MEDICAL/SURGICAL LASER UPDATE -- January 2003

12/31 **CardioGenesis Corporation** announced that it was exploring several strategic options focused on securing clearance of its Pre Market Approval application for the PMR system from the FDA. The options include seeking a strategic investor/partner to support the steps necessary to reach a decision on the PMR application. This direction by the company is based on correspondence with the FDA regarding its major amendment to the PMR supplement, submitted on July 1, 2002. The FDA had informed the company, in what was termed a "not approvable letter," that additional information is required to further the approval process.

Chairman and CEO Michael Quinn said the company remains committed to working with the FDA to reach a final decision on the application as quickly as possible and that the company has been carefully reviewing the next steps in the process. Outside the United States, where PMR is approved for marketing, many people suffering from angina are already enjoying its benefits, Quinn noted. "We continue to believe that the scientific and clinical information provided in our most recent submission support the reasonable safety and efficacy of PMR," Quinn said, adding that the company appreciates the unwavering support of the PMR investigators and key independent clinical experts.

"We are disappointed that the PMR therapy is again delayed for the late stage angina sufferers in the United States who are not being helped with medication or other therapies. While the surgical approach to this therapy, called TMR, is gaining acceptance in the medical community, more than 2,000 patients outside this country have been treated with PMR-demonstrating it is a less risky and less morbid option." Quinn said the company would continue its drive to achieve its growth and profitability goals with the surgical TMR business. The clinical research that CardioGenesis continues to perform on the long-term effects of TMR will assist in accelerating the growth of that business, he added. "This regulatory delay requires us to achieve more in our surgical TMR business with our resources. We will continue to thoughtfully invest in the TMR business to achieve our short term business goals, while pursuing additional resources to support our efforts in achieving regulatory approval of PMR."

The company also announced that it will appeal the Nasdaq Staff Determination it received on December 27, 2002, that indicated the company failed to comply with the $1.00 minimum bid price requirement for continued listing of its common stock. CardioGenesis will request a hearing before a Nasdaq Listing Qualifications Panel to review the Staff Determination. Under applicable rules, the hearing request will stay the delisting of the company's common stock and, pending resolution of the appeal, the company's common stock will continue to be listed and will be traded on The Nasdaq SmallCap Market under the symbol CGCP. CardioGenesis intends to present a plan to the Panel for achieving and sustaining compliance with the Marketplace Rules, but there can be no assurance the Panel will grant the company's request for continued listing on The Nasdaq SmallCap Market.

1/2 **Candela Corporation** announced that its GentleYAG Nd:YAG long pulse hair and vascular lesion laser had received 510(k) marketing clearance from the FDA for the treatment of Pseudofolliculitis Barbae (PFB). PFB (also called razor or beard bumps) is a common skin condition around the bearded area of the face and neck of many men, with the highest incidence (at 60%) in African-Americans. PFB is caused when highly curved hairs grow back into the skin, causing inflammation due to the natural reaction to a foreign body. Gerard Puorro, Candela's president and CEO, commented: "The FDA clearance for the GentleYAG underscores not only the efficacy of our hair removal lasers, but also their versatility. PFB is an increasingly common dermatological condition and the GentleYAG represents an ideal solution to the problem."

According to Elliot Lach, MD, Director, Laser Surgery, University of Massachusetts Medical Center, Worcester, Massachusetts, the GentleYAG is ideal for treating dark skin types and PFB. "With GentleYAG, we need not be concerned over the type of laser for treating a particular skin type. We are able to focus solely on removing the hair itself and the GentleYAG is a good answer for short, wiry or thin hairs with a propensity to grow back onto itself and for those patients who are plagued by ingrown hairs."

1/6 **Edwards Lifesciences Corporation** announced that it had acquired **CardioFocus, Inc.'s** surgical business for treating cardiac arrhythmias. Edwards purchased from CardioFocus the surgical assets to treat cardiac arrhythmias using a proprietary, surgical "photonic ablation" laser technology. Cardiac arrhythmias, or heart rhythm disorders, are found in many patients suffering from advanced cardiovascular disease. The most common and serious of these arrhythmias is atrial fibrillation. In 2001, Edwards Lifesciences entered into an exclusive, multi-year agreement to develop and distribute products from CardioFocus utilizing the photonic ablation technology. Under the terms of the announced transaction, Edwards acquired the rights to all CardioFocus products in the field of cardiac ablation to surgically treat cardiac arrhythmias. Edwards also retained an equity investment in CardioFocus, a privately held company based in Norton, Massachusetts. CardioFocus retains its business involving the use of photonic ablation technology to treat atrial fibrillation percutaneously. This transaction is not expected to materially change Edwards' net income and earnings per share expectations for 2003. Financial details of the transaction were not disclosed.

CardioFocus, Inc., is a developer and marketer of proprietary disposable catheter products for the treatment of cardiovascular disorders using diffuse laser energy. The company's first products are used to treat atrial fibrillation, the most common cardiac arrhythmia, which affects over 4 million people in the developed world. CardioFocus technology is also used for photodynamic therapy, employing light activated drugs to treat cardiovascular, cancer and other diseases.

1/7 **Cell Robotics International, Inc.** announced estimated record revenues for the fourth quarter and record backorders exceeding total 2002 revenues. The company expects to report product sales for the fourth quarter of approximately $600,000 which would be an increase over the fourth quarter of 2001 of approximately $146,000 or 32%. On a

sequential basis, the $600,000 of fourth quarter product sales represented an increase of 26% over third quarter product sales of $477,000. The company expects to report revenues from the sale of products for 2002 of approximately $1.6 million as compared to 2001 sales of $1.5 million. Final results will be released in March 2003.The company has backorders of approximately $2.8 million for the Lasette and the "UltraLight" Laser. The company expects that these backorders will also produce additional revenues based on disposables associated with these products. Over half of these backorders are attributed to the "UltraLight" Laser. The company has now shipped the first 10 evaluation units of its newly developed "UltraLight" laser skin refreshener and expects to begin shipping the "UltraLight" Laser subject to the backorders beginning later this quarter after certain manufacturing clearances have been obtained.

The company also expects to submit its new "Infant Lasette" for FDA approval in the first quarter of 2003. The company expects that it will be ready to sell the "Infant Lasette" late in the second quarter or early in the third quarter of 2003. The Infant Lasette is a modified version of its unique "needle-free fingerstick" (the Lasette Plus) designed for drawing blood for testing purposes from the heel of an infant. The company believes that the number of blood analyses conducted for newborns presents a significant revenue opportunity by eliminating the risks to infants and their health care workers associated with using present blood sampling techniques by converting present users to the company's Infant Lasette product.

Gary Oppedahl, the company's president and CEO, stated, "I am pleased that the company's marketing program commenced in the second half of this year has resulted in a continuation of increased sequential sales for the last three quarters of 2002. Based on current firm backorders of almost twice total product sales for 2002 and continued growth of our marketing efforts, I believe that the company is poised to achieve substantial sales and profitability in 2003." The company continues to pursue strategies, including financing alternatives, to greatly increase market penetration in the home market for its FDA-cleared Lasette. The Centers for Medicare and Medicaid Services (CMS) is now conducting a review of the medical reimbursement for the Lasette. Therefore, the company believes that progress is taking place in the company's continuing effort to achieve a timely resolution of this matter. These combined steps are expected to facilitate increased use of this needle-free method for obtaining blood samples for glucose monitoring by the greater than five million Americans suffering with diabetes, who experience difficulty in using needles to test their blood on a daily basis.

1/8 **Candela Corporation** announced it had acquired substantially all of the assets of **Applied Optronics**, the diode division of **Schwartz Electro-Optics, Inc.** The company paid approximately $1.2 million in cash for the acquired assets.

Applied Optronics is a leading manufacturer of high-powered, pulsed and CW lasers, and is a component supplier to the OEM market that serves a variety of industries including the military, medical, industrial, research and robotics fields. Applied Optronics is the lead supplier of the diodes for Candela's Smoothbeam diode laser system. Commenting

on the acquisition, Candela president and CEO, Gerard Puorro said: "This acquisition secures a steady source for diodes for our Smoothbeam, and strengthens our research and development capabilities in diode technology. This is a tactical investment in our multi-application Smoothbeam diode laser system, which is cleared for the treatment of periorbital wrinkles and, more recently, for the treatment of acne. The Smoothbeam is also pending FDA clearance for the treatment of acne scars. Candela is committed to developing faster, smaller, more affordable devices. The combination of diode technology, coupled with our seasoned internal research and development team, allows us to continue being a leader in innovative technology."

1/9 **CardioGenesis Corporation** announced that the first long-term follow up data of a randomized, controlled TMR clinical trial showed that 96% of surviving patients exhibited an improvement (reduction in pain) of at least two angina classes five years after their initial TMR treatment. The data also showed that incremental reductions in pain occurred after one year. Keith Allen, MD, a cardiothoracic surgeon at St. Vincent's Hospital in Indianapolis, one of the two centers that have completed long-term follow up of the CardioGenesis Ho:YAG TMR versus Medical Management Trial, presented the five-year follow-up data in December at the *Global Angiogenesis Workshop* in New York, a scientific meeting of leading angiogenesis researchers from around the world. The data included all 94 randomized patients enrolled in the trial conducted at St.Vincent's and Louisville-based Jewish Hospital, two centers that were part of the pivotal clinical trial that served as the basis of the FDA approval of the CardioGenesis Ho:YAG system in March 1999.

The pivotal clinical trial was conducted at 18 centers and the 12-month results of the that trial, which were published in the *New England Journal of Medicine* in October 1999, showed that 76% of the patients treated with TMR improved at least two angina classes from their baseline. Five-year follow-up was conducted on all patients in the initial study at these two prominent cardiovascular centers and included a blinded angina assessment, which compared the medically managed group of patients with the TMR-treated group. CardioGenesis will continue to collect long term follow-up data from other centers included in the pivotal trial. Dr. Allen said the enduring relief from angina pain demonstrated by the new data should help dispel any lingering fears that TMR's benefits are transitory or due to a placebo effect. "This is clear evidence of the long lasting efficacy of TMR as a means of relieving the crippling pain of angina," Dr. Allen said. "I believe this dramatic improvement over time, increasing from 12 months to five years, should help support the awareness of TMR as a significant clinical tool and support a widespread adoption of the procedure for patients suffering from late stage cardiovascular disease."

Other highlights of the long term follow-up data included:

-- Mean angina class in the TMR treated patients consistently improved from 4.0 at baseline, to 1.5 (the larger number indicates more severe pain) at one year, and 1.1 at five years, a statistically significant improvement in angina status.

-- Survival at 5 years in the TMR group was 57% compared to 44% in the medical treatment group.

Dr. Allen noted that the study provides for the first time five-year follow up results on a prospective, randomized TMR clinical trial. Previously reported five-year results for the CO_2 TMR technology have been on a treated patient series only, with no follow up provided for the control group, and those results presented have been censored for patients who died or received additional revascularization procedures. Robert Dowling, MD, the principal investigator of the Ho:YAG TMR trial at Jewish Hospital, said the long-term persistent improvement demonstrated in the study provides important information for the cardiothoracic surgeon and referring physician. "Undergoing a surgical procedure includes inherent risks, and the long term persistent benefit of TMR demonstrated in this study provides significant validating data as to why TMR is an important and highly effective late stage coronary artery disease (CAD) disease treatment option. These 5 year results demonstrate the robust effectiveness of TMR with the CardioGenesis Ho:YAG system, providing an impressive level of scientific and clinical evidence supporting the use of this laser revascularization therapy."

Michael Mack, MD of Medical City Hospital in Dallas, who has utilized TMR since the approval of the CardioGenesis Ho:YAG system in 1999, said the results will support increased use of the system in the future. He characterized this evidence of the long-term benefit of TMR with the CardioGenesis Ho:YAG system as "A significant step forward in validating TMR as a relevant and increasingly important clinical tool in the treatment of late stage CAD. The cardiothoracic surgeon faces more complex clinical and technical challenges as patients suffering from CAD are being referred to surgery later in the progression of the disease. TMR is an innovative and effective tool to help the surgeon achieve optimal patient outcomes in the treatment of late stage disease."

CardioGenesis chairman and CEO Michael Quinn said the company is committed to continuing the important research into understanding the long-term effects of TMR and PMR, a catheter-based version of the treatment. TMR and PMR are the only late stage therapy options for this patient group that have been validated with a series of prospective, randomized clinical trials. "The quality and magnitude of these long-term clinical results provide overwhelming evidence supporting the use of TMR and effectively dispels the conjecture that the benefits may be transitory or a placebo. This data represents the first comprehensive report on the long term effects of TMR from a prospective, randomized study. CardioGenesis is again providing important scientific data to the medical community, showing substantial scientific evidence supporting the clinical application of our Ho:YAG laser technology -- which has not been made available to date for CO_2 TMR or other late stage therapeutic options. This study is clearly one of the most important clinical developments in the company's history as it provides us a new set of important tools to use in our campaign to expand the use of TMR."

Quinn added that the company is focused on growing the TMR business. "As the market leader, it is up to CardioGenesis to drive the awareness and adoption of TMR. Quinn remarked, "We are accomplishing this through important new studies that will provide patients and physicians with the data to make informed treatment decisions. We are encouraged at the progress we have made in 2002, and are working closely with clinicians and researchers to provide more important new research regarding the CardioGenesis Ho: YAG TMR system to the market going forward."

1/9 **American Medical Technologies, Inc.** announced that it had received a Nasdaq Staff Determination indicating that the company failed to comply with NASD requirements for continued listing, and that its securities are, therefore, subject to delisting from the Nasdaq SmallCap Market. The company has requested a hearing based on written submissions before a Nasdaq Listing Qualifications Panel to review the Staff Determination, which should take place next month. There can be no assurance that the Panel will grant the company's request for continued listing.

1/14 **DUSA Pharmaceuticals, Inc.** reported the signing of a License and Development Agreement with **Photonamic GmbH & Co. KG**, a recently formed subsidiary of **medac GmbH**, a German pharmaceutical company, and a Supply Agreement with medac. These agreements provide for the licensing to DUSA of Photonamic's proprietary technology related to aminolevulinic acid (ALA), the compound used in DUSA's Levulan Photodynamic Therapy (PDT) and Photodetection (PD) for particular indications. Under the terms of the License and Development Agreement, DUSA receives a license for the United States and several other countries, to use Photonamic's technology and data related to ALA for systemic dosing in the field of brain cancer and other indications which the parties may jointly develop during the term of their collaboration. Photonamic is currently conducting a European Phase III clinical trial in which ALA-induced fluorescence is used to guide surgical tumor resection in patients suffering from the most aggressive form of adult brain tumor, glioblastoma multiforme (GBM). Completion of these trials is expected within two years. DUSA's license covers both this primary clinical indication as well as other brain cancers. DUSA is also entitled to use the licensed technology including pre-clinical data in connection with other additional indications DUSA is developing on its own.

The Supply Agreement with medac covers medac's current systemic dosage formulation for use in brain cancer, Barrett's esophagus, if DUSA requires it, as well as other potential formulations which the parties may jointly develop. DUSA paid an up-front license fee, and will be obligated to pay certain regulatory milestones and royalties on net sales of a brain cancer product under the terms of the License and Development Agreement. DUSA will also purchase product under the Supply Agreement for mutually agreed upon indications. Should Photonamic's clinical studies be successful, DUSA will be obligated to proceed with development of the product in the U.S. in order to retain the license for the use of the technology to treat brain cancer. The estimated global annual incidence of newly diagnosed brain tumors in adults ranges from 7 to 17 cases per 100,000 people per year. Gliomas are the largest group of primary adult brain tumors,

and GBM accounts for approximately 80% of adult malignant gliomas. The median survival of patients with GBM after surgery is approximately one year. The addition of radiation therapy can improve survival by 16-18 weeks. Complete surgical removal of GBM provides optimal survival, but visual detection of the complete tumor during surgery using current techniques can be difficult. In an independent European investigator study on 52 patients with GBM, using oral ALA, 20 mg/kg body weight, and a modified operating microscope, selective ALA-induced fluorescence was observed only in GBM tumor tissue during surgery. Biopsies showed that normal white matter of the brain did not show fluorescence. The study also showed that when all fluorescent areas could be removed, post-operative MRI showed no residual tumor. (Stummer et al, Fluorescence-guided resection of glioblastoma multiforme by using 5-aminolevulinic acid-induced porphyrins, *J Neurosurg* 93; 1003- 1013, 2000). In the multi-center registration study currently being sponsored by Photonamic, patients with resectable GBM are randomized to standard or fluorescence-guided resection. The study is examining the safety and efficacy of fluorescence-guided resection as compared with standard therapy. The study is designed to detect whether use of ALA fluorescence-guided resection of GBM results in a 15% increase in tumor progression-free status 6 months after surgery and will also follow patients to assess the impact on survival rates. The study is expected to accrue more than 320 patients.

DUSA's Chief Scientific Officer, Stuart Marcus, MD, stated, "This license gives DUSA an exciting opportunity to expand our pipeline in collaboration with the leading European company in the field of ALA PDT. The high degree of selective fluorescence induced by ALA could aid neurosurgeons in their efforts to completely remove GBM tissue, and improve tumor-free survival rates. The proprietary systemic formulation may also be useful for our Barrett's esophagus dysplasia program."

1/15 **CardioGenesis Corporation** announced that it expected to report revenues in the range of $3.5 million to $3.7 million for the fourth quarter ended December 31, 2002, a more than 25% increase in revenues from the same period in 2001. The solid fourth quarter results were due to strong hand piece and laser sales, both indicators of increasing TMR utilization, and bode well for the company's ongoing campaign to expand the use of TMR and become profitable in 2003, said chairman and CEO Michael Quinn. The fourth quarter revenues rose more than 10% and worldwide hand piece sales increased by about 10% over the 2002 third quarter. "We are developing a solid pipeline for our TMR franchise and, if we continue to execute well and continue to control our costs, we believe we can reach profitability in 2003," Quinn said. "While revenues for the first quarter of this year may not show the same level of year-to-year increases as the 2002 fourth quarter, we expect to see gains in revenue and market share for the upcoming year with the attainment of a profitable run rate in the second half of the year."

1/15 **Trimedyne Inc.** announced a loss of only $1.2 million (9 cents per share) on revenues of $7.1 million for the fiscal year ended Sept. 30, 2002, compared with a loss of $7.5 million (59 cents per share) on revenues of $7.5 million for the prior fiscal year, which included $2.8 million (22 cents per share) of write-offs and adjustments. For the quarter,

Trimedyne had a loss of $165,000 (1 cent per share) on revenues of $1.6 million. Included in the loss for the current quarter was a $76,000 provision for a contingent liability. Without this provision, the loss for the current quarter was only $89,000 (0.6 cent per share) versus a loss for the same quarter of the prior year of $1.1 million (9 cents per share) on revenues of $2.0 million.

Marvin Loeb, chairman, said, "While revenues for the fiscal year and quarter were 6% and 18% less, respectively, than in the year ago periods, we were able to reduce our losses for these periods by tight control of costs, aggressive sales of inventory items and shifting our marketing emphasis to higher margin products in orthopedics." Glenn Yeik, executive vice president, added: "During the year ended September 30, 2002, we reduced our accounts payable from $1.8 million to $1.0 million, a reduction of $753,000, and we reduced our accounts receivable from $1.2 million to $601,000 by aggressive collection activities. "At the same time, cash and cash equivalents increased to $317,000 at September 30, 2002, from $84,000 at September 30, 2001." Yeik continued, "Overall, we have significantly improved our financial condition, and net cash used in operating activities was only $30,000 in the year ended September 30, 2002."

1/15 The HairMax LaserComb, A Low Level Laser Device for hair, received certification by the Canadian Government as a Class 2 Medical Device for claims and indications to strengthen hair, prevent hair loss, and stimulate regrowth of scalp hair in men and women. The HairMax LaserComb, manufactured by **Lexington International LLC**, is a breakthrough personal device for delivering the healthy, nourishing effects of Low Level Laser Therapy (LLLT) to hair. LLLT uses the stimulating effects of laser light in the natural, scientific process known as PhotoBioStimulation to improve the quality and thickness of hair.

Based on appropriate scientific information and clinical data submitted to Health Canada, and after examination of all data submitted, Medical Device License Number 61237 was granted to Lexington International allowing therapeutic claims to be made to the Canadian public. "This is significant news and a medical milestone as the HairMax LaserComb is the first ever medical device for home use approved by any government to combat hair loss, especially for both men and women," according to David Michaels, managing director of Lexington International LLC. "HairMax LaserComb is now being officially qualified in Canada as an effective and attractive alternative to both topical and oral drug therapies. In addition, the LaserComb is safe without any adverse side effects." The HairMax LaserComb has been undergoing Clinical Trials throughout 2002. Clinical data will also be presented to the US FDA in mid 2003 for similar medical claims to be made to the American public. Currently, the HairMax LaserComb is classified as a Cosmetic Device in the USA that promotes thicker, fuller, healthier hair. "Low Level Laser Therapy (LLLT) has been used internationally since the 1960's mostly for wound healing and pain relief," stated Dr. Martin Unger, MD, a world authority in hair restoration and Medical Director for Lexington International. "LLLT is starting to become recognized in North America as an effective modality for Alopecia (Hair Loss) and other dermatological medical conditions." 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.

1/16 **Lumenis Ltd.** announced preliminary sales numbers for the fourth quarter of 2002. Sales are expected to be approximately $78 million, below the previously estimated range of $90-95 million. The lower than expected sales are primarily due to delays in shipments of products and weakness in the company's aesthetic business. The company expects to release actual financial results in mid-February. Lumenis CEO Arie Genger stated, "The lower than expected sales for the quarter are mainly attributable to delays in shipments due to higher than anticipated sales specifically of the new ophthalmic products and delays in shipments and some weakness in the U.S. aesthetic business and global dental business. However, our backlog increased to approximately $10 million at year-end, up from $4 million at the end of September." In the fourth quarter of 2001, sales were $100.8 million.

As reported by *Dow Jones*, following the above announcement, **UBS Warburg** reduced its 2003 earnings per share forecast for Lumenis Ltd. to 20 cents from 30 cents, saying the company's fourth-quarter profit warning leaves management with little credibility among investors. "This is probably about right for a company facing the huge financial and organizational problems that Lumenis currently faces," UBS wrote in its report on the medical device maker. "Until management undertake major changes to this company, the potential within Lumenis will not be realized." The investment bank retained its neutral rating, but reduced its price target to $1.50 from $1.80. It also cut its fourth-quarter forecast to a loss of 16 cents versus a previous forecast of a 1-cent profit. The report noted that, by saying backlog at the end of the quarter was $10 million, management had tried to soften the announcement that fourth-quarter revenues would be around $78 million versus guidance of $90 million to $95 million. But "it does not take a genius to figure out that this was more than likely due to the failure to ship products in Q4, giving a Q1 backlog buildup rather than due to a fundamental improvement in business conditions," UBS wrote. It said revenues probably suffered from increased competition in its aesthetic division. The company has debt of more than $160 million at **Bank Hapoalim B.M.**, which is unlikely to extend new credit lines. If first-quarter conditions don't improve considerably, then Lumenis might swap debt for equity because it won't be able to generate positive cash flow to pay back its Hapoalim loans, it added.

1/21 **Spectranetics Corporation** announced that results from its LACI (Laser Angioplasty to treat Critical Limb Ischemia) pivotal Phase II clinical trial were presented at the *Interventional Symposium on Endovascular Therapy (ISET)* convention held in Miami Beach, Florida. John Laird, MD, of the Washington Hospital Center in Washington, D.C., presented the results. Study data showed that six-month survival with limb salvage, which is the primary clinical endpoint of the study, was achieved in 93% of the limbs treated compared with 87% in the control group. Additionally, significant adverse events

in treated patients were nearly one-half that of the control group at 33% and 60%, respectively.

The trial enrolled 145 patients (155 limbs) at 14 domestic and several European sites. The control group was comprised of 789 patients with critical limb ischemia treated with a variety of standard therapies. Outcomes for this group were published in *The Annals of Internal Medicine* vol. 130 pp 412 - 421, (1999). "The successful treatment of critical limb ischemia is measured by the relief of rest pain, the healing of ulcers and the avoidance of major amputations," said Dr. Laird. "We are impressed with the improved limb salvage rate and the greatly reduced incidence of significant adverse events when using the Spectranetics excimer laser to treat this challenging patient group, which included diabetics and patients with hypertension and coronary artery disease."

"We are pleased with the clinical results of this important trial which will be used to support our pre-market approval application for a new indication using the excimer laser system," commented John Schulte, president and CEO of Spectranetics. "Upon approval, we believe this new indication will allow us to commercially launch our peripheral catheters to address a market that today is estimated to exceed $200 million annually on a global basis and is associated with more than 80,000 amputations per year in the United States." Christopher Reiser, vice president of technology and clinical research at Spectranetics, commented: "We believe approval of our peripheral excimer laser angioplasty products for this indication will significantly improve the options available for patients suffering from critical limb ischemia, a debilitating vascular disease. With our simple, minimally invasive procedure, which usually requires only a short hospital stay, our products can significantly improve the quality of life for these patients."The LACI Phase II trial enrolled patients who were considered to be poor surgical candidates with circulatory problems of the lower leg evidenced by leg pain, even while resting; non-healing ulcers on the foot or lower leg; or areas of dead, gangrenous tissue on the foot or lower leg that require minor amputation (Rutherford categories 4, 5 and 6).

Enrollment began in April 2001 and was completed in April 2002. The trial included the use of coronary catheters as well as larger diameter catheters ranging from 2.2 to 2.5 millimeters.

1/21 **BIOLASE Technology, Inc.** announced that it will release its financial results for the fourth quarter and year ended December 31, 2002 on Wednesday, February 12, 2003 after the market close. "Preliminary figures indicate that we finished the year on a strong note with impressive top and bottom lines," stated Jeffrey Jones, president and CEO of BIOLASE. "Continued demand and increasing sales worldwide of our Waterlase dental laser have resulted in our reaching the high end of the range of the Consensus Analyst Estimate for the fourth quarter, which is currently between $0.02 and $0.05. We look forward to discussing our detailed, fully audited results on the upcoming conference call."

1/22 **Millennium Dental Technologies, Inc.** announced it had received FDA clearance for the first ever digital dental laser in the U.S. marketplace -- the PerioLase MVP-7, and also

had received the first ever FDA regulatory clearance for the specific wording and procedure known as "laser curettage" (removal of diseased or inflamed soft tissue in the periodontal pocket). MDT is also the first and only company to receive FDA clearance in the company's Professional Instructions for Use for a patented periodontal procedure called Laser Periodontal Therapy (LPT) and cleared to market LPT to improve: Gingival Index (GI) -- improving the quality, quantity, and severity of disease; Gingival Bleeding Index (GBI) -- reduce bleeding from the gums; Probe Depth (PD) -- reduce the depth of the periodontal pocket; Attachment Level (AL) -- increase the level of tissue attachment; and Tooth Mobility -- lessen loose teeth. These new clinical claims validate the successful use of the PerioLase and Laser Periodontal Therapy for the treatment of periodontal disease without using scalpels and sutures.

The PerioLase MVP-7 continues the founders' commitment as a continuum of lasers dedicated to the treatment of moderate to severe periodontal disease. The PerioLase MVP-7 is a TruePulse free-running (FR) Nd:YAG laser. The PerioLase is the only laser in the dental marketplace with Multi-Variable Pulse (MVP). MVP requires digital electronics and allows the operator to change between 7 discrete pulse durations. Pulse durations known as "free-running" are measured in the millionths of a second.

The digital PerioLase MVP-7 weighs 42 pounds and can sit on its own rolling cart with storage drawer, or sit on a table top. It features a real-time energy/Joule counter, a printer for recording patient treatment settings and total energy used, a built-in power meter for measuring true energy delivered to tissue, and a tiltable touch-screen that includes a menu of laser procedure settings for instant clinical usage. No PerioLase MVP-7 is sold without extensive training. The PerioLase Periodontal Package sells for $44,995, and includes 5 days of clinical training spread out over twelve months, including 3 initial days of Laser BootCamp.

1/23 **Spectranetics Corporation** announced it had filed a Pre-Market Approval (PMA) Supplement with the FDA containing clinical data from the LACI (Laser Angioplasty to treat Critical Limb Ischemia) Phase II trial. John Schulte, president and CEO, commented, "We are pleased to submit this important filing to the FDA on schedule. The data gathered from the pivotal clinical trial are excellent, and we are hopeful for a pre-market approval in late 2003."

The LACI trial enrolled 145 patients (155 limbs) at 14 domestic and several European sites. Data from the LACI trial will be compared with a control group consisting of 789 patients with critical limb ischemia treated with a variety of standard therapies. Outcomes for the control group were published in *The Annals of Internal Medicine* vol. 130 pp. 412-421, (1999). Study data showed that the primary endpoint of six-month survival with limb salvage was achieved in 93% of the limbs (legs) treated, compared with 87% in the control group. Additionally, significant adverse events in treated patients were nearly one-half that of the control group at 33% and 60%, respectively.

1/24 As reported by **Briefing.com**, this week's *Business Week* reported that the Research director of **Global Partners Securities** thinks little-known **BioLase** can move to $13 within 12 months. BioLase makes teeth whitening systems and other dental products. BioLase's WaterLase Hydrokinetic dental laser works without generating the heat and vibration of high-speed drills, allowing dentists to perform procedures such as root canals painlessly and without anesthetic. Because of an avgerage cost of $40,000, WaterLase sales have yet to ramp. But the article reports that Global Partners has been accumulating the stock.

1/24 **BriteSmile, Inc.** announced a 15:1 reverse split of its common stock had been approved by its shareholders and will take effect at the commencement of trading on Monday, January 27, 2003. From January 27, 2003 to February 24, 2003, BriteSmile's common stock will trade under the symbol BSMLD. Thereafter, it will trade under the symbol BSML. The previously announced reverse stock split ratio of 20 to 1 was adjusted by company directors to 15 to 1, prior to submission to shareholders for approval. The company also announced that effective at the opening of the market on Tuesday, January 28, 2002, the listing of BriteSmile's common stock will transfer from the Nasdaq National Market, Inc. to the Nasdaq SmallCap Market. The company applied for SmallCap Market listing when notified that it was not in compliance with certain listing maintenance requirements of the Nasdaq National Market.

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1/27 **Miravant Medical Technologies** announced that preclinical results continue to provide strong support for PhotoPoint PDT as a treatment for serious cardiovascular diseases such as vulnerable plaque (VP) and in-stent restenosis. Miravant is optimizing its catheter-based drug and light treatment for multiple cardiovascular applications. The studies, conducted at the *Cardiovascular Research Institute*, Washington Hospital Center, were presented at the *Cardiovascular Radiation Therapy (CRT 2003)* meeting, held in Washington DC.

New findings in the disease of atherosclerosis have generated intense interest in the diagnosis and treatment of highly unstable, inflammatory plaque in artery walls known as vulnerable plaque. VP rupture is now recognized as the primary cause of sudden, catastrophic heart attacks and many strokes. Analysts estimate a $10 billion dollar market potential for VP detection and treatment by the end of the decade. Miravant is developing PhotoPoint therapy in conjunction with emerging diagnostic techniques such as optical coherence imaging and thermography. Encouraging PhotoPoint results were presented at the VP Summit, CRT 2003, demonstrating:

- Intravascular PhotoPoint PDT induces significant depletion of lipid and macrophage cell populations in arterial plaques in a rabbit atherosclerosis model;

- PhotoPoint PDT may have positive strengthening effects on the arterial wall via collagen cross-links, a potentially beneficial aspect of this novel therapy.

These findings suggest PhotoPoint's potential use for reduction of problematic lipid and inflammatory plaque cells, as well as for regression or stabilization of vulnerable plaque without weakening the structural integrity of vessel walls.

Many efforts have been made to resolve the problem of restenosis, or re-narrowing of an artery following angioplasty and stenting. Recently, new drug coated stent technology utilizing rapamycin has shown dramatic prevention of in-stent restenosis at 6-9 months in selected patients. However, other drug-stent combinations have failed to show long term benefit. Furthermore, this approach has generated new concerns such as prohibitive costs for multivessel disease as well as other potential complications. Thus Miravant examined the effects of PhotoPoint PDT to prevent in-stent restenosis following implantation of bare metal stents. Promising findings were presented at the Restenosis Forum, CRT 2003:

- Intracoronary PhotoPoint PDT inhibits cellular proliferation in a porcine coronary model of in-stent restenosis;

- PhotoPoint PDT allows normal arterial healing (endothelial regeneration).

These data support the feasibility of using PhotoPoint PDT in combination with stenting, which is currently used in 80% of de novo lesions. Consequently, PhotoPoint may provide a viable, cost-effective alternative anti-restenotic therapy to drug-eluting stents for multivessel disease.

1/28 **Pharmacyclics, Inc.** reported financial results for its second quarter ended December 31, 2002. The net loss for the period was $6.8 million (42 cents per share) compared to a net loss of $11.7 million (73 cents per share) in the comparable period of fiscal 2002. The decline in net loss is primarily due to a reduction in research and development expenses to $5.8 million for the three months ended December 31, 2002, compared to $10.6 million during the same period of the prior fiscal year. The decrease is primarily the result of lower personnel and consulting costs, lower third party clinical trial expenses and lower drug purchase costs. As of December 31, 2002, the company had cash, cash equivalents and marketable securities totaling $101.4 million, compared to $114.9 million at June 30, 2002.

Pharmacyclics also reported its financial results for the six months ended December 31, 2002. The net loss for the six months ended December 31, 2002 was $13.6 million (84 cents per share) compared to a net loss of $21.4 million ($1.33 per share) for the six months ended December 31, 2001. The company expects total operating expenses of approximately $16.0 million for the remaining two quarters of fiscal 2003 or total operating expenses of approximately $30.7 million for fiscal 2003. With this level of expenses, the company estimates that net cash used for fiscal 2003 will be approximately $28.0 million. "We are efficiently managing our expenses as we aggressively pursue our pivotal Phase 3 trial with Xcytrin for treatment of brain metastases from lung cancer,

which is now open and enrolling patients," said Richard Miller, MD, president and CEO of Pharmacyclics.

1/28 **Miravant Medical Technologies** announced novel results for the prevention of vascular access graft failure, which commonly occurs in hemodialysis patients. In two preclinical studies presented at the *Cardiovascular Radiation Therapy (CRT)* meeting, Washington DC, PhotoPoint PDT significantly inhibited problematic cell proliferation in a synthetic (ePTFE) vascular access graft failure model. "The results were quite encouraging and, if they can be realized in clinical trials, could make a dramatic difference in our ability to maintain vascular access in hemodialysis patients," stated Julie Freischlag, MD, Chief of Vascular Surgery, UCLA Medical School, whose laboratory participated in the study. "This therapy has the advantage of being locally applied and could make a significant difference in arteriovenous graft failure rates, a major unmet medical problem."

Approximately 250,000 people in the US currently are treated chronically with hemodialysis for kidney failure. Because the hemodialysis procedure requires regular arteriovenous vascular access, a majority of these patients are fitted with synthetic vascular access grafts. PhotoPoint PDT could favorably impact high failure rates. The failure rate of these synthetic vascular access grafts is 40-60% at twelve months, largely due to cellular proliferation that obstructs blood flow (causes stenosis) and results in occlusive thrombosis. Interventional therapy is required to restore blood flow, typically thrombolytic therapy followed by angioplasty. After the first interventional therapy, grafts fail more frequently and additional interventional procedures are required to maintain graft patency. PhotoPoint PDT may reduce failure rates by inhibiting this problematic cell growth. Miravant believes these preclinical results support future clinical trials.

1/27 **Candela Corporation** announced that revenues for the quarter ended December 28, 2002 were $18.6 million versus $14.2 million for the same quarter one year earlier, a 31% increase. The company said that its operating income was $1.4 million versus a loss of $1.9 million for the same quarter a year earlier. During the quarter, the company retired all of its long-term debt and incurred a related one-time charge of $677,000, which includes $440,500 in non-cash expense. Net income was $470,000 versus a loss of $1.2 million for the same period a year earlier. Gerard Puorro, Candela's president and CEO, commented: "We continue to grow in a meaningful way at both the top and bottom lines. Our fundamentals are solid. In the past twelve months, we have expanded our product applications with no less than six FDA approvals, and we have greatly strengthened our North American distribution channels. The combination of solid fundamentals, state of the art products, large and growing markets, and strong distribution channels makes us very optimistic going forward."

During the accompanying analyst teleconference, the company said that its revenues came from the following sources: hair removal systems 35%; vascular products 29%; acne lasers 8%; and pigmented lasers 28%. Gerard Puorro said that its markets were large and expanding, that the cosmetic laser market was up 48%. When asked how derm and

plastic compared to other physician markets, Puorro suggested that its VBeam vascular laser had become the "gold standard" for vascular applications, with more than 11 different uses; hair removal was still strong; and that acne and rejuvenation was largely sold to dermatologists. Their Smoothbeam laser for treating acne scars, when approved, will be sold primarily to plastic surgeons, with several thousand placements expected. Some general physicians purchase their lasers, for example, the CBeam is sold to podiatrists and about 8-10 other disciplines.

