**, president and CEO, Leon Gosselin, reported revenues of $28.7 million for the first quarter ended December 31, 2001, an 18% increase over the first quarter of the previous year and the highest since the company's creation, twenty years ago. Gosselin also highlighted four pillars for the company's future growth: increased market penetration for its existing products, label expansion with new indications for existing products or development of new products, additional acquisitions of companies or products in the field of gastroenterology and geographical expansion.

Axcan posted net earnings of $3.5 million (9 cents per share) for the three months ended December 31, 2001, compared to $1.8 million (5 cents per share) for the corresponding period of the preceding year.

2/21 **Diomed, Inc.** announced that after its recent merger with a publicly held company, it will begin trading on the American Stock Exchange (AMEX) under the symbol DIO.

Following that announcement, **Equity Securities** said it had initiated coverage of the company. The Research Note, issued by Todd Pitcher, Director of Equity Research with Equity Securities, rated the stock a LONG TERM BUY with a $10 price target over the next 12 months. The following are key highlights included in the Research Note:

-- With significant erected barriers to entry, and leading proprietary technology, Diomed is strategically positioned to establish a strong foothold in the emerging PDT market that

is anticipated to reach more than $2 billion annually by 2005. Already, it is the dominant global supplier of technology, services and disposables to PDT companies.

-- Diomed's business strategy has uniquely positioned it as a partner to leading pharmaceutical companies developing PDT applications and we believe that will buttress its operations in the near term, enabling it to leverage its partners' sales, marketing and distribution resources, as well as further drive its revenue growth and market penetration over the mid and long-term.

-- Diomed's pipeline for growth is strong, currently participating in the second and third-phases of numerous PDT clinical field trials that, upon FDA approval will open new revenue streams.

-- Diomed just received FDA approval for their endovenous laser treatment (EVLT), which we believe has even more near to-mid term growth potential than their PDT business.

-- Diomed continues to demonstrate its ability to move quickly and be first to market, enabling it to create formidable barriers to entry for competitors. While we believe that competition is inevitable given the enormous revenue opportunity for PDT treatments for cancer and varicose vein treatment with EVLT, Diomed has established a formidable leader-advantage.

-- The current market for EVLT represents at least $400 million in annual revenue and as much as $1 billion. We believe that it is realistic to suppose that Diomed capture as much as 10% market share over the next few years, given its early market lead.

2/25 **Trimedyne Inc.** released its results for the fourth quarter, ending Dec. 31, 2001 (the first quarter of its fiscal year). For the quarter, the company a loss of only $113,000 (1 cent per share), on revenues of $1.8 million. This compared to a loss of $2.5 million (20 cents per share), on revenues of $1.6 million in the same quarter of the prior year. The reduction in the company's loss in the current quarter was attributed to tight control of costs instituted by the company's present management, resulting in lower selling, G&A and R&D expenses and an improved product mix. While laser sales declined 1% from the year earlier quarter, sales of disposables, which carry greater profit margins, increased 9% and revenues from the company's `fee per case' laser rental business and field service increased 54%. In the prior year quarter, fee per case laser rental revenues from the acquisition of **Mobile Surgical Technologies Inc.** were included for only one month of the period.

2/25 **Lumenis Ltd.** announced that it had received a firm commitment from its commercial lender, **Bank Hapoalim BM** to refinance its outstanding $100 million term loan and $71 million convertible bonds with a new loan package, consisting of a $100 million five year term loan and $71 million loan payable in four years. The commitment also extends the existing revolving credit facility for an additional year and increases availability from $20

million to $35 million effective April 30, 2002. Under the new commitment none of the debt issued will be either convertible or include new options to the bank, eliminating a previously disclosed potential 3.5 million share increase or 9% dilution. The $170 million of LIBOR-based borrowings, at current rates, will result in approximately $12 million of annual interest expense. Any borrowings under the revolving credit facility will bear interest at LIBOR plus 1.0%. Yacha Sutton, president and CEO of Lumenis commented, "We are very pleased to have reached this agreement with Bank Hapoalim. Its terms should drive significant accretion to EPS starting in 2003 compared to our present financing package. I am also pleased by the expansion of our credit facility relative to the original agreement. The new facility along with our cash balances will provide us with sufficient financial flexibility."

The company also announced that it had received a request from the U.S. Securities and Exchange Commission to voluntarily provide certain documents and information for the period commencing January 1, 1998. The request primarily relates to the company's relationships with its distributors, and also asks for amplification of the company's explanation of certain previously disclosed charges and write-downs. The company intends to furnish all documents and information requested by the Commission.

This announcement resulted in a one-day drop in its share price of 31%, reaching a low of $8.95 per share.

2/25 **ICN Pharmaceuticals Inc.** announced that its subsidiary, **ICN Photonics, Ltd.**, had received clearance from the U.S. Food and Drug Administration (FDA) to market the NLite System, the first non-ablative laser system for use in Dermatological and Plastic Surgery applications for the treatment of wrinkles in general. Previously, the FDA cleared NLite for the treatment of periocular (around the eyes) wrinkles only. Additional marketing authorization was granted to increase the diameter of laser-to-body surface contact (laser treatment spot size) from 5mm to 7mm for greater efficiency. ICN's NLite laser has been proven in clinical studies to safely remove wrinkles without damaging the skin's surface. This revolutionary patented technology uses highly specific laser light to target microvasculature in the papillary dermis, thereby stimulating the body's own collagen layer to replenish itself. The result is the gradual reduction of age lines. The NLite procedure, which is typically completed within 20 minutes in a physician's office, requires no anesthesia and no post-operative care. There is also no recovery period and no downtime, offering patients convenience and allowing them to resume their normal activities immediately. In August 2000, NLite was approved for periocular wrinkle reduction. This recent FDA ruling allows physicians to use NLite for the treatment of wrinkles in general.

In addition to NLite, ICN recently announced its intent to acquire substantially all of the assets of **CoolTouch Inc.**, a pioneer in the development of non-invasive laser systems for wrinkle reduction and hair reduction. With both platforms owned by ICN, the company has emerged as a leader in developing and marketing advanced non-ablative laser

technology, cosmeceuticals and pharmaceutical therapies to help doctors meet the consumer demand for healthier and younger-looking skin.

According to the *American Society of Aesthetic Plastic Surgery*, as many as 5,000 non-invasive wrinkle-reduction systems may be placed in the United States within the next three to five years, generating as many as 1.5 million procedures annually and creating a potential $1.2 billion market for physicians.

MEDICAL/SURGICAL LASER UPDATE -- March 2002

2/26 **BIOLASE Technology, Inc.** announced that it had obtained the first ever clearance from the FDA for laser cutting, shaving, contouring and resection of oral osseous tissues (bone). Jeffrey Jones, BIOLASE CEO and president, commented, "This additional new bone clearance further expands the marketable, multiple uses of the Waterlase, making it even more profitable and appealing for dentists to purchase the system. It gives general dentists the ability to easily do procedures they would either normally refer out to specialists, or ignore, resulting in tens of thousands of dollars of incremental revenue for their practices. As an example, the majority of dentists can perform at least two bone cases per week at fees of $500 to $750 per procedure, growing their annual revenue by $50,000 to $75,000 on an investment of $1,000 per month. With 120,000 general dentists and 30,000 specialists in the U.S., the market for these new advanced procedures is very significant."

2/27 **Diomed, Inc.** announced it had released the first FDA-cleared, combined laser system that treats vascular lesions (including spider veins) and varicose veins. Diomed announced earlier this year it had gained FDA clearance to market EVLT (EndoVenous Laser Treatment), the first minimally-invasive, laser-based varicose vein treatment available in the U.S. that effectively and safely eliminates varicose veins without hospitalization, general anesthesia, or the risks associated with open surgical procedures. Having also gained FDA clearance for the D15plus and D30plus laser systems and handpieces, the company is now the first to offer one versatile laser system that can be used for multiple vascular applications -- EVLT and the treatment of spider veins. "This is important news for practitioners offering vascular treatments, and for their patients," commented Steven Zimmet, MD, Officer of the American College of Phlebology. "A single laser system that can be used for both varicose and spider vein treatments should make the procedures more accessible to more patients."

Wade Fox, Diomed vice-president of Sales and Marketing said, "With EVLT, we were the first to offer a laser-based minimally-invasive treatment to eliminate varicose veins. Now we're pleased to be the first to offer a laser system that can be used both for EVLT and for vascular lesions."

2/28 **Palomar Medical Technologies Inc.** announced that the Palomar SLP1000 Diode Laser System was cleared by the FDA for treatment of Pseudofolliculitis Barbae (PFB). The system has already been cleared for permanent hair reduction and treatment of vascular

lesions. Patients who suffer from ingrown hair on the face or neck as a result of shaving or plucking now have a new, highly effective treatment option. Pseudofolliculitis barbae is a common skin disorder that occurs primarily in African Americans, with over 50% incidence within this population, and other persons with thick, curly hair. The problem occurs when shaved hairs grow back under the skin, producing inflammation, irritation and, occasionally, keloidal scars. Men and women with PFB often refrain from shaving in order to reduce the severity of their condition. Topical steroids, antibiotics, and exfoliating agents may reduce the severity as well, but their benefits tend to be short-lived. The Palomar SLP1000 system, however, provides sustained relief by reducing and thinning the hair. The SLP1000 system uses a super-long pulsewidth and pre-, parallel, and post-contact cooling to provide safe and effective treatments on all skin types; hence, the laser can be especially helpful for dark-skinned patients.

Oscar Saffold, MD, of Cleveland, OH, commented, "I've been using the Palomar SLP1000 laser system for hair removal and treatment of PFB for over a year. It is clear to me that for people with dark skin (skin type V-VI) this system is safe and effective. I have treated over 150 patients with remarkable results; patients demonstrate 95% hair reduction and clearance of PFB nine-months after the last treatment."

The Palomar SLP1000 system, the recently introduced Palomar EsteLux light-based system for hair, pigmented lesion and vascular lesion removal and the Palomar Q-YAG 5 laser system for tattoo and pigmented lesion removal were demonstrated this week at the *American Academy of Dermatology (AAD)* meeting.

2/28 **Virilitec Industries, Inc.** announced that it had signed a letter of intent with New York-based **Power Medics, Inc.** wherein Power Medics will develop a Laser Photonics device for Virilitec. With this new development, Virilitec plans to compete with **PhotoMedex**. The device, which is expected to be less than 5 lbs. and will cost considerably less than other treatment devices offered on the market. The device will use a combination of Gem Infrared, colored therapy, acupuncture and laser to treat psoriasis. Laser treatment is quickly becoming a favorable alternative to older treatments such as topical creams and ointments and Ultraviolet B (UVB) phototherapy, which exposed the patient's entire body to harmful ultraviolet radiation, for some types of psoriasis. This new wave of treatment has proven to be considerably more convenient and less harmful than conventional phototherapy.

"Virilitec is excited about the possibility of entering the psoriasis laser treatment market," stated Bella Roth, president of Virilitec. "Power Medics has shown that it has the capabilities to produce the kind of device we are looking for. If we are able to work out the details, we hope to have a revolutionary new device ready for submission to the FDA in the not too distant future. Despite utilizing a number of different treatment methods -- Gem Infrared, colored therapy, acupuncture and laser, this planned device should still cost considerably less than the one market leader, PhotoMedex, currently offers."

2/28 **CardioGenesis Corporation** announced that new data from a prominent clinical trial of PMR demonstrates that patients continue to experience significant relief from angina, a severe and often crippling chest pain associated with cardiovascular disease, through one year following treatment with the minimally invasive cardiac procedure. The 12-month follow-up data from the completed BELIEF (Blinded Evaluation of Laser PMR Intervention Electively for Angina Pectoris) trial showed by independent assessment that patients who underwent PMR experienced a two-fold improvement in significant angina relief compared to patients who received a true sham procedure. The prospective, randomized, double-blind controlled trial was led by Jan Erik Nordrehaug, MD, Chair of the Department of Heart Disease at Haukeland University Hospital, Bergen, Norway. The strength of these results led Dr. Nordrehaug to conclude that the benefit of PMR is not a placebo, but an effective option for the thousands of patients who experience intense angina pain that is unresolved by medications and conventional therapies.

"The BELIEF trial was designed to isolate the placebo effect associated with the laser therapy. The BELIEF trial results not only support the efficacy of the PMR procedure but also, due to our use of a true-sham control group, addresses any concerns within the medical community that the benefit of PMR is explained by a placebo effect," Dr. Nordrehaug said. "I have no doubts that the PMR procedure, performed with the CardioGenesis system, is a safe and effective option for patients who have no alternatives for relieving debilitating angina pain."

To date, in three prospective randomized, controlled multi-center clinical trials, encompassing more than 600 patients, the CardioGenesis PMR procedure has demonstrated significant clinical benefit. "The consistency of the data in these studies underscores our contention that PMR is one of the most important innovations in cardiology today," said chairman and CEO Michael Quinn. "The overwhelmingly positive feedback we have received from the cardiology community and the patients themselves renews our faith and belief in this procedure. The bottom line is that PMR works. These studies again show that PMR relieves what has been described as debilitating pain. We are committed to working with the FDA to win approval for this procedure and we hope to be able to offer it to patients in this country in the very near future."

2/28 **Lumenis Ltd.** announced financial results for the three- and twelve-month periods ended December 31, 2001. Revenues for the fourth quarter were $100.8 million, a 7.3% increase over revenues for the combined businesses of **ESC** and **Coherent Medical Group** in the fourth quarter 2000. This includes $1.1 million in sales of **HGM** products. Lumenis revenues for the full year, which incorporate results from the Coherent businesses since the April 30 closing, were $315.2 million. The combined businesses for the entire year produced revenues of $376.5 million which is a 2% increase over revenues for the businesses on a combined basis during 2000.

The company reported a fourth quarter net loss of $3.9 million (11 cents per share) compared to net income of $5.7 million (20 cents per share) in the fourth quarter last

year. For the full year, the company reported a net loss of $145.9 million ($4.52 per share) compared to 2000 net income of $17.3 million (61 cents per share). Had the various charges and gains cited below been excluded from the results on a GAAP basis, the company's fully diluted EPS for the fourth quarter would have been $0.38.

Commenting on the results Yascha Sutton said, "About 300 of 1,400 employees turned over in the space of 8 months, seven facilities were closed, close to $35 million in costs eliminated, dozens of products rationalized and Lumenis still managed to grow through a period of economic recession. I am proud of the results."

Fourth quarter results include the following charges and gains:

One time charges:

-- $1.5 million for amortization of goodwill related to the Coherent acquisition
-- $1.2 million amortization of in-process R&D related to the HGM acquisition
-- $1.6 million for write downs of inventory from duplicative products from the HGM acquisition
-- $5.5 million for personnel costs related to the Coherent acquisition and management reorganization
-- $2.4 million for other integration related expenses and the OpusDent reorganization
-- $3.3 million for discontinued business activities as part of its Coherent integration efforts

One time Gains:

-- $7.0 million for reversal of legal accruals reflecting terms of resolved litigation, net of insurance
-- $3.8 million for reversal of a provision for receivables from discontinued distributors related to the Coherent acquisition. Such receivables were either actually collected or their profile changed.

In addition the company incurred the following charges in Q4:

-- $7.1 million for amortization of technology from Coherent
-- $0.7 million for amortization of intangibles- bank financing
-- $1.7 million for bad debt provision, primarily Argentina
-- $2.6 million for company share in losses of affiliates
-- $1.3 million for exchange rate adjustments
-- $0.8 million for tax matters dating back to 1995.

Important operational highlights and key milestones achieved during the year included:

-- Acquisition and integration of Coherent Medical Group, which doubled the company's revenues and resulted in greater than expected operational synergies

-- Introduction of a range of new products across all business units
-- New strategic distribution alliances with **Boston Scientific**, **Karl Storz** and **Patterson Dental**
-- Acquisition of HGM, which strengthened our ophthalmic product offerings

2/28 **Trimedyne Inc.** announced it had filed claims against **Lumenis Inc.** in the United States District Court for the Central District of California in Los Angeles, alleging Lumenis violated the Sherman Antitrust Act, the Clayton Antitrust Act, the Robinson-Patman Act and the California Business and Professions Code, as well as claims alleging infringement of two of Trimedyne's U.S. Patents, trade libel, intentional interference with prospective economic advantage and unjust enrichment by Lumenis. Trimedyne is seeking damages, as well as exemplary and punitive damages, along with attorneys fees and costs.

Marvin Loeb, chairman of Trimedyne, said, "We hope other laser manufacturers that compete with Lumenis will join with us in a petition to the Federal Trade Commission to take action against Lumenis' alleged unfair business practices. Lumenis is the Goliath of the medical laser business. According to published reports, Lumenis had revenues of $478 million and a net profit of $35 million for the year ended September 29, 2001, while Trimedyne had revenues of only $7.5 million and a loss of $4.5 million, excluding charges and adjustments, for the same year. We believe virtually all of the laser manufacturers that compete with Lumenis in the United States operated at a loss in their most recent fiscal year, none had revenues greater than about 15% of Lumenis' sales and the combined sales of all of Lumenis' competitors in the U.S. are dwarfed by Lumenis' revenues."

In January 2002, Lumenis filed a lawsuit against Trimedyne alleging infringement of two of Lumenis' patents, which Trimedyne believes is completely without merit. As a result, Trimedyne filed the above counterclaims against Lumenis.

3/1 **PhotoMedex, Inc.** announced that the proposal to the CPT Editorial Board for a CPT code for reimbursement of the XTRAC laser therapy had been approved. Recognizing the growing importance of laser therapies in the treatment of psoriasis and other inflammatory skin diseases, the *American Academy of Dermatology* asked the *American Medical Association's* CPT Editorial Board to issue multiple codes specific to these treatments. At its February 8-10 meeting, the CPT Editorial Board agreed to grant the Academy's request. The new codes will become effective on January 1, 2003, and will facilitate tracking and billing for these services. The next step is for the CPT Editorial Board to forward these codes to the Relative Value Update Committee (RUC) to ascribe economic values to each of these codes. The specific CPT numbers and descriptors will be issued by the American Medical Association later this year.

Jeff O'Donnell, president and CEO commented, "We are pleased that the CPT Editorial Board has recognized the efficacy of our treatment in the management of inflammatory skin diseases (Psoriasis). This is a very significant factor in the establishment of the

XTRAC as the standard of care for psoriasis. This approval paves the way towards widespread healthcare insurance reimbursement and overcomes last year's major obstacle in the company's growth plan. The XTRAC for psoriasis is a far superior therapy compared to all existing therapies; including the new but painful alternative pulsed dye laser approach which focuses on using heat to ablate the capillary micro vessels below the plaque, resulting in frequent bruising necessitating long intervals between individual treatments. Furthermore, we believe the XTRAC laser can deliver focused 308 nm wavelength at a higher power than non-laser or lamp alternatives thereby allowing for fewer patient treatments, delivered in less treatment time, without exposing the skin to UVB spanning broader wavelengths. We are pleased that we have several published clinical studies validating the clinical efficacy and safety of the XTRAC."

3/1 On Oscar night this year, the celebrities taking the stage at the Shrine Auditorium (actually, the new Kodak Auditorium) will all have something to smile about -- win or lose. **BriteSmile** announced that a certificate for a complimentary BriteSmile teeth whitening procedure had been selected by the *Academy of Motion Picture Arts and Sciences* for inclusion in the presenters and performers gift baskets for the 74th Annual Academy Awards. "BriteSmile has quickly risen to prominence as the teeth whitening procedure of choice among celebrities -- and hundreds of thousands of everyday Americans who are looking for a quick, easy and effective way to brighten their smiles," said Derek Correia, executive vice president of Worldwide Marketing. "At BriteSmile, we believe that you shouldn't have to be a celebrity to be pampered like a star, and a one-hour visit to one of BriteSmile's thousands of dentists is enough to give anyone an award-winning smile. Oscar presenters and performers receiving certificates may redeem them for a complementary procedure at any of BriteSmile's 14 Professional Teeth Whitening Spas, located in some of the finest shopping districts in the country -- including Wilshire Boulevard in Beverly Hills, 57th Street in Manhattan and the Magnificent Mile in Chicago. The BriteSmile procedure is also offered through a network of more than 4,000 individual dentist offices around the world."

3/5 **Palomar Medical Technologies Inc.** announced that a new hand piece for the Palomar EsteLux light-based system was shown for the first time at the *American Academy of Dermatology (AAD)* meeting. The company presented the LUX R red light filtered hand piece, used for hair removal on all skin types, including tanned skin, along with its other recently introduced EsteLux system hand pieces; the LUX Y yellow light filtered hand piece for removal of hair and pigmented lesions on lighter skin types; and the LUX G green light filtered hand piece for vascular lesion treatments. The LUX R red light filtered hand piece expands the EsteLux's treatment capabilities greatly. The Palomar EsteLux light-based system can now be used even more effectively for removing hair on all skin types, as well as for vascular and pigmented lesion treatments. With a unique combination of optics and energy levels, the new LUX R hand piece selectively targets melanin in the hair follicle. Now, with the addition of the LUX R hand piece, the EsteLux system is the most versatile and economic cosmetic device on the market.

Chairman and CEO, Dan Valente, commented, "The Palomar EsteLux system joins a long tradition of excellence in research and development. This low cost platform adds another dimension to Palomar and will continue to expand into additional cosmetic applications. The EsteLux system is a low price hair removal workhorse with a fast treatment mode. The combination is perfect for physician practices and has the potential to expand the market for hair removal. The extensive benefits of the EsteLux system will provide additional revenue streams with good margins due to the thriftiness of the instrument and ease of operation to aesthetic practices. Our extensive research programs are coming to fruition as we introduce a series of new products during the year 2002. We have added and continue to add trained sales personnel and distributors, giving Palomar access to world markets."

3/6 **PhotoMedex, Inc.** provided information on the results of the company's participation at the 60th annual *American Academy of Dermatology Conference* held in New Orleans. The XTRAC(TM) was an integral part of 7 featured presentations including:

Mark Lebwohl, MD, Professor and Chairman of the Department of Dermatology, and Dr. James Spencer, vice-chairman, Director of Surgical Services at the Mount Sinai School of Medicine in New York City, spoke at a symposium entitled the "Therapeutic Hotline," covering topics involving "new and emerging medical therapeutic options for common dermatological diseases" and "better understanding the newest and most effective therapies in dermatology directly applicable to a dermatologist's daily practice."

Roy Geronemus, MD, Clinical Associate Professor of Dermatology, NYU Medical Center and Director of the Laser & Skin Surgery Center of New York spoke on "Skin Resurfacing: Complications, Prevention, Management, and Treatment."

Suhail Hadi, MD, Assistant Professor, Department of Dermatology at the Mount Sinai School of Medicine spoke on "the Use of Excimer Laser for Treatment of Vitiligo and Psoriasis" covering issues involving "use of the modality, patient selection, and how the laser can be used for difficult cases."

Steve Feldman, MD, Associate Professor of Dermatology and Pathology, and Director, Psoriasis Treatment Center, Wake Forest University School of Medicine, in his symposium titled "Review of Dermatology: A Primer for Recertification" provided an update on psoriasis.

Christine Dierickx, MD, of the Eurolase Clinic in Boom, Belgium participated in a symposium entitled "Lasers" in which she spoke on "Laser Treatment for Psoriasis."

Dr. Melanie Grossman, Assistant Attending in Dermatology, Columbia University, Presbyterian Hospital in New York, in her speech on "New and Emerging Therapies" cited the increased importance of emerging technologies in lasers.

Jeff O'Donnell, president and CEO commented, "It is very exciting to see the level of acceptance in the medical community for the XTRAC therapy. The many distinguished key opinion leaders speaking in front of one of the largest gathering of their peers about the benefits and clinical efficacy of our laser system, combined with the substantial progress we have recently made on the reimbursement front, gives us confidence that the XTRAC will be the standard of care in treating psoriasis and other inflammatory skin disorders. We are pleased at the recent approval by the CPT Editorial Board for the granting of multiple CPT codes for laser treatment of inflammatory skin diseases (psoriasis). This approval, together with the recently published Comparative Study and the recently accepted Follow-Up Study, should have a persuasive impact on rapidly expanding the core group of the approximately 50 health care insurance providers who are paying claims for XTRAC in over 20 states."

3/6 **Surgical Laser Technologies, Inc.** announced its financial results for the fourth quarter and year 2001. Net sales were $2.3 million for the fourth quarter of 2001 compared to $2.6 million for the fourth quarter of 2000. The net loss for the quarter was $409,000, (18 cents per share) compared to net income in the fourth quarter of 2000 of $51,000, (2 cents per share). Net sales were $10.0 million for the year compared to net sales of $8.9 million for the year 2000. The net loss for the year was $586,000 (25 cents per share) compared to net income of $241,000 (11 cents per share) in the prior year. The year 2000 results included only seven months of the results of **Surgical Innovations & Services, Inc.**, the company's wholly owned subsidiary acquired in June 2000.

Commenting on the results, Michael Stewart, SLT's president and CEO, stated, "A combination of factors contributed to the lower sales experienced in the fourth quarter. Laser sales, delivery systems sales and contract services were all below our expectations for the quarter. We are continuing to invest in the expansion of our contract services offerings and although the revenue generation in this area was less than had been anticipated for the quarter, contract services revenues have increased in the year to now represent nearly 40% of total revenues. While we were not pleased with the fourth quarter results, we are confident in our strategy. Hospitals' acceptance of the contract services approach, coupled with the benefits that we can provide to that approach through partial vertical integration, we believe, will lead to a much stronger company as we move forward. We are looking forward to continuing our geographic expansion of contract services in 2002, and in addition, to the opportunities that we believe will result from the continued acceptance of our recently introduced holmium laser system."

3/14 **Edwards Lifesciences Corporation** said it would host two educational symposia focusing on new methods for treating angina, or heart pain, unresponsive to conventional therapy in advance of *ACC '02*, the *American College of Cardiology's* Annual Scientific Session being held in Atlanta. The programs were designed to create awareness and foster discussion among clinicians and hospital administrators about current and future approaches to angina, which, according to the *American Heart Association*, affects an estimated 6.3 million Americans. On Friday, March 15, the symposium titled "Expand Your Cardiac Program and Better Understand the Economic Aspects of New Surgical

Technology - CO_2 Laser Revascularization" will be held. The program will include presentations by Dr. Anthony Furnary of the Starr Wood Cardiac Surgery Group, P.C., and Oregon Health Sciences University in Portland; Carol Edwards of St. Luke's Episcopal Health System, Houston; and Mary Barker of Edwards Lifesciences. On Saturday, March 16, the symposium titled "Angina Unresponsive to Conventional Therapy" will be held. Presenters will include Dr. Joseph Parrillo of the Cooper Heart/University Medical Center, Robert Wood Johnson Medical School at Camden, N.J.; Dr. Richard Weisel of the University of Toronto; Dr. Arthur Feldman of the University of Pittsburgh Medical Center; Dr. Gary Schaer of Rush Medical Center, Rush University, Chicago; and Furnary.

3/15 **Bauman Medical Group** (Boca Raton, FL) is offering area residents the very latest technique in hair loss prevention and restoration. This new modality is a low-level laser therapy that helps save or restore hair. It is a safe, quick, non-invasive, non-chemical treatment that can potentially halt hair loss, and enhance the medical and surgical hair restoration treatments that Bauman Medical Group also provides. Currently, the therapy is FDA approved for cosmetic use (?) and there are no side effects. (I have questioned this and am awaiting a response from Dr. Bauman. I have also requested information on the manufacturer of the device.) Dr. Alan Bauman is the first hair restoration surgeon in the United States to offer this revolutionary modality, which has been used extensively in Europe, Australia, and the Far East. He is founder and medical director of the Bauman Medical Group, a Boca Raton-based practice which specializes in state-of-the-art hair restoration for men and women. Dr. Bauman emphasizes that the low-level laser treatment is not a miracle cure nor is it for everyone. "We carefully evaluate the hair loss situation of each patient to determine if the treatment may be beneficial. We also monitor the patient's progress throughout the treatment."

Among those who may benefit from the low-level laser treatment include men or women who are:

- Experiencing hereditary (genetic) male or female pattern hair loss.
- Expecting to be affected by male or female pattern hair loss.
- Using prescription (Propecia) or non-prescription medication (such as Rogaine) as hair loss treatments.
- Experiencing medication-associated hair loss from chemotherapy or other treatments.
- Experiencing illness-related hair loss or scalp problems.

It is also effective with women who are experiencing or expect to experience post-partum hair loss. "The treatments are especially helpful in enhancing post operative healing, stimulating growth of hair follicles, and increasing circulation to the scalp," says Dr. Bauman. Treatments are offered at the Bauman Medical Group headquarters in Boca Raton. The low-level laser treatment is provided with what appears much like an old-fashioned hair dryer hood that fits over the head. It rotates and saturates the hair and scalp with red laser light. "It's a visible light wave," says Dr. Bauman. "And unlike ultra-violet rays, it's not mutagenic (cancer-causing)."

3/18 **DUSA Pharmaceuticals, Inc.** reported its Q4 and full year 2001 audited financial results; as well as an update on the presence of Levulan Photodynamic Therapy at the recent *American Academy of Dermatology* Annual Meeting in New Orleans.

The net loss for 2001 was $7.4 million (53 cents per share) compared to $6.5 million (49 cents per share) in 2000. Research and development costs increased to $10.8 million in 2001 from $8.2 million in 2000. This reflects DUSA's expanded research and development efforts in both dermatology (in partnership with **Schering AG**, Germany, our world-wide dermatology partner, excluding Canada), and in our internal indication development programs. The latter included higher spending on the Barrett's esophagus dysplasia studies than projected, as patient accrual proceeded more quickly than originally anticipated. R&D spending comprised approximately 65% and 69% of total expenses in 2001 and 2000, respectively.

At the recent AAD Annual Meeting in New Orleans, Levulan Photodynamic Therapy (PDT) had a strong presence. At the technical exhibits, **Berlex Laboratories Inc.**, a U.S. affiliate of Schering AG, Germany, had an impressive booth focussed primarily on Levulan PDT. The Berlex representatives were busy throughout the meeting, as dermatologists learned about the use of the Levulan, Kerastick, and the BLU-U in the treatment of non-hyperkeratotic actinic keratoses (AKs) of the face and scalp. The Berlex representatives were also able to review with physicians the new national reimbursement codes to be used with the therapy. In the scientific sessions, there were a number of lectures and presentations on Levulan PDT in dermatology, including its use in the treatment of AKs, as well as potential future uses. There were also 8 poster presentations related to Levulan PDT made at the AAD.

Dr. Geoffrey Shulman, DUSA's president and CEO, stated, "Overall, we were very pleased with the degree of interest shown in Levulan PDT at this meeting, and the many presentations and posters discussing current and potential future uses for our therapy. As previously stated, DUSA expects to see increased end-user sales in 2002, primarily during the second half of the year, as insurance carriers adopt the new national reimbursement codes, doctors become more comfortable with the therapy, and more light units are placed in offices."

3/18 **Photogen Technologies, Inc.** announced today that an animal study with its lead compound PH-50 has yielded encouraging results that may have a significant impact on the early diagnosis and treatment of atherosclerotic plaque in patients. White New Zealand rabbits were exposed to a high cholesterol diet to promote growth of vascular plaques. Several doses of PH-50 were then administered by intravenous application. Computed tomography (CT) scans were taken at multiple time points post administration and histology samples were taken from the plaque areas in order to confirm test results. Nanoparticulate material observed by light microscopy in the atherosclerotic plaques of the heart was consistent with the infused test material. "Vulnerable plaque in coronary artery disease plays an important role in the development of heart attacks," said Taffy Williams, president and CEO at Photogen. "Thus far, it has not been possible to detect

the formation of soft plaque using CT technology. The uptake of PH-50 in soft plaque tissue, as demonstrated in the recent animal study, is an important first step in developing CT imaging techniques that may lead to early diagnosis of plaque formation in patients who have not yet developed the clinical symptoms of coronary artery disease." "The deposition of nanoparticulate in the plaque area is an important finding and supports the hypothesis of an affinity of PH-50 to vascular plaque," said Reinhard Koenig, MD sr. vice president Medical and Regulatory Affairs at Photogen. "We intend to conduct further studies to investigate this effect and to evaluate its utility in diagnosing vulnerable plaque in patients using standard CT technology."

3/19 An announcement from Michael Moretti of **Medical Insite** stated that **Premier Laser Systems** was auctioning off its assets as part of a bankruptcy process. The auction includes an expansive inventory of: lasers; parts; delivery devices; intellectual property; and FDA clearances. Applications for these devices and patents include: dental, surgical, veterinary, and aesthetics. Premier also has more than fifty 510(k) clearances, and more than 100 issued and pending patents. "After reviewing this inventory package, I believe that it contains significant value and opportunity for our industry," said Moretti, president of Medical Insight, Inc., and editor of the industry trade report *Medical Laser Insight*. "Aside from the laser and parts inventory, the intellectual property and regulatory clearances may offer strategic advantages to many companies in our industry. In addition, Premier management has advised me that they are open to strategic discussions regarding licensing of the intellectual property in their portfolio." A sealed bid sale is currently underway, and the deadline for sealed bids is April 26, 2002. To place a bid, or for further details, contact: Mike Walters at **Tranzon Walters** via phone at: 714 508 9211 or email: **mwalters@tranzon.com**.

3/19 **Pharmacyclics, Inc.** announced that researchers presented preclinical and Phase I data that indicate the potential utility of photoangioplasty with Antrin (motexafin lutetium) Injection, in helping to eliminate some of the underlying causes of atherosclerosis. The data was presented at the 51st Annual Scientific Sessions of the *American College of Cardiology*. Two presentations of preclinical data made here this week demonstrated that Antrin photoangioplasty (PA) caused elimination of macrophages through apoptosis, i.e., cell death. The first study, presented by Dr. Motoya Hayase of Stanford University, showed that local delivery of Antrin PA caused reduction of macrophages and atheroma burden in an in vivo animal model. The other, presented by Dr. Krishnankutty Sudhir of Pharmacyclics, showed that Antrin PA caused apoptosis of macrophages and coronary smooth muscle cells in vitro in human coronary artery cells.

"Together these two papers provide more evidence that macrophages and inflammatory cells are affected by treatment with Antrin PA, findings that are consistent with previous studies," said Daniel Adelman, MD, senior director of clinical research at Pharmacyclics. "Because it is increasingly believed that inflammatory cells play an important role in the development of atherosclerosis, we believe Antrin PA, which has so far been shown to be feasible and well tolerated in Phase I studies, could be a particularly valuable treatment option. We look forward to announcing initial data from our Phase II clinical

trial of Antrin PA in peripheral artery disease and final data from our Phase I clinical trial in coronary artery disease in the second half of this year."

Another paper analyzed data from a Phase I study that further demonstrated the safety and feasibility of Antrin PA in coronary artery disease. Jeffrey Popma, MD, of Brigham and Women's Hospital and colleagues concluded that treatment with Antrin PA in patients undergoing stent implantation did not result in deleterious lumen changes at the edge of the treatment zone (`edge effect'). Restenosis was primarily located within the axial stent length and indicated an early dose and light response in its effect on restenosis. Further analysis of the potential effects of Antrin PA on the lighted but uninjured atherosclerotic regions is ongoing.

3/19 **BIOLASE Technology, Inc.** announced that it had been granted a patent with broad claims related to the delivery of whitening agents (focusing on tooth whitening) in the form of atomized fluid particles adapted to work in conjunction with a medical device. The patent has 40 claims, of which 6 are independent and is a continuation of a previous BIOLASE patent, known as the Fluid Conditioning System. The recently granted patent provides broad coverage for new Fluid Conditioning devices, with applications in cosmetic as well as surgical and therapeutic procedures. The patented technology is applicable to medical or dental devices including lasers, and the main purpose is to complement these areas by applying various fluids to the treatment or surgical site in between or during procedures. The types of fluid covered in this patent are very broad, and include whitening agents, medications, anesthetics, antiseptics, flavors and/or scents. BIOLASE is considering options to commercialize this patent including implementing it with their Waterlase technology and/or licensing agreements with other companies.

In addition to claims related to devices for implementing tooth-whitening procedures, the patent also includes very broad claims related to the use of antiseptic, medicated and flavored fluids. Particularly, the patent has claims related to a device that gives flexibility to the physician in switching from a first modality where, for example, an antiseptic fluid is applied to the tissue site, to a second modality where, for example, a medicated fluid is applied to the tissue site.

BIOLASE also announced it has applied to NASDAQ for listing on the NASDAQ National Market. Management believes, with the advice of counsel, that it has more than met the requirements for listing on the NASDAQ National Market; correspondingly the application has been submitted. Normally this process takes between 4-6 weeks.

3/19 **Diomed, Inc.** announced that **Massachusetts General Hospital (MGH)** plans to offer Diomed's EVLT (Endovenous Laser Treatment) for the safe and effective elimination of varicose veins by the end of this month. This minimally-invasive procedure takes less than one hour, requires only local anesthesia, offers a rapid recovery and return to normal activities, and results in no scarring. "Varicose veins are a very common medical problem, occurring in one-tenth to one-fourth of the general population," said Chieh-Min Fan, MD, a vascular radiologist at Massachusetts General Hospital. "The Division of

Vascular Radiology at MGH is very pleased to be able to offer an effective new treatment for varicose veins to patients in the Boston area. The success rate from this procedure has been outstanding, and we believe this is an exciting and potentially very beneficial treatment for patients with varicose veins."

The EVLT technique closes the greater saphenous vein. This main vein runs the length of the inner leg. If its valves malfunction, this results in the creation of varicosities. Closure of this vein allows the branch veins that have become twisted and varicose to shrink and lose their unsightly appearance. "We are very pleased to have the opportunity to work with an institution such as Massachusetts General Hospital," commented Wade Fox, Diomed's vice president of Global Sales and Marketing. "This greatly expands varicose vein treatment options for MGH's patients."

3/19 According to *Dow Jones*, **Laserscope** expects sales, as well as sales expenses, to climb this year, according to a 10K filing with the Securities and Exchange Commission. The maker of surgical and cosmetic lasers said sales should climb on the back of its new Niagara laser for treating benign prostatic hyperplasia, or enlarged prostate, which Laserscope began shipping in January. Sales of lower-priced aesthetic lasers for physician offices will increase moderately as well. However, Laserscope said that its selling, general and administrative expenses also will rise in 2002 as the company invests in educational support and marketing programs for the Niagara and other lasers. Laserscope's selling, general and administrative expenses climbed 8% in 2001 and the company said a similar increase is likely in 2002. Laserscope's capital spending in 2002 will be around $1.1 million, or about the same as 2001. The company's capital spending climbed to $1.1 million from about $400,000 in 2000 as the company purchased computer systems and made leasehold improvements. The company's gross profit margin on both laser equipment sales and services for the products will remain about the same in 2002. Laserscope's gross margin on products was 53% in 2001, up from 50% in 2000, while gross margins on services fell to 30% for 2001 from 36% the prior year.

3/19 **BriteSmile, Inc.** announced that it had postponed its earnings conference call, originally scheduled for Wednesday, March 20, 2002, pending resolution of a routine review by the Securities and Exchange Commission (SEC) of the company's filings. In recent correspondence to the company, the SEC's Division of Corporation Finance inquired as to the policies of the company relating to equipment depreciation, and the timing of revenue recognition relating to the sale of the company's key-cards. The company and its auditor are working with the SEC to explain its long-standing and fully-disclosed policies regarding the areas of inquiry, and why any revision to previously filed financial statements is unnecessary and would be immaterial. Management, in consultation with counsel, is confident that its practices have been and remain in full compliance with all SEC requirements. The company is actively working with the SEC to quickly resolve open issues, and will reschedule its earnings conference call as soon as possible.

Four days later, on March 22nd, the management of BriteSmile announced that it had rescheduled its 4th Quarter and year-end 2001 results conference call for Wednesday,

March 27th. The Securities Exchange Commission inquiry that resulted in the original postponement of the call has been fully resolved and will not result in any material changes.

3/21 **Axcan Pharma Inc.** announced that it had filed a final prospectus with the United States Securities and Exchange Commission and with similar regulatory authorities in each of the Provinces of Canada, in relation to its offering in the United States and Canada, of 5 million common shares at a price of US$11.50 per share for gross proceeds of US$57.5 million. The offering is scheduled to close on March 26, 2002, and the underwriters are **J.P. Morgan Securities Inc.**, **Thomas Weisel Partners LLC**, **UBS Warburg LLC**, **National Bank Financial Inc.** and **SunTrust Capital Markets, Inc.** Proceeds received from this offering will be used by Axcan to pay the balance of the purchase price of the recently announced **Enteris** acquisition in France, with the remaining to be used for general corporate purposes, including the development of new products and future acquisitions of products and companies.

3/22 According to Michael Moretti of **Medical Insite**, over the past few years, laser and light-based devices have captured a significant share of the market for aesthetic treatments. Last year, for example, more than 5 million light-based hair removal treatments were performed worldwide and generated about $1.3 billion in fees. This growth occurred over just 5 years and has displaced many practitioners and manufacturers of conventional therapies. As more practitioners have offered laser treatment, costs have decreased, thus stimulating higher treatment volumes.

A similar phenomenon is poised to occur in the disease treatment markets for acne, psoriasis and actinic keratoses. The same laser manufacturers who successfully penetrated aesthetic markets have now begun launching devices that address these dermatological markets. Because the new devices offer significant benefits over existing therapies -- particularly prescription medications -- they are likely to gain rapid acceptance.

ACNE TREATMENT is a major market that has been dominated by pharmaceutical companies for many years. An estimated $4 billion each year is spent on prescription and over-the-counter medications that diminish or prevent acne breakouts. Both topical and oral, these drugs generally provide good acne clearance for most patients. However, they have several drawbacks including significant side effects and high cost.

Accutane, the most popular systemic acne medication with almost $700 million in annual sales, slows oil production in the skin thus prevents pores from becoming clogged. It is extremely effective for most patients, but has also been linked to a range of side effects from severe depression and birth defects to joint and muscle pains, temporary hair thinning, rashes, intestinal and urinary problems and headaches.

Other medications like antibiotics and a variety of topicals offer somewhat fewer complications. However, annoying side effects like excessively chapped and irritated

skin, gastric irritation and sunburn are not uncommon. Many patients build up resistance to particular medications and must vary treatment to maintain clearance. Because patients must continue treatment for 4 - 6 months or more, costs can become high. Accutane, for example, costs about $300 per month. Antibiotics cost about $30 - $120 per month. Many patients are advised to use several medications in combination, which can further increase expense.

Laser treatment for acne offers far fewer side effects and potentially lower cost. So far, 3 devices have been introduced -- the ClearLight from **Lumenis**, ClearTouch from **Radiancy** and PhotoGenica V-Star from **Cynosure**. All work similarly to antibiotics -- they destroy the p. acnes bacteria that multiply in clogged pores and cause inflammation. Developers cite clearance of 65% or more for the majority of patients. Side effects from all three treatments are limited to temporary localized skin pigmentation change, edema and erythema. Cost ranges from $500 - $2,000 for a full battery of treatments. About 350 systems are presently in use worldwide. By 2006, this should increase to more than 4,200 devices that generate almost $600 million per year in treatment revenues.

CONVENTIONAL PSORIASIS medications pose many of the same drawbacks as acne medications. They are expensive and cause a range of undesirable side effects. Nonetheless, each year 120 million patients worldwide purchase about $500 million worth of prescription medications to control their incurable condition. Another $2 - $3 billion is spent each year on doctor visits and physician-performed UVB therapy treatments.

The vast majority of the psoriasis drug market is controlled by topicals, particularly Calcipotriol formulations like **Bristol-Myers Squibb's** Dovonex. Corticosteriods, of which there are dozens of brands, are also used heavily. These can cause birth defects, growth of excess facial hair, skin irritation and a range of other effects. Oral medications, which account for about 20% of psoriasis medications, include Methotrexate, Acitretin and Cyclosporine. Their use has been increasing, as topicals can be messy and impractical for those with psoriasis rash on a large portion of their bodies. However, oral medications are also linked with potentially dangerous side effects including liver damage. At $100 - $200 per month, they are almost double the price of topicals.

Over the next 18 - 24 months, a dozen biotech drugs are likely to be cleared by the FDA. These pose far lower risk of side effects while offering excellent results. Within the next 5 years, they are expected to generate incremental sales of $1 billion.

Like medications, ultraviolet phototherapy has been used for many years to control psoriasis outbreaks. However, it is tedious. Anywhere from 60 to 80 twice-weekly treatments may be required. It has also been linked to increased risk of skin cancer.

Laser treatment for psoriasis offers quick clearance without these drawbacks. Four devices, all of which have been cleared for sale in the U.S., are available. These include the XTRAC from **PhotoMedex**, the EX-308 from **SurgiLight**, the PhotoGenica V from

Cynosure and the C-Beam from **Candela**. The first two target the psoriasis plaque, whereas the last two target the blood supply that feeds the plaque. Developers for all systems cite good results -- 75% or more clearance in a majority of patients after 4 - 6 treatments. Side effects are limited to temporary skin pigmentation changes, edema and erythema. Cost to the patient is in the $1,000 - $3,000 range, however an increasing number of insurers are covering the procedure. Presently, more than 800 systems are in place worldwide. By 2006, this is likely to grow to over 4,000 systems that generate almost $500 million per year in treatment fees.

ACTINIC KERATOSES, or pre-cancerous lesions, will develop on one out of six people at some point in their lives. The conventional method of treating these has been to surgically excise them. However, photodynamic therapy (PDT) is now being used to remove them. Approximately 18 months ago, PDT pioneer **DUSA Pharmaceuticals** received FDA clearance to use its Levulan photo-sensitizer in combination with a light source to treat actinic keratoses. As of December 31, 2001, 300 of these light sources were in place in physicians' offices worldwide. Three other developers, including **Galderma**, **Life Sciences** and **Miravant** are also working on similar therapies. This indicates a growing acceptance of new light-based technologies to treat skin conditions.

Medical Insight, Inc. will soon release an in-depth study on the "Market for Advanced Light-Based Dermatology Treatments" that focuses on this core group of the most common skin disorders including: acne, psoriasis and actinic keratosis. Preliminary research indicates that these three disorders alone combine to form an estimated $10 billion annual market on a global basis. To obtain a copy of Medical Insight's new Market for Advanced Light-Based Dermatology Treatments study, contact: Katie Davis at KDavis@MiiNews.com, or call (949) 830-5409.

3/25 **Diomed, Inc.** announced that Mayo Clinic of Jacksonville, Florida purchased one of Diomed's photodynamic therapy 630 nm lasers and related disposable fibers for the treatment of late-stage lung and esophageal cancers. PDT is a medical treatment for late-stage lung and esophageal cancers. PDT is based on the discovery that certain chemicals can kill one-celled organisms in the presence of light. Recent interest in photosensitizing drugs stems from research showing that some of these substances have a tendency to collect in cancer cells. PDT enables treatment to be targeted to a specific area where cancerous cells are present, thereby avoiding harm to healthy cells.

Diomed was the first diode laser manufacturer to receive FDA clearance for its laser's use in PDT cancer treatments. In August 2000, **Axcan Pharma, Inc.** and Diomed together received regulatory approval for Diomed's 630 nm laser and OPTIGUIDE fiber, and Axcan's PHOTOFRIN drug used in the cancer treatment for late-stage lung and esophageal cancers. In November 2000, Diomed entered into a five-year exclusive supply contract with Axcan for lasers. OPTIGUIDE fibers are promoted, sold and distributed via **FibersDirect.com.**, a business unit formed and operated by Diomed.

3/24 A web site called *securitiessleuth.com* published the following expose (?) on **Lumenis Ltd.** (In my opinion, this is all "old history" and has nothing to do with the recent SEC inquiry or the company's turnaround.)

The long and contentious history of Lumenis Ltd. has now reached a new level. On February 25th, the company announced "that it had received a request from the U.S. Securities and Exchange Commission to voluntarily provide certain documents and information for the period commencing January 1, 1998. The request primarily relates to the company's relationships with its distributors, and also asks for amplification of the company's explanation of certain previously disclosed charges and write-downs."

The company describes itself as one that "develops manufactures and markets state-of-the-art proprietary laser and intense pulsed light devices. Its systems are used in a variety of aesthetic, surgical, ophthalmic and dental applications."

To give you a bit of the company's history... Back in late 1998 and 1999, when it was named **ESC Medical Systems**, the company went through a period of absolute and almost incredible turmoil. At the end of 1998, they were hit by a wave of class action suits, alleging that "certain officers of ESC issued materially false and misleading statements about the growth and prospects of the company, including statements indicating that demand for ESC products was poised to expand in 1998 even though defendants were aware of facts to the contrary." These suits also alleged accounting irregularities and the selective release of inside information.

But the heat was yet to rise. Dissatisfaction with ESCMF's financial performance boiled over into a struggle for control of the company during the spring and early summer of 1999 - a struggle documented by a seemingly endless stream of press releases from all parties involved, including one headlined "ESC Responds to Misleading Press Release from Minority Shareholders". At one point, two different groups of stockholders had each scheduled "annual shareholder meetings" for the company, and in the middle of all this an old patent infringement suit also resurfaced.

After a long drawn-out struggle, management and the dissident shareholders reached a compromise agreement, held a combined annual stockholders meeting, elected a new CEO, and seemingly went on to try to pull ESCMF out of the hole that it had dug for itself. As one of the parties in the dispute told Reuters, "We could have gone on with this proxy fight for months, but I felt it we continued doing it we risked the existence of the company."

Subsequently, the company went on to acquire several other entities, producing rapid revenue growth and occasional quarters of profitability, disrupted by periodic acquisition-related writedowns.

The company has made it very clear that it is not aware of any problems that would prompt this request by the SEC, stating that "They are asking for information and we

decided to disclose the request despite the fact we are under no obligation to do so. Asking for information is not a designation of wrongdoing."

The Securities Sleuth plans to continue to monitor this situation and may publish a follow-up article.

3/26 According to *Dow Jones*, **Palomar Medical Technologies Inc.'s** auditor **Arthur Andersen LLP** said recurring operating losses raise substantial doubt about Palomar remaining a going concern. Andersen revealed its concern in its 2001 audit report included in Palomar's 10-K filing with the Securities and Exchange Commission. Palomar said previously that it began cost-reduction efforts in the fourth quarter to cut payroll by 20% this year, as well as lowering other expenses. The maker of cosmetic laser products said it closed a 4,000-square-foot research space in California when its lease expired. Palomar will focus on expanding distribution of its products used for hair, tattoo and birthmark removal. The filing said the company had $5.8 million in cash and cash equivalents at the end of 2001 and expects capital spending to total about $200,000 in 2002 for equipment, computers and machinery.

3/26 **CardioGenesis Corporation** announced results for its fourth quarter and year ended December 31, 2001. The company previously announced in mid-January that preliminary financial results for its 2001 fourth quarter did not meet internal expectations due in large part to a drop in laser sales resulting from unfavorable economic conditions, which negatively impacted capital equipment budgets of its prospect hospitals during the quarter and lengthened decision cycles. Even though worldwide revenues for the 2001 fourth quarter and year declined, when compared to the prior year periods, the company's net losses decreased 25% and 30%, for the quarter and year, respectively, due to improved operating efficiencies and reduced costs. Gross profit margins as a percentage of sales in 2001 increased to 63% in the fourth quarter and 59% for the full year, up from 48% and 55%, respectively, for the 2000 fourth quarter and full year. For the fourth quarter of 2001, revenues were $2.8 million, with a net loss of $2.4 million (7 cents per share), compared to revenues of $4.9 million and a net loss of $3.2 million (10 cents per share), for the prior year's fourth quarter.

Worldwide revenues for 2001 were $14.2 million, with a net loss of $10.2 million (31 cents per share) compared to revenues of $22.2 million, with a net loss of $14.6 million (48 cents per share) for 2000. The 2001 results include the effects of equity losses from the company's investee recognized in the first and second quarters and organizational restructuring charges taken in the second, third and fourth quarters of the year, both totaling approximately $2 million.

Chairman, president and CEO Michael Quinn, said, "The results for the fourth quarter and year were well below our expectations and we are all disappointed that we were unable to complete the turnaround of the company in 2001; however, I am very optimistic about the future and we remain committed to reaching our goal of becoming profitable and increasing shareholder value. Despite the temporary setbacks that occurred

in 2001, we have made excellent progress in a number of areas that should be key to our success going forward. During the past year, we have streamlined our workforce and reshaped our marketing and sales organizations, eliminated non-essential expenses and established strict cost controls, started outsourcing manufacturing and moved to our new lower-cost facility in Southern California. As a result of these and other changes, our total operating expenses for 2001 declined by 38% from 2000 levels, net of restructuring charges. At the same time, we increased our focus on making our TMR franchise profitable and stepped up our efforts to obtain FDA clearance of PMR. We are also encouraged by the revenue trend we are seeing in the first quarter of the current year and are pleased to report that we are working closely with the FDA in determining the requirements and establishing the procedures and timetables needed to accomplish our objective of obtaining clearance this year to market PMR in the U.S.

During the fourth quarter of 2001, the company shipped 5 lasers and worldwide disposable sales exceeded 800 units. For all of 2001, 48 lasers were shipped and worldwide disposable sales were 3,640 units. At the end of 2001, there were 413 sites using CardioGenesis lasers for myocardial revascularization, up 10% from the 377 sites at the end of 2000. The total number of surgeons trained as of December 31, 2001, had risen to 1,018, an increase of 19% from the 852 trained at the end of the prior year. The company believes its share of the laser-based cardiac revascularization market is approximately 75% and that it has now penetrated more than 50% of the top 200 cardiovascular institutions in the U.S.

3/26 **Axcan Pharma Inc.** announced that it had closed its previously announced offering with an underwriting syndicate comprised of **J.P. Morgan Securities Inc.**, **Thomas Weisel Partners LLC**, **UBS Warburg LLC**, **National Bank Financial Inc.** and **SunTrust Capital Markets, Inc.** At closing, Axcan issued 5.75 million shares, at a price of US$11.50 per share, for gross proceeds of US$66.1 million. Axcan intends to use the net proceeds of the offering to pay the balance of the purchase price of the recently announced **Enteris** acquisition in France, with the remaining to be used for general corporate purposes, including the development of new products and future acquisitions of products and companies.

3/27 **BriteSmile, Inc.** released record results for the year ended December 29, 2001. Net revenue for the full year 2001 was up 120% to $43.2 million compared with $19.7 million for the year ended 2000. For the full year 2001, 151,516 procedures were performed compared with 63,053 in the year 2000 -- a 140% increase year over year. The growth in procedures can largely be attributed to the growth in and strength of the Associated Center dentist network. In 2001, more than 75% of all procedures were performed in Associated Centers, each an individual dentist's office where the BriteSmile Professional Teeth Whitening System is available. The company had over 4,000 Associated Centers worldwide at year-end 2001, with almost all operational at year-end, compared to 1,155 operational Associated Centers at December 30, 2000. There were 652 Associated Centers operating in 28 countries outside of the U.S. market at year-end 2001 compared with 175 non-U.S. Associated Centers operating at the end of 2000.

Additionally, sales at BriteSmile's 14 company-owned Centers increased significantly over the previous year. On a same-store basis, Center revenue increased 21% for the full year 2001 compared to 2000.

For the year 2001, the company reported a net loss of $26.5 million (79 cents per share) compared with a net loss of $51.9 million ($2.14 per share) for 2000. The company also incurred $2.1 million in one-time charges relating to a Center which will not be opened. Immediately following the assessments of the effects of September 11th, the company's management responded with significant expense reductions -- $14 million on an annualized basis -- to offset the negative impact of the dip in the economy and consumer confidence. The company also scaled back its rollout of the Associated Center opportunity to additional dentists.

"Our revenues bottomed out in January and February. We have now seen a significant rebound in March 2002 revenues," said John Reed, CEO. "By reducing expenses and increasing efficiencies, we have significantly lowered our annual operating cost run-rate to approximately $45 million (excluding interest costs)." The company recently concluded a routine inquiry by the U.S. Securities and Exchange Commission regarding the timing of revenue recognition related to the sale of the company's key-cards and access codes to Associated Centers. Previously, the company had recognized revenues from Associated Centers when the non-refundable key cards were shipped or access codes delivered. The company will now reflect recognition of revenue from Associated Centers ratably over the estimated 30-day period in which Associated Centers perform whitening procedures after purchasing key cards or access codes. This new policy is reflected in the company's year-end 2001 results reported above, and in the prior year comparative numbers. Adoption of the 30-day recognition policy has no material effect on the company's operating results.

3/27 **Lumenis Ltd.** announced that it had executed a financing agreement with **Bank Hapoalim B.M.** to refinance its 6% convertible subordinated notes due September 1, 2002. The company also has a revolving credit line with Bank Hapoalim of $35 million until April 24, 2003. This financing arrangement finalizes the previous commitment announced in February 2002. The loan agreement provides for a four year $70.7 million loan, with a bullet maturity. As previously announced the loan is not convertible and does not involve any additional options, eliminating a potential 3.5 million-share conversion feature representing a potential 9% dilution. Total annual interest expense is estimated to be $12 million based on current LIBOR rates after the existing convertible notes are repaid. Any borrowings under the revolving credit agreement bear interest at LIBOR plus 1.0%. The company also announced that it has repurchased approximately $14 million of its convertible subordinated notes in 2002.

3/28 **American Medical Technologies, Inc.** reported that revenues during the year ended December 31, 2001 decreased 26% to $14.7 million compared to $19.9 million for 2000. The decrease in revenues was due largely to the termination of a distribution agreement with the company's Japanese distributor and the decrease in trade show attendance

subsequent to the September 11th terrorist attacks. Net loss for 2001 was $4.0 million (57 cents per share) compared to a net loss of $18.4 million ($2.53 per share) in 2000. Approximately $1.25 million of the net loss in 2001 related to non-cash charges including impairment of certain intangibles and increases in inventory reserves. The net loss for 2000 included non-recurring and non-cash charges of approximately $17 million related to goodwill impairment, obsolete and demonstration inventory, and deferred taxes.

"The loss of our Japanese distributor and the tragedy of the September 11th terrorist attacks made this a difficult year," said Ben Gallant, CEO and chairman. "Trade shows are very important to our business. After the 9/11 tragedy, some trade shows were canceled and those that didn't cancel had a much lower attendance. Only now are we starting to see the attendance at the trade shows return to normal. We are also currently in discussions with a potential new distributor for our products in Japan. I am excited about the future, especially with our new products. In September, we launched the Anthos System dental chairs and units. This is the industry's most advanced operative dental chair and instrument ensemble and the only one in the world with our five technologies built in. This revolutionary combination of supreme ergonomics and advanced instrumentation has captured significant attention from dentists coast to coast and inspired several editorials in trade publications. In the fourth quarter we introduced our new CaviLase hard tissue laser and the response has been strong. We currently have over $1 million in back orders. We have just commenced shipping the CaviLase."