1/30 **Candela Corporation** announced it had received clearance from the FDA to market its Smoothbeam diode laser for the non-invasive treatment of atrophic acne scars. Gerard Puorro, Candela's president and CEO, commented: "Acne scars affect an estimated 10 million people in the United States. Existing therapies including dermabrasion, excision, ablation and chemical peels have only marginal efficacy. Smoothbeam treatment of acne scars is the first effective treatment available. Our market studies tell us that the opportunity for this application is as large, or larger, than acne itself, particularly in the baby boomer population. The Smoothbeam now has several large and promising applications and, coupled with its table-top size, reliability and affordability, make it a formidable device in our markets."

Tina Alster, MD, Director, Washington Institute for Dermatologic Laser Surgery, and author of the study used for Candela's FDA submission said: "I am very impressed at how well the Smoothbeam modulates collagen for atrophic acne scars. Our clinical study has shown that patients treated with Smoothbeam showed significant improvement in the appearance of their acne scars." Based on the results of her clinical study, Dr. Alster further stated: "After a series of three monthly treatments with Smoothbeam, every patient showed significant improvement -- many times exceeding our expectations, and easily outperforming other lasers." The results of Dr. Alster's study were first presented at the *American Society of Lasers in Surgery and Medicine (ASLMS)*. The full study has been accepted for publication in an upcoming issue of the *Journal of the American Society of Dermatologic Surgery*.

1/30 **PLC Systems Inc.** announced that a new carbon dioxide (CO_2) transmyocardial revascularization (TMR) laser therapy study had been initiated. The study will evaluate CO_2 TMR in combination with the implantation into heart muscle of autologous (the patient's own cells) myogenic (skeletal muscle) cells expressing angiogenic factors. The study is being conducted at The James H. Quillen College of Medicine, East Tennessee State University (ETSU) under the direction of Dr. Race Kao and Dr. Glenn Pennington. The *American Heart Association's* Southeast Affiliate is a sponsor of this study.

"Implanting autologous cells in conjunction with CO_2 TMR in order to increase ventricular function and enhance revascularization could be a very promising therapy," said Dr. Glenn Pennington, Professor of Surgery at East Tennessee State University and co-investigator of the study. "We believe that the CO_2 TMR channels that are created provide an excellent matrix in which to implant the autologous cells. The prospect that the angiogenic effects of CO_2 TMR and the autologous cells may be additive or

complementary is very exciting. The success of this project could lead to the development of a therapeutic procedure for the millions of patients suffering from heart failure." This innovative study is currently in the pre-clinical animal phase. It is believed that the transplantation of autologous myogenic cells into CO_2 TMR channels within the heart muscle will form new muscle tissue that will restore the contractile function and an expression of angiogenic factors will develop new blood vessels to improve perfusion of the ischemic myocardium (damaged heart muscle). The myocardium (heart muscle) does not have myogenic cells like skeletal muscle. An injured heart typically repairs itself by scar formation and non-muscle cells, which do not repair the damage that results from a heart attack.

Dr. Pennington concluded, "The Center for Cardiovascular Health at Johnson City Medical Center is a leader in the Tri-Cities region. We believe strongly in providing advanced care for our heart patients. The CO_2 TMR laser procedure is a great example of the advances in treatment options for heart patients. During the past two years, we have provided angina relief for more than 80 patients with the CO_2 TMR laser therapy."

1/31 *The National Psoriasis Foundation* issued a statement in support of the FDA's approval of the first biologic drug to treat psoriasis. The FDA has approved **Biogen's** alefacept (brand name Amevive) to treat moderate to severe psoriasis. "The Food and Drug Administration's approval of Amevive, is a significant step forward for the psoriasis community," said Gail Zimmerman, president and CEO of the NPF. "This drug represents the emergence of a new class of treatment that represents the most significant advance in psoriasis care in 20 years." While there are multiple treatments available for the more than 4.5 million adults with psoriasis in the United States, many people have not been able to find satisfactory relief and are in urgent need of additional treatment options, added Zimmerman. Today's psoriasis treatments -- some of which were developed to treat other diseases -- don't work equally well for everyone, experts at the Psoriasis Foundation agree. In addition, some also have the potential for side effects, which limits their use.

According to a recent survey conducted by the Psoriasis Foundation, 75% of people with moderate to severe psoriasis said that their psoriasis is a large problem in their life. Seventy-eight percent of those surveyed say they don't use more aggressive therapies to treat their disease because of side effects and lack of effectiveness. "Amevive was designed to block and eliminate cells involved in psoriasis. Its effects have provided long-term therapeutic results for many patients. More importantly, at this point the drug is not associated with any significant adverse events," said Gerald Krueger, MD, a professor of dermatology at the University of Utah School of Medicine and chairman of the Psoriasis Foundation's Medical Advisory Board. As a new class of treatment for people with psoriasis and psoriatic arthritis, biologic therapy offers new options for dermatologists and patients. Biologics are a class of drugs engineered from proteins produced by living cells. In treating psoriasis, biologics disrupt the immune-system processes that drive the disease. They have caused few side effects in short-term studies, but long-term safety for psoriasis patients is yet unknown. While Amevive is the first

biologic drug available for psoriasis, many others are in development, including **Genentech's** efalizumab (brand name Raptiva), which was recently submitted to the FDA for approval. **Amgen's** etanercept (brand name Enbrel), has already been approved to treat psoriatic arthritis and recent study results indicate that it is also effective in treating psoriasis. Amgen expects to conclude a second phase III trial of Enbrel this year. If the results are satisfactory, Amgen may file for approval of Enbrel for treating psoriasis by the end of 2003.

"Each time a pharmaceutical or biotech company moves forward with a new treatment for psoriasis and psoriatic arthritis, we feel new hope for those who suffer from these diseases because we know they may soon receive greater relief and improved quality of life," Zimmerman added.

2/3 **Candela Corporation** announced the FDA had cleared its GentleYAG laser for treatment of facial wrinkles. "This FDA wrinkle clearance for GentleYAG expands yet again the applications portfolio for our users," said Gerard Puorro, president and CEO. "This is the second FDA clearance our GentleYAG has received in less than a month. On January 2, 2003, it was cleared for treatment of Pseudofolliculitis Barbae, more commonly known as PFB or beard bumps." According to Dr. Jonathan Crane with Atlantic Dermatology Associates, PA, of Wilmington, NC, "We're excited to begin using the GentleYAG to treat facial wrinkles. Patients continually have remarked how much smoother their skin felt after their hair removal treatments. I'm sure that our patients will be very pleased with not only the potential of these GentleYAG treatments, but also the minimal invasiveness and the little downtime associated with the procedure."

2/4 **BIOLASE Technology, Inc.** announced that it had received clearance from the FDA for the patented Waterlase system for use in apicoectomy surgery. Apicoectomy surgery, a treatment for root canal infections and complications, includes cutting gum flaps, bone and the apex of the tooth to access the infected area. Malcom Zola, DDS, Chief, Oral Surgery and Maxillofacial Surgery, St. Barnabus Hospital, New York City, commented, "Use of the Waterlase for apicoectomies is a very significant development in dentistry. Benefits while performing the procedure with the Waterlase, compared to traditional methods, include less bleeding, less trauma, more precision, smoother cuts, more control and superior visibility. Post-operative benefits include reducing or eliminating post-operative pain, inflammation and reducing or eliminating the need for post-op pain medications. When using a drill in apicoectomy surgery, adjacent nerves, roots and bone tissues can be damaged. With the Waterlase, we experienced no damage to adjacent tissues. It was easy to use in narrow spaces, caused no charring or burning and we did not have to change surgical tools several times. I expect these important clinical benefits to cause a paradigm shift for both dentists and patients. As the public becomes more aware of the benefits of Waterlase procedures, they will begin demanding them and dentists will now be able to provide them."

Dan McEowen, DDS, Frederick, Maryland, with over 20 years of dental surgical experience, commented, "Surgical procedures performed with the Waterlase represent

a major advancement for both dentists and patients. This clearance for doing flaps reaches far beyond just apicoectomy surgery. Flap surgery is very common for numerous surgical procedures, including periodontal procedures, implant placement and recovery, extracting wisdom teeth, exposure of impacted teeth for orthodontics, ridge augmentation, access to the bone and more. All of these procedures will benefit from the reduced trauma, pain and improved comfort for the patient both during the procedure and post-operatively."

Jeffrey Jones, president and CEO of BIOLASE, noted, "This new clearance, another first in the dental industry, combined with clearances last year for complete root canal and bone procedures, further demonstrates the clinical importance of Waterlase YSGG technology. It makes the Waterlase even more appealing to specialists, such as endodontists, oral surgeons and periodontists as well as general dentists. They can now perform a very wide range of procedures with the Waterlase, from general restorative, all classes of cavity preparations, numerous soft tissue procedures, complete laser root canals, bone and now apicoectomies. This continuing dedication to clinical advancements, research and development will only strengthen our already dominant position in a rapidly expanding market."

2/4 **Palomar Medical Technologies Inc.** said that for its fourth quarter ended December 31, 2002, it expects total revenues to almost double to approximately $7.5 million, and its gross profit to more than triple to approximately $4.3 million, versus the same period last year. The rise in revenues and improved margins are due to the increasing sales of the company's flagship product, the EsteLux Pulsed Light system. In addition, the company also expects to realize net income of approximately $400,000 for the quarter as compared to a net loss of $400,000, or a net loss of $2 million before accrual reductions of $1.6 million, in the fourth quarter of 2001. The company generated positive cash flow for the last three quarters of 2002, and based on preliminary results, also expects to report profitability for the year ended December 31, 2002.

CEO Joseph Caruso commented, "We are extremely pleased with the progress that has been made by the company during the fourth quarter. These preliminary results include the third consecutive quarter of increased product sales, net profits and positive cash flow, and were achieved despite not recording an estimated $800,000 in revenue during the fourth quarter for unpaid royalties owed to the company from one of its licensees. The company is currently in negotiations in an attempt to settle the matter."

2/6 **Spectranetics Corporation** announced financial results for the fourth quarter and fiscal year ended December 31, 2002. For the fourth quarter, total revenue was $7.4 million, up 4% from $7.2 million in the comparable quarter last year and $7.2 million in the third quarter. Net income for the fourth quarter of 2002 was $488,000 (2 cents per share) up 10% from $442,000 (2 cents per share) in the 2001 fourth quarter, and more than double net income of $227,000 (1 cent per share) in the 2002 third quarter.

Disposable product revenue (which includes coronary and lead removal products) for the fourth quarter was $5.3 million, an increase of 8% compared with $4.9 million during the 2001 fourth quarter, and up 14% from $4.6 million during the 2002 third quarter. Laser revenue for the 2002 fourth quarter was $1.3 million, an increase of 13% compared with $1.1 million during the 2001 fourth quarter, and down from $1.6 million during the 2002 third quarter, reflecting a spike in purchases made prior to the expiration of the successful $90,000 laser price promotion that ended September 30, 2002. Service revenue in the 2002 fourth quarter was $1.0 million, essentially unchanged from the fourth quarter of 2001 and the third quarter of 2002. The company's worldwide installed base of lasers increased to 360 at December 30, 2002, a net increase of six during the fourth quarter.

"Spectranetics is well-positioned as we enter 2003 with a strong foundation and key business drivers in place to grow in the future," said John Schulte, president and CEO. "We believe our solid disposable revenue during this quarter is an indication that our core business in cardiology and lead removal is stabilizing. With the promising LACI clinical trial results and the recent PMA supplement submission to the FDA, the groundwork has been laid to extend the application of our platform technology to an important new indication -- critical limb ischemia in the lower leg. We continue to expect market approval for the treatment of critical limb ischemia in late 2003. In addition, the company's executive team is now in place, and we are well prepared to execute our business plan with experienced leaders in all functional areas."

Full-year 2002 total revenue was $28.1 million, up slightly from $27.8 million in 2001. The net loss for 2002 was $1.6 million (7 cents per share). Exclusive of costs associated with the proxy contest and settlement obligations, 2002 income was $276,000 (1 cent per share) compared with net income of $590,000 (2 cents per share) for 2001. By product line, full-year 2002 disposable product revenue was $19.1 million, essentially flat compared with 2001, and laser revenue increased 12% to $5.1 million. Service revenue increased slightly to $3.8 million, from $3.7 million a year ago. The gross margin for 2002 was 68%, compared with 70% in 2001, primarily impacted by the laser pricing promotion and by higher equipment sales, which carry lower margins. Cash, cash equivalents and investment securities totaled $11.4 million at year's end, compared with $12.9 million at December 31, 2001. Cash usage during the year was negatively impacted by items that are not anticipated to affect ongoing operations, including:

(1) $1.1 million reclassified from cash, cash equivalents, and investment securities to restricted cash as a result of the establishment of an escrow account until the dispute with a licensor (**Interlase**) is resolved;

(2) $1.6 million of cash used as part of the proxy contest and settlement obligations; and

(3) a final payment of $1.7 million related to a patent litigation settlement reached in 2000.

Excluding these items, cash flow during the year ended December 31, 2002 was $2.9 million. The company expects 2003 revenue to increase 2% to 5% compared with 2002, which would yield net income in the range of $.5 million to $1.0 million. This financial guidance does not assume any revenue associated with a potential approval to market our products for the treatment of critical limb ischemia, since approval for this new application is not expected until late 2003. However, this guidance does reflect key investments, such as costs to prepare for market launch of our products to treat critical limb ischemia.

2/6 **Lumenis Ltd.** announced it reached a new financing arrangement with **Bank Hapoalim B. M.** The new arrangement extends its existing revolving credit agreement to December 31, 2003, increases the amount available on the revolver to $50 million until July 1, 2003, defers the loan amortization of $10 million principal payment due April 2003 and amends certain covenants in its loan agreements. Arie Genger, CEO of Lumenis stated, "This important new financing arrangement provides us with the financial flexibility and liquidity we need to complete our cost reductions and implement our inventory reduction program. Total liquidity at December 31, including cash on hand and availability under our new credit agreement, was approximately $27 million."

The company's existing revolving credit agreement of $35 million has been extended from April 30, 2003 to December 31, 2003. Total availability under the revolving credit agreement has been increased by $15 million to $50 million until July 1, 2003, effective December 31, 2002. The interest rate on the $15 million increase will be LIBOR plus 3%. The base rate on the revolver is LIBOR plus 2.25%. At December 31, 2002 approximately $38.9 million was outstanding under the revolver.

Under its term loan agreement, the $10 million semi-annual principal payment due April 2003 has been deferred. Of the deferred amount $5 million will be paid in December 2003 and $5 million in April 2004. Under its loan agreements, the company is required to maintain a ratio of bank debt to EBITDA, as defined, of less than three times. In November 2002, the company received a waiver of this covenant for the third quarter 2002, and Bank Hapoalim amended the limit to 3.7 times for the fourth quarter ended December 31, 2002. The new amendment waives the requirement for the fourth quarter and replaces the covenant with a minimum EBITDA amount, as defined, for 2003. For the first quarter 2003 the minimum EBITDA is $5 million and for the full year it is required to reach $50 million. The company agreed to re-price existing options held by Bank Hapoalim totaling 1.136 million shares to the current market price and to grant an additional 275,000 options at the current market price. The company will take a charge to earnings for approximately $1 million as the cost of the options. Additionally the company will pay a $200,000 fee.

2/12 **CardioGenesis Corporation** announced that it exhibited at the 39th annual meeting of *The Society of Thoracic Surgeons (STS)* held early this month at the San Diego Convention Center. Throughout the STS meeting, the company's senior management, sales and marketing team and a number of leading cardiothoracic surgeons were on hand to review

the latest long-term follow-up data on TMR and to demonstrate to surgeons attending from around the world how the procedure can dramatically improve the quality of life for many of their patients who suffer from debilitating angina pain.

The CardioGenesis exhibit drew large crowds of attending surgeons during a series of presentations of the five-year data, which demonstrated the long-term clinical efficacy of TMR for patients treated with the CardioGenesis proprietary Ho:YAG laser. The presentations were conducted by Keith Allen, MD, a cardiothoracic surgeon at St. Vincent's Hospital in Indianapolis, who is one of the leaders of the five-year follow-up study of the pivotal clinical trial that served as the basis of the FDA approval in 1999 of the CardioGenesis Ho:YAG system.

Dr. Allen reported that 96% of the surviving patients continue to show a substantial reduction in angina pain (an improvement of at least two angina classes) five years after their initial TMR treatment. The data, which was collected at St. Vincent's and Jewish Hospital in Louisville, also shows that incremental pain reductions occurred after one year, and that TMR is significantly superior to the best drug treatment available for these patients. "There is no doubt that TMR is an effective means of reducing often crippling angina pain, which is a tremendous benefit in terms of quality of life for patients with coronary artery disease," Dr. Allen said. He added that those patients experiencing the most pain seem to receive the most dramatic benefit from TMR.

2/12 **BIOLASE Technology, Inc.** reported record sales and earnings for the fourth quarter and year ended December 31, 2002. Net sales for the fourth quarter increased 64% to $9.5 million from $5.8 million in the fourth quarter of 2001. Net sales for the year were $29.2 million, an increase of 63% over net sales of $17.9 million reported for the year ended December 31, 2001. Net income for the fourth quarter was $1.1 million (5 cents per share) compared with $410,000 (2 cents per share) for the fourth quarter of 2001. For the year, net income was $2.6 million (12 cents per share) compared with a net loss of $408,000 (2 cents per share) for 2001.

Jeffrey Jones, BIOLASE president and CEO commented, "We continue to solidify our base and produce the corresponding growth in sales and profits, achieving a gross margin of 62.0% and an operating margin of 8.5% for the year. Our sales growth reflects the steadily increasing awareness and acceptance of our Waterlase technology and other products by the dental industry both in the United States and internationally. Yet, only a small fraction of the global market potential has been penetrated by dental laser technology. We are focused on delivering state-of-the-art technology and we are increasing our activity to cultivate strategic marketing initiatives to best optimize our outreach and growth opportunities. Our record results reflect the effectiveness of our assertive marketing efforts, including attending conferences and partnering with prestigious dental schools. Overall, our proven technology, marketing prowess and strong sales force directly contribute to BIOLASE's success. As demonstrated by our expanding worldwide presence, record sales and increasing profitability, we have clearly positioned our company to be the leader in dental laser technology. Despite the uncertainties in

today's global economic and geopolitical situation, we are forecasting continued strong sales and earnings growth for 2003, with sales increasing between 40% and 50% and gross margin remaining in the 60% range."

2/13 **Trimedyne Inc.** reported a net profit of $290,000 (2 cents per share) on revenues of $1.7 million for the quarter ended Dec. 31, 2002, compared with a loss of $113,000 (1 cent per share) on revenues of $1.8 million for the quarter ended Dec. 31, 2001. While revenues in the current quarter were 8% less than in the same quarter of the prior year, the company's R&D, sales and G&A expenses were significantly lower as a result of its having completed the development of its current products and management's aggressive cost control efforts.

2/13 **Laserscope** reported that revenues for its fourth quarter ended December 31, 2002, increased 32% to $12.7 million from $9.6 million in the fourth quarter a year ago. Sequentially, revenues increased 21% from $10.5 million for the previous quarter. Net income was $50,000, or break-even per share, for the quarter compared with net income of $120,000 (1 cent per share) in the same period of 2001 and $192,000 (1 cent per share) for the third quarter. "Our top-line performance exceeded expectations and was driven by growth in both our core aesthetics business and emerging urology business," said Eric Reuter, Laserscope president and CEO. "Sales of our products for aesthetic procedures remained strong worldwide with the majority of the growth coming from our U.S. sales efforts and our continuing exclusive relationship with **McKesson Medical**. Our U.S. sales of aesthetic products were up 67% over the same period in 2001. Additionally, revenues were bolstered again by sales growth of our Niagara PV products. During the quarter, we sold eight Niagara PV laser systems and 1,660 Niagara PV disposable fiber-optic delivery devices. When compared to the third quarter of 2002, unit volume of fiber-optics sold increased 50%. Over time, as the installed base of Niagara PV laser systems increases, we expect a growing stream of recurring revenues from the sales of fiber-optics."

Gross margin was approximately 51%, a slight increase compared with approximately 50% for last year's fourth quarter. Sequentially, the gross margin declined due primarily to distribution mix, as a larger proportion of sales was to lower-margin international distributors in the fourth quarter relative to the third. Selling, general and administrative expenses increased due to greater direct selling and marketing expenses and higher than expected legal costs. Legal expenses for the fourth quarter were approximately $470,000, up from approximately $200,000 in the third quarter and approximately $50,000 for the year-ago quarter, as a result of increased activity on existing litigation. Legal proceedings arise out of the company's ordinary course of business and Laserscope expects legal costs will fluctuate from quarter to quarter based on the level of activity.

"We will continue to invest heavily in the introduction of our new Photo-Selective Vaporization of the Prostate (PVP) procedure to the market," stated Reuter. "As the initial stages of the launch are behind us, we have shifted our resource allocation from clinical and R&D expenses to sales, marketing and training expenses. We expect this

investment to continue for the foreseeable future as we drive adoption of the procedure domestically and internationally." The company's cash position increased to $4.7 million at year end from $4.1 million at the end of the third quarter. For the next several quarters, Laserscope expects to continue to fund growth of Niagara PV with cash flow generated from its aesthetics business and from sales of the Niagara PV system.

For the year, revenues increased 23% to $43.1 million and net income rose to $323,000, (2 cents per share) compared with revenues of $35.1 million and a net loss of $829,000, (5 cents per share) for 2001. According to industry sources, over 13 million U.S. men were diagnosed with Benign Prostatic Hyperplasia (BPH) in 2001, over 2 million of them required treatment, and approximately 180,000 were treated surgically. The number of surgical treatments is expected to grow to over 400,000 by 2006 as the total number of patients requiring treatment grows from 2.1 million in 2001 to 3.7 million in 2006. Because other current treatment options for BPH require longer recovery periods and result in a higher incidence of complications, the company believes that many patients may choose its fast, virtually bloodless and minimally invasive PVP procedure. Clinical results have shown that the procedure provides immediate and complete symptom relief with an extremely low incidence of side effects. Laserscope began selling the Niagara PV system and related disposable fiber-optic delivery devices in the first quarter of 2002. Since that time, the company has sold 32 laser systems and 3,450 disposable fiber-optics. This sales growth shows continuing penetration of each of the target markets, which are U.S. hospitals and clinics, U.S. mobile service providers and international customers.

"Urologists continue to demonstrate that the PVP procedure which uses the Niagara PV products to treat BPH is clinically superior to alternative treatments," said Reuter. "As we announced in December, the early results from the multi-site clinical study, which was conducted last year, reinforced the long-term findings of the single-site, 55-patient Mayo study. The multi-site study consisted of 145 patients at six separate sites with the goals of validating previous results, improving training protocols and refining patient selection criteria. Some of the specific clinical data from the 2002 multi-site study will be presented at this year's *American Urology Association (AUA)* meeting in April, as three papers have been accepted for presentation, one of which will be delivered from the podium."

As the company discussed in November 2002, significant reductions to reimbursement for virtually all treatments of BPH are in the process of being implemented by the Centers for Medicare and Medicaid Services (CMS). While these reductions are beginning to have a short-term negative impact on the rapid growth in sales of Niagara PV products, Laserscope believes that in the long-term, the superior clinical outcomes will prove it to be the standard of care. "We will continue our efforts to increase the reimbursement by working with our luminaries, the AUA and CMS, to show that while PVP needs greater reimbursement than it currently receives, the overall cost to healthcare delivery will be greatly reduced over time due to its adoption," Reuter stated. "Another challenge we are experiencing relates to some of our component suppliers. Our steadfast commitment to delivering a quality product for this procedure has stretched some of our

vendors to the point where we were unable to fulfill our Niagara PV laser backlog during January 2003 due to a shortage of some critical components. We are working with these suppliers to overcome these issues and are also in the process of developing alternative supply sources for these components. As a result of the components shortage which has delayed shipments of Niagara PV lasers and the typical seasonal decline in elective procedures during the holiday season, we expect procedure volume and fiber-optics sales during the first quarter to be lower than in the fourth quarter but to rebound during the second quarter."

The company provided the following guidance for 2003:

- Laserscope expects that overall laser sales will increase due to continued growth in Niagara PV products. The company anticipates that it will sell approximately 7,500 Niagara PV fiber-optics during the year, with first quarter sales of these products at lower levels compared to the fourth quarter of 2002. Additionally, Laserscope believes that sales of aesthetic products will grow moderately in all markets. The company expects that aggregate revenues for the year will exceed $50 million.

- Gross margin, as a percentage of 2003 revenues, is expected to be 50% to 54%.

- The company expects research and development expenses during 2003 to be approximately 8% of net revenues, but may vary from quarter to quarter.

- Selling, general and administrative expenses, as a percentage of net revenues, are expected to be marginally lower than the 2002 level of 42%, but remain relatively high in absolute terms in conjunction with continuing investment in educational and training support and marketing programs for the Niagara PV products.

- Overall for the year, the company expects net income between $0.10 and $0.15 per share, with the majority of earnings growth generated in the latter part of the year.

2/14 **Laser Rejuvenation Clinics Inc.** announced that pursuant to a special resolution passed by shareholders of Laser on December 20, 2002, Laser has consolidated its capital on a ten old shares for one new share basis. The name of Laser has also been changed from **Laser Rejuvenation Clinics Ltd.** to Laser Rejuvenation Clinics Inc. Laser's shares will begin trading on the post-consolidated basis and under the new symbol "LRC.A" on Monday, February 17, 2003.

2/14 **El.En.** reported a remarkable revenue and profitability growth for the fiscal year ended December 31, 2002. Revenues for the year were 54.2 millions of euros, almost doubling the 27.8 millions accounted for in year 2001 (+94.8%). By excluding the American controlled company **Cynosure Inc.**, acquired in May 2002, from the consolidation results, the revenue growth (up 39.2%) is still remarkably higher than the budgeted forecast. A strong increase was also reported for earnings, both with and without including Cynosure. The Gross contribution margin accounted for 27.6 millions of euros, up +104.5% with

respect to 2001 (+39.3% excluding Cynosure) and with an impact on the value of production up to around 50%. EBITDA was 7.2 millions of euros (+85.5%), more than 13% of the value of production (EBITDA without Cynosure was up 93%). EBIT was up to 4.3 millions of euros with a 66.5% increase (excluding Cynosure the increase was 137%). Profit before taxation was 5.8 millions of euros, up +51.6% with respect to 2001.

"The revenue increase in year 2002," president Gabriele Clementi said, "hit growth rates over 50% in all our market segments. The medical segment marked a 96.5% growth due to the Cynosure acquisition, but without this addition the growth would have been 27.3%, higher than the market average and than the performance of our major competitors. Even more brilliant is the industrial laser systems market, where, without any addition due to acquisitions, a 60% growth rate was achieved in a year of stagnation and crisis for the manufacturing segment".

The financials for the fourth quarter of the year showed revenues of 19.5 millions of euros, up 133% with respect to the corresponding quarter of year 2001 (up 52% without considering Cynosure's contribution); the Gross contribution margin was 9.8 millions of euros, up 142%; EBITDA was 3.1 millions of euro, up 124% ; EBIT was around 1.9 millions of euros (up 105%) and profit before taxation was 2.4 millions of euros, up 111%.

According to my calculations from the tables provided by the company, Cynosure contributed 6.8 million euros for the quarter, and 15.5 million euros for the little over half a year.

2/19 **Lumenis Ltd.** announced financial results for the fourth quarter and year ended December 31, 2002. The company reported revenues of $79.4 million for the quarter, compared to $100.8 million in the fourth quarter of 2001. The net loss in the fourth quarter of 2002 was $39.7 million ($1.07 per share). The loss included non-recurring charges of $19.8 million principally for asset write-downs and litigation reserves. In the fourth quarter of 2001, the company reported a net loss of $3.9 million (11 cents per share).

For the year 2002, net revenues were $348.5 million and the net loss was $44.1 million compared to revenues of $315.2 million and a net loss of $145.9 million in 2001. "Our fourth quarter results were clearly disappointing and we have identified the internal problems that contributed to the quarter's weak performance. We are implementing programs to reduce our cost structure and inventories which we believe will show positive results in cash flow and profitability in the second half of 2003. We also just announced our new bank financing arrangements, which will provide us with the necessary liquidity to implement these programs," remarked Lumenis CEO, Arie Genger. Genger, vice chairman of the Board, assumed the CEO position, effective January 1, 2003 until a permanent CEO is found. The company is actively conducting a search for a permanent CEO.

Total sales for the company were lower than the same quarter a year ago primarily due to lower Aesthetic sales, which were $29.1 million in the fourth quarter 2002 compared to $43.6 million in the fourth quarter 2001. Backlog increased from none last year to $4 million. Gross margins were 47% in the fourth quarter of 2002, excluding the effects of $10.7 million in adjustments to inventories described below, compared to 54% in the fourth quarter of 2001. Gross margins in the fourth quarter 2002 were 33.7% including the inventory adjustments. Operating expenses increased by $10.2 million compared to the same quarter a year ago. The increase is due to higher than expected legal expenses associated with the SEC investigation and certain litigation, increased Research and Development expenditures related to recent and planned new product introductions and higher selling and marketing expenses. Non-recurring items in the fourth quarter 2002 included inventory write-downs and reserves for slow-moving and obsolete parts and equipment totaling $10.7 million, and a charge of $2.8 million for the impairment of identified intangibles due to discontinued products. Additionally, there was a write-off of certain non-trade receivables of $1.3 million, severance and office closure costs of $1.3 million and a reserve for various litigation matters of $3.7 million for a total of $19.8 million.

Ophthalmic sales were $19.4 million, compared with $19.8 million in the fourth quarter of 2001, but backlog increased from none last year to $3.5 million. Surgical sales totaled $16.6 million, compared with $18.8 million in the fourth quarter of 2001. Backlog increased from none last year to $2.5 million. Geographically, the European region had sales of $14.4 million and recorded a backlog of $4.5 million. Sales for the Americas were $36.2 million and the Asia/Pacific region had sales totaling $25 million. In the fourth quarter of 2001, sales in the Americas were $47.1 million, Europe $23.8 million and Asia/Pacific $25.0 million. The company had a total backlog of $10 million at the end of 2002, compared with a backlog of $4 million at the end of September 2002 and was insignificant at December 31, 2001. Operating cash flow was negative $10.4 million in the fourth quarter of 2002, excluding the payment of $7.9 million in the Light Age arbitration. Increase in inventory accounted for $7.9 million of the deficit, excluding $10.7 million of the one-time charges, offset by a decrease in receivables of $11.4 million and an increase in trade payables, accrued expenses and other long-term liabilities of $5.1 million. Lower sales and higher expenses accounted for the balance of the negative cash flow. In addition to the **Light Age** payment, the company also made significant disbursements in the fourth quarter including a $10 million bank loan principal payment, $3.2 million in principal payments under a subordinated note and $2.5 million for the final purchase price adjustment for the acquisition of the **Coherent Medical Group**. Depreciation and amortization for the fourth quarter was $7.3 million. At the end of the fourth quarter the company had cash of $18.1 million and $38.9 million was outstanding under the revolving credit agreement. Lumenis also recently announced that it reached a new financing arrangement with **Bank Hapoalim B.M.** The new arrangement extends the company's existing revolving credit agreement to December 31, 2003 and increases the amount available under the revolver to $50 million until July 1, 2003. It also allows the company to defer the $10 million of principal payments from April 2003 to December 2003 and April 2004 and amends certain covenants in the loan agreements.

The company currently expects that revenue for the first quarter of 2003 will be between $80 and 85 million. The company expects a net loss of approximately $6 million (16 cents per share) and EBITDA of approximately $5 million in the first quarter.

In the accompanying analyst teleconference, the company reported that of its $29.1 aesthetic revenues, Relume made up $4 million; hair removal $7.8 million and photorejuvenation $17.3 million. The company plans on new aesthetic product introductions during the third quarter. In addition, industrial laser sales were $2.5 million and dental laser sales $1.5 million. In response to a question about the Palomar - Gillette deal (see below), management said that it was looking into the prospects for a home-based device, but had no definitive comments for now.

2/19 **Palomar Medical Technologies Inc.** and **The Gillette Company** said that they had signed an agreement to complete development and potentially commercialize a patented home-use, light-based hair removal device for women. The agreement provides for up to $7 million in support of development to be paid by Gillette over approximately 30 months. Commenting on the agreement, Palomar CEO Joseph Caruso said, "This agreement with Gillette marks the beginning of a new phase for Palomar. More than seven years ago, we embarked on research to develop and introduce Palomar's light-based hair removal technology to the mass market. Gillette is the world leader in innovative shaving products and systems, with a global manufacturing and distribution capability. We believe that we are positioned with the best possible partner."

"We believe that Palomar Medical Technologies is the premiere company in the area of light-based removal of hair for women," said Michael Buckley, Director, Emerging Technology Ventures, The Gillette Company. "Our licensing agreement with Palomar is part of our overall effort to be well-positioned and knowledgeable on all hair removal technology. Our agreement provides for continued research and development of light-based technology and even possible product commercialization, if testing and regulatory requirements are met."

It should be noted that a home-base hair removal system was approved by the FDA in June 2002. This is the SpaTouch PhotoEpilation System (light- and heat-based system) from **Radiancy Corporation**.

2/20 **Axcan Pharma Inc.** announced during its annual shareholders' meeting that PHOTOFRIN (PHOTOBARR in Europe) had been filed in the United States, Canada and Europe for the treatment of High-grade Dysplasia associated with Barrett's Esophagus. Orphan drug designation has been granted in the United States and Europe. Approval is expected in the first half of fiscal 2003 in Canada and the United States, and at the end of fiscal 2003 in Europe. Also, Axcan is conducting an additional 5-year follow-up study involving most of the 75 patients treated with Photofrin-PDT in the pivotal clinical trial to evaluate the long-term effect of the treatment modality on High-grade Dysplasia of Barrett's esophagus. Final results of this long-term evaluation are expected in fiscal 2007.

2/20 A new survey shows that more than half (54%) of all Americans approve of cosmetic plastic surgery and nearly one-quarter (24%) say they would consider having cosmetic surgery themselves, either now or in the future. The February 2003 consumer attitudes poll of 1000 American households was commissioned by the *American Society for Aesthetic Plastic Surgery (ASAPS)* and conducted by the independent research firm **Market Facts**.

Whether people are married or unmarried has little to do with whether or not they would consider cosmetic surgery; 24% of married Americans and 25% of unmarried Americans said they would consider cosmetic surgery. Women are more likely than men to contemplate cosmetic surgery; nearly one-third (30%) of women said they would consider having cosmetic surgery, compared to 18% of men. But many of those who might not want surgery themselves say it has nothing to do with what others might think. More than three-quarters (77%) of all women and 74% of all men said that if they had cosmetic surgery, they would not be embarrassed if other people knew about it.

"Most people today see nothing unusual about men and women wanting to improve their appearance by having cosmetic plastic surgery," said ASAPS President Franklin DiSpaltro, MD. "People are living longer, and they want to enjoy life more. Looking good is part of feeling good, and that is what's important to people." Even though approval of cosmetic surgery among people under 35 is high (56%), younger people are more likely than older Americans to want to keep their cosmetic surgery a secret. Twenty-four percent (24%) of 18-to-34 year olds said they would not want people outside their family and close friends to know they had undergone cosmetic surgery, compared to only 8% of 55-to-64 year olds.

"It's not surprising that people are very comfortable about having cosmetic surgery to help reverse the signs of aging, when they still feel young and vigorous in so many other ways," said Dr. DiSpaltro. "But no matter what your age, cosmetic surgery should not be about changing who you are; it's about achieving harmony between how you look on the outside and how you feel inside."

2/20 According to Dr. Roy Geronemus, president of the *American Society for Dermatologic Surgery*, like Iron Mike Tyson, you may be having second thoughts about your latest tattoo. Fortunately, you don't have to fight someone to get it removed. Thanks to clinical advances in laser technology, today's dermatologic surgeons can remove your tattoo safely and effectively without a scrape. Skin normally needs about one month to heal after a tattoo is applied. For tattoo removal, the laser beam targets the tattoo pigment in the skin and mechanically breaks it down. The body then naturally removes the pigment and the tattoo fades. There are several types of laser systems that may be used to eliminate tattoos, depending on body location, size, ink color and your skin pigment. For example, in Tyson's case, laser experts recommend use of a Q-switched Nd:YAG laser for tattoo removal on dark skin. Dermatologic surgeons may also use non-laser techniques to get rid of certain tattoos. However, most tattoos generally require multiple treatments for thorough removal.

Experts in the health and beauty of your skin, dermatologic surgeons are committed to the highest standards of patient care. Accordingly, the American Society for Dermatologic Surgery offers the following Tattoo Safety Tips.

If you are getting a tattoo:

-- Make sure the operator uses properly sterilized equipment
-- Be certain the operator uses disposable needles, wears latex gloves, and properly disposes of biohazards
-- Check that the tattoo shop is approved by the State Board of Health.

If you are having laser surgery to remove a tattoo:

-- Make sure a doctor, preferably a dermatologic laser surgeon, is on site during the procedure
-- Check that treatment is administered in an appropriate medical setting
-- Ask questions about the doctor's qualifications and experience with lasers
-- Find out if the recommended laser system is right for your skin type and appropriate for your specific tattoo
-- Inquire about potential side effects and risks of treatment. If you have sensitive skin or are unsure about a procedure, ask for a test spot.
-- Call your physician immediately if you experience pain, discomfort or discoloration after your procedure.