3/28 **Paradigm-Trex** announced that the FDA had approved the DermaChiller 4 skin cooling device for use. The DermaChiller 4 is a convenient way to provide skin cooling for a variety of laser procedures in order to improve patient comfort and safety and to reduce side effects such as pigmentation changes.

3/28 **CardioFocus, Inc.**, a world leader in devices for the treatment of atrial fibrillation, announced that it had received FDA 510(k) clearance to market its diode laser for use in surgery. This laser is used by clinicians with the accompanying Optimaze surgical ablation handpiece, previously cleared by the FDA for use on cardiac tissue. Together, the laser and handpiece are used to create rapid and precise lesions in the heart during cardiac surgery. The Optimaze Surgical Ablation System will be marketed worldwide exclusively by **Edwards Lifesciences Corporation**.

Atrial fibrillation, the most common cardiac arrhythmia, is thought to affect some 2.5 million people in the United States alone and is common among patients undergoing valve replacement, repair or other cardiac surgery. In recent years, a surgical technique called the Maze procedure has been used to treat atrial fibrillation by creating lesions in a specific pattern in the heart using a time-consuming and highly invasive cutting and suturing approach. The Optimaze system creates lesions in the heart with a less-invasive and less time-consuming approach, employing a malleable laser tip that can be shaped by the surgeon to create precise lesions in virtually any configuration. These transmural (i.e., through the heart wall) lesions can be created in cardiac tissue in less than a minute. CardioFocus conducted extensive animal studies in support of its FDA submissions. In

one study, conducted at Columbia University under the direction of Drs. Mathew Williams and Mehmet Oz, the Optimaze system was used in typical surgical procedures and the results were confirmed after follow up by pacing and histology. The data, presented last May at the meeting of the *North American Society of Pacing and Electrophysiology*, showed that the Optimaze system created 100% transmural lesions 67 out of 67 times. Subsequent procedures have continued to confirm these results for a total of 100 applications with 100% transmurality.

"Most products in this area have received clearance for surgical use on soft tissue, but have not received specific clearance for cardiac tissue," stated Jeffrey Arnold, president and CEO of CardioFocus. "We felt it important to collect the extra acute and chronic data necessary to support this additional claim and at the same time to demonstrate the reliability of our approach."

4/1 **Diomed, Inc.** announced that it had begun to substantially expand its sales force in the U.S. in the second quarter of this year to supplement its current infrastructure of independent sales representatives (ISR's). Diomed plans to place direct sales representatives in key strategic markets across the U.S. "Diomed is experiencing significant interest in its endovenous laser treatment (EVLT) for varicose veins, since receiving FDA clearance in January 2002," commented Susan Campbell, Diomed's U.S./Canadian Sales Director. "Sales representatives are the company's key link to the marketplace, forging relationships with physicians, hospitals and private clinics. Strengthening our sales infrastructure plays an important role in communicating Diomed's EVLT message and value."

The following day, I received a faxed report on the company, put out by a firm called **Wall Street Watch**, covering a report issued by **Equity Securities Investments, Inc.** In that report, the equity research firm stated, "Forget the IPO -- Skyrocketing clinical solutions provider goes straight to AMEX with growing revenues and revolutionary treatment for cancers". The report goes on to say that Diomed is a rapidly growing medical device firm that already has a lock on a number of extremely lucrative segments of the medical marketplace. Its proprietary technologies are used in the treatment of cancer and varicose veins as well as other surgical applications. (As though it was the only firm that can make such claims!)

In cancer treatment, the report discusses the use of the laser and associated fibers used with Photofrin to treat certain cancers. (Along with several others, such as **Laserscope** and **Lumenis**, although the Diomed laser is much lower in selling price, and Diomed signed an exclusive co-marketing program with **Axcan**, the marketer of Photofrin shortly after Diomed's FDA approval for the laser in 2000.)

4/2 **El.En. S.p.A.** announced that it had signed an agreement to acquire a majority interest in **Cynosure, Inc.**, a world leader in medical laser manufacturing based in Chelmsford, Massachusetts, USA. The agreement involves the acquisition of 60% of the shares of Cynosure, for total investment of approximately $15 million, subject to adjustment. The

payment will be made in two tranches, the first upon closing, scheduled within the second quarter, for 80% of the transaction amount. The balance is due to be paid in twelve months, including an earn-out clause based on year 2002 revenues. An incentive plan will be provided to help retain Cynosure's current management and staff.

Cynosure's preliminary financial results for 2001 showed revenues over $23 million, gross margin of approximately $11 million (47.4%), and an operating loss of $ 2.4 million. Furthermore, the company had other losses of $3.7 million, of which $3.2 million was attributable to writing off deferred tax assets and an investment. The company has almost 130 employees, including those in its offices in France, Germany, U.K., Japan, China, Singapore and Spain. Cynosure was founded in 1991 by Dr. Horace Furumoto, a pioneer of the medical laser industry and founder of **Candela Corporation**, the second largest medical laser company today. Cynosure has grown as a result of the superior performance and quality of its products, especially dye lasers for dermatological applications and alexandrite lasers for hair removal.

El.En. will work with Cynosure's management team to coordinate its operations, with a view to optimizing joint production processes and research and development efforts, and exploiting worldwide distribution channels. Both companies project that growth in combined revenues will result from Cynosure's distribution of El.En.'s products in the U.S., as well as improved efficiency and synergy in research and production, where Cynosure will benefit from El.En.'s expertise in engineering medical laser systems. The product mix of the two companies is highly complementary because of the different types of laser systems produced by each company. The integration of El. En.'s and Cynosure's activities will not materially affect the operations of each company, while providing a strong impetus for growth through the increased mix of products and wider coverage of global markets. A newly constituted committee will coordinate the activities of the numerous international distributors. In the U.S., El.En. believes that distribution of its complementary products will expand Cynosure's market and increase its revenues.

Cynosure officially displayed El.En.'s long pulse Nd:YAG system, SmartEpil II, at the *AAD (American Academy of Dermatology)* conference held in New Orleans at the end of February. El.En.'s Chairman Gabriele Clementi commented, "We are happy for the acquisition of a highly valued and prestigious company and for the development opportunities that we are facing, particularly in the U.S. market. With this acquisition El.En. will rank among the most important groups in medical laser production and will enter in the most effective way the American market. We are enthusiastic about the opportunity of working together with one of the most skilled research teams in medical lasers, a cooperation that will allow further improvements in the ability to release innovative products to the market." Horace Furumoto, Cynosure's president and CEO, said, "Cynosure is pleased to find a partner whose philosophy reflects its own. Not only are our products and hardware complementary, but our strategic goals as well as our approach to achieve those goals are singularly alike. With rapid consolidation ongoing in the medical laser industry, the more than additive combination of El.En. and Cynosure

will allow the partners to compete that much more effectively in the global market than each on its own."

El.En. noted that some of the cash held by the company (almost 30 million Euro) will be retained after the Cynosure transaction, and may be used for other strategic M&A operations in the industrial laser market. El.En.'s industrial segment accounted for a sales increase of almost 30% in year 2001. El.En. noted that the previously released forecasts for year 2002 will be affected by the acquisition, and that they will be updated as soon as new consolidated forecasts becomes available.

El.En., an Italian company, is the parent of a high-tech industrial group operating in the optoelectronics sector. Based on proprietary technology and multidisciplinary know-how, the El.En Group manufactures laser sources (gas, solid-state and liquid) and innovative laser systems for medical and industrial applications. The El.En. Group is the laser market leader in Italy and among the top operators in Europe. It designs, manufactures and sells worldwide: Medical laser equipment used in dermatology, plastic surgery, physiotherapy, dentistry, and gynecology (through its **Deka Mela Group**). Industrial laser systems for applications ranging from cutting, marking and welding metals, wood, plastic and glass to decorating leather and textiles and restoring/conserving artworks.

Kathy Kincade, commenting on the acquisition wrote the following, that will appear in the May issue of *Medical Laser Report*:

"As is typical of a maturing industry, corporate consolidation continues to shrink the roster in the medical-laser market. Last year saw the combination of a number of companies in this industry, including **Lumenis** and **Coherent Medical**, **Wavelight** and **Carl Baasel Lasertechnik**, and **Asclepion-Meditec** and **Carl Zeiss**. Other firms have simply gone under or are struggling to find ways to stay afloat in a market that is increasingly polarized between huge, multi-product/multi-technology providers and small technology-development companies.

Cynosure is one of the latest casualties. Founded in 1991 by medical-laser pioneer Horace Furumoto (who also founded Candela), the privately owned company has entered into an agreement with El.En. (Florence, Italy) that gives El.En. a majority interest in Cynosure. El.En. plans to purchase 60% of Cynosure for $15 million.

Over the past decade, Cynosure has focused primarily on the development of laser systems for dermatologic applications and has come to be known for its expertise in dye lasers and alexandrite hair-removal lasers. El.En. is the leading manufacturer of laser products in Italy, manufacturing laser sources and systems for medical and industrial applications. Its medical lasers are used in dermatology, plastic surgery, physiotherapy, dentistry, and gynecology. Through this merger, the companies anticipate stronger revenues resulting from Cynosure's distribution of El.En.'s products in the United States and El.En's expertise in engineering and manufacturing medical-laser systems.

"With rapid consolidation ongoing in the medical laser industry, the more than additive combination of El.En. and Cynosure will allow the partners to compete that much more effectively in the global market than each on its own," Furumoto said.

Cynosure reported operating losses of $2.4 million and other losses of $3.7 million on revenues of $23 million in FY2001. The company has 130 employees, including its offices in France, Germany, the United Kingdom, Japan, China, Singapore, and Spain."

4/2 **Cell Robotics International, Inc.** announced financial results for the fourth quarter and year ended December 31, 2001. The company reported increases in annual revenues for both the year and the 4th quarter, over the same periods in 2000. Annual revenues for the year increased 59%, or $591,981 to $1.6 million compared to revenues of $1.0 million in fiscal 2000. The company's 4th quarter revenues increased $214,113, or 88% to $457,768 in 2001 compared with revenues of $243,655 in the 4th quarter of 2000. The net loss for 2001 was $2.7 million (27 cents per share) compared to a net loss in 2000 of $5.0 million (54 cents per share). Dr. Ronald Lohrding, president and CEO of the company, commented, "I am encouraged with our performance in FY 2001. I think that our progress as demonstrated by our 2001 results when compared with our results in 2000 indicates that we are headed in the right direction. We have now completed five straight quarters were we achieved increases in sales when compared with the similar quarter of the prior year."

4/3 **Palomar Medical Technologies, Inc.** announced that the Palomar EsteLux light-based system revenues doubled for the first quarter ended March 31, 2002 over prior quarter revenues and total product revenues increased 35% over the first quarter ended March 31, 2001. Due to the wide market acceptance of the EsteLux system, along with the three interchangeable hand pieces -- each adding an additional functionality -- the demand has exceeded the expectations of management and favorably increased gross margin and revenue. Total revenue including royalties for the first quarter ended March 31, 2002 is expected to increase by approximately 20% and the loss should be reduced by more than half as compared to the corresponding quarter in 2001, based on preliminary shipment information.

4/3 **PhotoBioChem N.V.** said it will immediately commence Phase I clinical trials for its photodynamic red blood cell sterilization system, Sylsens. Sylsens is a pathogen inactivation system being developed to protect against infectious diseases resulting from the red blood cell transfusions. Pre-clinical testing has established that bacteria, viruses and other pathogens in red blood cells can be rendered harmless through the use of the Sylsens system. Animal tests showed that Sylsens treated red blood cells were well tolerated and had recovery and survival rates comparable to untreated red blood cells.

The Sylsens system is fast, simple and safe. When red blood cells have been collected, Sylsens is added and the red blood cells are exposed to a specific light for about 15 minutes. After light exposure, the Sylsens compound is removed in a process taking approximately another 40-50 minutes after which the red blood cells are safe and ready

for transfusion or storage. While the blood supply is generally safe in a number of countries, new viruses and other pathogens emerge periodically such as AIDS. Over 25 million people are now thought to have been affected by the AIDS virus, over 300 million infected by Hepatitis B and Hepatitis C is the most common blood borne infection in the USA with over 3.9 million infected. The Sylsens system is expected to be effective against all of them even if they are undetectable through screening and testing. Each year about 14 million units of whole blood are donated in the United States, 17 million units in Europe, and another 7 million units in Japan. The market for cellular blood products is over $3 billion. Pressure is growing to provide zero risk blood for transfusion.

Dr. Richard Stokvis, CEO, of PhotoBioChem said, "The Sylsens system is designed to sterilize infected blood from donors who are either carrying a disease before it is detectable or carrying a disease that is not screened. Sylsens will also protect against new viruses and pathogens entering the blood supply. Blood banks throughout the world have shown interest in broad pathogen inactivation systems, such as Sylsens, to assist them in keeping the future blood supply safe."

4/4 **Lumenis Ltd.** announced interim results from the clinical trial for the treatment of excessive menstrual bleeding using the GyneLase laser system and the ELITT global endometrial ablation procedure intended for FDA pre-market approval. The results indicated that although a majority of the patients experienced significant reduction of uterine bleeding and pain and improvements in the quality of life measures, the reduction of uterine bleeding would not be sufficient to support an FDA marketing claim. The study design was not optimized to demonstrate the success of the ELITT treatment and did not include hormone (GnRH) pretreatment which is commonly used prior to endometrial ablation procedures. Superior results with GyneLase/ELITT have been reported in separate worldwide studies when GnRH pretreatment was administered to the patients.

"The GyneLase diode laser has achieved worldwide gynecologist and patient acceptance for the safety, effectiveness, and ease of use provided by the minimally-invasive ELITT procedure and we do not believe that these advantages were reflected in the clinical study," said Yacha Sutton, president and CEO of Lumenis Ltd. "The company has elected to stop the study early to allow a full evaluation of the data and the development of an optimized study design, including GnRH pretreatment, that will demonstrate the success of the ELITT procedure. We have identified the factors that prevented our study from demonstrating success and Lumenis is working closely with the FDA and our experts to modify and complete the study in preparation for seeking FDA pre-market approval."

The company expected to file a PMA with the FDA in 2002, and it is evaluating the extent of the delay. In 2001 the company sold $2.4 million of this product to Karl Storz GmbH for distribution outside the U.S.

4/4 **Miravant Medical Technologies** announced that results from preclinical oncology studies utilizing one of Miravant's new proprietary light-activated drug compounds will be

presented at the *American Association for Cancer Research (AACR)*, in San Francisco. The studies were conducted at the **Edwin L. Steele Laboratory for Tumor Biology**, Massachusetts General Hospital, Boston, and will be presented by Dennis Dolmans, MD, Assistant Professor Dai Fukumura, MD, and Professor Rakesh Jain, Director of the Edwin L. Steele Laboratory and Professor of Tumor Biology. Additionally, earlier data from these studies were published this week as a cover article in the April issue of the prestigious journal, *Cancer Research*. The preclinical studies were conducted in breast cancer models using PhotoPoint drug MV6401. PhotoPoint PDT demonstrated selective shutdown of tumor neovasculature (the new vascular networks that are essential to the growth and sustenance of all solid tumors) leading to tumor eradication or significant growth delay.

Dr. John Hill, Director of the Oncology Program at Miravant stated, "Therapies which target the blood supply and vessels of tumors and effect angiogenesis are currently an area of great scientific and clinical interest. We are excited by the very striking vascular targeting effects using PhotoPoint PDT and the resulting tumor destruction demonstrated by Professor Jain's research group at the Steele Laboratory. These results suggest we may be able to develop novel strategies for treating solid tumors with PhotoPoint PDT by destroying the tumor blood vessels."

4/8 **Lumenis Ltd.** announced that its Board of Directors had approved a short term Shareholder Rights Plan for a one-year period only. The Plan is similar to plans adopted by many other publicly traded companies which are designed to allow time for the Board to consider alternatives in the event of undervalued or unfair offers. The Plan provides that one right will be distributed as a bonus share for each share of capital stock outstanding. Generally, if a person acquires 15% or more of Lumenis' share capital, each right will entitle the right holder to purchase shares of Lumenis' share capital at a 50% discount to market value. The rights are redeemable by Lumenis. "The Board of Directors determined the Plan was a reasonable form of protection for shareholders during a period of an artificially low share price. The Plan intentionally terminates in one year, as the company fully believes that in that time period, the market will recognize the benefits of its current programs and initiatives. The Plan does not prevent a fairly valued bid for the company," said Yacha Sutton, CEO.

4/9 **The Spectranetics Corporation** announced that it had received approval from the FDA to add three new catheters to its LACI (Laser Angioplasty for Critical Limb Ischemia) trial, which treats circulatory problems to the lower leg. The new Extreme II Peripheral Excimer Laser Catheters are constructed with features specifically designed for treating the legs, and are available to LACI investigators with 2.0 mm, 2.3 mm and 2.5 mm diameter tips. These catheters have a thicker and stiffer outer tubing than current catheters used in the LACI trial, and the glass fibers within them are wound into a spiral, making the catheter tip more flexible. The combined result is a more pushable catheter that many doctors prefer for maneuvering around curves. The Extreme II catheters also have lasing parameters of ten seconds on and five seconds off, decreasing procedure

time compared with previous models (which have lasing parameters of five seconds on and ten seconds off).

Joseph Largey, president and CEO of Spectranetics, commented, "The Extreme II catheters are an important addition to our peripheral product line, and are part of our effort to ensure Spectranetics has a robust product offering for peripheral atherectomy. We continue to anticipate FDA approval of LACI in the second half of 2003. The design changes we made were the result of consultations with European doctors who have performed thousands of laser atherectomy procedures in the legs since regulatory approval was received in Europe in November of 1996. They have asked for these design changes in order to facilitate threading the catheter from the opposite leg over the pelvic region and then down to the treatment site, which is the typical approach when clearing blockages in the legs."

4/9 **BIOLASE Technology, Inc.** announced that its sales for the first quarter of 2002 exceeded analysts projections. Sales for the quarter were $5.2 million, an increase of $2.1 million, or 68%, over previous year first quarter sales. (But lower by $600,000 than for the fourth quarter, down from $5.8 million.) Analysts had projected BIOLASE's sales for the first quarter of 2002 would increase by 50-55%. Jeffrey Jones, BIOLASE CEO and president, commented, "Starting the year with strong first quarter sales is another good indication that BIOLASE will continue its aggressive growth we have been experiencing for the past three years. It also shows our ability to continue dominating the tremendous market potential in dentistry for pain-free procedures. There has been a great deal of interest from the dental community in our new FDA clearances for performing complete laser root canal therapy, often without any anesthesia, and the many applications for cutting bone without the trauma associated with the high speed drill. BIOLASE continues to make significant strides forward in recognition and visibility within the dental community and also with the general public. Yesterday, BIOLASE was featured in a *Wall Street Journal* article and is the cover story of the April issue of *DentalTown Magazine*, which is currently hitting 85,000 dentists' offices this week, featured the Waterlase with the headline: `The Complete Laser for Every Dentist'. The cover story is the most comprehensive clinical dental laser article ever published in a major dental publication."

The Wall Street Journal article, written by Pat Maio of *Dow Jones Newswires*, recognized BIOLASE as the dominant force in dental lasers. The article begins with, "Medical lasers can remove hair, make wrinkles and moles disappear, and restore eyesight. Now they are being used to fix teeth. Biolase Technology Inc. has developed a new way to perform dental surgeries by using the combination of laser energy and water spray to repair decaying teeth and diseased gums." It goes on to describe how the dental laser procedure was performed on a patient in the office of Dr. James Jesse of Colton, CA.

The article quotes analyst Alexander Arrow of **Ladenburg Thalmann & Co.**, "Biolase as the `first-ever profitable medical-laser company' (what about **VISX** and **Lumenis**?). It achieved profitability in its 2001 fiscal fourth quarter." Arrow says sustained

profitability rests with the company's ability to get dental schools to embrace laser technology and teach it as part of the curriculum.

The article mentions (dental system) competitors including failed **Premier Laser Systems**, and other rivals such as **American Medical Technologies**, **Continuum**, a unit of Japan-based Hoya Inc., **OpusDent**, a unit of Israel-based **Lumenis Ltd.**; and, German-based **KaVo Dental GmbH**.

The article notes that analysts and executives with the above noted companies say dentists have delayed placing orders because the laser machines are expensive and require regular maintenance. For instance, a high-speed drill sells for $600 to $1,000, compared with lasers that go for $30,000 to $50,000. There's also some confusion in the market over what the laser can do, and how they should be used. Some lasers can brighten teeth, but dentists have held off on shelling out big bucks for lasers until they can get an inexpensive machine for doing cavity preparation work and other difficult repair jobs.

4/10 **Microlight Corporation of America** announced that the *Texas Board of Chiropractic Examiners* had determined that the Microlight 830 Low Level Laser is within the scope of chiropractic care. "This represents a major breakthrough in the treatment of carpal tunnel syndrome in the chiropractic profession. The patented Microlight 830 is the only low level laser approved by FDA for the non-surgical treatment of carpal tunnel syndrome. This will allow over 4,000 chiropractors in the state of Texas access to the Microlight 830 patented laser technology," stated Mike Barbour, president of Microlight. Microlight is the only company to get FDA clearance to market its patented Microlight 830 Low Level Laser Therapy for the non-surgical treatment of carpal tunnel syndrome. Carpal tunnel syndrome is the number one repetitive stress injury problem in the work force, costing the health care industry over $10 billion a year.

4/10 **Equity Securities Investments** analyst Todd Pitcher reiterated his long-term buy rating on **Diomed** maintaining a 12-month price target of $10. Diomed, headquartered in Andover, Massachusetts is a leading manufacturer of diode laser technology with applications in the photodynamic (PDT) and endovenous laser treatment (EVLT) markets. Pitcher commented that, "despite recent volatility, the fundamentals continue to be strong, and therefore at current levels we believe Diomed represents an attractive market opportunity over the long-term."

Key Points:

-- Diomed's EVLT business continues to be uniquely positioned in that it is the only FDA approved diode laser device in the marketplace. The company is focused on establishing a strong lead in the marketplace for chronic venous disorder treatment and has recently announced that it will be ramping its sales force in the near term to address its market opportunity. Consequently, we think that as early as the Q2, we should see signs of significant growth in EVLT related sales.

-- The company's PDT business is on track, and we expect that to ramp significantly at the outset of the current fiscal year with the anticipated FDA approval of the Barrett's esophagus indication. We would emphasize that Diomed is strongly positioned in the PDT market place for cancer-related applications as it is the first FDA approved diode laser device in this market place.

4/10 **Radiancy Ltd.** announced that Health Canada had issued a Class II Medical Device License for a new Skin Type V-VI Replacement Kit to its flagship SpaTouch PhotoEpilation System. The company, a leader in developing affordable solutions for light-based aesthetic treatments, can now provide new and existing SpaTouch customers in Canada with a high-tech hair removal solution for their patients of color. The new replacement kit (not available in the United States) allows the user to harness Radiancy's patented Light and Heat Energy (LHE) technology and effectively remove hair from patients with dark skin types. The kit contains an orange flash lamp that operates in a wavelength range of 550-1200 nm. The light and heat generated by the orange flash lamp simultaneously penetrate and disable the hair follicle without harming the surface of the skin. A series of treatments is typically required for optimal results.

"With this new kit, I am able to effectively treat a much broader patient base -- African Americans, those of middle eastern descent, even those with tans," said Dr. Leon Herman, an Ontario physician who specializes in cosmetic skin care. "Now that we are specially equipped to adjust for darker skin, we are confident that there is less chance of adverse side effects such as hypopigmentation or scarring from SpaTouch treatment than with other devices." Dr. Herman also noted that, "Our patients also report that the treatment is much more comfortable, particularly in sensitive body parts such as the bikini area."

Since its introduction in 1999, SpaTouch has gained popularity among those seeking safe, high-tech aesthetic solutions. The system is now available throughout Canada and in 32 countries worldwide. "The LHE platform technology of SpaTouch has proven to be one of the most versatile and affordable medical technologies in the marketplace today," noted Radiancy President Zion Azar. "In addition to hair removal of nearly all skin types, the SpaTouch System can also be easily adapted to treat acne with a green lamp replacement kit."

4/11 Promising clinical research using the excimer laser is underway for the repigmentation of aged, white, disfiguring stretch marks. The study, conducted by David Goldberg, MD, Director of Laser Research in the Department of Dermatology at NYC's Mount Sinai School of Medicine, may solve one of the most common cosmetic problems among women. This is the first-ever treatment able to improve the look of old stretch marks. The procedure can also improve white scars resulting from face lifts. Mount Sinai is the only medical center in the world involved in this study.

The study was released at the annual meeting of the *American Society for Laser Medicine and Surgery* being held in Atlanta. The research follows the progress of 10 subjects

treated for stretch marks at weekly intervals over five weeks. The results showed the treatments repigment stretch marks, making them less noticeable. Stretch marks commonly occur from pregnancy and substantial weight gain, when the skin is stretched beyond its elastic limits and actually thins out. This thinned out skin initially appears red from inflammation but eventually turns white, leaving a mature stretch scar. "The excimer laser targets the pigment cells in the white scar and causes them to produce more pigment, thereby improving the quality of the scar's color," said Dr. Goldberg. "The results look very promising. Stretch marks are one of the biggest concerns I hear among women, but overweight men are also susceptible. Skin laser procedures can remove everything from tattoos to birth marks to age spots and wrinkles. Now stretch marks can be added to the list of treatable skin flaws."

The excimer laser is manufactured by **Photomedex** and is currently used for treating psoriasis and vitiligo. Treatments are expected to run between $250-$750/session with 3-10 sessions required.

4/11 **PLC Systems Inc.** announced that **Edwards Lifesciences Corporation**, PLC's exclusive U.S. marketer and distributor, had delivered the 50th next-generation CO_2 Heart Laser 2 to a leading heart center in the United States. As a result of this achievement, there are well over 100 first- and next-generation CO_2 Heart Lasers in use across the country. On January 30, 2001, PLC received FDA approval to market the next-generation CO_2 Heart Laser 2 system. Building on the strong clinical performance of PLC's first-generation CO_2 laser, the next-generation CO_2 Heart Laser 2 has greater mobility due to its significantly smaller size.

"During the past year, our market share has steadily increased as customers have discovered the strong clinical evidence of the CO_2 Laser vascularization therapy combined with the increased mobility of our next-generation CO_2 Heart Laser," stated PLC Systems' CEO and president Mark Tauscher. "Not only does this milestone highlight PLC's clinical leadership position, it underscores the growing strength of our strategic agreement with Edwards. During the past 14 months, Edwards and PLC have delivered 50 next-generation lasers to leading heart centers throughout the United States."

4/11 **Axcan Pharma Inc.** announced that it had filed a marketing authorization application with the *European agency for the Evaluation of Medicinal Products (EMEA)*, for the use of its photodynamic therapy, PHOTOBARR (porfimer sodium), in the treatment of high-grade dysplasia associated with Barrett's Esophagus. Axcan was also pleased to announce that an orphan medicinal status was granted by the EMEA for this submission. The grant of the orphan medicinal status is based on the following cumulative criteria: (i) the seriousness of the condition; (ii) the existence or not of alternative methods of diagnosis, prevention or treatment and (iii) either the rarity of the condition (considered to be affecting not more than five in ten thousand persons in the European Community) or the insufficient return on development investment. This status introduces incentives including the grant of exclusive marketing rights for a ten-year period.

"We are very pleased that the EMEA has granted orphan medicinal status with respect to this important new indication for PHOTOBARR. This underlines the need to treat high-grade dysplasia associated with Barrett's Esophagus and hence reduce the progression to esophageal cancer," commented Dr. Francois Martin, senior vice president, Scientific Affairs of Axcan Pharma. "There is currently no approved treatment to reverse the condition and decrease the risk of developing esophageal cancer. Symptoms of gastroesophageal reflux, when present, can be relieved by a variety of acid suppressants, but surgical removal of the esophagus, called an esophagectomy, is currently the only curative treatment for patients with high-grade dysplasia or early esophageal cancer, even if it is believed that esophagectomy patients have a relatively high risk of mortality (5%), and that their hospitalization has a relatively high cost. PHOTOBARR PDT is a minimally invasive therapy that preserves normal tissue, which enables future treatments if required," he concluded.

The submission was filed following completion of a Phase III pivotal study evaluating the safety and efficacy of PHOTOBARR PDT in the treatment of high-grade dysplasia associated with Barrett's Esophagus. This study was conducted in 208 patients in both North America and Europe, and compared PHOTOBARR PDT (2 mg/kg intravenously followed by laser light-delivery at a wavelength of 630 nm within 48-72 hours up to a maximum of 3 courses followed by oral administration of omeprazole) to the administration of omeprazole alone. It was demonstrated that PHOTOBARR PDT was significantly more effective than omeprazole alone ($p < 0.0001$) since ablation of all areas of high-grade dysplasia was noted in 72% of patients in the PHOTOBARR PDT group versus 31% in the omeprazole group. A strong trend toward reduction of progression to cancer was observed: only 9.4% of the patients treated with PHOTOBARR PDT experienced a progression to esophageal cancer compared to 18.6% of those treated with omeprazole alone.

4/12 **CardioGenesis Corporation** announced that it had raised a total of $2.8 million in two separate transactions. The company received $2.3 million by selling its equity interest in Mountain View, CA-based **Microheart, Inc.** back to that privately-held company and $500,000 from a private placement of 500,000 shares of CardioGenesis common stock with the **State of Wisconsin Investment Board**. Terms of the private placement with the State of Wisconsin contain certain registration rights.

In November 1998, CardioGenesis spun-off Microheart and contributed certain licenses, patents and other intellectual property valued at $400,000 to Microheart in exchange for common stock and two warrants to acquire additional common stock. The warrants to acquire additional common stock were exercised in November 2000 for $310,000, and the $710,000 cost of the company's equity interest in Microheart was fully written down in the second quarter of 2001 based on the company's share of Microheart's continuing losses. The entire proceeds from the sale will be recorded as a gain by CardioGenesis in its second quarter ending June 30, 2002.

CardioGenesis chairman and CEO Michael Quinn commented, "We are pleased with the return on the company's investment in Microheart, and as we increase our focus on our core business strengths, it makes strategic sense to sell the Microheart asset at this time. Additionally, the further investment by the State of Wisconsin Investment Board is another demonstration of its confidence in our products and business plan. We have strengthened our balance sheet and will use the cash to further our efforts to make our TMR franchise profitable and to continue to invest in obtaining FDA clearance to market PMR in the United States later this year."

4/12 **The Spectranetics Corporation** announced that it had reached the enrollment target of 137 registry patients in its LACI (Laser Angioplasty for Critical Limb Ischemia) Phase 2 study, which tests use of the excimer laser to improve circulation to the lower leg. The company intends to continue enrolling patients in LACI Phase 2 in order to include its Extreme II Peripheral Excimer Laser Catheters, which were recently FDA-approved for the LACI study. The company plans to conclude enrollment in LACI Phase 2 no later than April 30, 2002, at which time LACI will enter a six-month follow-up period in which enrolled patients are monitored for their progress. After the follow-up period, Spectranetics anticipates making a submission to the FDA for pre-market approval in early 2003, which could lead to an approval in the second half of 2003. In the meantime, Spectranetics has requested FDA permission to begin LACI Phase 3, a continuation of the LACI registry for 300 additional patients at 20 sites.

Joseph Largey, president and CEO of Spectranetics, commented, "We're delighted to have met expectations by enrolling the first 137 registry patients in LACI Phase 2 before the end of April. We're also delighted with the quick pace of our product engineering efforts, which led to recent regulatory approval to add our Extreme II catheters to the LACI study. These catheters incorporate design elements to facilitate laser procedures in the legs based on input from physicians practicing in Germany who have literally performed thousands of these procedures. We hope to incorporate these new Extreme II catheters into LACI Phase 2 through additional cases performed over the next few weeks without delaying progress toward pre-market FDA approval of the LACI indication."

4/12 **Diomed, Inc.** announced that EndoVenous Laser Treatment (EVLT) was formally released at the annual *Society of Cardiovascular and Interventional Radiology* meeting in Baltimore, MD. Through a series of presentations, workshops and exhibit floor demonstrations, interventional radiologists were educated on this new technique and the benefits to their patients and practice. The convention floor activities generated several hundred requests for immediate follow up in the individual radiologists' location. These requests and others from the 3700 member Society site are being sent the EVLT CD trainer, a new paperless response that outlines the key aspects of the disease and the treatment therapy.

Wade Fox, vice president Global Sales and Marketing, commenting on the show, "This was the first opportunity for Diomed to present EVLT at a major medical convention after receiving our FDA 510k clearance. The response to the technique has been

overwhelming and we are grateful that the members of the Society also see the procedure as a practice builder for the future. Diomed is working diligently to justify the trust and confidence they have placed in us and on this great opportunity."

4/15 **DUSA Pharmaceuticals, Inc.** reported that it received notice that one of the patents licensed to DUSA by **PARTEQ Research & Development Innovations**, the technology transfer arm of **Queen's University** at Kingston, Ontario was being challenged by **PhotoCure ASA**. PhotoCure has filed a lawsuit in Australia alleging that Australian Patent No. 624985, which is one of the patents relating to DUSA's 5-aminolevulinic acid technology, is invalid. DUSA intends to evaluate the situation with Queen's and PARTEQ, as PARTEQ has an obligation to diligently maintain its patents under its license agreement with DUSA.

4/17 **PhotoMedex, Inc.** provided information on the results of the company's participation at the 22nd annual meeting of the *American Society of Laser Medicine and Surgery* held in Atlanta. The XTRAC was part of an interview by **CNN** with David Goldberg, MD, a leading XTRAC practitioner. In addition, it was an integral part of six featured presentations.

Dr. Goldberg, both in his in-studio CNN interview and again with CBS-Atlanta, which covered the PhotoMedex product booth, commented, "the excimer laser targets the pigment cells in the white scar and causes them to produce more pigment, thereby improving the quality of the scar's color." He further commented, "The results of our study look very promising and I expect to submit the study for publication after the ASLMS meeting. Stretch marks are one of the biggest cosmetic concerns I hear among women, but overweight men are also susceptible."

4/17 **Spectranetics Corporation** announced that revenue for the first quarter of 2002 was $7.2 million, up 20% from $6.0 million in the year-ago quarter. Net income was $58,000 (0 cents per share) compared with a net loss of $556,000 (2 cents per share) in the first quarter of 2001. Joseph Largey, president and CEO of Spectranetics, commented, "Our first quarter results provide evidence that our 2002 strategy of growing revenue through new laser placements has gotten off to a quick start. We are pleased with our 20% revenue growth compared with the first quarter of 2001. More importantly, we're delighted with 11 new laser placements in the quarter -- our first double-digit quarterly increase in placements since 2000. We now have 338 lasers in place worldwide. We were also successful at controlling operating expenses in the quarter. As a result, we're confident we'll be able to meet the financial performance expectations we have set. I'm also pleased that we reached the target of 137 patients required to satisfy enrollment in LACI Phase 2, our clinical trial which utilizes excimer laser atherectomy to improve circulation to the lower leg. We are also delighted with the quick pace of our new product development efforts, which resulted in the new and improved Extreme II Peripheral Excimer Laser Catheters we announced last week. In order to incorporate these new peripheral catheters into LACI Phase 2, we have made the decision to allow a few more patients to be enrolled in the trial, but will conclude enrollment no later than April 30th.

LACI will then enter a six-month follow-up period, during which time enrolled patients are monitored for their progress. After the follow-up period, we anticipate making a submission to the FDA for pre-market approval in early 2003, which could lead to an approval in the second half of 2003."

For the first quarter, revenue totaled $7.2 million, up 20% from $6.0 million in the first quarter of 2001. The revenue increase reflected success of the company's strategic initiatives to spur revenue growth, including a special price promotion in which new lasers are being offered in the United States for $90,000, compared with a list price of $249,000. Success of this promotion resulted in a 110% increase in excimer laser equipment revenue to $1.5 million as the company placed 11 lasers compared with three in the first quarter a year ago. Revenue from disposable products was up eight% on a 16% increase in atherectomy products, offset somewhat by flat revenue in lead removal products. Service revenue was up 3% compared with the prior-year period.

Gross margin was 67% of revenue, compared with 70% in the first quarter a year ago. The decline reflected lower margins on the $90,000 laser program and a higher proportion of equipment revenue in relation to total revenue. Operating expenses were flat compared with the first quarter a year ago. Net income in the first quarter was $58,000 (0 cents per share) compared with a net loss of $556,000 (2 cents per share) in the first quarter of 2001. Cash, cash equivalents, and current and noncurrent investment securities totaled $13.0 million at the end of the quarter.

Paul Samek, Spectranetics' CFO, added, "We continue to expect revenue growth in 2002 in the 10-15% range compared with 2001, a gross margin percentage in the high 60s, and profit in each of the remaining quarters of the year. We also continue to anticipate ending the year with approximately $13 million in cash and investments."

4/18 **CardioFocus, Inc.** announced that surgeons at Columbia Presbyterian Medical Center of New York-Presbyterian Hospital have performed the first patient case using its Optimaze Surgical Ablation System. The Optimaze system, which was recently cleared by the FDA for cardiac tissue ablation, was used during a clinical study protocol evaluating the surgical treatment of patients with chronic cardiac arrhythmia. "In the past, most patients suffering from atrial fibrillation, the most common cardiac arrhythmia, had limited treatment options, including a time-consuming and complex surgical approach called the Maze procedure," said Dr. Mehmet Oz, director of the hospital's Cardiovascular Institute and associate professor at Columbia University. "The Optimaze system can be used by surgeons to perform a modified Maze procedure in under 15 minutes, and we believe it achieves similar clinical outcomes. We view this technology as an advancement in surgical ablation for the Maze procedure, and believe it holds significant promise for use in future beating-heart and minimally invasive surgical applications."

The Optimaze system was used during a less-invasive surgical procedure in a patient undergoing heart valve repair. The Columbia Presbyterian surgical team was headed by Dr. Craig Smith, chief of cardiothoracic surgery, and included Dr. Michael Argenziano,

director of the surgical arrhythmia program, and Dr. Mathew Williams, the study's principal investigator. Columbia Presbyterian is recognized as a leader in the surgical treatment of cardiac arrhythmias and known for its use of innovative technologies. "We were pleased with the Optimaze system's performance, including its ease of use and the uniformity and transmurality of the therapeutic lesions we were able to create using the device," said Williams. "We completed the surgical ablation procedure in less than a third of the time required for the traditional Maze approach and quickly achieved the desired result of returning the patient to normal sinus rhythm. The patient was released from the hospital just six days after the procedure."

Up to 30 patients are expected to be enrolled in the multi-center clinical protocol. The resulting data will be submitted to the FDA to support clearance for use of the Optimaze system in treating cardiac arrhythmias. The Optimaze system uses proprietary fiber-optic catheters and an infrared diode laser to give clinicians a flexible tool to make precise photothermal lesions quickly during open-heart surgery. It is distributed worldwide by **Edwards Lifesciences Corporation**.

4/19 **Diomed Inc.** said it had engaged **The Investor Relations Group Inc.** based in New York City to serve as its new financial relations and corporate communications company. The Investor Relations Group will strive to increase investor awareness of Diomed within the U.S. market by individually and personally introducing the company and its management to pre-qualified fund managers and other investment professionals. IRG will also provide a full complement of public relations services to Diomed, to include procuring various media interview opportunities, as well as magazine, newspaper and trade publication placements.

4/19 According to the **American Society of Plastic Surgeons (ASPS)**, nearly 6 million people chose non-surgical cosmetic procedures last year with an increasing number of patients visiting board-certified plastic surgeons for the procedures, as the ASPS released its expanded 2001 statistics. The number of patients visiting plastic surgeons certified by *The American Board of Plastic Surgery (ABPS)* for non-surgical procedures increased 44% from 2000 to 2001. "Patients are looking to create a skin-care regimen for life," said ASPS President Edward Luce, MD, Cleveland. "This regimen begins with establishing a relationship with a qualified plastic surgeon certified by the ABPS who understands the complexities of the face and all areas of the body. The breadth of treatment options these surgeons are trained to perform span the non-surgical -- such as lasers and peels -- to the surgical -- such as nose reshaping, liposuction, breast and eyelid surgery."

ASPS 2001 expanded statistics represent patients having procedures performed by member plastic surgeons certified by the ABPS as well as other physicians certified by the *American Board of Medical Specialties-recognized boards*. "More and younger patients consult an ABPS-certified plastic surgeon to develop a plan that may include microdermabrasion or Botox injections to maintain their youthful appearance now, while deferring more invasive procedures for years down the road," reported Dr. Luce.

Overall, 5.9 million people elected to have non-surgical cosmetic procedures in 2001. Chemical peel and microdermabrasion were the most popular non-surgical procedures in 2001 with more than 1 million patients opting for each with 1.3 million and 1.0 million performed, respectively. Botox injection, recently approved by the FDA for cosmetic use, smooths and eliminates forehead lines, frown lines, crows feet and neck bands was the third most popular non-surgical procedure with 855,846 patients. The number of patients who visited a board-certified plastic surgeon for Botox injections increased more than 60% from the previous year. Other possible uses Botox has shown effectiveness for are relieving migraine headaches by relaxing overworked muscles and treating hyperhydrosis, a serious and sometimes embarrassing excessive sweating disorder of the underarms, hands, and feet.

The top laser-based procedures included blepharoplasty, 238,213; laser hair removal, 687,721; laser skin resurfacing, 175,927; and laser leg vein treatments, 157,191. The average surgeon fee paid for the procedures were: blepharoplasties -- $2544; laser hair removal -- $360; laser skin resurfacing -- $2243; and laser leg vein treatments -- $314. In looking at the change in procedures for 2001 over 2000, as measured by the total number of patients treated, the following was noted: bleparoplasties -18%; laser hair removal (no data); laser skin resurfacing +17%; and laser leg vein treatments (no data).

4/22 According to the latest market study from **Medical Insight**, a new generation of laser and light-based technologies will offer treatment alternatives for major diseases, including: acne, psoriasis and actinic keratoses. According to "The Market for Advanced Light-Based Dermatology Treatments" study, these new devices offer significant benefits over existing therapies. As a result, they are likely to gain rapid acceptance as both an alternative and an adjunct to current treatments. This is especially true for the large acne market. Three light-based devices are currently being sold for the treatment of acne. By 2006, more than 15,000 physicians worldwide are likely to use similar systems. This will account for over $1.3 billion in annual treatment fees, some of which will cannibalize the $4.2 billion spent on acne medications. Six light-based systems are now available to treat psoriasis. More than 4,000 physicians worldwide are expected to use these devices by 2006. Currently, about $695 million per year is spent on psoriasis medications. Two companies have launched photodynamic therapy (PDT) treatments for actinic keratoses (AKs). Meanwhile, other developers are nearing launch of similar therapies. Annual volume of AK treatments with light-based therapies is forecast at over 3 million procedures in 2006.

"Diagnosis and treatment of skin diseases, including skin cancer, is one of the most promising areas of business development at this time," commented study author Michael Moretti. "Leading edge companies are forging the pathway for new business opportunities based on adding light-devices to dermatology practices. These new approaches involve the conjunctive use of light-activated drugs. Existing pharmaceuticals will also be used in combination therapies that produce improved clinical outcomes."

4/23 Collaborators of **Celmed BioSciences**, a Montreal-based cell therapy company and subsidiary of **Theratechnologies**, have published groundbreaking results in the May 1, 2002 issue of *Blood* (Vol. 99, number 9), the prestigious journal of the *American Society of Hematology (ASH)*. The article is featured as a Plenary paper and is commented on favorably in that same issue by Dr. Claudio Anasetti, from the Division of Clinical Research at the Fred Hutchinson Cancer Research Center. The study suggests that a photodynamic cell therapy process (PDT) can selectively deplete host alloantigen-specific T-cells to prevent graft-versus-host disease (GvHD), while preserving immune and antileukemia functions.

The research was conducted by researchers from the Bone Marrow Transplantation Program at Duke University Medical Center in Durham, North Carolina. Benny Chen, MD, the principal investigator, conducted his work with Nelson Chao, MD, the director of the Bone Marrow Transplant Research Laboratory. Dr. Chao's team is supported by a research grant from Celmed BioSciences Inc. Chen, Chao and colleagues have demonstrated in a mouse animal model that treating allogenic transplants with a photodynamic purging process using the photosensitizer TH 9402, a rhodamine-derivative developed at Celmed, selectively eliminated T-cells associated with graft-versus-host disease. GvHD is an extremely severe and frequent reaction associated with allogenic bone marrow transplants, i.e. grafts from non-compatible donors.

"Selective depletion by photodynamic purging may represent a step forward in the prevention of GvHD in humans," wrote Dr. Anasetti in his commentary. The commentator enthusiastically described the approach as the potential `magic bullet' in future GvHD research. "If the biology of these findings can be extended to human cells, this approach will deserve consideration for testing in clinical trials," added Dr. Anasetti. Allogenic bone marrow transplantation-which requires external donors-has long been recognized as a treatment for patients suffering from leukemia or certain hematopoietic malignancy diseases. Since chemotherapy and/or radiotherapy completely eliminates dividing cells, the bone marrow often needs to be replaced via a graft. The patient can receive a bone marrow transplant either from a compatible or a non-compatible donor. While techniques have been developed to reduce the incidence of GvHD in patients receiving a transplant from a non-compatible donor, the mortality remains high. If the transplant is entirely depleted of its T-cells, recipients become highly vulnerable to opportunistic infections and their cancers often relapse. The difficulty is to remove specific T-cells (the cytotoxic T-lymphocytes), which are responsible for GvHD, while sparing tumor antigen-specific T-cells, which mediate the beneficial graft-versus-leukemia (GVL) effect.

4/23 As reported by **Medical Insight E-News**, LEDs may illuminate the future of light-based skin renewal. Picture yourself getting a high-tech skin regeneration treatment simply by sitting in front of a special screen saver on your computer. According to researchers at the annual meeting of the *American Society for Laser Medicine and Surgery and Medicine*, the same technology that lights clock radios and car dashboards may soon make such an anti-aging procedure possible. An exciting new device that uses non-wounding,

light-emitting diodes (LEDs) at specially calibrated energies is showing great promise as the next frontier in skin renewal.

Unlike laser technology that relies on high-powered coherent light to create heat energy, LED photomodulation triggers the body to convert light energy into cell energy without thermal injury to tissue. In his presentation entitled "Light-Tissue Interactions: Photothermolysis vs. Photomodulation - Laboratory and Clinical Findings," dermatologic surgeon Dr. David McDaniel of Virginia Beach, VA, reported on the scientific theory of photomodulation that is behind the innovative LED device. Similar to pushing a button to activate an assembly line, photomodulation refers to using low-energy light to accelerate or inhibit cell activity. For anti-aging benefits, Dr. McDaniel and his research team investigated technologies that stimulate the skin's fibroblasts to produce collagen and elastin proteins. Unlike laser technology that relies on high-powered coherent light to create heat energy, LED photomodulation triggers the body to convert light energy into cell energy without thermal injury to tissue.

"Using LEDs we can modulate the cells by increasing the energy to the assembly line of fibroblasts to stimulate collagen production and regenerate aging or sun-damaged skin," explained Dr. McDaniel, assistant professor of clinical dermatology, Eastern Virginia Medical School. "Alternatively, we can de-energize the assembly line of fibroblasts and cause them to shut down and inhibit collagen formation in the case of acne scars."

Because LED treatment is safe, virtually painless and non-wounding, high patient satisfaction was noted among those treated for wrinkles and acne scars. With less power than a 25-Watt light bulb, these LEDs are cool enough to uniformly treat all skin types and the entire face at one time. Initial studies of 47 patients treated with the LED device showed an average of 44% improvement in the appearance of wrinkles and skin tone and texture. Because LED treatment is safe, virtually painless and non-wounding, high patient satisfaction was noted among those treated for wrinkles and acne scars.

"My patients appreciate the safety and convenience of LED treatment. They are able to come in the office, remove makeup, receive treatment, reapply makeup and be out the door in 30 minutes or less," said Dr. McDaniel. He also noted that photomodulation is a natural photobiochemical reaction very similar to the process of plant photosynthesis. While too much heat or light will cause the plant to wither and bum, plants have the ability to synthesize even low-level sunlight to grow and make fruit for harvest. In fact, NASA researchers are using vertical strips of LEDs to light food crops in space in hopes of sustaining human colonists on Mars. However, even with sufficient light, plants need the proper amounts of nutrients and water in the soil to grow to their full potential. The same is true with skin.

TO MAXIMIZE the benefits of photomodulaton on the skin, a specially formulated topical cosmeceutical kit was designed for use prior to LED treatment. The state-of-the-art cosmetic system helps "supplement" the necessary raw materials the skin needs to regenerate. These agents include vitamins and essential nutrients to assemble

collagen and powerful antioxidants to "quench" free radicals. Clinical results show that this integrated approach enhances the desired cellular effects of treatment.

"Photomodulation with LEDs represents a breakthrough solution for skin regeneration that holds enormous potential for a variety of other dermatologic applications as well as other medical conditions," concluded Dr. McDaniel. Toward that end, additional multi-center clinical studies are currently underway to better evaluate the treatment protocols."

For more information on laser treatments and referrals to skin surgery experts in specific geographic areas, please contact the *American Society for Dermatologic Surgery (ASDS)* Consumer Hotline, 1-800-441-ASDS(2737), during weekday business hours or log on at www.aboutskinsurgery.com.

4/24 **PLC Systems Inc.** announced results for the first quarter ended March 31, 2002. Total revenue for the first quarter of 2002 was $2.4 million compared with $2.3 million in the same quarter of 2001. The net loss for the first quarter of 2002 decreased by 78% to $259,000 (1 cent per share) compared with a first quarter of 2001 net loss of $1.2 million (4 cents per share). During the first quarter, 15 next-generation CO_2 Heart Lasers (HL2) were shipped to United States hospitals through **Edwards Lifesciences Corporation**, PLC's exclusive U.S. sales and marketing partner. In comparison, during the first quarter of 2001, five HL2s were delivered to U.S. hospitals. PLC ended the first quarter of 2002 with 115 CO_2 Heart Lasers located at heart centers throughout the U.S., which includes 52 HL2 and 63 HL1 customers. In comparison, PLC ended the first quarter of 2001 with 85 CO_2 Heart Lasers located at heart centers throughout the U.S., which included 5 HL2 and 80 HL1 customers.

"The objectives of our strategic plan are very clear: increase our laser base and increase the utilization of each laser. These two elements are essential to expand the adoption of the CO_2 Laser Revascularization therapy," stated Mark Tauscher, president and CEO of PLC Systems. "During the past 12 months, the top priority for PLC was growing the U.S. CO_2 laser base. We believe the 35% increase in our laser base emphasizes the significant demand for the CO_2 Laser Revascularization therapy as well as the sales and marketing strength of Edwards. We are also pleased to see a sizeable improvement in first quarter disposable kit shipments to U.S. hospitals compared to a year ago."<p>A leading indicator for the adoption rate of the CO_2 Laser Revascularization therapy is disposable kit shipments to hospitals. During the first quarter of 2002, Edwards delivered 390 disposable kits to United States hospitals. In comparison, 162 disposable kits were delivered to U.S. hospitals during the first quarter of 2001.

During the quarter, PLC announced that Edwards had exercised a pre-existing option to assume U.S. sales and marketing responsibility for PLC's CO_2 Laser Revascularization therapy. As a result, PLC was able to reduce its first quarter selling, general and administrative expenses by more than 50%, to $1.1 million from $2.2 million in the first quarter of 2001. PLC ended the first quarter of 2002 with cash, cash equivalents, and

short-term investments of $5.2 million, an increase of more than $200,000 from PLC's cash position at December 31, 2001. The first quarter's positive cash flow was primarily due to reduced overall operating expenses and a reduction in accounts receivable.

Tauscher concluded, "We are very pleased with the progress of our relationship with Edwards. As demonstrated by PLC's improved first quarter financial results, there are numerous benefits to partnering with a premier organization such as Edwards. For the first time in more than five years, PLC reported positive quarterly cash flow from operations."

4/24 **The Spectranetics Corporation** announced that it concluded enrollment in its LACI (Laser Angioplasty for Critical Limb Ischemia) Phase 2 study, which tests use of the excimer laser to improve circulation to the lower leg, with 167 patients. The last several patients were treated at the Arizona Heart Institute and Herzzentrums Leipzig and Bad Krozingen in Germany, which were the three highest enrolling centers in the trial. Nine of the company's new Extreme II Peripheral Excimer Laser Catheters were used on the final patients enrolled in the study. LACI now enters a six-month follow-up period, during which time enrolled patients are monitored for their progress. After the follow-up period, Spectranetics anticipates making a submission to the FDA for pre-market approval in early 2003, which could lead to an approval in the second half of 2003.

In order to provide continued access for physicians and patients in the meantime, Spectranetics has requested FDA permission to begin LACI Phase 3 for an additional 300 patients at 20 sites. Christopher Reiser, Spectranetics' vice president of technology and clinical research, commented, "We believe approval of LACI will significantly improve the options available to LACI-class patients. These people suffer from critical limb ischemia -- a debilitating condition with symptoms that range from resting leg pain to gangrenous areas on the lower leg requiring amputation -- and have poor surgical options. With our simple, minimally invasive procedure that usually requires only a one-night hospital stay and short recuperation period, our products can significantly improve the quality of life for these patients."

Joseph Largey, president and CEO of Spectranetics, commented, "We're delighted to conclude our LACI trial before the end of April, and to have included a number of our new Extreme II catheters in the study. Hopefully we will be able to gain FDA approval for these new catheters along with our initial LACI approval. These new catheters were specifically designed to facilitate peripheral atherectomy procedures based on input from doctors practicing in Germany who have performed thousands of these procedures, and feedback from the American physicians who had the opportunity to use them over the past few weeks has been extremely positive. We estimate the market opportunity at $200-$300 million worldwide. The LACI market opportunity is matched by another $200-$300 million opportunity from our other clinical trial -- PELA -- which treats arterial blockages in the upper leg. Preparing for these approvals from the FDA, both of which we expect in the second half of 2003, is among our highest priorities for 2002."

4/24 **AngioDynamics, Inc.**, a wholly-owned subsidiary of **E-Z-EM, Inc.**, and **biolitic, Inc.** announced a new minimally invasive treatment system for correcting varicose veins called the Endovascular Laser Venous System or ELVS. The ELVS system was unveiled at the annual *Society of Cardiovascular and Interventional Radiology (SCVIR)* conference. A patient-friendly procedure, the ELVS treatment system is an effective alternative to painful surgical ligation and vein stripping. Doctors administer a local anesthetic and thread a tiny laser fiber into the saphenous vein to seal it and correct the cause of varicose veins. The entire therapy takes less than an hour to perform and visual results are immediate. Patients who undergo the ELVS treatment experience a rapid recovery time with no scarring and can return to normal activities once they leave the doctor's office. Commenting on the announcement, Eamonn Hobbs, president and CEO of AngioDynamics, said, "Almost 80 million people in the United States experience painful and unattractive spider and varicose veins. While traditional removal methods such as surgical ligation and stripping are effective, they are also lengthy procedures requiring overnight hospitalization and are a potential risk for infections. But now AngioDynamics, along with biolitec, has finally brought a painless option for successfully correcting varicose veins to the healthcare market. The ELVS system is a revolutionary, affordable solution that costs less than surgical procedures and is just as effective. Now patients who need to remove varicose veins can have long-term results without having to endure painful corrective surgeries."

biolitec's CEO, Dr. Wolfgang Neuberger, added. "The ELVS system combines the strength of two healthcare innovators, bringing together AngioDynamics' experience in designing and marketing minimally invasive procedures with biolitec's knowledge of laser-based vascular procedures. The announcement of the ELVS system is a breakthrough step in improving the treatment of venous diseases."

Additionally, Kelly Moran, biolitec's COO, said, "ELVS offers the potential to change people's lives. For many it could help restore their ability to walk and perform routine physical activities without pain or discomfort. Others will regain pride in their legs' appearance and feel free to wear shorts or go to the beach again."

AngioDynamics and biolitec have entered into an exclusive distribution agreement for the Interventional Radiology and Vascular Surgery market segments. The ELVS 980 laser and fiber are currently cleared in the United States for vascular lesions and other applications, but the ELVS laser is currently pending 510(k) clearance for the specific indication of endovascular occlusion of leg veins procedure.

4/24 **Laserscope** reported that revenues for its first quarter ended March 31, 2002 were $9.4 million, an increase of 14% compared to $8.2 million in the first quarter a year ago, and a decrease of 2% compared to $9.6 million in the fourth quarter of 2001. The net loss was $47,000, or break-even per share for the quarter ended March 31, 2002, compared to a net loss of $490,000 (3 cents per share) in the same period of 2001, and compared to net income of $120,000 (1 cent per share) in the fourth quarter of 2001.

"We are pleased to report the improved financial results for the quarter relative to the same period last year," said Eric Reuter, Laserscope president and CEO. "Although slightly lower than the fourth quarter of 2001, they demonstrate continued acceptance of our aesthetic products, particularly in the U.S. They also include the first sales of our Niagara PV System and its related disposable fiber-optic delivery devices for the treatment of benign prostatic hyperplasia (BPH) or enlarged prostate. In January 2002, we began selling our Niagara PV System and its related disposable fiber-optic delivery devices in the U.S., and during the quarter we completed the sale of six systems and approximately 120 delivery devices. The first quarter ramp-up is well within our expectations and we continue to be very excited about the prospects for this product family. Compared to the first quarter 2001, the first quarter of 2002 includes a significant increase in our marketing and sales expenses for the Niagara PV launch. We anticipate that we will continue to incur higher marketing and sales expenses as we roll out the product. For the next several quarters, we expect to continue to fund these additional expenses with cash flows from our core aesthetic business. We are targeting the large market opportunity for the treatment of BPH, and expect the Laserscope BPH treatment solution to contribute incremental future revenues and to be the basis for future growth."

"Our goal is for our proprietary process, the Photo-Selective Vaporization of the Prostate (PVP) procedure using Laserscope's Niagara PV System, to become recognized as the standard of care for BPH at some time in the near future. Currently there are approximately 180,000 surgical interventions for this disease state each year in the United States alone, and at least twice that many in the rest of the world. In addition, another 1.8 million seek drug or other minimally invasive treatments. This is a tremendous market opportunity for Laserscope, since we believe that over time, a large number of patients will seek treatment using the Niagara PV equipment and the related proprietary single-use fiber-optic devices."