2/24 **CardioGenesis Corporation** announced that an independent panel review of the scientific dispute in connection with the company's pending PMA application for its Percutaneous Myocardial Revascularization (PMR) System had been granted by the FDA. The review will be conducted by the FDA's Medical Devices Dispute Resolution Panel (MDDRP), independent experts authorized to adjudicate and resolve scientific disputes between an applicant and the FDA. CardioGenesis chairman and CEO Michael Quinn said the company understands the unique challenges an innovative new technology can present to the FDA, and is encouraged by the Agency's decision to provide an impartial forum for consideration of the evidence by qualified experts.

"We are confident that the PMR supplement contains adequate valid scientific evidence to support a determination of reasonable safety and efficacy of the PMR system," Quinn said. "This action on the part of the Ombudsman in the FDA's Center for Devices and Radiological Health and MDDRP Executive Secretary confirms that our scientific dispute with the Office of Device Evaluation is substantive, and that the FDA agrees the matter is sufficiently complex and important to convene the MDDRP."

CardioGenesis expects the MDDRP to convene within the second quarter of 2003. The panel will make a determination and recommendation to the FDA's Director of the Center for Devices and Radiological Health (CDRH). The CardioGensis PMR system has been under evaluation in pivotal human clinical trials since 1997. The current PMA application

was filed with the FDA in December 1999 and amended in July 2002 to address concerns raised at a FDA advisory panel meeting. Late last year the FDA's Office of Device Evaluation (ODE) determined that, in their opinion, there was not sufficient information to demonstrate reasonable assurance of PMR's safety and effectiveness. Quinn said that the company considered all of the potential remedies to this dispute. The formal dispute resolution process provided the most direct pathway to a determination on the PMR supplement by well-qualified clinical experts. The company will provide further information on the timing of the panel meeting when it is made available.

MEDICAL/SURGICAL LASER UPDATE -- March 2003

2/17 **Innovative Medical Group**, the leading distributor of the MicroLight Laser, has retained **The Steven Pepper Group**, specialists in healthcare public relations and marketing for over 16 years. Innovative Medical Group distributes the MicroLight Laser, which last year received FDA approval for treatment of Carpal Tunnel Syndrome, a repetitive stress injury of the wrist from which millions of Americans suffer. Utilizing a "cold" laser beam, the Laser reduces swelling and inflammation in the affected area, and stimulates healing at a cellular level. Innovative Medical Group CEO, Wyatt Earp, describes the painless, non-surgical treatment as "leading edge technology, not cutting edge."

2/25 **CardioGenesis Corporation** announced results for its fourth quarter and year ended December 31, 2002. Chairman and CEO Michael Quinn said that strong TMR hand piece sales combined with laser sales and placements in the 2002 fourth quarter increased revenues to the highest quarterly level in five quarters, which the company believes is a good indication of the renewed and growing interest in its TMR procedure.

"We are pleased with our performance in the fourth quarter and the progress we have made with TMR for the year as a whole. It is clear that TMR is becoming used more widely as evidenced by the strong fourth quarter sales of hand pieces and lasers and the number of cardiothoracic surgeons expressing renewed interest in the procedure. We have increased the number of TMR procedures being performed over the last few quarters while streamlining and effectively focusing our sales staff. We have also continued to narrow the operating losses of the company with a strong focus on cost control and resource management, and our cash burn in the fourth quarter of 2002 continued to decline as a result of those efforts."

Revenues for the 2002 fourth quarter rose 31% over the fourth quarter of the prior year and were up sequentially 14% over the third quarter of 2002. Revenues for 2002, which had declined year-to-year for the first nine months, also declined for the full year, although revenues attained in the 2002 fourth quarter reversed a trend of year-to-year declines in quarterly revenues and narrowed the gap by nearly $900,000. When compared to the prior year, the decline in 2002 revenues was primarily due to a stepped up focus throughout the year on increasing TMR procedure volume in the US installed base, which had the effect of reducing the average revenue per hand piece. Revenues in 2002 were also impacted by a decline in international sales. Gross profit margins, as a percentage

of sales in 2002 continued to improve, increasing to a record 80% in the fourth quarter and 78% for the full year, up from 63% and 59%, respectively, for the 2001 fourth quarter and full year.

Revenues in the fourth quarter of 2002 grew to $3.7 million from $2.8 million in the prior year period, with the company reporting net income of $149,000 (0 cents per share) for the quarter. The results for the fourth quarter of 2002 included the effects of a $598,000 reduction in accrued liabilities recorded in prior years for research and development costs associated with estimated clinical trial obligations, and a $567,000 reduction in accrued liabilities recorded in the first three quarters of 2002 in connection with the company's management incentive program. The net loss in the fourth quarter of 2001 was $2.4 million (7 cents per share).

Revenues for the full 2002 year were $13.0 million, with a net loss of $530,000 (1 cent per share) compared to 2001 revenues of $14.2 million, with a net loss of $10.2 million (31 cents per share). The 2002 results included the effects of recording in the third and fourth quarters a total of $1.3 million in reductions of accrued liabilities recorded in prior years for estimated clinical trial obligations and the $2.3 million one-time gain recorded in the second quarter from the sale of the company's minority interest in a privately held medical company. Excluding the effect of the reduction of accruals, the loss from operations in 2002 was cut to $4.1 million, less than half the $9.6 million loss from operations recorded in 2001.

"We believe we are well positioned to become profitable with our TMR business in 2003," Quinn added. "TMR is a procedure that has improved the lives of patients suffering from advanced cardiovascular disease, and we now have strong five-year follow-up data from a multi-center study that clearly demonstrates the long term efficacy and patient benefits of TMR. As the procedure gains acceptance, our pipeline grows stronger." Quinn said that the company is committed to PMR, its less invasive, catheter-based version of TMR, and it is very encouraged by the FDA's recent decision, which CardioGenesis announced yesterday, to grant the company an impartial forum for consideration of PMR by a new independent panel of qualified experts. "We are confident that the PMA supplement we submitted last year contains adequate valid scientific evidence to support a determination by the panel of the reasonable safety and efficacy of PMR. Although we did not obtain regulatory approval of PMR in 2002, we have continued to work closely this year with the FDA to do everything we can to obtain clearance of this less invasive approach to this quality of life enhancing therapy. Now that we have been granted an independent panel review through the dispute resolution process, we intend to work diligently to bring PMR to the tens of thousands of late stage coronary artery disease patients in the US searching for effective treatment of their crippling angina pain."

During the fourth quarter of 2002, the company shipped six lasers and worldwide disposable sales exceeded 820 units; for the year 21 lasers were shipped and worldwide disposable sales were 3,034 units. At the end of 2002, there were 425 sites using

CardioGenesis lasers for myocardial revascularization, up from the 413 sites at the end of 2001. Over 100 additional cardiothoracic surgeons were trained in 2002, and a large number of surgeons trained in prior years also attended advanced TMR training in 2002. The company's dominant share of the laser-based cardiac revascularization market includes substantial penetration in the top cardiovascular institutions in the U.S.

2/25 **PLC Systems Inc.** reported positive financial results for the three months and year ended December 31, 2002. The company also announced that it earned a profit for the full year for the first time since PLC commercially launched its angina therapy in the United States. "PLC's profitable fourth quarter and full year are great achievements," stated Mark Tauscher, president and CEO of PLC Systems. "During the past 24 months we have positioned PLC, with our **Edwards Lifesciences** partnership, to achieve profitability. I am very pleased that PLC has reached this milestone. The positive results from 2002 reinforce our strategic decision to market TMR with a strong, sustained sales effort, which Edwards has provided."

Fourth quarter net income increased by $808,000 to a net profit of $210,000 (1 cent per share) compared to a net loss of $598,000 (2 cents per share) for the quarter ended December 31, 2001. Revenues for the quarter were $2.2 million compared with $2.5 million for the fourth quarter of 2001. Net income for the year improved $4.2 million to a net profit of $305,000 (1 cent per share) compared to a net loss of $3,902,000 (13 cents per share) for the year ended December 31, 2001. Total revenues for the year were $8.8 million compared to $9.8 million for the year ended December 31, 2001. During the year, PLC improved its cash position by almost $1 million and ended 2002 with cash and cash equivalents totaling approximately $5.9 million.

"PLC's business model is driven by two primary components: lasers and disposable kits. We believe in the long term, the business will be supported by disposable kit sales," continued Tauscher. "Currently, the TMR business is an emerging technology that primarily relies on the sale of lasers, which can fluctuate from quarter to quarter. In fact, the results for the first quarter of 2003 may be similar to the results we reported for the first quarter of last year. Even with that said, we anticipate reporting a profit for 2003."

During the fourth quarter of 2002, PLC and Edwards combined shipped 11 next-generation CO_2 Heart Laser 2 (HL2) and 452 disposable kits worldwide. PLC ended the fourth quarter of 2002 with 132 CO_2 Heart Lasers located at heart centers throughout the United States, comprised of 76 HL2 customers and 56 HL1 customers. As of December 31, 2002, PLC's U.S. laser base had increased by almost 30% during the preceding 12 months. More significantly, PLC's HL2 base grew to 76 lasers as of December 31, 2002, up 100% from December 31, 2001 and up 15% from the end of the third quarter of this year.

Tauscher concluded, "Today, the installed laser base is not large enough for the business to be supported solely by disposable kit revenue. Therefore, a key objective is to increase the laser base. I am very encouraged with the significant laser base growth during the past

year. The most important fact is that there was 100% growth in our HL2 laser base year over year."

2/27 **Palomar Medical Technologies, Inc.** announced financial results for the fourth quarter and year ended December 31, 2002. For the fourth quarter the company's total revenues increased by 97%, its product revenues increased by 169% and its gross profit improved by 226% as compared to the fourth quarter of 2001. Based on the increased revenues and improved margin due to growing sales of the company's flagship EsteLux Pulsed Light system and complementary handpieces, the company realized net income for the third consecutive quarter versus a net loss in the fourth quarter of 2001. In addition, the company generated a positive cash flow for the last three quarters, and over the past year gross margins have improved significantly due to a shift in product mix to lower cost platforms.

Revenues for the quarter were $7.5 million, up from $3.8 million in the fourth quarter of 2001. Gross profit increased to $4.3 million (57% of revenues), up from $1.3 million (34% of revenues) in the year-earlier quarter. The company reported net income of $437,000 (4 cents per share) versus a net loss of $391,000 (5 cent loss per share) for the fourth quarter of last year. Revenues for the year were $25.4 million, up from $16.7 million for the year ended December 31, 2001. Gross profit increased to $13.1 million (51% of revenues), up from $5.3 million (32% of revenues) in the year-earlier period. The company reported net income of $39,000 (0 per share) versus a net loss of $5.5 million (54 cents loss per share) for the year ended December 31, 2001.

CEO Joseph Caruso commented, "It's a pleasure to report on the progress that has been made by the company during the fourth quarter of 2002 and the full fiscal year, particularly following last week's announcement of our agreement with **The Gillette company** to complete development and commercialize a patented home-use, light-based hair removal device for women. This quarter's results were accomplished prior to the agreement with Gillette and include some milestones for Palomar: it's our third consecutive quarter of increased product sales, net profits and positive cash flow, leading to a profitable year, and we are especially encouraged that our product revenues continue to increase at a rapid rate. In addition, we have increased market share over the past few quarters and look forward to this trend continuing in 2003. We believe that our products will continue to penetrate the market, based on the favorable reviews we have received from dermatologists and other treatment providers around the world. These products have a wide range of applications, including hair, tattoo and vascular and pigmented lesion removal. Palomar's products offer features that are not available elsewhere, backed up by a tradition of excellent science, design and support that is widely trusted. We expect to keep expanding the applications of our technology during the upcoming quarters."

Caruso added that the Gillette agreement marks the beginning of a new era for Palomar, noting that seven years ago, the company embarked on research to develop and introduce Palomar's light-based hair removal technology to the mass market, and that it is now well positioned to bring light technology into the home. Commenting on Palomar's continuing

program to expand its shareholder base, Caruso concluded, "We are now in the process of scheduling further meetings with various institutions and funds to create an increased following for the company within the investment community."

2/27 On March 24th, the *"Aesthetic Buyers Guide"* and **Medical Insight** will present the newest innovations in aesthetic technologies, products and procedures via a highly condensed business forum to be held in San Francisco. The "Aesthetic Technologies Business Forum" offers industry executives an advance opportunity to evaluate numerous new technologies that will make a major impact on the cosmetic treatment market in the near future. This business development forum will include the exclusive release of results from a recent aesthetic practice survey conducted by Medical Insight, including current procedure trends, pricing statistics, and other market research data. In addition, Michael Moretti, president of Medical Insight, Inc. and Editor of the "Aesthetic Buyers Guide," will present an Executive Briefing related to the forthcoming New Aesthetic Technologies and Business Opportunities market study. This comprehensive study, which is scheduled for publication by Medical Insight in April 2003, will provide a detailed analysis and market forecast related to emerging aesthetic technologies.

Some of the new technologies and products scheduled for review at the "Aesthetic Technologies Business Forum" include: R-F based systems for multiple applications; Ultrasound and electrical stimulation for face lifts; LEDs for wrinkle reduction; Laser and ultrasound-based cellulite reduction systems; Bioengineered anti-aging topicals; and light-activated drugs for photorejuvenation.

Attendees at the "Aesthetic Technologies Business Forum" will have the unique opportunity to preview the future of aesthetic practice. This interactive meeting also includes networking with the inventors who created these new products and procedures. As a result, Forum participants will leave this event with inside information that provides a major strategic advantage. They will have the knowledge to screen and select only the devices and products which will be successful in the near future.

2/27 **PhotoMedex, Inc.** announced that the Medical Policy Committee of **Horizon Blue Cross Blue Shield of New Jersey** determined that it will reimburse for treatment for mild to moderate psoriasis using the XTRAC excimer laser system. Horizon Blue Cross Blue Shield of New Jersey is a not-for-profit health care company, which, along with its affiliates and subsidiaries, offers a comprehensive portfolio of health insurance products, direct health care and administrative services to over 2.5 million people. Jeff O'Donnell, PhotoMedex CEO and president, commented, "We are naturally pleased that Horizon Blue Cross Blue Shield of New Jersey has favorably evaluated the psoriasis therapy that is provided by the XTRAC laser and has determined to make this treatment available to its subscribers. Among other Blue Shield affiliates which have either approved coverage or paid claims submitted by physicians and patients are those in New York, Alabama, California, Washington and Arizona."

"In December 2002, the Centers for Medicare and Medicaid Services approved reimbursement for treatments using the XTRAC laser. This approval, as well as the approval by more than 30 private healthcare plans, gives us confidence that in the course of 2003, more and more insurance carriers will approve laser treatments for psoriasis for reimbursement. And as the number of approvals increases and the acceptance of the XTRAC laser expands, we look for the professional literature on the laser to grow as well."

The company also released its results of operations for the fourth quarter ended December 31, 2002 inclusive of activity from its acquisition of **Surgical Laser Technologies, Inc.** from December 27, 2002 through year end.

Revenues for the fourth quarter were $647,341, including 9 lasers sold internationally. Revenues for the year 2002 were $3.3 million. Revenues for the quarter ended December 31, 2001 were $616,468, including 9 lasers sold internationally. Revenues for the year ended 2001 were $4.7 million. The net loss for the fourth quarter was $2.6 million (9 cents per share). For the year, the net loss was $9.1 million (34 cents per share). The net loss for the fourth quarter of 2001 was $4.9 million (21 cents per share). For the year 2001, the net loss was $15.7 million (80 cents per share).

As of December 31, 2002, the company had cash, cash equivalents, and short-term investments of $6.0 million, including $2 million pledged as collateral for bank debt. In December 2002, the *Centers for Medicare and Medicaid Services (CMS)* published the relative values and national Medicare reimbursement rates for the CPT codes earlier published by the *American Medical Association*. The codes for XTRACT laser therapy are effective, January 1, 2003 but payments will not be made to doctors until March 1, 2003. Jeff O'Donnell, president and CEO, commented, "We are very pleased with the reimbursement that the RUC Committee attached to the three new CPT codes for laser treatment for inflammatory skin disorder (i.e. psoriasis). This was a major event for PhotoMedex, enabling the initiation of an aggressive XTRAC laser system launch. We are also pleased to announce the completion of the merger of PhotoMedex and SLT effective December 27, 2002. PhotoMedex continues to grow SLT's procedural services business, and believes that the coupling of our revenues and manufacturing and sales infrastructures with our breakthrough technology will prove to be a winning combination in 2003. Additionally, we are pleased to announce that Richard DePiano was unanimously voted in as the chairman of the Board of Directors. The company will benefit from his guidance. DePiano became a member of the Board in May, 2000. Alex Charlton, the former chairman, will continue to serve on the Board."

3/3 **PlaceWare, Inc.**, the virtual collaboration and web conferencing choice of Corporate America, announced that **Lumenis** has had great success using PlaceWare Web conferencing to reach more customers and prospects, resulting in an increase in revenue. Using PlaceWare, Lumenis conducts virtual physician workshops, competitive overviews, and new product introductions, as well as disseminates human resources information to its 1,400 employees worldwide. Based on information conveyed from one

workshop alone, the PlaceWare service helped Lumenis sell five extra lasers, which resulted in an additional $200,000 in revenue.

"PlaceWare offers Lumenis more ways to be in high-touch, interactive contact with customers and prospects," said Peter Alexander, interactive marketing manager, Lumenis. "Physicians who can't physically attend one of our live workshops can now attend a web conference from the comfort of their home or office and still have a high-quality dialogue with us." PlaceWare allows anyone with a computer and a phone to connect with groups from a few to a few thousand from locations across the world via the Internet, quickly, easily and at a fraction of the cost of business travel. A web conference can include virtually anything from presenting with PowerPoint or demonstrating any piece of software, to touring web sites, conducting virtual polls and even interacting with an audience to run a question and answer session.

"After evaluating the competition, Lumenis chose PlaceWare because of its outstanding customer service," said Kathryn Grant, director of sales operations, Lumenis. "The combination of web and audio conferencing gives us the capability and control to share images and information more uniformly than with audio alone. We keep looking at new ways to use PlaceWare throughout our organization, and Lumenis plans to expand usage to all our business units who can benefit from PlaceWare's easy to use and deploy web conferencing and collaboration solution."

"PlaceWare helps Lumenis reach a wider audience through web conferencing," said Dustin Grosse, vice president of marketing, PlaceWare. "To achieve greater results more quickly while saving money and increasing revenue, PlaceWare web conferencing offers the best solution hands down."

3/4 Nearly 6.9 million cosmetic surgical and nonsurgical procedures were performed in the United States in 2002, according to statistics released today by the *American Society for Aesthetic Plastic Surgery (ASAPS)*. Compared to 2001, surgical procedures increased 1% to 1.6 million, while nonsurgical procedures declined 23% to 5.3 million. ASAPS, which annually conducts the nation's most authoritative survey of U.S. physicians performing cosmetic surgery, says the overall number of cosmetic procedures (surgical and non-surgical) has increased 228% since 1997.

"Last year's increase in surgical procedures, while small, speaks to people's strong motivation for making positive changes in their lives -- despite worries about the economy and world tensions," said Franklin DiSpaltro, MD, president of the American Society for Aesthetic Plastic Surgery, founded in 1967 as the only plastic surgery organization devoted exclusively to cosmetic surgery education and research. Among the most significant increases in the surgical category for 2002, compared to the previous year, were abdominoplasty (tummy tuck), up 17%; breast augmentation, up 15%; breast reduction, up 9%; facelift, up 6%; and breast lift, up 4%.

Surgical procedures accounted for 23.5% of all cosmetic procedures, while nonsurgical procedures were 76.5% of the total. Dr. DiSpaltro said that part of the reason for the higher number of nonsurgical procedures was that popular treatments such as Botox, collagen injections and microdermabrasion must be repeated on a regular basis in order to maintain their benefits. "Nonsurgical procedures are playing an important role in modern plastic surgery practice, but patients need to understand that these noninvasive treatments cannot achieve the same or as long-lasting results as a surgical procedure," said Dr. DiSpaltro.

"However, in many instances, nonsurgical procedures can be beneficial in helping to enhance and maintain the results of surgical improvements. For younger patients, nonsurgical procedures may sometimes allow them to delay more extensive surgery a while longer, letting them `hold the line' against wrinkles with a variety of soft tissue fillers, Botox and skin resurfacing treatments."

TRENDS

Top Surgical Procedures -- The five most popular cosmetic surgical procedures in 2002 were lipoplasty (liposuction), 372,831; breast augmentation, 249,641; eyelid surgery, 229,092; rhinoplasty (nose reshaping), 156,973; and breast reduction, 125,614. (Note that breast reduction may be covered by insurance, depending on terms of the policy and individual patient factors.) Six new surgical procedures were added to the ASAPS survey for 2002. These included umbilicoplasty (belly button enhancement) and breast nipple enlargement, both of which have been reported as "trends" by the media. ASAPS statistics show that the actual number of these procedures was extremely small, with umbilicoplasty ranking 32nd (2,082 procedures) and breast nipple enlargement ranking 35th (540 procedures) among the 36 procedures surveyed. Since 1997, the number of cosmetic surgical procedures performed in the U.S. has increased 67%, according to ASAPS statistics.

Top Nonsurgical Procedures -- The top five nonsurgical procedures were botulinum toxin injection (Botox), 1,658,667; microdermabrasion, 1,032,417; collagen injection, 783,120; laser hair removal, 736,458; and chemical peel, 495,415. Botox injection continued to rank first among all cosmetic procedures, increasing a modest 4% since 2001 but more than 2400% since 1997. Microdermabrasion, a procedure that uses fine crystals to gently polish the skin, showed the highest one-year gain of any nonsurgical procedure, up 13%.

Gender Distribution -- Males had 12% (807,692) of all cosmetic procedures, while females had 88% (6,081,857) of the total. The percentage of procedures attributable to males and females respectively was virtually unchanged from 2001. The top surgical procedure for both men and women was lipoplasty (liposuction).

Age Distribution -- Among five designated age groups included in the survey, the greatest number of procedures (44%) was performed on people ages 35 to 50, with

lipoplasty (liposuction) being the most popular surgery and Botox injection the most popular nonsurgical treatment. Those 18 years old and younger accounted for just over 3% of cosmetic procedures, down slightly from 2001. Among this age group, nonsurgical procedures including chemical peel, microdermabrasion and laser hair removal were the most popular. The most frequently performed surgical procedure for people 18 and under was ear reshaping, often done on very young children, and nose reshaping. Men and women 65 and older had 5% of procedures, with eyelid surgery as the top surgical procedure and Botox injection the most popular nonsurgical treatment in this age group.

Racial and Ethnic Distribution -- Racial and ethnic minorities accounted for 19% of all cosmetic surgery procedures, an overall 2% increase from 2001: Hispanics, 8%; African-Americans, 5%; Asians, 4%; and other non-Caucasians, 2%.

ASAPS Members Performed Highest Number of Procedures Per Doctor -- Among all physician groups surveyed, members of the American Society for Aesthetic Plastic Surgery performed the highest average number of cosmetic procedures per doctor (623 procedures) in 2002. Ninety-seven percent (97%) of ASAPS members operated in an accredited surgical facility (a requirement for ASAPS membership as of July 2002, with temporary extensions currently granted only for members in the process of accreditation). ASAPS members are certified by the American Board of Plastic Surgery and specialize in cosmetic surgery of the face and body.

3/4 **Cynosure, Inc.** announced that its family of PhotoGenica lasers for the treatment of psoriasis and other inflammatory skin conditions was now covered under a new CPT code implemented by the American Medical Association. CPT is the most widely accepted listing of descriptive terms and identifying codes for reporting medical services under public and private health insurance programs. CPT codes are issued and updated yearly by the AMA in a publication that reflects significant changes in medical technology and practice. The 16-member CPT Editorial Panel approved the proposal for the code submitted by the American Academy of Dermatology in 2002.

Cynosure received FDA clearance in March 2001 for the treatment of psoriasis using a patent-pending protocol and its pulsed dye laser technology. "We are very pleased to have received such prompt clearance since it now opens the door to psoriasis sufferers around the world to our proven laser technology," said Horace Furumoto, president and CEO. "This new CPT code will be of enormous help to the entire health care profession since it will standardize and streamline billing and tracking of psoriasis laser treatment."

Psoriasis afflicts an estimated six million individuals in the United States and an additional 10 million throughout Europe, Asia, and the rest of the world. Nearly 70% suffer from mild plaque psoriasis, which affects about 5% to 10% of body areas, typically in very visible areas such as elbows, knees and hands.

3/4 **Creative Enterprises International, Inc.** announced the launch of the FDA approved Bioptron Cosmetic Light Therapy System, a painless hand-held cosmetic light therapy

treatment system that uses visible, incoherent polarized light of a specific wavelength and power density. The company will be demonstrating the Bioptron Compact III Cosmetic Light Therapy System as well as introducing the Swiss Nature skincare product line at the 86th Annual International Beauty Show in New York, the largest professional beauty trade show in the world.

"The Bioptron Cosmetic Light Therapy System provides beauty salon and spa operators a new way to generate a constant flow of revenue by offering a series of Bioptron treatments to its existing customer base," stated Michael Salaman, president, CEII. "Bioptron's ease of use, affordability, painless and non-surgical nature, and its less than 30 minute skin care treatment process make the hand-held device an attractive new anti-aging service beauty professionals can offer to both existing and potential customers who are seeking the latest technology in skincare."

The Bioptron Cosmetic Light Therapy System includes the Bioptron Treatment Lamp, with integrated timer programmed to beep after every two-minute interval, a professional stand for hands-free application, Oxygen Spray, and a carrying case. The Oxygen Spray is applied to the face prior to the Bioptron Treatment Lamp process, increasing the effectiveness of the light therapy. Bioptron is a natural light therapy system that supports the regenerative capacity of the body in order to increase healing potential. After using the Bioptron device, skin exudes a glowing radiance, feels smoother and looks healthier. Manufactured in Switzerland by **Zepter International**, the product is already used by millions of people throughout Europe and by 2006, more than 15,000 physicians worldwide are expected to use similar light therapy systems, accounting for more than $1.3 billion in annual treatment fees. The complete professional Bioptron Light Therapy System is priced at $500.

3/4 **CardioGenesis Corporation** announced that a Nasdaq Listing Qualifications Panel had granted the company an exception from the Minimum Bid Price requirement and as a result its common stock will continue to be listed on the Nasdaq SmallCap Market. Effective at the opening of the market on March 5, 2003 and for the duration of the exception period, the Nasdaq symbol for the company's common stock will be CGCPC.

3/4 According to *The Marker* (Israel), Jerry Puorro, CEO of **Candela** said that **Lumenis** "is conducting negotiations with **GE Medical** for the sale of its service operation." The article goes on to note that the service division of Lumenis had sales of $49 million in 2001 and $54 million in 2002. Puorro went on to say, "Lumenis will be forced to sell off these activities -- and the negotiations with GE Medical is only the first phase."

The Marker went on to say that a former senior employee of Lumenis confirmed that Lumenis was exploring the possibility of selling some of the company's operations, but a spokesperson for the company denied the potential sale and called the report completely unfounded.

3/5 **BriteSmile, Inc.** announced that it was amending its existing patent infringement lawsuit against **Discus Dental, Inc.** by adding Salim Nathoo as a defendant and alleging that Nathoo and Discus Dental conspired to misappropriate BriteSmile's trade secrets in violation of Nathoo's contractual obligations with the company.

The amended lawsuit alleges that, as BriteSmile's Medical Director, Nathoo had, and continues to have, an obligation to keep BriteSmile's trade secrets confidential. However, beginning in 2001, the lawsuit alleges, Discus Dental and Nathoo entered into an agreement whereby Discus Dental paid Nathoo at least $2.5 million over a less than two year period for Nathoo's "consulting" services, which included paying Nathoo to divulge BriteSmile's trade secrets. The lawsuit alleges further that in December 2002 a third party informed BriteSmile of Nathoo's activities, and that when confronted by BriteSmile, Nathoo admitted receiving $2.5 million from Discus Dental. "We at BriteSmile are very disturbed by this turn of events. We trusted Dr. Nathoo with our most sensitive trade secrets, and are disappointed by his apparent sale of our secrets to the highest bidder. However, we are committed to enforcing our intellectual property rights and will take all necessary steps to prevent its unauthorized use," said John Reed, BriteSmile CEO.

BriteSmile is seeking a permanent injunction against both Discus Dental and Nathoo to halt the alleged conduct, as well as treble damages and attorneys' fees for the damage done to BriteSmile. The Amended Complaint was filed by the Chicago and Palo Alto offices of **Mayer, Brown, Rowe & Maw**, which was recently engaged by BriteSmile as its new patent counsel.

3/6 **ICN Pharmaceuticals, Inc.** announced the divestiture of its U.S. and international Photonics businesses. The divestitures were completed as a part of the company's previously announced plans to refocus its operations on its core specialty pharmaceuticals business. ICN completed the disposition of its U.S. Photonics business, including the sale of CoolTouch assets in North America, to **New Star Lasers, Inc.** As part of the agreement, New Star Lasers, Inc. agreed to assume the U.S. warranty and service obligations related to the domestic installed base of CoolTouch, VARIA, and N-Lite lasers effective immediately. Financial details of the agreement were not disclosed.

Additionally, ICN completed the sale of 100% of its interest in **Draig Ltd.**, the holding company for **ICN Photonics Ltd.** in Wales, owner of the N-Lite brand, to **EU Photonics Ltd.** Financial details of the agreement were not disclosed.

"We are very pleased to have completed the divestiture of our Photonics business," said Robert O'Leary, ICN chairman and CEO. "In addition to being an important step in our repositioning efforts, the divestiture helped ICN to avoid significant future commitments and obligations. Our other divestiture programs are on schedule and proceeding according to plan."

New Star Lasers, Inc., the original designer and manufacturer of the CoolTouch laser system, issued its own press release about the re-acquisition of CoolTouch. The company

announced that it had completed its reacquisition of the assets of **CoolTouch Corporation**, notably the CoolTouch II and VARIA, from ICN Pharmaceuticals, Inc. As a result of this transaction, New Star Lasers dba CoolTouch Inc. regains control and responsibility for all functions related to the premier non-ablative laser technology, including marketing, manufacturing, technical service and customer support.

Nina Davis, New Star Laser's president, stated that "This agreement allows us to bring CoolTouch back home and reinstate it to its leadership position in the aesthetic marketplace." Ms. Davis added, "With these assets, we can now provide our customers a portfolio of new cutting-edge solutions that are slated to launch this year." Clinical advances to be introduced this year at major medical meetings include expanded functionality of the CoolTouch platform and a novel light-based technology to treat a growing number of skin conditions. New Star Lasers has also retained a core group of multi-talented and dedicated professionals to focus on a quick return to the high level of service previously experienced by CoolTouch customers.

"The reacquisition is an important step and a positive development that enables CoolTouch to more effectively meet customer demand for both its established products and new technology," said Robert Weiss, MD, Assistant Professor of Dermatology at Johns Hopkins University School of Medicine in Baltimore, MD. "It also helps accelerate the scientific research and development that has been under investigation for the past year or so at New Star Lasers," added Dr. Weiss, who is considered a pioneer in breakthrough technology for the laser industry and led the initial clinical studies for CoolTouch collagen remodeling.

3/6 **Primary Technology, LLC**, a privately held Florida corporation specializing in cosmetic medical device manufacturing, announced that the U.S. Patent and Trademark Office (USPTO) had given notice of allowance to a second Intense Pulsed Light technology patent. Primary Technology's intense pulsed light aesthetic medical devices are currently used to remove benign pigmented and vascular lesions as well as perform hair removal. This new patent, which encompasses multiple dermatological treatments, will allow Primary Technology to create whole new product lines in the "cosmetic" and "medically necessary" arenas. These new devices will include treatments for wrinkle reduction, skin smoothing, psoriasis, and acne to name only a few. According to Anthony Davis, executive vice president of Primary Technology, this notice is a huge event for the company and technology. "In the aesthetic medical industry, companies and their products are often defined by the patents they hold. Having a second patent undeniably strengthens our product lines," said Davis. Primary Technology has plans for a third patent submission this quarter. "Our third submission will include a unique technology which we feel will revolutionize the aesthetic light-based industry," said Stephen Almeida, president of Primary Technology.

3/6 **Candela Corporation** announced that an arbitration panel had decided in its favor in a dispute with **Physician Sales & Service, Inc. (PSS)**. The panel awarded Candela $2.2 million for unpaid amounts previously invoiced, which Candela earlier reported as

revenue. This amount was net of $150,000 separately awarded to PSS. The decision also included interest on the outstanding balance that would be approximately $350,000 to $400,000. The arbitrators also awarded Candela its attorneys' fees and expenses, as well as the costs of arbitration. As a result of this decision, Candela currently expects that it will be able to reverse the $300,000 reserve it previously recorded in connection with this dispute.

Gerard Puorro, Candela's President and CEO said: "Obviously, we are delighted with the finding by the panel of arbitrators. We have been confident from the beginning that we were totally within our rights to terminate PSS for not paying their bills." Puorro continued: "We are further gratified that the panel awarded us payment of our legal fees and expenses."

The following day, PSS issued its own statement about the settlement. The company said that it would record a cash charge of approximately $0.8 million for interest and fees that were awarded in an arbitration case with Candela Corporation. The charge will be included in the company's results for the period ending March 27, 2003. The company noted that it does not expect this charge to have a material effect on its fiscal 2003 fourth quarter financial results for the period ending March 27, 2003, which will be reported on May 22, 2003, and included in its report of financial results for fiscal year 2003.

3/11 **DUSA Pharmaceuticals Inc.** reported its Q4 and full year 2002 audited financial results, and corporate highlights.

Corporate Highlights: The most important event for DUSA during 2002 was the September 1st termination of the Marketing, Development and Supply Agreement with **Schering AG** of Germany, covering DUSA's Levulan PDT technology for dermatology indications. As of that date, DUSA reacquired full responsibility for all future dermatology development and marketing activities and all other rights granted to Schering AG under the agreement. DUSA has now begun to institute its own marketing program, based on education of physicians, supporting efforts to improve reimbursement to physicians for our therapy from Medicare and other third-party payers, and development of clinical studies which, if successful, could expand our AK market. Following the termination, the company also decided to stop funding certain clinical development programs and reduced headcount by approximately 20%, in order to control costs and focus the company on meeting our core sales, development and spending objectives. The termination also resulted in a net profit for the year, although the company expects to report future net losses until such time as sales of our products increase significantly. Net cash burn for 2002 was approximately $11.8 million, and DUSA finished the year with approximately $52.9 million of cash and cash equivalents and short-term investments, leaving the company in a very solid financial position to proceed with its current development and marketing programs.

Kerastick end user sales during the fourth quarter totaled 1,722 units, similar to average sales levels seen throughout the year. For the full year, Kerastick end user sales totaled

7,116 units, up slightly from the 2001 level of 7,071 units. BLU-U placements at year-end totaled 328 units, up from 282 at year-end 2001. DUSA is hopeful that Kerastick usage will increase during 2003, especially later in the year as our new marketing and educational programs begin to take effect. For the first time, DUSA will have its own booth at the upcoming meeting of the *American Academy of Dermatology*, and expects to actively participate at other educational meetings throughout the year.

The company also continues to make progress on its Phase I/II program using Levulan PDT in the treatment of Barrett's esophagus dysplasia. Recent follow-up data from 5 high grade dysplasia (HGD) patients showed a continued absence of dysplasia (i.e. complete ablation), no strictures, and no signs of mucosal overgrowth, with 12 months of follow-up in 4 patients, and 6 months follow-up in 1 patient. DUSA is currently seeking a development and marketing partner for this indication.

In January 2003, the company announced that it had entered into license and development, and supply agreements for ALA fluorescence guided resection of brain cancer, with **Photonamic GmbH and Co. KG** and **medac GmbH** of Germany. These agreements provide for the licensing to DUSA of Photonamic's proprietary technology related to aminolevulinic acid (ALA), the compound used in DUSA's Levulan Photodynamic Therapy (PDT) and Photodetection (PD), for brain cancer and includes rights to use certain pre-clinical data for other indications.

Financial Highlights:

Schering AG Termination Accounting: In September 2002, and again at year-end, 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 in the field, and deferred charges and royalties. DUSA's net income for the year ended December 31, 2002 was $5.8 million (42 cents per share) as compared to a net loss of $7.4 million (53 cents per share) for 2001. Net income for 2002 included the aforementioned one-time recognition of approximately $17.7 million of certain items in its Consolidated Statement of Operations based on the termination of the Schering AG agreement. Total research and development costs for 2002 were $12.1 million compared to $10.8 million in the prior year. The increase included a $500,000 milestone charge under the license agreement signed on December 30, 2002 between DUSA and Photonamic GmbH & Co. KG, and the recognition of $639,000 of previously deferred royalties associated with payments to **PARTEQ**, the company's licensor, due to the termination of the Schering AG agreement. Lower spending on dermatological indications were offset by higher third-party expenditures in support of our FDA mandated Phase IV clinical study of the long-term efficacy of our marketed product, and our Phase I/II clinical studies on the safety and efficacy of Levulan PDT treatment of Barrett's esophagus with and without dysplasia. General and

administrative expenses increased to $5.6 million in 2002 as compared to $3.7 million in 2001, as legal expenses have increased dramatically, due primarily to the challenge to our Australian patent and related patent issues, and the termination of the Schering AG agreement. It is expected that these costs will stay elevated as long as the patent dispute continues.