"Additionally, we will continue to make appropriate investments in our aesthetic business to support its growth and our competitive position. We will introduce leading edge technology and clinical procedures into our aesthetic market and will take other steps to improve the products and their position in the market. For example, we have launched our new `i-solutions' series Aura, Lyra, and Venus lasers beginning this quarter. The `i solutions' series of products have some unique technological advances and include `turn-key' internet and information-based business and marketing solutions for physicians and practices that are unfamiliar with how to build `fee-for-service' business as part of their practice. We have recently submitted clinical data to the FDA to request clearance to market our Lyra laser family of products for the non-invasive treatment of wrinkles. If we are granted this clearance, we will be able to market the Lyra for one of the fastest growing aesthetic laser procedures which is the non-invasive treatment of aged and sun-damaged skin. This process has been clinically shown to increase the collagen formation over time and reduce the size and appearance of wrinkles," concluded Reuter.

Guidance for 2002: In 2002, we believe that overall laser sales will increase due to sales of our new laser for treatment of benign prostatic hyperplasia (or enlarged prostate),

which began shipping for revenue in January 2002. We expect to continue to see moderate increases in sales of lower-priced office-based aesthetic lasers in all geographic markets. We expect product gross margin, as a percentage of net product revenues in 2002, to be at levels similar to the 2001 level of 53%. However, these amounts may vary from quarter to quarter during 2002 and will depend on product demand and distribution. Gross margin from service activities as a percentage of net service revenues is expected to be similar to the 2001 levels of 30%. We expect amounts spent in research and development during 2002, as a percentage of net revenues, to be marginally lower than the level in 2001 which was 10.7%. Selling, general and administrative expenses are expected to increase in 2002 compared to 2001 by approximately 10%. The increases are expected as we continue to invest in educational support as well as marketing programs for the Niagara and other lasers. We expect capital expenditures in 2002 to be at levels similar to the 2001 level of $1.1 million.

4/25 **Palomar Medical Technologies Inc.** said that for the first quarter ended March 31, 2002, its revenue increased by 18%, its gross margins improved by 90%, and its net loss was cut by 62% compared to the first quarter of 2001. Chairman and CEO Dan Valente attributed the strong improvements to the growing sales and market acceptance of the company's EsteLux system, used for the removal of unwanted hair and pigmented and vascular lesions. Revenue for the quarter ended March 31, 2002, was $4.2 million, up from $3.6 million in the first quarter of 2001. Gross profit increased to $1.7 million (40% of revenues), up from $900,000 (25% of revenues) in the year-earlier period. The company reported a net loss of $737,000 (8 cents per share) for the first quarter, versus a net loss of $1.9 million (19 cents per share) for the first quarter of last year. Valente commented, "There has never been any doubt that Palomar has the best science in cosmetic lasers. During the past two years, we invested heavily in research and development to produce one of the hottest products on the market today. This strategy is paying off now, as physicians are adopting our products in ever-increasing numbers."

Valente said that the company has cut its expense structure significantly in order to expand its sales force to take advantage of the broad acceptance of the EsteLux system and the company's other cosmetic lasers. "We believe that our lasers can penetrate the market based on the favorable reviews of dermatologists across the country. That includes the EsteLux system with its wide range of applications, our SLP1000 diode laser, and the new Q-YAG 5 laser for removing tattoos and pigmented lesions. We offer features that are not available elsewhere, and a tradition of excellent science, excellent design and strong support that is widely trusted."

Palomar expects to see further improvements in its gross margins if sales improve and costs can be spread over a larger revenue base.

MEDICAL/SURGICAL LASER UPDATE -- May 2002

4/30 **Lumenis Ltd.** announced that it was providing the FDA certain additional data as clarification for its ClearLight Acne PhotoClearing System submission for 510K

clearance. The company said it expected to supply the additional information within two weeks, in order to allow the FDA to complete its review. "We expect to supply the limited additional information to the FDA, and look forward to marketing the ClearLight system in the United States," said Yacha Sutton, CEO of Lumenis. "Acceptance of ClearLight has grown steadily among dermatologists and acne sufferers alike, outside the U.S., and we anticipate this system will become a first line of treatment for inflammatory acne worldwide."

The ClearLight clinical validation study was conducted to demonstrate that the system's high-intensity light application is an effective non-drug alternative in reducing inflammatory acne lesions. ClearLight was launched in Europe last year.

4/30 **Candela Corporation** announced that sales for its third quarter, ended March 30, 2002, had grown 14% over the immediately preceding quarter ended December 29, 2001. The company reported sales of $16.1 million versus $18.8 million a year earlier. For the quarter, the company posted a loss of $291,000 (3 cents per share) versus a profit of $1.6 million (14 cents per share) one year earlier. Gerard Puorro, Candela's president and CEO, commented: "As is reflected in our continued sales growth, we are seeing the results of continued strengthening to our distribution channel in the United States. This, coupled with FDA clearances during the quarter for our Vbeam and Sbeam products, and the introduction of Cbeam for psoriasis and surgical scar treatment, positions us quite well going forward. However, in order to ensure our sales growth produces meaningful profits, we have taken several cost containment actions designed at lowering our breakeven. These actions include an immediate reduction in force of selected positions in various locations and departments. In addition, effective July 1st, there will be a series of temporary pay cuts to a large number of our most highly compensated employees. The reduction in force and the pay cuts will be augmented by other cost reductions to bring our breakeven down while we grow. We are increasingly confident that we have the right model going forward to drive profits and increase share price."

5/1 **BriteSmile, Inc.** announced revenue growth for the first quarter 2002. Net revenue of $9.3 million for the three months ended March 30, 2002 posted a quarterly increase of 5% compared to $8.9 million in revenues for the three-month period ended March 31, 2001. The net loss for the first quarter decreased by $2.0 million to $4.1 million (11 cents per share) compared to a net loss of $6.1 million in the corresponding quarter of 2001 (21 cents per share) representing an EPS improvement of 48%. Total operating costs for the current quarter were $13.1 million, which represents a $1.7 million or 12% reduction in operating costs compared to the first quarter of 2001. "We are extremely encouraged with March's procedures, which established a monthly record and exceeded combined procedures for January and February 2002. Revenue growth together with the expense reductions which have been fully implemented are primarily responsible for reducing the operating loss this quarter," said John Reed, CEO of BriteSmile.

At the end of the first quarter 2002, BriteSmile had 4,217 Associated Centers in operation compared with 1,795 Associated Centers in operation at the end of the first quarter 2001.

Of the Associated Centers in operation at March 30, 2002, 842 were located outside of the United States.

5/2 **Pharmacyclics, Inc.** reported financial results for its third quarter ended March 31, 2002. The net loss for the period was $8.0 million (49 cents per share) compared to a net loss of $6.6 million (41 cents per share) in the comparable period of fiscal 2001. Research and development expenses decreased to $7.4 million for the three months, compared to $7.6 million during the same period of the prior fiscal year. The decrease was due primarily to decreased clinical trial and consulting costs due to the completion of the company's Phase 3 clinical trial of lead product Xcytrin (motexafin gadolinium) Injection, for the potential treatment of brain metastases (i.e., cancer that has spread to the brain from another part of the body). These cost decreases were partially offset by higher personnel and facility costs and were in line with expectations.

5/2 **CardioGenesis Corporation** announced that it will exhibit at the 82nd Annual Meeting of the *American Association for Thoracic Surgery* to be held at the Washington Convention Center in Washington, D.C. "The 2002 AATS is the platform for introducing to the cardiothoracic surgical community our renewed organizational focus on TMR, which is the foundation of our current business model," commented chairman, president and CEO Michael Quinn. "With more than 12,000 Americans successfully treated to date, we strongly believe that our market leading TMR procedure can drive the company forward to profitability. We are unveiling our new marketing and clinical information programs at the AATS Annual Meeting because of its prominence as an academic conference, attracting the leading cardiothoracic surgeons from around the world. The wealth of clinical data we have assembled not only demonstrates the quality of life enhancing benefits of TMR, but we believe it defines the mechanisms of action that deliver those benefits. Over the next several quarters we will be continuing to focus on expanding our base of leading cardiac hospitals and surgeons, which is the market's largest, as well as concentrating on increasing the number of procedures performed by existing users."

5/2 **BIOLASE Technology, Inc.** reported financial results for the three months ended March 31, 2002. Net income for the quarter showed strong progression to $119,000 (1 cent per share) compared with a net loss of $772,000 (4 cents per share) for the first quarter of 2001. Sales for the quarter were $5.2 million, an increase of 70% over sales in the first quarter of 2001. Gross profit increased 81% to $3.1 million on a gross margin of 60%, compared with $1.7 million on a gross margin of 56% for the first quarter of last year. Jeffrey Jones, BIOLASE CEO and president stated, "The significant increases in sales, gross profit and net income in the first quarter further demonstrate BIOLASE's ability to grow sales and profitability. Even though the first quarter can be one of the slowest and most difficult periods for high-tech medical capital equipment, we have been able to consistently show increased revenue and productivity year after year. The first quarter was heavily weighted with sales and marketing activities including trade shows, our Clinical Laser Symposium and increased direct marketing seminars, which we anticipate will result in sales in the second and third quarters of this year. In addition, in this quarter

we incurred start-up costs for our operations in Germany and we added manufacturing resources in anticipation of increased output for 2002. We believe all of these actions will reap important benefits as the year progresses. The fact that we were able to execute on our operating plan for the quarter is even more rewarding to us in light of the other accomplishments that we have previously reported this quarter: the FDA clearances for root canal therapy and osseous bone cutting, the acquisition of our new laser facility in Germany, now in production and ISO-9000 certified ahead of schedule, and our very successful 2nd Annual Clinical Laser Symposium. We believe these important milestones greatly strengthened our market position."

5/2 **PhotoMedex, Inc.** announced the results of its first quarter ended March 31, 2002. Revenue for the first quarter 2002 was $952,373, an increase of 54% from the previous quarter. Revenue for the quarter included $240,373 from domestic XTRAC laser treatments and $712,000 from international sales. Of the 9 lasers sold internationally, 3 were initial orders to new distributors in Australia, Korea and Russia. Revenue for the first quarter 2001 was $1.2 million, including $65,602 from domestic laser treatments and $1.2 million in international sales. The net loss for the first quarter 2002 was $2.1 million (9 cents per share). The net loss for the first quarter of 2001 was $3.8 million, (21 cents per share). As of March 31, 2002, cash and cash equivalents were $2.5 million.

Jeff O'Donnell, president and CEO commented, "We continue to move the reimbursement process along and are pleased that multiple codes for use of the XTRAC therapy have been granted by the CPT Editorial Board. Further, we are confident that the findings of the RUC committee on economic valuation for these codes will be at a level that will validate our business model, provide a profitable service to our physician partners, and make XTRAC laser therapy for inflammatory skin disorders affordable for psoriasis patients."

5/3 **Trimedyne Inc.** announced revenues of $3.5 million for the six month period ended March 31, 2002, a decrease of 3% from revenues of $3.6 million in the prior year period. However, the net loss for the current six months was $378,000 (3 cents per share) a reduction of 92% from the net loss for the same period of last year of $4.2 million (33 cents per share) which included charges and adjustments of $1.1 million (8 cents per share). For the quarter, revenues were $1.7 million, a decrease of 15% from revenues of $2.0 million for the prior year period. However, the net loss for the quarter was $265,000 (2 cents per share), a reduction of 86% from the net loss for the same quarter of the prior year of $1.7 million (14 cents per share), which included charges and adjustments of $589,000 (5 cents per share).

Commenting on the results, Marvin Loeb, chairman and CEO of Trimedyne, said: "While sales of our Holmium Lasers declined in the current quarter and six month period, revenues of our laser rental subsidiary and sales of our proprietary, disposable, Side-Firing Laser Needles, which carry higher profit margins than lasers, increased. This is due to increasing acceptance of orthopedic surgeons and patients of our Endoscopic Laser Foraminoplasty or `ELF' Procedure, for which we have the only FDA marketing

clearance. This procedure is being used by surgeons throughout the United States, as well as in Europe, South America and Asia, to treat herniated and ruptured lumbar discs on an outpatient basis. The half hour procedure does not require general anesthesia, the pain usually disappears on the operating table, a Band-Aid is applied (usually no stitches are required), and the patient walks out and resumes light activities in a few days. Published papers on our outpatient laser procedures show good or excellent results, based on pain scores, of 88% to 92%, compared to published reports of 40% to 77% for open surgical procedures, which entail a sizeable incision, 3-4 hours of surgery, a 3-4 day hospital stay, significant post operative pain and a recuperation period of 2-3 months. Our laser procedures are being successfully used to treat patients who have failed conventional disc surgery. Approximately 540,000 surgeries are performed each year in the United States to treat herniated and ruptured spinal discs at a cost of $30,000 each or $16.2 billion. Our outpatient ELF procedure costs less than half the cost of surgery, and prepaid health plans and HMOs are now recognizing the possible cost savings."

Loeb added: "We have submitted data to the FDA with an application to market our Holmium Lasers and Side-Firing Needles for the treatment of thoracic (upper back) and cervical (neck) discs, with success rates of 92% to 94%. Thoracic and cervical discs represent about 45% of all disc cases. If and when approved by the FDA, which cannot be assured, the market for our Holmium Lasers and Laser Needles will almost double."

5/6 **Surgical Laser Technologies, Inc.** announced its financial results for the first quarter of 2002. Net sales were $2.8 million for the quarter, an increase of $488,000 or 21%, over the first quarter of 2001 net sales of $2.3 million. The net loss for the quarter was $53,000 (2 cents per share) compared to a net loss in the first quarter of 2001 of $215,000 (9 cents per share). Commenting on the results, Michael Stewart, SLT's president and CEO, stated: "We established a direct sales force and a consultative sales process for contract services in the second half of 2001. As a result, increased procedure volume, principally from new contracts, has resulted in increases in the first quarter of 12% from the fourth quarter of 2001 and 30% from the first quarter of 2001 in fee per case revenues. Although less predictable, sales of laser systems also increased significantly in the first quarter of 2002 from both the first and fourth quarters of 2001. All other revenues, mainly from delivery systems sales, declined 8% in the first quarter of 2002 from the first quarter of 2001, but rebounded from the decline in the fourth quarter, increasing by 13%. While the sale of laser systems is important in the near term to the overall economics of the business model we are pursuing, capital sales in today's medical market are somewhat unpredictable and can cause fluctuations in quarterly revenue and income attainment. Our main interest is in continuing the growth in the repetitive contract services offering to drive consistent revenue and earnings growth going forward. As our dependence on less predictable capital sales is lessened, we believe that continued growth in contract services, when coupled with the partial vertical integration from our manufacturing capability, will provide the basis to return the company to consistent profitability."

5/6 **BIOLASE Technology, Inc.** announced that it had signed new distribution agreements to sell its Waterlase and LaserSmile systems in the U.K., Scandinavia and Australia. The

combined minimum quotas for these new distributors totals over $7 million USD over the next two years. Keith Bateman, vice president of Global Sales commented, "As we had previously planned for 2002, these new distribution agreements further demonstrate our efforts to expand and grow our international sales. Scandinavia, the U.K. and Australia are all essentially new markets for BIOLASE products. These new distribution partners are all promising companies with successful track records either in medical lasers or high-tech dental sales. We expect significant growth in international sales in 2002 and beyond based on existing partners, recruiting new partners and the enhanced ability to provide excellent support through our new production/support facility in Germany and BIOLASE Europe GmbH."

5/7 **Lumenis Ltd.** announced preliminary financial results for the first quarter ended March 31, 2002. Based on initial financial data, the company reported that net revenues for the first quarter were $86 million, compared with previous guidance of $90 million. The company expects to report net earnings per share in the range of a loss of $.04 to break even. EBITDA is expected to be in the range of $7 to $8 million. No net effect on earnings is expected from unusual one-time costs in the first quarter, as charges for severance costs will be offset by adjustments to previous accruals. The company will report actual results after the close of business on May 13, 2002. Lumenis CEO, Yacha Sutton stated, "Principally as a result of lower sales in Europe in a traditionally weak first quarter, we did not meet revenue and earnings estimates. The company has made management changes and reorganized its activities in Europe to address the weaker sales levels. Additionally, lower prices and an unfavorable product mix adversely affected gross margins."

According to *Reuters*, **Salomon Smith Barney** said it had cut its investment rating and price target for Lumenis. Analyst Phil Nalbone reduced his rating to "neutral" from "outperform" and dropped his 12-month price target to $4 from $10. "Given the variety of business challenges facing Lumenis, the company's near-term financial performance is going to be extremely difficult to forecast," he wrote in a research note. "Even if the company is able to meet the downward revisions, we think it will take several quarters for management to restore investor confidence." Nalbone said the company's stock price probably will languish at current levels for the foreseeable future.

5/7 **Axcan Pharma Inc.** announced an increase of 30% in earnings for the second quarter ended March 31, 2002, and a 24% increase in revenues for the quarter over the same period last year. Revenues rose over 20% for the first half of fiscal 2002 year. During the quarter, the company also completed a public offering of $66.1 million and, after the end of the quarter, signed an agreement to acquire a second company in France, **Laboratoire du Lacteol du Docteur Boucard S.A. (Lacteol)**, located near Paris. "These results are further validation of Axcan's corporate and marketing strategy and of our credibility in the field of gastroenterology," said Leon Gosselin, president and CEO of Axcan. "Our ever increasing market penetration in the United States and the leadership position of a number of our key products both in the United States and in Canada, confirm Axcan's position as a leader when it comes to serving patients suffering from gastrointestinal

diseases. Our proactive moves into the European market with our recent acquisitions in France will reinforce our position as a leading GI company, while our success in financing means that the company remains essentially debt-free with approximately $80 million cash and cash equivalents available at the end of the quarter for further expansion," he added.

Revenue for the second quarter were $30.5 million, compared to $24.6 million for the same period of the preceding year, a 24% increase. For the six-month period, revenue were $59.3 million compared to $49.0 million for the corresponding period in fiscal 2001, an increase of 21%. On November 7, 2001, Axcan acquired **Laboratoires Enteris S.A.S.**, a company specializing in the distribution of gastrointestinal products in France.

5/7 **Laserscope** announced that it had received clearance from the Japanese Ministry of Health and Welfare (MHW) to market the Laserscope Lyra XP laser system and accessories into the aesthetic market in Japan. In commenting on the agreement, Eric Reuter, Laserscope president and CEO, said, "We are very pleased to have received MHW clearance for our Lyra XP laser in Japan. This clearance will allow our distributor, **Japan Medical Equipment company (JMEC)**, to directly market the Lyra for hair removal and other dermatologic applications to Japanese hospitals, clinics and private doctors which significantly improves the market potential for the Lyra XP in the aesthetic medical markets in Japan. The Japanese market for Laserscope's Lyra is expected to be promising because, despite the current recessionary environment in Japan, there appears to be a growing in-office aesthetic market and the Lyra XP is well-matched to those practices' needs. Japanese consumers are estimated to spend in excess of $650 million annually on hair removal procedures. The very large market potential together with JMEC's unique and very successful customer-centric market approach in Japan makes this an excellent opportunity for Laserscope to grow our Lyra sales in Japan."

5/7 **Palomar Medical Technologies Inc.** announced that it began shipments of the Palomar EsteLux light-based hair removal systems to China. The shipments were made to a distributor for clinical testing in order to obtain regulatory approval in China. Chairman and CEO Louis (Dan) Valente commented, "Shipping our first devices to China for clinical testing allows us to follow through with our goals to increase worldwide distribution for our light-based systems. The EsteLux system is a good match for the Chinese market due to its low cost and multiple applications. It is our hope that we will continue to see a high acceptance rate internationally as well as domestically. We would expect to receive approval for the EsteLux system and start full distribution to China by the end of this year. As we have expressed in our most recent announcements and conference call, the EsteLux system is experiencing even better than expected acceptance from our customers and we are moving forward with our plans to increase worldwide distribution into new markets. Our success in commercializing a light-based hair removal and vascular and pigmented lesion removal device that is faster and half the cost of most light-based hair removal devices is evident with the ramp up in revenues as reported in the first quarter ended March 31, 2002. This ramp up trend is continuing in the second quarter."

5/8 A **Spectranetics Corp.** shareholder who's trying to replace the company's chairman and another director has the support of six company executives, including the chief executive and financial chief, according to a filing Wednesday with the Securities and Exchange Commission. Steve Sweet, who beneficially owns 186,000 Spectranetics shares, is soliciting proxies to elect John Allgood and Jack Newman Jr. to the board to replace Emile Geisenheimer, chairman, and John Schulte, a director. Sweet said "adding two independent directors with strong accounting backgrounds will increase the board's ability to ensure the accuracy and clarity of our company's financial reporting, a critical requirement in the post-Enron environment."

Six Spectranetics executives who collectively own 309,017 shares sent a letter to Sweet on May 3 saying they intend to vote for Allgood and Newman, according to the SEC filing. Chief Executive Joseph Largey and Paul Samek, chief financial officer, are among those who plan to support Sweet's nominees.

5/8 According to a recent survey by the **American Academy of Facial Plastic and Reconstructive Surgery (AAFPRS)**, facial plastic surgery, once strictly the realm of Caucasian patients, today is a growing trend among minorities. The study shows that facial cosmetic and reconstructive surgery increased exponentially among minorities from 1999 to 2001. It has more than quadrupled among Asian-Americans (increased 340%) and African-Americans (increased 323%) and has tripled among Hispanics (increased 200%). That compares with a 34% increase among Caucasians, who still make up the largest group overall. "America's single standard of beauty -- the blue-eyed blonde -- has been replaced by images of beauty within each minority group that makes up this country," said Dr. Shan Baker, president of the AAFPRS. "Patients want to look their best, but within their own ethnic group."

The booming rate of acceptance of facial plastic surgery among minorities was tied to three factors, said Dr. Baker. First, a growing middle class in each group has created more expendable income for elective surgery. Second, medical advances have greatly reduced the risk of scarring, known as cheloids, among dark skinned patients. Finally, the American media has helped raise awareness that a single standard of beauty no longer exists in multi-ethnic America. The survey of board certified members of AAFPRS, released at the association's *8th International Symposium of Facial Plastic Surgery*, revealed other burgeoning trends in facial plastic and reconstructive surgery in 2001. The top cosmetic surgical procedures were blepharoplasty (eyelid surgery) and rhinoplasty (nose job). The most popular non-surgical procedures were Botox injections, microdermabrasion and chemical peels. In 2001, the Botox boom crowded doctor's waiting rooms, with 60% more patients seeking the procedure compared to the previous year, the AAFPRS survey showed. Those seeking to remove wrinkles were typically women (60% increase over the previous year) and were middle-aged (37% were aged 40-59; 18% were age 20-39, 10% were age 60-79 and 2% were under age 20). Patients typically hail from the North Central section of the United States (37%) and the South (32%), compared to the Northeast (19%) and West (13%). The average cost of Botox injections is $497 ($519 to see a doctor in private practice; $374 to see a university-based

MD; $525 for a more experienced doctor and $353 for a less experienced physician). The trend is expected to continue now that Botox won FDA approval in April to be marketed directly to consumers to treat wrinkles. It had previously been used only at the doctor's discretion.

The AAFPRS survey also highlighted gender differences between what men and women believe they need to improve their appearance. Among male patients, hair transplants, rhinoplasty, blepharoplasty and Botox are the most common procedures. Seasonally, the most popular time of the year to undergo facial plastic surgery is winter. This is true for laser surgery, rhytidectomy/plasty (face lift), blepharoplasty and chemical peels. Botox is most popular in fall and winter. And, otoplasty (pinning back ears) and rhinoplasty are most common in summer. Nearly half of the patients (50% of women and 40% of men) tell their surgeons that looking younger is the reason for wanting to undergo facial plastic surgery. Men are more likely than women (30% versus 14% respectively) to say they want facial plastic surgery for work-related reasons, the survey showed. About 6 out of every 100 women who seek cosmetic procedures suffer from Body Dysmorphic Disorder (BDD) -- a pathological preoccupation with a particular body part that a patient believes is flawed. Slightly more men (7 out of every 100) suffer from this disorder, the survey showed.

The survey questionnaire was completed by AAFPRS members who are board certified by the American Board of Facial Plastic and Reconstructive Surgery from January - April 2002.

5/8 **Cell Robotics International, Inc.** announced that it plans to introduce a modified version of its award winning Lasette laser finger perforator designed specifically for neonatal/pediatric heelstick applications. The new "Infant Lasette" will be based upon the current Clinical Lasette model, but specifically designed to draw capillary blood from the heels of infants, replacing the current and often painful use of costly lancets and scalpels. Cell Robotics' Lasette is an FDA approved laser finger perforator used to draw capillary blood in hospitals and for home use in diabetes management applications. The Infant Lasette system will include a modified version of the current Clinical Lasette designed to easily accommodate an infant's heel and a specially designed single-use disposable lens shield. Each year, there are approximately 130 million births worldwide. In most developed countries, newborn infants are subjected to routine capillary blood tests with samples drawn via "heelstick" with safety needles and scalpels. In the United States alone, there are over 4 million births annually, and each infant is mandated to have a routine battery of blood chemistries performed at birth. In the U.S., pre-mature infants, account for approximately 11% of all births while low birthweight babies are an additional 7.8% of births (according to the National Center of Health Statistics, Centers of Disease Control and Prevention). Pre-mature births can be subjected to multiple heelsticks per day over an average hospital stay of up to 120 days. These repeated heelsticks may be harmful to the premature infants' heels causing, in some cases, the use of an infant's fingers to obtain the blood sample.

5/10 **The Spectranetics Corporation** announced that it was introducing a new and improved SLS II lead removal laser sheath at the *North American Society of Pacing and Electrophysiology (NASPE)* conference in San Diego. The SLS II, available in the 16 Fr size, has a number of features requested by physicians to make pacemaker or defibrillator lead removal even quicker and easier:

-- a slick inner coating to facilitate passage of the laser sheath over the lead;
-- a more flexible distal segment and 15 degree bevel on the tip to ease advancement over acute angles;
-- an additional 10 cm. of SLS body length to facilitate treatment in tall patients; and
-- greater body strength to enable the SLS to migrate tortuous anatomy more easily.

In addition, the company has added a suture cleat to its Lead Locking Device (LLD), a complementary mechanical device that facilitates lead removal by providing traction. Charles Coates, Senior Product Manager for Spectranetics, commented: "Our CLeaRS lead removal system has raised the success rate from 65% with mechanical methods to 98% today. All of the enhancements we've added to our new SLS II are based on feedback from physicians. We hope that our product improvements, combined with increased physician awareness of the safety and efficacy of our system, will lead to a change in the standard of care in medicine whereby obsolete leads will routinely be removed, rather than abandoned in the body, as is currently the case. As reported in the December 2001 Journal of Pacing and Clinical Electrophysiology, there's a 20% complication rate from abandoned, non-infected leads. Despite its publication, we believe that many doctors still underestimate the risk of abandoning leads in the body and overestimate the risk of lead removal."

The company also announced that the Board of Directors had appointed Emile Geisenheimer, its chairman of the Board, as acting CEO to replace Joseph Largey, effective immediately. The Board has retained the executive search firm of **Heidrick & Struggles** to assist in recruiting a permanent CEO. Paul Samek also was removed as CFO. The terminations of Largey and Samek, among other things resulted from their disagreement with the Board's policy of pursuing sustainable growth in profitability as a key driver of the value of the company's stock. The Board was convinced that Largey and Samek were not committed to controlling selling, general and administrative expenses and were under-investing in the company's product development efforts at a critical point. The Board effected the terminations only after it made considerable efforts to persuade Largey and Samek to endorse and implement these strategies.

"The company requires new leadership that shares the Board's strategy for sustainable growth in profitability," said Geisenheimer. "We are committed to a smooth transition. We deeply appreciate the hard work and dedication of the many highly-skilled Spectranetics employees who have built a solid foundation for the company and whom we expect will assist us in achieving an even greater level of success. Spectranetics will maintain the leading edge technology, superior products and outstanding customer service that are its hallmarks. In addition, we will aggressively seek to expand the

applications for our excimer laser technology to address other important clinical problems. We will be focused and disciplined in the execution of our business plan."

5/13 **Lumenis Ltd.** announced financial results for its first quarter ended March 31, 2002. The company reported revenues of $86.1 million, compared to $43.9 million for the same period last year. The net loss for the first quarter of 2002 was $643,000 (2 cents per share) compared with net income of $4.2 million (14 cents per share) in the first quarter a year ago. Excluding unusual one-time costs, net income in the first quarter last year was $6.6 million (22 cents per share). On a pro-forma basis for the acquisition of **Coherent Medical Group (CMG)**, revenues last year were $97.9 million.

In reviewing the first quarter, Yacha Sutton, Lumenis CEO commented, "Lower sales in Europe and an adverse product mix and lower prices in our surgical and ophthalmic businesses caused us to miss our revenue and earnings targets. We expect the revenue shortfall to persist through the balance of this year and are implementing a company-wide cost reduction program to adjust our cost structure. However, we believe the fundamentals of our business remain positive and expect sales growth to resume next year. We are also confident that we can meet our objective of being cash flow positive from operations in the second quarter. "

Revenues in the first quarter of $86.1 million were below earlier estimates of $90 million due to a $4.6 million shortfall in Europe. The company has made management and organizational changes, which it believes will return European sales back to expected levels by the end of this year. Gross margins in the surgical and ophthalmic businesses were adversely impacted by lower than expected sales of higher margin products and pricing pressure on certain ophthalmic products. The company will be introducing several new ophthalmic products through the balance of the year and expect margins to return to normal levels by the fourth quarter. As a result of the above, gross margins declined to 52% in the first quarter. The Aesthetic segment accounted for $37.2 million in sales in the first quarter of 2002 and 43% of total sales. In the first quarter, sales of hair removal products were $15.6 million and sales of photorejuvenation products were $18.4 million. Sales of hair removal products were in line with sales levels experienced since the acquisition of CMG. Photorejuvenation product sales were up 46% from last year and in line with expected sales levels.

The company took a charge in the first quarter of $3.3 million primarily for severance costs associated with the relocation of manufacturing operations at the Santa Clara facility. The charge was offset by reductions in previously provided accruals for items associated with the CMG acquisition. EBITDA was $7.5 million in the first quarter compared to $10.0 million a year ago. The change was principally due to the lower gross margins in 2002. The net loss of $643,000 was due to the lower sales and lower gross margins. Operating expenses were on budget. Financing costs were higher due to a higher level of borrowings during the quarter. Operating cash flow was a use of $18.5 million for the quarter. The use of cash was, in part, due to disbursements of $7.9 million against previously accrued reserves for certain costs related to the integration of CMG. The

balance of these costs, $9.3 million, will be expended over the remainder of this year. Additionally, working capital increased $10.4 million. Accounts receivable increased $12.4 million, primarily due to processing difficulties associated with the merging of information systems from CMG and **ESC Medical Systems**. This increase was offset by a decrease of $4.9 million in inventory as a result of the company's ongoing initiative to reduce inventory levels. This initiative is expected to reduce inventory by a total of $10 million by June 30, 2002. Improvements have now been instituted in the receivable collections process, which will result in improved collections and a reduction in accounts receivable balances over the next two quarters. Cash balances were $23.7 million at the end of the quarter and borrowings under the revolving credit agreement were $24.5 million. The company repurchased $14.4 million of its convertible subordinated debt during the quarter and used its revolving credit agreement to fund those purchases. The company has a committed $70.7 million four year loan agreement from **Bank Hapoalim BM**, which it will draw down to repay its revolver for the purchased bonds and repurchase the balance of the outstanding bonds.

Based on current conditions, Lumenis expects revenues in the range of $90 million to $95 million in the second quarter and from $370 million to $390 million for the full year. The estimates reflect the lower sales in Europe, expected product mix changes, and delays in the FDA clearance for the ClearLight product. EBITDA is expected to be in the range of $10 to $13 million in the second quarter and from $57 to $65 million for the full year. Net earnings are expected to be in the range of $.04 to $.10 per share in the second quarter and from $.55 to $.80 per share for the full year. No further unusual one-time charges are expected, and any further costs associated with the integration are reflected in the above estimates. The company expects to be cash flow positive in the second quarter of 2002. The estimates include the benefits of the cost reduction program now being implemented, which is expected to generate approximately $14 million of savings through the end of the year. For the balance of the year, capital expenditures are estimated at $6 million, other cash disbursements are estimated at $23 million and cash flow from working capital reductions is expected to be at least $15 million.

5/13 More information surfaced about the fight for control of **Spectranetics Corp.** *DOW JONES NEWSWIRES* reported that shares of Spectranetics Corp. took a hit Monday from its board's firing of CEO Joseph Largey and CFO Paul Samek. The removal, which the company attributed to their long-running disagreement with the board over business-growth issues, came after the two executives publicly voiced support for a shareholder resolution calling for a new board. Shareholder Steven Sweet initiated the resolution late April, calling for the replacement of chairman Emile Geisenheimer and director John Schulte. Geisenheimer, who has been on the board since 1990, has taken over as acting chief executive while the company is looking for a permanent replacement for Largey.

"I'm outraged," Sweet said, referring to the board's action. "Those reading this (firing news that came out late Friday) today who believe that these precipitous terminations were not direct responses to their public support of my candidates are, in my view,

incredibly naive." Sweet is soliciting proxies to elect to the board John Allgood and Jack Newman Jr., two outsiders who Sweet said have "strong accounting backgrounds" and "will increase the board's ability to ensure the accuracy and clarity of our company's financial reporting, a critical requirement in the post-Enron environment."

Sweet said all of the six executives in the company's management had sent him a letter on May 3 , saying they intend to vote for Allgood and Newman. "By firing Largey and Samek," Sweet said, "Geisenheimer is sending a message to the others -- not to cross you." Geisenheimer and Schulte have come under scrutiny recently for their pay; the two are entitled to 75,000 in stock options every three years with no performance stipulation imposed, according to Sweet. Geisenheimer, in response, stressed the company's position that "there is absolutely no linkage whatsoever" between the two events. Geisenheimer reasoned that the two executives' disagreement with the board over business matters dated back to 2000 -- long before they endorsed Sweet's resolution. He also noted that Sweet's sister, Sharon Sweet, is vice president of corporate relations at Spectranetics -- a fact that Sweet disclosed in his proxy fight statement. "It's an attempt by management to take over the board to gain control of the company," Geisenheimer said. In recent stock trading, Spectranetics lost 17%, or 62 cents, to $2.95.

Dow Jones also reported that a group including former Spectranetics Corp. CEO Joseph Largey and former CFO Paul Samek holds a 10.8% stake in the company, according to a Schedule 13D filed Monday with the Securities and Exchange Commission. On May 3 , the group informed the company that it would vote its stake in favor of shareholder Steve Sweet's proposed slate of directors at the 2002 annual meeting, according to the filing. Sweet initiated the resolution in late April, calling for the replacement of Chairman Emile Geisenheimer and director John Schulte. Sweet is soliciting proxies to elect to the board John Allgood and Jack Newman. Geisenheimer, who has been on the board since 1990, has taken over as acting chief executive while the company is looking for a permanent replacement for Largey. Spectranetics recently replaced Largey and Samek and said the terminations resulted from their disagreement with the board's policy of pursuing sustainable growth in profitability as a key driver of the value of the company's stock.

Two day's later, the company announced that it had postponed its annual shareholder meeting, scheduled for June 4 , due to recent executive changes.

5/13 **Diomed Inc.** stockholders voted to approve an Agreement and Plan of Merger dated April 5, 2002 pursuant to which Diomed's state of incorporation will change from Nevada to Delaware.

5/14 **DUSA Pharmaceuticals, Inc.** reported its corporate highlights and financial results for the first quarter ended March 31, 2002. Corporate highlights included the following. The company had been advised by its U.S. dermatology marketing partner that during the quarter, end-user Levulan Kerastick sales totaled 1,800, similar to the average quarterly sales during 2001, but down from the 2,448 units sold to end-users in Q4 2001. BLU-U

placements increased modestly since year-end, rising from 300 to 328 at March 31, 2002. These results clearly do not yet show any significant improvement from last year's trends, despite the new national reimbursement codes for our therapy that came into effect as of January 1, 2002. Nonetheless, DUSA continues to hear from doctors who believe that Levulan PDT is an excellent treatment for many of their AK patients, as well as for other indications that may be suitable candidates for clinical development (see below). These reports provide DUSA with encouragement that Levulan PDT can still become an important therapy in dermatology.

In the dermatology pipeline, DUSA is pleased to report that a recent review of interim data from its Phase I/II clinical study using Levulan PDT in the treatment of persistent plantar warts showed encouraging results. In warts treated with Levulan PDT, 52% of lesions showed a greater than 50% reduction in surface area at 16 weeks follow-up, vs. 33% of the vehicle and light treated lesions. Although the final data will not be available until later this year, and this study was not designed to be statistically significant, DUSA believes that this data, combined with published independent results, is sufficient to justify continued development of this indication. Further development plans will not be finalized until this fall when the full results are available. Initial results from the Phase I/II onychomycosis (nail fungus) study are also expected this fall.

DUSA also intends to start a study in the near future to explore the application of Levulan PDT using the Kerastick and the BLU-U for the treatment of actinic keratosis over the entire face, whereas the currently approved indication only allows application to scattered individual lesions. The company believes that full development and approval of this indication, which has been termed Broad Area AKs (BAAKs), could enhance the usefulness of the therapy. An alternative approach to treating BAAKs was also presented at the recent *American Society of Laser Medicine and Surgery (ASLMS)* meeting in Atlanta. Dr. Macrene Alexiades-Armenakas and Dr. Roy Geronemus of the Laser and Skin Surgery Center of New York utilized the Levulan Kerastick with a different light source in an independent investigator study on BAAKs, and reported very promising results. DUSA has also been conducting Phase I/II studies in the treatment of high-grade and low-grade dysplasia associated with Barrett's esophagus, and preliminary analyses are currently underway. These results, when available, will be used to advance future development and partnering planning

Also during the quarter, regulatory approval was received for Levulan PDT with the Kerastick in Brazil, although approval of the BLU-U, which is pending, is also required before product launch can occur. Other approvals are also pending.

Financial Highlights: DUSA's net loss for the three-month period ended March 31, 2002 was $2.9 million (21 cents per share) as compared to $1.3 million (9 cents per share) for the same period in 2001. Total research and development costs were $3.3 million compared to $1.8 million in the prior year period. The increase in 2002 was mainly attributed to higher clinical trial expenditures, both for dermatology and for Barrett's esophagus development. During the current three-month period, approximately $779,000

of the R&D expenditures was reimbursable by **Schering AG**, based on two-thirds reimbursement of dermatology co-development expenses. This compares to a $480,000 receivable for reimbursement for the comparative three-month period in 2001. Legal expenses have also increased versus the similar period in 2001, and may increase significantly going forward following the recently announced challenge to our licensed Australian patents. Interest income for the period decreased approximately $329,000, to $774,000, as compared to $1.1 million for the same period in 2001. This decrease was mainly attributed to lower investable cash balances in support of DUSA's operating activities and the development of a new Kerastick manufacturing facility.

5/14 **CardioGenesis Corporation** announced that results for the first quarter ended March 31, 2002, were positively impacted by a sequential quarterly increase in the placement and sale of the company's cardiac laser systems, combined with a strong improvement in gross margins and a reduction in operating expenses. Worldwide revenues in this year's first quarter grew modestly to $3.2 million from $3.1 million in the first quarter of last year, but were up sequentially 13% from revenues of $2.8 million in the fourth quarter of 2001. Losses were reduced significantly as the 2002 first quarter net loss was cut approximately in half to $1.2 million (3 cents per share) from the 2001 first quarter net loss of $2.4 million (8 cents per share). The net loss in the fourth quarter of 2001 was $2.4 million. Gross profit margins as a percentage of sales in the first quarter of 2002 increased sharply to 74%, up from 51% in the prior year's first quarter and up sequentially from 63% in the 2001 fourth quarter. Operating expenses in this year's first quarter declined 3% and 13%, respectively, when compared to operating expenses in the first and fourth quarters of 2001. The 2001 first quarter results included $357,000 of equity losses from the company's minority ownership of Mountain View, CA-based **Microheart, Inc.**, which was fully written down during 2001.

Chairman, president and CEO Michael Quinn commented, "We are very encouraged by the improved performance of the first quarter. We are focused on maintaining this positive trend and are seeing improvement in key areas of our business, but before we can declare success, we must continue to generate consecutive quarters of improved results and deliver on our commitment of becoming profitable and increasing shareholder value. Today, our streamlined sales and marketing organization is more focused and productive than before, the outsourcing of manufacturing continues to have a positive impact on our gross margins and cost structure, and we are observing a renewed and growing interest in TMR among cardiac surgeons, all of which are encouraging trends. We have also completely redeveloped our sales and marketing programs and materials. For example, with more than 12,000 patients to date having been treated with TMR in the U.S. alone, we have been able to compile and prepare case studies presenting and supporting the significant amount of compelling clinical and patient outcome data that is available. We believe these new case studies, which are available to interested users and prospects, clearly show the clinical and quality-of-life-enhancing benefits of TMR. Of equal importance, our regulatory team continues to work with the FDA and is pleased with the progress being made to meet our objective of obtaining FDA clearance to sell

PMR in the U.S. this year. In the meantime, the company continues to sell PMR internationally and remains focused on capitalizing on the worldwide potential for TMR."

As previously reported, shortly after the end of this year's first quarter, CardioGenesis strengthened its balance sheet by raising $2.8 million in two separate transactions. The company received $2.3 million by selling its minority equity interest in privately-held Microheart back to that company and $500,000 from a private placement of 500,000 shares of CardioGenesis common stock with the **State of Wisconsin Investment Board**. Upon receipt of the proceeds from those two transactions, the company's March 31, 2002 balance sheet on a pro forma basis showed a total of $4.7 million in cash and cash equivalents. During this year's first quarter, the company shipped 8 lasers and had worldwide disposable sales of 608 units, compared to the shipment of 8 lasers and worldwide disposable sales of 763 units in the first quarter of 2001. At the end of the 2002 first quarter, there were 420 sites with CardioGenesis lasers for myocardial revascularization, up 9% from 385 sites at the end of the first quarter of 2001 and up from 413 sites at the end of last year's fourth quarter. The total number of surgeons trained as of March 31, 2002, had risen to 1,039, an increase of 21% from the 856 trained at the end of the prior year's first quarter.

The company believes its share of the laser-based cardiac revascularization market is approximately 75% and that it has now penetrated more than 50% of the top 200 cardiovascular institutions in the U.S.

5/15 **Diomed Holdings, Inc.** announced financial results for the first quarter of 2002. For the three months ended March 31, 2002, Diomed reported a net loss of $1.8 million (15 cents per share) as compared to a net loss of $3.1 million (51 cents per share) for the three months ended March 31, 2001. Revenues for the quarter were $1.0 million, versus $3.5 million for the same period last year. Research and development expenses were $171,000, versus $344,000 last year. General and administrative expenses were $821,000, versus $612,000 for the same period a year ago. "Diomed's achievements during the first quarter of 2002 include obtaining FDA clearance of its EndoVenous Laser Treatment (EVLT) procedure for use in the treatment of varicose veins; raising $10 million in a private placement equity financing in connection with the completion of a reverse merger with a publicly-held company; having its common stock listed with and traded on the American Stock Exchange; and beginning to implement a direct sales force in the U.S. to supplement the company's distribution network in order to support the anticipated growth of EVLT in the U.S. market," stated Peter Klein, Diomed's president and CEO. Klein continued, "Diomed has modified its business plan to focus on the sale of EVLT devices and disposables to private and hospital-based physicians in the U.S. In addition, Diomed's product line has changed. During the first half of 2001, we discontinued sales of our Laserlite product line when we withdrew from the aesthetic laser market and migrated to our existing laser platform. Also, our first quarter 2001 financial results reflect significant sales to two of our OEM and photodynamic therapy (PDT) partners that did not recur in the first quarter of 2002 due to timing fluctuations

in the commercialization of their products. As a result of these factors, our first quarter 2002 financial results are not indicative of Diomed's future financial performance."

In fiscal 2002, Diomed expects to focus on the development and growth of worldwide sales of EVLT, to support the development and approval of new applications for its PDT products for use in cancer treatments, and to continue the development and approval of new minimally invasive medical procedures that offer long-term opportunities to the company. Diomed expects that EVLT will be a primary source of revenue in 2002, based on the belief that EVLT will result in a high-level of commercial acceptance due to its quick recovery period, including an immediate return to the patient's normal routine (except for vigorous physical activities), reduced pain, minimal scarring and lower costs, all as compared to vein stripping, which is currently the prevalent clinical treatment for varicose veins.

5/15 **Cell Robotics International, Inc.** announced that it had reached an agreement with **Sandstone Medical Technologies, LLC.**, a private company located in Homewood, Alabama to use Cell Robotics' core laser technology to develop a proprietary medical laser for aesthetic or skin rejuvenation applications. The costs associated with the development of the technology and the FDA submittals and other regulatory requirements will be paid by Sandstone Medical. Details on the special technology are proprietary to Sandstone and to Cell Robotics, and are not disclosed at this time. Sandstone will exclusively market and sell the product in North America while Cell Robotics will have rights to manufacture and sell the product in other international markets. Cell Robotics will have the first right of refusal to be the OEM manufacturer of the product.

Sandstone Medical is a medical laser marketing and sales company providing many types of medical lasers to physicians and clinics across the country with 2002 sales targeted at $7 to $8 million. The principal partners have 40 years combined experience in the industry. Better medical care is extending the productive lifetime for the populace. They feel younger than their years, so they also want a more youthful appearance. The markets for aesthetics lasers are vast with over 300,000 people having some aesthetic laser procedure in the year 2000, according to the *American Academy of Cosmetic Surgery*. It is predicted that this market is going to continue to expand as "baby boomers" enter their 50's and desire to look as good as they feel.

"We look forward to working with Cell Robotics to complete this product. We believe that they have some unique talents and core technology that will provide Sandstone with a competitive marketing and sales advantage," said Mark Rohrer, managing partner of Sandstone Medical. He continued, "Their successful regulatory experience with the FDA, along with their ISO-9001 certified quality management system and manufacturing facility is very important to us."

On an unrelated point, Dr. Ronald Lohrding, Cell Robotics' chairman, CEO and president was interviewed by the *Wall Street Reporter*. In the interview, Dr. Lohrding elaborated on the market pull for the Infant Lasette to replace blades for drawing blood from the

heels of newborn infants. He also discussed the market pull from the developing world for the use of the Lasette to prevent the reuse of steel lancets and to reduce the potential for "sharps" cross contamination accidents. The Lasette is a laser finger perforator used for drawing capillary blood for testing glucose levels for people with diabetes and in the clinical/hospital market. The Lasette prevents "sharps" accidents from lancets and for patients it reduces pain, soreness and oozing. The Sandstone agreement was not covered in the interview because the information was not previously released to the public.

5/15 **ICN Pharmaceuticals Inc.** announced that its subsidiary, **ICN Photonics**, had entered into an agreement with **Enfis Ltd.**, the optical company funded by Welsh entrepreneur Sir Terrence Matthews, to develop light-emitting diodes (LEDs) for the treatment of skin diseases and numerous other medical conditions. "This is a significant deal for both parties," said Ken Board, CEO of Enfis. "It gives ICN access to some world-class technologies, and could lead to innovative ways many diseases are treated." While numerous researchers are working on light as a form of medical treatment, the Enfis/ICN partnership will specifically focus on treating various conditions with light and traditional pharmaceuticals in combination.

The first product expected from the collaboration will be specifically designed and developed for the treatment of active acne. A number of advanced studies are under way, both in Europe and the United States, to validate the clinical efficacy of the technologies. According to the *IMS National Disease and Therapeutic Index*, in 2001 U.S. patients made 7.7 million visits to physicians for the treatment of active acne. The U.S. active acne market is valued at $1.3 billion.

ICN, based in Costa Mesa, Calif., is an innovator in the use of light to treat medical conditions; it developed the NLite System, a non-ablative laser that triggers the body's production of collagen, thereby helping to reduce facial wrinkles. The Nlite System was the first non-ablative laser system cleared by the FDA for the treatment of wrinkles. Since its launch, ICN has actively developed a worldwide medical device marketing and sales capability. "We're especially happy to be working with a company such as ICN, which is already known throughout the world as a pioneer in this field," Board said. "The collaboration should be of benefit not only to stakeholders in both companies, but to medical research, and ultimately, it is the patients who will benefit."

Marc Clement, senior vice president of Research and Development at ICN Photonics, noted that, "We've only scratched the surface of what LEDs can do. This technology, used either by itself or in combination with pharmaceuticals, could trigger innovations in dermatology and oncology. Enfis is a pioneer in the development of high intensity light emitting diodes, and we're just beginning to understand how these devices can be applied to the health-care sector. Enfis has a portfolio of technology patents that are compatible with the ICN intellectual property base."

5/16 **Cell Robotics International, Inc.** announced financial results for the first quarter ended March 31, 2002. The company reported first quarter 2002 sales increases in both of its

product lines. Sales of the company's laser-based medical devices increased 159% to $217,339 in the first quarter of 2002 from $83,913 in the first quarter of 2001. Sales of the company's scientific research instruments increased 31% to $177,584 in the first quarter of 2002 from $135,378 in the first quarter of 2001. The company's total revenue from product sales increased 80% to $394,923 for the quarter ended March 31, 2002 from $219,291 for the quarter ended March 31, 2001. The company's operating expenses decrease significantly to $470,598 in the quarter when compared with $754,905 from the quarter ended March 31, 2001. The company incurred a net loss of $431,315 (4 cents per share) for the quarter compared to a net loss of $805,755 (8 cents per share) in the first quarter of 2001.

Dr. Ronald Lohrding, president and CEO of the company, stated, "We are pleased with our efforts to control total operating expenses at a time when we were increasing our sales and marketing efforts. The results of our first quarter of 2002 follow the pattern we established during 2001. One of our primary goals is for Cell Robotics to become profitable. We believe our operating results from 2001 and especially from the first quarter of 2002 indicate that our company is headed toward becoming profitable. Within the last week we have released two announcements about future products. Both products use our existing core laser technology. The infant "heel-stick Lasette" could be used on the 4,000,000 infants that are born in the United States each year. The other product, a medical laser for aesthetic or skin rejuvenation applications, would compete in a market place that boasted over 300,000 procedures in 2000, according to the *American Academy of Cosmetic Surgery*. The potential is truly enormous. We feel that Cell Robotics is on the verge of success. As we review the information in this release along with the potential products discussed in recent announcements we are confident that we will be able to achieve positive results."

5/16 The *Associated Press* reported that the Securities and Exchange Commission had began a formal investigation of **Lumenis Ltd.**, according to the company's quarterly report. The SEC requested information from the company in February on its relationships with distributors, and a further explanation of previous charges and write-downs for the period beginning January 1998. Lumenis has been and continues to provide information to the agency and was told Wednesday that the SEC issued a formal investigation order, the filing with the SEC said. Lumenis also said in the filing that after the SEC request for information in February, at least six lawsuits were filed against the company alleging violation of securities laws with several seeking class action status. The company's balance sheets through March reflect an $18 million accrual related to Lumenis management's estimate of the company's potential exposure on some of the legal proceedings, the filing said.

5/17 **PhotoMedex, Inc.** announced that it had received FDA clearance to market the XTRAC laser system to treat leukoderma (the loss of skin pigmentation often as a complication of injury to the skin from trauma, surgery, laser therapy and burns). The *Archives of Dermatology* recently reported that the key to the effectiveness of the XTRAC excimer laser was that it stimulated melanocyte migration and proliferation by the release of

cytokines and inflammatory mediators in the skin, which lead to re-pigmentation. PhotoMedex has experienced very promising results with its clinical studies on some of the more common types of leukoderma.

David Goldberg, MD, **Skin Laser and Surgery Specialists of New York and New Jersey** and Director of Laser Research in the Department of Dermatology at New York's Mount Sinai School of Medicine, reported on his pioneering efforts using the XTRAC laser on stretch marks. Dr. Goldberg, in his recent interview with **CNN** noted, "the excimer laser targets the pigment cells in the white scar and causes them to produce more pigment, thereby improving the quality of the scar's color. Stretch marks are one of the biggest cosmetic concerns I hear among women, but overweight men are also susceptible." Dr. Goldberg's research followed the progress of 10 subjects treated for stretch marks at weekly intervals over a five week period. The results show that within 6 to 9 treatments the stretch marks re-pigmented, making them less noticeable.

Stretch marks commonly occur from pregnancy and substantial weight gain, when the skin is stretched beyond its elastic limits and actually thins out. This thinned out skin initially appears red from inflammation, but eventually turns white, leaving a mature stretch scar. Dr. Roy Geronemus of the **Laser & Skin Surgery Center of New York**, a pioneer in this field, stated in an interview with **FOX News**, "the use of the 308-nm excimer laser for the treatment of post-surgical scars and CO2 skin-resurfacing induced leukoderma is the first truly effective therapeutic option that we have seen that will be effective for millions of patients. It is a safe, painless, and effective treatment for the re-pigmentation of scars from surgery, as well as scars from previous traumatic injury, including burns. Though the treatment frequency varies from patient to patient, we have seen some remarkable results in as little as 2 treatments. The treatment sessions do not injure the skin, there is no patient downtime and the potential for success is high, making this an ideal cosmetic treatment."

Jeff O'Donnell, president of Photomedex commented, "We are pleased with this recent approval from the FDA for leukoderma, and are continuing to expand the applications for use of the XTRAC in the dermatological suite. We were delighted to learn that Dr. Goldberg will be featured on CNN, where he will be interviewed by Paula Zahn with respect to his recent pioneering efforts in the use of the XTRAC on stretch marks. One in five Americans suffer from either leukoderma, psoriasis, vitiligo, or atopic dermatitis. With the addition of this recent FDA approval, PhotoMedex can now provide effective remedial therapy for this group of patients. We will continue to expand the clinical applications of XTRAC to address the various other skin disorders that could be positively impacted by the XTRAC laser."

In his own press release, following the FDA approval announcement by the company, Dr. Goldberg went on to say, "Since our study was issued last month, our office has been deluged with calls from women around the world seeking this treatment. Now with FDA approval, this procedure could be as popular as Botox." Dr. Goldberg's study, issued on April 11 of this year, is the first-ever treatment able to improve the look of old stretch

marks. The procedure can also improve white scars resulting from face lifts. The study, the first such research protocol in the world for stretch marks, was released at the *American Society for Lasers in Medicine and Surgery* annual conference. The research followed the progress of 10 subjects treated for stretch marks at weekly intervals over five weeks. The results show the treatments repigment stretch marks, making them less noticeable. Stretch marks commonly occur from pregnancy and substantial weight gain, when the skin is stretched beyond its elastic limits and actually thins out. This thinned out skin initially appears red from inflammation but eventually turns white, leaving a mature stretch scar.

5/20 **Diomed, Inc.** formally introduced its EndoVenous Laser Treatment (EVLT) through a series of floor demonstrations to the OB/GYN community at the *American College of Obstetricians and Gynecologists'* 50th Annual Clinical Meeting held in Los Angeles. Wade Fox, vice president Global Sales and Marketing, commenting on the show said, "Our attendance at the show was well received. Over 5,000 OB/GYN practitioners were in attendance and each physician that stopped by the Diomed booth and talked with us confirmed our reasons for attending the show." Fox continued, "Pregnancy, hormone replacement therapy and birth control pills are contributing factors as to why women are more likely to have varicosities due to greater saphenous vein reflux than men. OB/GYN practitioners are familiar with the problem; they are clinically trained on the equipment necessary to successfully complete the procedure and are usually eager to increase the spectrum of services they provide to their clients."

5/20 **PhotoMedex, Inc.** reported that the Journal of the *American Academy of Dermatology (JAAD)* published three key clinical studies on the XTRAC(TM) laser system. The studies were featured in the pre-Blue (advance publication) and regular May issues of the Journal and included:

- "Efficacy of the 308-nm excimer laser for the treatment of psoriasis: Results of a multi-center study" (Multi-center study); authored by Steven Feldman, MD, et al. The study provided the results of 124 psoriasis patients treated at 5 centers around the country and demonstrated that 72% of the patients experienced a 75% or greater clearance in 6.2 treatments or less. Additionally, 84% of the patients achieved improvement of 75% or better after 10 or fewer treatments. The authors concluded that the "Monochromatic 308-nm excimer laser treatment appears to be effective and safe for psoriasis. It requires fewer patient visits than conventional phototherapy and, unlike those treatments, the laser targets only the affected areas of the skin, sparing the surrounding uninvolved skin."

- "High-dose 308 nm excimer laser for the treatment of psoriasis" (High Dose study); authored by Manju Trehan, MD, and Charles R. Taylor, MD. This study evaluated the role of high-dose single treatments with the Excimer 308-nm laser in stable plaque type psoriasis. 16 patients completed the study, of which 11 showed significant improvement within 1 month, and 5 still demonstrated persistent areas of clearing at 4 months. Drs. Trehan and Taylor concluded that, "As little as one high-dose excimer laser treatment can

be effective for localized plaque-type psoriasis. Multiple treatments or other irradiation schedules with this innovative device may prove even more efficacious."

● "Treatment of vitiligo with the 308-nm excimer laser: A pilot study" (Vitiligo study). authored by James Spencer, MD,; Robert Nossa, MD, and Jyotendra Ajmeri, MD. This final study reviewed the results of 18 patients treated with the excimer laser for vitiligo. The patients received 3 treatments per week. 23 vitiligo patches from 12 patients received at least 6 treatments and resulted in re-pigmentation in 57% of the treated patches. 11 patches from 6 patients received all 12 treatments and resulted in re-pigmentation in 82% of the treated patches. Untreated patches remained the same. Dr. Spencer and his team concluded that "This degree of re-pigmentation in a period of 2-4 weeks is much higher than that achieved with any other present vitiligo therapy. The xenon-chloride excimer laser may represent a new treatment modality for the management of stable vitiligo."

Rox Anderson, MD, Chief Medical Advisor, **Wellman Laboratories of Photomedicine** commented, "The XTRAC therapy is receiving a high level of acceptance in the medical community. *The Journal of the American Academy of Dermatology* is a very prestigious journal in its field and its publication of these exciting new studies on the excimer laser further validates the many clinical benefits of this technology. In addition, the findings of the recent meetings by the *American Academy of Dermatology's Relative Value Update Committee (RUC)* should positively impact reimbursement, making these procedures more affordable and more readily available to a greater number of patients."

5/21 **BIOLASE Technology, Inc.** said that it anticipated record sales and continued profitability for the second quarter ending June 30, 2002. The company noted that orders and shipments of both its Waterlase and LaserSmile systems are at record levels. The company is further expanding its U.S. salesforce and also expects to increase its international market penetration. Jeffrey Jones, BIOLASE president and CEO commented, "We expect to post record sales in the second quarter of 2002 and also achieve the fourth consecutive quarter of profitability. Our domestic sales are driving our growth and we also look forward to increasing our international sales as we continue to build our international infrastructure."

5/21 In its quarterly report, **Microwave Medical** said that as of January 22, 2002, the company had filed for bankruptcy under Chapter 11. An automatic stay is now in place. The company will use the bankruptcy to protect the business from creditors while it reorganizes and tries to work out a plan to pay its debts. The Petition was filed in United States Bankruptcy Court, District of Arizona. The company said that in the past year, sales had been slower than anticipated. Its small revenues had been greatly outpaced by operating expenses, and it was now insolvent. "With the economic downturn, an unproven ability to generate revenues and the economic fallout from the events of September 11, 2001, we have been unable to raise additional capital. Our secured creditor has determined that the value of the collateral and the growing unsecured debt made it unlikely that we could raise additional capital. Without any further loans available, and with no prospect of raising additional capital in the face of our current balance sheet, we

are unable to continue in business without the aid of Chapter 11 protection. Even with the protection afforded by the bankruptcy petition, we cannot provide investors with any assurance we will emerge from bankruptcy as a viable business. There are no assets to be distributed to creditors or shareholders as the secured creditor has a lien on all assets and is undersecured."

5/22 **BIOLASE Technology, Inc.** announced the formation of the World Clinical Laser Institute (WCLI) with symposiums to be held in Florida and France this year. The Florida symposium will be held in July at the Marriott Harbor Beach Resort and Spa in Ft. Lauderdale and the France symposium will be held in October at the Grand Aston Hotel in Nice. BIOLASE is forming this organization to accelerate the use of its Waterlase and LaserSmile systems in dentistry. WCLI already has over 1,000 members, which makes it one of the largest dental laser organizations in the world. In 2003, BIOLASE will organize four WCLI meetings to be held in California, New York, Europe and the Pacific Rim. The World Clinical Laser Institute is an expansion of BIOLASE's User Meetings held during the last two years. In the past, these meetings were exclusively for BIOLASE customers. The World Clinical Laser Institute is now being marketed to all dentists worldwide, whether they are experienced laser dentists, newcomers to the field, or general dentists investigating the purchase of a laser. Also, courses will be available at each symposium for hygienists and office staff.

The company also announced that it had been approved for listing on the Nasdaq National Market System (NMS). The company's common stock will begin trading on the Nasdaq National Market effective today, May 22, 2002. BIOLASE's common stock previously traded on the Nasdaq SmallCap Market and will continue to trade under the symbol BLTI.

5/22 **Lumenis Ltd.** announced that it had received FDA clearance to market its BClear Targeted PhotoClearing System for the treatment of atopic eczema and seborrheic dermatitis. The BClear system, which received marketing clearance from the FDA in December 2001 for the treatment of psoriasis and vitiligo, is a unique light-based therapy that combines the proven benefits of phototherapy with the latest advances in fiber-optic technology. Atopic eczema and seborrheic dermatitis are sources of much discomfort and frustration to millions of patients and their physicians worldwide. "Treating eczema and dermatitis with the BClear system can bring relief to millions of patients, especially children and young adults who suffer from these skin conditions," said Yacha Sutton, president and CEO of Lumenis Ltd. "We are very excited about offering this drug free alternative to traditional treatment options including topical and oral medications such as corticosteroids, antihistamines and antibiotics."

Red, inflamed, scaling, and extremely itchy skin characterizes these conditions, which often lead to secondary skin infections. In contrast to conventional treatments that are not always effective or appropriate for children and those sensitive to medication, the BClear system offers a safe treatment option with generally very limited side-effects. The innovative technology of the BClear system represents a significant breakthrough in that

it takes existing science to the next level by combining the benefits of highly efficacious UVB light therapy with the latest advances in fiber-optic delivered light technology. The computerized BClear system delivers precisely targeted light through a fiber-optic cable, in significantly higher doses than those used in traditional UVB light therapy. This allows patients to experience successful results in fewer treatment sessions. The precision dosimetry and small beam output of the BClear system also allows individually customized treatments that safely and effectively treat all body surface locations and skin types (I-VI).

"The versatile, multi-application capabilities of the BClear system, now expanded to include the treatment of atopic eczema and seborrheic dermatitis in addition to psoriasis and vitiligo, will make it a very attractive and valuable addition to dermatology practices worldwide," said Alon Maor, executive vice president of Lumenis' Aesthetic Business unit. "I have treated various dermatological conditions with the BClear system and have had consistently strong clinical results," stated Christine Dierickx, MD of Boom, Belgium. "I find its capability to precisely target and effectively treat diseased tissue while avoiding normal skin to be very beneficial. My patients have also been very pleased with the results," she added.

The BClear system is the first high intensity, targeted device to provide reimbursable UVB treatments for eczema, dermatitis and psoriasis under existing UVB phototherapy CPT codes. "Medicare reimbursement rates were recently raised to more than $50 per treatment," said Maor. "We expect that the combination of a safe and effective, localized UVB treatment -- and improved reimbursement rates -- to substantially increase the number of patient visits to dermatologists' offices for these procedures."

5/23 The University of Michigan on behalf of John Voorhees, MD, dermatology professor noted for his pioneering work in psoriasis and age-related skin problems, announced that he had received funding from California-based **ICN Pharmaceuticals, Inc.** for a three-year study examining the medical benefits of non-ablative lasers. Non-ablative lasers "could represent a new paradigm in the treatment of photoaging problems and skin diseases -- a non-invasive, relatively pain-free, effective treatment for a range of issues that were seen, not so long ago, as very difficult to treat," said Voorhees, chair and professor of dermatology in the University of Michigan Medical School.

ICN currently markets two non-ablative lasers, NLite System and Cool Touch, to treat facial wrinkles. Voorhees and his collaborators are known for the early recognition that psoriasis is triggered by an overactive immune system, treatable by immunosuppressive drugs. He and his colleagues, Gary Fisher, PhD, and Sewon Kang, MD, also unraveled the mechanisms behind sun-induced premature skin aging, with the demonstration that UV light reduces skin collagen content and that this collagen loss is prevented by vitamin A derivatives. Non-ablative lasers apparently may restore the skin's youthful appearance by stimulating the body's production of collagen. Voorhees' group will be studying the chemical and molecular mechanisms, as well as the clinical effects, of non-ablative lasers

used in the treatment of wrinkles associated with aging and photoaging, as well as acne and acne scarring.

"We're gratified by the opportunity to work with the highly talented University of Michigan group," said Marc Clement, senior vice president of research and development for ICN. "While we are aware that non-ablative lasers may be useful for the treatment of various conditions, we don't fully understand the processes responsible for improvement at the biological and molecular level." The ICN-University of Michigan agreement will last three years, with extension options beyond that period.

5/24 **DUSA Pharmaceuticals, Inc.** announced that a DUSA-supported British investigator study using Levulan (aminolevulinic acid HCl) photodynamic therapy (PDT) in a Phase I/II clinical trial for the removal of High-Grade-Dysplasia (HGD) within areas of Barrett's Esophagus (BE) reported positive results at the *Digestive Disease Week (DDW)* conference in San Francisco. DUSA also reported encouraging preliminary interim results from its company-sponsored Phase I/II Levulan PDT study for the treatment of HGD in BE. The DUSA-sponsored study is being performed at the Thompson Cancer Survival Center in Knoxville, Tennessee. Barrett's esophagus is an acquired condition affecting up to 700,000 patients in the United States, in which the normal esophageal lining is replaced by an abnormal lining (early-stage BE) that can then become dysplastic (i.e. precancerous). As dysplasia progresses from low-grade to high-grade, the risk of esophageal cancer greatly increases, such that patients with confirmed HGD often undergo major surgery to remove the affected portion of the esophagus. There is currently no approved therapy proven to halt or reverse BE, or to slow its progression to esophageal cancer.

The British investigator study was carried out at the National Medical Laser Centre, and the Royal Free and University College School of Medicine, London. Seventeen patients with biopsy-proven HGD (13) or early cancer (4), who refused or were considered too high-risk for removal of the esophagus, were given Levulan 60 mg/kg body weight orally, followed in 3 hours by doses of red laser light ranging from 500 to 1000J/cm fiber. At a median follow-up of 8 months, with a median of 2 treatments per patient, 8/17 patients (47%) are clear of HGD or early cancer. HGD ablation was more likely at higher light doses, and 5/6 (83%) patients completely responded at the highest light dose.

In DUSA's clinical trial on the removal of HGD in BE using Levulan PDT, patients received 60 mg/kg Levulan orally, followed 4 to 6 hours later by 200 J/cm of red laser light delivered through a clear balloon catheter. Patients will be followed for 24 months after the original treatment. A total of 6 patients have been treated as of now, and results are available for 5 patients at a median of 3 months follow-up after the last Levulan PDT treatment (median number of treatments = 2). Complete ablation of HGD was seen in 4 of those 5 patients (80%).

DUSA originally was to treat 20 additional patients in this study. However, based on the results to date, and for economic reasons, the company has decided not to enroll any

additional patients. Instead, we will continue to follow these 6 patients and to support investigator studies in the UK, with the goal of optimizing the therapy prior to the start of a Phase II trial. DUSA's other BE-related study, on patients with BE with or without low grade dysplasia (LGD), was to accrue 36 patients, but enrollment has been stopped at 11 patients for similar reasons. The results of that study are expected to be available later this year.

Stuart Marcus, MD, DUSA's vice president Scientific Affairs and CSO, stated "While definitive conclusions can not be drawn from this early data, we are excited by the results of these studies on the ablation of HGD in BE. We intend to continue working with our investigators to optimize the therapy, and we continue to believe that Levulan PDT could play an important role in the treatment of this important, pre-cancerous, and currently medically untreatable disease."

MEDICAL/SURGICAL LASER UPDATE -- June 2002

5/25 After successful market launches in Europe and Asia, **W.O.M. WORLD OF MEDICINE USA Inc.**, a 100% subsidiary of the German **W.O.M. WORLD OF MEDICINE AG**, will launch its U100 lithotripsy laser in the U.S. The laser, which was granted FDA approval in October 2001, will be presented at the world's largest convention for Urologists, the *AUA 2002 (Annual Meeting of the American Urological Association)* in Orlando, Florida. With its FREDDY1 technology, a patented resonator technique, WORLD OF MEDICINE has made the quick, safe and economic removal of stones possible. In addition to its high efficiency, the U100 is noted for its compact design, which allows a high level of mobility. Studies at Germany's Erlangen-Nuremberg University Clinic have confirmed the U100 laser's excellent fragmentation capabilities, even when handling unusually big or hard stones, or ESWL-resistant calculi. With more than 95% of patients, freedom from stones and from pain was achieved after only a single treatment session. The first clinical uses in the U.S. -- at Florida Hospital and at various clinics in Boston -- have corroborated the results of the German study.

5/29 **Axcan Pharma Inc.** said it had filed a supplemental new drug application with the FDA for its photodynamic therapy Photofrin, used to treat high-grade dysplasia associated with Barrett's Esophagus. Axcan also said the FDA had granted an orphan drug status for this submission, giving Axcan seven years of exclusive marketing for the product, if approved. The submission was filed after completion of a phase three study on 208 patients in North America and Europe evaluating Photofrin. Axcan has already filed applications for Photofrin in the European Union and Canada. Barrett's Esophagus is a condition in which the normal lining of the lower part of the esophagus is replaced over time by another type of lining that is normally present in the stomach.

5/29 After a successful debut in the presenter gift baskets at the 74th Annual Academy Awards, **BriteSmile, Inc.** is hitting the red carpet once again. The company announced that gift certificates for complimentary BriteSmile teeth whitening procedures will be included in the presenters and performers gift baskets for the upcoming Tony and MTV

Movie Awards. "If you're looking for a sexy, superstar smile -- you needn't look any farther than BriteSmile," said Derek Correia, executive vice president of Worldwide Marketing. "Whitening your teeth is the simplest thing that anyone - - whether you are a star or not -- can do to dramatically improve their appearance. At BriteSmile, we believe that you shouldn't have to be a celebrity to be pampered like a star, and a one-hour visit to one of BriteSmile's Whitening Spas is enough to give our clients something to smile about."

5/30 According to the May issue of *Photodynamic News*, as reported in the April 25th issue of *The Herald*, **biolitec AG** has purchased **QuantaNova** from **Blue Dot Capital**, the biotech investment subsidiary of **Singapore Technologies**. This is the second change in ownership in nine months for the company, which is the license holder for Foscan (temoporfin), now approved by the EU's regulatory body, the CPMP, for use in head and neck cancer treatment. According to a spokesperson for biolitec, "The purchase of all assets of QuantaNova UK will enable biolitec to attain a market and the know how leadership position in PDT several years earlier than announced." It was not stated whether QuantaNova's offices in Stirling, Isle of Lewis, Scotland would continue to operate. David Horrobin, the founder of **Scotia**, the original developer of Foscan, said that at its peak, Scotia had a market capitalization of more than L600 million, but like so many Scottish biotech firms, it was under enormous pressure from investors to bring in people from large pharmaceutical firms, which was the beginning of the end for Scotia.

biolitec also announced the development of a new 689 nm diode laser, in partnership with **CCS Pawloswski GmbH** of Jena. This laser offers improved PDT treatment of AMD with Visudyne, utilizing a built-in CCD camera to record the retina during treatment. The information is sent to a computer which calculates the area to be treated and adjusts the beam diameter accordingly.

5/31 **BriteSmile Inc.** filed suit against **Discus Dental** charging the company with unfair business practices and tortious interference under California state law. The suit seeks to permanently prohibit Discus Dental from targeting and interfering with BriteSmile dentists. Discus Dental is the manufacturer and distributor of the Zoom! in-office teeth whitening system, which the company markets to individual dentist offices. In violation of California's Unfair Practices Act, Discus Dental -- on multiple occasions -- knowingly targeted dentists that were under contract with BriteSmile, offering them incentives to break their contracts with BriteSmile. Bill Dorfman, the founder of Discus Dental, personally posted an email message to a dental group encouraging the dentists to break their contracts with BriteSmile, telling them that termination would not be a problem.

6/4 **Diomed Holdings Inc.** announced that during the month of May, it had hired, trained and deployed eight direct sales representatives in the U.S. The new direct sales representatives' goal is to immediately enhance product sales and support activities for Diomed's medical devices and disposables used in minimally invasive medical procedures, such as its Endovenous Laser Treatment (EVLT) for the treatment of varicose veins. The new sales team will be responsible for key strategic markets across

the U.S. and are following up on leads generated from Diomed's presentations at the recent annual *Society of Cardiovascular and Interventional Radiology* meeting in Baltimore, MD, the *American College of Obstetricians and Gynecologists 50th Annual Clinical Meeting* in Los Angeles, CA and the upcoming *National Conference of the Society of Vascular Surgery* in Boston.

6/4 **BIOLASE Technology, Inc.** announced that the company had filed with the SEC to register shares that had been previously issued in 2000 in a private placement. The shares being registered are not a new offering by the company. Most of the shares are subject to outstanding common stock warrants, described in the company's annual report, and are scheduled to expire in September of 2002.

6/6 **Discus Dental, Inc.** announced that the company vigorously disputes the allegations of unfair business practices and tortious interference, as expressed in a recent press release from competitor **BriteSmile**. While BriteSmile has broadly distributed press releases citing to its complaint against Discus Dental, Discus Dental has yet to be served with a copy of the complaint. Discus Dental has been providing the dental community with whitening and hygiene products for over ten years and currently services 45,000 dentists nationwide. Discus Dental maintains that it is not appropriate for BriteSmile to bind dentists to a single treatment choice and that BriteSmile's latest legal action is an attempt to interfere with dentists' freedom to provide patients with all available treatment options. "We look forward to a legal resolution of BriteSmile's groundless claim," said Ken Rosenblood, Discus Dental's CEO. "Discus Dental continues to support the autonomy of dentists to choose the best products and procedures without outside interference. In fact, we expect the courts to enforce public policy that gives dentists the right to fully exercise their professional judgement in the treatment of their own patients."

6/6 **The Spectranetics Corporation** announced that it had reached a definitive agreement that is expected to resolve all disputes between Spectranetics and Steven Sweet, Joseph Largey, Paul Samek and certain other Spectranetics stockholders (the Sweet Group). The Sweet Group has agreed to withdraw its Director nominees as well as the other matters it had proposed for the annual meeting of stockholders and has agreed to vote for the election of Emile Geisenheimer and John Schulte, who are current members of Spectranetics' Board of Directors. The resolution will also settle all claims between Spectranetics and Largey, Samek and Sharon Sweet, each of whom separated from the company. Spectranetics said that it will announce a new date for its Annual Meeting of Stockholders by June 7, 2002.

6/7 **DUSA Pharmaceuticals Inc.** announced that it had received from **Schering AG**, Germany, its marketing and development partner for Levulan PDT in the field of dermatology, a notice of termination in accordance with the parties' marketing, development and supply agreement. As a result, DUSA will be reacquiring all rights granted under the agreement by the end of the next twelve months. DUSA will work with Schering AG, Germany, and its U.S. affiliate, **Berlex Laboratories, Inc.** (Berlex) to ensure a smooth transition of all responsibilities currently being handled by Schering AG,

Germany, and Berlex. These include product marketing, reimbursement, inventory management and distribution, and regulatory compliance. DUSA will also re-assume full responsibility for ongoing new product development in dermatology. During the 12-month transition period, Berlex will continue to sell the Kerastick, although the parties will discuss the feasibility of an earlier transfer date. "Although LEVULAN PDT therapy is an interesting and effective technology," said Claus Zieler, Head of Dermatology at Schering, "We will be concentrating our resources behind very promising developmental projects for such diseases as rosacea, psoriasis and atopic dermatitis."

In light of Schering's decision to terminate the licensing agreement, DUSA will be implementing alternative marketing plans and strategies, and continues to believe that Levulan PDT has significant potential in dermatology. DUSA is evaluating potential marketing strategies, including marketing the Levulan Kerastick itself. Dr. Geoffrey Shulman, DUSA's president and CEO stated, "DUSA is approaching this as an opportunity to control our own future. In fact, with the addition of Levulan PDT marketing for dermatology, and the ongoing development of our own Kerastick manufacturing facility, DUSA expects to become a vertically integrated pharmaceutical company, with a number of promising opportunities for success. Although disappointed that we are parting ways with Schering AG and Berlex, we wish them success in the future. Besides the currently approved product for the treatment of non-hyperkeratotic actinic keratoses (AKs) of the face or scalp, DUSA has other promising dermatology indications in development, including broad-area AKs, warts and onychomycosis. It is also completing two Phase I/II studies on Barrett's esophagus dysplasia, a large market opportunity with no currently approved medical therapy. In addition, DUSA has developed a strong core expertise in both pharmaceutical and device development, which we believe can be applied not only to our Levulan PDT technology platform, but to the development of complementary products that may be acquired or licensed. DUSA is also in a strong financial position, with approximately $60 million in cash at the end of Q1-02."

6/10 **BIOLASE Technology, Inc.** said that it expects record sales for the second quarter and continued and increased profitability in the quarter ending June 30, 2002. Jeffrey Jones, BIOLASE president and CEO commented, "In addition to another record sales quarter, we expect continued and increased profitability in the period ending June 2002. BIOLASE U.S. sales continue to grow at a fast pace, and at an increased market penetration, and our international expansion is well on track. We are confident in a 50% plus sales growth for fiscal year 2002."

6/10 The following statement was issued by **BriteSmile** CEO John Reed in response to a news release issued by **Discus Dental** refuting the claims of a lawsuit filed against the company by BriteSmile on Friday, May 31: "Discus' reaction to BriteSmile's claims is consistent with its conduct which gave rise to the lawsuit. Rather than respecting BriteSmile's commercial relationships with its dentists, Discus not only interfered with the relationships, but has also attempted to appropriate, for its own benefit, the reputation and goodwill which BriteSmile has achieved in the chair-side, light activated teeth whitening

business. Now, Discus seeks to deflect BriteSmile's challenge by asserting that the lawsuit `is an attempt to interfere with dentists' freedom to provide patients with all available treatment options. This response is both morally and legally unsupportable. The suggestion that the dentists' choice is in any way impeded is categorically false. Over 4,200 independent dentists worldwide have exercised their professional choice by selecting the BriteSmile light activated system as the best available product, because the BriteSmile system is supported by multiple independent clinical studies which demonstrate superior safety and effectiveness."

6/12 **PLC Systems Inc.** announced that a study published in the May 15, 2002 issue of the *Journal of American College of Cardiology* further supports previously published long-term angina relief data resulting from the CO_2 Laser Revascularization therapy. This study is the second peer-reviewed and published paper to affirm the successful long-term efficacy of CO_2 Laser Revascularization, more generally known as CO_2 Transmyocardial Revascularization (TMR). "Heart patients treated with the CO_2 TMR therapy reported continued angina relief for three to five years," said Dr. Lars Aaberge, lead author of the study and chief of the cardiology department at Feiring Heart Center, Oslo, Norway. "There is significant symptomatic benefit for CO_2 TMR patients. In addition, the study demonstrated a reduction in the number of hospitalizations due to unstable angina for treated patients compared to the medically managed-only group, which could be an economic benefit."

The study entitled, "Continued Symptomatic Improvement Three to Five Years After Transmyocardial Revascularization With CO_2 Laser," is a clinical follow-up of a Norwegian randomized trial. The trial enrolled 100 patients; these patients were 1-to-1 randomized to receive continued medical treatment alone or in combination with CO_2 TMR in a non-crossover design. The Norwegian trial was an independent study that concluded, "43 months after TMR, angina symptoms and hospitalizations due to unstable angina were significantly reduced." Cardiac patients who have received CO_2 TMR are experiencing excellent long- term clinical benefits.

6/12 **BIOLASE Technology, Inc.** announced completion of the first Waterlase sinus lift (bi-lateral sub-antral augmentation) procedure done in the U.S. The procedure was performed by Sascha Jovanovic, DDS, at the University of California Los Angeles (UCLA) School of Dentistry. This and other new bone procedures will allow BIOLASE to effectively expand its marketing and sales activities into new specialties such as oral surgery and periodontics. According to the *American Dental Association (ADA)*, in the U.S. there are more than 10 million cases of teeth removal from bony tissue annually, and an estimated 640,000 implant cases. Many of these cases require a sinus lift prior to implant placement. Sinus lift surgery is for patients who do not have sufficient bone to support an implant (a titanium tooth root used to anchor crowns or bridges). To solve this, depending on the site, dentists perform a sinus lift, which is cutting and lifting the bone of the outer wall of the sinus cavity and then applying new bone graft material to provide additional bone structure for the implants. Traditionally, the cut into the outer wall of the sinus cavity has been done with rotary instruments, which create heat, vibration and a

layer of debris. This can cause necrosis, post-operative bruising, infection, pain, swelling, bleeding and nasal dripping. A sinus lift performed with the Waterlase, which does not create heat, vibration or leave a layer of debris, minimizes or avoids all of these complications.

6/12 **The Spectranetics Corporation** reported its excimer laser angioplasty once again achieved a high profile at the recent *Paris Course on Revascularization (Euro-PCR)*, which attracted more than 8,000 medical professionals who perform cardiovascular therapy and revascularization. Attendees saw Spectranetics' excimer laser technology used to clear blockages in arteries in four live cases and they heard 13 presentations that featured applications of the technology. "For the second year in a row, Spectranetics received a high profile at this important course. We attracted a record number of qualified sales leads and traffic at our booth as our excimer laser technology was demonstrated and favorably discussed during all four days of the course," said Bruce Ross, Spectranetics' vice president of Sales, Marketing and Service. "Our successful showings at the Euro PCR course and other important conferences this year demonstrate the growing acceptance for excimer laser technology to treat peripheral occlusions. We believe this momentum will augment our European business and help build U.S. interest in peripheral angioplasty, which is on target for FDA review in 2003."

6/13 **American Medical Technologies, Inc.** announced the implementation of a restructuring of its personnel and operations. The restructuring is intended to reduce operating expenses and lower the cash flow breakeven level to current market conditions. American Medical expects to incur a one-time charge in the current fiscal quarter relating to this restructuring, but the amount of the charge cannot be estimated at this time. In connection with the restructuring, a substantial portion of American Medical's workforce and the related positions are being eliminated, primarily within the areas of sales, service and manufacturing. This action will reduce infrastructure previously built to support American Medical's new business model of selling its products directly to dentists in the United States through its own sales force. The restructuring is intended to refocus American Medical's strategy on its former business model of selling its products through a strong distributor network. "American Medical will be transitioning from direct sales and branch offices to centralized operations and dealer distribution," said Roger Dartt, the newly-appointed CEO of American Medical. "These changes will allow American Medical personnel to concentrate on developing and introducing new laser technology products to the dental industry and related markets."

6/13 **Lumenis LTD.** announced that an arbitration panel had entered an award against Lumenis and certain subsidiaries in the amount of $6.9 million plus interest. The company's current reserve for this case is approximately $4.5 million. The claimant, **Light Age Inc.**, had sought damages of $42 million for activities, which took place under the company's prior management. Lumenis is evaluating the decision and expects to appeal.

6/14 **BIOLASE Technology, Inc.** said that it had signed a new distribution agreement for sales in Germany with a minimum quota for the next 24 months in excess of $10 million. The

previous agreement expired in June 2002. BIOLASE's German distributor is **IBC GmbH**, a company with a successful track record selling dental and medical lasers for 15 years. IBC has a strong customer base and very close working relationships with many German dental societies. BIOLASE and IBC have been working together since 2000. Keith Bateman, BIOLASE vice president of Global Sales commented, "Our sales in Germany are strong and growing. The Waterlase has been well received both in German universities and in private practices. Our German customers have pioneered many advanced surgical procedures, including the Waterlase sinus lift, which was performed for the first time in the U.S. last week at the University of California Los Angeles. Additionally, BIOLASE Europe is located in Germany which strengthens our position there and through out Europe. As part of our growth plans for 2002-2003, we are aggressively recruiting new distribution partners in Europe, Asia and Latin America."

6/14 **biolitec, Inc.** announced that its new ELVeS laser procedure for the treatment of superficial reflux of the greater saphenous vein has received clearance from the FDA. (ELVeS: Endo Laser Vein System; pronounced, "Elvis".) More than half of Americans over the age of 65 suffer from venous disease, the most common form being varicose veins. "For the more than 80 million people in the United States afflicted with varicose veins, this revolutionary new laser procedure means freedom from serious leg pain and an affordable solution to an unsightly problem," said Kelly Moran, biolitec's COO. "The biolitec ELVeS procedure takes under an hour to complete, is less expensive than surgical alternatives and can be performed in a physician's office -- and when finished, patients walk away, returning to daily life as usual. ELVeS is a life-changing procedure. For many it will restore their ability to walk and perform routine physical activities without pain or discomfort. Others will regain pride in their legs' appearance and feel free to wear shorts or go to the beach again."

6/18 **PhotoMedex, Inc.** announced it successfully completed a private equity placement of the company's common stock. PhotoMedex sold 4.1 million shares of common stock for $6.2 million. **SAFECO**, a Seattle provider of insurance and financial products for individuals and businesses, invested $4.2 million through its private equity funds. In addition, **Merlin BioMed Private Equity Fund LP** invested $1.1 million in this private placement. The net proceeds to PhotoMedex, after giving effect to placement agent fees, total $5.74 million. PhotoMedex intends to use the proceeds of the offering for working capital and other general corporate purposes.

6/19 **Axcan Pharma Inc.** announced excellent long-term results from its Phase III clinical trial on PHOTOFRIN in the treatment of high grade dysplasia associated with Barrett's Esophagus, a relatively common condition that results from prolonged acid reflux (heartburn). These results confirm that PHOTOFRIN photodynamic therapy (PDT) has the potential to be used for the prevention of esophageal cancer. "We are extremely pleased with the results of this long-term analysis since they confirm that PHOTOFRIN PDT significantly reduced the likelihood of progression to cancer in patients suffering from Barrett's Esophagus related high-grade dysplasia and that PHOTOFRIN PDT can potentially be used as a means to prevent esophageal cancer," indicated Leon Gosselin,

president and CEO of Axcan. "A trend towards statistical significance had already been observed in the first patient follow-up analysis after a minimum of 6 months and a median period of 11.5 months. These results are now strengthened by an additional 2 years of follow-up. It has been demonstrated that not only is PHOTOFRIN PDT safe and effective but that its effects are prolonged, since of the initial 138 patients in the PHOTOFRIN PDT-treated group, only two patients progressed to esophageal cancer after the original 6-month end-point."

In this analysis, 138 patients in the PHOTOFRIN PDT group and 70 patients in the comparative group were followed for a minimum 2-year period (median 3.5-year). Esophageal cancer occurred in only 13% of patients treated with PHOTOFRIN PDT compared to 27% of patients treated with omeprazole alone, a statistically significant 52% reduction that is highly statistically significant (p less than 0.02). Axcan has submitted this drug from approval, in North America and Europe and has been (granted orphan drug status in both regions. There currently are 25,000 to 35,000 people suffering from high-grade dysplasia associated with Barrett's Esophagus in North America and approximately 5,000 to 7,000 new patients diagnosed each year. The European market is estimated to be of similar size.

6/19 **CardioGenesis Corporation** announced that new clinical data from four studies of TMR performed with the CardioGenesis Holmium:YAG laser demonstrated that TMR is effective in producing sustained relief from severe chest pain (angina) in patients suffering from chronic cardiovascular disease. The four studies, which have been integrated into a new, advanced TMR physician training program, included a total of more than 230 patients and were conducted at four separate hospitals with follow-up extending out over three years. The four studies included:

-- A study that concentrated on the effects of careful patient selection led by Michael Grosso, MD of the Deborah Heart and Lung Center in Brown Mills, NJ, showed 82% of the selected patients experienced "excellent" sustained relief from angina pain with either no angina pain or only Class 1 symptoms at follow-up. "Our TMR experience has been optimized by careful selection of patients," Dr. Grosso said.

-- A study of the clinical strategy for obtaining a more complete revascularization with TMR was led by Louis Samuels, MD of Hahnemann University Hospital in Philadelphia. It showed not only that TMR provided an improved revascularization for the treated patient population, but, first, there was no operative mortality in the patients, second, all patients were discharged with angina relief and, third, there were no readmissions for cardiac symptoms. "In this study of high risk patients, TMR was very effective in completely revascularizing the heart, thus leading to angina relief," Dr. Samuels said.

-- A study that evaluated symptomatic relief and measured post operative reductions in the use of medications following TMR in patients suffering from severe, chronic angina was conducted by Pierre Tibi, MD of the Good Samaritan Regional Medical Center in Phoenix. The study showed improvement in angina symptoms in 68% of the patients,

with almost half reporting no angina at follow-up, and a significant reduction in the use of medication in 82% of the patients, with almost half reporting no medication use following the procedure.

-- A study that compared the average operative mortality rates and length of hospital stay between TMR-treated patients versus those who did not receive the procedure, led by Frederico Florendo, MD of Boswell Memorial Hospital in Sun City, AZ, demonstrated that when TMR was performed there were no operative mortalities and the average length of stay was less than that in standard bypass procedures.

In leveraging its TMR clinical and market leadership, CardioGenesis has enhanced its physician training with the introduction of a new Advanced TMR Physician Training Program that includes detailed presentations of the four new studies. Guest lectures from TMR-experienced surgeons stimulated extensive peer-to-peer interaction with an additional panel discussion taking place throughout the one day course. With nearly 1,100 surgeons trained to date, the new training program was launched to meet the increasing demand for training resulting from expanded interest in the company's TMR procedure among cardiothoracic surgeons and an observed increase in the number of procedures being performed. The exceptional results of these studies further support the long-term effectiveness of our TMR procedure and demonstrate a clear link between TMR, pain relief, increases in functional capacity, and improved quality of life, said chairman and CEO Michael Quinn. "We are building a solid foundation of clinical data and knowledge on the benefits of TMR, and the introduction of this data to physicians is fueling renewed and growing interest in the procedure. In addition, the data from these studies is now part of the curriculum in our new Advanced TMR Physician Training programs. We recently completed the first round of our new training courses, which was well attended. It is very encouraging to see the recent increase in the number of surgeons wanting to attend our training courses, which ultimately means that more patients will receive the benefits of being treated with TMR. We believe our new marketing strategies, focused on education and additional clinical outcome data are beginning to impact the market."

6/20 Data from a new Global Aesthetic Market Study will be released at an Executive Briefing in Paris during the *World Congress of Dermatology* (July 1-5, 2002). According to this latest market study from **Medical Insight**, there were more than nine million aesthetic procedures performed in 2001, representing a 50% increase over the previous year. The highest volume non-surgical aesthetic procedures at this time include: botulinum toxin injections (Botox), chemical peels, collagen injections, microdermabrasion, laser-based epilation, and IPL photorejuvenation. "I have been tracking the aesthetic market for over ten years," commented study author and industry analyst Michael Moretti, "and procedure volumes continue to increase significantly each year. The recent FDA approval of Botox for cosmetic use will accelerate aesthetic market development across the board as **Allergan's** consumer marketing campaign drives millions of new patients to aesthetic practices where they will purchase Botox and complimentary treatments as well as anti-aging skincare products."

The Global Aesthetic Market Study provides the only single source report for worldwide data on the fastest growing segments of the lucrative aesthetic market. This study includes: leading competitor profiles, technology assessments, clinical results, five-year product sales projections, procedure statistics and five-year revenue forecasts, as well as a competitive market share analysis. Specific market segments covered include: Light-Based Devices and Treatments; Botox and Competitive Products in the Pipeline; Dermal Fillers & Injectables; Microdermabrasion and Skin Rejuvenation Technologies; and Anti-Aging Topicals.

To order the Global Aesthetic Market Study or review the Executive Summary, contact Katie Davis at **Kdavis@MiiNews.com**, or call (949) 830-5409.

6/24 **CardioGenesis Corporation** announced that important clinical data from a TMR study utilizing its Holmium:YAG laser was presented at the annual meeting of the *International Society of Minimally Invasive Cardiac Surgery (ISMICS)* held in New York City from June 20 - 23. The data, which revealed that angina relief was profound and sustained in 95% of the patients treated, was presented by lead clinical investigator Michael Grosso, MD, of Brown Mills, NJ-based Deborah Heart and Lung Center, as part of the scientific sessions of ISMICS on June 23. CardioGenesis also exhibited at ISMICS and, in addition to data from the study presented by Dr. Grosso, company personnel provided clinical presentations in the booth on TMR, angiogenesis and other data from a number of follow-up studies involving hundreds of patients demonstrating the clinical efficacy of TMR.

"In patients with ischemic regions of the myocardium not amenable to direct or traditional revascularization, TMR enables a surgeon to provide a more complete revascularization, which has been shown to improve patient outcomes," Dr. Grosso said. "Our study showed dramatic and lasting reductions in angina pain following the procedure, with almost all patients able to function without taking antianginal medications. In addition, there was low operative mortality and morbidity associated with the procedure, as well as low rates of late mortality and major events."

Dr. Grosso's study involved 45 patients with advanced coronary artery disease and suffering from severe angina who were not able to be completely revascularized and, therefore, underwent TMR with the CardioGenesis Holmium:YAG laser. Fourteen of the patients had previously been treated with a catheter or bypass procedure or both. The TMR treated patients were followed up over an average period of 1.7 years and angina relief was found to be profound and sustained with 95% of the patients being angina free and not taking antianginal medications. The study also revealed that based on an improvement in lifestyle questionnaire, 93% of the patients were rated in the highest category (very good) following the procedure, with 94% of the patients saying they would recommend the procedure to other patients in similar circumstances.

The quantity and quality of the clinical data supporting the efficacy and quality of life enhancing benefits of TMR performed with the company's Holmium:YAG laser

continues to grow, commented CardioGenesis chairman and CEO Michael Quinn. "The addition of the data from Dr. Grosso's important study, in conjunction with the large body of clinical evidence that we are assembling, clearly demonstrates the increasingly broad applicability of the procedure and its ability to help seriously ill people get a new lease on life. We are seeing a renewed and growing interest in the procedure since increasing our efforts to present the latest clinical data to cardiothoracic surgeons in their offices, in professional meetings such as ISMICS, as well as in hospitals, our new seminars and in our training programs," Quinn added.

TMR and PMR are related procedures in which physicians use lasers to create small channels in the heart muscle to trigger the mechanisms of angiogenesis, or the creation of new blood vessels in the heart. TMR, a surgical version of the procedure, was approved by the FDA in 1999. PMR is a catheter-based version of the procedure that is not yet cleared by the FDA in the U.S. but is CE approved. The company is continuing to move ahead in its efforts to gain FDA clearance this year to market PMR in the U.S. and extend the benefits of that minimally invasive procedure well beyond the 2,000 patients who have already been successfully treated with PMR.

MEDICAL/SURGICAL LASER UPDATE -- July 2002

6/25 I received a brochure in the mail about a very interesting laser conference to be held in California in August. It's the "Controversies and Conversations in Cutaneous Laser Surgery" symposium, sponsored by **SkinCare Physicians of Chestnut Hill** -- Ken Arndt, Jeff Dover, and Rox Anderson. It's being held at the Ojai Valley Inn & Spa in Ojai, CA, near Santa Barbara. Here are some of the Controversies and Conversations to be covered by an all star cast of everyone who is something in aesthetic surgery:

1. Will laser resurfacing ever return to its glory days?
2. Post-operative care after laser resurfacing: What is the optimal approach?
3. Photo rejuvenation and subsurface resurfacing: Do they really work?
4. How have millisecond domain lasers changed the approach to the treatment of vascular anomalies and ectasias?
5. Advances in the use of lasers and light sources in the treatment of leg veins.
6. Laser/scalpel/Shaw scalpel(?) -- and the winner is?
7. Is skin cooling a bunch of hot air?
8. Laser diagnostics -- how are they clinically used?
9. Laser and psoriasis: an illuminating combination.
10. Tattoos and dermal pigment: What's new and what's next?
11. What role do lasers play in treating scars and scarring?
12. Lasers and light sources for hair removal in the year 2002: What's best?
13. Novel approaches to skin rejuvenation (excluding photo rejuvenation).

The symposium is being held August 9-11, and looks like a Gordon Conference West. The faculty includes about 30 of the best known names in aesthetic surgery -- I recognize

just about all of them. For more information, email **controversies2002@yahoo.com** and request a program.

6/27 **BIOLASE Technology, Inc.** confirmed that the company will report record sales for the second quarter and six months ended June 30, 2002. BIOLASE's previous best quarter sales were $5.8 million with gross profit of $3.4 million reported in the fourth quarter of 2001. Jeffrey Jones, BIOLASE president and CEO commented, "With the record sales this quarter, we remain confident that we will achieve 50% plus sales growth for fiscal year 2002 and a sustained rise in profitability for the year." BIOLASE will release second quarter 2002 sales results in approximately 10 days, and expects to announce full financial results for the quarter and six months ended June 30, 2002 by the end of July.

6/27 **Radiancy, Inc.** announced that the FDA had granted clearance to its flagship SpaTouch PhotoEpilation System for patient removal of unwanted hair at home. The new Physician Directed Use (PDU) indication confirms the superior safety, ease of use and clinical efficacy of the innovative Light and Heat Energy (LHE) technology exclusive to the SpaTouch hair removal system. "The FDA's clearance is a significant corporate milestone, and we are very excited that the SpaTouch PhotoEpilation System is the first and only one of its type to be classified as a PDU," said Radiancy president Zion Azar, who invented the proprietary LHE technology. "Our successful clinical results positively establish that SpaTouch is safe and effective for hair removal performed by patients in their homes."

In a study designed to valuate the safety and efficacy of SpaTouch hair removal when used by patients for self treatment in a home-like environment, 67 patients with various skin types (I-IV) and blonde to black hair performed two treatments on two body areas. The first self-treatment was administered at a clinical investigator's office after instruction and guidance by the physician. The second self-treatment was performed 4 weeks later at a hotel room, simulating an at-home environment. Safety and treatment response were evaluated 6 and 12 weeks following the first self-treatment. Results showed that side effects such as redness and swelling at the treatment site were mild, transient and comparable to previous investigations where a similar device was operated by a healthcare professional.

"The basic concept of the study was to determine if the average person could treat him or herself without causing harm. Our work showed that patients may administer self-treatments for hair removal in a safe and effective manner," said Thomas Rohrer, MD, the study's lead investigator in Boston. There are several aspects of the SpaTouch system that contribute to its enhanced safety and ease of use, making it ideal for patients to use at home. The device's unique LHE platform utilizes the heat generated from the light source, enabling the use of low light energy fluences that help avoid the risks associated with high energy lasers. Unlike conventional laser/light-based machines, LHE technology makes optimal use of specific light energy combined with simultaneous heat from the SpaTouch system to produce successful long-term hair removal without

significant complications. The SpaTouch also has a specially designed feature on the hand piece to prevent uncontrolled pulses.

High-tech hair removal is a multi-billion dollar business, and industry experts expect that the number of installed light-based devices will more than double in the next few years. Seven years after the first laser hair removal unit was approved by the FDA, consumers are spending more than $1 billion annually for treatment, making high-tech hair removal one of the fastest- growing cosmetic procedures. According to Dr. Azar, Radiancy remains "110% committed to our customers and to supporting the growth of their hair removal business. This new indication simply confirms the safety profile of SpaTouch technology." Established in 1998, Radiancy is devoted to the development of unique therapeutic and aesthetic products employing its proprietary LHE platform technology. The global market leader in light-based hair removal devices, Radiancy's Research and Development is based in the Yavne Industrial Park in Israel with its corporate headquarters located in Orangeburg, New York and offices in Asia and Latin America.

7/1 **Diomed Holdings, Inc.** and its exclusive distributor in South Korea, **Inmex Corporation**, have received final clearance from the Korean Food and Drug Administration to market and sell Diomed's 630 PDT laser and Optiguide fiber in South Korea. This clearance follows an earlier clearance for the sale of Photofrin, a photodynamic therapy drug manufactured by **Axcan Pharma** that works in conjunction with Diomed's 630 nm laser and Optiguide fiber in the treatment of late stage lung and esophageal cancers. Photodynamic therapy (PDT) is a proven, effective, minimally, invasive treatment for cancer. "Inmex has done an excellent job in laying the ground work and preparing for the product launch over the last few months," said Peter Klein, CEO of Diomed Holdings. "As in many other countries around the world, PDT for the treatment of cancer has been received with significant acceptance and interest." "South Korea has been an excellent market for Diomed, where we have historically sold approximately 150 surgical and other lasers", said Gerry Sugars, international sales director of Diomed. "We are pleased that this important Asian market in now open to our PDT products."

7/1 **CardioGenesis Corporation** announced it had submitted new clinical data and a comprehensive analysis in support of its PMR system to the FDA. The submission, which was made in the form of an amendment to the pending PMA (premarket approval) supplement, is the company's formal response to the FDA's request for more information in October 2001. Chairman and CEO Michael Quinn said the formal submission was a significant milestone for the company and his staff has worked diligently to directly address the FDA's request for additional information. "We have focused our attention and resources on the questions raised by the FDA and have made a concerted effort to respond completely to all concerns," Quinn said. "The delay in approval of PMR has been a disappointment to the patients in need of the therapy and their physicians, most vocally those involved in the completed studies."

More than 2,000 patients have undergone the PMR procedure in Europe and Canada, which is an indication of the ongoing interest in the CardioGenesis PMR technology,

Quinn added. Interested U.S. physicians, as well as the clinical investigators, continue to vigorously support the approval and availability for patients in need. "Despite the unwarranted generalizations made regarding our PMR technology based on negative trial results with different systems, we remain resolved to make our PMR technology available to patients with debilitating angina who are not candidates for traditional methods of revascularization," Quinn said.

Vice President of Regulatory Affairs Janet Fauls said the company had collected additional randomized clinical trial data and has gained significant marketing experience in Europe and Canada to support this major amendment. She added that the company has "taken great pains to be as thorough as possible and will take all the necessary steps to support a rapid FDA review." In regards to the regulatory process going forward, Fauls commented that, "there are several recent precedents of cardiovascular devices not receiving endorsement from the advisory panel and ultimately receiving FDA approval without a return to panel." She emphasized that while "we are confident that we have effectively addressed the issues forwarded by the FDA, we are preparing for all potential requirements in support of a timely review and decision."

Emerson Perin, MD, the Associate Director, New Interventional Cardiovascular Technology at the Texas Heart Institute, commented regarding the updated submission: "Our assessment shows that PMR with the CardioGenesis system provides a significant clinical benefit, potentially as significant as the surgical TMR approach. Based upon the reduced procedural risk and morbidity of the percutaneous approach of this therapy, I strongly believe that PMR is an option that should be made available to the indicated patients."

7/2 **Candela Corporation** announced that the FDA had cleared its Cbeam for the treatment of wrinkles. Gerard Puorro, Candela's president and CEO commented, "This clearance adds another indication to the Cbeam, thus creating more value to our customers. The Cbeam is a multi-application device and is cleared to treat psoriasis, rosacea, scars, face and leg veins, periorbital wrinkles, and now wrinkles. Our customers have asked for devices that are multi-application, and we have given them just that."

7/8 It is certainly not every day when a new technology emerges that could virtually transform the pain relief industry, as we know it. **Light-Force-Therapy**, in Elizabeth, CO, is on the path to assure this transition begins today and **American Medical Review (AMR)**, a series that appears on PBS, will be bringing the story to millions beginning July 15, 2002.

This feature highlights all aspects of Light-Force-Therapy's FDA accepted technology, research, and results. Comparisons between light therapy (with LEDs) as a form of pain relief and other, more traditional pain relief methods will be discussed as well.

7/8 **CardioFocus, Inc.**, announced that it had received permission from the FDA to begin a Phase I clinical trial of its Light Ring catheter for the treatment of atrial fibrillation. The

Light Ring catheter uses infrared laser light to treat atrial fibrillation in patients who have been resistant to drug therapy. Patients with atrial fibrillation (AF), the most common cardiac arrhythmia, have had limited treatment options, including a complex surgical procedure called the Maze procedure. Some clinical centers are using radiofrequency (RF) catheters to treat AF by targeting the pulmonary veins, which attach to the left atrium. These procedures require many applications of RF energy, are very time consuming and have had moderate success.

"The Light Ring catheter uses infrared laser light to treat the entire pulmonary vein in a single application of energy," stated Jeffrey Arnold, chairman, president and CEO of CardioFocus. "We believe it promises much faster and potentially more effective procedures." There are at present no catheters approved by the FDA for the treatment of atrial fibrillation. Up to twenty patients are expected to be enrolled in the multi-center clinical protocol, initially at three U.S. centers: The Mayo Clinic, The Massachusetts General Hospital and the University of Oklahoma. Additional patients will be enrolled in Europe and Canada to support product registration in those markets.

Atrial fibrillation is the most common cardiac arrhythmia affecting 2.3 million people in the U.S. and 4.5 million people in the developed world. It is characterized by a disorganized and ineffective contraction of the atria, the upper chambers of the heart. This results in a rapid and irregular heartbeat, often causes discomfort, lightheadedness and/or shortness of breath and carries a very high risk of stroke.

7/9 **BIOLASE Technology, Inc.** reported that second quarter sales reached a record $7.2 million from $4.3 million in the year-ago quarter. Year-to-date sales surged 66% to $12.4 million from $7.4 million in the prior-year period. Second quarter sales exceeded four analysts' consensus projections of $6.3 million. BIOLASE's previous best quarter sales were $5.8 million reported in the fourth quarter of 2001. Jeffrey Jones, BIOLASE president and CEO, commented, "With growth in excess of 65% for both the first and second quarters, we are ahead of plan to achieve 50% growth for the full year. More and more dentists worldwide are recognizing the superior economic and clinical benefits of our products. The Waterlase system offers dentistry a huge step forward advancing the quality of dentistry both for the dentist and the patient. "We have in place the marketing, sales and research and development activities to sustain aggressive growth for the remainder of this year and 2003. We are confident that we will achieve 50% plus sales growth for 2002 and a sustained rise in profitability for the year."

7/9 **PLC Systems Inc.** announced that a study published in the June 15, 2002 issue of the *American Journal of Cardiology* had confirmed previous safety and effectiveness results of Transmyocardial Revascularization (TMR). "Relief from angina in patients treated with TMR continues to demonstrate excellent beneficial effects," said Dr. Steven Boyce, Director of Heart Transplant and Circulatory Assist Device Programs at The Washington Hospital Center. "During the past six years, we have performed more than 300 TMR procedures at The Washington Hospital Center. Long-term follow-up of these patients has demonstrated that TMR is an effective therapy for the relief of angina. Patients with

small vessel disease receive a more complete revascularization when TMR is combined with coronary artery bypass than bypass alone."

The study entitled, "One-Year Outcome After Combined Coronary Artery Bypass Grafting and Transmyocardial Laser Revascularization for Refractory Angina Pectoris," was a clinical follow-up of outcomes after patients received coronary artery bypass graft surgery (CABG) plus TMR. From March 1996 through February 2000, 169 patients underwent combined CABG with TMR at the Washington Hospital Center. Relief from angina was significantly improved at 3, 6 and 12 months compared to preoperative statistics. Angina classifications are measured in classes ranging I to IV with IV being the most painful. Preoperatively, 152 patients (90%) had class III or IV angina compared with 5 patients (3%) at 3 months and 7 patients (4%) at 6 months and 12 months. Interestingly, 82% of the patients in the study had previously been evaluated by other hospitals that perform heart surgery, and had been turned down as inoperable due to small vessels or diffuse disease.

In addition, 52% of patients were diabetics and almost half had previously undergone CABG, which demonstrates that more conventional methods of revascularization had been exhausted for many of these patients. "This study adds to the growing body of evidence that TMR is a very successful therapy for treating coronary artery disease patients," stated Mark Tauscher, president and CEO of PLC Systems. "We believe this additional data will continue to raise the level of awareness of TMR in the cardiac marketplace."

7/9 **BriteSmile, Inc.** said that it had sued **Discus Dental, Inc.** in the Federal District Court in San Jose, California, seeking an injunction and damages for infringement by Discus Dental of two key patents owned by BriteSmile. At issue in the suit are BriteSmile's intellectual property rights involving its proprietary light-activated teeth whitening technology using peroxide and photosensitizer compositions. "BriteSmile will not allow competitors to illegally profit from the benefits of our research and development. We are committed to protecting our proprietary technology and preventing any unauthorized use," said John Reed, BriteSmile CEO.

This was the second lawsuit BriteSmile had filed against Discus Dental in recent weeks. In the first, BriteSmile charged Discus Dental with unfair business practices and tortious interference under California state law. Specifically, that lawsuit states that Discus Dental -- on multiple occasions -- knowingly targeted dentists that were under contract with BriteSmile, offering them illusory and illegal incentives to break their contracts with BriteSmile, violating California's Unfair Practices Act. "The strength of our business and BriteSmile's success is our proven teeth whitening technology and our network of more than 4,200 prominent dentists around the world who use BriteSmile's state-of-the-art teeth whitening system. Our system and our network are protected under the law and we are committed to aggressively pursuing the legal actions that have been filed," said Reed. "The professional teeth whitening market that exists today has largely been built on

consumer -- and dentist -- demand for BriteSmile. We will not sit on the sidelines while Discus Dental illegally attempts to cash in on our investments."

The new lawsuit involves multiple infringements by Discus Dental of U.S. Patent No. 6,343,933 and U.S. Patent No. 6,361,320 based on both the sale and the use of the Zoom! line of products.

7/9 **The Spectranetics Corporation** announced preliminary results for its second quarter ended June 30, 2002. The company said it expects to report:

-- Revenue of $6.5 million, down 13% from $7.4 million in the second quarter of 2001.

-- Proxy contest charges and settlement obligations between $1.8 - $1.9 million, including approximately $700,000 related to previously announced settlement obligations.

-- Net loss between $2.2 - $2.3 million or $0.09 per share. Net loss, excluding charges relating to the proxy contest and settlement obligations, between $400,000-$500,000 (2 cents per share). This compares with net income of $182,000 (1 cent per share) in the prior-year quarter.

-- Positive cash flow of approximately $600,000 in the second quarter. The company expects to end the quarter with approximately $13.7 million of cash and investment securities. Most of the proxy contest charges and settlement obligations will be paid during the second half of 2002.

The change in revenue reflects in part a 38% decrease from last year's second quarter in equipment revenue, primarily as a result of lower selling prices realized from the $90,000 special price promotion in the 2002 period, combined with lower than expected laser placements. The company placed a net of four new laser systems during the quarter, compared with three in the prior-year quarter. Catheter revenue decreased 10% and service revenue rose 4% from the second quarter of 2001.

For the six months ended June 30, 2002, revenue is expected to be $13.7 million, up 2% from last year's $13.4 million. Equipment revenue, though down in the second quarter, remained up 14% over the prior year's first half, reflecting 15 net laser placements compared with six in the first half of 2001, as well as a higher level of conversions to sales from evaluation or evergreen programs. First-half catheter revenue was down 2% from the last year's first half, and service revenue increased 3%. Net loss for the six months ended June 30, 2002, is expected to be between $2.1 - $2.2 million (9 cents per share). Net loss for the six months, excluding charges relating to the proxy contest and settlement obligations, is expected to be between $342,000 - $442,000 (1 cent to 2 cents per share) compared with a net loss of $374,000 (2 cents per share) during the same period last year.

Guy Childs, Acting CFO, said, "For the full year 2002, we now expect revenue growth of less than 5% and income to be approximately break-even, excluding proxy contest and settlement obligation charges. Our revised outlook assumes the continuation of certain key investments, primarily in new product development, clinical trials, and preparing to market our peripheral applications anticipated for FDA approval in late 2003. We expect to end 2002 with at least $10.5 million of cash and investment securities after payment of costs associated with the proxy contest and the final installment on the **Baxter** litigation settled in 2000. Spectranetics expects to begin 2003 with the cash required to execute its current business plan with increased focus on research, development and clinical trial activities that will expand the applications for our excimer laser to new areas where there is significant unmet clinical need."

7/11 **Candela Corporation** announced that the FDA had cleared its Vbeam for the treatment of wrinkles. Gerard Puorro, Candela's president and CEO commented, "As is the case with our other devices, this adds an additional indication to our multi-application Vbeam. Our customers told us they wanted devices with multiple applications to further enhance their value equation. The Vbeam is now cleared to treat wrinkles, rosacea, port wine stains, scars, warts, psoriasis, and a variety of benign cutaneous vascular lesions."

7/11 **Medtech Insight, LLC** announced the publication of their newest market and technology report, entitled "U.S. Markets for Directed Energy Surgical Systems, 2001-2010." Directed energy surgical systems, which encompass lasers, microwave, radiofrequency, ultrasound and cryotherapy, are being employed for a variety of indications ranging from tissue shrinkage to tissue dissection in almost all surgical specialties. In 2001, directed energy-based therapeutic modalities were utilized in approximately 7.6 million cardiovascular, gynecologic, orthopedic/spine, urologic, ophthalmic, and aesthetic/dermatological procedures, generating close to $1.4 billion in cumulative product sales. In the next five years, the relative usage of directed energy techniques in each of these specialties is expected to grow 7.1% annually to about 10.1 million procedures in 2006 and to almost 13.2 million procedures by 2010.

Medtech Insight's comprehensive 295-page report provides an analysis of the current and forecasted U.S. markets for lasers, microwave energy, radiofrequency energy, ultrasound and cryotherapy devices used in following surgical specialties: cardiovascular, gynecologic, orthopedic/spine, urologic, ophthalmic, and aesthetic/dermatology. The report details indications for use, caseloads, procedure volumes, end-user trends, market projections, and major players, as well as analyses of each segment's growth and competitive landscape for directed energy-based therapeutic devices over the next five and ten years. In addition, profiles of the key companies participating in this growing and evolving market are included.

"Developments in radiofrequency energy and lasers will lead the growth in the U.S. directed energy-based therapy market throughout the decade," reported Sharon O'Reilly, president and CEO of Medtech Insight. Companies whose products and strategies are detailed in the report include: **ALCON**, **ARTHROCARE**, **BAUSCH & LOMB**,

BIOMET, **BOSTON SCIENTIFIC**, **CANDELA**, **CARDIOGENESIS**, **DORNIER MEDTECH**, **EDWARDS LIFESCIENCES**, **JOHNSON & JOHNSON/BIOSENSE WEBSTER/DEPUY ACROMED/ETHICON ENDO-SURGERY**, **LASERSCOPE**, **LUMENIS**, **MEDTRONIC/VIDAMED**, **ORTHOFIX INTERNATIONAL**, **SMITH & NEPHEW/ORATEC INTERVENTIONS**, **SPECTRANETICS**, **UROLOGIX**, and **VISX**, among others.

Originally announced in February, for publication in March (see the February 11th brief in the February 2002 newsletter), the report was described as focusing on directed energy surgical systems, including: medical lasers, microwave energy, radiofrequency energy, focused ultrasound, and cryotherapy, all representing exciting growth markets in the U.S. These technologies, developed primarily by the aerospace industry, are helping to increase surgical precision and less-invasiveness, as well as decreased operating time and hospital stay, thus, making them very attractive in today's challenging healthcare climate. These systems are also enabling procedures previously beyond the reach of traditional surgery. They are applicable to a great many surgical specialties, including cosmetology and dermatology, cardiovascular interventions, OB/GYN surgery, ophthalmology, urology, oncology, orthopedic and spine surgery, head and neck surgery, and general and laparoscopic surgery. This report provides analysis of the product markets and competitive landscape for these devices over the next five and ten years and details the patient caseloads, procedure volumes, and end-use trends for each of the above-mentioned clinical applications. In addition, profiles of the key companies involved in this growing and evolving market are included. The report will include 225 pages, 50 exhibits and 25 company profiles. A detailed table of contents and more details are available at **www.medtechinsight.com/ReportA550.html**.

7/11 An article entitled, "Sunlight on Acne" was featured in *Ha'aretz*, an Israeli newspaper. The article described in detail how **CureLight's** phototherapy device works. The company has a marketing agreement with **Lumenis**, which is also a 17% owner of the company. Other products under development by CureLight include Photo-Clear, for treating psoriasis and CosmoClear, aimed at the broader market of non-medical practitioners, such as cosmeticians, who will use the device to treat mild acne and dermatitis. CosmoClear works on the same principles as ClearLight, but with a less intense light, and for use on smaller areas of the skin. It is expected to cost about $10,000, as compared to the $40,000 price tag on ClearLight, and the $45,000 price of Cosmo-Clear (compared to the $150,000 of the Xtrac laser from **Photomedex**).