Other income for 2002 decreased to $3.2 million, as compared to $3.8 million in 2001, due mainly to a $1 million decline in interest income attributed to lower investable cash balances as DUSA uses its cash to support its operating activities, and lower yields. The decline in interest income was partly offset by a $408,000 increase in realized gains on the sale of U.S. Government Securities in 2002 as compared to 2001.

3/17 **Candela Corporation** announced that a new family of devices to be launched at next week's *American Academy of Dermatology (AAD)* Annual Meeting had received 510(k) clearance from the FDA for the treatment of wrinkles and large leg veins, and for unwanted hair removal. The company also noted that the new family of devices, named the "MGL" family is 50% faster, 50% smaller, and significantly less expensive than competitive devices. Gerard Puorro, Candela's president and CEO said: "The MGL family is what our market told us they wanted: multi-application devices that have faster treatment times, smaller footprints, and are more economical."

3/17 **Palomar Medical Technologies Inc.** said it would be presenting its latest products at the *American Academy of Dermatology's* 61st Annual Meeting, in San Francisco, CA. At the meeting, Palomar will announce a new platform and a number of new and exciting hand pieces for additional cosmetic applications and upgrades for the Palomar EsteLux pulsed-light system and the Palomar Q-YAG 5 laser system. The Palomar EsteLux pulsed-light system, in addition to the hand pieces being introduced this week, is currently sold with the LuxY hand piece for hair removal and pigmented lesion treatment on large body areas; the LuxG hand piece for photofacial treatments on vascular and pigmented lesions; the LuxR hand piece for large-area hair removal on all skin types; and the LuxRs hand piece for permanent hair reduction on all skin types with fewer treatments. The Palomar Q-YAG 5 laser system is sold for tattoo and pigmented lesion removal. Physicians can now offer their patients a variety of affordable cosmetic light-based treatments. This family of products has helped the company increase its revenues and profit over the last year.

3/18 **SurgiLight, Inc.** announced that it had granted an exclusive three-year license for its EX-308 Excimer laser technology to Carlsbad, CA-based **RA Medical Systems, Inc.**, a privately held developer, manufacturer and marketer of equipment for the treatment of various medical conditions. RA Medical anticipates the introduction of its PHAROS EX-308, Excimer laser system for treatment by dermatologists of psoriasis and vitiligo (pigmentation loss) this summer. The FDA had earlier cleared the technology itself for treatment of those two disorders which, according to national advocacy organizations, together affect nearly 11 million Americans. Psoriasis alone accounts for more than 250,000 new cases annually in the U.S.

RA Medical president Christopher King, commented, "PHAROS EX-308 promises to deliver an effective and affordable laser system to dermatologists for skin conditions affecting a significant patient base. It also promises to help position RA Medical as the leading technology provider in this important medical sector." SurgiLight chairwoman and CEO Colette Cozean, said that the license agreement "represents a new revenue source from a technology SurgiLight elected not to pursue in order to continue to focus our corporate efforts on such key ophthalmic applications as presbyopia, a visual acuity loss suffered by millions of individuals worldwide."

3/18 **Palomar Medical Technologies Inc.** announced that on Friday, March 14, 2003, a member of its Board of Directors exchanged a $1 million promissory note for common stock and a private investment firm invested $3.4 million, both at a premium to market. On September 28, 2001, the company borrowed $1 million and issued a demand note to Mr. Pappalardo, a Director of the company. On March 14, 2003, the Director agreed to exchange the principal balance of the note for 293,255 shares of the company's common stock, at a price of $3.41 per share with no registration rights. The price was calculated at 110% of the company's common stock's trailing ten-day average closing price of $3.10.

Also on March 14, 2003, the company completed a private placement with **Craig Drill Capital**, a private investment firm based in New York City, for the purchase of one million shares of the company's common stock, at a price of $3.41 per share with no registration rights for an aggregate subscription price of $3.41 million. The price was calculated at 110% of the company's common stock's trailing ten-day average closing price of $3.10. CEO Joseph Caruso commented, "The combination of the exchange of the note and private placement at a premium to market adds $4.4 million to our working capital. This enhanced position enables us to expand operations and exploit our position in the professional market. We are also in a strong position to advance our technology to the consumer market with these additional financial resources. The exchange to equity of the promissory note and private investment demonstrates that both insiders and outsiders to the company support and are interested in the company's direction and growth potential."

3/18 As featured in the March issue of the *Alabama Workers' Compensation* newsletter Carpal tunnel syndrome (CTS), the most common repetitive-stress injury, is a manifestation of nerve and tissue damage from fast, forceful and seemingly harmless repetitive wrist and hand motions. Repetitive movements can cause inflammation of the tendons that pass through a narrow tunnel in the wrist called the carpal tunnel. Those tendons enable the hand to open and close. The median nerve that also passes through the carpal tunnel carries impulses from the brain to the fingers. Inflamed tissue in the carpal tunnel can squeeze the median nerve, causing significant swelling and debilitating pain. Dr. Joel Gray has been part of a clinical study group for the past 7 years for non-surgical laser treatment of carpal tunnel syndrome. He has treated several hundred patients with CTS. "We now have a state-of-art multidisciplinary facility consisting of medical doctors, physical therapists and chiropractors. We are a one-stop shop for the non-invasive treatment of carpal tunnel syndrome. This is a facility that a compensation adjuster can

send their clients' employee and be assured that the employee will get what they need and not have to go to three or four different facilities and the almost certain lost communication," stated Dr. Gray of the Central Alabama Spine & Rehab.

According to the *American Academy of Orthopedic Surgeons (AAOS)*, approximately 366,000 CTS surgeries were performed in 1999, a 300% increase from 1991. However, both surgical and non-surgical treatments generally have not enabled CTS sufferers to return to work. At **General Motors**, about 1% of workers who undergo invasive CTS surgery permanently return to their previous jobs. As a result, CTS costs General Motors an estimated $250 million per year, including workers' compensation payments. In response to the dramatic growth of CTS among its employees, General Motors conducted a controlled 36-week double-blind clinical study using the ML 830 to treat 116 employees who had CTS (under its former designation "MicroLight 830") in conjunction with a physical therapy program. This study showed a significant improvement in grip strength and range of motion among workers treated with the ML 830 when compared to workers treated with a placebo laser. A prominent college of medicine in Houston conducted a later double-blind study in 2000. That study showed 70% improvement in the active group.

3/18 **BIOLASE Technology, Inc.** announced that its Waterlase technology was featured in the current March 31 issue of *Forbes Magazine*, in an article titled "A Painless Root Canal? Lasers that can cut gum, tooth and bone are ending the despotic rule of the turbine dental drill." The article also appears in Forbes' online magazine, **Forbes.com**. Jeffrey Jones, president and CEO of BIOLASE, stated, "We are pleased, but not surprised, that our advanced technology is gaining media attention. The most recent coverage in Forbes expands on how painless dentistry is increasingly being used by the nation's leading dentists and citing extremely compelling reasons for its use. In addition to eradicating the fear of dentist visits by offering painless dentistry, dentists can treat more conditions, including cutting gums, instead of referring the business to an outside specialist. Moreover, the article captures Waterlase's strong appeal to pediatric dentistry."

Barry Jacobson, director of pediatric dentistry at Mount Sinai Hospital in New York commented in the article, "Kids love it. It's a huge advancement in dentistry for children and I don't think there's any way you can go back. Ultimately, every dentist will have one."

This latest Forbes' article follows coverage in the February 3 issue of *Business Week's* "Inside Wall Street" column, where BIOLASE was featured in a segment titled, "Painless Root Canal, Thanks to BIOLASE."

3/19 **Candela Corporation** announced that the FDA had cleared for marketing the company's GentleYAG laser for the expanded applications of benign pigmented lesions such as age spots, skin tags and tattoos. The FDA also cleared its use for the removal of scars. Previously, the GentleYAG laser had been cleared for the removal of unwanted hair for all skin types, the treatment of wrinkles and pseudofolliculitis barbae, and for the removal

of vascular lesions such as leg veins. Gerard Puorro, Candela's president and CEO said: "This is yet another clearance to market a multi-application laser that provides our customers efficacy, economics and treatment flexibility."

3/19 **Lumenis Ltd.** announced that its ReLume Repigmentation System now combines the capability of the revolutionary ReLume technology with the high dose delivery and precise dosimetry of its BClear Targeted PhotoClearing System. The ReLume Repigmentation System, which is for the treatment of leukoderma, can now be outfitted with the BClear module for the treatment of psoriasis and vitiligo. These two industry-leading products have been combined into a single advanced and versatile platform, which allows physicians to easily expand their treatment capabilities in both cosmetic and medical applications.

"We are excited to bring the most advanced, multi-application light-based therapy to the dermatologic community," said Alon Maor, executive vice president of Lumenis. "Combining these capabilities into a single platform provides dermatologists with more options for a range of skin conditions. This is a unique, low-risk opportunity for physicians to extend their practice while netting a higher return on their investment."

The ReLume system is the first device of its kind to offer a practical treatment solution for leukoderma, or hypopigmented skin, found in stretch marks, acne scars, post-surgical and trauma scars, burns, and laser-resurfaced or chemically peeled skin. The ReLume system's unique light-based therapy precisely delivers therapeutic 290 to 320 nanometer light to the targeted area. The device uses light to stimulate melanocytes and enhance the production of melanin to restore lost pigment in the affected area. With the addition of BClear capabilities, the new system will also have the flexibility to treat psoriasis, vitiligo, atopic dermatitis (eczema) and seborrheic dermatitis. The innovative technology of BClear combines the benefits of highly effective UVB light therapy with the latest advances in fiber-optic light delivery technology. It precisely delivers high doses of UVB light through a fiber-optic cable to targeted areas, which unlike the practice of traditional UVB therapies, prevents harmful UVB exposure to healthy skin. This allows patients to experience successful results in fewer treatment sessions.

"The flexibility to treat a range of patients with a single system really is an asset to my practice," says the Clinical Associate Professor of the University of Miami, Dr. Mark Nestor, MD. "I can use this system to treat both medical and cosmetic conditions." As a special service to physicians that currently own the original ReLume or BClear systems, Lumenis is offering the opportunity to trade in their current system for the new, multi-application ReLume system with the BClear module.

3/20 **Lumenis, Inc.** announced that it had added an extended pulse duration option to its LightSheer family of laser hair removal systems. This new product feature utilizes patented diode laser technology and provides enhanced versatility in treating tanned skin and the darkest skin types. "With this new functionality, physicians can confidently offer improved treatment to people with highly pigmented and deeply tanned skin who have

been traditionally the most prone to risk," said Alon Maor, executive vice president of Lumenis. "This feature expands the available patient population for permanent hair removal reduction, permitting even greater rewards for the physician because it answers a growing need in the marketplace."

The patented LightSheer delivers superior precision and immediate results that physicians have come to expect from Lumenis laser technology. "Most of our patients have been extremely pleased with the long-term results of LightSheer laser hair removal," said director of the Bay Area Laser Institute, Dr. Vic Narurkar. "With this new system, we can confidently offer safe and effective treatments to all our patients, even those with deeply tanned skin and those of skin types V and VI. Studies have shown that the highest rate of clearance correlates to higher fluences. LightSheer delivers 2-3 times the energy level."

3/20 **BriteSmile, Inc.** released results for the year ended December 28, 2002. Net revenue for the year was $39.3 million as compared with $43.2 million for 2001 -- representing a 9% decrease. In 2002, 156,149 procedures were performed compared with 151,516 in the year 2001 -- representing a 3% increase year over year. The growth in procedures performed can largely be attributed to the growth of the company's International Associated Center dentist network. In 2002, procedures outside of the United States increased 136% over 2001. The company had over 4,500 dental offices worldwide at year-end 2002, with almost all operational at year-end compared to 3,867 operational Associated Centers at December 29, 2001. There were 1,316 Associated Centers operating in 35 countries outside of the U.S. market at year-end 2002 compared with 592 Associated Centers operating at the end of 2001. In the U.S., the move to slow down the rollout of new Associated Centers was a strategic decision given the current economic climate.

For 2002, the company reported a net loss of $18.8 million compared with $26.5 million net loss for 2001, representing a 29.2% improvement. For 2002, the loss per share was $7.86 compared with $11.85 for 2001 (both per share numbers reflect the 15:1 reverse stock split which was effective January 27, 2003). EBITDA in 2002 was minus $11.1 million as compared to minus $20.9 million in 2001, which represents 47.2% improvement on a year over year basis. This improvement was achieved through the implementation of cost cutting initiatives undertaken in 2002. Total operating costs and expenses were $56.5 million, or 18.0% less than the prior year.

"While we were able to achieve tremendous expense reductions in 2002 to reduce our break even point, we are challenging our team in the coming year to significantly improve the productivity of our domestic footprint and to grow our global presence exponentially," said John Reed, CEO, BriteSmile, Inc. "We are confident that BriteSmile is well positioned to continue to lead the professional teeth whitening category and are optimistic about the growth and results we will achieve in the coming year."

3/20 **Diomed Holdings, Inc.** announced that it had received regulatory approval from Health Canada for its EndoVenous Laser Treatment (EVLT) laser system to treat varicose veins, enabling Diomed to expand its promotion of EVLT into Canada. Diomed also announced that it had engaged **Sigmacon Health Products Corporation** of Toronto, Ontario as its exclusive Canadian distributor for the sale of Diomed's EVLT lasers and EVLT optical fiber kits to physicians who treat varicose veins.

Diomed is the first endovenous laser to receive approval by the FDA for expanded indications for treatment of varicose veins and varicosities associated with the superficial vein reflux of the greater saphenous vein. EVLT is a non-surgical treatment that can be performed under local anesthetic in a doctor's office to treat the medical cause of varicose veins at its source. "Thousands of U.S. patients have benefited from EVLT by being able to walk out of their physician's office and resume normal activity quickly without any lasting side effects," said James Wylie, president and CEO of Diomed. "Canadian approval of EVLT is both a milestone for Diomed and an important validation of EVLT in the treatment of varicose veins. Now, Canadians who suffer from varicose veins don't have to live with the chronic and debilitating conditions of the disease. And, they have a better alternative that cures the disease, not just slows its progression."

According to Jay Herman, vice president at Sigmacon, "The Health Canada Approval means we can now offer the minimally invasive EVLT technique to both the public and physicians. As a distributor with a 20 year history we do the same due diligence on companies and procedures as any medical practitioner would, selecting on the best of breed. Diomed is the innovator of this technique and has devoted its resources to continually perfecting it, and we believe that Diomed will be the leader in providing products for endovenous laser treatment of varicose veins."

3/20 **Axcan Pharma Inc.** announced that it received approval from the *Therapeutic Products Directorate of Health Canada* for PHOTOFRIN in the treatment of High-Grade Dysplasia (HGD) associated with Barrett's Esophagus. "This is a very important milestone for the company since HGD associated with Barrett's Esophagus is a condition for which there has been no treatment," commented Dr. Francois Martin, senior vice president, Scientific Affairs of Axcan. "In addition, long-term study results confirm that PHOTOFRIN photodynamic therapy (PDT) significantly reduces the probability for patients suffering from HGD associated with Barrett's Esophagus to experience a progression to cancer, and that PHOTOFRIN PDT can potentially prevent esophageal cancer. The absolute risk reduction of progression to cancer of 14% outlined in our study would suggest that the number of patients needed to be treated to prevent 1 progression to esophageal cancer is only 7," concluded Dr. Martin.

PHOTOFRIN in the treatment of HGD associated with Barrett's Esophagus will be launched in Canada by the end of the third quarter of fiscal 2003. In 2003, Axcan also expects to receive approval for the U.S. and European markets, where Orphan Drug designation has been granted. The entire North American market for PHOTOFRIN for

the treatment of this indication is estimated to be U.S. $30-50 million annually. This market is estimated to be of a similar size in Europe.

3/20 **Lumenis Ltd.** introduced its new D-Light SR for IPL skin treatments using photorejuvenation at the AAD meeting in San Francisco. Granted clearance by the FDA, the D-Light SR is designed specifically to offer simplified, affordable and proven IPL skin treatments. "As the market for skin rejuvenation continues to expand at an unprecedented rate, Lumenis understands that the decision to incorporate such treatments into a practice can seem costly," said Alon Maor, executive vice president of Lumenis. "The D-Light SR Intense Pulsed Light system fulfills the growing need for an affordable, entry-level, easy-to-use photorejuvenation treatments without compromising the world-renowned, patented IPL technology that Lumenis is recognized for."

As an introduction to the limitless possibilities that photorejuvenation opens for any aesthetic practice, D-Light SR is the perfect first step towards more sophisticated Lumenis IPL models. "Non surgical cosmetic procedures continue to grow in popularity among physicians and patients," said Dr. Robert Weiss, MD, and Associate Professor of Dermatology, Johns Hopkins University School of Medicine. "There is a developing interest in anti-aging treatments that have minimum side effects and little-to-no downtime. Physicians are seeking tools that demonstrate proven clinical results and Lumenis is doing just that."

The D-Light SR is a non-ablative photorejuvenation device that uses Lumenis' proprietary broad-spectrum IPL non-laser technology to help significantly reverse the visible signs of photoaging (telangiectasias, broken capillaries, rosacea, hypo- and hyperpigmentation, and age spots such as sun induced freckles), as well as to treat a variety of other skin conditions, while being virtually free of side effects, discomfort, and patient downtime. A typical treatment program consists of 4 to 7 procedures administered at 3-week intervals. Created with simplicity in mind, the D-Light SR offers the essential features needed to provide basic yet highly effective photorejuvenation treatments for the face, neck, chest and hands. Key features of the system include:

* Pre-determined parameters for timesaving quick and easy operation.
* State-of-the-art contact-chilled treatment head for maximum patient comfort. The new heads fature an expanded-life warranty.
* Ergonomic design for ease of use.
* Fast repetition rate keep treatment time under 15 minutes.
* FDA clearance provides physician with the flexibility to offer treatments for a wide range of skin conditions.

The simplified and affordable D-Light system paves the way for more advanced and custom-tailored IPL systems as the demand for photorejuvenation treatments inevitably grows. The VascuLight Elite, IPL Quantum SR and DL, as the gold-standard leaders in IPL-driven photorejuvenation devices, are the next logical `step up' in providing the most advanced treatment options for patients.

Intense Pulsed Light (IPL) technology is efficacious in treating a wide range of skin types. Employing a broad spectrum of light energy in a range of wavelengths, IPL supplies high levels of light power in precision-measured pulses controlled down to the ten-thousandth of a second. Lumenis patented IPL devices, such as the new D-Light SR, IPL Quantum SR, IPL Quantum DL and VascuLight also offer sophisticated, computer-driven precision and tremendous versatility. Due to the nature of treatment, IPL energy can be applied to the sub-surface skin layers for gentle and gradual improvement without patient downtime.

3/21 With summer on the horizon, many people prepare for warmer weather by digging out their shorts and swimsuits from winter hibernation. However, for those with prominent leg veins, the arrival of shorts season may be greeted with more apprehension than anticipation as they face baring their legs for public view. Fortunately, new advancements in laser technology are giving individuals who suffer from spider and varicose leg veins the non-invasive treatment options they've been looking for.

Speaking at the *American Academy of Dermatology's* 2003 Annual Meeting in San Francisco, dermatologist Arielle Kauvar, MD, Clinical Associate Professor of Dermatology, New York University School of Medicine, New York, NY, discussed the latest treatment options for leg veins, a common medical condition that affects more than 40% of women and 15% of men in the United States.

SPIDER VEINS

Spider veins are small, dilated blood vessels that appear red or blue under the skin. They may be in short, unconnected lines each about the size of a hair, or connected in a matted, "sunburst" pattern. While spider veins typically appear on the legs, they can also appear on the face or elsewhere. Until recently, most spider leg veins were treated with sclerotherapy. This technique involves injecting a sclerosing solution directly into the vein, causing it to close up and disappear into the body within a matter of weeks. Eventually, the vein becomes barely noticeable or invisible. While sclerotherapy is successful in the majority of patients, side effects include fear of needles, skin ulceration, matting (the formation of very fine blood vessels that appear as pink patches), brown staining of the skin, and, very rarely, blood clots or allergies to the solution.

"Since the mid-1980s, lasers have been safely and successfully used to treat facial veins and birthmarks," stated Dr. Kauvar. "Yet up until this point, leg veins have been difficult to treat with lasers because the blood vessel walls are thicker and the blood vessels are deeper. However, new advances in laser technology have allowed us to reliably use lasers to treat leg veins, with results and side effects comparable to, or better than conventional techniques." One of the most notable advancements in laser technology has been in the use of longer laser exposure times (or pulse durations) that decrease skin bruising, improve healing times, and enable more effective removal of larger diameter leg veins. The veins are slowly heated and coagulated, causing them to close up without the explosive rupture that can occur with shorter pulse durations. This treatment, when used

with specialized methods of skin "cooling" before or after the laser pulse is delivered to reduce the risk of burning, has greatly decreased the discomfort and crusting previously associated with laser procedures. Typically, a patient will require several laser treatment sessions to effectively remove spider leg veins. A treatment session is usually 10-15 minutes long, and is performed at one-to-two month intervals to allow the damaged blood vessels to be cleared away by the body's immune system.

"While lasers are a good option for many patients, they have not been recommended for treatment of spider veins in individuals with Asian, African-American, Middle Eastern or tanned skin in the past," said Dr. Kauvar. "This is because darker skin pigments absorb laser light which can cause blistering and scarring." However, dermatologists have recently found that the laser light from one particular device, the Nd:YAG, is not readily absorbed by skin pigment, making it a safer choice for treating leg veins in individuals of color.

VARICOSE VEINS

Varicose veins are enlarged blood vessels that appear blue and bulging under the skin. These veins occur from the backward flow of blood in the legs caused by damaged or diseased valves in the veins. Varicose veins are typically larger and cause more discomfort than spider veins. In the majority of cases, these leg markings can be unsightly and may be associated with symptoms such as swelling, cramping, aching, throbbing and fatigue of the legs and feet. Treatment, however, is usually sought for cosmetic reasons. Until recently, treatment for varicose leg veins has included surgically tying off the damaged vein and removing it by means of an incision. This procedure requires a hospital visit under sedation or general anesthesia, and commonly includes side effects such as scars, loss of skin sensation in the legs, and prolonged recovery time.

New laser procedures are a welcome alternative to surgery for patients with varicose veins, particularly for those whose condition involves the main vein trunk in the legs (the greater saphenous vein). One treatment option uses a bare laser fiber that is inserted directly into the damaged vein like a catheter through a small 1/4-inch incision in the thigh. The saphenous vein is destroyed by using laser energy to heat and seal the vein from within. Another treatment option uses radiofrequency technology to also heat the vein from within, and is similarly inserted directly into the vein to destroy it. Both options are usually performed with local anesthesia in an outpatient setting. According to Dr. Kauvar, "Early study results with these new varicose vein treatment options show results that are comparable to the more-invasive surgical technique, without the surgical scars and prolonged recovery times."

Overall, most people enjoy a long period of remission after successful leg vein treatment, and can maintain the appearance of their legs with only occasional maintenance treatments. Yet while dermatologists can treat existing leg veins, they cannot prevent the body from forming new ones. Individuals with a tendency to develop leg veins should avoid standing for long periods, wear support hose for varicose veins and exercise

regularly to tone the calf muscles, which helps propel the blood back to the heart and avoid pooling in the lower legs. "The success of a laser treatment really depends on the skill of the physician performing it," cautioned Dr. Kauvar. "I would advise patients to be well-informed consumers and make sure that the physician they've chosen to work with is a board-certified dermatologist or other appropriately-trained surgeon with extensive experience in performing laser procedures in order to ensure the best possible results."

3/24 Stephen Levey of **UBS Warburg** issued and update report on **Lumenis**, discussing the recent jump in share price of the firm. His comments:

* EVENT: Lumenis shares have risen over 60% from their all-time low in the space of two weeks. We believe that this move is a result of hopes of the appointment of a new CEO and recent product announcements as well as hopes that part of the company's debts will be forgiven.

* IMPACT: We do not believe that this share price rise is justified. While the appointment of a new CEO would be welcomed, we believe this would not be enough to change the fortune of the company per se, and we do not expect Bank Hapoalim to forgive any of its outstanding debts at this point.

* VALUATION: We expect Lumenis to lose money in 2003, so few valuation matrices are applicable. However, for the record, the shares are trading on a 2003E EV/Revenues of just over 0.7x.

* ACTION: In the short-term we are not convinced that Lumenis will meet its Q1 guidance and in the longer-term we believe that major changes are needed before it can turn around. We retain our NEUTRAL 2 rating and 90c PT, based on an 03E EV/Revenues of 0.6x.

Good News Around the Corner?

A number of factors could have driven the Lumenis share price in recent days. We will briefly examine them below:

1) Avner Raz has announced his resignation as CEO of privately owned Elisra, the Israeli defence electronics firm. Israeli newspapers have suggested that he will soon take over as CEO of Lumenis, although this remains unconfirmed by Lumenis management. Raz has undoubtedly done a good job at Elisra, but has no experience in the field of medical devices. Some would argue that what Lumenis needs now is a CEO who can vigorously streamline and cut costs, and thus industry experience is not vital. However, this is only part of the story, as Lumenis also has a top-line problem, as the competitive environment continues to get more difficult. In this respect, industry experience could be viewed as vital. We will await developments regarding a new CEO but this alone will not solve Lumenis's problems.

2) Bank Hapoalim last week announced that it would be providing NIS 2bn for doubtful debts in Q4. This has led the Israeli press to speculate that a large part of this provision was due to Lumenis. This may or may not be the case, but even if it were true, there is no reason to believe that Hapoalim will forgive Lumenis on part of its debt any time soon.

We believe that such a move will only come if the current management team run into even more serious financial difficulties, or if a new controlling group were to invest new equity in Lumenis as part of an overall agreement with the Bank to write off part of the debt.

3) Lumenis made some announcements last week regarding new features to its Lightsheer product and its IPL skin treatments. While these announcements are welcome, we believe that competition in the aesthetic unit continues to increase, and that Lumenis will need to work very hard indeed to maintain its current market share and gross margins from this division.

And the Bad News?

We foresee the possibility of two pieces of bad news, both interlinked.

1) This week, the important AAD Conference (American Academy of Dermitology) takes places on the West Coast. This has historically been a relatively important conference for Lumenis's aesthetic unit. In the past it has taken place in early March whereas this year it will be held at the end of March. Under normal circumstances we would be concerned that coming so late in the quarter it may be difficult to book sales before closing the Q1 books. However, the Gulf War could well deter attendance from this conference, and that in itself could have an impact on revenues.

2) Linked to this, we are far from certain that the company will make its Q1 revenue guidance of US$80-85m. With the issue mentioned above, as well as ever-increasing competition in the aesthetic business, even these relatively modest targets could be missed.

Share Price

We believe Lumenis is a company that still has strong potential, but not until a new strategic investor with industry knowledge invests in the company and uses its experience to turn the company around. Failing this, we think existing management needs to take extreme measures, such as selling a unit and further streamlining operations, cutting costs and reducing the legal bill, before a real turnaround will begin. Even if the company does meet Q1 targets, we believe it is only a matter of time before Lumenis has another poor quarter and the financial difficulties facing the company worsen. We would therefore continue to avoid the shares.

Risks: SEC investigation, weak balance sheet, increasing competition.

3/24 According to the *American Academy of Dermatology*, the latest options in non-ablative skin rejuvenation cast a new light on treating aging skin. If you're looking for a way to improve the overall appearance of your skin but are concerned about the downtime involved with an invasive procedure, non-ablative (or non-wounding) skin rejuvenation may just be the option you've been looking for. Today, there are several new non-ablative tools available to reverse the effects of aging skin in a series of brief office visits with minimal recovery time. Your dermatologist can help you find the non-ablative procedure that is right for you.

Speaking at the American Academy of Dermatology's 2003 Annual Meeting in San Francisco, dermatologist Robert Weiss, MD, Associate Professor, Department of Dermatology, Johns Hopkins University School of Medicine, Baltimore, Md., discussed the latest advancements in non-ablative skin rejuvenation and their effectiveness in treating common signs of aging, such as wrinkles, mottled skin tone and broken blood vessels.

Photomodulation

Photomodulation is a non-invasive breakthrough technology procedure that works by activating skin cells with pulses of low-level, non-thermal light energy. This non-ablative technology converts light energy within the skin cells, similar to the way photosynthesis takes sunlight and turns it into food energy in plants. A specially-formulated topical skin care kit containing vitamins, nutrients and antioxidants designed to help the skin regenerate has been found to enhance the effects of photomodulation when used prior to treatment. As a result, existing skin cells function more like younger cells. In a recent multi-center clinical trial, 90 female photoaged patients received an average of eight photomodulation treatments to determine the procedure's effectiveness at reducing the appearance of wrinkles, pigmentation, redness, pore size and roughness in the periorbital, or eye area of the face. "The results of our study using photomodulation were very significant," said Dr. Weiss. "One week after the last treatment, we observed a 62% global improvement in the appearance of skin in the eye area, including a reduction of 26% in skin roughness, 30% in elastosis (or yellow, irregularly-thickened skin), 14% in pore size, and 25% in redness. Clearly, photomodulation is an extremely safe and effective treatment option for patients looking to improve the appearance of aging and sun-damaged skin without any downtime. Continued improvement is seen even months after treatment."

Photorejuvenation

Photorejuvenation is another new non-ablative treatment that works simultaneously to repair collagen in the dermis, or deepest layer of the skin, while gently erasing signs of aging in the epidermis, or top layer of skin. This unique light treatment selectively delivers intense pulses of light to the dermis, which injures and subsequently repairs the

existing collagen. Since the epidermis is rarely injured by this treatment, there are no visible signs that the skin is being rejuvenated as is common with other traditional ablative procedures. On the surface of the skin, photorejuvenation works by delivering shorter pulses of light that can reduce the signs of aging and sun damage, including fine wrinkles, freckles and irregular pigmentation, as well as redness and dilated capillaries commonly associated with rosacea. For best results, a series of four to six treatment sessions spaced approximately three weeks apart is recommended. Each treatment takes approximately 30 to 45 minutes. "What makes photorejuvenation so appealing is that it can rapidly treat the entire face -- not just a single problem or area -- with little or no downtime, minimal discomfort and very little risk," said Dr. Weiss. "In addition, photorejuvenation has been found to be extremely effective in improving the appearance of the neck, chest and hands -- which can be difficult to treat because the skin is more delicate in these areas."

Photorejuventation can also be used in conjunction with other procedures to enhance results, such as laser resurfacing, chemical peeling, and microdermabrasion. Recent studies have also found positive results combining botulinum toxin and photorejuvenation in one procedure. "We know botulinum toxin is highly effective at erasing wrinkles and deep facial lines, but it really doesn't affect the uneven skin tones and red and brown colors that make a person's face look older," explained Dr. Weiss. "When combining the two procedures, photorejuvenation is used first to treat a patient's overall complexion and botulinum toxin injections are administered following this treatment to fill in wrinkles. The results of this combined procedure are immediate, and the patient does not incur any additional downtime." As with any cosmetic procedure, patients should be sure to select a qualified dermatologist or dermatologic surgeon experienced in these new non- ablative treatments and discuss the pros and cons of any procedure to determine the one that is best for them.

3/26 **Diomed Holdings,Inc.** announced financial results for the year ended December 31, 2002. Net loss for 2002 was $8.0 million (59 cents per share) compared to a net loss of $8.1 million (96 cents per share) for fiscal 2001. Revenue for the year was $5.5 million, compared to $7.7 million for 2001. In 2002, approximately $3.4 million, or 62%, of total revenues were derived from laser sales and $2.1 million, or 38%, of total revenues were derived from sales of disposable fibers and kits, accessories and services. Research and development expenditures for 2002 were $0.9 million compared to $1.2 million for 2001. Selling and marketing expenses for 2002 were $3.3 million compared to $2.5 million for 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 2002 were $3.8 million compared to $2.6 million for 2001. In February 2002, Diomed completed a reverse merger and became a public company.

To ensure that it has adequate funds to continue its operations throughout 2003, Diomed will once again seek additional funding from both affiliated shareholders and from other investment sources. To this end, Diomed intends to engage the services of an

investment-banking firm to explore raising capital through the issuance of stock on a best-efforts basis.

3/26 **American Medical Technologies** announced that it had received a determination from the Nasdaq Listing Qualifications Panel that the Company's securities would be delisted from the Nasdaq SmallCap Market effective with the open of business on Wednesday, March 26, 2003. The determination was made based on the Company's failure to meet a minimum bid price for its Common Stock of $1.00 per share and a minimum market value of publicly held shares of $1,000,000, and to solicit proxies for and hold an annual meeting of shareholders in 2002. The Company expects its securities to be quoted on the OTC Bulletin Board today under the symbol ADLI.

3/28 **Lumenis Ltd.** announced the commencement of a voluntary stock option exchange program for its employees. The company also announced it would adopt SFAS No.123 "Accounting for Stock-Based Compensation" effective January 1, 2003. Arie Genger, vice chairman and CEO of Lumenis Ltd. said, "Our employees are essential to our long-term success and stock options are an important long term incentive program designed to focus employees on the objective of increasing shareholder value. By re-aligning option exercise prices to reflect the current market price for our shares, we hope to restore the incentive power of our previously-granted options. We will also substantially reduce the number of options outstanding through this offer."

Under the exchange program, eligible participants will be all current active employees of the company or any of its subsidiaries, as well as members of the company's Medical Advisory Board, holding outstanding options to purchase shares of Lumenis which have an exercise price per share of $6.00 or more (Eligible Options). Members of the board of directors will not participate in this program. Eligible Options will be cancelled in exchange for new options (New Options) that will be granted at an exercise price equal to the closing price of Lumenis's shares on the date of grant of the new options, expected to be the second trading day following the end of the exchange period. The offer is expected to commence immediately and remain open until April 28, 2003. New Options will be granted at a ratio of one New Option for each three Eligible Options with an exercise price of $6.00-$14.99 and one New Option for each four Eligible Options with an exercise price of $15 or more. The New Options will vest in four equal installments every six months over a 24-month period after the date of grant.

If all 4.1 million Eligible Options are exchanged for approximately 1.2 million New Options, then options outstanding will be reduced by 2.9 million. In conjunction with this program, Lumenis will adopt SFAS No. 123 effective January 1, 2003, for all prospective option grants, including those made under this exchange program. The company will expense the fair value of future option grants over the vesting period. The fair value of the new options to be granted in the exchange program is expected to be approximately $1 million, which will be amortized ratably over the vesting period of two years. In addition, based on current compensation programs, the company expects that the

adoption of SFAS No. 123 will result in an annual non-cash charge to earnings of approximately $1 million for 2003 increasing to $3 million per year within three years.

3/28 **Spectranetics Corporation** announced that the Special Receiver for **Interlase, LP** (not IntraLase Corporation which produces the femtosecond laser) filed a complaint in the United States District Court for the Eastern District of Virginia claiming Spectranetics is in breach of a patent license agreement entered into in 1993 and is infringing the patents that are the subject of the license agreement. In the complaint, Interlase claims an amount in controversy in excess of $1 million, exclusive of interest and costs, in addition to certain other forms of relief, such as treble damages, a declaratory judgment and injunctive relief. The claims for relief all relate to royalties allegedly owed to or due Interlase in the future associated with certain lead removal products and certain services the company provides to its customers.

Interlase's complaint is in apparent response to a complaint filed by Spectranetics in November 2002 in the United States District Court in Denver, Colorado seeking a declaratory judgment that: (1) Spectranetics and the products at issue do not infringe patents that are the subject of the Agreement; and (2) Spectranetics does not owe any additional sums as contended by the licensor under the terms of the agreement and the licensor does not have the right to terminate the agreement as a result of its improper claims. At the time it filed its complaint, Spectranetics established an escrow account and funded it with the alleged royalties due of $1.1 million. The escrow funds are payable to the prevailing party upon resolution of the dispute or to Spectranetics if the dispute is not resolved within two years of the establishment of the escrow account.

Interlase has been in receivership since September 1998 under the supervision of a state court in Virginia. In addition, because the general partner of Interlase, **Lucre Investments, Ltd.**, filed a voluntary chapter 7 petition on behalf of Interlase in 1999, there is also a pending bankruptcy proceeding in the United States Bankruptcy Court in the Eastern District of Virginia.

John Schulte, president and CEO commented: "We believe that lead removal products and service revenue are clearly outside the scope of the license agreement. We look forward to a ruling from a Court with jurisdiction and, until then, will vigorously defend our position on this matter and pursue resolution of the complaint we filed in Colorado."

3/28 **Miravant Medical Technologies** announced consolidated financial results for the fourth quarter and the year ended December 31, 2002. Revenues, interest and other income for the fourth quarter decreased to $22,000 from $1.4 million for the same period in 2001. The net loss for the quarter was $4.0 million (16 cents per share) compared to a net loss $4.7 million (25 cents per share) for the same period in 2001.

Revenues, interest and other income for the year ended December 31, 2002 was $678,000 compared to $6.1 million for the same period in 2001. The company reported a net loss for 2002 of $16.0 million (78 cents per share) compared to a net loss of $16.4 million (88

cents per share) for the same period in 2001. The company had cash of $723,000 at December 31, 2002, and $11.0 million available under a debt agreement that provides up to $1.0 million monthly through November 2003, subject to certain requirements.