7/11 **ICN Pharmaceuticals** announced that it expects 2002 second quarter revenues to be approximately $236 million. The company also expects that net income per diluted share in the second quarter, excluding non-recurring and extraordinary items, will be between $0.15 and $0.20 per share, rather than the analyst consensus estimate of $0.44 per share reported on First Call. The company said the lower than anticipated second quarter operating results primarily are due to the following factors:

-- Lower product sales in ICN's North America division resulting from decisions to reduce inventories at the wholesale level;

-- Lower than expected revenues for ICN's Photonics division;

-- Additional research and development expenses from a recent North America acquisition; and,

-- Lower than expected sales from operations in Russia.

Robert O'Leary, newly appointed ICN chairman and CEO, said, "While we are disappointed with the lower revenue and earnings figures in the second quarter, the fundamentals of ICN's business remain strong. This is a profitable business with a strong product line that produces excellent cash flow. I intend to focus on these strengths as we look for opportunities to enhance our operations over the next few months."

7/16 **Light-Force-Therapy** announced the launch of a yearlong feature on **American Medical Review (AMR)**, a series that appears on PBS, beginning July 15, 2002. This program highlights all aspects of Light-Force-Therapy's FDA accepted technology, research, and results. Comparisons between light therapy as a form of pain relief and other, more traditional pain relief methods are discussed as well. Light therapy has been proven effective by more than 45 years of independent worldwide research, including tests conducted by the U.S. Department of Defense (NASA). Light-Force-Therapy's technology reduces pain, relaxes tight muscles, improves range of motion and produces no negative side effects. Light-Force-Therapy's feature on American Medical Review is sure to increase awareness of this rapidly emerging technology. Moreover, in light of ongoing press regarding the negative side effects associated with prescription medications, the public is seeking such alternatives that are affordable, credible and available for in home use.

7/16 **Laserscope** announced that the FDA had cleared its Lyra Surgical Laser System for the non-invasive treatment of wrinkles. The clearance enhances the Lyra's market competitiveness by adding the fifth major indication for the system. The Lyra is currently cleared and used in the market for permanent hair reduction in all skin types and tones, the treatment of pseudo-folliculitis (shaving bumps), and the treatment of vascular lesions and leg veins.

"We are very pleased to have received clearance from the FDA for this exciting and important additional indication for our Lyra laser," commented Eric Reuter, Laserscope president and CEO. "*The American Society for Aesthetic and Plastic Surgery (ASAPS)* recently announced that aesthetic procedures had increased 48% over the past year and over 300% in the past five years despite the fluctuating economy. This indicates that the market for procedures and products that address the process of aging remain strong. The market for treatment of aging skin is a very large component of this aesthetic segment and is growing as the baby boomers look for ways to look and feel younger. In the recent

past, other laser technologies have been used in `skin resurfacing' procedures to treat facial wrinkles. Though usually effective, these procedures carried a significant risk of scarring and disfigurement along with substantial recovery times. Patients would typically have to endure significant trauma to the tissue during the procedure and several weeks of post-operative recovery time before they could return to work or other important functions. The Lyra's combination of its safe 1064 nanometer wavelength, proprietary pulsing characteristics, and patented epidermal cooling system are clinically shown to reduce wrinkles and improve the tone of the skin by non-invasively stimulating new collagen production. This makes it possible for patients to return to an active lifestyle immediately."

Dr. Steve Dayan, clinical assistant professor in the Department of Otolaryngology and Division of Facial Plastic Surgery, University of Illinois in Chicago said, "The type of response we've been hearing from patients is that they feel like their skin is lifted. There is a decrease in pore size, their skin feels tighter, and there is a reduction in fine lines and wrinkles." Dr. Dayan has used the Lyra for nearly two years and contributed clinical data for the FDA submission. Continued Reuter, "We have additionally found that when the Lyra is used in combination with our Aura Surgical Laser System, the results the patients see are even more immediate and very gratifying since the Aura works to remove facial telangiectasias, rosacea, pigmented lesions, melasma, and other skin color defects. This combination treatment is extremely popular with patients because the effects are noticeable and immediate and there is virtually no recovery time. It is popular with physicians because it adds yet another potentially large revenue generating procedure with the same product(s)."

Dr. Christine Lee is director of the East Bay Laser and Skin Care Center in Walnut Creek, California and is a pioneer of this unique combination treatment using the Laserscope Lyra and Aura lasers for the procedure that is becoming known industry-wide as "skin rejuvenation". Dr. Lee said, "By combining visible light (of the Aura) and infrared light (of the Lyra) we take care of noticeable coloration defects and also provide the skin toning, tightening, and textural improvement that patients are seeking. Non-invasive techniques for skin rejuvenation are being quickly established as a new standard in the treatment of mild wrinkles and overall skin toning. All patients showed improvement after the treatment. It helps collagen tighten and tone, reducing sagging."

"In our first quarter 2002 earnings release and conference call we indicated that we had submitted our clinical data to the FDA for this marketing clearance and that we were expecting clearance shortly," said Reuter. "Now that we have received clearance, we believe that this additional indication will significantly increase the attractiveness of our Lyra relative to other competing technologies and will make it possible for us to market and take full advantage of the `skin rejuvenation' procedure consistent with our previously discussed plans for our aesthetics business."

7/16 **Diomed Holdings, Inc.** announced that it had received clearance from the Korean Food and Drug Administration for its D15 Plus EndoVenous Laser Treatment (EVLT) laser

system. With the receipt of this approval, Diomed Holdings and its exclusive surgical dealer for South Korea, **Shin Han Systex Co. Ltd.**, have formally launched the EVLT application to the South Korean market. Shin Han is working with several Korean medical societies to build general interest and create experts in the field of laser treatment for vascular conditions.

7/17 **The Spectranetics Corporation** announced revenue of $6.5 million for the second quarter ended June 30, 2002, down 13% from $7.4 million in the second quarter of 2001. Net loss was $2.3 million (9 cents per share) compared with net income of $182,000 (1 cent per share) in the second quarter of 2001. Excluding proxy contest charges and settlement obligations of $1.8 million, loss during the second quarter of 2002 was $422,000 (2 cents per share). Emile Geisenheimer, acting CEO, commented, "Although we're disappointed with our revenue performance during the second quarter, we continue to be confident in our business model and will be focusing on expanding applications for our laser technology to drive sustainable revenue and profit growth in the future. Our most significant near-term opportunity is in the area of peripheral atherectomy. Our two clinical trials now underway in this area are fully funded and remain on schedule. We estimate the addressable market potential for these applications at $400 million to $600 million per year, and the company plans to take important steps in 2002 to prepare for the marketing launch of products addressing these applications, assuming FDA approval in late 2003."

The year-over-year revenue decrease primarily reflects lower laser and catheter revenue. Laser revenue was down 38% compared with the prior-year quarter, primarily as a result of lower selling prices realized from the $90,000 special price promotion in the 2002 period, combined with lower than expected laser placements. The company placed a net of four new laser systems during the quarter, compared with three in the prior-year second quarter. Revenue from disposable products, including catheters, was down 10% compared with the year-ago quarter, comprised of a 12% decrease in coronary angioplasty products and a 5% decline in lead removal products. Service revenue was up 4% in the quarter compared with the same period last year.

Revenue in the first half of 2002 totaled $13.7 million, up 2% from $13.4 million in the first half of 2001. Laser revenue rose 14%, primarily reflecting revenue associated with sales conversions from rental and evaluation units in the first quarter of 2002. Net laser placements during the first half of 2002 were 15, up from six in the first half of 2001. Revenue associated with new placements was approximately the same as last year; the higher levels of outright sales were essentially offset by a planned average selling price decrease as a result of a $90,000 price promotion on laser systems. First-half revenue from disposable products was down 2%; this reflected a 3% decline in revenues for both the coronary and lead removal product lines, and was partially offset by increased sales of catheters used for peripheral atherectomy in Europe. Service revenue was up 3% in the first half of the year. Net loss for the first half of 2002 was $2.2 million (9 cents per share) compared with a net loss of $374,000 (2 cents per share) in the first half of 2001.

Loss, excluding proxy contest charges and settlement obligations, was $364,000 (2 cents per share) during the six months period.

Guy Childs, acting CFO, said, "For the full year 2002, we now expect revenue growth of less than 5% and income to be approximately break-even, excluding proxy contest and settlement obligation charges. Our revised outlook assumes a net of 30-40 new laser placements during 2002. Additionally, we expect a reduction in general and administrative costs that will provide an opportunity for increased funds available for research, development, and clinical activities. We expect to end 2002 with at least $10.5 million of cash and investment securities after payment of costs associated with the proxy contest and the final installment on the Baxter litigation settled in 2000. Spectranetics expects to begin 2003 with the cash required to execute its current business plan with continued focus on completing our two clinical trials for peripheral atherectomy and increased focus on research, development and clinical trial activities that will expand the applications for our excimer laser to new areas where there is significant unmet clinical need."

Bruce Ross, acting COO, summarized the strategic direction of the company: "We are committed to achieving our goal of sustainable revenue and profit growth. Our strategy will emphasize cost-effective efforts to promote revenue growth in the company's existing applications and product lines combined with funding investments that will develop new applications for our laser technology platform. These investments include the continued advancement of the company's two clinical trials now underway, and new investments in research and development and clinical investigations for new applications that we hope will lead to important new clinical trials. It is our hope that this new research, development and clinical work can lead to substantial increases in the future growth opportunities for our technology." Ross announced these elements of the plan:

-- Continued focus on the completion of the LACI clinical trial for the treatment of critical limb ischemia below the knee. Targeted submission of the data from the trial to the FDA is January 31, 2003.

-- Continued focus on the completion of the PELA trial for the treatment of long total occlusions in the superficial femoral artery above the knee. Targeted submission of the data from the trial to the FDA is April 30, 2003.

-- Hire a marketing product manager to plan and execute the market launch of our peripheral atherectomy products.

-- Targeted submission of data to the FDA by September 30, 2002, requesting the removal of the contra-indication for the treatment of acute myocardial infarction.

-- Initiate a small pilot study in the United States to gather clinical data on the use of the laser in saphenous vein grafts. The study will be a multi-center registry.

-- Initiate a small pilot study in Europe to gather clinical data on the use of the laser in acute myocardial infarction.

-- Fund research activities related to laser treatment in thrombus-laden lesions that will help us to evaluate future opportunities in stroke, acute myocardial infarction, and venous dialysis grafts.

-- Implement cost management activities that are expected to yield approximately $500,000 of savings compared with 2002 planned levels for general and administrative costs.

7/17 **Lumenis Ltd.** announced relocation plans for the company's manufacturing operations and service depot from Santa Clara, California to company facilities in Utah and Israel. A reduction of 150 jobs in Santa Clara will result, with a recruitment of approximately 75 new employees in Salt Lake City and Israel. The moves, when completed, are expected to yield annual savings of $10 million. Lumenis expects to complete the transition, which began in the first quarter 2002, by March 2003, incurring approximately $7 million in one-time costs. The company has previously reserved in the first quarter $2.4 million for this transition and the balance will be charged against earnings as incurred. Approximately $0.4 million was incurred in the second quarter. The global center for the Ophthalmic and Surgical business units will remain in Santa Clara, including sales, marketing, research and development, and certain service and other G&A functions.

"This streamlining of our worldwide operations will significantly reduce our manufacturing costs and improve profit margins for both the Ophthalmic and Surgical businesses," said Yacha Sutton, Lumenis CEO. "Also, by consolidating our two depot repair groups into a single Salt Lake City operation, we will ensure the fastest possible response to our customers. We recognize that this will be a difficult time for our people in Santa Clara," added Sutton, "but we are committed to ensuring that all our employees are treated fairly, and to making the transition as smooth as possible in the months ahead. None of these moves affect our Pleasanton, CA facility, which will continue to be our global operations base for the Aesthetic business."

7/18 **BriteSmile International Limited**, a subsidiary of **BriteSmile, Inc.** announced that it had placed 1,000 proprietary BriteSmile Professional Teeth Whitening Systems in dentist's offices outside of the United States. Paul Dawson, CEO of BriteSmile International, said "BriteSmile International now has systems in 40 countries worldwide and expects to have about 1,500 in operation by year end 2002. The universal acceptance of our technology, is a testimony to the BriteSmile scientific team headed by Dr. John Warner, the professionalism of our distributors worldwide and the tireless efforts of our Regional vice presidents, K.P. Leow, Adam Flint and Mamiko Ando."

BriteSmile International expects its revenues to increase to about $5 million in 2002, a 117% increase over 2001 and in view of its lean overheads will generate significant and

sustainable positive cash flow and net income. BriteSmile International, to finance its rapid growth, has just increased its working capital credit facility to $5 million.

7/18 **Innotech USA, Inc.** announced that the company had received a 510(k) approval from the FDA permitting the company to market its FriendlyLight LightLance Laser Skin-Perforator for use in hospital, office and home settings. "Tens of millions of times each day, millions of persons with Diabetes in the United States have to suffer though the recurrent lancing of their fingertips and alternate sites using decades old steel lancet technologies" said Pavel Efremkin, CEO of Innotech USA. "Now with our miniaturized TrulyPortable medical laser technologies, the LightLance Laser Skin-Perforators will enable persons with Diabetes and clinicians to easily and safely obtain capillary blood samples with significantly increased comfort and control -- without the use or fear of a needle. We are pleased to have achieved this significant milestone in our LightLance commercialization process and are grateful the FDA has responded favorably to our 510(k) application. We are on track to launch our FriendlyLight LightLance products in 2003."

By design, the LightLance offers an unparalleled ability to minimize discomfort by enabling users to select a Personal Comfort Setting that delivers an appropriate size blood sample with the precision and positioning control of a needle-free laser. For personal use, the rechargeable LightLance fits conveniently into a purse or pocket and enables discrete needle-free blood sampling wherever and whenever necessary. "Patient's often ask about alternatives to lancets, and its been shown that increased blood glucose testing frequency can lead to improved glycemic control and better outcomes" said Jim Metropoulos MD, vice president of Marketing. "We are enthusiastic about the possibilities for the needle-free LightLance products. The needle-free alternative is attractive for both patients and clinicians." With utility beyond the Diabetes testing marketplace, the LightLance Laser Skin-Perforators are intended for general use in obtaining capillary blood samples for screening or diagnostic purposes.

7/23 **Radiancy Ltd.** announced that its ClearTouch Acne Clearance System had received marketing authorization from Japan's Ministry of Health, Labor and Welfare. The ClearTouch, powered by Radiancy's groundbreaking Light and Heat Energy (LHE) technology, was shown to be a safe and effective alternative to topical and oral acne medications, delivering close to a 90% clearance rate of acne lesions in a recent clinical study. "The authorization for ClearTouch in Japan reinforces the efficacy of LHE phototherapy technology as a superior treatment method and firmly establishes the versatility of the product," said Radiancy president Zion Azar.

ClearTouch therapy works by aiming a specially calibrated green-to-yellow wavelength of light over the affected skin, which penetrates the tissue down to 3mm and activates porphyrin, a chemical byproduct of the acne bacteria. The porphyrin produces acne-destroying oxygen and shrinks the sebaceous glands. Simultaneously, the ClearTouch emits red light and heat energy to elevate the temperature within the acne lesion and speed up the photochemical reaction. Unlike many other broadband light

systems, the powerful combination of green light and heat allows ClearTouch to successfully treat acne on all parts of the body, including the sensitive face area as well as deeper lesions typically found on the back and shoulders, with utmost comfort and virtually no significant side effects.

In the recent study, 19 patients between the ages of 13 to 28 received a series of 8 treatments over a 4-week period, with two follow up evaluations 4 and 8 weeks after the last treatment. All patients demonstrated a significant reduction -- nearly 90% -- in the number of acne lesions following LHE ClearTouch phototherapy. As early as the second week of treatment, most patients experienced a visible improvement in the number and severity of acne lesions. Further, most patients observed a consistent improvement of their skin condition up to two months after the treatment series. "Our clinical work shows that the ClearTouch LHE platform offers the technological advantage of utilizing the higher range of the green to yellow light spectrum as well as heat and red light energy to optimize acne and sebaceous gland destruction," noted Monica Elman, MD, the study's lead investigator. "In addition by combining heat and red light energy, ClearTouch produces anti-inflammatory results while avoiding short-term adverse side effects."

According to medical experts, the simplicity and ease of the ClearTouch treatment regimen is a significant benefit for adolescent acne patients who often find it difficult to faithfully comply with a daily routine of topical or oral medicines. Plus, patients are encouraged to complete the treatment series when they see such dramatic and positive therapeutic and cosmetic results so quickly and early on in the process.

7/23 **Laserscope** reported that revenues for its second quarter ended June 30, 2002 were $10.5 million, an increase of 13% compared to $9.3 million in the second quarter a year ago, and an increase of 12% compared to $9.4 million in the first quarter of 2002. Net income was $128,000 (1 cent per share) for the quarter, compared to net income of $182,000 (1 cent per share) in the same period of 2001, and compared to a net loss of $47,000, or break-even per share in the first quarter of 2002. "We are very pleased with the continued progress towards our goals," said Eric Reuter, Laserscope president and CEO. "The second quarter results include higher sales of our Niagara PV System, and its related disposable fiber-optic delivery devices, for the treatment of benign prostatic hyperplasia (BPH) or enlarged prostate. The results also demonstrate continued market acceptance of our aesthetic products throughout the world. In the first quarter of this year, we began selling our Niagara PV System and the related disposable fiber-optic delivery devices. During the second quarter we completed the sale of nine systems, including two in Europe, and approximately 560 delivery devices. These sales represent significant momentum relative to the first quarter sales of six systems and 120 delivery devices. Year to date, we have sold 15 systems and approximately 680 delivery devices, and we are on track to reach our first year target of selling 3,000 delivery devices. We are targeting a large market opportunity for the treatment of BPH. Over 13 million men in the United States alone are diagnosed with BPH each year, and over 2 million in the U.S. seek treatment. Of the 2 million in the US that seek treatment, approximately 180,000 have surgical procedures done, and another 1.8 million seek drug or other minimally

invasive treatments. Over time, a large number of the 2 million that seek treatment, plus others who have avoided treatment, may seek the Niagara PV treatment because of its unique advantages which include immediate symptom relief from a fast, bloodless, and minimally invasive procedure."

"Laserscope's stated goal is for our proprietary process, the Photo-Selective Vaporization of the Prostate (PVP) procedure, which uses Laserscope's Niagara PV System, to become the standard of care for BPH. Early indications of market acceptance, which are following on our excellent clinical test results, reinforce our belief that this goal is achievable. We expect the Laserscope BPH treatment solution to contribute incremental future revenues and to be the basis for future growth," continued Reuter.

"The aesthetics business also continues to be strong. As expected in the quarter, we received clearance from the Japanese Ministry of Health and Welfare (MHW) to market the Laserscope Lyra XP laser system and accessories into the aesthetic market in Japan, allowing our distributor, **Japan Medical Equipment Company (JMEC)**, to sell to the growing in-office aesthetic market in Japan where Japanese consumers are estimated to spend in excess of $650 million annually on hair removal procedures. In addition, and also as expected, we recently received clearance from the FDA to market our Lyra laser family of products for the non-invasive treatment of wrinkles. The clearance adds the fifth major indication for the Lyra system, and enhances the market competitiveness of the Lyra in the aesthetics market, which in procedure volume, grew 48% over the past year and over 300% in the past five years despite the fluctuating U.S. economy. We are now able to market the Lyra for the non-invasive treatment of aged and sun-damaged skin, which is one of the fastest growing aesthetic laser procedures. The Lyra system, with certain proprietary and patented system elements, is clinically shown to reduce wrinkles and improve the tone of the skin by non-invasively stimulating new collagen production."

"The results for the quarter reflect the previously forecasted increase in sales and marketing expenses compared to the year-ago-quarter and the first quarter," said Dennis LaLumandiere, Laserscope vice president Finance and CFO. "The increases in sales and marketing expenses represent spending to support the Niagara PV launch, as well as to support growth in the aesthetic business. We anticipate additional incremental spending in sales and marketing as we continue to introduce the Niagara PV into broader markets, which is consistent with our plan to increase sales, marketing, and administrative expenses approximately 10% in 2002 from the $14 million level in 2001. Our cash position remains healthy. We ended the quarter with $3.8 million in cash, up from $3.2 million at the end of the first quarter. For the next several quarters, we expect to continue to fund growth of Niagara PV with cash flow from our aesthetic business and from early sales of the Niagara PV system," concluded LaLumandiere.

For the six months ended June 30, 2002, revenues increased 14% to $19.9 million with net income of $81,000 or break-even per share, compared to revenues of $17.5 million and net loss of $308,000 (2 cents per share) during the same period of 2001.

In providing guidance for the remainder of the year, the company stated, "We believe that overall revenues in 2002 will increase, primarily due to sales of our Niagara PV system and delivery devices for treatment of BPH, which began shipping for revenue in January 2002. We also expect to see moderate increases in revenues from aesthetic lasers in all geographic markets. Gross margin from products, as a percentage of net product revenues in 2002, is expected to be slightly higher than the 2001 level of 53%. However, these amounts may vary from quarter to quarter during 2002 and will depend on product demand and distribution. Gross margin from service activities, as a percentage of net service revenues, is expected to be similar to the 2001 levels of 30%. We expect amounts spent in research and development during 2002, as a percentage of net revenues, to be marginally lower than the level in 2001 which was 10.7%. Selling, general and administrative expenses are expected to increase approximately 10% in 2002 from $14 million in 2001. The increases are expected as we continue to invest in educational support as well as marketing programs for the Niagara PV and other lasers. Selling, general and administrative expenses as a percentage of net revenues are expected to be slightly lower than the level in 2001 which was about 40%. We expect EPS in the 2nd half of 2002 to increase over EPS in the 1st half. Capital expenditures in 2002 are expected to be at levels similar to the 2001 level of $1.1 million."

7/23 **TheraLight Inc.** announced that it had received FDA clearance to market its UV120-2 UVA/UVB Phototherapy System for the treatment of psoriasis, vitiligo, atopic dermatitis (eczema) and seborrheic dermatitis. The system is unique, in that it is the first targeted phototherapy system to emit either UVA or UVB (operator selectable) bands of ultra-violet light. This feature provides physicians with the flexibility to treat patients using either targeted PUVA (UVA with psoralen), or targeted UVB. A flexible light-guide and 3/4-inch square handpiece direct the energy to diseased tissue, without exposing neighboring, healthy skin. The small, desktop System weighs less than 20 lbs., yet will deliver UVB at rates comparable to excimer laser systems currently on the market. TheraLight president Ray Hartman commented, "Our initial product placements will begin shortly. We are particularly pleased that the reimbursement codes for phototherapy were increased in 2002, and that physicians can use existing CPT codes for UV120-2 PUVA and UVB treatments. As clinical experience is gained, we also expect to qualify for newer CPT codes being developed for targeted phototherapy procedures. We also are working closely with clinicians and researchers to optimize the use of targeted phototherapy, combined with concurrent topical therapies. Our ambition is to minimize the number of treatments required to provide patient relief. These disorders are widespread -- up to 10 percent of the world's population -- and we believe that our instrumentation provides efficient, effective, and affordable therapy that will find wide acceptance in the marketplace."

TheraLight currently holds the only license to the patented technology of the instrumentation (US 6,413,268 issued 2 July 2002), which also includes the method of using selected lamp-based radiation, and a non-circular handpiece to completely treat patches of diseased tissue.

7/23 **BIOLASE Technology, Inc.** (finally) reported financial results for the three and six months ended June 30, 2002. For the second quarter of 2002, net income was $669,000 (3 cents per share), or 9.3% of sales, ahead of analyst average projections of $0.02, and a notable improvement from net loss of $147,000 (1 cent per share) reported in the second quarter last year. Sales were $7.2 million increasing 65% from $4.3 million in the prior-year second quarter. Gross margins increased in the second quarter over the first quarter of 2002 from 59.7% to 60.6% while gross profits increased from $3.1 million to $4.3 million. Included in net income for the quarter are non-recurring expenses exceeding $100,000 related to listing of the company's common stock on the Nasdaq National Market, which occurred in May, and a gain of $118,000 related to foreign currency translation changes.

For the six month period, net income was $788,000 (4 cents per share), or 6.4% of sales, compared with net loss of $920,000 (5 cents per share) in the comparable 2001 period. Sales climbed 67% to $12.4 million from $7.4 million in the prior-year period. Jeffrey Jones, BIOLASE president and CEO commented, "Steady progression in bottom line performance over the past two years and sustained profitability for the past four quarters demonstrates the soundness of our vision and our ability to effectively execute our controlled growth business model. As strong demand for our products continues to grow, we are also focusing on enhancing productivity to optimally build on the profitability we have achieved to date. Overall, it is rewarding to see our efforts come to fruition in top line and bottom line results. We look forward to building on this momentum and we expect to achieve 50% plus growth over prior year periods for the remainder of this year."

7/24 **The Spectranetics Corporation** announced the publication of an article in *The American Journal of Cardiology* demonstrating that aggressive excimer laser debulking of In-Stent Restenosis (ISR), using Spectranetics' excimer laser, results in a low binary stenosis rate of 20% and Target Lesion Revascularization Rate (TLR) of 17%. These data compare favorably to restenosis rates reported for brachytherapy. The results of a European study were published July 1, 2002 in an article entitled "Relation of Degree of Laser Debulking of In-Stent Restenosis as a Predictor of Restenosis Rate" by Johannes Dahm, MD et al.

The study analyzed retrospective data on 82 patients with diffuse in-stent restenosis who were treated with excimer laser atherectomy followed by adjunctive balloon angioplasty. Dr. Dahm commented: "Our study suggests the amount of initial laser debulking is an independent predictor of binary stenosis, TLR and major cardiac event rates. The data show that aggressive debulking, resulting in a diameter stenosis of less than or equal to 30%, leads to more favorable outcomes than if less debulking is performed. Indeed, long-term restenosis rates are better in this group than those reported for brachytherapy. Previously published laser studies in ISR have shown conflicting outcomes possibly due to less aggressive debulking techniques and older catheter technology. A subanalysis of these older papers, however, supports our data by revealing far superior acute and long-term results for cases in which effective laser ablation has occurred."

"For the first time, Dr. Dahm and his colleagues provide definitive data demonstrating the link between complete debulking and improved long-term outcomes," said Bruce Ross, Spectranetics' acting CEO. "While excimer laser debulking of occluded stents in the United States is only indicated prior to brachytherapy, the data imply that complete debulking is important no matter which adjunctive therapy is used. Dr. Dahm's most recent paper adds to a growing body of evidence supporting the principle that effective excimer laser debulking reduces the risk of complications and improves outcomes."

The study divided the patients into two groups according to their primary laser debulking results. The study compared percentage of binary stenosis, TLR and Major Adverse Cardiac Event (MACE) rates at six months for the two groups. The data were significantly more favorable in patients who had greater amounts of tissue ablated by laser debulking than for patients who had only a limited reduction of diameter stenosis.

7/24 **PLC Systems Inc.** reported its results for the three and six months ended June 30, 2002 and announced that it earned a profit for the second quarter. "We are extremely pleased about the results of this quarter," stated Mark Tauscher, president and CEO. "PLC posted a quarterly profit for the first time in more than five years. This quarter's performance is a significant accomplishment and is another step in the right direction. I would like to thank all of PLC's employees who have worked so diligently at reaching this goal."

Second quarter total revenues were $2.2 million compared with $2.6 million in the second quarter of 2001. Net income for the second quarter was $135,000, an increase of $1.3 million, compared to a net loss of $1.1 million for the second quarter last year. Total revenues for the six months were $4.6 million compared to total revenues of $4.9 million for the six months last year. Net loss for the six months was $124,000 compared to a net loss of $2.3 million for the six months of the previous year.

Commenting on PLC's second quarter profit, James Thomasch, senior vice president, CFO and treasurer of PLC Systems, said, "There are two key factors that contributed to PLC's profitable quarter. First, over the past several years we have worked hard to bring our overall cost structure in line with our current revenue levels. We are pleased with these results and we are confident we now have a solid financial foundation on which we can build our business. The second major contributing factor was a substantial increase in our gross margins. The 18-percentage point improvement in gross margin, from the first quarter to the second quarter, was due in part to an increased number of sales and long-term lease commitments for our CO_2 Heart Lasers by hospitals. We believe the customers' willingness to purchase or make long-term commitments reflects the value of our CO_2 TMR technology."

During the second quarter of 2002, PLC shipped 10 CO_2 heart lasers and 473 disposable kits worldwide. In the United States, nine CO_2 heart lasers (eight HL2 and one HL1) and 401 disposable kits were shipped to hospitals through **Edwards Lifesciences Corporation**, PLC's U.S. sales and marketing partner. In comparison, during the second quarter of 2001, 11 HL2s, one HL1 and 377 disposable kits were shipped to U.S.

customer accounts. PLC ended the second quarter of 2002 with 120 CO_2 Heart Lasers located at heart centers throughout the U.S., comprised of 59 HL2 and 61 HL1 customers. In comparison, PLC ended the second quarter of 2001 with 91 CO_2 Heart Lasers located at heart centers throughout the U.S., comprised of 16 HL2 and 75 HL1 customers. Tauscher concluded, "PLC's second quarter accomplishments result from the solid execution of a well-defined strategic plan. Our partnership with Edwards has many benefits, including allowing us to focus as a company on our core strengths: technology development, laser manufacturing and customer service support. At the same time the market share for our leading CO_2 TMR technology is expanding as Edwards continues to leverage their premier sales channel and marketing organization. As our partnership with Edwards progresses we expect to see increased TMR procedures and disposable revenues, which we believe will contribute significantly to both our revenue growth and profitability."

7/25 **Palomar Medical Technologies Inc.** said that for the second quarter ended June 30, 2002, its total revenues increased by 32%, its product revenues increased by 58% and its gross profit improved by 97% as compared to the second quarter of 2001, excluding back-owed royalties of $1.2 million received in the second quarter of 2001. Based on the increased revenues and improved margin, the company realized a net profit two quarters earlier than management had stated on the April 2002 conference call. Even more importantly, the company created a positive cash flow with an increase in its cash position over the first quarter ended March 31, 2002. Over the past year, gross margins have improved significantly due to a shift in product mix to lower cost platforms. Chairman of the Board Dan Valente attributed the strong financial performance to the successful execution of the strategic business plan resulting in the company's increased market share directly attributable to the recently introduced products.

Revenues for the quarter were $6.4 million, up from $6.1 million in the second quarter of 2001. Gross profit increased to $3.4 million (53% of revenues), up from $2.4 million (40% of revenues) in the year-earlier quarter. The company reported net income of $219,000 (2 cents per share), versus a net loss of $573,000 (6 cent loss per share) for the second quarter of last year. Revenues for the six months were $10.6 million, up from $9.7 million from last year. Gross profit increased to $5.1 million (48% of revenues), up from $3.3 million (35% of revenues) in the year-earlier period. The company reported a net loss of $517,000 (5 cents per share), versus a net loss of $2.5 million (25 cent loss per share) for the six months last year.

CEO Joseph Caruso commented, "Achieving profitability is indeed a significant event for Palomar as we accomplished our stated goal of turning the company around by the end of 2002. We achieved this milestone sooner than expected due to the dedication of our employees and the guidance of our directors, all while investing the necessary resources in Research & Development to maintain our technology leadership position. We believe that our EsteLux Pulsed Light system will continue to penetrate the market based on the favorable reviews of dermatologists and other treatment providers around the world. The EsteLux system has a wide range of applications, including hair removal

and vascular and pigmented lesion removal. As expected, we began shipments of the new handpieces for the EsteLux system in this quarter. We offer features that are not available elsewhere, and a tradition of excellent science, design and strong support that is widely trusted. We will continue to build our distribution worldwide."

MEDICAL/SURGICAL LASER UPDATE -- August 2002

7/29 **Cynosure, Inc.** announced that its motion for summary judgment of patent invalidity was granted in the suit filed against it by **ICN Photonics (ICN)**, a subsidiary of **ICN Pharmaceuticals, Inc.** The U.S. District Court in Boston invalidated ICN's Patent No. 5,983,900 for Wrinkle Removal.

In February 2001, just prior to the national meeting of the *American Academy of Dermatology* in New Orleans, ICN claimed that Cynosure, with its PhotoGenica V pulse dye laser products for facial rejuvenation, infringed ICN's patent, and filed a lawsuit in Costa Mesa, California, where ICN Pharmaceuticals, Inc.'s headquarters is located. The case was later moved to Boston, Massachusetts.

In summary, the court ruled that ICN's patent was invalid for failure to meet the written description requirement of 35 U.S.C. Section 112, i.e., the claims were not supported by the written description in the specification. During its patent application, ICN had distinguished its "invention" from prior methods by saying that its method caused collagen shrinkage without coagulating blood. But in the specification as originally filed, ICN stated only that the basal layer remained intact and that wrinkles are removed without damage to the dermis. ICN argued that such language was tantamount to saying that no coagulation of the blood occurs. The court disagreed, and said that the patent "as originally filed failed to convey with reasonable clarity that the patentee was in possession of the subject matter claimed."

Dr. Horace Furumoto, president and CEO, founder of Cynosure Inc. and **Candela Corporation** and developer of the first clinical pulse dye laser, commented: "We are pleased that the courts supported us both in our defense against this lawsuit by ICN and in our earlier defense against lawsuits by Candela Corporation and **Gaelis Corporation**. Issued patents are presumed to be valid, so we were at a disadvantage in having to defend against a patent infringement lawsuit. To be able to invalidate a patent on summary judgment, prior to the long and expensive discovery process in litigation, is a rather unusual event. Our technology is unique and a result of our R&D efforts to provide the most technologically-advanced pulsed dye systems on the market. Non-ablative wrinkle treatments are effective when they result in an overall reduction of redness, pigmentation, fine lines and wrinkles, and an improvement in tone and texture. Cosmetic benefits result from the laser's impact on increased collagen stimulation, as opposed to collagen shrinkage. This technology is covered by Cynosure's own patent, issued in 2000, for the treatment of wrinkles by stimulating collagen growth, utilizing the pulsed dye laser; and it received FDA clearance for the treatment of wrinkles using its pulsed dye technology. Each of our PhotoGenica V lasers, including the V-Star, provide the optimal wavelength,

energy levels, spot sizes, and other parameters for this treatment and dozens of other vascular-based conditions."

7/29 **Palomar Medical Technologies Inc.** announced that it had received "CE" certification for its Palomar EsteLux light-based system. The CE mark is a requirement for products to be sold in the European market. The Palomar EsteLux system received the CE designation after meeting stringent safety and performance standards.

CEO Joseph Caruso commented, "The CE designation opens up the tremendous European market for our EsteLux system, which could significantly increase sales of this popular product. Our success in commercializing this light-based hair removal and vascular and pigmented lesion removal device is evident with the ramp up in revenues as reported in the second quarter ended June 30, 2002. This ramp up trend is continuing in the third quarter and we expect the EsteLux system to have the same overwhelming impact in Europe that it has already had here in the U.S., Japan, Australia and other countries. Through July, our performance has exceeded all the milestones set for fiscal 2002. As stated in the second quarter press release and conference call last week, the company realized a net profit and positive cash flow six months earlier than previously estimated. The outlook for the balance of the year looks very promising. We have a world-class manufacturing facility producing the EsteLux system, and we are expanding our production manpower to increase our monthly capacity even further to meet the strong demand. We have recently signed distributors in Europe and are currently working on expanding European distribution. With the increased production and CE mark in place, allowing us to expand this domestic success into the European market, we look forward to significant international sales boosting our overall revenues."

7/30 **The Spectranetics Corporation** announced the end of a special price promotion on its excimer laser system, effective September 30, 2002. The program consisted of a $90,000 sales price for its excimer laser system, compared with a list price of $249,000. "We launched the special price promotion to create a temporary incentive to our customers to acquire our excimer laser system and become users of our disposables," commented Bruce Ross, Acting COO. "Customer interest in our laser system remains high and we remain confident in our ability to place a net of 30-40 new laser systems during the full year 2002."

7/30 **BIOLASE Technology, Inc.** responded to inquiries from investors by denying rumors of any financing. Such rumors are unfounded. Jeffrey Jones, BIOLASE president and CEO stated, "With the ongoing, strong demand for our products, we continue to build momentum, despite certain parties with clear vested interests that are attempting to undermine our success with a variety of baseless rumors. Even with the large increase in sales achieved in the second quarter, the company still produced overall positive cash flow, as well as positive cash flow from operations."

This was reinforced by one of the analysts following the company. "They do not have an absolute need" for a financing now, **Ladenburg Thalmann & Co.** analyst Alexander

Arrow said, adding that Biolase, a microcap San Clemente, CA, medical device company, is profitable and has positive cash flow. The fast-growing company could use more cash flow to build its infrastructure and work force, however, he said.

7/31 **BriteSmile, Inc.** announced continued revenue growth for the second quarter of 2002, with revenues showing an 18% increase over the prior quarter. As compared to the corresponding quarter in 2001, revenue in the second quarter of 2002 decreased by 4.8% from $11.6 million. The decrease in revenue primarily resulted from the strategy of slowing down the rollout of new Associated Centers. Given the uncertain economic climate, the company decided to slow the pace of the rollout of new Associated Centers to preserve capital. Sales in the second quarter of 2001 relating to newly placed Associated Centers were $2.8 million compared to $0.4 million in the second quarter of 2002. Procedures were up by 14% in the second quarter of 2002 versus the second quarter of 2001.

BriteSmile also continued to narrow its losses. The net loss for the second quarter of 2002 was $3.0 million compared to a loss of $4.1 million in the first quarter of 2002, which represents a 28% sequential improvement. The net loss for the second quarter of 2002 improved by 45%, as compared to the corresponding quarter of 2001, which showed a loss of $5.5 million. Earnings per share also improved on both a sequential and a year-over-year basis. Second quarter of 2002 earnings per share were ($0.08) compared to ($0.11) for the first quarter of 2002 and ($0.16) for the same quarter of 2001, representing an EPS year-over-year improvement of 50%. EBITDA significantly improved in the second quarter of 2002. EBITDA was ($1.4 million) for the second quarter of 2002 compared to ($2.3 million) in the first quarter of 2002, representing a 40% improvement. Compared with the same quarter of 2001, EBITDA improved 65% from ($4.0 million).

"Given the continued challenges of the current economic climate, we are pleased to report quarter over quarter revenue growth and the narrowing of operating losses. We are increasing productivity and closing in on sustainable profitability," said John Reed, CEO, BriteSmile Inc. BriteSmile International, the operation of BriteSmile Associated Centers outside of the United States, now has over 1,000 systems in 40 countries worldwide and expects to have approximately 1,500 in operation by year-end 2002. The company expects revenue for BriteSmile International to increase to approximately $5 million in 2002. "We are thrilled with the performance of our international team and continue to believe that the global market represents a key growth area for the company," said Paul Dawson, CEO, BriteSmile International. "BriteSmile and the preeminent results that we deliver are clearly in demand by both consumers and dentists around the world."

7/31 **CardioGenesis Corporation** announced results for its second quarter and first six months ended June 30, 2002. Chairman and CEO Michael Quinn said that while year-to-year revenues declined as expected, this year's second quarter results reflected a net profit for the quarter due to a gain from the sale of the company's minority interest in a privately held medical products company and a 41% sequential quarterly increase in disposable

hand piece sales over the 2002 first quarter, as well as significant gross margin improvements and large reductions in operating expenses and operating losses, when compared to the year earlier period. "We spent the last several months building a strong foundation for the expansion of our TMR franchise, and we are now aggressively moving forward with the next phase of our TMR strategy, which is to dramatically increase physician and patient awareness. We believe the strong upwards swing in hand piece sales in the second quarter of this year, compared to the first quarter, is not only indicative of the increasing utilization of TMR among current users, it is solid evidence of an increasing rate of adoption and an expanding interest in TMR by cardiac surgeons. While the summer quarter for medical device companies is traditionally slow, we continue to see solid improvements in key areas of our business and believe we are well positioned to drive our business towards meeting our goals of profitability and increasing shareholder value."

The 2002 second quarter was also highlighted by the submission to the FDA of the company's PMA amendment for PMR, which contained substantial new clinical data and comprehensive analysis supporting its application for approval of the PMR system. Additionally, the company also began preparations for its marketing launch of PMR should it receive FDA approval to market the procedure in the U.S. later this year. Revenues in the second quarter of this year were $3.0 million, compared to $4.0 million in the second quarter of last year, as gross margins as a percentage of sales increased to 78% in the 2002 quarter from 61% in the second quarter of 2001. Last year's second quarter included the outright sale of three newly installed lasers and the conversion to sale of one previously installed laser, as well as a large number of disposable hand piece sales, which included those shipped to new user sites where lasers had been placed during the quarter. Disposable hand piece sales in this year's second quarter were 859 units, up sequentially 41% from the 608 units sold in the first quarter of 2002, with domestic hand piece sales for the second quarter of this year at their highest level since the same period last year.

Net income for the 2002 second quarter was $1.1 million (3 cents per share) which included the effects of the one-time gain of $2.3 million from the sale of the company's minority interest in Mountain View, CA-based **Microheart, Inc.** This compares to a net loss of $3.0 million (9 cents loss per share) for the 2001 second quarter. The loss from operations for this year's second quarter was more than cut in half to $1.2 million, down from $2.7 million in the 2001 second quarter. Last year's second quarter results included $690,000 in restructuring charges and $295,000 of equity losses from the company's minority ownership of Microheart. During the 2002 second quarter, CardioGenesis observed a renewed and growing interest in its TMR procedure among cardiac surgeons, which contributed to the increase in hand piece sales. In addition, as well as expanding its TMR marketing activities during this year's second quarter, the company also rolled out its new Advanced TMR Physician Training Program supported by a series of new clinical and patient outcome data and case studies. CardioGenesis believes the growing interest in additional training at existing sites is reigniting procedural volume in its large installed base.

Revenues for the first six months of 2002 were $6.2 million, with a net loss of $102,000, (0 cents per share) which included the effects of the $2.3 million one-time gain recorded in this year's second quarter. This compares to revenues for the first six months of 2001 of $7.1 million, with a net loss of $5.4 million (17 cents loss per share). The loss from operations for this year's first six months was cut in half to $2.4 million, down from $4.8 million in the year earlier period. The 2001 first six months results include the effects of equity losses from the company's minority ownership of Microheart recognized in the first and second quarters and organizational restructuring charges taken in the second quarter, both totaling approximately $1.3 million.

"I'm pleased to report that our regulatory group assembled a prominent and distinguished team of interventional cardiologists, independent clinicians, as well as other statistical and clinical research professionals to assist in the preparation of our recent PMR submission to the FDA," Quinn added. "Together this team compiled and submitted a substantial set of new clinical data with a comprehensive analysis that we believe addresses all of the concerns that the FDA outlined to us last October. We are optimistic that we will meet our objective of obtaining FDA approval to sell PMR in the U.S. before the end of the year."

During this year's second quarter, the company placed two lasers, converted two installed lasers to sales and had worldwide disposable sales of 859 units, compared to the placement of 11 lasers, the sale of three newly installed lasers, the conversion of one installed laser to a sale and worldwide disposable sales of 1,130 units in the second quarter of 2001. At the end of the 2002 second quarter, there were 418 sites with CardioGenesis lasers for myocardial revascularization, up from 398 sites at the end of the second quarter of 2001. The total number of surgeons trained as of June 30, 2002 had risen to 1,065 from the 906 trained at the end of the prior year's second quarter. The company's dominant share of the laser-based cardiac revascularization market includes substantial penetration in the top cardiovascular institutions in the U.S.

8/1 **Palomar Medical Technologies Inc.** announced that it had received clearance from the FDA to sell and market a new handpiece for the Palomar EsteLux light-based system for "permanent hair reduction" for all skin types, including tanned skin. The company will now have the Palomar LuxRs handpiece along with its other EsteLux system handpieces. The LuxRs red light filtered handpiece expands the EsteLux system's treatment capabilities greatly by allowing for permanent hair reduction on all skin types. With a unique combination of optics and energy levels, the new LuxRs handpiece selectively targets melanin in the hair follicle. The EsteLux system is the most versatile and economic cosmetic device on the market.

A customer who had been receiving treatments with the EsteLux system commented, "Having been treated with the EsteLux system, I must say that the advances demonstrated are extremely impressive. With only a limited number of treatments to my face, I have substantially reduced my shaving due to the reduction in both amount and coarseness of the hairs. The EsteLux treatments on my back are also impressive. There is very little hair

left, and what hair remains is so fine that it is hardly noticeable. My experience with Palomar's products has been wonderful. I would recommend the EsteLux to anyone who is serious about hair removal."

As recently announced, sales of Palomar products continue to be impressive during the historically slow summer months. In addition to the LuxRs handpiece, the other EsteLux system handpieces include the LuxY yellow light filtered handpiece for fast removal of hair and pigmented lesions on lighter skin types; the LuxG green light filtered handpiece for pigmented and vascular lesion treatments; and the LuxR red light filtered handpiece for fast removal of hair on all skin types, including tanned skin.

8/3 Happy memories of outdoor fun during the summer months with friends and family can last a lifetime. Sadly, so too can the harmful effects of the sun. Many who indulged in the summer sun in their youth are seeing the damaging effects years later and are searching out ways to regain the skin they had years ago. Their solution may only be a light beam away. Speaking at ACADEMY 2002, dermatologist Arielle Kauvar, MD, Clinical Associate Professor of Dermatology, New York University School of Medicine, New York, discussed how new non-ablative lasers can treat the signs of aging, such as wrinkles, brown spots, loss of elasticity and AKs.

"In the past, techniques for improving aging skin required invasive laser or surgical procedures which produce open wounds and require long recovery times," said Dr. Kauvar. "Today, men and women can choose from a variety of non-ablative laser procedures designed to reverse, improve or erase the early signs of aging, take very little time to perform and have a minimal, if any, recovery period." Non-ablative lasers heat a layer of tissue under the skin's surface without damaging the top layer of the skin, therefore producing no visible wound. By emitting a beam of light that is absorbed by the water in skin cells, these high-energy lasers can improve superficial and moderately deep wrinkles, such as those on the upper lip, the crow's feet around the eyes, as well as the shallow wrinkles on the cheeks and forehead. These treatments result in a microscopic wound healing response, which promotes new collagen formation. The production of a new layer of collagen leads to improved skin tone and texture, and a decrease in wrinkles and scars. This procedure is known as laser toning.

Using computer analysis of skin texture and devices to measure skin elasticity, Dr. Kauvar studied the use of non-ablative lasers to treat aging skin. In Dr. Kauvar's study, YAG lasers were used to treat fine lines, acne scars and overall skin tone. Dr. Kauvar's research found that three to six treatments, at two to four week intervals, produced overall improvement in the skin's appearance. Non-ablative laser rejuvenation generally takes 10 to 15 minutes, and may be proceeded by a 30-minute application of a topical anesthetic cream. Following laser toning procedures, the skin may appear red and blotchy for a period of several hours. Since there are no visible wounds to the skin, make- up may be applied immediately after treatment.

The results from these laser treatments generally last six months. A series of treatments may be safely performed from time to time to maintain the outcome of the procedure. "In addition to treating fine lines and wrinkles and overall skin toning effects, some of these non-ablative lasers are also being utilized to improve skin discoloration from dilated blood vessels or irregular pigmentation," said Dr. Kauvar. "The pulsed dye lasers, which deposit heat energy selectively in the superficial capillaries of the skin, have been shown to be effective in improving skin tone and texture, as well as redness from dilated blood vessels and rosacea."

Additionally, a combined technique utilizing pulsed and YAG lasers has shown improvement in skin discoloration from pigment and blood vessels as well as overall tone and texture. The light from the pulsed laser is absorbed by blood vessels, which are then destroyed by the laser's energy and cleared away by the body. The light from the YAG laser is absorbed by pigment in the skin as well as by water. By targeting the pigment, brown blotches can improve, new collagen production is stimulated and an improved appearance of the skin's texture results. The advantage these laser rejuvenation treatments have over other skin rejuvenation procedures is that these enable the improvement of a variety of changes in skin texture and color in just a few visits with little to no downtime. Further, these laser techniques do not damage the skin's natural pigmentation and almost any skin type or ethnic skin type can be safely treated with non-ablative laser therapy. Ideal candidates for non-ablative laser therapy include younger patients with acne scars or early signs of wrinkling and sun damage, as well as patients with more extensive sun damage and skin aging, who have undergone other invasive laser or surgical procedures. In these older patients, laser toning is used to improve the skin texture and color and return the skin to its youthful appearance.

"These newer non-ablative laser toning procedures are ideally suited for today's busy world," said Dr. Kauvar. "They provide a simple means of improving or reversing skin aging in a series of brief office visits, with minimal recovery time."

8/5 **Lumenis Ltd.** announced financial results for the second quarter ended June 30, 2002. The company reported revenues of $92.2 million, compared to $86.1 million in the first quarter of 2002, and $80.4 million for the same quarter a year ago. Net income in the second quarter was $2.2 million (6 cents per share), excluding a net one-time charge of $3.5 million related to an arbitration award and a gain on the sale of an investment. Including the net charge, the company had a net loss of $1.3 million (4 cents per share). Net loss was $0.6 million (2 cents per share) in the first quarter of 2002, and $146.4 million ($4.70 per share) in the second quarter of 2001.

Lumenis met its goal of being cash flow positive in the second quarter generating $12.9 million cash flow from operations. The company reduced debt by $10.3 million in the second quarter. "Our performance this quarter enabled us to deliver on several promises we made to investors. Most importantly, we were cash flow positive and met our revenue and gross margin targets. We also met our net earnings guidance with foreign exchange gains offsetting higher operating expenses. Operating cost improvements will continue

to be made as we complete our previously announced cost-reduction programs. We continue to experience weak results in Europe, but with our new management team in place, we expect improvements by the end of the year." stated Yacha Sutton, Lumenis CEO. "In the second quarter, our Aesthetic business in the Americas and Asia was very strong, offset by the weakness in Europe."

Net revenues in the second quarter were in line with previous guidance of $90-95 million and net earnings of $0.06 per share were also within the range estimated at $0.04 to $0.10 per share. Net revenues in the second quarter last year were $80.4 million, or $87.7 million pro-forma for the acquisition of the **Coherent Medical Group** in April 2001. The Aesthetic Unit accounted for $40.8 million in sales in the second quarter of 2002, compared with $37.6 million in the second quarter of 2001, on a pro-forma basis. Strong performance in U.S. and Asia photorejuvenation product sales offset lower sales in Europe resulting in an overall 8.6% increase this quarter compared to last year. The Ophthalmic Unit experienced strong sales of the new Selecta Laser System for the treatment of glaucoma. Sales of Selecta were up 80% over the prior quarter to $3.6 million. Total sales for the unit in the second quarter were $21.1 million, compared to $16.8 million in the second quarter of 2001 on a pro-forma basis, up 25.1%. In the second quarter, refractive products had strong sales of $5.3 million, compared to $2.8 million in the first quarter of 2002.

Surgical sales were $13.3 million in the quarter and were lower by 10.3% compared to last year on a pro-forma basis, principally in veterinarian products. Total sales in the Americas were $46.2 million, up 7.4% from the same quarter a year ago on a pro-forma basis. The Asia/Pacific region grew approximately 5.5% over the same quarter last year, on a pro-forma basis. Sales in Europe were $14.5 million, flat with a year ago, on a pro-forma basis. Sales in Europe are expected to be weak through the end of the year until new management initiatives take effect. Operating costs were higher than previously estimated due to higher than anticipated legal and integration costs. A corporate wide cost-reduction program is currently being implemented. Additionally, as previously announced, upon completion of the relocation of manufacturing operations from Santa Clara in the first quarter 2003, the company expects to save $10 million annually.

One-time charges in the second quarter include the sale of the company's investment in **Galil Medical** for a gain of $1.7 million. The company sold its investment for cash of $1.7 million and a right to receive additional consideration in the event of a sale or a public offering by Galil. Additionally, the company took a $5.2 million charge for the arbitration award in the **Light Age** litigation. The case, which arose under prior management, related to a breach of contract issue. The company had previously provided $4.6 million for the matter. The charge includes interest costs and legal fees.

EBITDA was $8.4 million, which was below the previously estimated range of $10-13 million due principally to the higher operating expenses. Cash flow from operations was $12.9 million in the second quarter. Receivables were down by $2.2 million in the second quarter despite an increase in sales of $6.1 million from the first quarter of 2002 and a

$5.7 million increase from foreign currency translation. Inventory was up $2.1 million in the second quarter due to the impact of the relocation of manufacturing operations. Accounts payable increased $3.8 million as vendor terms were improved and from the effect of foreign currency translation. Capital expenditures were $1.7 million. Lumenis' financial position remains strong with a cash position of $25 million. At June 30, 2002, the company had outstanding $16.5 million on its $35 million revolving credit line. The $16.5 million outstanding and the $54.1 million of convertible subordinated notes outstanding will be paid with proceeds from the $70.7 million loan from **Bank Hapoalim BM**, which the company intends to draw down in August of this year. The company is in compliance with its debt agreements.

Lumenis expects revenues to be in the range of $93 to 97 million in the third quarter. EBITDA should be in the range of $13 to 17 million in the third quarter. Net earnings are expected to be in the range of $0.13 to 0.24 per diluted share in the third quarter. The company expects to continue to be cash flow positive from operations.

8/6 **Acculaser Inc.** announced that it had received approval from the FDA to market the company's Acculaser Pro "Cold Laser" for use in the non-surgical treatment and management of pain for carpal tunnel syndrome. (Joining **MicroLight** -- see the February 11, 2002 brief.) "We are very excited to be able to offer this innovative non-surgical approach to people suffering from carpal tunnel pain," said Jackson Streeter MD, CEO of Acculaser. "The pain of carpal tunnel syndrome can be so severe that people cannot work or live normally. We hope to improve their lives without the pain, risk or worry associated with surgery."

Carpal tunnel syndrome is a leading cause of lost workdays and workplace disability. More than 1 million Americans develop carpal tunnel symptoms each year, and more than 200,000 surgical procedures are performed at an annual cost of over $2 billion. Carpal tunnel syndrome often begins as a result of repetitive motion of the upper extremity, which results in chronic swelling in the area of the tendons and nerves of the hand and wrist. "We have a very robust technology," said Dr. Streeter. "Cold laser is easy to apply in the doctor's office by a trained therapist. Also, there is no recovery period from cold laser treatment, no risk of infection or other complications associated with surgery."

Acculaser is also pursuing FDA clearance for treatment of tendonitis, and is conducting animal research in the area of bone regeneration in collaboration with the Medical College of Wisconsin. "Cold Laser is truly a platform technology," said Mr. Luis De Taboada, vice president of Research and Development, "We look forward to becoming the world leader in developing the science and future applications of photon therapy, not only in the area of orthopedics, but also in other markets."

8/6 **Miravant Medical Technologies** announced that its proprietary PhotoPoint drug MV6401 had achieved selective shutdown of tumor blood vessels and long-term tumor growth delay in a unique PDT study in an orthotopic breast tumor model. The research was

undertaken at one of the world's premier tumor research laboratories, the Edwin L. Steele Laboratory for Tumor Biology, Massachusetts General Hospital, Boston, under the direction of Professor Rakesh Jain, Ph.D. The preclinical results were published as a cover article in the August 1st issue of the prestigious journal, *Cancer Research*. In a rapidly growing and exciting area of cancer research, new therapies are targeting the networks of blood vessels that are essential to the growth of all solid tumors as well as inhibiting new vessel growth, or angiogenesis. At the Steele Laboratory, Miravant's PhotoPoint MV6401 drug was studied as a combined anti-vascular and cellular targeting agent in an advanced orthotopic model (breast cancer grown in mammary tissue). Investigators demonstrated that PhotoPoint MV6401, using a fractionated or split drug dose followed by a single light treatment, offered the striking opportunity to more effectively attack both tumor blood vessels and cells at the same time.

John Hill, Ph.D. director of oncology at Miravant, and a co-author of the Cancer Research publication, stated, "In the past PDT has been investigated as a means to destroy solid tumor cells in recurrent breast cancers involving the skin and has been suggested as a potential treatment for locally invasive breast carcinoma. In this study of PhotoPoint MV6401, we were able to use a fractionated drug dose to simultaneously target the breast cancer tumor cells and at the same time destroy the blood vessels that support these cancer cells. We found that a fractionated dosing of this photosensitizing drug prior to light activation was superior to single drug dosage in mediating long-term vascular shut-down and tumor growth control. With further optimization, this novel strategy could lead to better anti-tumor PDT treatments in the clinic."

8/7 **The Spectranetics Corporation** announced the approval of the resolutions that were presented during the company's Annual Meeting of Shareholders. The approved resolutions call for:

-- The re-election of directors John Schulte and Emile Geisenheimer to three-year terms ending at the 2005 Annual Meeting of Shareholders or after a successor is duly elected and qualified.

-- The ratification of the appointment of **KPMG LLP** as the company's independent auditors for fiscal year 2002.

-- The amendment of the company's 1997 Equity Participation Plan to provide that the maximum number of shares which may be subject to awards granted to any individual in any calendar year will not exceed 1.5 million shares.

-- The amendment of the company's 1997 Equity Participation Plan to revise the existing equity incentive provisions for non-employee directors. Based on a recommendation from an independent consultant, the amended Plan provides non-employee directors with options of 45,000 shares for each three-year period of service, to be vested in equal amounts during each three-year period. This amends a Plan under which directors received options for 75,000 shares over each three-year period of service.

8/7 **ICN Pharmaceuticals, Inc.** reported revenues for the second quarter of 2002 of $237.0 million, an increase of 16% compared with the $204.4 million reported in the second quarter of 2001. Net income before non-recurring and extraordinary items in the 2002 second quarter was $16.3 million (19 cents per share) compared with $23.3 million (28 cents per share) in the second quarter of 2001. The increase in revenue for the 2002 second quarter was primarily due to higher royalty revenue from **Ribapharm**, the company's biotechnology subsidiary, which reflects increased sales of Rebetol/Rebetron (ribavirin) by **Schering-Plough Corporation**. In addition, revenues from operations in Western and Central Europe and Latin America were higher in the second quarter of 2002 versus last year, due to stronger product sales in certain countries. Partially offsetting these improvements was a decrease in revenues from the company's North American operations, principally due to lower sales in the specialty pharmaceutical business and a decline in **Photonics** service revenue.

8/7 **Surgical Laser Technologies, Inc.** announced its financial results for the second quarter and first six months of 2002. Net sales were $2.8 million compared to $2.7 million in the second quarter of 2001. The net loss was $69,000 (3 cents per share) compared to net income of $36,000 (2 cents per share) in the second quarter of 2001. For the first six months of 2002 the net loss was $122,000 (5 cents per share) on net sales of $5.6 million, compared to a net loss of $179,000 (8 cents per share) on net sales of $5.0 million in 2001.