Gary Kledzik, chairman and CEO, stated, "While 2002 was a challenging year for Miravant, significant progress was made in our most advanced program, PhotoPoint SnET2 for the treatment of wet age-related macular degeneration (AMD). We are very excited and optimistic about the planned filing of our first New Drug Application (NDA) for this serious eye disease. The NDA is an important milestone for any company in the biotechnology industry and, for Miravant, culminates years of diligent research and clinical development. We believe we have the data to support an approval of SnET2 as a treatment for those AMD patients who are at the greatest risk of losing vision."

Milestones for year 2002

Ophthalmology Program: Miravant to file NDA for lead drug SnET2. During 2002, after regaining rights and assets relating to PhotoPoint SnET2 from our former licensing partner, Miravant conducted a comprehensive analysis of the safety and efficacy data generated in two phase III clinical trials for the treatment of wet AMD. The results led to an announcement in January 2003 of the company's intention to file its first NDA for marketing approval of SnET2, based on positive results in a large number of drug-treated patients versus placebo. The company believes the planned NDA filing will support competitive labeling claims to treat a broad population of wet AMD patients with a well-defined treatment regimen. PhotoPoint SnET2 is a light-activated drug used to destroy abnormal blood vessels at the back of the eye, a vision-threatening complication of AMD and the most common cause of blindness in industrialized countries. An estimated 500,000 new patients develop wet AMD each year worldwide, with the incidence expected to increase with the aging population.

Dermatology Program: PhotoPoint MV9411 being evaluated in psoriasis patients. In 2002, Miravant initiated a phase II clinical trial of patients with plaque psoriasis, a dose-escalation study of topical drug PhotoPoint MV9411. The company is now treating final patients in the study, and clinical results will be evaluated once follow-up is completed. Psoriasis is a chronic skin condition affecting over 4.5 million people in the U.S., in which the immune system triggers accelerated growth of the epidermis, causing inflamed, scaly skin plaques. PhotoPoint MV9411 belongs to a highly potent class of photoreactive (light activated) compounds for which Miravant received a composition-of-matter patent in 2002.

Cardiovascular Program: PhotoPoint PDT shows promise for life-threatening vulnerable plaque. Targeting obstructive artery disease, Miravant's cardiovascular programs made substantial progress in 2002, with preclinical results presented at the major scientific meetings, including the American Heart Association (AHA), American College of Cardiology (ACC) and Transcatheter Therapeutics (TCT). In atherosclerosis studies, preclinical results suggest PhotoPoint PDT can potentially regress and stabilize

vulnerable plaque (VP), the rupture-prone, inflammatory plaques in arteries that cause 60-80% of fatal heart attacks. The company believes that PhotoPoint PDT is the first therapeutic method to provide evidence for long-term VP stabilization in preclinical models. Preliminary results of a novel method to simultaneously diagnose and PhotoPoint-treat life-threatening VP will be presented March 31, 2003, at the ACC meeting in Chicago. Analysts estimate a $10 billion market potential for VP detection and treatment. PhotoPoint PDT may also be a useful therapy for the prevention and treatment of clinical restenosis (re-narrowing of arteries following balloon angioplasty and stenting). In preclinical models, intracoronary PhotoPoint PDT inhibited restenosis in bare metal stents and may be a cost-effective, alternative anti-restenotic therapy to drug-eluting stents and multivessel disease. Additionally, local application of PhotoPoint PDT has shown promise in preclinical studies to inhibit failure of vascular access grafts in hemodialysis patients. The high failure rate of these grafts (40-60% in the first year) is a major unmet medical problem, with 250,000 U.S. patients now being chronically treated for kidney failure with hemodialysis.

Oncology Program: PhotoPoint PDT destroys blood vessels that support tumor growth. Studies of PhotoPoint PDT in solid tumor models has demonstrated selective shutdown and destruction of new blood vessels that nurture tumors, as published last year in two cover articles in the premier oncology research journal, Cancer Research. The results suggest a role for PDT to retard tumor growth, potentially in combination with anti-angiogenic therapies that inhibit the re-growth of new blood vessels.

Financings

In August 2002, Miravant completed a private placement financing, which consisted of the sale of 5.0 million shares of unregistered Common Stock and related warrants for proceeds of $2.5 million. In December 2002, we entered into a $12.0 million Convertible Debt and Warrant Agreement, or Debt Agreement, with a group of private accredited investors. The Debt Agreement provides the availability of $1.0 million a month through November 2003, subject to certain requirements. Management is currently investigating a number of sources of additional funding, including new collaborative relationships.

3/31 A new study shows that the minimally-invasive laser treatment of varicose veins has a high long-term success rate, low complication rate, and rapid recovery, according to data presented at the 28th Annual Scientific Meeting of the *Society of Interventional Radiology*. "The laser treatment is an outpatient procedure that offers many benefits including little to no pain, no general anesthesia, no scars, less cost, and rapid recovery time compared to traditional surgery," said Dr. Robert Min, director of Cornell Vascular, and assistant professor of radiology at Weill Medical College of Cornell University, New York. "The procedure takes less than an hour and people can return to normal daily activity immediately," said Min, an interventional radiologist who helped develop the EndoVenous Laser Treatment (EVLT), a diode laser, produced and distributed by **Diomed Corp**.

This minimally-invasive treatment is an outpatient procedure performed using duplex ultrasound imaging guidance. After applying local anesthetic to the vein, the interventional radiologist inserts a thin catheter, about the size of a strand of spaghetti, into the vein and guides it up the greater saphenous vein in the thigh. Then laser energy is applied to the inside of the vein. This heats the vein and seals the vein closed. There may be minor soreness or bruising, which can be treated with over-the counter pain relievers. There is no scar, because the procedure does not require a surgical incision, just a nick in the skin, about the size of a pencil tip.

About the Study The Cornell study included 499 limbs with varicose veins treated over a three-year period with diode laser energy. Patients were evaluated clinically and with duplex ultrasound at 1 week, 1 month, 6 months, 12 months and 24 months to assess efficacy and adverse reactions. Two-year follow-up results in 121 limbs showed that 93%, (113 of the 121) of the treated veins have remained closed. All recurrences have occurred prior to 9 months, with the majority noted less than 3 months following endovenous laser. There have been no skin burns, no abnormal nerve sensation and no deep vein clots. By comparison, surgical ligation or vein stripping fails more often, and requires general anesthesia and up to two weeks recovery. Pain, bruising and scarring are common. "Even when you remove the vein with surgery, there is a 10% to 25% chance of recurrence. We have a less than seven percent recurrence rate for a much less invasive procedure," said Min.

The treatment costs about $2,000 to $3,000; surgery typically costs three times that amount. Many insurance companies cover the treatment of varicose veins, because it is not just a cosmetic procedure. Varicose veins indicate venous insufficiency which is a medical condition that causes symptoms for many people.

MEDICAL/SURGICAL LASER UPDATE -- April 2003

3/31 **Miravant Medical Technologies**, and **Volcano Therapeutics**, Laguna Hills, Calif., a private medical device company, announced the initial results of a collaborative research study to explore the diagnosis and treatment of atherosclerotic vulnerable plaque (VP). The results suggest that the companies' combined technologies may provide the means to simultaneously detect and stabilize vulnerable plaque, which causes 60%-80% of fatal heart attacks. In the preclinical study conducted at Washington Hospital Center (WHC), Washington D.C., Volcano Therapeutics' thermography (heat sensitive) catheter was used to identify inflamed plaques in artery walls, followed by treatment with Miravant's intravascular PhotoPoint PDT. Ron Waksman, MD, Associate Chief of Cardiology, WHC, presented the results this week at the *American College of Cardiology* and the *VP Symposium*, Chicago. This preliminary study in preclinical atherosclerosis models provided compelling evidence to support the potential efficacy of the combined technologies, as follows:

-- Volcano Therapeutics' thermography catheter detected subtle temperature changes in atherosclerotic plaque, indicative of vessel wall inflammation that characterizes ruptured vulnerable plaques or rupture-prone vulnerable plaques.

-- The identified lesions were treated with Miravant's PhotoPoint PDT and demonstrated a return to normal temperature at 28 days post-treatment, a significant finding and indicative of plaque stabilization since inflammation is associated with elevated temperature. Untreated control plaques demonstrated sustained elevated temperature consistent with the presence of inflammatory cells.

-- Histological analysis of PDT-treated plaques at 28 days post-treatment demonstrated the removal of macrophages, thought to be the cell responsible for the inflammatory process. The loss of lipid-filled macrophages and change in cellular composition were also indicative of plaque stabilization.

-- Preliminary data suggest that PhotoPoint PDT-treated plaques regressed in size, correlating with a gain in artery lumen diameter.

-- The two catheter-based technologies could potentially be combined to provide concurrent diagnosis and treatment of vulnerable plaque.

Dr. Waksman stated, "I am very excited about the vulnerable plaque research collaboration between Washington Hospital Center and corporate sponsors Miravant and Volcano Therapeutics. This innovative study signals a future in which interventional cardiologists can simultaneously identify and treat vulnerable patients at risk for acute coronary events."

Detection and treatment technologies -- Volcano Therapeutics' intracoronary thermography system, now being tested in an international clinical safety trial, includes a single-use, basket-tipped catheter with six discrete temperature sensing thermocouples, positioned to measure blood and circumferential vessel wall temperatures in the major coronary arteries. A free-standing processing unit displays temperature readings in graphic format. When used with an automatic catheter withdrawal device, the system allows thermal mapping of an entire coronary artery in seconds.

3/31 **DUSA Pharmaceuticals Inc.** announced that its Levulan Photodynamic Therapy (PDT) generated strong interest at the recent *American Academy of Dermatology (AAD)* 2003 Annual Meeting in San Francisco. In the scientific sessions, there were numerous lectures and presentations that were focused on, or included, aminolevulinic acid (ALA), the active ingredient in DUSA's Levulan PDT in dermatology, including 17 independent investigator poster presentations. These covered Levulan PDT's FDA-approved use in the treatment of actinic keratoses (AKs), as well as for a wide variety of other potential uses. For the first time, DUSA had its own booth at the AAD technical exhibits. Due to the significant level of presentations and posters on Levulan PDT, many physicians visited the booth to learn more about the therapy. DUSA representatives were also able to review

with physicians the recent changes to the national Medicare reimbursement codes that are used for the therapy. The cost of the drug was bundled into the procedure fee as of March 1, 2003, meaning that the doctor no longer has to bill a separate J-code for the drug. Physicians will continue to bill for applicable visit fees.

Dr. Geoffrey Shulman, DUSA's president and CEO, stated, "We at DUSA 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 uses for our therapy. We believe that this interest will lead to increased end-user sales as the year progresses, as more doctors adopt the therapy and/or use it more frequently."

3/31 As noted in **MW Medical's** form 8-K, on March 15, 2003, the company entered into a settlement agreement with its president and director, Jan Wallace, with regard to its outstanding debt to Ms. Wallace in the amount of principal and interest of $1.3 million. Under this agreement the company transferred to Ms. Wallace its patents, trademarks and other intellectual property, its inventory, equipment and other property as represented on its books in exchange for a reduction in the amount of the debt due Wallace of $326,897 (the book value of the transferred assets deemed to be the fair market value).

At the same time, the company issued a new note to Ms. Wallace in the amount of the difference, $945,775.30 (the "Note"). In the transaction, Ms. Wallace granted a further ninety day extension to June 15, 2003 on the amount due, and agreed to provide further funding to the company, as needed, during this period in an amount not to exceed $50,000. The Note reflected interest at a rate of 10% per annum and is due and payable on June 15, 2003.

The note and agreement further provided that:

1. The remaining principal and interest due was secured along with all previous loans by a security interest in all of the remaining and future assets of the company, now owned or hereafter acquired.

2. The agreement and the Note were assignable by Wallace.

3. Wallace retained the right to convert all or any portion of the Note or amounts loaned under this loan agreement to equity at the same price as was available to those investors participating in any private placement that is offered by the company during the term of the Note. In the event that no private placement of common stock is offered during the term of the Note, MW further granted Wallace the right to convert the Note into common stock at 50% of the then existing market price of the stock or $0.20 per share, whichever is lower.

On March 15, 2003, the company entered into a settlement agreement with its CEO and CFO, Jan Wallace and Grace Sim for the payment of all unpaid wages through March 15, 2003. Under this agreement, the company issued a promissory note to Ms. Wallace

and Ms. Sim in the amount of $248,325 for Ms. Wallace and $94,328.50 for Ms. Sim. These notes reflected interest at a rate of 10% per annum and are due on June 15, 2003. They are also convertible into common stock of the company in the same manner as provided in the Note described in Item 2 above.

4/1 **Candela Corporation** announced that the FDA had cleared the company's new GentleLASE family for permanent hair reduction in all skin types, including tanned skin; and has also cleared the new GentleLASE family for the treatment of benign pigmented lesions. The company said the new GentleLASE family was now cleared for the treatment of wrinkles, permanent hair reduction in all skin types, vascular lesions such as leg veins, and benign pigmented lesions. Gerard Puorro, Candela's president and CEO said, "Last week at the *American Academy of Dermatology* Annual Meeting (AAD), we introduced the new GentleLASE family. The new GentleLASE family offers our customers multiple application devices that are the fastest, smallest, most economical, and most versatile in the industry. The clearance of these new indications will only strengthen the momentum that was started at the AAD."

4/2 **CardioGenesis Corporation** announced that with the opening of business on Thursday, April 3, 2003, its Common Stock would be delisted from The Nasdaq SmallCap Market and be eligible for immediate quotation on the OTC Bulletin Board that same day. The OTC Bulletin Board symbol for the company's Common Stock will be CGCP. On March 4, 2003, CardioGenesis announced that it had been notified by Nasdaq that it failed to meet the Minimum Bid Price requirement and a Nasdaq Listing Qualifications Panel had granted the company a temporary exception from that requirement subject to its meeting certain conditions. At that time the company said it was pursuing a number of options to meet the Minimum Bid Price requirement including the consideration of a reverse split of its Common Stock. According to the notification received by CardioGenesis on April 1, 2003, the company failed to comply with the terms of the exception and accordingly the company's securities will be delisted from the Nasdaq Stock Market.

CardioGenesis also announced that it had received a $2 million revolving credit facility in the form of a three-year Convertible Note secured by assets of the company. The Note was arranged through **Laurus Master Fund, Ltd.** The funds will be used to help finance the company's efforts to obtain approval of its pending PMA (pre-market approval) application for its PMR System from the FDA, and, if needed, to fund ongoing operations. This credit facility replaces an earlier accounts receivable financing with a finance company that was scheduled to be renewed in July 2003 and which had no outstanding borrowings.

CardioGenesis chairman and CEO Michael Quinn said, "The Board and senior management seriously considered asking our shareholders to approve a reverse split of our stock, which could have helped us meet Nasdaq's minimum bid price requirement of $1.00. We concluded, however, that it is essential at this time to focus all of our attention, efforts and resources on achieving our goals of driving the growth of our TMR business, gaining approval of PMR and building for the future. After we meet these goals, I believe

we should be well positioned to once again apply for listing on a major national exchange. We have been able to grow the revenue of our TMR business in the last several quarters while reducing our cash requirements. Securing this $2 million credit facility is a key accomplishment for the company. By establishing this new ready source of liquidity, we will be able to take the actions needed to provide our best opportunity for approval of PMR, while we continue to grow our TMR business in 2003."

4/3 **Palomar Medical Technologies, Inc.** announced two new handpieces, the LuxV and the LuxB, for the Palomar EsteLux Pulsed Light System at the *American Academy of Dermatology's (AAD)* 61st Annual Meeting, in San Francisco. The LuxV handpiece provides for fast and effective treatment of pigmented lesions and mild to moderate acne (pending FDA clearance). The LuxB handpiece allows for effective treatment of lighter pigmented lesions on fair skin as well as leg and spider veins. As a result, Palomar now offers six versatile handpieces for the EsteLux system.

In addition, Palomar launched a new platform, the Palomar MediLux Pulsed Light System. This system provides physicians with higher power and a higher repetition rate than the EsteLux system. The MediLux system, like the EsteLux system, has six versatile handpieces, including the LuxV, LuxB, LuxY, LuxG, LuxR and LuxRs, and can be used for the removal of hair and treatment of pigmented and vascular lesions and acne (pending FDA clearance). The MediLux system offers a new snap-on connector making it easy to switch between handpieces and provide treatments tailored to each individual.

CEO Joseph Caruso commented, "Palomar came to this year's AAD meeting feeling particularly invigorated having recently signed an agreement with **The Gillette company** to complete development and commercialize a patented home-use, light-based hair removal device for women. Along with this momentum, we were able to announce at the AAD several new handpieces and a new platform. Needless to say, we believe 2003 will be a very exciting year for Palomar. Palomar is proud of its continued improvement to the EsteLux system platform including both new handpieces and the new MediLux system platform. Palomar has kept its commitment to continually provide value to customers who invest in our platforms. The EsteLux and MediLux systems are the most affordable pulsed light systems on the market and the handpieces each have a one-year unlimited shots warranty."

CFO Paul Weiner commented, "We have recently completed a very successful west coast roadshow where we met with managers of numerous investment funds to discuss Palomar's strategic initiative and growth potential. The tremendous interest generated in Palomar through these meetings is not surprising given the recent $3.4 million investment from **Craig Drill Capital** in New York City. We look forward to continued positive meetings with investors and fund managers in 2003."

4/3 **Light BioScience, LLC** announced that it had received an official Notice of Allowance from the United States Patent and Trademark Office for the use of Photomodulation and Photobiomodulation services with its proprietary GentleWaves LED System used for

improving the appearance of a wide variety of skin conditions. The patent covers key aspects of the company's core technology for its exclusive process of using light emitting diodes for modulating the activity of living cells.

"This is an important milestone for Light BioScience as it provides a strong competitive advantage for our LED device and adds to our intellectual property portfolio which currently contains over 17 patents issued, allowed or pending in the United States and internationally," said David McDaniel, MD, Light BioScience's director of research and principal scientific officer. The GentleWaves LED System for reducing the visible signs of aging and treating other aesthetic skin concerns debuted at the recent meeting of the *American Academy of Dermatology* in San Francisco where it received positive acclaim from physician experts and industry alike. It is the first fully integrated anti-aging system that features an LED device with a scientifically developed line of cosmeceuticals and nutraceuticals to achieve remarkably safe skin rejuvenation at an affordable price.

4/7 **BriteSmile, Inc.** has established **BriteSmile Development, Inc. (BDI)**, for developing proprietary oral care devices based on BriteSmile's patented Light Activated Whitening System. BDI, funded by an affiliate of **LCO**, the company's largest shareholder, has appointed Dr. Julian Feneley as non-executive chairman of BDI. Feneley is a former **J. P. Morgan** investment banker who led the healthcare investment banking effort in Europe until 2000. Feneley has since created an investment bank boutique focusing on life science companies. Nhat Ngo, BriteSmile's vice president of Business Development and Planning, has been appointed BDI's COO. Dr. John Warner, BriteSmile's Director of Research and Development, will serve as Chief Scientist of the new entity. BDI has engaged **IDEO**, one of the world's leading product design companies, for product development and design.

"Establishing BDI allows BriteSmile to further capitalize on the uniqueness of the BriteSmile proprietary light-activated technology and product line," said Dr. Julian Feneley. "BDI will have the agility of a small, free-standing entity, combined with a seasoned management and development team."

"The overwhelming response to BriteSmile's proprietary Light Activated System from both consumers and the dental community is a clear indication of the demand for new, innovative oral care products," said John Reed, BriteSmile CEO. "The opportunity to take what we know from the proprietary BriteSmile system and build on it to create a broader range of oral care products presents a very significant market opportunity."

4/8 **BIOLASE Technology, Inc.** announced that it was ranked as the eighth fastest growing technology company by **Forbes.com** , a web site of **Forbes** magazine. To earn ranking on the list, all named companies must be profitable with at least $25 million in revenue, have a five-year revenue growth rate of at least 30% (annualized), and a sales growth rate of at least 5% in the most recent 12 months. BIOLASE's year-end 2002 revenue jumped 63%, reaching $29.2 million with a twelve-month growth rate of 63%; its annualized five-year revenue growth rate is 86%.

4/9 **Palomar Medical Technologies Inc.** announced that it had received clearance from the FDA for skin resurfacing for its Palomar Q-YAG 5 Nd:YAG Laser System. The Palomar Q-YAG 5 System includes a dual, blendable wavelength beam of 1064 nm and 532 nm. As the beam from the Palomar Q-YAG 5 System interacts with sun-damaged skin, it gently removes the outer layer of the skin. Fine lines around the eyes and mouth are smoothed. Deep creases and frown lines are softened and the appearance of acne scars is improved. Once the skin's outer layer is removed, the new skin beneath is softer and smoother with a more youthful appearance. Tiffani Hamilton MD of the Atlanta Dermatology, Vein, and Research Center commented, "The Palomar Q-YAG 5 laser system is an important addition to our program. The skin resurfacing provided by this system has become an integral part of our comprehensive program to rejuvenate skin by smoothing out wrinkles and providing improved skin tone and texture to our clients."

4/10 **Provectus Pharmaceuticals** said that its CEO, Craig Dees, would make a presentation at the annual meeting of the *American Society for Laser Medicine and Surgery*, on laboratory studies indicating that a light-sensitive drug can kill tumors and induce immunity against additional tumors. Dees' studies show that photodynamic therapy and chemoablation of tumors using Provectus' drug PV-10 induce the immune system to remove a second tumor that has not been treated. Chemoablation is the use of chemistry to ablate or kill tumors. Photodynamic therapy combines a light-sensitive drug, such as PV-10, and laser light to destroy cancer cells. Long-lasting immunity to the tumors was produced in laboratory animals in the same way that vaccines produce immunity against infectious agents. Dee's presentation will also include a case study, in which a veterinarian using PV-10 to treat four mast cell tumors in a dog induced the removal of more than 20 large, untreated tumors. "This is a very promising discovery. It suggests that practical cancer treatments may be able to be designed that stimulate natural defenses to prevent the recurrence of tumors after treatment at the primary site and also to kill cancer cells that migrate elsewhere in the body," Dees said.

4/14 **Lumenis Ltd.** announced that it had extended the Expiration Date for its previously announced voluntary stock option exchange program for its employees from April 28, 2003 to May 7, 2003. To date, exchange elections for 838,525 eligible options have been deposited with Lumenis pursuant to the program, which commenced on March 28, 2003.

4/15 **Spectranetics Corporation** announced that it had acquired the assets of privately held **LaTIS company**, which is a Minnesota-based developer of technology that is used to treat ischemic stroke. Terms of the acquisition include a $100,000 purchase price and potential royalties on stroke-based disposable catheter sales, if approval to commercially market laser-based products to treat ischemic stroke is received from the Food and Drug Administration. The transaction is expected to close within the next 30 days.

Spectranetics CEO, John Schulte, stated, "This important technology acquisition solidifies our commitment to stroke as a target market that we believe we can serve extremely effectively. The clinical trial protocol developed by LaTIS, their relationship with key interventional neuro-radiologists and the work performed in animals is expected

to save us anywhere from six to 12 months of development time. We hope to complete the necessary animal studies this year and, if successful, anticipate a request to the FDA in 2004 to begin clinical trials in humans."

Strokes, like heart attacks, result from decreased blood flow interrupting the supply of oxygen and nutrients to the tissue, usually as a result of thrombus formation. Most frequently, the flow is decreased because of a blockage in blood vessels. In the United States, more than 500,000 people suffer from ischemic stroke and 150,000 people die each year as a result of a stroke. Additionally, millions of patients are left with the debilitating effects of surviving a stroke.

4/17 **Spectranetics Corporation** announced net income for the first quarter ended March 31, 2003 was $141,000 (1 cent per share) compared with a loss of $17,000 (0 cents per share) for the comparable quarter last year. Total revenue for the first quarter of 2003 was $7.0 million, down slightly from $7.1 million in the comparable quarter last year. Disposable product revenue (which includes coronary and lead removal products) was $5.0 million, an increase of 7% compared with $4.7 million for the same quarter last year. The overall increase in disposable product revenue reflects 25% growth in sales of lead removal products, partially offset by a 6% decrease in sales of atherectomy products. Equipment product revenue (which is comprised of laser hardware sales and rental fees) was $1.1 million, a decrease of 22% compared with $1.4 million during the 2002 first quarter. Service revenue for the 2003 first quarter was essentially unchanged at $929,000.

During the first quarter of 2003, the company continued to focus its laser sales efforts on the re-deployment of equipment to more productive accounts in order to support its primary goal of increased disposable revenues, which carry higher margins. Gross margins of 70% for the 2003 first quarter were up from 68% for the comparable quarter last year as a result of the higher mix of disposable revenue during the quarter.

Spectranetics' worldwide installed base of lasers increased to 361 at March 31, 2003, a net increase of one during the first quarter. Operating expenses for the 2003 first quarter were $4.8 million, down slightly compared with $4.9 million for the comparable quarter last year. Research and development expenses were lower as the planned studies for restenosed saphenous vein grafts and acute myocardial infarction (AMI, or heart attack) are in their start-up phase, while selling, general and administrative expenses increased due to preparations for the anticipated FDA approval and subsequent launch of our products to treat critical limb ischemia later this year.

"In light of a relatively flat quarter in terms of overall revenue growth, we were pleased to see this quarter's lead removal business reflect a growth rate of 25% year over year -- an indication of the acceleration of the trend of removing old leads when new defibrillators (AICD's) are implanted," said John Schulte, president and CEO. "Additionally, we remain on track with near-term growth drivers in other areas of our business, namely the expansion into peripherals for the treatment of critical limb ischemia, which is anticipated to receive FDA approval late in 2003, as well as continued

progress related to our pipeline of new applications for the treatment of AMI and stroke. We continue to be focused on profitability and positive cash flow while investing the necessary funds to support these important new applications for our ultraviolet laser catheters in the future."

Cash, cash equivalents and investment securities totaled $12 million at March 31, 2003, compared with $11.4 million at December 31, 2002. Cash flow during the quarter was a positive $555,000. As previously reported, Spectranetics expects 2003 revenue to increase 3% to 5% compared with 2002, which would yield net income in the range of $500,000 to $1.0 million. This financial guidance does not assume any revenue associated with a potential approval to market new products for the treatment of critical limb ischemia, since approval for this new application is not expected until late 2003. However, this guidance does reflect key investments to prepare for the market launch of products to treat critical limb ischemia, and for clinical research to support the use of our technology to treat saphenous vein grafts, acute myocardial infarction and ischemic stroke.

4/18 **Lumenis Ltd.** announced that its Board of Directors had approved an extension of its Shareholder Rights Plan for a two-year period until May 31, 2005. The Plan is similar to plans adopted by 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 bonus right will be distributed for each share of capital stock outstanding. Generally, if a person becomes the beneficial owner of 15% or more of Lumenis' share capital, each right will entitle the other right holders to purchase shares of Lumenis having a market value of twice the exercise price of the right. 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 does not prevent a fairly valued bid for the company.

4/21 **Lumenis Ltd.** announced that it had reached an agreement to sell its industrial laser business to **GSI Lumonics Inc.** The transaction is expected to close in May. The company's subsidiary, **Spectron Laser Systems Limited**, will sell its principal assets for $6.3 million in cash, subject to adjustment, and the assumption of certain liabilities. The industrial business had net revenue of approximately $11 million in 2002. The company expects to report a loss on the sale of approximately $5 million.

According to GSI Lumonics, the integration of Spectron into GSI Lumonics' Laser Group in Rugby, England is scheduled for completion by the end of August, 2003. Charles Winston, GSI Lumonics' president and CEO said, "This acquisition is consistent with the company's stated strategy of expanding the product lines and technology in its laser and precision motion components business groups. It is expected that this acquisition will be accretive to earnings in the fourth quarter of this year."

This acquisition adds both diode pumped laser solid state (DPSS) technology and products to the company's marketplace offerings, as well as expanded product lines in

both lamp pumped (LPSS) and CO_2-based technologies. Spectron's lasers are primarily used in material processing applications such as marking, cutting plastic and diamonds, silicon machining and micro-welding. They will complement GSI Lumonics' product lines by expanding applications in the 7W to 100W range.

4/22 **BIOLASE Technology, Inc.** reported financial results for the first quarter ended March 31, 2003. Sales for the quarter jumped 66% to $8.7 million from $5.2 million in the same prior-year quarter. Gross profit was $5.5 million, an increase of $2.4 million or 77% over the same quarter in 2002. BIOLASE's strong first quarter performance was primarily driven by higher sales and, in part, by an increase in gross margin to 63.8% from 59.7%. Net income was $674,000 (3 cents per share) compared with net income of $119,000 (1 cent per share) for the first quarter of 2002. Cash and cash equivalents increased to $5.8 million versus $3.9 million at year-end 2002.

Jeffrey Jones, BIOLASE president and CEO commented, "BIOLASE's year-over-year sales growth and financial strength demonstrates the ever-expanding worldwide acceptance of our products among dentists. Moreover, our first quarter was a very active marketing period, including trade shows and the principal symposium of the *World Clinical Laser Institute*, sponsored by BIOLASE. The symposium, held in January 2003, drew over 500 attendees, which is a remarkable 100% increase over last year's attendance. The 66% sales increase, the 77% increase in gross profit and the $555,000 increase in net income over the first quarter of 2002 are very rewarding in that context. Most striking about our strong first quarter performance is that our historical seasonality patterns are such that the first quarter has always been our slowest period of the year, after very strong fourth quarters. We are confident and remain optimistic for the current second quarter and see this momentum building for the remainder of the year."

4/23 **CardioGenesis Corporation** announced results for the first quarter ended March 31, 2003. Chairman and CEO Michael Quinn said the company had a profitable first quarter based on strong sales of the company's Holmium:YAG cardiac laser system that led to an 8% year-over-year increase in revenues. Quinn said that results for the 2003 first quarter reflected a continuation of the trend of growing interest in the CardioGenesis TMR procedure for the treatment of severe angina pain. He also said that the company was cash flow positive in the 2003 first quarter, resulting in an increase in cash from the balance at the end of 2002.

Revenues in this year's first quarter grew to $3.4 million from $3.2 million in the same period last year, with the company reporting net income for the 2003 first quarter of $121,000 (0 cents per share) compared to a loss of $1.2 million (3 cents per share) for the first quarter of 2002. "This year's first quarter profit is the result of solid operational performance in all areas of the business combined with a strong and growing interest in our TMR procedure. We saw over the last few quarters that a trend was developing as more and more cardiothoracic surgeons expressed interest in TMR, and based on the number of lasers sold in the first quarter, we expect to see this renewed interest continue as we move through this year."

Quinn went on to say that the company is growing its TMR business each quarter, and believes it is positioned to be profitable in 2003. "Our operating expenses are now in line with our revenue ramp and we expect gross margins to remain within the current range." Gross profit margins as a percentage of sales rose to 82% in the first quarter of 2003, up significantly from 74% in the prior year's first quarter and in line with the upward trend in gross margins seen in prior quarters. Total operating expenses in this year's first quarter declined 25% to $2.7 million from $3.6 million in the prior year's first quarter. Quinn said that the company remains committed to PMR, its less invasive, catheter-based version of TMR. He said the company continues to work closely with the FDA, which in February granted CardioGenesis an impartial forum for consideration of PMR by a new independent panel of qualified experts. The company is working with the FDA to establish a meeting date and currently expects the meeting will take place within the next 60 days.

"We are confident and optimistic that the strength of our clinical data and the significant quality of life enhancing benefits of PMR will ultimately lead to clearance from the FDA to market PMR in the U.S.," Quinn added.

The company's March 31, 2003 balance sheet showed cash and cash equivalents of $1.6 million, total assets of $7.6 million and shareholders' equity of $3.8 million, and no long term debt. During the year's first quarter, the company shipped eight lasers and had worldwide disposable sales of 721 units, compared to the shipment of eight lasers and worldwide disposable sales of 608 units in the first quarter of 2002. At the end of the 2003 first quarter, there were 425 sites with CardioGenesis lasers for myocardial revascularization, compared to 420 sites at the end of the first quarter of 2002. The total number of surgeons trained as of March 31, 2003, had risen to 1,133, compared to 1,039 trained at the end of the prior year's first quarter.

4/23 **Laserscope** reported that revenues for its first quarter ended March 31, 2003, increased 32% to $12.5 million from $9.4 million in the first quarter a year ago. Sequentially, revenues declined slightly from $12.7 million for the quarter ended December 31, 2002. Net income was $135,000 (1 cent per share) compared with a net loss of $47,000 (break-even per share) in the same period of 2002 and net income of $50,000 (break-even per share) for the fourth quarter of 2002.

"Demand for our products continues to increase in both the urology and aesthetic markets," said Eric Reuter, Laserscope's president and CEO. "There is a growing number of urologists and hospital administrators that understand Laserscope's approach to treating benign prostatic hyperplasia (BPH). This recognition is fueling the rapid adoption of the Photo-Selective Vaporization of the Prostate (PVP) procedure and driving sales of our PVP laser systems and disposable fiber-optic devices. During the quarter, we shipped six PVP laser systems and over 1,400 fibers. More impressive is our backlog, which ended the quarter with twenty PVP laser systems. These results support our belief that with its unparalleled clinical outcomes and lower cost of overall patient care, the PVP procedure

will ultimately replace the trans-urethral resection of the prostate (TURP) as the `gold standard' treatment.

"Our aesthetics business remains strong as well," continued Reuter. "Domestic aesthetics revenues grew 33% over the first quarter of 2002, driven by our alliance with **McKesson Medical** and the increasing demand for the wide range of aesthetic procedures that can be performed using Laserscope equipment."

Gross margin was approximately 50%, a slight increase compared with approximately 49% for last year's first quarter. Sequentially, the gross margin declined marginally due to changes in product mix. Selling, general and administrative expenses increased as a result of greater direct selling and marketing expenses. Legal expenses did not contribute materially to our expenses during the quarter. Legal proceedings arise out of the company's ordinary course of business and Laserscope expects legal costs will fluctuate from quarter to quarter based on the level of activity. The company's cash position increased to $4.8 million at March 31, 2003 from $4.7 million at the end of 2002. For the next several quarters, Laserscope expects to continue to fund growth of its urology business with cash flow generated from its aesthetics business and from sales of the PVP laser systems and fiber-optic devices.

American Urology Association **Meeting Activities** -- As the company has previously announced, the early results from the multi-site clinical study, which finished the treatment phase late last year, reinforced the long-term findings of the single-site, 55-patient Mayo Clinic study. The multi-site study consisted of 145 patients at six separate sites with the goals of validating previous results, improving training protocols and demonstrating the successful proliferation of the PVP procedure to many physicians. Some of the specific clinical data from the 2002 multi-site study will be presented at this year's *American Urology Association (AUA)* meeting being held in Chicago at the end of April. On April 29, a moderated poster session entitled "BPH - Surgical Therapy and New Technology" will include a presentation concerning the use of PVP to treat enlarged prostates. Also on that day, Dr. Reza Malek will present five-year data from the initial Mayo study of PVP. Finally, on April 30, the overall results of the company's multi-site study will be presented in a podium session. Laserscope will be exhibiting at the AUA meeting and will also use the forum of the meeting to unveil a new name and marketing campaign for its PVP laser system. "We feel that the name Niagara PV, does not fully represent the essence and capability of our laser system. The new name for the product will add the brand recognition that we believe will ultimately promote stronger consumer awareness of the product. In time, patient demand for the PVP procedure, in conjunction with the increasing support from the urology community, is expected to drive our long-term revenue growth as more and more patients learn about the benefits of the procedure and ask for it by name. We have selected a name that differentiates the procedure from others in the market, is easy to remember and allows us the flexibility to extend this technology into other applications," said Reuter.

Update on Industry and Outlook -- In Laserscope's discussion of fourth quarter 2002 results, the company commented that it was experiencing a shortage of some critical components that would likely impact its ability to ship PVP lasers in the first quarter of 2003. "While we made progress on this issue during the first quarter, we are continuing to work with our existing suppliers and have qualified some new suppliers to overcome the shortages," said Reuter. "We completed and shipped six PVP lasers during the quarter, and as mentioned earlier, we built a backlog of twenty units. We expect a resolution to this issue soon, leading to full production capabilities during the late second or early third quarter of this year." The company also reported that it expected a seasonal decline in fiber-optic shipments early during the first quarter but that it would recover later during the quarter. Fiber-optic sales declined during the quarter from 1,660 in the fourth quarter of 2002 to 1,406 during the first quarter 2003. "Due to the increase in the installed base, and the momentum recovery we began to experience during the quarter, we expect fiber-optic sales to begin to show growth again during the second quarter," said Reuter.

The company also discussed previously that significant reductions to reimbursement for virtually all treatments of BPH are currently being implemented by the Centers for Medicare and Medicaid Services (CMS). While these reductions are beginning to have a short-term negative impact on the rapid growth in sales of Laserscope's BPH treatment products, the company's management believes that in the long-term, the superior clinical outcomes will prove it to be the standard of care. "Our strategy is to continue to work with luminaries and individuals in the AUA to develop compelling data supporting the fact that the overall cost to healthcare delivery will be greatly reduced over time with the adoption of PVP as a replacement for TURP," Reuter stated. "We believe that the support of the AUA and the validation of the economics will be critical for the CMS to consider higher reimbursement for the procedure. We are also diligently working to enlist the support of our growing base of PVP users in this endeavor."