Commenting on the second quarter results, Michael Stewart, SLT's president and CEO, stated: "Contract services revenues continued to increase in the second quarter of 2002 as we continue to expand our fee per case structure. While laser sales fell short of our expectations resulting in the loss for the quarter, we believe we are continuing to make progress in building a vertically integrated contract services business for which we are confident there is a significant market opportunity. In the second quarter of 2002, we completed the acquisition of the CO_2 laser intellectual property and the laser accessories line of products from **Reliant Technologies, Inc.** Following the acquisition, we began the development of our own CO_2 laser, which will, upon its completion, eliminate our dependence on other manufacturers' CO_2 products. With the addition of the CO_2 laser, expected in early 2003, SLT will control the manufacture, supply and cost of the three main lasers required by our contract services approach to the hospital operating room and surgery center market."

The company also elaborated on the acquisition of the Reliant Technologies product line and technologies in a separate news release, stating it had purchased from Reliant its UniMax Micromanipulator product line and Reliant's Acutome line of CO_2 laser handpieces and laparoscopic couplers. The UniMax micromanipulator utilizes patented mirror-based technology, rather than competitive lens-based technologies, to deliver the laser beam. The UniMax micromanipulator product line is also compatible with other surgical laser wavelengths, including KTP, Nd:YAG and holmium lasers. The Acutome laser handpiece and the Acutome laparoscopic couplers similarly utilize the patented

mirror-based design to provide unparalleled surgical accuracy for a variety of surgical procedures utilizing a CO_2 laser.

8/8 **PhotoMedex, Inc.** announced the results of its second quarter ended June 30, 2002. Revenue for the quarter ended June 30, 2002 was $842,699, including $245,199 from domestic XTRAC laser treatments and $597,500 from international sales. Of the 8 lasers sold internationally, 4 were initial orders to new distributors or customers in Pakistan, Singapore and Mexico. Revenue for the quarter ended June 30, 2001 was $2.1 million, including $321,252 from domestic laser treatments and $1.8 million for international sales. The net loss for the quarter ended June 30, 2002 was $2.3 million (9 cents per share). The net loss for the quarter ended June 30, 2001 was $3.4 million (18 cents per share). As of June 30, 2002, the company had cash and cash equivalents of $6.4 million. Among the more notable achievements during the quarter ended June 30, 2002 were the following:

-- Completed a $6.17 million private equity placement and registration;

-- Received FDA 510k market clearance for treatment of leukoderma (loss of skin pigmentation);

-- Provided proactive participation in the Relative Value Update Committee (RUC) economic process for ascribing values to the recently approved CPT Codes; provided pertinent data to the committee for evaluation and obtained highly visible support within the Dermatologic Industry for the XTRAC therapy;

-- Obtained further validation, both nationally and internationally, from such premier medical conference podiums as the *American Academy of Dermatology (AAD) 2002 Summer Meeting* and the *20th World Congress of Dermatology Meeting*, attesting to the clinical superiority of the XTRAC therapy;

-- Continued expansion of our international distribution network;

-- Received prominent exposure in peer review journals, supporting the XTRAC laser's claims of clinical superiority; equal or superior level of symptom remissions; multiple uses for dermatologic indications; and safe and effective treatment for patients.

Jeff O'Donnell, president and CEO commented, "As we await the official recommendations of the RUC, we continue to document clinical evidence of the XTRAC's superiority in treating inflammatory skin disease and receive overwhelming worldwide medical community endorsement at the industry conferences and in the dermatology trade journals. We are confident that the findings of the RUC on economic valuation for the CPT codes will result in payment levels that will validate our business model, provide a profitable margin to our physician partners and make XTRAC laser therapy for inflammatory skin disorders affordable for their patients. With the recent addition of the FDA approval to use the XTRAC to treat leukoderma (i.e., scars and

stretch marks) added to our arsenal, we are now in a position to provide therapeutic benefit to the 1 in 5 Americans who suffer from mild to moderate cases of these disorders. In addition, I am pleased to note that, with the recent financing, we are positioned to execute the next phase of our launch."

8/8 **Axcan Pharma Inc.** announced an increase of 48% in net earnings and growth of 32% in revenue for the third quarter ended June 30, 2002, compared to the same period last year. For the first nine months of fiscal 2002, net earnings rose 33.6%, while revenues grew 25%. During the quarter, the company also acquired a second company in France, **Laboratoire du Lacteol du Docteur Boucard S.A. (Lacteol)**, located near Paris. "Axcan's continued growth in earnings and revenue, positions us well for the expansion of both our markets and our product line," said Leon Gosselin, President and CEO of Axcan. "Our strong emphasis on a highly specialized sales force and our clear focus on gastroenterology are understood and appreciated by health-care professionals and that understanding is paying off in the marketplace. Many of our products are already leaders in North America, and we now have the cash and professional resources to aggressively build our presence in Europe."

8/8 Strong net sales and profitability increased for **El.En. Group** during the first six months of the year. The second quarter report, approved by the board of directors of the company leader on the laser market, showed for the January-June period net sales for 21.11 million euros, up 57% from the first semester 2001, also as an effect of the acquisition of **Cynosure**, the U.S. manufacturer of medical laser systems controlled by El.En. since May 2002. Without including Cynosure in the consolidated results, the net sales increase would have been equal to 27%. Following the acquisition of Cynosure, El.En. became one of the world leaders in the laser system manufacturing.

Gross margin accounted for 10.33 million euros, with an impact of more than 46% on the value of production, up 55.5% with respect to the corresponding semester of the previous year. Gross operating profit accounted for 2.57 million euros, up 40% from first semester 2001, while net operating profit was 1.62 million euros, up 28%. Earnings before taxes accounted for 1.90 million euros, down 5% from first semester 2001, up 7% if Cynosure would not be included in the consolidated results.

Net financial position as of June 30, 2002 was still positive for more than 22.5 million euros.

"The remarkable net sales increase reflects the great vitality of the Group and its continued expansion, notwithstanding the unfavorable market conditions", said the managing director Andrea Cangioli, while confirming the forecast of net annual sales increase up 85%, also due to the acquisition of Cynosure that will allow a 111% sales increase in the medical laser segment, and to the sales increase in the industrial laser systems segment confirmed up 22% on annual basis.

For the second quarter 2002 the value of production was 14.36 million euros (up 89%), the gross margin was 6.70 million euros (up 77,4%), and gross operating profit was 1.39 million euros (up 20%). The net operating profit of 0.78 million euros and the earning before taxes of 0.909 million euros were down 2% and 24% respectively with respect of the previous quarter, as an effect of the cost of the Cynosure transaction. The gross investments of the second quarter accounted for 0.603 million euros, while the year to date amount after two quarters was 0.851 million euros.

The board of directors report contained some interesting information about Cynosure. It listed the group of companies controlled by Cynosure, including: **Cynosure Sarl** in France; **Cynosure Ltd.**, in the UK; **Cynosure GmbH** in Germany; and **Cynosure KK** in Japan. In addition, **Cynosure Suzhou** in China is a 52% controlled subsidiary that also manufactures dermatology devices. The company also owns 40% of **Sona International**, a company that runs laser hair removal centers and utilizes/rents Cynosure's lasers for this application.

In the breakdown of El.En. Group's sales for the second quarter, Cynosure's sale contribution amounted to 4.03 million euros (or about $4.2 million). However, looking at just medical and cosmetic laser sales for the first six months of the year, El.En.' revenues were 9.5 million euros without Cynosure, and 12.0 million with Cynosure's sales included. (Those figures excluded service revenues.) In a further breakdown table, the report indicates that Cynosure's sales were all within two groups -- cosmetic and other (which apparently means dermatology). In those two groups, Cynosure contributed 1.66 million euros and 0.852 million euros, revenues respectfully for the six month period.

8/9 **Cell Robotics International Inc.** announced financial results for the second quarter and six-month period ended June 30, 2002. The company reported a net loss of $525,730, (5 cents per share) for the second quarter of 2002, an improvement of $158,303, or 23%, when compared to the net loss of $684,033 (7 cents per share) for the second quarter of 2001. The company's results for the six-month period also showed an improvement over the same period in 2001. The net loss for the six-months was $957,044 (9 cents per share). This represented an improvement of $532,744, or 36%, when compared to the net loss of $1.5 million (15 cents per share) in the same period of 2001.

The company's product sales for the second quarter and first six months of 2002 were $104,130 and $499,053, respectively. These sales figures are down from product sales of $386,099 and $605,390 that were reported in second quarter and first six months of 2001, respectively. Gary Oppedahl, the company's newly appointed president and CEO, stated, "Cell Robotics has had to limit expenses in response to its limited cash resources. I am pleased with the company's ability to reduce expenses and thereby reduce its losses during a period where sales have declined. I have joined Cell Robotics at this challenging time because I believe that its core technologies are sound, the Lasette provides exceptional safety to health-care workers and is positioned to enhance the quality of life for literally millions of people. The planned strategic additions to Cell Robotics' marketing and sales department added to the excellent team established by my

predecessor provide a foundation required to grow sales. As has been demonstrated by the numbers published in this press release, the company has done a tremendous job in containing and reducing expenses over the last six months. Our challenge going forward is to dramatically increase sales. I believe that our focused selling and marketing efforts that incorporate a message of safety in the clinical health-care market will provide the catalyst to move Cell Robotics towards achieving our sales goals."

8/12 **Lumenis Ltd.** announced that the company had received clearance from the FDA to market its OpusDent Erbium dental lasers for soft tissue, periodontal, and root canal applications. "Dentists will now be able to offer significantly improved patient care with the OpusDent Erbium products. The Erbium laser has been used for several years in hard tissue applications such as caries removal and cavity preparation replacing the high-speed drill, which bothers so many patients. They will now be able to treat a variety of oral lesions, biopsies, inflamed soft tissue in the periodontal pockets, provide soft tissue crown lengthening, as well as provide periodontal and endodontic procedures," said Yacha Sutton, president and CEO of Lumenis.

"This clearance will enable OpusDent to offer dentists and oral surgeons a wider range of product offerings to match the right laser to their practice's needs. Dentists who are interested primarily in crown and bridge preparations and tooth whitening can select one of our Opus 5 or 10 diode products, dentists who do a lot of surgical procedures can purchase the Novapulse, and those who perform general and cosmetic dentistry, along with basic periodontal and endodontic procedures can select the Opus 20 or OpusDuo in either Erbium or Erbium and CO_2 combination."

"As a general practitioner who has used OpusDent lasers in my dental practice for over ten years I am very pleased with the new clearances, especially for root canal," says Dr. Robert Convissar, DDS, the director of laser dentistry at New York Hospital Medical Center. "Laser systems provide complete debridement, cleaning and enlargement of the canal contents and may reduce bacterial population, thus significantly contribute to root canal treatment success. When the OpusDent laser tip is introduced into the root canal system of an infected tooth, you know that you will end up with a clean canal. You can't ask for anything better to perform effective, 21st century endodontic therapy."

OpusDent, the dental business unit of Lumenis, is actively involved in research with dentists around the world in universities as well as in private practice to develop the best technologies, accessories, and techniques for advancing the use of lasers in dentistry.

8/13 **DUSA Pharmaceuticals, Inc.** reported its corporate highlights and financial results for the second quarter ended June 30, 2002. As previously reported, on June 6, 2002, DUSA received a notice of termination from **Schering AG**, its worldwide (except Canada) Levulan PDT dermatology marketing partner, of the parties' Marketing Development and Supply Agreement dated November 22, 1999. As a result, within the one-year notice period, DUSA will reacquire from Schering AG all rights that had been granted under the agreement. However, the parties are currently negotiating plans to arrange for a

smooth and efficient transfer of responsibilities with an accelerated termination date. During the second quarter, **Berlex Laboratories**, Schering AG's United States affiliate reported that end-user Levulan Kerastick sales totaled 2,250 units, up from 1,848 in Q1, but below the 2,448 units sold to end-users in Q4 2001. The installed base of BLU-U brand light units increased modestly to 369 at June 30, 2002 as compared to 328 at March 31, 2002. Despite the disappointing sales to this point, DUSA continues to receive reports from doctors, who are using Levulan PDT for their patients, who are very pleased with the product and its results. There have also been a number of recent articles in the dermatology press highlighting the benefits of Levulan PDT for the treatment of actinic keratoses (AKs).

DUSA is currently preparing its own development, marketing and publication plans that it intends to implement following the actual termination date of the Schering AG relationship. Although these plans are still being formulated, DUSA has decided not to create a nationwide sales force, or to seek a new dermatology marketing partner at this time. Therefore, the company does not expect any significant near-term changes in Kerastick sales levels, and/or BLU-U placements. However, the company will continue to work towards a more widespread adoption of our technology as doctors become more familiar with the benefits of Levulan PDT, and as the company seeks to achieve improved reimbursement levels.

The company intends to focus its near-term dermatology development program on the Broad Area Actinic Keratoses (BAAK) indication, with the goal of achieving a label-change for the current products, as well as finishing its FDA-required Phase IV long-term AK Tracking Study. As reported previously, the preliminary results of DUSA's Phase I/II study on resistant plantar warts were encouraging, and patient follow-up is ongoing. However, although preliminary data analysis is still not completed, the Phase I/II study on onychomycosis (nail fungus) was not successful in treating the disease in the majority of patients. The company believes that with some adjustments to the protocol, Levulan PDT could still be an effective treatment for this disease. However, further Phase II development for these indications is not being planned at this time in order to lower DUSA's burn rate for 2003 and beyond (compared to the 2002 burn rate). This strategy should keep the company in a strong financial situation as it works on the BAAK indication, the long-term AK study, and increasing revenues from the current product.

DUSA is also finalizing its partnering package for systemic, orally administered Levulan PDT in the treatment of areas of dysplasia within Barrett's esophagus. The company expects to begin soliciting potential partners during Q3. Although this indication is still at an early stage of development, and there can be no assurance that a corporate alliance transaction will occur, DUSA believes that entering a collaboration could have a positive near-term impact on the company.

DUSA's net loss for the three-month period ended June 30, 2002 was $3.4 million (25 cents per share) as compared to $1.6 million (11 cents per share) for the same period in

2001. Total research and development costs were $3.4 million compared to $2.3 million in the prior year period. The increase in 2002 is mainly attributable to higher clinical trial expenditures, both for dermatology and for Barrett's esophagus development. During the current three-month period, approximately $878,000 of the R&D expenditures is reimbursable by Schering AG, based on two-thirds reimbursement of dermatology co-development expenses. This compares to a $824,000 receivable for reimbursement for the comparative three-month period in 2001. Legal expenses have also increased as compared to the similar period in 2001, as a result of the challenge to our Australian patent, and will likely increase significantly as the process continues.

In May 2002, the company borrowed $1.9 million under a secured term loan promissory note from **Citizens Bank** of Massachusetts to fund the construction of its manufacturing facility. DUSA made interest only payments through July 30, 2002 and will make monthly payments of principal in the amount of $22,500 commencing August 1, 2002 plus interest at a rate of 4% per year for the initial year of the note. The company has the option at the end of the first year to exercise a one-time conversion to a fixed rate loan, or to continue with the then LIBOR rate. Certain of the company's United States government securities secure the loan.

8/13-
8/14 **Diomed Holdings, Inc.** announced that it had received orders for thirty model UDL 15 surgical diode lasers and associated medical disposables for the Japanese market from **Olympus ProMarketing**. Diomed has had a formal OEM relationship with Olympus for the last six years. Due to prevailing economic conditions in Japan, Olympus has not made an order of this size since early 2001. Olympus' forecasts indicate similar size purchases in subsequent quarters. Diomed expects to ship the thirty diode lasers and associated disposables during the current quarter. "We are very pleased that Olympus has returned to the marketplace and again chosen Diomed's medical diode lasers and disposables as the preferred product for its Japanese customers," says Peter Klein, CEO of Diomed.

The following day the company reported its financial results for the quarter ended June 30, 2002. The net loss for the quarter was $1.8 million (13 cents per share) compared to a net loss of $1.6 million (17 cents per share) for the same period in 2001. Revenue for the quarter was $1.2 million, compared to $1.6 million for the same period in 2001. Revenue in the second quarter of 2002 included $530,000 in EVLT product sales for lasers and disposables as compared to $283,000 in the first quarter of 2002, primarily due to receiving FDA clearance at the end of January 2002. Also, the number of EVLT lasers sold increased from 11 in the first quarter of 2002 to 18 in the second quarter of 2002.

8/14 **Candela Corporation** announced today that sales for its fourth fiscal quarter, ended June 29, 2002, had grown to $20.9 million, a 15% increase over the same quarter a year earlier, and a 29% increase over the immediate preceding quarter ended March 30, 2002. The company also said it had posted a profit of $528,000 (5 cents per share) versus a loss of $43,000 for the same quarter last year. Gerard Puorro, Candela's president and CEO, commented: "We are delighted with our return to profitability and our continued top line

growth, which has been $10 million in Q1, $14 million in Q2, $16 million in Q3, and $21 million in Q4. Our North American distribution arm continues to strengthen. We have also strengthened our European distribution arm with the addition of several new sales professionals in Germany. Continued new product releases, new applications, and regulatory approvals further add to our ability to augment these distribution channels and produce sustainable growth. As we head into fiscal year 2003, we are quite confident that we will have consistent top and bottom line growth, and we expect and are planning on a very solid year."

8/15 **Cell Robotics International, Inc.** announced that it had finalized arrangements to begin Laser Infant Heelstick Evaluation. Gary Oppedahl, Cell Robotics' president and CEO, stated, "Cell Robotics is creating an `Infant Lasette' via a simple modification to the Lasette so that it can be used to draw capillary blood from infants' heels. We believe this heelstick Lasette market is sizable by itself, but the entry through the heelstick market should also lead to further penetration into the existing clinical fingerstick device capillary blood market. Furthermore, we believe it will provide a more safe and humane way to obtain capillary blood samples through the heel of infants and toddlers. As a new grandfather, I would do anything to reduce the pain I have seen with heelstick procedure. We expect a positive acceptance for the "Infant Lasette" from neonatologists and nurses who currently have to perform this painful procedure as part of their daily routine."

Cell Robotics, has made the necessary arrangements to begin the infant heelstick device clinical trial in mid-September, 2002. This trial will be conducted at a recognized medical clinical trials center with 380 beds. The heelstick device clinical trial, part of the requirements for FDA clearance, will use a modified Clinical Lasette (already FDA approved) to draw capillary blood from the heels of infants. This new device will allow added marketing advantages for Cell Robotics by:

-- providing exceptional safety to healthcare workers.

-- offering a single source integrated (fingerstick and heelstick) needle-free capillary blood sampling system to healthcare facilities.

-- providing the only Primary Prevention device in the U.S. for lancets (a device that has no metal sharps for skin penetration) listed by the National Alliance for Primary Prevention of Sharps Injuries (NAPPSI).

-- consistently avoiding any deep penetration that could cause heel or bone injury to the infant.

The United States currently has an estimated 4 million births a year. Internationally, other developed countries have an additional 26 million births annually. Each infant in the U.S. must have a battery of newborn chemistry screens mandated by each state. After reviewing the heelstick procedure with a neonatologist, it was learned that premature infants experience up to 5 heelsticks a day. The current national average length of stay

is 15 days for neo-natal infants in intensive care. Data we have gathered indicates the current U.S. heelstick device market is approximately $60 million in annual recurring sales. For each 5% of the U.S. market captured, the resulting annual recurring sales would be $3 million. The international market in developed countries, we estimate, is $100 million of annual recurring sales. We anticipate successful market penetration because there are no competing needle-free products. Cell Robotics expects that the marketing of this product will be initiated in the first quarter of 2003.

Current news about its skin rejuvenation laser, that was originally announced on May 15, 2002 is:

-- A 510(k) Pre Market Notification was submitted to FDA approval on June 12, 2002.

-- The prototype has been assembled and successfully tested. This unit is being used to obtain regulatory approvals.

-- All regulatory approvals are expected in November 2002. Therefore, the device should be fully developed, certified and ready for sale by January 2003.

Based on our U.S. exclusive distributor's assessment, we predict CRII sales of this product during 2003 could reach $1 million in the U.S.

Due to the simultaneous launch of new products, the expansion of our worldwide distributor network, the fact that sales will be initiated before the end of the year in targeted countries, and to be consistent with the stated policy of the new management to make the company more market oriented, we have added highly experienced marketing personnel. Targeted countries near execution are Brazil, Taiwan, South Korea, Germany, UAE, Saudi Arabia, Pakistan, and Bangladesh, basing on newly awarded government permits and new distributors.

8/15 **American Medical Technologies** reported a net loss of $2.6 million for the three-month period ended June 30, 2002 compared to a net loss of $806,699 for the same period in 2001. The loss of profitability for the three-month period was primarily due to a decline in sales and expenses associated with the restructuring program enacted in the second quarter. For the six-month period, the net loss was $3.4 million compared to a net loss of $701,866 for the same period in 2001. The company reported revenues of $2.7 million for the quarter compared to $3.7 million for the same period in 2001, a decrease of 27%.

The company had revenues of $5.8 million for the six-month period compared to $8.2 million for the same period in 2001, a decrease of 30%. The decreases in revenues were primarily attributable to a decline in domestic unit sales under the direct sales model coupled with a decline in international sales as a result of the expiration of the distributor agreement with the company's former Japanese distributor.

Due to the continued decline in sales, the company re-evaluated its business model, hired Roger Dartt as its new CEO effective June 1, 2002 and adopted a restructuring plan in mid-June that will significantly reduce operating expenses. The company decided to abandon its direct sales model and return to its previous business model of selling domestically through dental dealers. As part of this new direction, the company closed its remaining sales and service branches and reduced its number of employees by approximately 50%. The company recorded a restructuring charge of $827,679 in the second quarter of 2002, which consists primarily of severance for terminated employees, expenses related to the closure of the company's remaining sales and service branch offices and service vehicle lease terminations.

"American Medical Technologies has a long history of being an innovative leader in the dental industry," said Roger Dartt, the company's CEO. "The restructuring plan allows the company to concentrate on its core strengths of technology development and product innovation. Our previous direct sales structure diverted our energies and resources away from our core competencies. We look forward to a return in the near future to distributing our products through the excellent dealer distribution system that exists in the dental market. As a result of the closure of our sales branches throughout the United States in June and other restructuring measures, we expect to reduce our annual operating expenses by at least $2 million and return to profitability this year. We have several innovative products ready for market introduction this year and we are excited about our future."

8/19 **Lumenis Ltd.** announced that it had drawn down its previously announced $70.7 million loan from **Bank Hapoalim BM**. A portion of the proceeds have been used to repay $16.5 million outstanding under the company's revolving credit agreement and the balance will be used to repay the company's $54.2 million of convertible subordinated notes due September 1, 2002. The new loan will mature in August 2006.

The company also reported that it had been granted 510(K) clearance to the first acne treatment device for moderate inflammatory acne vulgaris. The ClearLight system uses high-intensity, narrow-band phototherapeutic light to destroy the bacteria that cause acne.

Acne, a disease involving the sebaceous glands of the skin, is estimated to affect more than 80% of the world's population at some time during their life. Not surprisingly, 30% of all dermatologist visits each year are for acne related causes and, in the U.S., more than $1.4 billion is spent on anti-acne medications and treatments. "Studies indicate about 40% of acne bacteria are resistant to antibiotics," according to Alon Maor, executive vice president of Lumenis' Aesthetic Division. "And some treatments are now associated with very severe side effects. The ClearLight solution is designed as an attractive alternative to acne sufferers."

"Acne often causes social withdrawal, depression and embarrassment, which can have a devastating effect on self-esteem and self-confidence," says dermatologist A.R. Shalita, MD of SUNY Downstate Medical Center in Brooklyn, NY, one of the world's leading

acne experts, who led the multi-center ClearLight clinical trials. "ClearLight is an important new treatment for acne. It's effective, painless and, most importantly, has no known side effects."

Representing a new paradigm in acne therapy, the ClearLight treatment penetrates just deeply enough into the skin's tissue to safely and effectively destroy Propionibacterium acnes bacteria, or P. acnes, the primary cause of acne. The clinical data submitted to the FDA examined the effects of high-intensity, narrow-band light on P. acnes bacteria and the studies concluded that ClearLight was "a promising non-invasive, non-systemic alternative to current anti-acne remedies for moderate inflammatory acne." The ClearLight technology, developed by **CureLight Ltd.**, treats acne at its source in a very natural way. P. acnes bacteria produce porphyrins as part of its normal metabolism. The device's high-intensity light excites the porphyrins, resulting in photodestruction of the acne bacteria without damaging the surrounding tissue or skin.

"Just exposing the patient's skin to this high-intensity light for 15 minutes will result in the elimination of bacteria that cause acne," said Macrene Alexiades-Armenakas MD, a New York City-based dermatologist who has been using the ClearLight device. ClearLight treatments are quick, easy and painless, and patients have no disruption of their normal activities -- an important factor for today's busy teens and young adults. Patients lie comfortably on a bed in their dermatologist's office for 15 minutes during each treatment session. The typical ClearLight treatment regimen consists of eight visits over a period of four weeks. While any area of the body that has moderate inflammatory acne can be treated, the most common areas are the face, neck, chest and back. The ClearLight system works equally well on patients of all skin colors.

In the clinical validation study, researchers found the ClearLight Acne PhotoClearing System to be an effective method of reducing moderate inflammatory acne lesions. All patients were treated twice a week for four weeks, then followed monthly for an additional three months. Clearing of inflammatory acne was observed to continue throughout the follow-up period. After eight semi-weekly treatments, patients with moderate acne showed significant improvement and no side effects were noted. "Study participants were very satisfied with the clarity of their skin after undergoing ClearLight therapy," said Dr. Shalita.

"ClearLight is a non-drug alternative that's easy and effective, and, with no known side effects, this treatment device will surely allow more acne sufferers to enjoy the benefits of clear skin," said Alon Maor. "ClearLight was launched in Canada, Europe and Japan last year, and has caused a great deal of excitement among both dermatologists and acne sufferers."

Following the announcement (and a 41% bounce in the company's stock price) Steven Scheer of *Reuters* interviewed CEO Yacha Sutton about the news. "The fourth quarter is generally our strongest quarter so it should be better than the third quarter," Sutton told Reuters.

Lumenis earlier in the month said it expected third-quarter revenues of $93-$97 million and earnings per share of at least 13 cents. Lumenis recorded sales of $92.2 million in the second quarter. "We had revenues of $101 million in the fourth quarter last year," Sutton said. "The fourth quarter of this year could be a record. We are not giving guidance but it should be better than the range we gave for the third quarter." For the year, which started slowly, Sutton sees revenues of about the same as in 2001 of $377 million.

He said Lumenis' performance is being driven by sales of its photo-rejuvenation applications. Revenues from a new acne treatment system called ClearLight that received FDA approval this week, should also start generating sales starting in the third quarter, Sutton said. "Clearly this is a very very important application," Sutton said. "It fits into a new niche we are getting into of more medical applications in addition to cosmetic." He estimated ClearLight would add $10-20 million to Lumenis' revenues in 2003. "We believe this has big potential; the market potential for acne (treatment) is huge," he said. "But it won't come in one day. We need to develop the market and do marketing."

"We are counting on this application, this system, to be a driver of growth for us going forward," Sutton said. In the meantime, Sutton said a photo-rejuvenation treatment that gets rid of wrinkles and sun and age spots is the company's main driver at this time. "This is the hottest application right now," he said. "It's by far the largest application and we are selling $20 million a quarter."

Sutton said Lumenis is spending $27 million on research and development that should lead to new products later on 2002 and in 2003. Among those that he expects to take off in the coming years are laser systems to treat glaucoma and for use in dentistry. The laser dentistry systems only account for three percent of revenues, but Sutton sees that increasing. "We are seeing market acceptance for lasers in the dentist's office and eventually down the road all dentists will use lasers," he said. "Now, it's $12 million (in revenues). It could be a $50 million business (for Lumenis) two to three years down the road."

Lumenis' Nasdaq-traded shares opened down 1.6 percent at $6.20 on Wednesday, well below a 52-week high of $30.59. Sutton said it might take time for Lumenis' shares to spike again. "Once we meet our guidance for a few quarters we will regain confidence from the financial markets," he said. "Our challenge is to regain that confidence and hopefully we will do that through our numbers."

SmartMoney.com also chipped in with the following: The days are getting shorter; the air's a little crisper. But nothing reminds us of back-to-school season like zit-reduction strategies. On Tuesday, Israeli medical-device maker Lumenis announced that it received Food and Drug Administration approval for its ClearLight Acne PhotoClearing System, a product that uses light pulses to destroy the bacteria that cause moderate inflammatory acne. Teenagers hope ClearLight will improve their dating prospects. Investors hope ClearLight will capture a chunk of the $1.4 billion market for acne treatment. Lumenis's stock soared 42% to $6.30 on Tuesday in heavy trading. The ClearLight system uses

high-intensity, narrow-band phototherapeutic light to penetrate the skin's tissue and destroy the bacteria that cause acne. A patient is exposed to the noninvasive technique during a 15-minute treatment for eight visits over four weeks. The company said the system works on the face, neck, chest and back for patients of all skin colors, but doesn't work on severe acne or mild cases of pimples.

"In a European study with 300 patients, 74% of patients had clearing over 50% of their acne," says Judy Garneri, ClearLight marketing manager. "The medial lesion reduction was about 70%, and 7% did not respond to treatment." The company estimates patients would pay $400 to $600 for the full course of treatment. The system has received regulatory approval and is currently selling in Europe, Canada and Japan. Lumenis says it plans to ship ClearLight devices to U.S. dermatologists immediately. CFO Kevin Morano puts the price tag at $50,000 to $60,000, and says the product could produce annual revenues of $15 million to $20 million.

8/20 **BriteSmile, Inc.** filed with the Securities and Exchange Commission (SEC) under Schedule Tender Offer (TO) relating to a proposed stock option exchange offer for employees. The offer gives BriteSmile employees the opportunity to exchange outstanding stock options for the same number of new options to be issued at least six months and one day from the expiration of the offer. Employees have until September 19, 2002 to respond to the offer.

8/22 **Pharmacyclics, Inc.** reported financial results for its fourth quarter and fiscal year ended June 30, 2002. For the fourth quarter, the company reported a net loss of $7.3 million, (45 cents per share) compared to a net loss of $8.2 million (51 cents per share) in the comparable period of fiscal 2001. For the fiscal year, the company reported a net loss of $36.6 million ($2.27 per share) compared to a net loss of $30.9 million ($1.92 per share) for fiscal 2001. As of June 30, 2002, the company had cash, cash equivalents and marketable securities totaling $114.9 million compared to $152.8 million at June 30, 2001. The company is currently projecting total operating expenses for fiscal 2003 of between $35 and $37 million.

8/23 **Trimedyne Inc.** announced revenues of $1.9 million and $5.4 million for the quarter and nine month period ended June 30, 2002, respectively, compared with revenues of $1.8 million and $5.4 million for the quarter and nine month period ended June 30, 2001, respectively. For the quarter and nine month period, net losses were $287,000 (2 cents per share) and $1.1 million (8 cents per share) respectively. Included in the above results were $97,000 and $173,000, respectively, of non-cash, stock-based compensation. For the same quarter and nine month period of the prior year, the net losses were substantially higher, $2.2 million (17 cents per share) and $6.4 million (51 cents per share) respectively. While revenues for these periods were flat, gross profits increased to $961,000 and $2.4 million, for the current quarter and nine month period, respectively, from gross profits of $575,000 and $1.2 million, respectively, for the same quarter and nine month period of the prior year. By tight control of costs, operating expenses were reduced to $1.3 million and $3.6 million, respectively, for the current quarter and nine

month period, from $1.9 million and $5.9 million, respectively, for the same quarter and nine month period a year ago.

Marvin Loeb, chairman and CEO of Trimedyne, said: "We have significantly reduced our expenses and improved our product mix, concentrating on the sale of higher margin disposable devices used in our outpatient laser procedures for treating herniated and ruptured lumbar (lower back) discs. This has enabled us to significantly improve our gross profits. We have filed an application with the FDA for clearance to market our lasers and disposable devices for the outpatient treatment of cervical (neck) and thoracic (mid-back) discs, with clinical data showing success rates of 95%. If and when FDA clearance for these applications is received, the potential market for our lasers and disposables in the treatment of herniated and ruptured discs is expected to double. Approximately 540,000 conventional surgeries to treat herniated and ruptured discs are performed each year in the United States at a cost of approximately $16 billion annually."

8/26 Data from the most recent market report published by **Medical Insight Inc.** indicates that Botox is among the world's most popular cosmetic procedures with volumes up more than 40% since 2000. Medical Insight's comprehensive study on the Global Aesthetic Market shows that by 2007 more than 8 million procedures will be performed annually using Botox and similar products that are currently in the regulatory pipeline. In 2001, prior to FDA approval, Botox cosmetic manufacturer **Allergan** sold an estimated $300 million worth of the product. This company is predicting that total sales will increase by approximately 40% in 2002, in part fueled by the launch of an extensive consumer advertising campaign. Michael Moretti, aesthetic industry analyst and author of the Global Aesthetic Market, commented that, "According to our most recent aesthetic user survey results, Botox and dermal fillers are presently the most profitable procedures for practices to offer." He predicts that the, "Use of Botox will continue to grow at a compound annual rate of 15%. And as Allergan's consumer marketing campaign drives millions of new patients to aesthetic practices where they will purchase Botox, we will see an acceleration in the volume of complementary treatments -- as well as increased sales of anti-aging skincare products."

Most aesthetic practices offer Botox in conjunction with other skin rejuvenation treatments and products. Many combine Botox and light-based IPL photorejuvenation (manufactured by **Lumenis**) to address the full face in a procedure commonly referred to as a "photofacial." This is "one of the most profitable treatments offered by aesthetic practices," said Moretti. "Volumes are expected to increase from 1.5 million in 2001 to over 2 million photofacial procedures this year. Lumenis has taken a leadership role in co-marketing Botox and IPL photorejuvenation as a complementary treatment package."

The Global Aesthetic Market Study provides the only single source report for worldwide data on the fastest growing segments of the lucrative aesthetic market, including: Botox,

dermal fillers, skin rejuvenation technologies, light-based hair removal, anti-aging products, and a number of other popular procedures.

For information on the Global Aesthetic Market Study or to review the Executive Summary, contact Katie Davis at **KDavis@MiiNews.com**, or call 949/830-5409.

MEDICAL/SURGICAL LASER UPDATE -- September 2002

8/27 **DUSA Pharmaceuticals, Inc.** reported that as of September 1, 2002, it will reacquire all rights to Levulan PDT in the field of dermatology from **Schering AG**, its former dermatology marketing and development partner. Following the previously announced notice of termination that DUSA received on June 6, 2002, DUSA and Schering AG have now finalized a termination agreement that will be effective on September 1. The terms of the parties' Marketing, Development and Supply Agreement, dated November 22, 1999, provide for a twelve (12) month notice period, but both parties agreed to accelerate the process. As part of the termination agreement, Schering AG has agreed to continue its financial support for the Levulan PDT dermatology R&D program for the remainder of 2002. In addition, Schering AG will complete several on-going clinical studies for DUSA's benefit. In the financial statements for the quarter ending September 30, 2002, the company expects to record in its Statement of Operations any unamortized deferred revenue (which amounts to $21.3 million at June 30, 2002) related to non-refundable milestone payments previously received under the Schering Agreement. The revenue will be offset, in part, by adjustments to the net realizable value of certain assets, which are currently valued at $7.0 million. These items include DUSA's manufacturing facility currently under construction, raw material and finished goods inventories, commercial light sources, and deferred charges and royalties.

DUSA is in the process of completing its own dermatology development and marketing plans. However, as previously announced, DUSA has already decided not to create a nationwide sales force, or to seek a new marketing partner for dermatology, at this time. Instead, the company will take more of a development and educational approach, while providing product support services for all physicians using the Levulan PDT system. The company intends to focus its near-term dermatology development program on the Broad Area Actinic Keratoses (BAAK) indication, with the goal of broadening the labeling of its currently approved products. In addition, DUSA is supporting a number of independent investigator studies that are researching innovative approaches to using the Levulan Kerastick for AK and other indications, for possible future development. DUSA also continues to support the Phase IV long-term AK Tracking Study as part of an FDA approval commitment. In the area of physician education, DUSA intends to participate in various dermatology meetings, while supporting publications, lectures, and other similar activities. The company also intends to seek improved reimbursement levels from third-party payers for Levulan PDT.

8/28 **Lumenis Ltd.** has signed a primary source agreement with **MediGroup Physician Services**, the nation's largest physician office/surgery center group purchasing

organization (GPO), for its laser and light-based devices, consumable supplies and service. In this primary source agreement MediGroup will provide convenient web-based procurement of the company's products to its thousands of independent users in physician offices and surgery centers, at negotiated prices.

Lumenis CEO Yacha Sutton believes the new agreement marks an important confirmation of the company's commitment to office-based medical and aesthetic practices. "This partnership will help us conduct our business in the most efficient manner possible and increase our visibility in the doctor's office and surgery center," he said. "The MediGroup GPO membership `and its proven web-based purchasing system' is especially strong among plastic surgery, dermatology and ophthalmology practices, which matches well to the core Lumenis customer base."

As does Lumenis, MediGroup Physician Services focuses on the needs of physician specialists in the fee-for-service specialty market. "Prior to this agreement, which was requested by our membership, lasers were not offered among the nearly one million items in the MediGroup purchasing system," said MediGroup president Andy Klearman. "Our partnership with Lumenis reinforces our strategy of meeting all of the medical supply needs of physician practices and surgery centers."

MediGroup's online procurement system allows physicians and their staff to quickly find the items they need at the best prices, saving them time sorting through stacks of medical supply catalogs. Users can also create custom purchase lists for easy re-ordering.

"As MediGroup takes the Lumenis name and product portfolio into thousands of physicians' offices each day `as its primary laser offering' our visibility will be greatly enhanced," added Sutton. "This annual agreement provides important support to our U.S. sales efforts, and will help further solidify the Lumenis brand among key physician specialties we target."

9/4 Low Level Laser Therapy (LLLT), the newest breakthrough technology to combat hair loss, delivers the ability to rehabilitate damaged/dormant hair follicles, stop the progression of hair loss and stimulate new hair growth for men and women. Dr. Robert Leonard, founder and chief surgeon of **Leonard Hair Transplant Associates** with four locations throughout Rhode Island and Massachusetts, is one of the first hair restoration practitioners in the United States to offer the 5000 series "cold" laser technology to his clients through his affiliation with **Hair Health Institute**. "In addition to effective pharmaceutical therapies, we now have another option for individuals who are not candidates for hair restoration surgery due to poor donor supply or other medical conditions," he said. "This new LLLT technology accelerates re-growth of grafts and diminishes surrounding post-operative hair shock by increasing blood supply to the micrografted transplant site."

Developed in Europe, this proven non-surgical technology utilizes a device consisting of 21 rotating, soft low level lasers. The light wavelength emitted from the device actually

repair tissues that have impaired cellular metabolism. The energy emitted also stimulates blood circulation at the hair roots. It encourages regeneration of normal healthy tissues causing hair to grow thicker, stopping hair loss progression in 85% of patients. When used post-operatively with surgical hair transplantation, the newly transplanted hair follicles forego the typical dormancy stage (3 months). Improvement in hair shaft quality, volume and evidence of regrowth are immediate.

9/5 **Miravant Medical Technologies** announced that it had been issued U.S. Patent No. 6,444,914, a composition of matter patent relating to photoreactive (light activated) compounds that contain indium as the central metal core. The patent provides broad coverage of a series of compound classes that have proven to be highly potent in advanced preclinical models. Included are topical drug PhotoPoint MV9411, now in phase II clinical trials for treating plaque psoriasis, and PhotoPoint MV6401, Miravant's preclinical oncology drug recently published in two cover articles of the preeminent journal "*Cancer Research*." Byron Robinson, Miravant's director of chemistry research and product development, said, "The potency of the compounds covered by this patent is significantly greater than other PDT drugs. They have the ability to achieve biological responses at substantially lower drug and light doses, thus reducing treatment times and the potential for side effects." Dr. Robinson directs a comprehensive chemistry research and development program that has generated large libraries of photoreactive compounds designed to selectively target disease tissues. Miravant now owns or has exclusive worldwide rights to 36 U.S. and foreign pharmaceutical patents, issued or allowed, which cover broad classes of photoreactive compounds. Miravant's dermatology drug MV9411, covered by this patent, is prepared in a proprietary formulation for efficient skin penetration. The drug is being tested in a multi-center phase II drug and light dose escalation study, targeting 54 patients with chronic skin disease plaque psoriasis. Also covered by this patent, our oncology drug candidate MV6401, investigated in a preclinical orthotopic breast cancer model, achieved not only destruction of breast cancer tumor cells but also the simultaneous destruction of abnormal tumor blood vessels that support their growth.

9/12 *Reuters* reported that Israeli medical device maker **Lumenis Ltd.** said it had filed a lawsuit against rival **Syneron** and its founder on grounds Syneron stole trade secrets and technology from Lumenis. Lumenis counsel Yariv Hefetz said the suit seeks $6.3 million in damages and an injunction on Syneron to halt sales of hair-removal and skin-rejuvenation products which compete directly with Lumenis. Syneron founder Shimon Eckhouse was a chief financial officer at **ESC Medical**, which later changed its name to Lumenis. After he left in late 1999, Eckhouse started Syneron in mid-2000. "In an exceedingly short period of time he `succeeded'...in manufacturing a product identical to the product manufactured by Lumenis, in which Lumenis invested many years in its development and confidential business information," the lawsuit charged. "Lumenis is still today finding it difficult to rehabilitate itself," the suit said.

9/16 *Dow Jones Newswires* reported that **American Medical Technologies Inc.** said it was in discussions with lenders regarding a new credit line and a forbearance agreement for its

$7.5 million credit line with **Bank One**, which expired on September 15th. company officials discussed the issue with lenders all weekend and continue today, American Medical's CFO Justin Grubbs told Dow Jones Newswires. "One way or the other, it will be resolved soon," he said.

Under the forbearance pact, Bank One can require American Medical to pay a $50,000 penalty and accelerate repayment, since the company doesn't have a new credit line in place. The company said in an amended 10Q filing last week that it's working with an independent consultant to acquire a new loan and refinancing the existing debt. The filing said the company had about $1.75 million outstanding on the loan at the end of 2001. Grubbs said that for the moment, he expects Bank One to hold off on any action related to the expiration of the forbearance agreement. American Medical has been out of compliance with one of the covenants on the loan since September 2001 and signed a forbearance agreement raising the interest rate, prohibiting additional borrowing and setting up a payment plan. That pact was extended until Sept. 15 to give the company time to secure a replacement loan. American Medical made all the required interest payments, but missed a principal payment in July and was out of compliance with a net worth covenant of the pact, the filing said. Another $750,000 credit line is due Oct. 3, the filing said.

Separately, Grubbs said the company has begun shipping new units of the Cavilase hard tissue dental laser. The product is in backorder, he said, because American Medical is still catching up with previous orders. The company shipped some units in March that were returned, and further development delayed release of the product, the filing said. The Cavilase delay affected revenue, the filing said, which totaled $2.7 million for the quarter ended June 30, down from $3.7 million for the year-ago period.

9/17 **BIOLASE Technology, Inc.** announced that it received approval for listing on NASDAQ's European operation, NASDAQ Europe, a subsidiary of The NASDAQ Stock Market, Inc. BIOLASE will begin trading on NASDAQ Europe on September 18, 2002 under the same symbol it trades on NASDAQ, BLTI. Federico Pignatelli, chairman of the Board, stated, "We are pleased to be accepted for listing on NASDAQ Europe, having fulfilled their stringent requirements. We join 43 other listed companies, such as industry giants **Microsoft**, **Apple**, **Cisco**, **Dell**, **Intel** and **Sun**. This additional NASDAQ listing benefits BIOLASE with greater visibility to a large population of institutional and private European investors who are increasingly trading on NASDAQ Europe."

"In addition to the U.S., BIOLASE has a strong shareholder base in Europe," stated Jeffrey Jones, BIOLASE CEO and president. "As the level of interest in the company increases, a European listing is a logical step. The forming of BIOLASE Europe, an ISO 9000 facility producing both Waterlase and LaserSmile systems, has recently strengthened the company's international presence. With the strong growth, profitability, impressive patent and FDA clearance portfolios, innovative technology and a straightforward business model, BIOLASE is an excellent candidate for sophisticated institutional and European investors."

9/17 **Cell Robotics International, Inc.** announced that it had received: 1. An arrangement for an additional $511,500 debt financing and the conversion of $1.3 million debt into equity and, 2. Notification that the FDA had cleared Cell Robotics' skin refreshening Ultra-Light Laser for several medical applications.

In terms of the financing, Cell Robotics arranged for one of its directors and principal shareholders, Oton Tisch, to loan to the company $511,500 of working capital conditioned upon Tisch's continued satisfaction with the future capital raising activities of the company. The additional loans will be under the company's April 2002 promissory note with Tisch in the face amount of $2 million. Since April 2002, Tisch has advanced $488,500 under this note. Tisch may advance the remaining $1 million of the face amount of the note at his discretion. All outstanding principal and interest will be due on April 1, 2004. In addition to providing this new working capital arrangement, Tisch has agreed to convert previous loans to the company of $1.3 million into equity. Tisch is a successful businessman, investor and Chairman of the Board designee who owns approximately 12% of Cell Robotics common stock.

Oppedahl stated, "We are very gratified by the degree that Tisch has agreed to improve our balance sheet as well as provide immediate working capital which will permit the company to continue to expand its marketing, sales and distribution and significantly relieve cash constraints which have slowed these activities this year. This will now enable the company to pursue other longer-term equity and/or debt financing options. We are also extremely happy that Tisch has agreed to actively make available his long experience in business generally and particularly in international business to support our company's activities. Tisch has already brought much international business to the company and intends to build on that success for the benefit of the shareholders."

As for the FDA clearance, the company's Ultra-Light Laser may now be used as a painless and simple procedure to revitalize the skin by taking advantage of Cell Robotics' small compact laser cavity design to produce an affordable aesthetic medical laser that can be used by family physicians, dermatologists and plastic surgeons to rejuvenate and revitalize the skin. The Ultra Light Laser product was developed with **Sandstone Medical Technologies, LLC**, a private company located in Homewood, Alabama to use Cell Robotics' Erbium:YAG, core laser technology to develop a proprietary medical laser for aesthetic or skin rejuvenation applications. Sandstone will exclusively market and sell the product in North America while Cell Robotics will have rights to manufacture and sell the product in other international markets. Sandstone Medical is a medical laser marketing and sales company providing many types of medical lasers to physicians and clinics across the country. The principal partners have 40 years combined experience in the industry.

"This technology is going to provide aesthetic clinics with a safe, compact and affordable unit, that will enhance skin texture on the face, chest, neck and hands. We are pleased with Cell Robotics progress on this important product. We believe that they have some unique talents and core technology that will provide Sandstone with a competitive

marketing and sales price advantage," said Mark Rohrer, managing partner of Sandstone Medical. He continued, "This rapid successful regulatory clearance of the Ultra-Light Laser demonstrates their experience with the FDA. Their ISO-9001 certified quality management system and manufacturing facility is also very important to us."

Cell Robotics' President and CEO, Gary Oppedahl, said, "Better medical care is extending the productive lifetime for the populace. The markets for aesthetics procedures are vast, with over 2 million people having skin resurfacing procedures in the year 2001, according to the *American Academy of Cosmetic Surgery*, all of which could now be accomplished without chemicals, in a safe and painless manner. The Academy predicted that this market will continue to expand as `baby boomers' enter their 50's and desire to look as good as they feel. We believe that the Ultra-Light Laser' represents an enormous opportunity for the following reasons:

-- Sandstone Medical is a proven successful medical laser marketing and sales company that has continued to show sales growth when most other medical laser companies are struggling in the current economy.

-- Rapid market penetration through the low cost CRII core technology should make the aesthetic laser affordable for many additional physicians and provide them access to the lucrative skin revitalization market.

-- Cell Robotics will address the vast emerging international market with the `Ultra Light Laser' at an exceptional price that will permit skin revitalization procedures to be done in a low-cost, painless, and simple manner."

9/19 **Norwood Abbey Ltd.** of Australia announced that the company had been issued a patent for laser-assisted pharmaceutical delivery and fluid removal. The patent provides an improved method of removing fluids, gases, or other biomolecules, or delivering a pharmaceutical composition, through the skin of a patient without the use of a sharp or needle. The method includes irradiating the stratum corneum using a laser and applying a pharmaceutical or an absorbing material. The laser can create pressure gradients, plasma, cavitation bubbles or other forms of tissue alteration. These methods increase the diffusion of pharmaceuticals into, or fluids out of the body. The issue of this patent further strengthens Norwood's intellectual property position.

Norwood Abbey Ltd. is a drug delivery and immunology company with three proprietary delivery platforms in various stages of commercialization and development. Its delivery technologies include laser-assisted delivery, micro-needle arrays and pressure wave technology for the transfer of both drugs and genetic material. In addition, the company holds patent applications for the use of Gonadotropin Releasing Hormone (GnRH) analogue drugs in the regrowth of the Thymus gland and production of new T cells. GnRH drugs are already approved for the treatment of prostate and breast cancer and have been available on the market for many years.

Since this new patent sounded very much like patents that had been previously issued to the **Wellman Laboratories of Massachusetts General Hospital**, I contacted the company and learned that, indeed, they had exclusively licensed the Mass General Hospital patents for painless transdermal delivery of drugs through the skin. I hope to meet the CEO of Norwood Abbey in an upcoming trip to Boston, and learn more about the potential applications of this technology.

9/20 **Miravant Medical Technologies** announced that PhotoPoint cardiovascular research results will be presented next week at the *Transcatheter Cardiovascular Therapeutics (TCT)* meeting, being held in Washington D.C. Ron Waksman, MD of Georgetown University Medical School and Washington Hospital Center will present preclinical results for prevention of intracoronary restenosis and treatment of atherosclerotic plaque on Friday, September 27, at two scientific symposia: "Vulnerable Plaque: Emerging Diagnostic and Therapeutic Modalities" and "Innovative Devices and Futuristic Therapies." In addition to the symposia, three poster abstracts describing PhotoPoint preclinical data will be presented at the scientific session on September 25. Robert Scott, MD, president of subsidiary **Miravant Cardiovascular, Inc.**, said, "I am extremely proud of our cardiovascular scientific program and the quality of the data that we are presenting at the prestigious TCT conference, one of the most important international meetings in interventional cardiology. We are making significant progress leveraging PhotoPoint technology across multiple indications in restenosis, atherosclerosis and vulnerable plaque. We will continue to gain momentum and expand our network of medical and scientific collaborators at this meeting."

In comprehensive studies to be presented at TCT, Intracoronary PhotoPoint PDT has demonstrated excellent preclinical efficacy in restenosis. Optimized in a swine coronary artery vascular injury restenosis model, PhotoPoint PDT gives a selective, uniform biological response confined to target cells, media and adventitia. Target tissues demonstrate greater than 75% acellularity (removal of cells) with no evidence of post-treatment thrombosis (blood clots), inflammation or weakening of vessel walls. The treated arterial segments eventually repopulate with normal cells after healing of the vascular injury. This dosimetry has allowed us to demonstrate inhibition of angioplasty or stent induced restenosis with a favorable safety profile in chronic studies. In atherosclerosis models using the same dosimetry, PhotoPoint PDT has demonstrated depletion of plaque cell populations, depletion of inflammatory cells (macrophages) and favorable mechanical effects on treated segments of vessel walls. Rupture of unstable atherosclerotic plaques, called vulnerable plaque (VP), is now considered to be one of the main causes of thrombosis and sudden catastrophic death from heart attacks and strokes. The PhotoPoint endovascular light treatment catheter is compatible with emerging optical imaging techniques for VP detection. Thus, PDT appears to be ideally positioned for treatment of VP.

9/25 **Pharmacyclics, Inc.** announced that final results of a Phase 1 clinical trial of phototherapy with Antrin (motexafin lutetium) Injection indicate the treatment is feasible and well tolerated in patients with coronary artery disease (CAD). The results were

presented at the *Transcatheter Cardiovascular Therapeutics (TCT)* Conference. "These results demonstrate that phototherapy with Antrin is feasible and well-tolerated in the coronary arteries," said Dean Kereiakes, MD, Medical Director of the Carl and Edyth Lindner Center, Director of Research at the Ohio Heart Health Center and Professor of Clinical Medicine at Ohio State University. "The data from this trial identified the range of well-tolerated doses of Antrin and light and provide a strong foundation for additional clinical trials testing this novel treatment as a potential approach that could eliminate the underlying inflammatory cellular component of atherosclerotic plaque. This novel approach appears to target the inflammatory and activated smooth muscle cells that drive the disease process and, as a result, may make it ideal to investigate as a treatment for `vulnerable' plaque, which actually causes the vast majority of heart attacks."

The Phase 1 study was designed to evaluate the safety and tolerability of escalating doses of Antrin and light in patients with blocked coronary arteries. Antrin was administered intravenously 18 to 24 hours before patients underwent standard balloon angioplasty and stent placement. Phototherapy was performed on the balloon-treated vessel segment before placement of a stent, all in a single catheter lab procedure. The study enrolled 80 patients at seven leading medical centers in the United States. Seventy-nine received Antrin with subsequent activation of the drug by light delivered endovascularly to the site of the angioplasty using an optical fiber catheter. Seventy-five patients had follow-up coronary angiography at up to six months. The treatment was well tolerated with no incidence of stenosis at the edges of the stented portions of the artery. No major treatment-related angiographic or biochemical adverse effects or abnormalities were observed and no dose-limiting toxicities were noted. No instances of emergency coronary artery bypass, death, stroke or myocardial infarction occurred in patients who received both Antrin infusion and endovascular illumination and activation of drug. The most frequently reported side effects were mild, transient rash and reversible mild tingling in the hands and feet, some of which lasted days to weeks, but did not require clinical intervention.

Pharmacyclics also recently completed a multi-center, randomized controlled Phase 2 trial in patients with peripheral arterial disease (PAD), evaluating Antrin phototherapy as a treatment of atherosclerosis and for prevention of restenosis after balloon angioplasty. Results are expected to be reported early next year. "The goal of these programs has been to establish the safety and feasibility of Antrin phototherapy. We also believe, based on preclinical studies, that, unlike other interventional cardiovascular procedures, Antrin may have the ability to affect the underlying pathophysiology of this disease," said Daniel Adelman, MD, vice president of clinical operations at Pharmacyclics. "Our Phase 1 study was the first clinical trial of phototherapy in the coronary arteries. Given the preclinical evidence of an affect of Antrin phototherapy on vascular macrophages, we believe this treatment strategy could play an important role in the treatment of vulnerable plaque."

9/26 **Cell Robotics International, Inc.** announced that it had agreed with Dr. Lee Muskovitz, MD of the St. Mary's/Duluth Clinic Health System (SMDC) to be the principal

investigator for a Clinical Trial on using a modified Lasette to study the efficacy of drawing capillary blood from the heels of infants and the equivalence of the associated blood chemistry tests. SMDC's Research Committee and Institutional Review Board have approved, and executed the contract for, the clinical trial which will commence September 30, 2002. St. Mary's/Duluth Clinic Health System is a non-profit organization located in Duluth, Minnesota that conducts approximately 200 clinical trials per year.

"Especially during an infant's first two years of life, the preferred method of blood collection is the so-called 'heelstick' or heel puncture. One of the most common heelstick problems is heel or bone injury caused by punctures that are often too deep. This is because skin puncture devices and techniques have ignored the anatomy, physiology and vasculature of a baby's heel," said Dr. Lee Muskovitz, MD, principal investigator.

There are over 4 million births in the U.S. per year, and each infant must have a battery of blood chemistries checked in over 6,000 hospitals. Internationally, there are an additional 126 million births per year. The newborn's heel is now being punctured with a relatively large and expensive steel lancet for these tests. Premature infants can experience up to 4 to 5 heelsticks a day for several weeks. It is easy to visualize the effects of so many conventional cuts on a tiny premature baby. These effects are nearly totally avoided by use of the Infant Lasette. Gary Oppedahl, Cell Robotics' president and CEO stated, "Cell Robotics is creating an 'Infant Lasette' by slightly modifying our current product so that it can be used to draw capillary blood from infant heels. We believe this heelstick Lasette market is sizable by itself, but the entry through the heelstick market should also lead to further penetration into the existing clinical capillary blood sampling market. Furthermore, we believe it will provide a more safe and humane way to obtain capillary blood samples through the heel of infants and toddlers. The market-pull for the `Infant Lasette' comes from Neonatologists and nurses who currently only have `lancing' or `sharps' devices available for this on the heels of these very small infants. The reaction, both domestically and internationally has been very positive."

9/26 **PhotoMedex, Inc.** and **Surgical Laser Technologies, Inc.** announced that on September 25, 2002, they had entered into a definitive merger agreement pursuant to which PhotoMedex will acquire Surgical Laser Technologies (SLT). SLT employs a similar business model to PhotoMedex, charging a per procedure fee, thereby limiting the initial outlay for capital expenditure to the doctor's office, hospital or surgi-center while ensuring continued revenue flow to the company. SLT offers a wide range of laser services, including Urology, Gynecology, Orthopedics, and General Surgery. In addition to the utilization of such lasers as the Holmium, Diode, YAG Contact Laser, and CO_2 Laser, SLT is a world wide leader in the development, manufacturing and marketing of healthcare lasers and their disposables. Jeff O'Donnell, president and CEO of PhotoMedex, commented, "PhotoMedex has been focused on Dermatological applications for its XTRAC laser system. Now, as it approaches an environment of full reimbursement, PhotoMedex looks to other opportunities in healthcare with companies that share our vision for the business model of the future. We have found this in SLT and believe that by combining our resources, vision and technology, we will own the

capabilities of providing capital equipment, clinical specialists and disposables; thereby providing the opportunity for the medical facility to contract with us to effectively and efficiently outsource comprehensive services in many different medical specialties. This value proposition will increase profits for the hospital and simplify the procedural logistics. I look forward to expanding our verticals in laser procedures through the consolidation of our companies, thereby maximizing the value to our customers."

Commenting on the business combination, Michael Stewart, SLT's president and CEO stated, "We are very pleased to be joining forces with PhotoMedex and are excited about the opportunities that the combination presents. Each Company's products and services are natural extensions of the other. We have a shared vision for the future and believe that, with our collective offerings, we are well-positioned to continue the expansion of our contract services approach in the marketplace. The management and Board of SLT have focused on restructuring the Company, in an effort to increase stockholder value. We believe that this combination positions the SLT stockholders to better realize on those efforts and will be in their best interest."