2003 Guidance -- The company reiterates the following guidance for 2003:

-- Laserscope expects that overall laser sales will increase due to continued growth in PVP products. The company anticipates that it will sell approximately 7,500 PVP fiber-optic devices during the year, with second quarter sales of these products higher than the first quarter's. Additionally, Laserscope believes that sales of aesthetic products will grow moderately in all markets. The company expects that aggregate revenues for the year will exceed $50 million.

-- Gross margin, as a percentage of 2003 revenues, is expected to be 50% to 54%.

-- The company expects research and development expenses during 2003 to be approximately 8% of net revenues, but may vary from quarter to quarter.

-- Selling, general and administrative expenses, as a percentage of net arevenues, are expected to be marginally lower than the 2002 level of 41%, but remain relatively high

in absolute terms in conjunction with continuing investment in educational and training support and marketing programs for the PVP products.

-- Overall for the year, the company expects net income between $0.10 and $0.15 per share, with the majority of earnings growth generated in the latter part of the year.

4/23 I have heard from a new startup medical laser company founded earlier this year in Venice, Italy, **BlueShine Srl.** According to Dr. Nicole Baldan, of the Customer Care Department, "Blueshine is a new company. After having done technical and scientific research and development during 2002, we decided to start new and independent activities in the laser production field at the beginning of this year. One of our most important targets is to enter U.S market within the first year, thus we are now working at FDA certification and looking for qualified Distributors in the United States, which might be interested in commercializing Blueshine products."

According to a sales catalog that Dr. Baldan sent me:

BLUESHINE was founded by a team expert in laser applications for pathology and skin treatment, endovascular and general surgery, dental therapy; and aims at supporting its Customers with Global Solutions. Services, laser system devices, cosmetic products, technical advice, and customer care will be available in the easiest and least expensive way, all over the world.

Thanks to its experience, BLUESHINE can boast to be the best partner for Customers interested in the application of different light wavelengths technology in the Medical and Aesthetical field for: Permanent Hair Removal, Skin Rejuvenation, Wrinkle Reduction, Vascular Lesions, Tattoo and Pigmented Lesions Removal, Vitiligo-Psoriasis-Dermatitis Solution, Endovascular Treatment, Surgery Treatment, and Dental Solutions.

BLUESHINE's strength is the worldwide Distribution Network, that guarantees rigorous Customer assistance.

BLUESHINE know-how based on advanced technologies, constant research and tests on patients in the world over, can guarantee:

-- excellent clinical results on any kind of skin types (suntanned included)

-- excellent results in Endovascular Treatments

-- excellent results in General Surgery

-- excellent clinical results in Dental Therapy

-- completely safe and easy treatments

-- equipment reliability

-- highly qualified Technical and Assistance Service, and

-- constant technological development

BLUESHINE offers single wavelengths or a different combination of Nd:YAG, Alexandrite, Erbium: YAG, KTP, UVB or Diodes with different wavelengths. Most systems are supplied with Contact or Air Cooling Systems.

BLUESHINE also offers its BLUESHINE BIOCOSMETIC SKIN CARE LINE including wholly biological products with exotic fruit essences meant to integrate dermatological treatments and daily body and face skin care.

The brochure/catalog lists some 21 laser and IPL systems, along with the two cooling systems. The laser, both single and multiple wavelengths, list for between E12,000/14,000, for the Light Shine (an IPL) and single wavelength diodes, to E46,000 (for the triple wavelength Triple Shine YAG, KTP, and Alexandrite system.

For more information, please contact Dr. Nicole Baldan, telephone: 011 39 041 5055847, or email: customer.care@Blueshine.biz.

MEDICAL/SURGICAL LASER UPDATE -- May 2003

4/29 **CardioGenesis Corporation** announced that two clinical discussions of TMR by two prominent cardiothoracic surgeons were presented at the CardioGenesis booth at the 83rd Annual Meeting of the *American Association for Thoracic Surgery (AATS)* Scientific Sessions in Boston. The presentations were titled "TMR: A Definitive Treatment for Angina Pectoris".

Robert Emery, MD, of Cardiac Surgical Associates in Minneapolis, and Michael Grosso, MD, of St. Francis Heart Center in Wilmington, DE, presented wide-ranging discussions of their experiences with TMR including how the therapy has changed the management of cardiac surgery patients at their hospitals, patient selection criteria, results associated with TMR at their facilities and an overview of TMR clinical data. The data overview included the recently released, 94-patient, five-year follow-up data to the TMR vs. Medical Therapy trial originally published in *The New England Journal of Medicine*. The data demonstrated that, after five years, TMR patients continued to enjoy a significant angina improvement and a mortality benefit over those who were treated with drugs alone.

Dr. Emery noted, "Evidence-based medicine in the form of prospective, randomized trials has demonstrated the short and long-term efficacy of the use of Transmyocardial Revascularization therapy in the treatment of angina pectoris both as a sole therapy and

as an adjuvant to coronary artery bypass surgery." Dr. Emery expanded upon these comments during his presentation.

Dr. Grosso said that advances in TMR using the CardioGenesis Holmium:YAG laser, as demonstrated by the new clinical data, are "changing the way we view surgical treatment of coronary artery disease ... The future therapy of coronary revascularization will not consist merely of advances in mechanical/anatomic approaches but rather a more directed biological/cellular/molecular approach. Recent studies and trials with TMR have scientifically established this therapy as a primary step towards this new `biorevascularization.'" Dr. Grosso discussed the present status and future of TMR and also assessed the recently presented five-year follow-up data.

4/29 **PhotoMedex, Inc.** announced the results of their operations for the first quarter ended March 31, 2003. Revenues for the quarter were $3.5 million. Included in these revenues were $3.2 million from **Surgical Laser Technologies, Inc.**, a company acquired by PhotoMedex on December 27, 2002. Revenues for the quarter ended March 31, 2002 were $952,373. The net loss for the first quarter was $1.7 million (5 cents per share). The net loss for the quarter ended March 31, 2002 was $2.1 million (9 cents per share). As of March 31, 2003, the company had cash, cash equivalents, and short-term investments of $2.9 million, including $362,817 pledged as collateral for bank debt. In December 2002, the *Centers for Medicare and Medicaid Services (CMS)* published the relative values and national Medicare reimbursement rates for the CPT codes, earlier issued by the *American Medical Association*. The codes for XTRAC laser therapy were effective January 1, 2003 but reimbursements were not available to doctors prior to March 1, 2003.

Jeff O'Donnell, PhotoMedex CEO and president, commented, "We are pleased with the adoption rate of the XTRAC procedures, given the delay in medicare reimbursement essentially to March 1, 2003. In addition, PhotoMedex is very proud to announce that it is partnering with **GlobalMed Technologies, Inc.**, an international master distributor, to enhance the distribution of the XTRAC in specific countries. We believe that GlobalMed's reputation and expertise will be a great asset in obtaining market share outside of the United States."

GlobalMed, with corporate offices in Sonoma, California and London, UK as well as branch offices in Barcelona and Singapore, is an international sales and marketing company serving the dermatology and cosmetic surgery products industry with an "outsource" solution for managing target markets and sales channels outside the United States. Established in 1995, the company provides a unique approach to overseas expansion through its specialized international marketing programs as well as its relationships with medical services companies and institutions, clinicians, and distributors in more than forty countries worldwide.

O'Donnell also commented, "The level of excitement and general acceptance recently portrayed by the opinion leaders at the *American Academy of Dermatology (AAD)*

Conference held March 21-25, 2003, was a testament to both our product and our commitment to this industry."

The AAD Conference is the largest, most prestigious in its field and typically is very well attended by its membership, including a majority of the practicing dermatologists in the United States and a large number of their international counterparts. The Conference features product demonstrations, hands-on training, workshops, and numerous presentations by leading medical and technical experts in the development and utilization of treatments for skin diseases. The XTRAC was an integral part of 13 featured presentations about the benefits and clinical efficacy of our laser system, including 6 presentations on psoriasis, 5 on vitiligo, and 2 on leukoderma. O'Donnell added, "We are also pleased at the swift integration of Surgical Laser Technologies, Inc., acquired on December 27, 2002. PhotoMedex continues to grow SLT's surgical procedures business. We believe coupling SLT's revenues and manufacturing and sales infrastructure to our breakthrough XTRAC technology continues to validate the reasons for merging with SLT."

4/29 **Candela Corporation** announced that revenues for the quarter ended March 29, 2003 were $22.0 million versus $16.1 million for the same quarter one year earlier, a 36% increase. The company said that net income was $2.6 million (25 cents per share) compared to a loss of $291,000 (3 cents per share) a year earlier. Included in the profit for the quarter was 7 cents per share, resulting from a favorable outcome of its arbitration proceeding against **Physician Sales & Service, Inc.**, a division of **PSS World Medical (PSS)**.

For the nine-month period ending March 29, 2003, the company reported revenues of $54.4 million versus $40.7 million, a 34% increase over the same period a year earlier. Net income for the nine-month period was $3.8 million (38 cents per share) versus a loss of $2.7 million (26 cents per share) for the same period last year. Gerard Puorro, Candela's president and CEO, commented, "Our growth in sales and profits continues. At the *American Academy of Dermatology (AAD)* Annual Meeting held a few weeks ago, we saw continued enthusiasm for our product offerings. We remain optimistic that this momentum will carry us into the future."

4/29 **Lumenis, Ltd.** announced financial results for the first quarter ended March 31, 2003. The company reported revenues of $80.2 million, compared to $86.1 million in the first quarter of 2002. Net loss in the first quarter was $6.9 million (19 cents per share) compared with a net loss of $643,000 (2 cents per share for the first quarter of 2002.

"Our overall results were disappointing in the first quarter but we were successful in meeting several important goals to improve our operations and financial results. We implemented an aggressive inventory reduction program, resulting in a reduction of $10.1 million and reduced operating expenses by $2.5 million when compared to the first quarter last year," commented Arie Genger, vice chairman and CEO. "We also delivered on two additional objectives, which was to secure our liquidity with a new financing

agreement with **Bank Hapoalim** and to hire a new permanent CEO. Last week we announced that Avner Raz would be joining the company as CEO. He comes to us with more than 20 years of management experience, and I am very confident that he is capable of securing Lumenis' strong position in the market and leading the company into its next phase of growth."

In the first quarter, the Aesthetic Business Unit had sales of $29.4 million, compared to $37.2 million in the first quarter of 2002. First quarter sales in the Medical Business Unit were $28.6 million, compared to $29.1 million the same quarter a year ago. Sales in the veterinary business were $3.5 million, compared to $3.4 million in the same quarter a year ago. Sales in the dental business were $2.4 million, compared to $2.3 million in the first quarter of 2002, and the service business accounted for $13.4 million of revenue for the first quarter of 2003 compared to $11.7 million last year. Backlog was approximately $11 million, up approximately $1 million from the fourth quarter 2002.

Gross profit margins for the quarter were 46.4%, compared to 52.4% in the same quarter a year ago. The lower margins were primarily a result of costs associated with the closure of the Santa Clara manufacturing facilities and the startup of the new manufacturing operations in Salt Lake City and to lower sales in the aesthetic business. Cash flow from operations was negative $8.2 million principally as a result of paying down suppliers. The company's trade payables were reduced by $16.2 million in the first quarter. Inventory, including finished goods used in operations, was reduced by $10.1 million.

In the first quarter of 2003, the Americas had sales of $34.3 million, compared to $43.6 million in the same quarter a year ago. The Asia/Pacific region had a strong quarter with sales of $24 million, up 7.5% from the first quarter of 2002. Sales in Europe were also good at $16.7 million, compared to $15.5 million in the first quarter in 2002. For the second quarter of 2003, Lumenis expects sales to be in the range of $80 to $85 million and an approximate net loss of $5 to 7 million (13 cents to 19 cents per share). This estimate excludes an expected $5 million loss on the sale of **Spectron** as previously announced.

Following the release of financials, Stephen Levey of **UBS Warburg** issued an update report, entitled, "No Room for Error". Some of his comments included:

* EVENT: A first glance at Lumenis's results look encouraging, with losses per share of 19c versus our expectations of -24c. However, we are becoming even more concerned with the company's liquidity position, following another negative operating cashflow this quarter of US$8m.

* IMPACT: While inventories fell by US$10m, trade payables fell by US$16m as suppliers become increasingly concerned about the company's financial situation. Following the sale of Spectrum, we believe that liquidity now stands at around US$20m.

* VALUATION: It is difficult to value a loss making company with a large amount of debt. However, based on our reduced 2004 EPS forecast of 20c (down from 29c) the shares trade on an '04E PE of around 8x. However, visibility into 2004 is very poor.

* ACTION: Net debt has risen from US$187m to US$197m. In our view this company remains financially stretched. We believe a recovery would be difficult without a capital restructuring - likely a debt:equity swap. We maintain our REDUCE 2 rating with a PT of $1.2, equivalent to an 04E PE of 6x, up from 90c.

Q1 Review - The Good News -- The Q1 results are a mix of good news and bad news. Here is the good news:

Management managed to increase revenues very slightly from Q4, reaching US$80.2m versus US$79.4m in Q4.Inventories fell by US$10m, delivering on management assurances on the Q4 conference call. SG&A fell impressively. The company managed to appoint in a new CEO, Avner Raz, within the time frame that management had hoped.

Q1 Review - The Bad News -- Offsetting this good news were some continued causes for concern:

While revenues did increase, this was solely due to a US$4m increase in "other" revenues, as aesthetic revenues were flat, medical fell and ophthalmic increased slightly. We would have preferred to have seen revenue improvement from one of the company's core business units. This increase was primarily as a result of service revenues, and while we commend management for growing service revenues, this cannot disguise the fact that core revenues were still relatively weak. Additionally, we estimate that margins on service revenues are around 10% versus a group average of closer to 50%. Trade payables fell by US$16m, resulting in another quarter of negative operating cashflow to the tune of US$8.2m. This meant that net debt increased to US$197m versus US$187m in Q4. We note a rapid fall in R&D expenses, from US$8.2m in Q4 to US$6m in Q1. We can only hope that short-term R&D cuts will not harm the future growth of the company. Guidance for Q2 was for very little improvement. Excluding a one-off US$5m from the sale of Spectrum, management expect losses per share of 13-19c versus 19c in Q1, on revenues of US$80-85m, basically in-line with Q1.

Where from Here?

What happens to Lumenis from here? There is little sign of a resumption of top-line growth, and while we would expect the new CEO to take further action to reduce costs and shrink the company's balance sheet, we are concerned that without top-line growth Lumenis may not be able to pay back its debts. We are impressed with inventory reductions as well as the cuts already made to operating expenses, but in our view this will not be enough to solve Lumenis's problems. At some point, we believe the company's capital structure will have to be addressed. We repeat our long-held view that

some kind of debt for equity swap is almost inevitable for this company. In our view the chances of Lumenis repaying all of its debt are very slim.

In terms of top-line growth, we do not believe that this is simply a macro issue, and are not convinced that an economic turnaround will be enough to drive revenues. We believe that the company's difficult financial position is impacting its competitive positioning, and that smaller rivals are eating away at Lumenis's dominant market share.

We welcome the new CEO, who has experience in turnaround situations. However, we repeat our oft-made view that we would have preferred to have seen a strategic investor invest equity in Lumenis and appoint a CEO with experience in this field. Additionally, we believe that unless drastic measures are taken Lumenis may find it difficult to extract itself from its current financial situation.

Reducing Forecasts - Again

Despite better Q2 results than expected, we were expecting a faster improvement in Q2, and we have increased our loss per share forecast, pre-exceptionals, from 9c to 16c. We have also reduced our H2 forecasts as it appears that our expectations for a faster increase in revenues was overly optimistic. We now expect 2003 revenues of US$330m versus our previous expectations of US$336m, a FY03 loss per share forecast of 37c from 40c (51c including exceptionals). We note that the reduced loss per share forecast in 2003 is solely due to the fact that the company beat our Q1 forecasts, as for the remainder of the year we have actually increased our loss forecasts. We do not expect Lumenis to show a quarterly profit until Q104. For 2004, into which we have no visibility, we have reduced our EPS forecasts from 29c to 20c.

PT & Rating

Attributing a PT to Lumenis is incredibly difficult as so much hinges on balance sheet rather than P&L issues. However, in our peer group, the lower end of the PE range is around 6x. Assigning Lumenis a 2004E PE of 6x, leaving it at the bottom of the peer group, would give a PT of US$1.20. With respect to rating, investors with a high risk appetite may consider accumulating Lumenis shares, but in the knowledge that in our view Lumenis is in a difficult financial position. For that reason, and with no light apparent at the end of the tunnel, we continue to rate the shares a REDUCE 2.

Risks: Ongoing SEC investigation, high gearing of the company and ongoing negative operating cashflow.

4/30 **PLC Systems Inc.** reported positive financial results for the three months ended March 31, 2003. First quarter net income increased by $274,000 to $15,000 (0 cents per share) compared to a net loss of $259,000 (1 cent per share) for the first quarter ended March 31, 2002. Revenues for the quarter were $1.7 million, compared with $2.4 million in the same quarter of 2002. "We are very pleased to report PLC's fourth consecutive quarterly

profit," stated Mark Tauscher, president and CEO of PLC Systems. "PLC's first quarter performance demonstrates that our business can produce profitable results with a reasonable number and mix of lasers and kits sold. The four consecutive profitable quarters is a good reflection of our focused business strategy and our efficient operations at PLC. Expanding our laser base while maintaining profitability is a significant accomplishment for the company."

During the first quarter, PLC shipped nine next-generation CO_2 Heart Lasers (HL2) to United States hospitals through **Edwards Lifesciences Corporation**, PLC's exclusive U.S. sales and marketing partner. Five of the nine HL2 shipments were new lasers and four were redeployed lasers. PLC ended the first quarter of 2003 with 138 CO_2 Heart Lasers located at heart centers throughout the U.S., comprised of 83 HL2 customers and 55 HL1 customers. As of March 31, 2003, PLC's U.S. laser base (HL1 and HL2) had increased by more than 20% during the preceding twelve months. More significantly, PLC's U.S. HL2 installed base grew to 83 lasers as of March 31, 2003, up 60% from March 31, 2002 and up nine percent from the quarter ended December 31, 2002.

A leading indicator for the adoption rate of the CO_2 TMR therapy is disposable kit shipments to hospitals. During the first quarter of 2003, a total of 413 disposable kits were shipped worldwide. Edwards delivered 383 disposable kits to United States hospitals and PLC shipped 30 disposable kits to International hospitals. In comparison, a total of 399 disposable kits were delivered worldwide during the quarter ended March 31, 2002.

Tauscher concluded, "With respect to kit shipments, I believe we are seeing positive signs that we are moving in the right direction. During 2002, the U.S. average kit shipments to hospitals by Edwards were 117 kits per month. In January and February 2003, this average was maintained, however during March and April the kit shipments have increased by approximately 50%. We are encouraged with this positive developing trend."

4/30 **Laserscope** announced that it had received a patent for the technology and applications for the company's GreenLight PV (formerly called Niagara PV) laser. U.S. Patent Number 6,554,824, entitled "Methods for Laser Treatment of Soft Tissue," covers the use of visible laser light for the treatment of Benign Prostatic Hyperplasia (BPH). "We are very pleased to have received this extensive patent protection, which provides a competitive barrier to entry," said Eric Reuter, Laserscope's president and CEO. "The patent covers our GreenLight PV laser and fiber-optic delivery device when applied in the treatment of BPH and is potentially extendible to other soft tissue applications. We believe that our patent portfolio now envelopes virtually all technology necessary to create the high power green light energy required to treat BPH using the Photo-Selective Vaporization of the Prostate (PVP) procedure. The key to the success of our procedure lies in the application of high power 532 nanometer, green laser light to the prostatic tissue, allowing urologists to precisely and quickly vaporize tissue without harming the surrounding area. This single technological feature is what differentiates the PVP

procedure from any other treatment for BPH and minimizes the incidence of side effects. We believe that this patent further establishes our technology leadership and gives us a strong market advantage going forward as more men are treated surgically for BPH."

According to industry sources, over 13 million U.S. men were diagnosed with BPH in 2001, with over 2 million requiring treatment and approximately 180,000 treated surgically. The number of surgical treatments is expected to grow to over 400,000 by 2006 as the total number of patients requiring treatment grows from 2.1 million in 2001 to 3.7 million in 2006. Because other current treatment options for BPH require longer recovery periods and result in a higher incidence of complications, the company believes that many patients may choose its fast, virtually bloodless and minimally invasive PVP procedure. Clinical results have shown that the procedure provides immediate and complete symptom relief with an extremely low incidence of side effects.

5/1 **Palomar Medical Technologies Inc.** announced that for the first quarter ended March 31, 2003, the company's total revenues increased by 61%, its product revenues increased by 80% and its gross profit from product sales improved by 194% as compared to the first quarter of 2002. Due to growing sales of the company's flagship EsteLux Pulsed Light system, revenues have increased, gross margins have improved and the company has realized net income for the fourth consecutive quarter, with a net income improvement of more than $1 million as compared to the first quarter of 2002. In addition, over the past year product gross margins have improved significantly due to a shift in product mix to lower cost platforms. The company has also improved its cash position over the past year.

Revenues for the quarter were $6.8 million, including $500,000 of funded product development revenue from the company's recently announced agreement with **The Gillette Company**, up from $4.2 million in the first quarter of 2002. Gross profit from product sales increased to $3.5 million (57% of product revenues), up from $1.2 million (35% of product revenues) in the year-earlier quarter. The company reported net income of $358,000 (3 cents per share) for the first quarter of this year, versus a net loss of $737,000 (8 cents loss per share) for the first quarter of last year.

During the first quarter of 2003, the company announced the following events:

* Signing of an agreement with Gillette to complete development and potentially commercialize a patented home-use, light-based hair removal device for women.

* A Director of the company exchanged the principal balance of a $1 million note payable for 293,255 shares of the company's common stock, at a price of $3.41 per share with no registration rights. The price was calculated at 110% of the company's common stock's trailing ten-day average closing price of $3.10.

* Completion of a private placement with **Craig Drill Capital**, a private investment firm based in New York City, for the purchase of one million shares of the company's

common stock, at a price of $3.41 per share with no registration rights for an aggregate subscription price of $3.41 million. The price was calculated at 110% of the company's common stock's trailing ten-day average closing price of $3.10.

* Launch of a new platform, the Palomar MediLux Pulsed Light System, at the *American Academy of Dermatology's (AAD)* Annual Meeting in March. This system provides physicians with higher power and a higher repetition rate than the EsteLux system. The MediLux system, like the EsteLux system, has six versatile handpieces, including the LuxV, LuxB, LuxY, LuxG, LuxR and LuxRs, and can be used for the removal of hair and treatment of pigmented and vascular lesions. The MediLux system offers a new snap-on connector making it easy to switch between handpieces and provide treatments tailored to each individual.

CEO Joseph Caruso commented, "This has been an exciting and rewarding quarter for Palomar. Moreover, we believe that this is only the beginning of a new period in the evolution of Palomar Medical Technologies. We continue to enjoy high market acceptance of our new product offerings, and we believe we are maintaining our leadership position as an innovator in our markets. And thanks to our recent agreement with Gillette and our strong intellectual property portfolio, we are making great strides towards the realization of our long-term mass-market business strategy."

5/1 **Pharmacyclics, Inc.** reported financial results for its third quarter ended March 31, 2003. The net loss for the period was $7.2 million (44 cents per share) compared to a net loss of $7.9 million (49 cents per share) in the comparable period of fiscal 2002. Research and development expenses decreased to $6.0 million for the three months ended March 31, 2003, compared to $7.4 million during the same period of the prior fiscal year. The decrease is primarily the result of lower personnel costs and lower expenses related to contract pre-clinical studies.

Pharmacyclics also reported its financial results for the nine months ended March 31, 2003. The net loss for the nine months ended March 31, 2003 was $20.8 million ($1.28 per share) compared to a net loss of $29.3 million ($1.82 per share) for the nine months ended March 31, 2002. As of March 31, 2003, the company had cash, cash equivalents and marketable securities totaling $94.4 million, compared to $114.9 million at June 30, 2002.

"We have made excellent progress initiating patient enrollment in our pivotal Phase 3 SMART Trial evaluating the efficacy and safety of Xcytrin for the potential treatment of brain metastases in lung cancer patients," said Richard Miller, MD, president and CEO of Pharmacyclics. "We also have had a strong presence at the major medical and scientific conferences and continued additional clinical and preclinical development of Xcytrin for other types of cancer and Antrin as a novel approach for the treatment of vulnerable plaque."

5/5 **BIOLASE Technology, Inc.** filed suit against **Diodem LLC** on May 2, 2003 to reinforce BIOLASE's intellectual property position in the marketplace. Diodem, LLC is a small, recently formed entity purporting to hold some of the patents formerly held by **Premier Laser Systems, Inc.** which filed for bankruptcy in March 2000. In the LLC's Articles of Organization filed with the California Secretary of State, Diodem identifies Colette Cozean, Premier's former president and CEO, as agent, and as initial manager. BIOLASE previously sued Premier Laser Systems for patent infringement shortly before Premier's bankruptcy filing. This action is intended to further assert and protect certain BIOLASE intellectual property rights. "BIOLASE will continue to take affirmative measures to protect the interests of the company and our stockholders and enforce our strong patent portfolio and position in the market," said Jeffrey Jones, BIOLASE president and CEO.

5/7 **Laserscope** announced that the results from several clinical studies of the GreenLight PV (formerly called Niagara PV) surgical laser system used for Photo-Selective Vaporization of the Prostate (PVP) to treat Benign Prostatic Hyperplasia (BPH) were presented at the recent 98th Annual Meeting of the *American Urological Association (AUA)*. The outcome of these studies continued to indicate that PVP has the best clinical results and long-term effectiveness in the treatment of BPH. There were three well-received PVP clinical studies presented at the AUA annual meeting in Chicago.

First, Dr. Reza Malek presented five years of long-term follow-up results from the study conducted at the Mayo Clinic. These results mirrored the previously released three-year follow-up results and continued to confirm the procedure's long-term durability. At five years post-PVP treatment, objective outcome parameters in symptom score and peak urinary flow rate showed sustained durability with 87% and 200% improvement, respectively.

Second, Dr. Jaspreet Sandhu presented the results from a study conducted at the Weill Cornell Medical Center of New York-Presbyterian Hospital on 29 patients with large prostate glands. Patients in this study had prostate gland sizes ranging from 60 to 247 grams in size, as measured by transrectal ultrasound, with a mean gland size of over 107 grams, significantly larger than the average size of approximately 45 grams. All the men had failed drug therapy and seven presented with urinary retention. At the six-month follow-up, flow rates had increased by over 200% and symptom scores had improved by 67%. Also, over half the patients were treated with minimal anesthesia, using just IV sedation and a local prostate block, and all but one were discharged within 24 hours without significant complications. Researchers concluded in this study that the PVP procedure was safe and effective in treating large glands in patients with BPH.

Finally, in a podium presentation, Dr. Alexis Te from Weill Cornell Medical Center of New York-Presbyterian Hospital presented the detailed results of the ongoing multi-site clinical evaluation. One-year post-PVP treatment follow-ups showed significant improvements in AUA symptom score (92%), quality of life improvement (90%), peak urinary flow rate improvement (196%) and post-void residual volume improvement

(93%). Additionally, a high percentage of patients were released the same day of the procedure and over 30% were sent home without a catheter. Of those who did receive a catheter, the mean catheterization time was a relatively short 14 hours. In the multi-site clinical evaluation, a total of 145 patients were treated at six treatment centers around the United States over the past 18 months. These centers included the Cleveland Clinic Foundation, Weill Cornell Medical Center of New York-Presbyterian Hospital, the University of Pennsylvania, Rhode Island Hospital, Virginia Commonwealth University, and Oakwood Annapolis Hospital in Wayne, Michigan. The key immediate post-operative and one year follow-up clinical results achieved during this multi-site clinical study thus far are unequaled by any other known technology and have closely matched those achieved during the pivotal Mayo Clinic clinical trial for similar time frames and with similar patient demographics.

"We are extremely pleased and excited with the clinical results presented at the AUA meeting," said Eric Reuter, Laserscope's president and CEO. "These studies further indicate that the PVP procedure is rapidly gaining credibility and momentum with a much broader group of physicians as a clear alternative to the 'gold standard,' trans-urethral resection of the prostate, or TURP. Additionally, these study results are reinforcing to the urology community that the outstanding clinical results and minimal side effects shown to be achievable with PVP can be duplicated by a growing number of physicians. We are also beginning to see that the range of patients that can be treated using PVP is actually wider than with any other known technology. As shown during the Cornell large gland study, for these patients with very large glands that are untreatable with a TURP and for patients on anti-coagulants (blood thinners), PVP may be their only alternative, short of an extremely invasive, open prostatectomy. Although the data set is very small and more investigation is required, these results potentially indicate that the PVP procedure could be a chosen therapy for an even larger patient pool than the traditional TURP or any other known therapy for BPH."

"Our strategy and goal over the medium term remains to displace the TURP as the reference standard for treating obstructive BPH. Our clinical results continue to demonstrate that our operative endpoints are as good as or better than those of a TURP but that our side effect and complication rates are dramatically reduced. Our physician users are showing that they can also achieve these results while treating some patients who are contra-indicated for virtually any other therapy. As more and more physicians become comfortable with the PVP procedure, we believe that they will begin to treat an increasingly wider range of patients, especially those who are indicated for a TURP. We believe that once the merits of the procedure become more firmly established and officially supported by the AUA, more and more physicians will begin to adopt PVP as their primary method of treatment for BPH. In the long term, we hope that patient preference and patient demand for this procedure will eventually lead it to supplant the other minimally invasive but less efficacious procedures," concluded Reuter.

5/7 **Diomed Holdings, Inc.** announced that three of its directors had committed to provide it with up to $1.2 million of interim financing. **Gibralt US, Inc.**, a private company owned

by Samuel Belzberg, which is an existing stockholder, committed to provide Diomed with up to $1.1 million of short-term secured loans. Gibralt had provided Diomed with interim financing in December 2002. The other directors participating at this time are James Wylie, Jr., president and CEO of Diomed, and Peter Norris, a long-term Board member and investor. Simultaneously with entering into these agreements, Diomed accessed approximately 20% of the commitment. "The investment, led by Belzberg, during this phase of EVLT growth demonstrates our continued belief in Diomed's products and technologies, and our commitment to the long-term success of the company," commented Wylie.

In connection with the interim financing, Diomed has issued preferred shares that are convertible into 3,021,560 shares of its common stock. Diomed now has 59,850,547 common share equivalents outstanding, following this financing and the restructuring. Wylie further stated, "The company has engaged an investment banker with a proven track record in the medical device industry to raise additional financing to enable the company to expand critical sales and marketing programs and to further strengthen Diomed's leadership position in the marketplace. Both today's investment and the investments made in December 2002 are bridge financings to provide us with needed working capital until such time as we complete our next round of financing. The terms of the interim financing grant our interim investors the right to participate in the contemplated second quarter financing round. Our advisor also has suggested that we simplify our capital structure in several ways that should improve our access to the financial markets."

5/7 **BriteSmile, Inc.** announced that it was pursuing negotiations regarding two new initiatives. BriteSmile is negotiating with **Oraceutical Innovative Properties, LLC** and Eric Montgomery, a long-time director of BriteSmile, to acquire certain intellectual property which would significantly expand the scope of BriteSmile's teeth whitening focus to include all types of oral care products. In addition, as a part of these negotiations, BriteSmile hopes to expand its existing consulting agreement with Montgomery to be exclusive in the human oral care field. Montgomery has played a pivotal role in the development of the revolutionary BriteSmile whitening technology. He is directly responsible for the development of the patented neutral pH BriteSmile Procedure Gel (used in conjunction with the BriteSmile light system), in addition to many of the peripheral products used in conjunction with the BriteSmile procedure or as take-home whitening maintenance products, such as the BriteSmile Low Exotherm Barrier Material, the BriteSmile Masking Creme, and the BriteSmile Whitening Maintenance Non-Alcohol Mouthwash.

Also, BriteSmile is negotiating with a Brussels, Belgium-based group to establish BriteSmile teeth whitening centers in twelve leading cities in Europe. Naturally White is a strategic alliance of financial, commercial and scientific assets which presently operates one BriteSmile center in Brussels, Belgium.

5/8 **Carl Zeiss Meditec AG** has decided to focus its business on ophthalmology and is selling its dermatological and dental laser business units, which do not belong to the core business of Carl Zeiss Meditec, to the companies **EL.EN SpA** and **Quanta Systems SpA**, effective May 1, 2003. Both parties have agreed not to disclose the purchase price for these business units.

"This step successfully concludes our efforts to concentrate on our core ophthalmic business," said Ulrich Krauss, president and CEO of Carl Zeiss Meditec AG. "At the same time, the integration of both the units in EL.EN/Quanta System opens up good perspectives for their success in the future," continued Krauss.

(According to El.En.'s 2002 annual report, it owns a 30% interest in Quanta Systems, a 70% interest in **DEKA MELA Srl** (76% as of the end of the 1st quarter) -- which has dental lasers -- as well as 60% of **Cynosure, Inc.**)

5/8 On May 2, 2003, **BIOLASE Technology, Inc.** filed a lawsuit against **Diodem, LLC** in federal court. On May 5, 2003, in response to BIOLASE's lawsuit, Diodem amended a lawsuit that it had previously filed against other companies in the dental laser market to add BIOLASE as a defendant. Then, on May 6, 2003, Diodem issued its own press release (which I couldn't find), claiming that BIOLASE had "inexplicably" omitted reference to what it mischaracterized as its "lawsuit against BIOLASE [that] has been pending since March 27, 2003." Until May 5, 2003, BIOLASE was not named or served in any lawsuit brought by Diodem. During April 2003, Diodem had initiated discussions with BIOLASE about a possible acquisition by BIOLASE of Diodem's patent portfolio. While in the course of those discussions, Diodem had threatened to sue BIOLASE if no agreement were reached, Diodem did not, until May 5, 2003, sue BIOLASE.

Diodem is a small LLC organized by the former CEO of the bankrupt **Premier Laser Systems, Inc.** The patents asserted in the Diodem suit were the same patents owned by Premier Laser System when BIOLASE sued Premier Laser Systems for patent infringement in 2000 (an action that was automatically stayed by Premier Laser's bankruptcy). While BIOLASE believes Diodem's press release was misleading, it was not an unexpected response to BIOLASE's lawsuit against Diodem. As previously announced, BIOLASE filed that action to reinforce its intellectual property position.

5/8 **Lumenis Ltd.** announced that it had closed on the previously announced sale of its industrial laser business to **GSI Lumonics Inc.** The company's subsidiary, **Spectron Laser Systems Limited**, sold its principal assets for $6.3 million in cash, subject to adjustment, and the assumption of certain liabilities. The industrial business had net revenue of approximately $11 million in 2002. The company expects to report a loss on the sale of approximately $5 million.

5/9 **BriteSmile, Inc.** announced that its subsidiary, **BriteSmile Development Inc.**, had entered into a binding memorandum of understanding as well as a patent license agreement with **Oraceutical Innovative Properties, LLC** and Eric Montgomery, a long-time director of

BriteSmile, which significantly expands the scope of BriteSmile's teeth whitening focus to include all types of oral care products. BriteSmile Development is acquiring key rights to Montgomery's intellectual property portfolio, which consists of over 80 United States and foreign patents and patent applications covering a wide range of oral care products with particular emphasis in the tooth whitening area. In addition, Montgomery will consult for BriteSmile and BriteSmile Development on an exclusive basis in the human oral care field and will be joining the Board of BriteSmile Development.

Montgomery has played a pivotal role in the development of the revolutionary BriteSmile whitening technology. He is directly responsible for the development of the patented neutral pH BriteSmile Procedure Gel (used in conjunction with the BriteSmile light system), in addition to many of the peripheral products used in conjunction with the BriteSmile procedure or as take-home whitening maintenance products, such as the BriteSmile Low Exotherm Barrier Material, the BriteSmile Masking Creme, and the BriteSmile Whitening Maintenance Non-Alcohol Mouthwash.

John Reed, CEO of BriteSmile, stated, "The scope of the expanded exclusive consulting agreement with Eric is consistent with the recently announced strategic direction of BriteSmile to enter into the broader field of oral care products. Eric's contribution to the revolutionary BriteSmile teeth whitening technology has been seminal and we are looking forward to continuing to work with him."

Nhat Ngo, COO of BriteSmile Development, stated, "BriteSmile is acquiring a valuable portfolio of worldwide patents, which are being infringed by several competitors. Beginning immediately, BriteSmile Development intends to vigorously protect its newly acquired patent rights."

LCO, BriteSmile's largest investor, provided the necessary financing for the acquisition. The closing of the transaction is subject to completion of definitive agreements. The parties presently intend to close this transaction on or before May 31, 2003.

5/9 The newest and most advanced European laser hair therapy, the Luce LDS 100, is now available in the U.S., according to hair restoration surgeon Dr. Robert Leonard of **Leonard Hair Transplant Associates** in Cranston, RI.