Under the terms of the proposed merger, SLT's stockholders will receive 1.12 shares of newly issued PhotoMedex common stock in exchange for each share of SLT common stock they hold. As a result of the merger transaction, PhotoMedex expects to issue a total of approximately 2.6 million shares of common stock and assume certain outstanding common stock purchase warrants of SLT. On a pro forma basis, assuming that all SLT stockholders exchange PhotoMedex shares for their SLT shares, SLT's stockholders would own approximately 9.2% of the combined company's capital stock without giving effect to the exercise of any SLT options before closing. Based on the stock price of PhotoMedex at the close of business on September 24, 2002, this would result in a purchase price of $1.34 per share of SLT common stock. The merger is subject to approval by the stockholders of SLT. The directors and officers of SLT, who collectively own approximately 15% of the outstanding SLT common stock, have agreed to vote all of their shares of SLT common stock in favor of approval and adoption of the proposed merger transaction. The merger is also subject to other customary closing conditions, and is expected to close in the fourth quarter of 2002.

9/26 Preliminary data from the PELA (Peripheral Excimer Laser Angioplasty) clinical trial was presented at the Transcatheter Cardiovascular Therapeutics (TCT) convention by John Laird, MD, of the Washington Hospital Center in Washington, D.C. The PELA trial is sponsored by **The Spectranetics Corporation**.

"PELA is the first randomized trial to show that patients with long total superficial femoral artery occlusions can be successfully treated with endovascular therapies," said Dr. Laird. "Preliminary acute results demonstrated high procedural success ((84%) in both groups with virtually no observations of bypass surgery or amputation. Fewer stents were used in the laser group. We await the completion of 12 month follow-up to determine final outcomes."

PELA (Peripheral Excimer Laser Angioplasty) is a randomized, controlled trial involving 19 treatment centers in the USA and Europe comparing excimer laser atherectomy plus balloon angioplasty to balloon angioplasty alone in patients with claudication and total occlusions (10 cm in the superficial femoral artery. The primary endpoint is to determine vessel patency 12 months post-procedure. The trial enrolled 251 patients, which was completed in December 2001, and requires a 12-month follow-up visit. Spectranetics expects to submit a pre-market approval application to the Food and Drug Administration in April 2003.

The company also released preliminary data from the LACI (Laser Angioplasty to treat Critical Limb Ischemia) clinical trial. "Success of any therapy to treat critical limb ischemia is measured by relief of rest pain, healing of ulcers and avoidance of major amputation. We are impressed with the ability of the excimer laser to treat this challenging patient group, which includes diabetics and patients with hypertension and coronary artery disease," said Tony Das, MD of Presbyterian Hospital in Dallas Texas. "Acute results, as measured by the establishment of straight line blood flow to the foot, was 89%. Preliminary three month survival with limb salvage is 89%, with slightly more than half of the data available at this time. The data for limb salvage at six months, which is the primary endpoint of LACI, should be available in December."

The LACI trial, which includes the use of coronary catheters as well as larger diameter catheters ranging from 2.0 to 2.5 millimeters, enrolled 147 patients and enrollment was completed in April 2002. Critical limb ischemia is a debilitating disease that contributes to more than 80,000 amputations per year in the United States. The company expects to submit the data from the LACI trial and a request for pre-market approval to the FDA in January 2003.

9/30 **Dusa Pharmaceuticals Inc.** announced that the Board of Directors had adopted a shareholder rights plan (the Plan) at a special meeting of the Board of Directors on Friday, September 27, 2002. The Plan provides for the distribution of one right as a dividend for each outstanding share of common stock (the Common Stock) of the company to holders of record as of October 10, 2002. Each Right entitles shareholders to purchase one one-thousandths of a share of preferred stock at a purchase price of $37.00. The rights may be exercised only if a person or group either acquires or announces a tender offer to acquire 15% or more of the company's outstanding common stock, or in the case of current shareholders who hold in excess of 15%, 20% of the outstanding common stock, or if a person or group is declared an Adverse Person, as such term is defined in the Plan.

MEDICAL/SURGICAL LASER UPDATE -- October 2002

10/4 **American Medical Technologies** announced that it had entered into a dealer distribution agreement with **Sullivan-Schein Dental**, part of the $2.6 billion **Henry Schein company**. Sullivan-Schein Dental is now promoting American Medical Technologies' dental products through their nationwide sales force. "We are excited about working with

Sullivan-Schein Dental, a recognized leader in the dental industry," said Roger Dartt, AMT's CEO. "This partnership allows us to expand our sales opportunities and our growth plans for the future. This is a key part of AMT's overall restructuring plan."

In June 2002 American Medical Technologies announced a restructuring plan to reduce operating expenses and adapt to current market conditions. As part of the restructuring plan, AMT discontinued its direct sales approach and entered into the dealer distribution agreement with Sullivan-Schein Dental. Under the agreement, Sullivan-Schein Dental will distribute AMT's high-technology dental product line, including its dental laser line of products.

10/7 **Candela Corporation** announced that its Smoothbeam diode laser was the first laser to receive marketing clearance from the FDA for the treatment of acne on the back and the first device to demonstrate a direct effect on the sebaceous glands. Gerard Puorro, Candela's president and CEO announced, "This FDA clearance represents a significant step forward for our company. Smoothbeam can help improve the lives of tens of millions of teen and adult acne patients who are dissatisfied with topical and systemic treatments, and wary of their risks and side effects."

10/8 The recent FDA clearance of the first light-based device for the treatment of acne has opened the door for business development in this area, according to a report published by **Medical Insight Inc.** The ClearLight device distributed by **Lumenis** was approved for acne treatment in late August. Since then, the company has reportedly received orders for more than 100 systems, each priced at $50,000. A company spokesman predicts that this product line may generate $15 million -- $20 million of annual revenues. "The introduction of ClearLight is a continuation of our commitment to the medical community and market leadership by providing innovative and effective light-based technologies," commented Alon Maor, executive vice president of the Lumenis Aesthetic Business Unit.

Meanwhile, U.S. physicians that have obtained delivery of the first ClearLight units are benefiting financially from their early adopter status. This exclusive private-pay procedure, which can potentially replace systemic pharmaceutical treatment, costs the patient from $75-$150 per session, with eight sessions required. Vic Narurkar, MD, a well known dermatologist in private group practice at the Bay Area Laser Institute in San Francisco, noted that there was a significant subset of patients with acne "who have failed all therapies. This includes topical, systemic, and even Accutane." Dr. Narurkar promotes ClearLight as the first novel approach for the treatment of moderate inflammatory acne that does not involve taking oral medications or continuous topical treatments. He charges $100 per session, for a total of eight treatment sessions. Follow-up treatments are also advised.

Incorporating the Lumenis ClearLight system into Narurkar's referral practice has been easy. "We are both a dermatologic and laser center," he said. Narurkar estimated that about 20% of his patients have acne. "A large subset of our patients have already been to other dermatologists and primary-care physicians, but are not getting better."

"Light-based treatment for acne will likely explode going forward because it is safe and preliminary results indicate effectiveness," said Narurkar, an assistant clinical professor of dermatology at the University of California, Davis. "There are also no adverse effects, regardless of the skin type."

According to clinical study data, improvement in moderate inflammatory acne ranges between 60% and 75% clearance after a series of eight ClearLight treatments. "After treatment, we maintain patients on topical Retin-A, topical benzyl peroxide or topical antibiotics," Narurkar explained. Narurkar is not surprised by the high level of compliance his patients are realizing with ClearLight. "Many of my patients are adult women with acne," he said. "They are excited that they no longer have to take pills. They also view this light therapy as a nice reprieve during the day to come in and sit under the lamp." Moreover, he pointed out parents often prefer that their teenagers not be subjected to any systemic therapy or Accutane.

Outside of the United States, Lumenis and other companies have been selling lasers and light devices for acne treatment for some time. Lumenis has an estimated installed base of more than 300 ClearLight systems, according to Medical Insight's comprehensive study on the Global Aesthetic Market. Michael Moretti, aesthetic industry analyst and author of the Global Aesthetic Market, predicted that "numerous light-based devices for acne treatment will be introduced to the world markets over the next few years. As this new procedure is refined and becomes popular with consumers, we expect the installed base to grow to almost 20,000 units with procedure volume of over 12 million annual treatments by 2007." Aside from Lumenis, companies currently developing light-based devices for acne treatment include: **Candela Corp.**, **Cynosure**, **ICN**, and **Radiancy**.

10/11 **QLT Inc.** and **Novartis Ophthalmics**, the eye health unit of **Novartis** announced the start of patient enrollment in two phase III clinical trials using photodynamic therapy (PDT) with verteporfin for the treatment of multiple basal cell carcinoma. The trials are designed to determine the safety and efficacy of using verteporfin with PDT to eliminate multiple basal cell carcinoma. Approximately 180 patients will be enrolled in two randomized, multi-centered, placebo- controlled trials at 19 centers in North America. The design of the phase III program is based on the results of a randomized phase II clinical study conducted at four centers with 421 tumors treated in 54 patients. The phase II trial demonstrated the preliminary safety and efficacy of verteporfin at three different light doses in patients with non-melanoma skin cancer with multiple lesions. The group of patients exposed to the highest light dose had the best response rate with 98% of the assessed tumors showing a complete clinical response six months after initial treatment.

"Photodynamic therapy using verteporfin has a high probability of success and offers clear advantages over existing treatments because it is a non-invasive procedure that can treat multiple tumors simultaneously," said Mohammad Azab, MD, QLT Inc.'s senior vice president, clinical and medical affairs. "Randomized phase II results showed a 98% clinical response rate with a good cosmetic outcome."

"We are very excited that verteporfin, in addition to ocular indications, also showed promising results for patients suffering from multiple basal cell carcinoma. This may further extend usage of verteporfin for the benefit of patients," said Luzi von Bidder, head of Novartis Ophthalmics. Marketed by Novartis Ophthalmics as Visudyne, verteporfin is the therapy of choice in some forms of wet age-related macular degeneration (AMD), the leading cause of blindness in people over the age of 50. Visudyne has been developed by QLT and Novartis Ophthalmics and is available in more than 60 countries.

10/11 **Biolase Technology Inc.** president and CEO Jeffrey Jones, in announcing the date for its third quarter financial data release, stated, "Business continues to grow at a strong rate and we confirm guidance of achieving 50% plus growth in year-over-year revenue." Based on year-ago third-quarter sales of $4.7 million, the company projects revenue in the latest period of about $7.1 million.

10/16 **PLC Systems Inc.** announced that the company had initiated a European, multi-center clinical study of its carbon dioxide (CO_2) transmyocardial revascularization (TMR) laser therapy. The clinical trial is a blinded, randomized study that will evaluate patients treated with CO_2 TMR in conjunction with coronary artery bypass graft (CABG) surgery and compare to patients treated with CABG alone. The study is designed to enroll 460 patients; these patients will be 1-to-1 randomized to receive bypass plus TMR or bypass alone. The objective of this study is to show an improvement in angina relief, quality of life and cost effectiveness when surgeons add CO_2 TMR to a CABG procedure. Both TMR and CABG are therapies for the treatment of patients with angina.

"The CO_2 TMR procedure has delivered excellent results in more than 300 patients during the past seven years at our center," said Professor Michael Klein, MD, University Hospital Dusseldorf in Germany and principal investigator of the study. "Most of our TMR procedures are performed in combination with CABG surgery. From our experience, adding CO_2 TMR to the CABG procedure has successfully reduced future cardiac events as well as mortality. We are initiating this multi-center trial to confirm this finding."

Commenting on the study, PLC Systems' CEO and president Mark Tauscher stated, "Ultimately, our goal is to ensure that the TMR therapy is more accessible to angina patients. Reimbursement is a significant factor for patients who require TMR and for physicians who perform the procedure. We anticipate positive study results, which we believe will assist in the process of obtaining foreign government reimbursement for TMR."

10/17 **The Spectranetics Corporation** announced revenue of $7.2 million for the third quarter ended September 30, 2002, essentially equal to revenue of $7.2 million reported for the comparable quarter last year. Net income for the third quarter of 2002 was $227,000 (1 cent per share) compared with net income of $522,000 (2 cents per share) in the third quarter of 2001. Emile Geisenheimer, chairman of the board and acting CEO,

commented, "I'm pleased with our return to profitability this quarter after last quarter's temporary setback. I believe our third quarter performance demonstrates that we have a sound business model, and I look forward to continued progress in the execution of our strategy with an emphasis on sustained, profitable growth. We believe the key driver to meaningful revenue and profit growth continues to be the addition of future peripheral applications to our existing business of coronary angioplasty and the removal of problematic pacemaker and defibrillator leads. Preliminary results from both of our peripheral clinical trials were presented late last month at the *Transcatheter Cardiovascular Therapeutics* medical convention in Washington, D.C. We are particularly encouraged by the preliminary results of our LACI trial addressing the use of the excimer laser to treat critical limb ischemia. This debilitating disease currently requires the amputation of more than 80,000 limbs annually in the United States. Both trials remain on schedule and we continue to anticipate FDA approval in late 2003 for the treatment of critical limb ischemia in the lower leg."

Third quarter 2002 equipment revenue grew 20% on the strength of the special $90,000 price promotion, which ended on September 30, 2002. During the quarter our installed base of lasers grew from 341 to 354. This increase within our installed base of 13 units compares with an increase of 4 units during the comparable quarter last year. We sold 15 lasers during the quarter, including 6 conversions from evaluation or rental units and 9 sales to new customers. Additionally, we placed 7 evaluation units and 3 rental units were returned from non-productive accounts. Revenue from disposable products was down five percent compared with the year-ago quarter. The decrease in disposable products revenue is primarily due to large orders from several accounts during the prior year quarter. The company noted that it has not observed decreased catheter utilization in these accounts and expects them to re-order as their inventory levels are reduced. Service revenue was flat compared with the same period last year. Net income was $227,000 (1 cent per share) compared with net income of $522,000 (2 cents per share) a year ago. The decrease is largely explained by reduced gross margin dollars as a result of a higher mix of lower margin equipment revenue.

Revenue in the first nine months of 2002 totaled $20.7 million, compared with $20.6 million in the first nine months of 2001. Equipment revenue rose 11%, primarily reflecting the success of the $90,000 special price promotion on laser systems. Revenue from disposable products was down 3% and service revenue was up 2% during the first nine months of the year compared with the same period a year ago. Our installed base of laser systems grew to 354 from 327 laser systems at December 31, 2001. The increase within the installed base of 27 lasers compares with an increase of 10 lasers during the same period a year ago. The company sold 32 laser systems, including 16 conversions from evaluation or rental units and 16 outright sales to new customers. Additionally, 21 lasers were placed in connection with evaluation or rental programs and 10 were returned from non-productive evaluation or rental accounts. The net loss for the first nine months of 2002, excluding charges, was $212,000 (1 cent per share) compared with net income of $148,000 (1 cent per share) in the first nine months of 2001. The net loss, including

proxy contest charges and settlement obligations, was $2.0 million (9 cents per share) for the nine months ended September 30, 2002.

Spectranetics reaffirmed its outlook for the full year 2002. The company expects net income to be at approximately break-even levels, excluding proxy contest and settlement obligation charges, and expects full-year revenue growth to be at the low end of a 0% to 5% range, assuming a net of 30-40 new laser placements during 2002. The company expects to end 2002 with at least $11.0 million of cash and investments, which it anticipates will be sufficient to execute the company's business plan.

10/21 **OpusDent**, a leading designer and manufacturer of lasers for dental applications and the dental business unit of **Lumenis**, launched the OpusDuo, its new flagship dental laser, at the *American Dental Association* convention in New Orleans, LA. The OpusDuo combines two wavelengths, Er:YAG for hard tissue drilling and CO_2, the gold standard laser for surgical procedures, in a newly designed unit. "Using the OpusDuo with the new HPX contact tips, I have entered a new world of restorative dentistry," said Ken Magid, DDS, Harrison, New York. "Fast cutting and excellent control along with the ability to change speed without taking your eyes off of or hands out of the patient's mouth tremendously increases the efficiency of the treatment."

Combining Er:YAG and CO_2, the OpusDuo allows users to perform many procedures with just one device. The Er:YAG wavelength, at 2.94 microns, has a high water absorption rate and is ideal for hard-tissue applications such as caries removal, cavity preparation and enamel etching. The CO_2 wavelength is 10.6 microns, ideal for soft-tissue procedures involving incision, excision, ablation and coagulation in oral and maxillofacial surgery. In addition to combining Er:YAG and CO_2, advantages of the OpusDuo include:

- New design which easily fits into small operating rooms
- Accelerator pedal, for hands-free adjustments
- Touch screen monitor, which makes learning and perfecting techniques easier
- Ergonomically designed handpieces and a variety of tips:

  – HPX Conical Sapphire Contact Tips, an OpusDent exclusive, for drilling in enamel and dentin, providing the tactile feel and speed of a high speed drill, (available in 5 sizes for different applications)
  – Sapphire Non-Contact Tips in 1300 microns for large decayed surfaces, dentin and deep carious lesions
  – Hollow Metal Contact Tips in 1000, 700 and 500 microns for soft tissue cutting

The combined power of the Er:YAG and CO_2 offers dentists a flexible, safe laser technology. To help doctors successfully incorporate laser technology into their practice, training and education for both soft and hard tissue applications are included in the purchase price of the OpusDuo. "We are excited to bring the most advanced laser technology to the dental community," said Yacha Sutton, president and CEO of Lumenis. "The combined wavelengths provide dental practitioners with many more options and a

wide variety of procedures, which enable them to see more patients in less time. With laser dentistry, patients experience faster procedures with much more comfort and an easier recovery."

10/22 **Lumenis Ltd.** announced preliminary financial results for the third quarter ended September 30, 2002. The company reported that it expects net revenues for the third quarter will be approximately $90 million, compared with net revenues of $90 million in the third quarter last year and previous guidance of a range of $93 to $97 million. The company ended the quarter with approximately $4 million of backlog up from approximately $1 million the prior quarter. The company now expects to report a net loss per diluted share in the range of $.05 to $.07 compared to earlier guidance of net earnings per share of $.13 to $.24. The variance from previous guidance is principally due to the lower revenue, adverse product mix, a foreign exchange loss and one-time expenses as the company completes its integration plan and works to resolve the SEC investigation. Cash flow from operations was negative approximately $3 million in the third quarter due principally to an increase in inventory. The company will report actual results after the close of business on October 29, 2002. Lumenis CEO Yacha Sutton stated, "While we did not meet our revenue guidance, business remains generally good as evidenced by the increase in backlog. Additionally, the high costs associated with the SEC matter and completing our integration plans adversely affected earnings."

10/23 Psoriasis, eczema, seborrheic dermatitis, vitiligo and hypopigmentation are common skin disorders that affect millions of Americans. While treatment of these conditions often requires topical and systemic medications such as corticosteroids and antibiotics, results vary from person to person and often these medications can cause side effects. But now, help may be only a light beam away for these patients thanks to newly developed laser and light-based technology that offers non-invasive, non-systemic and medication-free treatment alternatives.

Speaking at the *American Academy of Dermatology's Derm Update 2002*, dermatologist Arielle Kauvar, MD, Clinical Associate Professor of Dermatology, New York University School of Medicine, New York, discussed how lasers and light sources show promising results as a viable alternative in treating several common skin conditions.

Psoriasis

Psoriasis is an inherited skin disorder affecting an estimated 7 million Americans, with approximately 200,000 new cases diagnosed each year. The disease appears as red, scaly lesions or plaques, and is commonly found on the knees, elbows, trunk and buttocks. Traditional treatments range from topical creams or ointments to oral medications -- which must be monitored for systemic side effects -- to ultraviolet B (UVB) light box phototherapy -- which is time consuming and associated with an increased risk of photoaging and skin cancer. Light-based technology that has been shown to clear psoriatic skin lesions include the yellow light pulsed dye laser at 585 nm, and the excimer laser -- emitting UVB light at 308 nm. Laser and light-based technologies provide

non-invasive treatments without systemic side effects. Compared to conventional phototherapy, the psoriatic lesions can be precisely treated with significantly higher doses of light. This results in fewer treatment sessions for disease clearance and eliminates exposure of healthy skin. With the pulsed dye laser, the abnormal mass of small blood vessels that grow in psoriasis lesions is destroyed. The pulsed dye laser clears psoriatic lesions by selectively destroying the blood vessels responsible for skin inflammation from the inside out, without damaging the surrounding skin. In general, two to six treatment sessions are performed at intervals of two to four weeks. Bruising and occasional crusting develops over the treated lesions, lasting approximately one week. Studies have shown that 40% to 60% of subjects experienced a good to excellent result, and 40% of patients were cleared of their lesions in two to five treatment sessions on average. Complete remissions have lasted as long as 48 months.

Another laser that was studied in a multi-center trial for the treatment of mild to moderate plaque-type psoriasis was the 308 nm excimer laser. Treatments were performed twice weekly for a total of 10 treatments. Fifty percent of patients achieved 90% or better clearing in 10 or fewer treatment sessions. Eighty-four percent of patients reached improvement of 75% or better after 10 or fewer treatment sessions. "One of the major advantages of using laser therapy for psoriasis is that the treatment takes only minutes and fewer sessions are needed than conventional phototherapy to achieve similar clearing," said Dr. Kauvar. "Patients can incorporate treatment sessions into their daily lives such as during their lunch hour and return to work with no obvious signs of their treatment."

Eczema and Seborrheic Dermatitis

Eczema is a skin disorder that appears as patches of dry, red skin, sometimes with a scale and crust. Oftentimes intense itchiness is present with this condition, which leads to scratching and skin infections. Patients with eczema usually require frequent use of topical, and occasionally, systemic medications. In the United States alone, eczema affects more than 15 million people of all ages. Seborrheic dermatitis, affecting approximately 3% to 5% of the adult population, is a chronic inflammatory condition of the skin that arises in areas with a high concentration of active sebaceous glands -- particularly the face and scalp. It is considered a severe form of dandruff and appears as red, inflamed skin with waxy scales. For both of these conditions, an intense pulsed UVB light can be delivered to the skin at higher doses than conventional UVB phototherapy. Only the affected skin areas are treated, sparing the surrounding normal skin. Results using the intense pulsed UVB light can be seen in fewer treatment sessions than with the UVB phototherapy.

Vitiligo and Hypopigmentation

In recent studies, the excimer laser and intense pulsed UVB light source have also been demonstrated to repigment vitiligo and hypopigmented or white scars. Vitiligo is a skin condition of sharply bordered, white patches resulting from the loss of melanocytes, the

skin pigment cells. Vitiligo affects 1% to 2% of the population, and approximately 50% of patients develop skin lesions before age 10. Vitiligo commonly affects the skin around the mouth and eyes and can be cosmetically disfiguring, particularly in dark-skinned individuals. Until recently, available treatments including phototherapy, and topical or injected corticosteroids have been used with little success. Conventional phototherapy often requires treatment several times a week for up to a year to see visible improvement in coloration. In a study of the 308 nm excimer laser, 29 patches of vitiligo were treated three times a week up to a maximum of 12 treatment sessions. Twenty-three patches of vitiligo received at least six treatments, resulting in some repigmentation in 57% of the patches. Of the 11 vitiligo patches that received all 12 laser treatments, 82% showed some repigmentation.

"The degree of repigmentation observed after two to four weeks of this therapy is significantly better than that achieved with conventional vitiligo therapy," said Dr. Kauvar. In other studies, the 308 nm excimer laser, as well as the intense pulsed UVB light source, were shown to partially repigment white scars that developed following surgical procedures as well as laser resurfacing. Prior to the use of these methods, there was no known treatment to repigment skin. Treatment usually requires two sessions a week for five to ten weeks, and in some individuals, maintenance therapy may be necessary. "The improvements seen in patients with these common skin disorders using new laser therapies are really remarkable," added Dr. Kauvar. "Ongoing clinical investigation should help to further optimize these novel techniques and apply them to the treatment of other skin conditions in the future."

Patients need to be aware that many states do not distinguish who can and cannot perform procedures with laser/light sources. "Since skin treatments using lasers can carry potential side effects, they should be performed by a qualified physician or under direct physician supervision. I encourage patients to ask their physician questions about who will be performing laser surgery, including their qualifications," cautioned Dr. Kauvar.

10/23 **PLC Systems Inc.** reported its results for the three and nine months ended September 30, 2002, and announced that it earned a profit for the second consecutive quarter. "We are pleased that PLC was able to follow up its second quarter performance with another solid profitable quarter," stated Mark Tauscher, president and CEO. "This is the first time in more than six years that PLC has posted back to back profitable quarters and we are especially pleased that this quarter's performance brings us to profitability on a year to date basis. We are convinced, now more than ever, that partnering with **Edwards** was the best strategy for PLC. In the short term the partnership has helped PLC to reach profitability and in the long term we feel confident that hospitals will continue to benefit from Edwards superior training and customer focus as they work to make CO_2 TMR a standard of care for angina patients."

Third quarter net income increased by $1.2 million to $219,000 (1 cent per share) compared to a net loss of $988,000 (3 cents per share) for the quarter ended September 30, 2001. Revenues for the quarter ended September 30, 2002 were $2.0 million

compared with $2.4 million for the third quarter of 2001. Net income for the first nine months of 2002 was $95,000 compared to a net loss of $3.3 million for the nine months ended September 30, 2001. Total revenues for the nine months were $6.6 million compared to $7.3 million for the nine months ended September 30, 2001.

Tauscher concluded, "Today, we believe that our Edwards partnership combined with our superior CO_2 TMR technology is providing a significant competitive advantage. We believe we are and will continue in the future to gain market share. During 2002 alone, 30 customers have committed to the CO_2 TMR technology. These customers include such premier institutions as The Cleveland Clinic, Duke University, and Walter Reed Army Medical Center. These leading heart centers have made commitments to a very strong team -- PLC and Edwards."

During the third quarter of 2002, PLC shipped seven next-generation CO_2 Heart Lasers 2 (HL2) and 325 disposable kits worldwide. PLC ended the third quarter of 2002 with 123 CO_2 Heart Lasers located at heart centers throughout the United States, comprised of 66 HL2 customers and 57 HL1 customers. As of September 30, 2002, PLC's U.S. laser base had increased by more than 25% during the preceding twelve months. More significantly, PLC's HL2 base grew to 66 lasers as of September 30, 2002, up 175% from September 30, 2001 and up 12% from the end of the second quarter of this year.

10/23 **Laserscope** reported that revenues for its third quarter ended September 30, 2002 increased 32% to $10.5 million from $8.0 million in the third quarter a year ago. Net income was $192,000 (1 cent per share) compared with a net loss of $641,000 (4 cents per share) in the same period of 2001. "We continue to be pleased with our progress," said Eric Reuter, Laserscope president and CEO. "Our domestic aesthetic sales were strong and offset some seasonal softness in our international aesthetic sales, and we showed significant growth in the Niagara PV disposable fiber-optic product line."

According to Laserscope, the U.S. aesthetics business benefitted from excellent execution by the U.S. sales, marketing, clinical, and service teams and the company's strong relationship with **McKesson Medical**. "Internationally, however, we experienced a slightly higher than normal seasonal decline in sales due to the summer holidays, which contributed to the quarter-over-quarter decline in our worldwide aesthetic revenues. We expect to reverse this trend in the fourth quarter," added Reuter.

For the next several quarters, Laserscope expects to continue to fund growth of Niagara PV with cash flow from its aesthetic business and from early sales of the Niagara PV system.

For the six months ended September 30, 2002, revenues increased 19% to $30.4 million and net income rose to $273,000 (1 cent per share) compared with revenues of $25.5 million and a net loss of $949,000 (6 cents per share) during the same period of 2001. Reuter noted that Laserscope began selling the Niagara PV system and related disposable fiber-optic delivery devices in the first quarter this year. "To date, we have sold 24 laser

systems -- six in the first quarter, and nine in each of second and third quarters -- and approximately 1,800 fiber-optics -- 120 in the first quarter, 560 in the second quarter and over 1,100 in the third quarter. This adoption rate exceeded our best expectations and is due to continuing penetration of each of our target markets, which are U.S. hospitals and clinics, U.S. mobile service providers and international customers." Reuter added that international fiber sales are front-end loaded together with the laser sale and will not provide a recurring revenue stream for some months to come, unlike domestic fiber-optic sales, which the company expects to continue to ramp sequentially as customers' monthly fiber commitments are fulfilled.

"The growth in fiber sales to each of these sectors is very encouraging," continued Reuter. "It demonstrates rapid adoption of the Photo-Selective Vaporization of the Prostate (PVP) procedure in the very large benign prostatic hyperplasia (BPH) market. According to industry sources, over 13 million U.S. men were diagnosed with BPH in 2001 and over 2 million of them required treatment with about 180,000 being treated surgically. The number of surgical treatments is expected to grow to over 400,000 by 2006 as the total number requiring treatment grows from 2.1 million in 2001 to 3.7 million in 2006. Over time, a large number of those seeking treatment may choose the PVP procedure because of its unique advantages that include immediate and complete symptom relief from a fast, virtually bloodless, and minimally invasive procedure with an extremely low incidence of any side effects or complications," commented Reuter. "Our stated goal continues to be to have the PVP procedure, which uses Laserscope's Niagara PV system, become the standard of care for BPH worldwide. Given the revenues ranging from $600 to $1,000 per procedure that we receive from our disposable, single-use fiber-optic devices, the potential market opportunity could be in the hundreds of millions of dollars if the PVP treatment is widely adopted. Early indications of market acceptance, which are following on our excellent short- and long-term clinical test results from the Mayo Clinic and other institutions, reinforce our belief that this goal is achievable. We expect the Laserscope BPH treatment solution to be the basis for our future long-term revenue growth," commented Reuter.

He added, "even though our belief and enthusiasm in our ability to achieve this goal has not diminished, our launch plans are not without challenges." According to Reuter, in the next several quarters, the company's biggest challenge will be in making the PVP procedure more financially attractive for hospitals and physicians in the United States. In August 2002, the Center for Medicare and Medicaid Services (CMS) announced proposed plans to reduce the 2003 reimbursement rates for a number of hospital outpatient procedures by reducing the payments paid under certain APC (Ambulatory Payment Classification) reimbursement codes. One of the APC codes that may be affected is currently being used by hospitals to bill Medicare for the PVP procedures. The proposed reductions, should they be implemented in January of 2003, will reduce the national average reimbursement for this hospital code by approximately 38% for the hospital site of service for Medicare patients. "This reduction will likely have a short-term adverse effect on the adoption and sales growth of the PVP procedure in the United States as some hospital-based customers who would normally consider adopting

the PVP procedure hold off on their purchases or adoption until the reimbursement climate becomes more attractive," Reuter stated.

Laserscope is pursuing a number of strategies to address this issue. "First, we are supporting our current physician and hospital users in petitioning CMS to delay or reverse its current decision relative to the PVP procedure. Our clinical customers are showing that the PVP treatment has a substantial and measurable impact on the overall cost of healthcare for the BPH patient as well as producing dramatically better satisfaction rates for the patients. Second, we are pursuing the establishment of a new pass-through code or separate APC code for PVP. Although this may take time to get approved and instituted, we are proceeding as quickly as possible to investigate and pursue this option. Third, we are accelerating our international launch plans for Niagara PV in Europe, the Far East and Japan to maintain procedure adoption momentum," Reuter said. "Finally, we are re-directing our sales and marketing teams in the United States toward capitalizing on the fact that the global or `office fee' currently being used to bill for PVP is only projected to be reduced by a minimal 6% under the proposed CMS plan. Physicians may perform the PVP procedure in a well-equipped office or Ambulatory Surgery Center (ASC) and bill the procedure as an extension of their office site of service. In many geographic areas, this reimbursement scenario will be financially viable for the physician as well as the ASC and will provide an alternative to performing the procedure in an outpatient hospital site of service. We will continue to provide updates on the reimbursement strategy and climate on an ongoing basis," he added.

10/24 **Palomar Technologies Inc.** said that for the third quarter ended September 30, 2002, its total revenues increased by 130%, its product revenues increased by 161% and its gross profit improved by 464% as compared to the third quarter of 2001. Based on the increased revenues and improved margin due to the increasing sales of the company's flagship EsteLux Pulsed Light system, the company realized net income for the second consecutive quarter as compared to a net loss of $2.6 million in the third quarter of 2001. The company generated a positive cash flow for the last two quarters. Over the past year, gross margins have improved significantly due to a shift in product mix to lower cost platforms. Revenues for the quarter ended September 30, 2002, were $7.4 million, up from $3.2 million in the third quarter of 2001. Gross profit increased to $3.8 million (51% of revenues), up from $0.7 million (21% of revenues) in the year-earlier quarter. The company reported net income of $119,000 (1 cent per share) for the third quarter of this year, versus a net loss of $2.6 million (25 cents per share) for the third quarter of last year. Revenues for the nine months were $18 million, up from $12.9 million for the nine months ended September 30, 2001. Gross profit increased to $8.8 million (49% of revenues), up from $4 million (31% of revenues) in the year-earlier period. The company reported a net loss of $398,000 (4 cents per share) for the nine months, versus a net loss of $5.1 million (50 cents per share) for the nine months ended September 30, 2001.

CEO Joseph Caruso commented, "We are pleased to have our second consecutive quarterly profit, and are especially encouraged that our revenues continue to increase at a rate that surpasses all of our expectations. We are looking for this trend to continue as

we increase distribution both domestically and internationally, all while investing the necessary resources in Research & Development to maintain our technology leadership position. The company's business plan is clearly showing a positive impact on financial results and we are now in the process of scheduling meetings with various institutions and funds to create an increased following within the investment community."

Caruso continued, "We believe that our EsteLux system will continue to penetrate the market based on the favorable reviews of dermatologists and other treatment providers around the world. The EsteLux system has a wide range of applications, including hair removal and vascular and pigmented lesion removal. We offer features that are not available elsewhere, and a tradition of excellent science, design and strong support that is widely trusted. We expect to further expand the application of our technology during the upcoming quarters."

10/24 **CardioGenesis Corporation** announced results for its third quarter and first nine months ended September 30, 2002. Chairman and CEO Michael Quinn said that revenue in the 2002 third quarter grew 7% from the second quarter of this year and gross margins in the third quarter remained strong at 78%, up significantly from 61% in the same period last year. In addition to a significant reduction in net loss, this year's third quarter was also highlighted by the progress the company made on the Pre Market Application (PMA) amendment it filed with the FDA for PMR on July 1 of this year.

"Our sales team in the field and the thought leaders among our users are telling us that there is an increasing rate of adoption of TMR in our installed base and an expanding interest in this life enhancing procedure among cardiac surgeons. I believe the impact of the increasing interest in TMR and the inherent sales leverage we can derive from improved utilization in our market leading installed base will become evident in future quarters. As expected, our procedure volume in this year's third quarter, as measured by hand piece sales, declined in the traditionally slow summer months, when compared to levels in the second quarter of this year; however, we have made good progress throughout the company and believe we are well positioned to meet our goals of future profitability and increasing shareholder value."

Revenues in the third quarter of this year were $3.2 million, compared to $4.2 million in the third quarter of last year with the company reporting a net loss in the 2002 third quarter of $576,000 (2 cents per share) which included the effects of a $684,000 reduction of accrued liabilities established in prior periods for research and development costs associated with estimated clinical trial obligations. The net loss in the third quarter of 2001 was $2.5 million (7 cents per share). Total operating expense in this year's third quarter without the effect of the reduction of accruals increased by approximately 8% from the second quarter of 2002 principally due to additional expenses associated with work done by the company's regulatory group to gain FDA approval for the U.S. marketing of PMR. Excluding the effect of the reduction of accruals, the loss from operations in this year's third quarter was cut almost in half to $1.3 million, down from

$2.5 million in the 2001 third quarter. Last year's third quarter results included $442,000 in restructuring charges.

Quinn said that the company's regulatory team has taken a number of significant steps forward and is working closely with the FDA in the review of the important and substantial clinical amendment to the PMA Supplement for PMR it filed early in the third quarter. "We are engaged in ongoing and productive discussions with the FDA review team to answer specific questions raised during the process. I am confident in the prospects for approval in the near future because the leading clinical investigators and well-regarded independent experts who have reviewed our clinical amendment believe it establishes the reasonable safety and effectiveness of the PMR procedure. I am also optimistic that we will have a definitive resolution of the FDA's review process for PMR before year end, which will provide us a clear indication of the remaining few steps needed for what we and our outside clinical investigators and independent experts believe will be an approval to market PMR in the U.S."

Revenues for the first nine months of 2002 were $9.4 million, with a net loss of $678,000 (2 cents per share). The 2002 results included the effects of the $684,000 reduction taken in the third quarter of the accrued liabilities in research and development expenses and the $2.3 million one-time gain recorded in the second quarter from the sale of the company's minority interest in privately held **Microheart, Inc.** Revenues for the first nine months of 2001 were $11.4 million, with a net loss of $7.9 million (24 cents per share). Results for the first nine months of last year included the effects of equity losses from the company's minority ownership of Microheart recognized in the first and second quarters of that year and organizational restructuring charges taken in the 2001 second and third quarters, both totaling approximately $1.8 million. Excluding the effect of the reduction of accruals, the loss from operations in this year's first nine months was cut almost in half to $3.7 million, down from $7.3 million in the year earlier period. The company's current strategy of concentrating its sales resources on increasing procedure volume in its existing installed base has, as anticipated, had the effect of reducing revenues from laser placements and outright laser sales, when compared to the levels attained in the first nine months of 2001. The decline in new laser placements, when compared to prior year periods, has resulted in a year-over-year reduction in the number of hand pieces sold as each shipped laser is normally accompanied by an order for several hand pieces.

During this year's third quarter, the company placed three lasers, sold two lasers outright, converted one installed laser to a sale and had worldwide hand piece sales of 747 units. This compares to the placement of 12 lasers, the outright sale of six lasers, the conversion of two installed lasers to sales and worldwide hand piece sales of 940 units in the third quarter of 2001. At the end of the 2002 third quarter, there were 420 sites with CardioGenesis lasers for myocardial revascularization, up from 414 sites at the end of the third quarter of 2001. The total number of surgeons trained as of September 30, 2002 had risen to 1,090 from the 974 trained at the end of the prior year's third quarter. The company's dominant share of the laser-based cardiac revascularization market includes substantial penetration in the top cardiovascular institutions in the U.S.

10/24 **BIOLASE Technology, Inc.** reported net income of $772,000 on sales of $7.3 million for the quarter ended September 30, 2002. Sales increased 56% over the $4.7 million in sales reported in the third quarter of 2001. The company had forecast sales growth of 50% over the third quarter of the prior year. The strong third quarter performance boosted nine-month net income to $1.6 million on sales of $19.7 million. Year-to-date, sales have increased 63% over the corresponding period in the prior year.

For the nine-month period of the prior year, the company reported a net loss of $817,000 on sales of $12.1 million. Gross profit for the quarter ended September 30, 2002 was $4.6 million (62.2% of sales) compared to $2.8 million (60.0% of sales) in the third quarter of 2001. Gross profit for the nine months ended September 30, 2002 was $12.0 million (61.0% of sales) compared to $7.1 million (59.0% of sales) for the nine months ended September 30, 2001. Net income per diluted share for the quarter was $0.04 compared to $0.01 for prior year same quarter, ahead of analyst average estimates of $0.02, bringing year to date net income of $0.08 per basic shares and $0.07 per diluted share compared to a net loss per share of ($0.05) for the comparable period last year.

Jeffrey Jones, BIOLASE president and CEO, commented, "The record third quarter results clearly demonstrate the anti-recessionary and solid characteristics of the Waterlase technology. Dentists are buying the Waterlase because they need it. They are buying the Waterlase because it generates incremental revenue and higher profits, it allows them to provide patients a higher level of care and it improves their quality of life. It is no longer just the early adopters buying the Waterlase. Mainstream dentists are realizing the important clinical and financial benefits of this exciting technology and incorporating it into their practices. While we have many high profile, leading dentists that have purchased the Waterlase, most of our customers are general dentists with average practices."

The immediate past president of the American Dental Association (ADA), Robert Anderton, DDS, commented, "I purchased the Waterlase and have been using it for about four months. I have found it to be a very efficient and helpful tool in my general dentistry practice. It is very helpful in desensitizing teeth, general restorative work, periodontal therapy and is very well accepted by patients. The Waterlase has also been very effective in improving the efficiency of my office and I believe will do the same for THE practices of general dentists. It is appropriate for mainstream dentistry."

Jones added, "While sales and revenue growth has been an important goal of BIOLASE, we remain committed to keeping the company strong and profitable. Even with high growth we have experienced, we have continued to increase profitability and we are also cash flow positive both net/net and in operations. As we enter the fourth quarter business is strong. We project we will once again achieve record sales and profits."

10/25 **El.En.**, closed the first six months of 2002 with a 56.9% revenue increase up to more than 21 million Euro (excluding **Cynosure** + 26.9% higher than the forecasted +21%), with an Ebitda of around 2.6 million Euro, up 40,5% on the corresponding six months of the

previous year, and with a 11,6% impact on the value of production. Due to the notable increase in the group's dimension, following Cynosure's acquisition, a new revenue increase forecast has been established in 85%. The six months report, approved today by the board of directors led by the president Gabriele Clementi, shows "two digits" increases for revenues in all the market segments of the group (industrial, medical, service), confirming the growth trend notwithstanding the unfavorable market conditions. The acquisition of the US company Cynosure had a strong impact on the most important segment, medical lasers, were revenues were up 62.2%. Revenue increase led to a gross profit increase, up to 10.30 million euro (+55%), equal to 46.4% of the value of production. Ebit accounts for 1.64 million euro, marking a 30.3% increase and a 7.4% impact on the value of production. Profit before taxation is 1.93 million euro, 8.7% of the value of production, with a small 3.3% decrease on the corresponding semester due to the lower financial income. Net profit, equal to 849,000 Euro with a 3.8% impact on the value of production, shows a 30% reduction due to the tax burden 29% increase, as an effect of the amendment of the "DIT", that heavily affected the group's tax rate, especially El.En.'s as a newly listed company, which is up to 41% from the 33% of the first six months of 2001. The net financial position at the end of June is positive for around 22.5 million euro.

"The acquisition of Cynosure -– president Gabriele Clementi said -– allowed the strong increase of revenues which displays a shift toward the American and the international markets: in Europe revenues are up 128% and in the rest of the world up 140%. Even without including Cynosure, international markets would have had an increasing impact on revenues due to their growth rate, higher than the one reported on the Italian market. The innovative range of new products offered allowed to overcome the unfavorable and uncertain market conditions."

10/28 The HairMax LaserComb, the only hand-held laser device of its kind that promotes thicker, healthier hair is undergoing clinical trials to present data to the USA FDA in order to receive market clearance for additional claims. The HairMax LaserComb is a breakthrough personal device for delivering the healthy, nourishing effects of Low Level Laser to hair. Low Level or `Cold Beam' Laser has been widely used internationally for decades and is just becoming accepted by medical professions in the USA. More and more hair loss specialists are recommending Low-Level Laser for their patients. The LaserComb works through the natural benefits of PhotoBioStimulation, transferring laser energy to the hair.

"This clinical trial is a significant undertaking and we are pursuing this trial because we have genuine confidence in its success," according to David Michaels, Director of **Lexington International LLC**, manufacturer of the LaserComb. "Males and Females suffering thinning hair will finally have an attractive alternative." Clinical trials began in April and have now passed the important 6-month mark. Reports to this point are extremely encouraging with detailed analysis on hair count, diameter and quality. The trials should be completed and the results submitted to the FDA in the spring of 2003. User feedback Lexington has collected to date indicates that more than 90% of users

achieve positive benefits and results. "In general, about 45% of users see noticeable benefits from the LaserComb within the first 6-weeks," according to Dr. Martin Unger, Medical Director. "Another 45% realize indications from 6 to 12 weeks and 5% see improvements after 12 weeks."

The HairMax LaserComb debuted in March 2001 and has received wide public and press attention. The HairMax LaserComb, which was highlighted in TIME Magazine's "Inventions of the Year", is receiving favorable press from numerous national magazines, newspapers and television news programs. The LaserComb complies with FDA regulations for laser safety and is patented in the USA and pending in 104 countries. Lexington International had its beginnings in Sydney, Australia where a prototype of the LaserComb was developed. The company moved its headquarters to Boca Raton on Florida's Internet Coast in 2000, where the HairMax LaserComb is also manufactured.

MEDICAL/SURGICAL LASER UPDATE -- November 2002

10/28 **Diomed Holdings, Inc.** announced that its registration statement had become effective on October 24, 2002.

10/29 According to the *Dow Jones Newswires*, **MW Medical Inc.** was seeking shareholder approval of a 1-for-25 reverse split of its common stock, according to a preliminary proxy filed with the Securities and Exchange Commission. The board was seeking the split to make the company more attractive as a target for a merger or reverse acquisition, the filing said. MW Medical said its operations were at a standstill and its stock price was trading at 1 cent a share. The company said that after emerging from Chapter 11 bankruptcy, it was seeking additional funding or other business relationships. While there are not any such business relationships or fundings yet, the company said it believed a large number of shares may hurt any such relationship and that a smaller number of outstanding shares would better attract funding sources and merger partners.

10/29 **Lumenis Inc.** announced that it had received marketing clearance from the FDA for the new ReLume Repigmentation Phototherapy System for the treatment of leukoderma, or the loss of skin pigmentation. For stretch marks, acne scars, post-surgical and traumatic scars, burns and laser-resurfaced or chemically-peeled skin, lost pigment can now be restored safely and effectively, often within just weeks. The ReLume system will be launched at this week's *American Society of Dermatologic Surgeons* society meeting in Chicago, IL. Of these conditions, stretch marks and acne scars are two of the most common examples of hypopigmented skin, which affect men and women of all ages, including adolescents.

According to the *American Academy of Dermatology*, 90% of pregnant women develop stretch marks, and 80% of Americans between 11 and 30 years-of-age suffer from acne, with millions bearing scars from this skin condition. The ReLume system's unique light-based therapy masks the appearance of stretch marks and acne scars by pigmenting skin affected by such conditions.

According to physicians, conventional therapies have been largely ineffective in treating hypopigmentation. "Topical retinoids and laser treatments can improve the clinical appearance of early stretch marks and scars, but, until now, for mature stretch marks and hypopigmented scars, physicians have had to turn patients away or offer them surgical options, " said Alon Maor, executive vice president of Lumenis. "The ReLume system provides an innovative and effective solution for these conditions." Patients return to their normal activities immediately and, within weeks, the appearance of stretch marks and scars is significantly improved. Loss of skin pigmentation occurs as a complication of injury to the skin from trauma, surgery, laser therapy and burns. Diminished pigmentation is also noted in mature stretch marks that occur as a result of pregnancy or from rapid weight fluctuation. As stretch marks or striae distensae enlarge, they become fibrotic and devoid of color. Like scars, such conditions can have a negative impact on self-esteem and may lead to psychological impairment.

"Scars received during trauma are a constant and painful reminder of the injury," said dermatologist Roy Geronemus, MD. "The appearance of scars can be unsightly and have psychological effects on a person's well being. The use of light to pigment scars during cosmetic procedures can significantly improve the quality of life for many patients." ReLume is the first FDA cleared device of its kind to offer a practical treatment solution for patients with white stretch marks and hypopigmented scars. Utilizing the latest advances in fiber-optic technology, the ReLume system precisely delivers therapeutic 290 to 320 nanometer light to the targeted area. The device's unique light stimulates melanocytes and enhances the production of melanin to restore lost pigment in the affected area.

Macrene Alexiades-Armenakas, MD, a dermatologist who has been using the ReLume device in a clinical study, stated, "Five to six treatments often achieved 75 to 100 percent repigmentation of stretch marks. ReLume treatments are painless, safe for all skin types, and require no downtime. Study participants were very satisfied with the cosmetic improvement after undergoing ReLume therapy."

The company also announced it had filed three lawsuits against **Syneron Ltd.**, several of its affiliates, and certain former Lumenis employees for unfair trade practices and patent infringement. In a lawsuit filed October 28 in United States District Court for the Central District of California, Lumenis sued **Syneron Medical Ltd**, **Syneron Inc.**, **Syneron Canada Corp.** and 10 unknown defendants for willful infringement of several of the company's U.S. patents in the manufacture and sale of Syneron products. The suit seeks unspecified damages as well as a preliminary and permanent injunction against the continued infringement of these patents. Along with the filing of this lawsuit, Lumenis also filed a motion for a temporary restraining order for immediate consideration by the court.

In early 2001, two industry leaders with long experience in the application of light technology to medical and aesthetic procedures, **ESC Medical Systems** and **Coherent Medical Group**, combined and renamed as Lumenis. ESC developed the revolutionary

Intense Pulsed Light technology (IPL) to treat vascular and pigmented lesions on the face, chest, hands, legs and elsewhere, and to remove unwanted body hair. Since their introduction, IPL techniques have been widely adopted by physicians around the world. "Lumenis is proud of its leading intellectual property, and naturally we will vigorously defend against theft of our intellectual property, trade secrets and valuable customer relationships," said Lumenis CEO Yacha Sutton. "The successful Lumenis business model is not easily replicated, and these lawsuits are a necessary action against Syneron's attempts to short-cut the construction of a leading market position."

The first of the three lawsuits was filed in Tel Aviv District Court in Israel on September 12, 2002, against **Syneron Medical Devices, Ltd.** and certain individual defendants, for misappropriation of trade secrets, conversion of confidential business information and breach of fiduciary duty. The lawsuit seeks $6.3 million in damages as well as injunctive relief. The individual defendants include Shimon Eckhouse, the founder of ESC Medical Systems Ltd., the predecessor to Lumenis. The company also filed a lawsuit against Syneron Inc. and nine former Lumenis employees, in the Superior Court of California in Santa Clara, on September 20, 2002. The lawsuit alleges, among other things, that Syneron, a start-up competitor, entered the sophisticated medical and aesthetic devices field by, among other things, misappropriation of confidential business information. The lawsuit seeks damages for a variety of causes of action, including breach of contract, intentional interference with contract and prospective economic advantage, misappropriation of trade secrets, breach of duty of loyalty, conspiracy and unjust enrichment. The lawsuit also seeks injunctive relief against future wrongful conduct.

10/29 **Candela Corporation** announced that revenues for the quarter ended September 28, 2002 were $13.8 million versus $10.4 million for the same quarter one year earlier, a 33% increase. The company also reported net income of $735,000 (8 cents per share) versus a loss of $1.2 million (11 cents per share) for the same quarter one year earlier. Gerard Puorro, Candela's president and CEO, commented: "Given that the July to September period is typically this industry's slowest quarter, we are quite pleased with these results. This is our second consecutive profitable quarter. We believe that the recent FDA clearance we received for the treatment of back acne will add to our momentum as we continue our efforts to grow both our top and bottom lines. On another matter, the Candela Board of Directors has approved the prepayment in full of our only long-term debt outstanding of approximately $3.4 million, including accrued interest and prepayment penalty. Given our return to profitability, our cash position, and the interest rate of 9 3/4% we are currently paying on this debt, we find that it makes sound economic sense to retire this long-term debt at this time."

10/29 **Lumenis, Ltd.** announced financial results for the third quarter ended September 30, 2002. The company reported revenues of $90 million, compared to $90.2 million in the third quarter of 2001. Net loss in the third quarter was $.9 million (2 cents per share). This compares with net income of $100,000 (0 cents per share) for the third quarter of 2001. In the third quarter 2001, excluding unusual charges principally related to the

acquisition of **Coherent Medical Group**, net income was $13.6 million (34 cents per share).

In connection with the review of the company's third quarter 2002 financial statements, the company's management determined that it was necessary to correct the accounting for certain foreign exchange derivative contracts originally entered into in December 2001 and January 2002 which do not qualify as a hedge for accounting purposes. The effect of restating the second quarter results is to increase finance expenses by $2.3 million, increase revenues by $.8 million and increase operating income and EBITDA (earnings before interest, taxes, depreciation and amortization) by $.8 million resulting in the net effect of reducing net earnings by $1.5 million (4 cents per share). Third quarter 2002 net loss was improved by $1.2 million (3 cents per share), by this restatement compared to previous guidance provided on October 22.

Lumenis CEO, Yacha Sutton, said "Lumenis, like many other companies, has been impacted by the weakening economy, which was one of the factors affecting revenues and earnings in the third quarter. Despite the disappointing performance, there were positive developments that reinforce our position as the leading provider of innovative light based technologies to meet the medical community's needs. ClearLight was launched in the U.S. at the end of the quarter and we have had a very positive response from physicians with sales of approximately $3 million in the quarter. In addition, in late October we announced four new ophthalmic products and two new strategic alliances. We also just announced a new aesthetic product for the treatment of stretchmarks and for repigmentation. Lower U.S. aesthetic sales and an adverse product mix impacted margins in the third quarter. Operating expenses, while reduced from previous levels due to our cost reduction program, were adversely affected by the costs associated with the gathering of documents and other information in connection with the SEC investigation."

In the third quarter, the Aesthetic business experienced weakness primarily in the U.S. Sales for the Aesthetic business were $37.9 million in the third quarter of 2002, compared to $39.1 million in the third quarter of 2001. The Ophthalmic Unit had sales of $21.6 million in the third quarter, compared to $20.1 million in the third quarter of 2001. Surgical sales were $14.9 million in the third quarter, compared to $15.5 million a year ago. Geographically, Europe rebounded with sales of $20.9 million, an increase of 24% from the same quarter a year ago, reflecting the efforts of the new management team. The Americas had revenues of $39.3 million, down 10% from the same quarter a year ago. Sales in the Asia/Pacific region of $25.2 million were flat compared to last year. Orders were approximately $93 million in the third quarter and the company ended the quarter with approximately $4 million of backlog compared to a normal backlog of approximately $1 million. Gross margins were 52% in the third quarter compared to 56% a year ago. The lower margins were due to lower US aesthetic sales and adverse product mix. European aesthetic sales offset some of the weakness in the US, but at lower average margins.

The company has substantially completed its submission of documents to the SEC in response to the requests previously received with respect to transactions involving U.S. distributors and certain charges taken in 1999 and 2001. Having reviewed, among other things, the information gathered for the SEC investigation we do not presently believe that a restatement of our reported financial statements is warranted. Costs of approximately $2 million were incurred in the third quarter in connection with the gathering of documents and other information in response to the SEC's request for information. EBITDA was $8 million in the third quarter. Cash flow from operations was a negative $2.9 million in the third quarter. The negative cash flow from operations arose principally as a result of a buildup in inventories of approximately $11.3 million. Inventories increased principally in service and spare parts. The company has instituted new procedures that are expected to reduce these inventories back to normal levels. The company is in the process of obtaining a waiver of the debt coverage covenant for the third quarter 2002 under its three loan agreements with **Bank Hapoalim**. The company has also renegotiated the terms of its note due **Coherent, Inc.** to spread payments over a ten month period. This $12.9 million note was originally due October 30, 2002. The company has also settled its arbitration award with **Light Age Inc.**, and will pay the resulting $9.2 million settlement in the fourth quarter of 2002.

Due to the uncertain general economic conditions, we have taken a cautious view for our guidance for the fourth quarter. Revenues should be in the range of $90 to $95 million. Net earnings are expected to be from breakeven to $.08 per diluted share in the fourth quarter with EBITDA in the range of $8 to $12 million. We anticipate being cash flow positive for the fourth quarter of 2002, excluding the payment of $9.2 million in final settlement of the Light Age matter.

10/30 **Laser Therapeutic Technology, Inc.** of Ocean Grove, NJ, has become a distributor of the **Microlight'** ML830 low level laser therapy device, cleared to treat carpel tunnel syndrome last February. According to the company, currently, over 300 medical doctors, chiropractors, and physical therapists in the United States use the therapy in the treatment of CTS. Ongoing studies show benefits for Pain Relief, Arthritis, Lower back pain, Repetitive Stress Injuries, Tendonitis, Fibromyalgia, Sprains, Strains, Post-operative pain, Tennis bow, TMJ and Soft tissue injuries.

10/31 **Pharmacyclics, Inc.** reported financial results for its first quarter ended September 30, 2002. The net loss for the period was $6.7 million (42 cents per share) compared to a net loss of $9.7 million (60 cents per share) in the comparable period of fiscal 2002. The decline in net loss is primarily due to reduced costs associated with completion of the company's first Phase 3 trial with Xcytrin (motexafin gadolinium) Injection for the treatment of brain metastases and a reduction of personnel and other activities as the company focuses on conducting a second Phase 3 trial in this potential indication. As a result of the potential clinical benefits observed in lung cancer patients treated with Xcytrin in the first Phase 3 trial, the company plans to begin enrollment in the second trial by the end of calendar 2002. "We have the personnel, drug supply and clinical

systems in place to conduct this second Phase 3 trial in line with our lower expense guidance for 2003," said Richard Miller, MD, president and CEO of Pharmacyclics.

Among the recent company highlights:

-- Final results of a Phase 1 clinical trial of phototherapy with the company's other lead product candidate, Antrin (motexafin lutetium) Injection were presented at the *Transcatheter Cardiovascular Therapeutics (TCT)* Conference. The results indicated the treatment is feasible and well tolerated in patients with coronary artery disease (CAD; i.e., blockages of the arteries in the heart). This novel approach appears to target the inflammatory and activated smooth muscle cells that drive the disease process and, as a result, may make it ideal to investigate as a treatment for "vulnerable" plaque, which causes the vast majority of heart attacks.

10/31 **BriteSmile, Inc.** reported its third quarter 2002 earnings results. Revenue for the third quarter was $9.9 million compared with the same quarter 2001 of $13.4 million representing a 26% decrease. A significant portion of the decrease in revenue reflects the difference in new Associated Center start up sales last year of $2.2 million in the third quarter 2001 compared with new Associated Center start up sales in the third quarter 2002 of $0.2 million. The decrease in revenue primarily resulted from the strategy of slowing down the rollout of new Associated Centers. On a sequential basis, revenue decreased by 10% for the third quarter 2002, compared to revenues of $11.0 million for the second quarter 2002. The company typically sees a seasonal decrease in revenue in the third quarter due to the vacation schedules of the company's network of Associated Center dentists. The net loss for the third quarter 2002 was $4.6 million (13 cents per share) versus a loss of $4.1 million (12 cents per share) in the third quarter 2001.

"While the economic climate continues to be challenging, BriteSmile is now a more efficient and a more productive company than we were a year ago," said John Reed, CEO of BriteSmile. "Our network of dentist office partners and company owned whitening centers is strong and will be well positioned to benefit as consumer demand returns."

The company also has announced that it has received a notice from The Nasdaq Stock Market stating that the company has not maintained the minimum bid price of $1.00 required for continued listing on the Nasdaq National Market System. The company has until January 27, 2003 to regain compliance.