Widely used in Europe, the Luce System uses low level light energy to heat and massage the scalp, while simultaneously expanding the pores. The invisible infrared light increases cellular metabolism, blood circulation and oxygen supply. The two work in conjunction to provide hair with the best chance for a healthy growth cycle. The non-invasive approach is painless and enables patients to resume their normal activities immediately.

"We're thrilled to have the Luce LDS 100 as a treatment option at Leonard Hair Transplant Associates," stated Dr. Leonard. "Nearly 82% of men and women suffer from hair loss or scalp problems. This new technology is designed for people who are just starting to experience hair loss and may not be ready to try more invasive hair

replacement methods. It is regarded as a breakthrough technology that will benefit virtually any hair loss patient."

Clinical tests of the Luce LDS 100 have shown dramatic results over other laser treatment options, including increased blood flow to the scalp by 54% after a single treatment. This encourages regeneration of normal healthy tissue, causing hair to grow thicker and fuller. It also significantly reduced the amount of hair loss that patients experienced, while repairing and improving the quality of the hair shaft. Studies have shown that the new Luce LDS 100 caused prolongation of the anagen (growth) phase of the hair growth cycle.

5/12 The May issue of the *Aesthetic Buyers Guide* magazine provides an in-depth review of the newest and most popular aesthetic technologies and products. Light Emitting Diode (LED) systems are covered extensively in a feature article on the subject. "This new generation of light devices is expected to have a major impact on the aesthetic market due to low cost and wide array of applications," said Michael Moretti, Editor of the Aesthetic Buyers Guide, and president of **Medical Insight, Inc.** "There are numerous product development projects underway, and I expect that LED-based devices will soon be commercialized for home-use aesthetic applications."

Cosmetic applications of PhotoDynamic Therapy (PDT) using Levulan from **DUSA** (Wilmington, Mass) is the subject of a clinical roundtable discussion in the May Aesthetic Buyers Guide. Tina Alster, MD serves as the moderator of this roundtable, which includes seven other leading cosmetic PDT researchers. "Levulan PDT may become the highest volume aesthetic procedure within a short period of time," commented Moretti. "The combined use of this FDA-approved drug with a variety of light devices is proving extremely advantageous in terms of improved clinical outcomes for treatment of such skin conditions as acne, photoaging, and even pre-cancerous lesions."

The Aesthetic Buyers Guide also focuses on new dermal fillers, which represent one of the most exciting developments in aesthetics at this time. Recent FDA approval of human collagen-based fillers (Cosmoderm/CosmoPlast) from **Inamed** (Santa Barbara, Calif.), and a long list of competitive filler products in the regulatory pipeline, "will drive procedure volume and product revenues in this fast growing sector of the aesthetic market," observed Moretti. All of these new products and procedures are covered extensively in the new Aesthetic Technologies and Business Opportunities market study, authored by Moretti. This comprehensive study, released by Medical Insight in May 2003, provides a detailed analysis and market forecast related to emerging aesthetic technologies and procedures. To receive an Executive Summary of this new market study, or a subscription to the Aesthetic Buyers Guide, contact Katie Davis at **Kdavis@MiiNews.com**, call 949/830-5409 or visit **www.MiiNews.com**.

Public companies participating in the aesthetic market include:
Allergan; **Candela Corporation**; DUSA; Inamed; **Lumenis**; and **Palomar**.

5/12 **Candela Corporation** announced it had entered into agreement with **Massachusetts General Hospital** for an exclusive, worldwide license to non-ablative laser technology jointly developed by Candela and MGH. Gerard Puorro, Candela's president and CEO, commented, "This agreement is the culmination of a long-term collaborative research relationship between **Wellman Laboratories of Photomedicine** at MGH and Candela Corporation. With Victor Ross, MD, now of Naval Medical Center San Diego, and Rox Anderson, MD, we began to study how lasers might be used to improve the appearance of wrinkles and photoaged skin in a way that has no down-time for the patient. The research performed at Dr. Anderson's laboratory using Candela's laser technology led to the development of the Smoothbeam laser, now cleared by FDA for treatment of periorbital wrinkles as well as several other large and promising applications. US Patent Nos. 5,810,801 and 6,120,497 describe inventions that have changed the way dermatologists treat patients with aging skin, and we are pleased that Candela's intellectual property portfolio has been strengthened as a result of this licensing agreement with MGH."

Co-inventor Dr. Anderson, Associate Professor of Dermatology, Harvard Medical School, said, "I have enjoyed working with Candela for many years, on many new ideas, starting with pulsed dye laser therapy for babies with portwine birthmarks almost 20 years ago. Candela's Smoothbeam laser came from ideas and experiments done in collaboration with Candela when Dr. Victor Ross was a Research and Clinical Fellow in my laboratory at Wellman Laboratories of Photomedicine, Massachusetts General Hospital. We realized that an `upside-down', mild thermal burn stimulus could potentially tighten and repair the aging dermis, without injury to the rest of skin and without the risks of laser resurfacing. Dr. Ross went on to show that technology such as this is an effective treatment for acne. It is appropriate that Candela should obtain the rights to these patents."

Co-inventor Dr. Ross, San Diego Naval Medical Center, said, "The research we have done has shown that this type of technology is ideally suited to targeting the region of the skin that is affected by sun exposure and aging processes. The 1450 nm diode laser with dynamic cooling device is a precise tool for stimulating new collagen production in the papillary dermis. In ongoing clinical research, we continue to study new indications for this versatile laser system."

5/12 **BriteSmile, International** announced that it will bring its one-of-a-kind teeth whitening spas to Europe. A Brussels-based group, **Naturally White Inc.**, currently operating the only BriteSmile Teeth Whitening Spa in Europe in Brussels, has been granted the exclusive right to establish BriteSmile spas in twelve leading cities in Europe. The Agreement contemplates the establishment of 20 BriteSmile Teeth Whitening Spas over the term of the Agreement. The Agreement becomes effective upon the conclusion of a pending financing for Naturally White, Inc. Naturally White is a strategic alliance of financial, commercial and scientific assets, backed by **Groupe Carsen**, a leading Belgian diversified service provider. Groupe Carsen, owned by partners Arthur Van Damme and Christian De Meyer, has joined forces with Dr. Marc Fournier and Gregory Perraud,

who bring their respective expertise in aesthetic dentistry and corporate finance to the partnership. "This is a major development for BriteSmile International, and we are very happy with the professionalism of our European Center partner" said Paul Dawson, CEO, BriteSmile International. "The great success of the BriteSmile spas in the U.S. speaks volumes about what can be expected as we roll out across Europe."

5/12 **Trimedyne Inc.** announced its chairman, Marvin Loeb, was interviewed by *Wall Street Reporter*. The audio interview is posted on the Wall Street Reporter Web site. Loeb's interview featured Trimedyne's new laser products which have been cleared for sale by the FDA for the treatment of herniated or ruptured spinal discs in minimally invasive, outpatient procedures. Trimedyne's Holmium laser and its patented, side-firing Laser Needle are used through an endoscope to treat the damaged disc in short, outpatient procedure. Typically, only a local anesthetic is required and the patient walks out with a Band-Aid on the puncture, is able to resume light daily activities in a day or two and can return to desk-type work in about two weeks. Studies, published in medical journals on separate groups of 200, 233, and 400 patients, showed good or excellent success rates, based on pain scores, up to 95%.

Trimedyne's new, outpatient laser procedures have the potential to replace the present surgical procedures to treat herniated or ruptured discs, which entail hospitalization, the risks of general anesthesia and a lengthy recuperation period and have published success rates of only 40% to 77%. Approximately 600,000 surgical procedures to treat these conditions are performed each year in the United States at a cost of about $30,000 per case or $18 billion annually. Commenting on the interview, Loeb said: "We are pleased that Wall Street Reporter has chosen us for this event. We are gratified by the increased attention being paid to Trimedyne's return to profitability, its new laser products and their market potential."

5/13 **Axcan Pharma Inc.** announced today operating results for the second quarter of fiscal 2003 ended March 31, 2003. The company reported revenue growth of 50% to $45.6 million and net income of $8.9 million (19 cents per share) representing 88% growth in net income and 58% growth in income per share, as compared to the second quarter of fiscal 2002 (all amounts stated in U.S. dollars). "We are pleased to announce our second quarter financial results with another period of strong and consistent performance," said Leon Gosselin, president and CEO of Axcan. "During this quarter, Axcan announced several important milestones for the company, including a financing and in-licensing of new gastroenterology products, that should further its leadership position in the growing gastroenterology market," he concluded.

PENDING APPROVALS -- PHOTOFRIN (PHOTOBARR in Europe) has been filed in the United States and Europe for the ablation of High-grade Dysplasia associated with Barrett's Esophagus. Orphan drug designation has been granted in the United States and Europe. Approval is still expected by the end of fiscal 2003 in the United States and Europe. Also, Axcan is conducting an additional 5-year follow-up study involving most of the 75 patients treated with PHOTOFRIN-PDT in the pivotal clinical trial to evaluate

the long-term treatment modality on High-grade Dysplasia of Barrett's Esophagus. Final results of this long-term evaluation are expected in fiscal 2006.

5/13 **BriteSmile, Inc.** reported its first quarter 2003 results. When compared with the same quarter for 2002, revenue for 2003 was slightly below last year (-3.8%) while earnings per share showed a vast 39.4% improvement. Of particular interest was March where BriteSmile realized a positive operating cash flow of over $638,000 or 15.5% of sales and a modest net income of 1.7% of sales. Revenue for the first quarter of 2003 was $9.0 million, versus revenue for the equivalent quarter of 2002 of $9.3 million, or a 3.8% decrease. This performance was in line with BriteSmile's budgeted plan. The BriteSmile Center performance slightly exceeded last year's first quarter revenue while International also exceeded prior year revenues despite the effects of the war with Iraq and the outbreak of SARS in the Far East. Domestic Associated Center revenue was down versus last year. Expenses were $11.4 million in the first quarter of 2003, versus $13.1 million for the first quarter of 2002, a 13.1% reduction. Of particular note, SG&A expenses were 23.2% below the comparable quarter of 2002 ($6.1 million vs. $7.9 million for 2002) reflecting a significant reduction in marketing expenses, BriteSmile's largest single expense and, conversely, a significant improvement in marketing efficiency.

Net loss for the quarter was $2.5 million versus a net loss of $4.1 million or a 39.5% improvement over the previous year. The net loss excluding non cash deductions such as depreciation and interest totaled $0.8 million versus the previous year's first quarter loss of $2.3 million or a 64.5% improvement over the previous year. Earnings per share were ($1.03) for the first quarter versus ($1.70) for first quarter 2002 or a 39.4% improvement versus the previous year.

"In light of a difficult and uncertain economic climate, we are pleased with our progress," said John Reed, CEO of BriteSmile, Inc. "We anticipate consistent improvement in performance for the balance of 2003, continuing with tight expense controls and adding to revenue with new, innovative products and improvements on existing products."

The company believes the following unique and positive developments will provide significant benefits:

* The formation of BriteSmile Development, Inc. as a subsidiary of BriteSmile Inc., which is developing oral care and teeth whitening products and technologies to further drive revenue and widen BriteSmile's competitive gap, and the appointment of Dr. Julian Feneley as Chairman and Nhat Ngo as COO.

* Publication of the Forsyth Institute's study in the prestigious Journal of the American Dental Association on BriteSmile procedure safety and efficacy, concluding once and for all that the BriteSmile light adds significantly to the whitening effect of the BriteSmile procedure.

* Entering into a binding memorandum of understanding to acquire certain assets of OraCeutical, including approximately 80 patents and patent applications, which will increase BriteSmile's portfolio of intellectual property within the teeth whitening and human oral care fields.

* The hiring of two new Senior Executives, Roland Guglielmi and Rob Sieban, brings strategic backgrounds and talents to the organization and tangible records of success.

* The development of three new break through products to be rolled out in the balance of 2003. The first to be introduced in June 2003, a modified BriteSmile procedure protocol that the company anticipates will safely achieve 12% more efficacy, and further widen BriteSmile's lead in whitening performance.

* Entering into a distributorship agreement to establish 20 BriteSmile Centers in 12 cities in Europe.

* The conclusion of financings in the amount of $8 million.

* The dramatic improvement of marketing efficiency with a realization of $4.18 in revenue for each $1 of media marketing spend versus $2.18 in the comparable period in 2002

* "BriteSmile is well positioned to build our leadership both short and long term," said Bruce Fleming, President of BriteSmile Inc. "We are creating the team, products and patent estate necessary to win in the marketplace."

5/13 **DUSA Pharmaceuticals** reported its corporate highlights and financial results for the first quarter ended March 31, 2003.

Corporate Highlights -- During the first quarter of 2003, just a few months after reacquiring the development and marketing rights to our dermatology products, DUSA has begun to make significant progress in revitalizing interest in Levulan PDT for dermatology. DUSA's approach is based on 3 components:

* Educating physicians regarding the benefits of our therapy;
* Supporting efforts to improve reimbursement to physicians for the therapy; and
* Evaluating clinical trial programs that would expand the present labeling and improve physician acceptance of the therapy.

During the quarter, there were positive developments in all 3 of these areas: In regards to educational efforts, for the first time DUSA had its own booth at the *American Academy of Dermatology (AAD)* annual meeting in San Francisco in late March. Substantial doctor interest was generated, at least in part because of the many positive posters and presentations on Levulan PDT for dermatology at the meeting. The company is now in the process of following up with all the doctors that expressed interest. Lectures

describing the results of investigator-initiated clinical studies using Levulan® PDT for dermatological applications have also been presented at scientific programs of various regional or specialty dermatology meetings. Subsequent to the quarter, at the *American Society of Laser Medicine and Surgery* annual meeting in Anaheim, there were also 13 presentations on investigational approaches to Levulan® PDT in dermatology, and a great deal of interest was expressed by the attendees. Active involvement in other dermatology meetings will continue throughout the year.

DUSA is also considering limited regional test marketing during the second half of 2003. If such a program is implemented and successful, our goal would be to develop a small, dedicated Levulan PDT sales team for 2004.

Actual Kerastick end-user sales during the quarter totaled 1,842, similar to the average quarterly sales seen during 2001 and 2002, but not yet demonstrating any change in sales levels that we hope to see as the year progresses. BLU-U placements stayed relatively flat, at 324, vs. 329 at the end of 2002. With respect to reimbursement, the company met with representatives of both the American Academy of Dermatology Association, and the Centers for Medicare and Medicaid Services (CMS) during the quarter, seeking clarification and support for various issues related to physician reimbursement of our therapy. Progress has been made on some short-term issues, and we intend to continue working with both groups regarding longer-term issues. As previously disclosed, one change that occurred during this quarter was the bundling of the drug costs into the procedure fee (rather than being charged separately). It is still unclear whether this change will be permanent.

With regards to label expansion, DUSA met with the FDA during the quarter to discuss AK-related Phase III clinical trials that, if successful, could make the therapy more practical, while also expanding the medical indications for use. DUSA's current label expansion approach includes applying the drug to the whole face or scalp using a short incubation time, followed by light treatment, all during a single office visit. The company is now preparing time and budget estimates before finalizing its clinical trial plans. Late in the quarter the company submitted an application to the FDA requesting approval of the newly built manufacturing facility at our Wilmington, MA, offices. Until the facility is approved, DUSA is filling all Levulan Kerastick orders from inventory built by our former contract manufacturer. Earlier this month, the FDA inspected the facility, and we anticipate a response regarding the qualification of the facility later in 2003. The company continues to support development efforts for Levulan PDT in the treatment of Barrett's esophagus dysplasia. The current focus is on optimizing the light delivery techniques and parameters in preparation for full Phase II trials. DUSA is seeking a development and marketing partner for this indication.

Dr. Geoffrey Shulman, DUSA's President and CEO, stated "We are very pleased with the tremendous progress in many areas that has occurred during the first quarter. Although the key will be to see how much all the new physician interest translates into

actual sales as the year progresses, we feel that great strides have been made, and we are very hopeful that these developments will lead to increasing sales in 2003 and beyond."

Financial Highlights -- DUSA's net loss for the three-months ended March 31, 2003 was $3.6 million (26 cents per share) as compared to a net loss of $2.9 million (21 cents per share) for the three months ended March 31, 2002. Revenues for the current quarter were $143,000 as compared to $1.3 million in 2002. Revenues in 2003 were totally comprised of Kerastick product sales to end-users. Revenues in the comparable 2002 period were comprised of $51,000 in product sales, and also included $495,000 of research grant and milestone revenues, and $779,000 of co-development revenue earned under our collaboration agreement with our former marketing and development partner. Total research and development costs were $1.5 million in 2003, compared to $3.3 million in the prior year period. This decrease in 2003 is mainly attributable to lower clinical trial expenditures for dermatology projects, as DUSA has delayed its warts and onychomycosis projects that were co-sponsored with its former marketing and development collaborator, and has not yet started its BAAK Phase III clinical trials. During the current period, DUSA incurred marketing and sales expenses of $531,000 as we commenced certain initiatives following the re-acquisition of the rights to our dermatology products. In the prior year period, all marketing and sales expenses were the responsibility of our former partner.

Total other operating expenses for the current quarter were $1.5 million as compared to $1.0 million in 2002. This was caused by significantly increased legal expenses, primarily related to the challenge to our Australian patent and associated issues. It is expected that these costs will remain elevated as long as the patent dispute continues. Interest income for the three-months ended March 31, 2003 decreased $208,000, to $566,000, as compared to $774,000 for the same period in 2002. This decrease is mainly attributable to lower investable cash balances in support of DUSA's operating activities, and lower yields. As of March 31, 2003, total cash, cash equivalents, and United States government securities were approximately $48.3 million and long-term debt including current maturities was $1.7 million.

5/14 **American Medical Technologies, Inc.** announced today that it had entered into an agreement to sell its line of laser assets to **Biolase Technologies, Inc.** for cash and stock valued at approximately $5.3 million. The sale is expected to close on May 21, 2003. The agreement provides for the sale to Biolase of the inventory, equipment, patents, trademarks and other intellectual property and contracts related to its laser business. The $1.8 million cash portion of the purchase price will be used to retire AMT's debt to its principal creditor. The noncash portion consists of 307,500 shares of BioLase common stock. The value of the transaction is based on the $11.26 closing price of BioLase common stock on May 12, 2003. Roger Dartt, president and CEO of AMT, stated, "With this sale, AMT will significantly reduce its debt and position itself to focus on its remaining product lines in the dental, medical and industrial markets, and also explore growth opportunities for new strategic alternatives to enhance shareholder value through

AMT and its **Texas AirSonics** division." In connection with this sale agreement, the parties agreed to settle the lawsuit filed by BioLase against AMT.

In its announcement of the agreement, BioLase said that the transaction expands its customer base, product offerings and will enable the company to quickly penetrate the mid-level dental laser market. The purchase includes a large portfolio of dental laser patents, intellectual property, products, current and past names (including **American Dental** and **American Dental Laser**), trademarks, inventory, customer lists and sales channels. BIOLASE is purchasing these assets for 307,500 shares of BIOLASE stock and $1.825 million cash. The American Dental Laser name provides BIOLASE with a marketing platform to expand its product offering with mid-level dental laser products that have worldwide recognition. The purchase also includes all dental laser relationships with universities, institutions and high profile laser educators. BIOLASE now effectively owns and will have access to the largest installed base of dental lasers in the world for future sales and marketing purposes. This will also increase BIOLASE's worldwide visibility due to the name recognition and brand loyalty American Dental Laser has built over the last 15 years.

Prior to BIOLASE's entrance into the dental laser market, American Dental Laser was recognized as the leader in dental lasers with thousands of diode and Nd:YAG soft tissue laser installed around the world. American Dental Laser was founded in 1986, launched the world's first dental laser in 1988 and received the first FDA marketing clearance for a dental laser in 1990. Since 1990, American Dental Lasers has been an innovator both clinically and technologically with the first FDA marketing clearance for laser assisted curettage, a breakthrough in the treatment of periodontal disease (1997). American Dental Laser also introduced the first commercially successful dental diode laser, the DiolaseST.

Jeffrey Jones, BIOLASE CEO and president commented, "The acquisition of AMT's laser related assets is part of our strategic growth plan for 2003 and beyond. Their installed base of lasers will instantly double our base of customers and give us hundreds of new prospects for our Waterlase and LaserSmile systems. The lower cost DiolaseST will give us an entry level product significantly expanding our prospect base. Additionally, the patents we are acquiring will add to and strengthen our current patent portfolio, furthering BIOLASE's leadership position in the expanding dental laser market. This acquisition will allow BIOLASE to further re-enforce its leadership position with a well positioned product offering that ideally complements our current offering to reach a broader customer base. This addition leverages our sale force, the World Clinical Laser Institute and numerous other components of our worldwide marketing."

BioLase also announced it had entered into a one year, $5 million credit agreement at LIBOR+2.25% with **Bank of the West**. The new credit facility replaces the $1.8 million line of credit with **BSI AG** that would have matured on July 31, 2003. The facility will be used for general corporate purposes including working capital purposes and is secured by the assets of the company. Jeffrey Jones, commented, "These additional financing

resources are an integral part of our growth plan and we are very pleased with this showing of support and confidence from our bank."

5/15 **Trimedyne Inc.** reported a net profit of $207,000 (2 cents per share) on revenues of $1.7 million for the quarter ended March 31, 2003, compared with a net loss of $412,000 (3 cents per share) on revenues of $1.7 million for the quarter ended March 31, 2002. Net sales from lasers and accessories increased by $67,000 or 14% to $557,000 in the current quarter from $490,000 in the prior year quarter. This increase was the result of an increase in export sales. Net sales from delivery and disposable devices decreased by $115,000 or 14% to $732,000 in the current quarter from $847,000 in the same quarter of the prior year. Net sales from service and rental increased by $26,000 or 8% to $364,000 from $338,000 for the same quarters. This increase primarily due to an increase in billable service calls. Cost of goods sold was 50% of net sales in the second quarter of fiscal 2003 compared to 57% for the second quarter of fiscal 2002. This decrease was primarily a result of higher margins obtained from the sale of refurbished and depreciated lasers from demo inventory.

Net profit for six months period was $497,000 (4 cents per share) on revenues of $3.3 million, compared with a net loss of $687,000 (5 cents per share) on revenues of $3.5 million for the six months ending March 31, 2002. Net sales from lasers and accessories decreased by $297,000 or 23% to $996,000 during the six months ended March 31, 2003 from $1,293,000 in the same period of the prior year. This decrease was the result of a weakening of domestic sales. Export sales, however, increased by $353,000 or 60% due to increased product orders in Asia and Latin America. Net sales from delivery and disposable devices decreased by $27,000 or 2% to $1,580,000 during the six months ended March 31, 2003 from $1,607,000 for the same period of the prior year. Net sales from service and rental increased by $150,000 or 25% to $762,000 from $612,000 for the same period in the prior year. This increase primarily due to an increase in billable service calls. While revenues in the current quarter were comparable to revenues in the same quarter of the prior year, the company's R&D, sales and G&A expenses were significantly lower as a result of its having completed the development of its current products and management's aggressive cost control efforts. During the current quarter, the company wrote-off $46,000 of doubtful receivables and made a provision for income taxes of $26,000, which are reflected in the above financial results.

5/15 **Diomed Holdings, Inc.** announced FY2003 financial results for the first quarter. Revenue for the quarter was $2.1 million, compared to $0.9 million for the quarter ended March 31, 2002. The increase in revenues was principally due to the commercialization of EVLT for the treatment of varicose veins, subsequent to receiving FDA approval in January 2002. Gross margin for the quarter was $0.7 million, compared to a loss of $0.2 million for the quarter ended March 31, 2002. This increase was principally due to the increased sales volume from the commercialization of EVLT, and as a result more fixed costs were covered in the first quarter of 2003 as compared to the first quarter in 2002. Research and development expenditures for the quarter principally remained unchanged at $0.2 million compared to the quarter ended March 31, 2002. Selling and marketing

expenses for the quarter were $1.1 million compared to $0.3 million for the quarter ended March 31, 2002, principally due to the staff costs associated with the direct sales force that was hired in the second half of fiscal 2002 and marketing initiatives in support of the commercialization of EVLT in the US. In fiscal 2003, the company anticipates investing most of its resources in sales and marketing programs to support the aggressive commercialization of EVLT. General and administrative expenses for the quarter principally remain unchanged at $0.8 million compared to the quarter ended March 31, 2002. In fiscal 2002, the company implemented the infra-structure to support becoming a public company via the reverse merger in February 2002. Net loss applicable to common stockholders for the quarter was $2.0 million (13 cents per share) compared to a net loss of $1.8 million (15 cents per share) for the quarter ended March 31, 2002.

5/15 The Board of Directors of **El.En. SpA** examined and approved the quarterly report for March 31st 2003. During this quarter the revenue from sales and services amounted to 13 million euros, which represents an increase of over 70% with respect to the first quarter of 2002. The growth in revenue was sustained chiefly by the medical sector, which showed an increase of 93% thanks to the subsidiary **Cynosure**. Results in the industrial sector were not as good, and the sales volume was below that forecast on account of the continuing crisis in the manufacturing field. The overall Value of production amounted to 15,04 million euros, showing a growth of 90% in comparison with the first quarter of 2002. The consolidated profit and loss account for the first quarter of 2003 shows a gross margin of over 7,2 million euros, which represents an increase of about 100% in comparison with the first quarter of 2002.

The increase in operating costs and expenses for personnel, which was percentage-wise higher than the sales volume, contributed to the reduced profitability of the Group, which showed a Gross Operating Margin of 564 thousand euros compared with the 1,1 million euros for the same quarter in the preceding financial year. Excluding Cynosure from the area of consolidation, the GOM reaches 881 thousand euros. The Operating Result is in the red for an amount of 221 thousand euros, in comparison to last year which showed 828 thousand euros in the black for the first quarter of 2002, due to the fact as a consequence of the amount of amortisations and accruals which has more than doubled because of the amount paid for the goodwill paid for the purchase of Cynosure. Excluding Cynosure from the area of consolidation in fact, the result is in the black for 499 thousand euros. The result before taxes is in the black for an amount of 612 thousand euros as opposed to the 990 thousand euros for the first quarter of 2002, due in large part to the excellent results obtained by **Sona International** (a company associated with the Group through Cynosure), as shown in the rectification of values.

The net financial position remains in the black for over 22 million euros. During this quarter El.En. created a new company in the USA, **Deka Laser Technologies LLC**, which will distribute in the United States the laser systems produced by El.En. for dentistry. After the first quarter was closed, the group also acquired a controlling interest in **Lasercut Inc.**, an American company with headquarters in Branford (Connecticut) specialized in the design, manufacture and sale of laser systems for flat cutting. The

Group also increased to 76,16% their equity in **Deka LMS**, the company which distributes in Germany the medical lasers manufactured by El.En. Moreover, in the month of May, negotiations were concluded by the Group for the acquisition of the dermatological activities of **Asclepion**, owned by **Carl Zeiss Meditec AG** of Jena (Germany).

The Shareholders' Assembly of El.En. SpA met and approved the Annual Report for the financial year 2002 including the payment of a dividend of 0,25 euros for share (+25%in comparison with the 0,20 euros paid last year), initiating with coupon no. 3 on May 26th 2003.

On the consolidated level, the **El. En Group** registered revenues of 54,1 million euros in 2002, about double the 27,8 million euros shown for 2001 (+94,4%). The Gross Margin amounted to 27,4 million euros, equal to 50% of the value of production. The Gross Operating Margin was around 7 million euros (+80,9%), equal to 13% of the value of production. The Operating Result rose to 3,9 million euros, showing an increase of +53,2%. The result before taxes was about 5,5 million euros, showing a growth of +44,4% with respect to 2001. The Net Profit related to the shareholders of the Group was 2,1 million euros, down -6,3% from 2001, but without the losses of the subsidiary Cynosure the Net Result showed an increase of +40,8%. The Net financial position on December 31st 2002 is in the black for over 24 million euros. As far as the parent company, El.En. SpA, is concerned, the report for the financial year 2002 shows a Value of Production of 23,7 million euros (+38,5%), a Gross Margin of over 11 million euros (+44,4%), a Gross Operating Margin of 4,2 million euros (+85,2%), an Operating Result of over 3 million euros (+132,7%), a Result before Taxes of 3,9 million euros (+6%) and a Net Profit of 2,6 million euros (-6,4%).

5/21 **Lumenis Ltd.** announced that the company had entered into a Multi-Source agreement with the group purchasing arm of **Premier, Inc.** to become a preferred supplier for laser and light-based devices and services to Premier's hospital, healthcare system and physician members. Premier is an alliance of nearly 1,500 not-for-profit hospitals committed to improving healthcare quality, enhancing patient and worker safety, and reducing overall costs. This agreement also will be available to Premier's Alternate Site Health Care facilities and Provider Select membership. Premier's more than 5,600 Alternate Site facilities include surgery centers, and imaging centers as well as other specialty care facilities and services. Provider Select within Premier's Alternate Site network has a membership of more than 18,000 physicians' offices that participate within many of Premier's contracted agreements.

Lumenis is the leading provider of surgical, ophthalmic and aesthetic lasers and intense pulsed-light systems. This three-year agreement gives Premier members competitive terms and conditions for Lumenis' medical and aesthetic divisions' lasers, accessories, delivery devices and services for physician offices, hospitals and ambulatory centers within Premier's network. "This alliance further confirms our commitment to improve our supply chain management for hospitals, independent physicians and medical groups

with surgical, ophthalmic, and aesthetic practices," said Wade Hampton, executive vice president of Lumenis' Medical Business Unit. "It allows Lumenis to efficiently expand our customer base and increase our visibility, while enabling Premier members to enhance operational and clinical effectiveness of their hospitals and alternate site practices with more cost-effective access to state-of-the-art laser and intense pulsed light devices."

The contract with Lumenis represents a new product class for Premier's group purchasing program. "This partnership reinforces our commitment to offer our members high quality technology and products at cost-effective pricing and terms," said Bob Hamon, senior vice president, Premier Group Purchasing Services.

5/22 **CardioGenesis Corporation** announced that it held its Annual Meeting of Shareholders, Wednesday, May 21, 2003, at the Company's headquarters, as scheduled. A quorum of shareholders were present in person or by proxy. All proposals submitted to the shareholders were approved, including the election of four Directors to the Board of Directors, which fills all Board seats; ratification of the appointment of **PricewaterhouseCoopers LLP** as the company's independent auditors for the year ending December 31, 2003; and certain amendments to the company's Stock Option Plan, Employee Stock Purchase Plan and Articles of Incorporation.

The Directors reelected to serve until the next annual meeting were Michael Quinn, CardioGenesis chairman and CEO; Joseph Kletzel, former COO of **Advanced Tissue Sciences**; Robert Mortensen, Board member and retired chairman of the Board and president of **Lightwave Electronics**; and Robert Strauss, chairman, president and CEO of **Noven Pharmaceuticals**.

The shareholders approved an amendment to the Stock Option Plan to increase the number of shares of Common Stock for issuance under the Plan by 1.5 million shares and they approved an amendment to the Employee Stock Purchase Plan to increase by 150,000 the number of shares of Common Stock reserved for issuance under that Plan. In addition, the shareholders approved an amendment to the Articles of Incorporation to increase the number of authorized Common Stock from 50,000,000 to 75,000,000 and increase the total number of shares of all classes of stock the Company is authorized to issue.

In commenting on the decision by former Director Jack Gill, to retire from the Board and not stand for re-election this year, Quinn said that the Board of Directors and the company want to express their thanks for his many years of valuable service and guidance. "Dr. Gill, who was chairman of the former CardioGenesis prior to its merger with **Eclipse Surgical** in March 1999, was an active contributor to the company for a combined total of more than ten years," Quinn said. "His work on the Board and his counsel on important issues were always very insightful and helpful and his years of exemplary service are deeply appreciated. His retirement was motivated by a desire to devote more time to his personal and other business interests and we all wish him well."

5/22 **American Medical Technologies, Inc.** announced that it had consummated the sale of its line of laser assets to **Biolase Technology, Inc.** in accordance with the terms of the agreement entered into on May 12, 2003. The transaction, valued at approximately $5.5 million based on the current price of Biolase stock, involved the sale to Biolase of the inventory, equipment, patents, trademarks and other intellectual property and contracts related to AMT's laser business. In connection with the sale, the parties also settled the lawsuit filed by Biolase against AMT.

Roger Dartt, president and CEO of AMT, stated, "We are pleased that this $5.5 million transaction was consummated on schedule. The value received will afford AMT the opportunities to concentrate on its basic dental product lines, KCP, Power Pac and Ultra Cam, and explore growth opportunities in dental, medical and industrial markets where AMT currently enjoys product and name recognition."

In its release about the finalization of the sale, BioLase said the purchase included a large portfolio of dental laser patents, intellectual property, products, widely recognized current and past names (including **American Dental** and **American Dental Laser**), trademarks, inventory, customer lists and sales channels. BIOLASE purchased American Dental Laser assets for 307,500 shares of BIOLASE stock and $1.825 million cash.
Jeffrey Jones, BIOLASE CEO and president commented, "We are very pleased to announce the closing of this transaction on schedule. We expect to begin production and sales of the American Dental Laser products within several weeks. This purchase of American Dental Laser assets gives BIOLASE an additional marketing platform to expand its product offering with entry and mid-level dental laser products that have worldwide recognition. We have also acquired all their existing dental laser relationships with universities, institutions and high profile laser educators. BIOLASE now owns and will have access to the largest installed base of dental lasers in the world. This will also increase BIOLASE's worldwide visibility due to the name recognition and brand loyalty American Dental Laser has built over the last 15 years."

"The acquisition of American Dental Laser is part of our strategic growth plan for 2003 and beyond. Their installed base of lasers will substantially increase our base of customers and give us a large number of new prospects for our Waterlase and LaserSmile systems. The lower cost DiolaseST will give us an entry level product significantly expanding our prospect base. Additionally, the patents we are acquiring will add depth and breadth to our current patent portfolio, furthering BIOLASE's leadership position in the expanding dental laser market."

MEDICAL/SURGICAL LASER UPDATE -- June 2003

5/27 **BIOLASE Technology, Inc.** announced that it had been granted two new United States patents protecting key areas of consumables and future technology development. The first patent, #6,561,803, has claims related to fiber optic tips and fluid output devices and technologies. The patent has 53 claims, of which three 3 are independent, and is a continuation-in-part of a previous BIOLASE patent related to laser handpiece

technologies. "This patent has method and apparatus claims covering consumable aspects of BIOLASE's laser technology," explained Jeffrey Jones, BIOLASE president and CEO. "The granting of this patent is part of BIOLASE's business plan to protect the consumable components of its products as the installed base of our Waterlase dental lasers grows."

The second new patent, #6,567,582, is a continuation of BIOLASE'S previous Fluid Conditioning System family of patents and includes claims related to the use of medicated agents such as antibiotics, steroids, anesthetics, anti-inflammatories, antiseptics, astringents and others, as well as flavoring agents, tooth whitening substances and other conditioning fluids in conjunction with medical devices, such as dental and medical lasers and electromagnetic energy emitting devices. The patent has 16 claims, of which five 5 are independent. "This patent further broadens existing coverage for our Fluid Conditioning devices, with potential applications in cosmetic as well as surgical and therapeutic procedures. The patented technology is applicable to medical and dental devices including lasers. The main purpose is to complement these devices by utilizing various fluids for irrigation, medication, cosmetic and therapeutic treatments, of the treatment or surgical site in between or during procedures. The medical and conditioning fluids covered in this patent include cosmetic substances such as peroxides, tooth whitening agents, flavored agents to provide pleasing tastes and scents to the patient, medicating agents for surgical and therapeutic purposes and/or other conditioning agents. BIOLASE is considering options to commercialize this patent either by implementing this technology with the Waterlase and/or through licensing agreements with other companies."

5/28 As many as four out of five people between the ages of 11 and 30 now have a cool treatment option to erase acne and the devastating scars left behind. **CoolTouch Inc.** announced that its flagship CoolTouch 1320 nm laser system received 510(k) clearance from the FDA for treatment of unsightly whiteheads, blackheads, red pustules and depressed scars that are the hallmarks of active acne.

"Cool Touch is an exciting new weapon in our acne-fighting armory, especially for three patient groups: young people who fail to respond to traditional acne treatments; patients who simply don't want to take pills; and those who demand active therapy with a device," said laser expert Dr. Jeffrey Dover, associate clinical professor of dermatology at Yale University School of Medicine. "Our acne patients are delighted with the dramatic improvements they see with as few as two CoolTouch treatments." Unlike resurfacing lasers that remove the top layers of skin, CoolTouch's non-ablative technology reaches deep down to alter the sebaceous glands where acne lesions occur without affecting the skin surface. By using CoolTouch's infrared light energy to heat the layer of the sebaceous glands to therapeutic levels, clinical studies show the number of active acne lesions is significantly reduced. In contrast to other high-tech devices for acne treatment, CoolTouch laser technology effectively works for all skin types, requires no downtime and is well tolerated. Its powerful cryogen cooling mechanism further protects the epidermis and minimizes the risk of hyperpigmentation.

Dr. Dover noted that, "We also find the new CoolTouch CT3 to be a stellar therapy for patients with acne scarring and are very encouraged by our early results." In fact, Dr. Dover just completed a clinical study using CoolTouch for acne scars on 60 male and female patients of all skin types, including skin of color. Each patient underwent a series of six CoolTouch treatments at monthly intervals. Patients found treatment to be virtually pain-free, and all but two expressed high satisfaction with their results. No adverse effects were reported.