11/5 More cardiac surgeons are discovering the long-term benefits of carbon dioxide (CO_2) Laser Revascularization. The CO_2 Laser Revascularization therapy is a treatment for heart patients who suffer with severely debilitating angina. **The Cleveland Clinic Heart Center**, the world-renowned medical center dedicated to the advanced treatment of cardiovascular disease, hosted its second CO_2 Laser Revascularization training program within the last three months. On Monday, October 28, 2002, Dr. Michael Banbury, a cardiac surgeon from The Cleveland Clinic Heart Center, directed the educational training seminar. Forty-four cardiac surgeons, a record attendance level for the CO_2 Laser

Revascularization training programs, participated in the full-day medical seminar. Dr. Banbury stated, "Our experience is that angina patients can truly benefit from the CO_2 Laser Revascularization therapy. This proven angina relief technology is an additional tool that cardiac surgeons can employ in the treatment of coronary artery disease. The high level of interest in the training course reinforces our belief that the demand for CO_2 Laser Revascularization is continuing to grow."

Edwards Lifesciences is the exclusive U.S. marketer and distributor of **PLC's** next-generation CO_2 Heart Laser 2 systems; the only device with published five-year data showing angina relief in severely debilitated heart patients. To date, more than 9,000 patients have been treated with a CO_2 Heart Laser.

11/5 **BIOLASE Technology, Inc.** sued **American Medical Technologies, Inc. (ADLI)** on October 31st, for infringing several BIOLASE patents. These patents relate to use of laser radiation in combination with water for dentistry. BIOLASE has an extensive patent portfolio for dental, medical and industrial applications. In a previous BIOLASE patent infringement lawsuit against ADLI, the settlement specifically provided BIOLASE the right to sue ADLI in the event ADLI introduced a laser using water or instructed others to use a laser with water. BIOLASE's patents were further tested, strengthened and validated in an interference proceeding at the U.S. Patent Office with the Board of Patent Appeals and Interferences ruling laser with water was the invention of BIOLASE therefore BIOLASE's patent was reconfirmed strong and valid. BIOLASE was granted additional patent continuations with the same original priority date broadening and strengthening the claims for laser with water for dental applications. BIOLASE pioneered the use of water in conjunction with lasers and has the earliest patents in that technology. The patents that BIOLASE is claiming infringement by ADLI include U.S. Patent No. 5,885,082; 6,086,367; and 5,762,501.

11/5 **Lumenis Ltd.** announced that the FDA had granted 510(k) clearance to the first application-guided pulsed CO_2 laser, the UltraPulse SurgiTouch. The UltraPulse SurgiTouch is the first pulsed CO_2 laser to offer an intuitive, versatile interface featuring pre-set parameters by specialty, application and suggested delivery device. Clinical indications include numerous surgical applications in otorhinolaryngology, gynecology, aesthetic, neurosurgery, podiatry, orthopedic, general surgery, thoracic surgery, arthroscopy, dental and oral surgery and genitourinary. According to Robert Grant, executive vice president of Lumenis, the laser system will be the first to result from the combined R&D advances of the two companies -- **Coherent Medical Group** and **ESC Sharplan** -- which last year merged to form Lumenis. "The innovative blending of the pulsed radio-frequency excited CO_2 laser technology of the UltraPulse from Coherent and the advanced scanning capability of the ESC Sharplan SurgiTouch takes CO_2 laser surgery to new heights. The UltraPulse SurgiTouch is the first `smart' laser. It stands out for its ease-of-use, superior precision, and unparalleled patient outcomes."

Lumenis is the leader in the surgical CO_2 laser market. The company has the largest installed base of surgical CO_2 laser systems, with over 50% market share of medical CO_2

lasers worldwide. "Based upon my initial ENT clinical study, primarily focusing on pharyngo-larynx surgery, it is clear this new laser continues the innovation legacy of Coherent and ESC Sharplan," said Professor Marc Remacle, Louvain University Hospital, Belgium. "The UltraPulse SurgiTouch could become the gold standard among ENT CO_2 lasers."

Since its introduction in the 1960's, the CO_2 laser has been the surgeons' preferred source of energy for vaporizing, excising, incising and ablating soft tissues. The CO_2 laser's absorption characteristics and reduced thermal necrosis provide the precise hemostasis level required for a multitude of surgical procedures. "Now, the first application-guided pulsed CO_2 laser enables surgeons to focus on the surgery itself, without concern for set-up details," added Grant. "The UltraPulse SurgiTouch truly brings laser surgery to the surgeon's fingertips. This latest Lumenis innovation strongly reinforces our company's ongoing leadership in the surgical laser industry."

11/6 In responding to the patent infringement suit brought against it by **Biolase Technologies**, **American Medical Technologies, Inc.** made the following statement. "Having just received the complaint, we and our attorneys are studying the Biolase claims to formulate appropriate legal and business responses to the lawsuit," stated Roger Dartt, Chairman. "We certainly intend to vigorously defend the lawsuit."

11/7 **ICN Pharmaceuticals, Inc.** and its Board of Directors today announced a new focus on its specialty pharmaceuticals business through a series of steps designed to reposition the company and provide profitable growth. The new strategic direction and restructuring plan will have a greater therapeutic and geographic focus and increased investment in product and business development. ICN also announced that its board named Robert O'Leary to the permanent post of chairman and CEO, and that the company had begun the formation of a new management team, which will include Timothy Tyson, currently president of Global Manufacturing and Supply for **GlaxoSmithKline plc**, as president and COO, and Bary Bailey, currently executive vice president, Pharmacy and Technology, of **PacifiCare Health Systems, Inc.**, as CFO.

"Beginning in June 2002, the ICN Board of Directors embarked on an intensive process that included my appointment as interim chairman and CEO, and a strategic review process that involved **Goldman Sachs** and a strategic consulting firm," said O'Leary. "At the same time, actions were immediately taken to assess major cost reduction opportunities and a search was initiated to bring in new talent to redirect ICN. Today's announcement reflects that much has already been accomplished. The strategic repositioning of ICN and selection of a highly experienced management team marks a new direction for ICN that, we believe, will create a leaner, more focused company with a priority on building shareholder value."

ICN also announced strong results from continuing operations for the 2002 third quarter. Revenues from continuing operations in the third quarter were $215.9 million, an 18% increase over the $182.4 million in the same period last year. Excluding non-recurring,

unusual and extraordinary items, ICN reported net income from continuing operations of $15.1 million (18 cents per share) in the third quarter of 2002, an increase of 46% over the $10.3 million (12 cents per share) reported in the same period last year. The company reported a net loss, including non-recurring, unusual and extraordinary items, of $74.9 million in the 2002 third quarter (90 cents per share) compared with a net loss of $11.7 million (14 cents per share) in the third quarter of 2001.

The strategic direction has been carefully designed to create long-term value through a series of steps that include repositioning the company into its core specialty pharmaceuticals business, divesting those businesses that do not fit the company's strategic growth plans and bringing its overall cost structure in line. Key elements of the strategic repositioning include:

* Refocusing ICN's specialty pharmaceuticals business in North America, Latin America, and Western and Central Europe, particularly Germany, Italy and Poland, with greater attention on selected therapeutic areas.

* Bolstering the company's product development capabilities across the organization to broaden and develop the pipeline and extend existing product life cycles.

* Divesting non-core businesses that do not fit the company's strategic growth plans. These businesses primarily include the company's operations in Eastern Europe, as well as its raw materials business in Central Europe and its **Photonics**, Biomedicals and Circe businesses.

* Lowering costs primarily in the company's corporate and international headquarters that are expected to result in annualized cost savings of approximately $21 million.

* Pursuing opportunities to rationalize the manufacturing network and improve product and supply chain operations.

* Exploring options to derive value from the company's 80% ownership in Ribapharm.

O'Leary commented: "We believe the strategic direction announced today will establish the foundation upon which ICN will grow and deliver meaningful value for shareholders. We have already begun the implementation process, and have closed some business lines and reduced overhead. In fact, we have already achieved $10 million of our targeted cost savings through actions taken to date. As our plans are executed, we expect to provide periodic updates on our progress."

11/7 **Dornier MedTech** announced that it recently received FDA clearance for the Endoluminal Laser Ablation of the Greater Saphenous Vein (ELAS) procedure using its revolutionary D940 diode laser system. The system can now be used to treat both spider and varicose veins, as well as for the removal of unwanted hair. Dornier's D940 laser is the only system on the market designed with a 940 nm wavelength. This unique

wavelength ensures physician-users with the safe, precise and effective targeting of vessels because of its deep penetration, optimal absorption characteristics in hemoglobin and water and minimal melanin absorption.

ELAS is performed in-office with local anesthesia. The 45-minute, minimally invasive procedure requires virtually no post-operative patient recovery time and is being hailed by the medical community as a safe and cost- effective replacement for vein stripping and ligation. "The Dornier D940 is the most effective laser system for the treatment of spider and varicose veins. I believe this laser will replace stripping for up to 85% of patients who have saphenous vein insufficiency," said Ron Bush, MD, who has already successfully treated hundreds of patients using the Dornier machine at the Midwest Vein Treatment Clinic in Ohio. "The Dornier D940 is lightweight, easily transportable and plugs into any 110-volt outlet," adds Michael Moore, sales director of surgical products at Dornier MedTech America. "The system also comes equipped with a patented shut-off mechanism for added safety should the fiber tip char, providing an overall uniform treatment."

11/7 **The Spectranetics Corporation** announced that it had received a notice from the Special Receiver for **Interlase, LP (Interlase)** claiming Spectranetics is in breach of a patent license agreement entered into in 1993. Interlase, which was placed into receivership as a result of state court proceedings in Virginia that related to a dispute between the inventors of the U.S. patents licensed to Spectranetics, claims that it is owed approximately $1.1 million for royalties related to certain products used in connection with the removal of pacemaker and defibrillator leads, certain services the company provides to its customers, and future royalties on these products and services. Spectranetics stated that it strongly denies any breach of the license agreement. Emile Geisenheimer, chairman of the board and acting president and CEO commented: "We are surprised that a claim of this nature has been raised. Moreover, with more than four years having past since the first lead removal product was introduced to our customers, we are further puzzled by its timing. Nevertheless, we have initiated communications with Interlase and will vigorously defend our position on this matter."

11/7 **Surgical Laser Technologies, Inc.** announced its financial results for the third quarter and first nine months of 2002. Net sales were $2.9 million for the third quarter, an increase of $96,000, or 3%, over the third quarter of 2001 net sales of $2.8 million. The net loss for the third quarter of 2002 was $125,000 (5 cents per share) and included non-recurring merger-related charges of $152,000. Net income before non-recurring charges was $27,000 (1 cent per share) in the third quarter compared to $2,000 (breakeven per share) in the third quarter of 2001. Net sales were $8.5 million for the first nine months compared to net sales of $7.8 million for the first nine months of 2001. The net loss for the nine months was $247,000 (11 cents per share) including the above-mentioned non-recurring charges, compared to a net loss for the first nine months of 2001 of $177,000 (8 cents per share).

Commenting on the results, Michael Stewart, SLT's president and CEO, stated: "Revenues from contract services were 5% higher than the prior quarter and increased 35% over the third quarter of 2001. For the first nine months of 2002, contract services revenues increased 28% over the comparable period in 2001. We are confident in the opportunity to continue to expand contract services revenues through the expansion of our service offerings in existing geographies and through the expansion of our geographic coverage. We are looking forward to the consummation of the pending merger with **PhotoMedex, Inc.** which is continuing to move toward completion. We expect to mail proxy materials to our stockholders next week. There will be a special meeting of SLT stockholders, to be held in the latter part of December 2002, to vote on the merger. The directors and officers of SLT, who collectively beneficially own an aggregate of approximately 15% of the issued and outstanding shares of SLT common stock, have agreed to vote all of their SLT common stock in favor of the merger agreement and the plan of merger."

11/7 **AngioDynamics, Inc.**, a wholly-owned subsidiary of **E-Z-EM, Inc.**, announced that the company received 510(k) clearance for the ELVS endovascular laser venous system as a treatment for varicose veins. Clearance was for the Precision 980 nm diode laser and disposable treatment kits for the specific indication of endovascular occlusion of leg veins procedure. In conjunction with today's announcement, the company officially began its full market release of the ELVS system in the United States. The ELVS system is a patient friendly, minimally invasive alternative for the treatment of varicose veins, a frequently painful condition that according to the *American College of Dermatology* affects an estimated 80 million people in the United States alone. Current treatment options for varicose veins include surgical ligation and vein stripping, invasive procedures that require an overnight hospital stay. The ELVS treatment is performed on an outpatient basis under local anesthetic. Doctors thread a tiny laser fiber into the saphenous vein to seal it and thereby correct the cause of varicose veins. The entire therapy takes less than an hour to perform and the results are often visible immediately. Patients who undergo the ELVS treatment usually experience a rapid recovery time with no scarring, and generally can return to their normal activities upon leaving the doctor's office.

To support the launch of ELVS, the company is also introducing a comprehensive marketing program designed to support physicians offering the ELVS procedure in their practice. Referred to as "Business in a Box", the program provides physicians with turn-key practice development models and patient education materials. The company is also implementing a direct-to-patient marketing program, and will devote a special section of the AngioDynamics website where interested patients can learn more about the ELVS treatment and locate participating physicians in their area.

Commenting on the announcement, Eamonn Hobbs, president and CEO of AngioDynamics, said, "Approximately one in five people in the United States experience painful and unattractive varicose veins. While traditional removal methods such as surgical ligation and stripping are effective, they are lengthy procedures requiring

overnight hospitalization and carry potential risk of infection. The ELVS system represents an important new alternative to these more invasive procedures that is also affordable, less time consuming, and yet just as effective."

11/7 **PhotoMedex, Inc.** announced the results of its third quarter ended September 30, 2002. Revenue for the quarter was $832,045, including $202,045 from domestic XTRAC laser treatments and $630,000 from international sales. Of the 8 lasers sold internationally, all were to existing customers except 1 unit shipped to a new distributor in Greece. Revenue for the same quarter last year was $802,636, including $209,636 from domestic laser treatments and $593,000 from international sales. The net loss for the quarter was $2.1 million (7 cents per share). The net loss for the same quarter last year was $3.7 million (19 cents per share). As of the end of the quarter, the company had cash and cash equivalents of $4.7 million. Jeff O'Donnell, president and CEO commented, "We are looking forward to the successful completion of our acquisition of **Surgical Laser Technologies, Inc.** by year end and the opportunities that the combined companies offer. We eagerly await the RUC (Relative Value System Update Committee) committee Medicare reimbursement levels, which should be published shortly, and are excited about the impact it will have on our business in 2003."

11/12 **DUSA Pharmaceuticals, Inc.** reported its corporate highlights and financial results for the third quarter ended September 30, 2002. The quarter's major event was the completion of the re-acquisition of Levulan PDT dermatology rights from **Schering AG**, Germany, effective September 1, 2002. Going forward, DUSA will be responsible for all dermatology marketing and development efforts. As a result, our intention is to increase product sales over time by understanding and meeting the needs of dermatologists, and educating them about the benefits of our therapy. In addition, our clinical work in dermatology has been refocused to concentrate on studies which, if successful, would support Broad Area Actinic Keratoses (BAAK) as an expansion of our approved product labeling for AK. We are also supporting efforts to improve reimbursement for our approved product, and are seeking a partner for our Barrett's esophagus dysplasia indication. Over the last few months, the company has also reduced its work force by approximately 20% through a combination of layoffs and attrition, and intends to minimize expenditures that are not directly related to our core objectives during 2003. The termination of the Marketing, Development and Supply Agreement resulted in a significant one-time profit for DUSA of over $15.8 million for the quarter, due to the net effect of the acceleration of the previously received, but unamortized, contract payments and related charges.

As previously announced, on June 7, 2002, DUSA received a Notice of Termination from Schering AG related to the Marketing, Development and Supply Agreement between the parties. Although the agreement provided for a 12-month transition, both parties agreed that it would be mutually advantageous to advance the actual termination date. This required DUSA to implement management of all the FDA-regulated functions that had previously been the responsibility of Schering AG, including marketing, medical

education, drug distribution, customer service, drug safety reporting, and medical information. Effecting this transfer took a major effort during the quarter, and we were pleased to be able to complete the termination effective September 1, 2002.

Following the Notice of Termination, Levulan Kerastick end-user sales decreased during the quarter, as the marketing efforts were in transition from Schering AG to DUSA. End-user sales during the quarter totaled 1,392 units, versus 2,202 units during Q2, 2002, and 1,638 units during Q3 2001. Overall, however, the average quarterly sales for 2002 of 1,798 units are virtually unchanged from the 2001 quarterly average of 1,767 units. At the end of Q3, 360 BLU-U units were in place, compared to 369 units at June 30, 2002. Excluding units installed at clinical trial sites or sold to our former partner, totals were 338 and 347 respectively. We believe that the modest drop-off from Q2 to Q3 was also related to the transition of marketing efforts from Schering AG to DUSA.

DUSA has now started to implement its own marketing, education, and development strategies, and will continue to develop and implement these strategies for the remainder of 2002 and beyond. For now, DUSA has decided not to create a nationwide sales force, or to seek a new dermatology marketing partner. Instead, the company intends to focus on meeting the needs of dermatologists, and educating them about the benefits of our therapy, in an effort to increase product sales over time. This will be done through the support of medical education activities, participation in dermatology conferences, company research and development, support of independent investigator studies, and support of efforts to improve third party reimbursement. DUSA is also offering an improved BLU-U placement program for physicians and has introduced a product sampling program to allow new doctors to become familiar with the therapy.

DUSA intends to focus its near-term dermatology development program on expansion of the currently approved Levulan product labeling. The approved indication only allows application of Levulan to individual lesions using the Kerastick, but we are planning to study the effect of Levulan applied to the entire face as a BAAK treatment. The planned BAAK study would utilize the BLU-U as soon as one hour after Levulan application, versus the 14-18 hours specified in the current labeling. The company also intends to complete its FDA-required Phase IV long-term AK tracking study before the end of 2003. With respect to Levulan PDT for the treatment of warts and onychomycosis, further Phase II development has been put on hold at this time, in order to lower DUSA's total research and development spending for 2003. DUSA has also decided to focus its personnel and financial resources on the US market for now, since the US AK market is the largest in the world. Therefore, during the quarter, DUSA authorized Schering AG to withdraw the application for regulatory approval of Levulan PDT in Australia, and intends to follow the same course for the applications in Austria and South Africa. The regulatory approvals for Brazil and Canada remain in place, although no marketing plans have been agreed upon at this point.

DUSA has been conducting a Phase I/II study in the treatment of high-grade dysplasia associated with Barrett's esophagus, which currently has no medical treatment and is

generally treated by surgical removal of the dysplastic portion of the esophagus. Positive preliminary results of the study showed removal of regions of high-grade dysplasia within Barrett's esophagus in 5/6 (83%) of treated patients (median follow-up of 6 months). Follow-up of these patients is continuing. DUSA has also completed the design and prototype preparation of a proprietary new light delivery device for endoscopic delivery of light treatment of hollow organs such as the esophagus. We believe that this device's unique features could allow treating physicians to provide uniform light treatment of esophageal walls under direct visualization, using only a single insertion of the endoscope. DUSA does not expect to fully fund the remaining Phase II and III clinical trials for the Barrett's esophagus high-grade dysplasia indication on our own and has therefore begun the process of soliciting potential partners. The company expects that such efforts could take up to a year or more to conclude and there can be no assurance that we will be able to consummate any collaboration on timing and/or terms acceptable to us.

In the quarter ended September 30, 2002, DUSA evaluated certain items on its Consolidated Balance Sheet for the timing of revenue recognition and potential impairment due to the termination of the Schering AG agreement. These items included unamortized deferred revenue related to non-refundable milestone payments previously received under the Schering AG agreement, the company's nearly completed manufacturing facility, raw material and finished goods inventories, commercial light units, and deferred charges and royalties. SA's net income for the three-month period was $15.8 million ($1.13 per share) as compared to a net loss of $1.8 million (13 cents per share) for the same period in 2001. Net income for the current period included the aforementioned one-time recognition of certain items on its Consolidated Balance Sheet based on the termination of the Schering AG agreement, which resulted in a non-recurring increase to net income of $1.28 earnings per share.

11/13 Ownership of the therapeutic business of **Photogen Technologies Inc.** was transferred to the company's five founding scientists in exchange for their former majority ownership of Photogen. The founding scientists have signed a letter of intent to merge the resulting business, renamed **Valley Pharmaceuticals**, with **Provectus Pharmaceuticals Inc.** Both Valley and Provectus are headed by the five scientists, who no longer are affiliated with Photogen. The therapeutic business comprises a number of technologies developed by the founding scientists, including prescription drugs for dermatology and oncology, medical and research laser technologies, and advanced biotechnology methods. In the area of prescription drugs, these technologies may lead to new products for treatment of chronic, severe skin afflictions such as psoriasis, acne and actinic keratosis, along with a number of life-threatening cancers, such as liver and breast cancer.

Laser technologies include methods for non-surgical destruction of certain skin cancers and for improvement of image quality of certain biomedical imaging systems. Advanced biotechnology methods include technologies that may be useful for enhanced vaccine production. "Obtaining ownership of Photogen's therapeutic technologies should allow us to fully implement the business plan for Provectus," commented Provectus' CEO,

Craig Dees. Provectus Pharmaceuticals will be licensing and selling products in three sectors of the health-care industry: 1. prescription medications and treatment, 2. medical devices, and 3. over-the-counter (OTC) pharmaceuticals. Prescription drug products and devices will treat diseases of the skin and many types of cancer. OTC products will address complementary markets, primarily those involving skin care and comfort.

11/14 **El.En.** closed the first nine months of year 2002 with a strong increase in sales and profitability. The quarterly report shows that for the nine months, revenues equal 34.8 millions of euros, up 78% compared to the corresponding period of 2001. The sales increase was due to the contribution of the US company **Cynosure Inc.** Without the consolidation of the recently acquired Cynosure, the sales increase was 34%, well above the forecasted performance. Consolidated sales in the medical laser segment marked a 75% increase (around 27% without Cynosure). Sales were also good for the industrial laser segment, with a 50% increase notwithstanding the market stagnation. Profit margins were significantly improved with respect to the first nine months of year 2001, both with and without including Cynosure. Gross profit was equal to 17.8 millions of euros, around 50% of the value of production, and marked a significant 88% increase including Cynosure (33% without). EBITDA was 4.2 millions of euros, up 65% and with a 12% impact on the Value of production; EBITDA without Cynosure increased by 78% with a 17% impact on the Value of production. EBIT was 2.4 millions of euros, up 45% with a 7% impact on the Value of production. Profit before taxes was 3.4 millions of euros, up 27% from the first nine months of 2001. The net financial position stayed positive for over 21 millions of euro, and "allows the group –- the general manager Andrea Cangioli said -- to design without cash constraints its development and expansion, even through extraordinary M&A transactions finalized to the acquisition of companies or the launching of cooperation or joint ventures to operate on specific geographical markets or application niches for our laser systems".

"The current trend in the group's performances -– the president Gabriele Clementi said -- allows us to confirm the forecast set upon the acquisition of Cynosure. The better than forecasted results achieved by the group with Cynosure allows to confirm the revenue growth forecast, notwithstanding the uncertainty that still hits the American market and consequently Cynosure's performances".

The consolidated financials for the third quarter 2002 reported sales of 13.7 millions of euros, up 126% with respect to the third quarter of year 2001 (up 49% without Cynosure), a gross margin of 7.5 millions of euros (up 167%), an 1.6 millions of euros EBITDA (up 129%), a 0.8 millions of euros EBIT (up 91%). Gross investments for the third quarter were equal to 0,4 millions of euros, while from the beginning of the year the group approximately invested 1.7 millions of euros in fixed and financial assets.

11/14 **Miravant Medical Technologies** announced consolidated financial results for the third quarter ended September 30, 2002. Revenues and interest and other income for the third quarter decreased to $29,000 from $783,000 for the same period in 2001. The net loss for the quarter was $3.9 million (19 cents per share) compared to a net loss of $4.9 million

(26 cents per share) for the same period last year. As of September 30, 2002 the company had cash and cash equivalents of $2.0 million.

On July 12, 2002, Miravant's common stock began trading on the OTC Bulletin Board, effective with its delisting from the Nasdaq National Market. On August 28th, 2002, the company completed a round of new financing consisting of the sale of $2.5 million of unregistered shares of common stock and warrants. Gary Kledzik, chairman and CEO, said, "In regard to Miravant's cash position, our plan is to raise operating capital incrementally while we continue discussions with potential corporate partners in ophthalmology and other specialties. During the third quarter, we were pleased to announce encouraging clinical results of PhotoPoint SnET2 for the treatment of macular degeneration, after an in-depth analysis of phase III clinical data. The results show that PhotoPoint performed well in select populations of patients, stabilizing or improving vision. These findings are important to Miravant's future direction, and we are in the process of discussing them with the FDA. The work of our cardiovascular team with new generation drugs is very exciting. Our scientific results support PhotoPoint's use as a potential treatment for vulnerable plaque (VP), probably the largest unmet opportunity in cardiovascular medicine today. Cardiologists now recognize that the majority of heart attacks are caused by rupture of this highly unstable form of arterial plaque, generating intense interest in VP prevention, detection and treatment."

On August 27, 2002, Miravant announced additional safety and efficacy information for PhotoPoint SnET2 from the phase III clinical trials for wet age-related macular degeneration, the leading cause of blindness in older adults. While the drug did not achieve the primary efficacy endpoint when all patients were included in the top-line analysis, certain subsets of patients demonstrated stabilized or improved visual acuity compared to placebo at two years. These findings were supported by angiography data that showed a marked reduction in lesion area and leakage in treated patients compared to placebo-controls throughout the two-year study. Safety observations were also positive, supporting that the PhotoPoint treatments were well tolerated.

Miravant's cardiovascular team moved forward, presenting favorable preclinical results for PhotoPoint drugs in restenosis and atherosclerosis/vulnerable plaque at *Transcatheter Cardiovascular Therapeutics (TCT)*, Washington D.C, a major international conference held in September. Further results will be presented in November at the *American Heart Association*, Chicago. In dermatology, Miravant continued to enroll patients in a phase II clinical trial, treating plaque psoriasis patients with topical drug PhotoPoint MV9411. The study is designed to determine optimal drug and light dosimetry. Psoriasis is a chronic skin condition with no known cure, in which the immune system triggers accelerated growth of the epidermis, causing inflamed, scaly skin plaques. Miravant is also working in a rapidly growing area of cancer therapeutics, targeting networks of blood vessels that support the growth of all solid tumors. PhotoPoint drug MV6401 achieved selective shutdown of tumor blood vessels and long-term tumor growth delay in an orthotopic breast tumor model. The company's oncology research was published as

a cover article in the August 1st issue of *Cancer Research*, Miravant's second such cover article in this prestigious publication this year.

Adding to Miravant's extensive intellectual property portfolio, two new patents were issued during the third quarter. The first is a composition of matter patent covering a series of compound classes that have proven to be highly potent in advanced preclinical models, including dermatology drug MV9411 and oncology drug MV6401. The second is a very broad method patent covering processes for large-scale production of photoreactive compounds and their intermediates.

11/14 **Axcan Pharma Inc.** announced fiscal 2002 net revenue growth of 27% to $133.2 million and net earnings of $20.9 million (50 cents per share) representing 82% growth in net earnings and 61% growth in earnings per share, as compared to fiscal 2001 (all amounts stated in U.S. dollars). The company also reported fourth quarter fiscal 2002 net revenue growth of 34% to $38.3 million and net earnings of $6.9 million (15 cents per share) representing 58% growth in net earnings and 25% growth in EPS as compared to the same period in fiscal 2001. "We are pleased to announce the completion of another strong quarter and fiscal year," said Leon Gosselin, president and CEO. "Fiscal 2002 marked the achievement of numerous significant milestones. In addition, the continued leadership of our North American franchise in gastroenterology provided a foundation for future growth. Our scientific affairs group advanced significant product development projects, PHOTOFRIN and HELICIDE, for which we expect to obtain approval in various territories in 2003. As we progress into 2003, we remain focused on the growth of our core brands, the strength of our pipeline and the potential for additional acquisitions in North America and Europe."

Key sales figures for fiscal 2002 included:

- Sales of PHOTOFRIN and other products in North America amounted to $13.6 million. The company expects growth in PHOTOFRIN when the product is launched for the indication of high-grade dysplasia associated with Barrett's Esophagus, which is expected during fiscal 2003.

11/15 **Cell Robotics International, Inc.** announced financial results for the third quarter and nine-month period ended September 30, 2002. The company reported an increase in product sales of $75,214, or 19% to $477,277 for the third quarter of 2002 compared with product sales of $402,063 in the third quarter of 2001. During the second quarter of 2002 the company reported product sales of $104,130. The third quarter product sales of $477,277 show an increase of $373,147, or 358% compared to the sales reported in the second quarter. Gary Oppedahl, the company's president and CEO, stated, "I am pleased that the company's new marketing emphasis has resulted in increased sequential sales this quarter over last. Based on over $700,000 of backorders and the fact that our products are being evaluated by several large institutions, we believe that our sales will continue to grow quarter over quarter."

The company's product sales for the nine-month period ended September 30, 2002 were $976,330. This represents a $31,123, or 3%, decrease in product sales when compared to product sales of $1.0 million in the nine-month period ended September 30, 2001. The company reported a net loss of $567,188 (5 cents per share) for the quarter, that was comparable to the net loss of $499,974 (5 cents per share) for the third quarter of 2001. The company's results for the nine-month period showed an improvement over the same period in 2001. The net loss was $1.5 million (14 cents per share). This represented an improvement of $465,530, or 23%, when compared to the net loss of $2.0 million (20 cents per share) in the same period of 2001.

Oppedahl continued, "As the numbers in this earnings release indicate, we have begun to increase sales and the company has reduced its operating expenses for the nine-month period ending September 30, 2002 when compared with the same period in 2001. I believe Cell Robotics is on the right track and that the protection our Lasette affords to health-care workers and the quality of life enhancements it can provide means continued increased exposure will result in increased sales. The Infant Lasette, the newest addition to the Lasette product line has now passed phase I of its clinical trial to test its application for infant use. As a result, the company believes it is on track to begin commercial sales in the second quarter of 2003. The company believes that the number of blood analysis conducted for newborns presents a significant opportunity to eliminate the risks associated with using present blood sampling techniques."

The most recent product, the FDA cleared "UltraLight" laser skin refreshener has completed its first field trial by one of the top dermatologists in the country, Dr. Tina Alster of the Washington Institute of Dermatologic Laser Surgery, with excellent results. The company now has firm orders for this new product and will begin shipments in the fourth quarter. As previously announced, the company is now pursuing new strategies which it believes will greatly increase market penetration in the home market for its FDA-cleared Lasette early next year. The company is vigorously pursuing Medicare and third-party insurance reimbursement and is now exploring financing alternatives for the home use market. These combined steps are expected to facilitate increased acceptance of this needle-free method for obtaining blood samples for glucose monitoring by the greater than five million Americans suffering with diabetes, who now use needles to test their blood on a daily basis.

11/15 **American Medical Technologies, Inc.** reported financial results for the three month and nine month period ending September 30, 2002. During the quarter, the company had revenues of $2.0 million compared to $2.6 million for the same period in 2001, a decrease of 23%. The company had revenues of $7.8 million for the nine-month period compared to $10.8 million for the same period in 2001, a decrease of 28%. For the nine-month period, domestic revenues declined 18%, while international revenues declined 51% over the same period. The decrease in domestic revenues was primarily attributable to the continued decline in unit sales under the direct sales model and a slowdown in sales activity during the initial transition back to the dealer sales model. The decline in international sales was primarily due to the expiration of the distributor

agreement with the company's former Japanese distributor in 2001. While the company continues to seek a new distributor for its products in Japan, there have been no agreements signed to date.

For the quarter, the net loss was $857,674 compared to a net loss of $1.2 million for the same period in 2001. The reduction in losses for the three-month period was primarily due to reduced expenses resulting from the implementation of the restructuring program in 2002. For the nine-month period, the net loss was $4.2 million compared to a net loss of $1.9 million for the same period in 2001. This increase was the result of the continued decline in sales and the charges related to the adoption of the restructuring program.

The company is also currently in the process of transitioning its domestic sales business model to revert to selling through established dental dealers. On October 3, 2002 the company announced that it had entered into a dealer distribution agreement with **Sullivan-Schein Dental**, which is now promoting the company's dental products through their nationwide sales force. Sales in 2002 are also impacted by the delayed release of the company's Cavilase hard tissue laser. Limited Cavilase units were shipped on or near March 28, 2002, but such units were returned to the company upon discovery of a problem with the hand piece. The company continued to develop the Cavilase during the second and third quarters to address this problem. In early June 2002, a further problem with the hand piece was discovered which resulted in additional delays in the release of the product. Several Cavilase units were shipped in July and August of 2002, but additional problems were discovered with the resonators and handpieces, which caused the majority of those units to be returned. The company continues to address the problems with the Cavilase, but is unable to determine when shipments of Cavilase units will begin again.

11/15 **Photogen Technologies, Inc.** announced the closing of transactions to split off its therapeutic business and sell $9.0 million of its common stock. The company also announced the appointment of William McPhee and Alan Watson, to its Board of Directors and that Aidan King and Eric Wachter, are no longer directors. In addition, the company instituted a one for four reverse split of its common stock.

"We are very pleased to complete these transactions in what by all accounts is an extremely difficult market," said Taffy Williams, president and CEO of Photogen. "As a result of this financing we have significantly improved our balance sheet and, very importantly, we are now debt free. The corporate restructuring enables us to focus our efforts on the cardiovascular imaging and lymphography markets that we believe have significant unmet medical needs and potential. In addition, our two new Directors bring a wealth of experience and contacts to support and help guide our clinical programs."

Photogen sold $9.0 million of its common stock to certain institutional investors led by **Mi3 LP** of Wellesley, MA and including **Oxford Biosciences** of Boston and **Tannebaum LLC** of Chicago. The purchase price was $0.27 per share (on a pre-reverse-split basis). In conjunction with the sale, all of the company's outstanding debt and its Series B

Preferred Stock have been converted into common stock. Photogen also split off its photodynamic therapy and laser device business to five founding shareholders in exchange for all their common stock holdings in the company, which represented 52.9% of its outstanding shares. Photogen will now focus its resources on developing PH-50, its novel cardiovascular imaging agent designed to significantly improve images of the heart and vasculature with computed tomography (CT) machines and N1177 for use in lymphography. N1177 is being developed in a joint venture with **Elan Corporation** and certain affiliates. Elan, through its Nanosystems unit, also manufactures the two products for Photogen utilizing its proprietary nanoparticulate milling technology. Photogen also implemented a one for four reverse split of its common stock. Following the reverse split and taking into consideration the split-off and financing transactions, the company's outstanding common stock totaled approximately 13.5 million shares.

11/19 **Lumenis Ltd** announced it had received a waiver for its debt coverage covenant in its three financing agreements with **Bank Hapoalim, B.M.** under which approximately $176 million was outstanding as of September 30, 2002. In its agreements, the company is required to maintain a ratio of debt, as defined, to EBITDA, as defined, of less than three times. As of September 30, 2002 this requirement has been waived. The ratio has been revised to a maximum of 3.7 times for the quarter ended December 31, 2002. Additionally, the interest rate on borrowings under the $35 million revolving credit facility will be increased by 1.25% to LIBOR plus 2.25% effective November 19, 2002.

11/19 **Miravant Medical Technologies** announced that Dr. Ron Waksman, Associate Chief of Medicine at Washington Hospital Center, presented preclinical results of Miravant's treatment in development for atherosclerotic vulnerable plaque (VP), at the *American Heart Association (AHA)* meeting, Chicago. The studies, directed by Dr. Waksman at the Cardiovascular Research Institute, Washington Hospital Center, show that intracoronary PhotoPoint PDT significantly depletes problematic inflammatory plaque cell populations. In advanced preclinical models, PhotoPoint PDT induces apoptosis (cell depletion without inflammation or swelling), reducing macrophages associated with plaque. These and earlier studies suggest that PhotoPoint PDT may prove useful in stabilizing VP, the highly unstable, rupture-prone plaque in arteries that causes a majority of catastrophic heart attacks and many strokes.

Robert Scott, MD, president of subsidiary **Miravant Cardiovascular, Inc.**, commented, "Today Dr. Waksman presented results that support PhotoPoint's ability to reduce problematic inflammatory cells in atherosclerotic plaque. We have previously presented studies demonstrating that PhotoPoint PDT reduces lipids in plaque and improves the mechanical integrity of vessel walls. The procedure uses Miravant's novel intracoronary catheter in combination with our proprietary photosensitizing drug, and may be applied to either focal or diffuse lesions and multi-vessel disease. The above characteristics suggest that PhotoPoint PDT may well play a future role in the treatment of patients with vulnerable plaque.

"Multiple efforts are underway to develop diagnostic techniques for the detection and risk stratification of patients with VP. Miravant's endovascular catheter is compatible with these emerging diagnostic procedures, such as optical coherence tomography and thermography. Our goal is to develop a simultaneous procedure for VP detection and treatment. Ultimately, we share the goal of other innovators in this area to eventually produce therapies that reduce the incidence of heart attacks and improve patient outcomes."

The abstract of the AHA presentation and other scientific abstracts are posted at **www.miravant.com**.

Miravant's intracoronary PhotoPoint PDT, currently under preclinical investigation, employs light activation of a photosensitizing drug to produce cytotoxic free radicals. Low power activating light is produced by Miravant's semi-conductor based diode laser and delivered via a novel guidewire-compatible endovascular light delivery catheter. As reported by Dr. Waksman at AHA, PhotoPoint PDT with drug MV0611 causes significant depletion of plaque cell populations in atherosclerotic lesions of hypercholesterolemic rabbits, which may potentially regress and/or stabilize lesions. PhotoPoint-induced apoptosis yields reduced lipid burden and reduced macrophage cells in this model. Furthermore, PhotoPoint PDT inhibits neointimal hyperplasia after angioplasty in porcine coronary arteries and may also be a potential therapy for the prevention and treatment of clinical restenosis. In addition to the efficacy achieved in both atherosclerotic and restenosis animal models, the PhotoPoint procedure appears to be well tolerated with no evidence of post-treatment inflammation, thrombosis, surrounding tissue damage or related clinical symptoms. The photoselective treatment effect is confined to the media and adventitia while allowing arterial healing responses (endothelial healing with an absence of negative remodeling).

In other studies in rat carotid arteries, PhotoPoint drug MV0633 reduces vascular smooth muscle cell density at the treatment site without weakening of structural integrity. These data suggest that intravascular PhotoPoint PDT has positive strengthening effects on the arterial wall via collagen cross-linking, which may be a beneficial aspect of PhotoPoint therapy.

11/20 **Provectus Pharmaceuticals Inc.** announced the acquisition of **Valley Pharmaceuticals Inc.**, a therapeutics business. Valley Pharmaceuticals, a Tennessee corporation, was transferred to the founders of Provectus as a result of their corporate split from **Photogen Technologies Inc.** The acquisition was accomplished via merger with a Provectus subsidiary. The resulting company, **Xantech Pharmaceuticals Inc.**, is a wholly owned subsidiary of Provectus Pharmaceuticals.

"We are immensely pleased to have completed acquisition of these key technologies, which resulted from our intensive research and development efforts over the past several years," noted Provectus president Timothy Scott. Xantech is a development-stage business with a portfolio of technologies that includes prescription drugs for dermatology

and oncology, medical and research laser technologies, and advanced biotechnology. In the area of prescription drugs, these technologies may lead to new products for treatment of chronic, severe skin afflictions such as psoriasis, acne and actinic keratosis, along with certain life-threatening cancers, such as liver and breast cancer. Laser technologies include methods for non-surgical destruction of melanoma tumors and for improving the quality of the images in biomedical imaging systems.

11/25 **BriteSmile, Inc.** announced that its principal shareholder, **LCO Investments Limited**, and John Reed and Bradford Peters, have provided loan financing of $4 million. John Reed is the CEO of BriteSmile. Messrs. Reed and Peters, as well as Anthony Pilaro, the chairman of LCO, also serve on the Board of Directors of the company. The loan is to fund operating expenses and other costs associated with the company's servicing of domestic and international Associated Centers.

11/25 The **American Academy of Cosmetic Surgery (AACS)** announced that hundreds of physicians will gather to discuss the evolution of cosmetic surgery at its 19th Annual Scientific Meeting, "Examining Our Past ... Facing Our Future", that will be held at the Westin Mission Hills Resort in Rancho Mirage, California starting on January 23, 2003. AACS continues its commitment to education by bringing together a multi-disciplinary faculty to explore developments in all fields of medicine. Keynote speakers Jonathan Vogle, MD, and William Rodman Shankle, MD will address issues outside the common scope of traditional cosmetic surgery in "Stem Cell Research & Its Application to Cosmetic Surgery," and "The Future of Alzheimer's Research." Other internationally renowned speakers include Tina Alster, MD, Henry Baylis, MD, Calvin Johnson, MD, Toby Mayer, MD, and Howard Tobin, MD. An intense and varied educational program will investigate the latest advances in technology as well as evaluate treatments that have withstood the test of time. The full scope of facial and body rejuvenation will be explored, including contemporary treatments such as "Open Structure Rhinoplasty," "Liposculpting," "Endoscopic Breast Augmentation," and "Chemical Rejuvenation of the Skin."

MEDICAL/SURGICAL LASER UPDATE -- December 2002

11/14 **Diomed Holdings, Inc.** announced financial results for the three months ended September 30, 2002. The net loss for the quarter was $1.6 million (11 cents per share) compared to a net loss of $2.0 million (22 cents per share) for the same period in 2001. Revenue for the quarter was $1.9 million, compared to $1.3 million for the same period in 2001. Revenue in the third quarter of 2002 included $1.1 million in EVLT product sales for lasers and disposables as compared to $530,000 in the second quarter of 2002, principally due to the commercialization of EVLT in the US and the company's hiring of a direct sales force following FDA clearance in January 2002. Research and development expenditures for the quarter were $0.3 million compared to $0.2 million for the same period in 2001. Selling and marketing expenses for the quarter were $1.0 million compared to $0.7 million for the same period in 2001, principally due to the staff and recruiting costs associated with hiring a direct sales force, and marketing initiatives in

support of commercialization of EVLT in the US. General and administrative expenses for the quarter were $0.9 million compared to $0.6 million for the same period in 2001.

The company anticipates that it will have sufficient cash or access to additional funding sources to fund operations through December 2002, based on the proceeds of the private placement financing related to the Merger and dependent upon the company's ability to achieve its business plan pertaining to the commercial success of EVLT post-FDA clearance. To fund its operations in 2003, the company will need to complete a debt or equity financing or put in place a credit facility. The company will require the proceeds of any such financing, together with its current cash resources, to continue as a going concern, and will use these proceeds to fund its operations and commercialize its products in 2003. Additional financing may not, however, be available on acceptable terms or at all. The inability to obtain additional financing would cause the company to reduce or cease operations, sell all or a portion of its assets, seek a sale of the company or enter into a business combination with a third party.

11/28 According to *Globes* -- **www.globes.co.il**, **Syneron Medical** announced that its Polaris DS device for non-invasive hair removal had received CE Mark approval for sales throughout Europe. Polaris DS is based on proprietary Electro-Optical Synergy technology, called ELOS, which combines optical energy and electrical energy. ELOS technology also provides the basis for several other aesthetic medical systems from Syneron, including the Aurora DS hair removal system and Aurora SR skin rejuvenation system, which utilize a combination of light and conducted RF energies. Aurora DS and Aurora SR have already received both CE Mark and FDA clearance. The company is now in the process of applying for FDA approval on Polaris DS.

According to Syneron, Polaris DS is unique in its use of both diode laser (light) energy and conducted RF energy for effective, safe and comfortable hair removal. The company said it would immediately begin Europe- wide sales efforts on the Polaris device.

In a lawsuit filed October 28 in United States District Court for the Central District of California, Israeli medical equipment firm **Lumenis** sued Syneron, its subsidiaries and 10 unknown defendants for infringement of the company's US patents. The suit sought unspecified damages as well as "a preliminary and permanent injunction against the continued infringement of these patents". On November 3, Syneron said Lumenis's request for a temporary restraining order had been dismissed by a US federal judge.

12/2 **Axcan Pharma Inc.** announced that it had received an approvable letter from the FDA for PHOTOFRIN in the treatment of High Grade Dysplasia associated with Barrett's Esophagus. An FDA approvable letter typically indicates that the agency intends to approve the New Drug Application (NDA). In the letter the FDA stated that it had reviewed the PHOTOFRIN NDA and requested further clinical information mostly relating to 24-month follow-up data. The additional information pertaining to long-term data has been submitted to the FDA and additional information will by submitted by the end of the month. Final approval is expected to be issued in the next few months.

"This is a very important milestone for the company and we are pleased that the approval process for PHOTOFRIN is coming to a close," commented Dr. Francois Martin, senior vice president, Scientific Affairs of Axcan. "We look forward to the approval of our product in the United States and we are excited about moving one step closer to launching this product for a condition that remains untreated and for which the only alternative is esophagectomy. In addition, long-term study results confirm that PHOTOFRIN photodynamic therapy (PDT) significantly reduces the likelihood for patients suffering from High Grade Dysplasia related to Barrett's Esophagus to see their condition progress to cancer and that PHOTOFRIN PDT can potentially be used as a means to prevent esophageal cancer," he added.

The NDA filing was based on a 208-patient study conducted in North America. 138 patients in the PHOTOFRIN PDT group and 70 patients in the comparative group were followed for a minimum 2-year period (median 3.5- year). Esophageal cancer occurred in only 13% of patients treated with PHOTOFRIN PDT compared to 27% of patients treated with omeprazole alone, a 52% reduction that is highly statistically significant (p less than 0.02). "The absolute risk reduction of progression to cancer of 14% would suggest that the number of patients needed to be treated to prevent 1 progression to esophageal cancer is only 7", concluded Dr. Martin.

12/3 According to **Medical Insight, Inc.**, *Forbes* magazine has published the first news report on a novel light-based technology that is poised to evolve into sophisticated aesthetic treatment devices for the physician and home consumer markets. A feature article in the December 9th issue of Forbes included an exclusive interview with David McDaniel, MD, inventor of the GentleWaves LED-based treatment and founder of **Light BioScience, LLC** (Virginia Beach, Va.). GentleWaves is a new light-based, non-thermal photorejuvenation procedure designed to improve the appearance of photoaged or environmentally damaged skin in all ethnic skin types. This proprietary patent-pending Photomodulation process utilizes non-laser, light-emitting diodes (LEDs) operating at specially calibrated parameters which are thought to photoactivate or photoinhibit the normal cellular activity of living cells. Light BioScience is completing long-term follow-up on a multicenter clinical study of 90 photoaged patients. Each patient received a total of eight treatments. "We've also performed skin biopsies that show actual collagen production in the papillary dermis within weeks of beginning treatment," noted Robert Weiss, MD, an assistant professor of dermatology at Johns Hopkins University School of Medicine and clinical investigator for the company.

Light BioScience expects LED Photomodulation to be commercially available by early 2003 at prices significantly lower than technologies and treatments currently on the market. Data from the on-going photo-aging studies will also be submitted to the FDA. Michael Moretti of Medical Insight, an aesthetic industry analyst and author of the Global Aesthetic Market, predicts that "LED technology will evolve rapidly as an alternative medical light source which is far less expensive to manufacture than lasers. With the low cost of manufacturing, and ability to mass produce LED devices, these products could

be sold directly to consumers for home treatments within a relatively short period of time."

12/4 **Diomed Holdings, Inc.** announced that it had received FDA approval for expanded indications for use of Endovenous Laser Treatment (EVLT), including Diomed's D15plus and D30plus diode lasers and disposable kits for the treatment of varicose veins and varicosities associated with the superficial vein reflux of the Greater Saphenous Vein. Previously, on January 22, 2002, Diomed received FDA clearance for the use of EVLT for the closure of the Greater Saphenous Vein with superficial reflux. Diomed is the first company to receive FDA clearance for the laser-based treatment of varicose veins.

The company also reported that **Axcan Pharma, Inc.**, Diomed's photodynamic therapy (PDT) collaborative partner, had received an approvable letter from the FDA for Axcan's drug PHOTOFRIN, used in conjunction with Diomed's 630 nm PDT laser and Optiguide disposable fibers, in the treatment of High Grade Dysplasia associated with Barrett's Esophagus. (See the Axcan brief above.)

12/9 **Syneron Inc.** filed a cross-complaint against **Lumenis Ltd.** alleging trade disparagement, intentional interference with prospective economic advantage and unfair competition. The claim is seeking a judgment of at least $7 million in compensatory damages and an unspecified amount for punitive damages to be determined at a later date. "We are disappointed that we had to resort to a counter claim against Lumenis to defend our company," commented Domenic Serafino, president of Syneron Inc., North America. Serafino added, "From the beginning, we have called upon Lumenis and its management to allow the marketplace to decide which company has the best technology and programs. Unfortunately, Lumenis continues to feel compelled to use the judicial system instead of competing fairly in the marketplace. As the industry giant, we believe that Lumenis did not need to resort to the tactics we have seen their organization use in the field. It has hurt the entire sector, not just Syneron. Syneron is committed to providing our customers affordable innovative technologies. We believe that we are changing the way the industry does business with physicians; a change that is long overdue."

12/11 **Laserscope** announced that the treatment phase of its multi-site clinical evaluation of the Niagara PV Surgical Laser System used for the Photo-Selective-Vaporization of the Prostate (PVP) in the minimally invasive treatment of Benign Prostatic Hyperplasia (BPH), is complete. The study was initiated by Laserscope to further validate that the operative speed, unmatched clinical results, durability, safety, and patient satisfaction of the PVP procedure for BPH, known as enlarged prostate, as demonstrated in the Mayo Clinic study over the past 4 years, could be replicated in the hands of other physicians.

"The findings of this study represent a significant achievement because it clearly demonstrates the ability to successfully replicate the outstanding clinical outcomes achieved in the Mayo Clinic study, thus paving the way for broader expansion of the PVP procedure into the BPH market," said Eric Reuter, Laserscope president and CEO. Over the past year, 145 patients were treated at six centers, including the Cleveland Clinic

(Cleveland, Ohio), Cornell University/New York Presbyterian Hospital (New York, New York), Pennsylvania Hospital, (Philadelphia, Pennsylvania), Rhode Island Hospital (Providence, Rhode Island), McGuire Veterans Administration Medical Center (Richmond, Virginia), and Oakwood Annapolis Hospital (Wayne, Michigan). To date, immediate post-operative and preliminary follow-up clinical results achieved during this multi-site study closely match those results achieved during the pivotal Mayo Clinic clinical trial for similar time frames. Detailed clinical results and statistics are being withheld by the investigators in order to preserve the opportunity to publish these results in future peer reviewed literature.

"The single-site Mayo Clinic results were highly acclaimed, generated a great deal of excitement in the urology community, and established a strong launching pad for the PVP procedure," added Reuter. "We are very excited to have completed this important milestone and to have the preliminary findings from our multi-site trials match the extraordinary results achieved by Dr. Reza Malek in his long term single-site Mayo Clinic study."

The Niagara PV product and PVP procedure were developed by Laserscope to address a tremendous market need for a satisfactory solution for BPH patients. Currently, only treatment steps are offered for the management of BPH. Over 13 million men in the United States alone are diagnosed with BPH each year and over 2 million seek treatment. Currently about 10% of these treated patients require or request surgical intervention. The Niagara PV system uses a unique and proprietary combination of a specific wavelength of high energy 532 nanometer (green) laser light through a single-use sterile fiber optic delivery device. The PVP procedure is a minimally invasive outpatient treatment that usually takes less than 30 minutes to perform. A catheter is often not required and patients are ambulatory immediately after surgery. PVP provides the patient with immediate symptom relief, has low risk of side effects, and is minimally invasive. U.S. patents are pending.

12/18 **BriteSmile, Inc.** announced that its board of directors had authorized a reverse stock split, to be effected at a ratio of one-for-twenty (1:20), subject to approval by the company's stockholders. The record date for determination of stockholders entitled to vote on the reverse split is December 24, 2002. On a pre-split basis, BriteSmile current has approximately 36.4 million common shares outstanding. "The reverse stock split will allow us to maintain our listing on the Nasdaq, which is a top priority for BriteSmile and our stockholders," stated John Reed, CEO. "Given our current stock price and after reviewing several options, we believe that our current capital structure justifies a reverse stock split at this time."

The board of directors intends to ask several affiliates, which collectively own more than 50% of the company's issued and outstanding common stock, to sign a consent resolution authorizing the reverse split. The board anticipates that the affiliates will authorize the reverse split, which would reduce the cost and time required to conduct a shareholder meeting to approve the reverse split. If the affiliates approve the reverse split, the

company will file an Information Statement with the Securities and Exchange Commission describing the reverse split and its effects and then provide a copy of the Information Statement to all shareholders at least 20 days before the reverse split occurs.

12/19 **Syneron Medical Ltd.**, and its European subsidiary, **Syneron GmbH**, announced that Syneron had received CE Mark approval for its Polaris WR system wrinkle removal system. This latest approval, a third for the company's Polaris family of medical aesthetic systems, covers wrinkle removal, wrinkle smoothing and skin texture improvement. It comes on the heels of CE Mark approval for the Polaris DS hair removal system and the Polaris LV leg vein removal system (announced on November 28 and December 4, respectively). CE Mark approval of Polaris WR enables Syneron to market the system throughout Europe as part of a comprehensive medical aesthetic treatment offering. Syneron's other systems, the Aurora DS hair removal system and the Aurora SR skin rejuvenation system, received both CE Mark and FDA approvals earlier this year. The company is currently applying for FDA approval on all three of its Polaris systems.

All Polaris systems are based on Syneron's proprietary ELOS (Electro-Optical Synergy) technology, which combines optical energy and electrical energy. The Polaris family is differentiated from other aesthetic medical treatment systems by its unique use of diode laser energy together with conducted RF energy. Aurora systems are unique in their use of light energy and conducted RF energy. "ELOS technology, the foundation of the Polaris WR system, offers an excellent methodology for anti-aging treatments such as wrinkle removal and smoothing," said Hans Edel of Syneron GmbH. "This new combination of energies produces superb results with lower optical energy levels, thus improving patient safety and comfort."

"At Syneron, we are very invigorated by this most recent European regulatory clearance. Our Europe-wide marketing is already well underway for the previously approved Polaris and Aurora systems and is proving very successful. We expect to receive a similar positive response to the Polaris WR system," concluded Edel. Moshe Mizrahy, CEO of Syneron Medical, added: "The various European and US regulatory approvals received for Syneron systems validate our strong belief in the value of ELOS technology for a broad range of aesthetic medical applications. Now that we have finished development of all three Polaris systems, Syneron now has two complete families of solutions that each cover the full range of medical aesthetic applications, from hair removal through to all types of skin rejuvenation."

12/23 **PhotoMedex, Inc.** announced that the *American Medical Association (AMA)* had published three new CPT codes covering XTRAC laser therapy for inflammatory skin disease and the applicable descriptors on their web site: **www.ama-assn.org/cpt/online**. In addition, the *Centers for Medicare and Medicaid Services (CMS)* have published on their website, **www.cms.gov**, the corresponding relative values and national Medicare reimbursement rates for each of these codes. The national payment rate is adjusted to reflect local cost variations, so there are slight differences in rates across the country. The new codes are

effective, January 1, 2003. The designation for Laser treatment for inflammatory skin disease (psoriasis) was broken into three distinct codes, based on total area being treated:

- 96920 - designated for: the total area less than 250 square centimeters. CMS assigned a national payment of approximately $142.51;
- 96921 - designated for: the total area 250 to 500 square centimeters. CMS assigned a national payment of approximately $145.97;
- 96922 - designated for: the total area over 500 square centimeters. CMS assigned a national payment of approximately $201.31.

The state rates will vary by overhead factors applicable to each state. Jeff O'Donnell, president and CEO commented, "We are pleased that the AMA and CMS have taken the necessary steps to make the XTRAC laser therapy available and affordable for patients with inflammatory skin disease. The publication of these codes and values confirms our understanding of the conclusions reached by the CPT Editorial Board and the AMA's relative value update committee earlier this year. This marks the completion of another milestone towards widespread reimbursement availability for mild to moderate sufferers of psoriasis and other inflammatory skin diseases in 2003. We believe that these reimbursement levels further validate our business model. The XTRAC for psoriasis is far superior to the existing therapies. It can deliver focused narrowband 308 nm wavelength at a higher intensity than broadband, non-laser or lamp alternatives, thereby reducing the number of patient treatments and the individual treatment times, without exposing the skin to UVB spanning broader wavelengths. We are proud of our product; and are pleased to note that there are several published clinical studies confirming the clinical efficacy and safety of the XTRAC."

The company also announced that it had completed its acquisitioin of **Surgical Laser Technologies**. PhotoMedex announced that holders of outstanding common stock of Surgical Laser Technologies, Inc. approved the merger of SLT into PhotoMedex at a special meeting, with approximately 97% of the votes cast approving the merger. Jeff O'Donnell, president and CEO, commented, "I am gratified that the SLT stockholders have seen the power behind the merger of these two contract medical procedures companies. We are ready to move forward and blend the combined companies into a single focused initiative to deliver superior value to our patients, doctors, employees and stockholders." Michael Stewart, SLT's president and CEO stated, "The complementary strengths of SLT and PhotoMedex provide a unique opportunity to reshape the medical device industry with the business model of the future. We are pleased that the SLT stockholders have given the Board of Directors and management their resounding support. At the end of the day, this merger is about growing into a large profitable procedures based company, and I believe we are now positioned to do so."

SLT is now a wholly owned subsidiary of PhotoMedex, and former holders of SLT common stock are entitled to receive 1.12 shares of newly issued PhotoMedex common stock in exchange for each share of SLT common stock they held, immediately prior to the effective time of the merger, with cash being paid in lieu of any fractional shares of

PhotoMedex common stock. As of December 27, 2002, the SLT common stock no longer trades on the Nasdaq Small Cap Market.

12/27 **Diomed Holdings, Inc.** announced it had completed a $2.0 million bridge financing through the sale of Notes maturing on January 1, 2004. The company issued Notes at par to **Gibralt US, Inc.** Samuel Belzberg, one of the company's directors, is an affiliate of Gibralt US, Inc. $1.0 million of the Notes are secured and $1.0 million are unsecured. The Notes are convertible into the company's common stock at the holder's option. The company also issued to Gibralt US, Inc. warrants to purchase up to 8.3 million shares of the company's common stock at an exercise price of $0.26 per share, which is 110% of the closing price of the company's Common Stock on December 26, 2002. The warrants expire June 27, 2008.