According to dermatologic laser experts, it makes perfect clinical sense that CoolTouch technology would be a home run for acne scars since the device was the first non-ablative laser system to demonstrate collagen remodeling for wrinkle treatment. "By stimulating fibroblasts to produce collagen in the dermis, we see a tightening of the skin around a scar that gradually smoothes and evens out the atrophic acne scar, similar to the softening we see when wrinkled skin is pulled taut," explains Dr. Dover. "Thus, we can expect CoolTouch to offer safe, rapid clearance of active acne, improve acne scarring and provide cosmetic enhancement all in one treatment regime."

5/29 **CardioGenesis Corporation** announced that an independent panel of scientific experts of the FDA is scheduled to meet on August 20 to review scientific data and make recommendations to resolve the dispute over the company's supplemental Premarket Approval (PMA) application for the PMR system. The review will be conducted by the FDA's Medical Devices Dispute Resolution Panel (MDDRP), a group of independent experts authorized to review and make findings and recommendations concerning scientific disputes between an applicant and the FDA. The panel will make a recommendation to the Director of the FDA's Center for Devices and Radiological Health.

CardioGenesis chairman and CEO Michael Quinn said, "We are confident that our PMR supplement contains sufficient valid scientific evidence to support a determination of reasonable assurance of safety and effectiveness of the PMR system. We intend to present the evidence to the panel, along with the substantive clinical perspective of the accomplished PMR investigators and independent clinical experts who will be participating in the meeting. Even though the regulatory process for the PMR supplement has been extended, the technology continues to be clinically relevant. This less invasive approach for laser myocardial revascularization provides the potential for dramatic improvement in the quality of life for late stage patients suffering from debilitating angina. The reduced morbidity of the percutaneous approach will make the technology available to a greater proportion of patients in need."

The current PMA supplemental application for PMR was filed with the FDA in December 1999 and amended in July 2002 to address concerns raised at a FDA advisory panel meeting. Late last year the FDA's Office of Device Evaluation (ODE) determined that there was not sufficient information in the application to move forward with the approval process for the PMA supplement. CardioGenesis decided to pursue resolution through the MDDRP after carefully considering all options in response to the ODE's

decision regarding the amendment to the PMR supplement. The MDDRP provides CardioGenesis with the most direct path to an independent panel review of the scientific issues in dispute.

The CardioGenesis PMR system, a minimally invasive, catheter-based laser heart treatment designed to relieve the often crippling pain called angina, has been under evaluation in pivotal human clinical trials since 1997. The company estimates the worldwide market opportunity for PMR is in excess of $400 million.

5/30 **PhotoMedex Inc.** announced it had successfully completed a private equity placement of the company's securities, resulting in gross proceeds of $10.2 million. In connection with the private placement, the company issued approximately 6 million shares of common stock and warrants to purchase up to an additional 1.5 million shares of common stock. **Corsair Capital Management Inc.**, through its private equity funds, was a lead investor. Net proceeds to PhotoMedex, after giving effect to placement agent fees, total approximately $9.6 million. Jeff O'Donnell, president and CEO, commented, "We are very pleased to complete this financing. This capital will enable us to initiate steps to expand our procedures business and increase production of the XTRAC to meet the demand being created by the increasing insurance adoption of this procedure."

6/2 **SportLaser**, the leading distributor of therapeutic cold lasers to the sports market, announced that five-time All-Star Matt Williams, Gold Glove 3rd Baseman of the 2001 World Champion Arizona Diamondbacks, had joined the company as spokesman. (Howver, with the recent acquisition of Shea Hillenbrand from the Boston Red Sox, Williams was released from the Diamondbacks.)

"Professional athlete or `weekend warrior,' LLLT is revolutionizing the field of sports medicine," said SportLaser CEO, Wyatt Earp. "We are tremendously excited to have Matt Williams on board. He represents SportLaser with the same intensity and integrity he demonstrated on the field."

Williams knows the benefits of the LLLT first hand -- or more accurately, first elbow. Over 100 swings of the bat every day for 16 seasons had taken a drastic toll, resulting in a debilitating case of what is commonly referred to as "tennis elbow." Treatment with the SportLaser in the 2002 off-season enabled the 37-year-old to return to the plate pain-free in 2003, and to the starting lineup as third baseman, a position he was in danger of losing due to his injuries and chronic pain. In contrast to general surgical or cosmetic lasers that produce heat and thermo-destructive laser energy, Low Level Laser Therapy (LLLT) causes no harm to tissue. Cold lasers used in LLLT have been in medical use for over 30 years and have a long record of successful clinical studies demonstrating medical efficacy and safety.

The SportLaser is a handheld, battery operated, low level laser (or "cold laser") medical device. It offers non-invasive treatment to promote healing by providing pain relief, reducing injury damage, and returning function. Cold laser therapy is a leading-edge

technology, which offers athletes a particular benefit, because laser light helps to reduce tissue swelling and inflammation. Williams' experience had convinced him. "Laser therapy for athletes is undoubtedly the next big thing for trainers, physicians and sports therapists," he predicted. "The SportLaser is allowing me to play pain free and has greatly reduced my use of anti-inflammatories."

The result of over $4 million in extensive research, the SportLaser received FDA clearance in 2002 as a treatment for carpal tunnel syndrome. In addition, its use for the treatment of a variety of conditions is well documented, including, but not limited to, carpal tunnel syndrome, arthritis, tendonitis, plantar fascitis, epicondylitis, wound management, and inflammatory conditions. SportLaser is a subsidiary of **Innovative Medical Group, Inc.**, a Santa Monica, CA based medical device manufacturer and distributor.

6/2 **Lumenis Ltd.** announced that the company had entered into a two year, Multi-Source agreement with **HealthTrust Purchasing Group (HPG)** to become a supplier for laser and light-based devices and services to HPG's 900 healthcare facilities nationwide. In this agreement, Lumenis will offer convenient access and procurement of the company's surgical and ophthalmic lasers, accessories, delivery devices, as well as service to hospitals and clinics at negotiated prices. The two-year contract will be effective through July 31, 2005.

HealthTrust Purchasing Group is a healthcare group purchasing organization that provides superior and cost efficient services including national agreements, customer service, communications, and contract implementation to healthcare facilities HPG supports not-for-profit and for-profit acute care hospitals and ambulatory surgery centers. HPG provides services for more than 900 facilities and provides healthcare facilities with superior value and service, with an annual medical and surgery purchasing volume of approximately $5.0 billion. HPG negotiates with the nation's leading suppliers to provide member facilities with only the highest quality supplies, equipment, and other services at the most competitive prices through national supply agreements. The contract with Lumenis represents a new product class for HPG's group purchasing program, which is committed to provide superior and cost efficient services to patients and members. The agreement states that Lumenis will set specific prices and will allow HPG and its members a guarantee that prices will not increase for the duration of the contract.

"Lumenis has made a concentrated effort in the past year to develop a National Contracting department with the goal of signing leading group purchasing organizations in the industry," said Wade Hampton, executive vice president of Lumenis' Medical Division. "We are very pleased that HealthTrust Purchasing Group has decided to enter into a contract with Lumenis since they are strongly committed to the implementation and conversion of products on their contracts with their members. Clinical support is also key to a successful contract and will be a critical factor in our successful relationship with HPG. We are looking forward to the combined benefit of our clinical educators working with local HPG accounts and the clinical support and input of HPG's experienced

clinical/advisory boards and physician panels back to Lumenis. This clinical partnering and the strong compliance HPG members provide to contracted vendors justify the contract benefits and pricing that Lumenis has offered HPG."

Lumenis' future plans, with the HPG contract in place, is to increase business with current customers, work more efficiently during the sales process, and introduce new customers to the company through co-marketing programs in the future.

6/3 **Axcan Pharma Inc.** announced that it will support Phase II studies on the use of PHOTOFRIN photodynamic therapy (PDT) in the treatment of cholangiocarcinoma, a malignant (cancerous) growth in the ducts that carries bile from the liver to the small intestine. "Preclinical studies on human cholangiocarcinoma cell line models, as well as small clinical pilot studies, have indicated that PHOTOFRIN PDT can induce significant tumor reduction and growth rate delay, commented Dr. Patrick Colin, vice president, Clinical Research of the company. "These encouraging findings led to a more rigorous research program on the use of PDT PHOTOFRIN in the palliative treatment of advanced cholangiocarcinomas. Although the use of Photofrin for cholangiocarcinoma is a relatively limited market, providing patients with symptom relief and extending their survival is very important. It once more demonstrates that PHOTOFRIN PDT can be used successfully to treat various cancers related to the gastrointestinal tract," he concluded.

CHOLANGIOCARCINOMA -- Cholangiocarcinoma affect approximately 2,500 persons each year in the United States. Average incidence is 1 case per 100,000 persons. The majority of patients with this condition are not suitable for curative surgical resection either due to the presence of extensive local or metastatic disease or because patients are old and frail with high operative and post-operative mortality and morbidity. However, despite aggressive anticancer therapy and interventional supportive care, median survival rate is low since most patients (90%) are not eligible for curative resection. The worst prognosis is amongst patients with the so-called Bismuth type III (tumors occluding the common hepatic duct and either the right or the left hepatic duct) and IV (tumors that are multi-centric or that involve the confluence and both right and left hepatic ducts) tumors. In these patients, endoscopic insertion of stents is the method of choice to relieve obstructive jaundice, which is a distressing problem in subjects with cholangiocarcinoma.

CLINICAL RESEARCH PROGRAM -- German physicians conducted the first important study done on PHOTOFRIN PDT in cholangiocarcinoma (*Gastroenterology 2001*, 120: A 3321). In this trial, endoscopic PDT with PHOTOFRIN was administered to non-resectable, Bismuth III and IV cholangiocarcinoma patients who also received a stent to relieve their bile duct obstruction. 70 patients were included in the study (39 in a randomized comparison of PDT combined with stent compared to stent alone, and an additional 31 subjects who were treated with PDT combined with stent on a compassionate basis). During PDT, PHOTOFRIN was given at a 2-mg/kg of bodyweight dose, 2 days before intraluminal photoactivation with a red laser light (630 nm wavelength).

The results of this trial were very convincing: compared with stenting alone (median survival: 98 days), treatment with PDT PHOTOFRIN combined with stenting increased the median patient survival 4-5 fold: a median of 493 days was obtained in the randomized group and a median of 409 days in the non- controlled, compassionate use one. This difference was highly statistically significant.

"Beyond the dramatic improvement in survival and quality of life for these patients, PHOTOFRIN PDT is the first therapy that improves outcome of very debilitated patients. Therefore, it should be offered to all patients with advanced non-resectable cholangiocarcinoma. Further studies will help us improve our understanding of this therapy and how to use it in this disease," commented Dr. Colin.

A second, similar study is being supported by Axcan in the United Kingdom. This trial is an open-label, Phase II study of PDT PHOTOFRIN in patients with non-resectable cholangiocarcinoma. Up to 35 subjects will receive stents combined with PDT PHOTOFRIN. The goal of the study is to assess efficacy of this therapeutic regimen in terms of 6 month progression-free survival rate. Other endpoints include overall response rate, overall survival, and toxicity of PHOTOFRIN. This trial is currently ongoing and should be completed by the end of calendar 2003.

Finally, a third study is being planned in North America, with 3 US and 1 Canadian clinical sites. In this trial, PHOTOFRIN PDT combined with stent will be compared to stenting alone, in non-resectable Bismuth III and IV cholangiocarcinoma patients. Survival will be the primary efficacy endpoint. Up to 100 patients will be randomized in this trial, which will try to duplicate the positive results obtained in the German study, in order to have the sufficient efficacy and safety evidence required for a sNDA filing with the FDA. This trial is planned to start in fiscal 2004.

6/5 Attendees of the 83rd Annual Conference & Expo of the *American Occupational Therapy Association*, being held June 6-June 9, 2003, at the Washington Convention Center, Washington, DC, will have the opportunity to observe first hand a remarkable new device for the treatment of carpal tunnel syndrome and other inflammatory conditions: the **MicrolightLaser**. The MicrolightLaser is a handheld, battery operated, low level (or "cold laser") medical device. It offers non-invasive treatment to promote healing for those who suffer from carpal tunnel syndrome by providing pain relief, reducing injury damage and loss of function, in addition to facilitating more rapid repair of those tissues affected by inflammation, edema and limited mobility. This leading edge technology has an impressive success rate of returning patients to work with a higher level of function and provides a tremendous alternative to patients facing invasive treatments or surgery.

In contrast to general surgical or cosmetic lasers that produce heat and thermo-destructive laser energy, Low Level Laser Therapy (LLLT) causes no harm to human tissue. Cold lasers used in LLLT have been in medical use for over 30 years and have a long record of successful clinical studies demonstrating medical efficacy and safety. The result of over $4 million in extensive research, the MicrolightLaser was granted FDA clearance

in 2002 as a treatment for carpal tunnel syndrome. In addition, the use of LLLT for the treatment of a variety of conditions is well documented; including, but not limited to, arthritis, tendonitis, plantar fascitis, epicondylitis, wound management, and inflammatory conditions.

The annual meeting of the American Occupational Therapy Association consists of a diverse, 4-day program of discussions and symposiums, as well as product and technological display booths and presentations. It is both an academic forum and a valuable resource of advanced medical knowledge for occupational therapists. "That's why it's important for us to be here," explains Wyatt Earp, CEO of MicrolightLaser. Laser therapy offers a dynamic addition to the toolbox of occupational therapists. These individuals are on the front lines every day helping people feel better and recover from injuries. We believe the MicrolightLaser offers a tremendous new way for therapists to succeed where other traditional therapies may have failed."

MicrolightLaser is a subsidiary of **Innovative Medical Group, Inc.**, a Santa Monica, CA based medical device manufacturer and distributor.

6/4 **Laserscope** announced that the **McKesson Primary Care** division had awarded Laserscope its Supplier Award for highest sales growth in fiscal year 2002. Laserscope sales through McKesson grew 102% in 2002 over 2001. "We are very proud and honored to have received this award," said Eric Reuter, Laserscope president and CEO. "We have worked hard and very closely with the McKesson Team over the past 2-1/2 years to grow our respective businesses. This award is indicative of the success that our organizations have had in achieving great results together. We are extremely enthusiastic about our future prospects together as we continue to expand our relationship and strengthen our joint sales efforts. We are looking forward to another record-setting year."

McKesson is the exclusive distributor of Laserscope's aesthetic and cosmetic medical laser products including its Lyra, Aura, and Venus laser systems. McKesson's 500 nationwide representatives allow Laserscope access to office-based physicians including family practitioners, obstetricians/gynecologists, and internists. Laserscope began its relationship with McKesson in 2001.

Nina Hobcroft, McKesson's vice president of Primary Care Marketing said of the relationship, "This exclusive agreement has resulted in significant growth for both companies. Laserscope provides the necessary foundation, through its technical support and educational seminars, for McKesson Medical-Surgical's sales force to bring this great line of products to the physician market. By combining a tenured, professional sales force with cutting-edge products, success was inevitable."

6/11 **Light Sciences Corporation** president and CEO Albert Luderer, will present at **Medtech Insight's** *"Investment in Innovation (In3): A Preview of Early-Stage Medical Technology Companies"* conference at the Palace Hotel in San Francisco on June 12.

"With the initial cancer trials behind us and moving forward into broader patient Phase II trials later this month, we're ready to share information on our Litx platform -- a combination of drug and device technology based upon advanced photodynamic therapy. Combination products, like drug-eluting stents, are the future of targeted medicine," stated Dr. Luderer.

Litx is based on a next-generation model of light activated drugs using tiny, cost-effective light emitting diodes (LEDs) for light generation and delivery at the site of treatment. Litx is designed to treat localized disease and is initially being studied in solid tumors in patients who have failed prior treatments, including surgery, radiation and/or chemotherapy. According to the American Cancer Society, some 555,500 cancer patients who reach this stage of disease will die this year -- more than 1,500 people a day.

Light Sciences Corporation, founded in 1995, is a privately owned company developing Light Infusion Technology, also known as Litx, for highly localized destruction of pathological tissues in cancer and cardiovascular diseases. Light Infusion Technology potentially represents an important step forward in the clinical application of light activated drugs across many areas of human disease throughout the body. The company has built a strong pipeline of photosensitizing drugs for investigation in multiple indications by licensing promising drugs, including one compound that is the subject of an oncology NDA filed in Japan by licensing partner **Meiji Seika Kaisha, Ltd.**

6/16 **CardioGenesis Corporation** announced that the data from the latest clinical studies of TMR will be presented at two upcoming national meetings of thoracic surgeons in California this week. Keith Allen, MD of the Indiana Heart Hospital in Indianapolis will present five-year follow-up results of his clinical trial that compared patients who received TMR for relief of their severe angina pain to those who received drug therapy alone on Thursday, June 19, at the 29th annual meeting of the *Western Thoracic Surgical Association* Meeting at the La Costa Resort in Carlsbad. Dr. Allen's oral presentation, titled "Transmyocardial Revascularization vs. Medical Therapy: Five Year Follow-up of a Prospective Randomized Trial," will be the opening presentation of the meeting.

The clinical results of the pivotal trial of TMR vs. Medical Therapy with the CardioGenesis system was originally published in the *New England Journal of Medicine*. The 5-year study results to be presented by Dr. Allen will include 124 patients from four cardiovascular treatment centers participating in that pivotal trial. In addition to results from Dr. Allen's patients at St. Vincent's Hospital in Indianapolis, the presentation will include results reported by Robert Dowling, MD (Jewish Hospital, Louisville), Deepak Gangahar, MD (Bryan Memorial Hospital, Lincoln, Neb.) and William Angell, MD (Tampa General Hospital, Tampa). The presentation will provide information regarding the long-term safety and efficacy of patients randomized to TMR compared to medical therapy.

Two poster presentations on TMR outcomes will be displayed at the *ISMICS (International Society of Minimally Invasive Cardiac Surgery)* annual scientific meeting

being held from June 19-21 at The Fairmont hotel in San Francisco. One poster by Kurt Wehberg, MD of Peninsula Regional Medical Center in Salisbury, MD includes data on patient outcomes after undergoing different TMR techniques and the other poster, by Douglas Schuch, MD of Sutter Memorial Hospital in Sacramento, is titled "Complete Revascularization Strategies Utilizing TMR: Careful Patient Selection May Yield Improved Survival."

"We are seeing mounting scientific evidence that underscores the significant clinical impact the CardioGenesis TMR system provides for physicians, and the kind of durable, long-lasting relief from crippling angina pain that allows their patients to have their lives back," said CardioGenesis CEO Michael Quinn. "We are committed to completing the important research regarding the long-term clinical results of TMR with our proprietary Ho:YAG technology. Working closely with the TMR clinicians/investigators in presenting and publishing the scientific evidence regarding the persistent benefit of TMR, now out to five years follow-up of our pivotal trial, is a core element in our strategy to develop our TMR business."

6/16 **BriteSmile** announced that its acclaimed professional teeth whitening treatment had been further improved to deliver greater results in the same amount of time at no additional cost. The BriteSmile treatment will now include the application of a proprietary whitening accelerator that survey results have found produces an average shade change of 9.3 shades. BriteSmile's previous average shade improvement was 8.3 shades. "This latest development continues the tradition of technological excellence that BriteSmile was founded on and that dentists and consumers have come to expect," said John Reed, BriteSmile CEO. "We are honored to have such a preeminent research and development team led by Dr. John Warner and Eric Montgomery that continues to raise the bar for the entire industry." The whitening accelerator has been incorporated into the treatment protocol at all fourteen of the company's professional teeth whitening spas and throughout its network of more than 4,500 Associated Center dentists around the world.

6/19 **BIOLASE Technology, Inc.** announced that it had filed a registration statement with the Securities and Exchange Commission for the proposed public offering of 2.5 million shares of its common stock. The company also expects that the underwriters of the proposed offering will be granted a 30-day option to purchase up to an additional 375,000 shares of its common stock to cover over-allotments, if any. BIOLASE expects to use the proceeds for general corporate purposes, including debt repayment, capital expenditures, working capital and potential acquisitions. The managing underwriters for the proposed offering are **Needham & company, Inc.**, **William Blair & company** and **Fahnestock & Co., Inc.**

6/19 **CardioGenesis Corporation** announced that its TMR procedure was recently done thoracoscopically with robotic assistance at the Healthpark Medical Center of Lee Memorial Health Systems in Fort Myers, FL by Gary Allen, MD, attending cardiothoracic surgeon. The robotically assisted thoracoscopic TMR procedure was facilitated by the company's proprietary, flexible fiberoptic delivery system, and resulted

in a less invasive application of the laser system. The normal method for accessing the heart for TMR is via a left-thoracotomy, which is an incision of several inches under the patients left breast. Dr. Allen performed this TMR procedure using robotic control of a thoracoscopic visualization system, which made it possible to perform the procedure with a series of small incisions. According to Healthpark Medical Center, "the patient is doing well and was discharged 4 days post procedure."

CardioGenesis chairman and CEO Michael Quinn said that cardiothoracic surgeons have demonstrated the technical viability of minimally invasive surgical approaches to myocardial revascularization, including a thoracoscopic approach, in IDE studies using the company's flexible fiberoptic technology. "It is essential that we are able to respond quickly to new opportunities and approaches to treating patients with advanced cardiovascular disease," Quinn said. "This includes the ongoing clinical use of our technology both on and off cardiopulmonary bypass, as well as this application utilizing enabling robotic technology."

The company believes that the recent procedure by Dr. Allen highlights the flexibility of its technology in responding to the evolving needs of the TMR market. The early adopters of the TMR therapy are physicians who are aggressively searching for clinical solutions to the increasingly advanced and complex cases of cardiovascular disease that are referred to them for treatment. "Even though these patients in need of TMR present a complex clinical challenge," Quinn added, "they are seeking less invasive and less morbid treatments. And, at the same time, the healthcare system is demanding therapies that improve patient outcomes while reducing overall costs. We believe that the advanced features and characteristics of our proprietary Holmium YAG laser systems, and the flexibility of our proprietary fiberoptic delivery system, position us to meet these challenges."

It is believed that the incidence of angina is rapidly increasing throughout the worldwide population with an estimated 6.6 million cases in the United States alone; a number that is growing at approximately 8% per year. As a result, the company believes there is an increasing need for laser myocardial revascularization in treating patients suffering from debilitating angina who no longer respond to medications and who are not candidates for coronary artery by-pass surgery or percutaneous coronary interventions (such as angioplasty). As CardioGenesis pursues approval of its Percutaneous Myocardial Revascularization (PMR) system, it remains focused and committed to developing the TMR market. The company believes that the clinical application of TMR will increase as the referring cardiology community becomes more aware of the benefits of laser myocardial revascularization in general with the CardioGenesis Ho:YAG technology.

In commenting on the importance that the robotically assisted surgical application brings to CardioGenesis, Quinn said that this less invasive approach to cardiac surgery is intended to reduce procedural morbidity and improve outcomes. "We are committed as a company to supporting the advancement of the application of our device in meeting the expectations of patients in need. Our strategy includes working closely with the

technology pioneers and early adopters who are the thought leaders in advancing cardiothoracic surgery."

6/19 **Vascular Solutions, Inc.** announced that it had received clearance of its 510(k) application from the FDA for the Vari-Lase endovenous laser procedure kit. Receipt of this clearance will allow the company to commence sales of the Vari-Lase product in the U.S. through its direct sales force.

The Vari-Lase is a custom designed procedural kit used in endovenous laser therapy for reflux of the great saphenous vein, commonly referred to as varicose veins. More than one million people in the U.S. seek treatment each year for varicose veins. Left untreated, varicose veins can result in serious clinical consequences, including limited mobility and venous ulcers. Historically, an invasive surgical procedure known as vein stripping was the only treatment for severe varicose veins. While vein stripping is still performed on over 100,000 patients each year in the U.S., a new non-surgical procedure using endovenous laser energy to treat and close the diseased vein has emerged as a preferred alternative. Recent clinical data on endovenous laser therapy has demonstrated excellent clinical results and outstanding patient satisfaction compared to surgical vein stripping.

"Launching the Vari-Lase product takes Vascular Solutions into a new and rapidly growing area of interventional medicine -- the treatment of varicose veins," commented Howard Root, CEO of Vascular Solutions. "The endovenous laser procedure has only recently begun to gain widespread use, and we believe that the advantages of our Vari-Lase product will further improve this procedure and grow its acceptance. Our direct sales force has the clinical training to bring the Vari-Lase product to the market, and many of the potential Vari-Lase customers are the same interventional radiologists that use our Duett and D-Stat products. Because we received clearance for the Vari-Lase slightly ahead of our schedule, we will begin with only a limited market launch in the second quarter, which we expect to expand into full U.S. commercialization early in the third quarter."

Dr. Terence Hughes, Interventional Radiologist with Radiologic Associates, P.C., in Middletown, New York, commented: "I have performed a large number of endovenous laser procedures and believe that this procedure will replace vein stripping as the standard of care for the treatment of reflux of the great saphenous vein. The Vari-Lase procedure kit is the next advance in the endovenous laser procedure, and provides me with a much easier and better designed product for my clinical needs. I look forward to switching to the Vari-Lase kit for my future endovenous laser procedures."

The Vari-Lase product is the first of what Vascular Solutions expects will be four new product introductions in the second half of 2003. Additional products include the D-Stat Dry hemostatic bandage for the rapid control of surface bleeding in interventional procedures, the D-Stat Radial hemostat band for the control of bleeding following catheterizations utilizing the radial artery, and the Pronto extraction catheter for the mechanical extraction of soft thrombus from the arterial system. All four of these new

products are expected to be sold through the company's existing sales force to its existing target market.

6/23 **Lumenis Ltd.** announced it had amended certain terms of its financing arrangements with **Bank Hapoalim B. M.** The amendments extend the $50 million available on its revolver until December 31, 2003, and modify certain covenants and other terms and provisions in its loan agreements. The company's existing revolving credit agreement of $50 million has been extended from July 1, 2003 through December 31, 2003. Previously it had been scheduled to be reduced to $35 million on July 1, 2003. At March 31, 2003 approximately $47.6 million was outstanding under the revolver.

Under its loan agreements, the company is required to maintain a minimum EBITDA amount, as defined, on a cumulative basis at the end of each quarter in 2003. The required minimum cumulative amounts have been reduced. For the second quarter 2003 the cumulative minimum EBITDA amount is $5 million, for the third quarter $17 million and for the full year $36.7 million. Under its term loan agreement, the company has a $10 million semi-annual principal payment due October 2003 and a $5 million deferred payment due in December 2003. The company has agreed that it will use the net proceeds, or at least $3 million, from the previously announced sale of its industrial laser business to prepay a portion of the October payment by July 31, 2003. The company sold its industrial laser business in May for cash proceeds of $6.3 million before settlement of certain retained liabilities. The company will pay Bank Hapoalim a total fee of $200,000 related to the above-described amendments of the revolving credit agreement.

Lumenis also announced that the FDA had granted clearance to Lumenis IPL products for the treatment of hyperpigmentation and erythema (redness) associated with the skin condition rosacea. "Our ongoing IPL technology investment continues to set the pace with expanded applications," said Alon Maor, executive vice president of Lumenis. "Lumenis has always led the development of IPL in the cosmetic dermatology setting, and we are pleased to have it specifically cleared for rosacea, a common skin condition that affects millions of people. Now, Lumenis IPL treatments provide a long-term solution to sufferers of this persistent skin condition who have traditionally been treated by special diets or topical creams with limited degrees of success. Hyperpigmentation has been equally challenging for physicians. Newer innovative treatment programs now have the opportunity to add the effectiveness of Lumenis IPL, and markedly improve long-term results."

Hyperpigmentation refers to the darkening or increased color that appears in the skin as a response to many conditions and processes. Most well known is melasma, a darkening around the eyes that often affects women in pregnancy, a condition for which it has been extremely difficult to achieve long-lasting relief. Rosacea, which results in a characteristic erythema (redness) around the nose and cheeks and involves vascular changes, is the most recognized and widespread of many such conditions. According to the *American Academy of Dermatology* and other service sources for rosacea patients, about 13 million Americans suffer from this troublesome, chronic condition. Although

the redness often appears as a sign of aging, it is not restricted to any age or gender group, and its persistence is often an embarrassment. External factors, such as weather and diet, may cause significant flare-ups.

"All dermatologists are acutely aware of how widespread and distressing the symptoms of rosacea are to patients. We are very confident about the significant relief IPL can provide for these people, and the continued work done by Lumenis to keep IPL an extremely advanced, well-documented, and clinically valuable technology," said Mark Nestor, MD, a cosmetic dermatologist of Aventura, Florida, and Clinical Associate Professor of Dermatology and Cutaneous Surgery at the University of Miami School of Medicine. Physicians say Lumenis Intense Pulsed Light is remarkably effective against pigmented and vascular lesions because, unlike a laser, its broad band of light can utilize many wavelengths of the electromagnetic spectrum. As a result, both pigmented lesions and capillaries absorb the light simultaneously, allowing for the clearance of pigmentation and vascularity. IPL is usually administered at settings that enable patients to have pain free treatment with minimal recovery.

6/24 **Radiancy, Inc.** announced that the FDA had granted it clearance to market the company's innovative SkinStation multiple application platform for the treatment of pigmented and vascular lesions, as well as hair removal. The SkinStation system is the latest advance from Radiancy, featuring the company's proprietary multiple application platform entitled LHE, where light and heat energy are combined to achieve a variety of therapeutic and aesthetic effects with no patient downtime and few, if any, side effects. Outside of the US, the LHE technology already holds a global leadership position with physicians in the effective treatment of numerous skin conditions, including acne, hair removal, psoriasis, pigmented lesions and vascular lesions.

"We're delighted to have received this indication," said Fabian Tenenbaum, vice president of Marketing and Sales for Radiancy. "Our original intent for the SkinStation was to develop a robust light-based technology that was more compact and less expensive than available alternatives, so it could be used by a greater number of physicians to treat a wide variety of skin conditions. This new indication is yet another step in realizing that vision. It also underscores the versatility of the LHE technology, and as such, represents a major milestone for the company in providing unparalleled safety and efficacy in the treatment of a wide variety of aesthetic conditions." According to Steven Shapiro, MD, a Dermatologist in private practice in Palm Beach Gardens, Florida, and a primary investigator, "The four qualities of sun damaged conditions are skin redness from blood vessels, pigmented lesions, atrophy or thinning of the skin and hyperpigmentation. The SkinStation system allowed us to treat all four qualities successfully. In pigmented lesions, we basically saw up to a 100% clearance, and in some cases, after only one treatment," added Dr. Shapiro.

Along with this new indication, the SkinStation system is currently under investigational use in more than 30 US clinical sites under the National Acne Research Project (NARP) for the treatment of mild to severe acne vulgaris. Added Tenenbaum, "This new

indication allows us to highlight the many advantages of the SkinStation system in the treatment of numerous skin conditions, including vascular lesions, telangiectasias, rosacea, and pigmented lesions like age spots and sun-damaged skin. And the flexibility of our breakthrough LHE technology sets the stage for even greater therapeutic versatility in the future, as the worldwide physician community can already attest."

6/27 **Axcan Pharma Inc.** announced that the Gastrointestinal Advisory Committee of the FDA had agreed that Axcan's investigational drug, PHOTOFRIN PDT, demonstrated efficacy and safety in the ablation of High-Grade Dysplasia associated with Barrett's Esophagus. The announcement was made following a review by the Committee of clinical data on PHOTOFRIN (porfirmer sodium) with Photodynamic Therapy (PDT) in this indication. Axcan received an approvable letter from the FDA in the first quarter of fiscal 2003 and PHOTOFRIN PDT was recently approved in Canada for the same indication. "We are very pleased that the Advisory Committee overwhelmingly agreed with the efficacy and safety of PHOTOFRIN PDT in this indication," commented Francois Martin, senior vice president, Scientific Affairs of Axcan. "Although the Committee was not asked to vote on whether it recommended PHOTOFRIN for approval, we now expect that the FDA will give us a final response by the end of Axcan's fiscal year," he concluded.

MEDICAL/SURGICAL LASER UPDATE -- July 2003

7/1 According to the "New Aesthetic Technologies and Business Opportunities" market study just released by **Medical Insight, Inc.**, skin rejuvenation, wrinkle removal, acne treatment and cellulite reduction are currently the highest-growth aesthetic device-based market segments. Over the next five years, sales of devices that perform these procedures will increase significantly as treatment volume grows. Skin rejuvenation equipment will show the largest gains, followed by wrinkle removal, acne treatment and cellulite reduction.

Light Emitting Diode (LED) systems are reviewed extensively in the report. "This new generation of light devices is expected to have a major impact on the aesthetic market due to their low cost and wide array of applications," said study author Michael Moretti, who is also Editor of the *Aesthetic Buyers Guide*, and president of Medical Insight, Inc. "There are numerous product development projects underway, and I expect that LED-based devices will be commercialized widely for physician, spa and even home-use aesthetic applications."

Skin rejuvenation procedure volume is forecast to grow to more than 29 million annual treatments in 2007, generating approximately $2.9 billion in fees. Wrinkle removal treatment volume is expected to reach 5.6 million procedures producing $4.2 billion in fees by 2007. Similarly, device-based acne treatment volume will grow to 6.2 million procedures generating $2.3 billion in fees by the end of this forecast period. And an estimated 9.4 million cellulite reduction procedures will earn $9.4 billion for practitioners in 2007. All of these new products and procedures are covered extensively in the New Aesthetic Technologies and Business Opportunities market study, authored by Moretti.

To receive an Executive Summary of this new market study, contact Katie Davis at **Kdavis@MiiNews.com**, or call (949) 830-5409.

7/2 **CardioGenesis Corporation** announced that a new follow-up study of 124 patients who took part in a randomized, controlled TMR clinical trial showed that the overwhelming majority -- 97% -- continued to experience significant improvement in pain (at least two angina classes) five years after their original TMR treatment. The data, which was presented by Keith Allen, MD of Indiana Heart Hospital at the recent *Western Thoracic Society* Scientific Sessions in La Costa, CA, also showed that, after one year, patients randomized to TMR showed a lower mortality rate than those randomized to maximum medical management -- medically managed patients with similar heart and cardiovascular problems.

Douglas Schuch, MD, a thoracic surgeon at Sutter Memorial Hospital in Sacramento, CA, who attended the conference, said the data confirms that TMR has an important place in the cardiac surgical treatment regimen. "Cardiac surgeons performing TMR have known what a difference the procedure can make in the lives of their patients and this data confirms it," Dr. Schuch said. "This type of data is what the cardiac surgical community has been waiting for from TMR. It's great news for desperate cardiac patients."

His comments were echoed by Omar Lattouf, MD, of Emory Clinic and Crawford Long Hospital in Atlanta, who added, "The data will be of great assistance in confirming the indications for usage of TMR. The patients who receive, or are eligible to receive TMR, are the most problematic cardiac patients. Eighty to 90% of these patients have had interventional cardiology (angioplasty) and/or surgical procedures and yet still have recurring, disabling angina. I would like to extend my compliments and congratulations to Dr. Allen and the other participants for their hard work in putting together this landmark trial."

The data from four medical centers showed patients randomized to TMR, a procedure in which physicians use lasers to create small channels in the heart muscle to trigger the mechanisms of angiogenesis to relieve angina pain, improved significantly from an average angina score (CCS) of 4.0 (severe) to an average of 1.0 (mild) after five years. Additionally, 97% of TMR patients compared to 57% of the medically managed patients (MMM) improved two or more angina classes over five years, also highly statistically significant. There was also a significantly increased risk of late death in patients randomized to MMM (17%) compared to those randomized to TMR (8%). Beyond the first year after their treatment, patients randomized to MMM had a significantly higher mortality rate than those randomized to TMR.

CardioGenesis chairman and CEO Michael Quinn said the data affirms the company's "commitment to completing the important follow-up research regarding the long-term clinical results of TMR via our proprietary Ho:YAG technology. Going forward, we are working tirelessly to get these TMR trial results to clinicians and investigators by

presenting them at major scientific sessions or having them published in influential medical journals. Data from this TMR trial continues to prove the benefits of TMR are significant and persistent."

Other surgeons also applauded the data. "We believe that data such as this reinforces the viability and clinical efficacy of TMR," said Deepak Gangahar, MD of Nebraska Heart Institute in Lincoln. Kurt Wehberg, MD of Peninsula Regional Medical Center, Salisbury, MD, added that "this five-year data on Ho:YAG TMR laser patients is outstanding. I firmly believe that TMR and angiogenesis is a very important and evolving treatment strategy for many cardiac surgery patients."

7/10 **Lumenis, Inc.** announced the launch of a new online resource, **www.skinandhealth.com**, for people seeking information on skin conditions and the latest techniques for achieving healthier skin. The new website also allows consumers to easily locate area physicians offering leading-edge aesthetic procedures. The new Skin and Health website is a valuable resource for prospective patients seeking treatment for acne, birthmarks, fine lines and wrinkles, freckles, age spots and sun damage, psoriasis, scars, stretch marks, unsightly veins, unwanted hair, and vitiligo. For each of these conditions, the visitor can learn about the causes and treatment options -- complete with before and after photos, answers to frequently asked questions, patient testimonials, and links to relevant health organizations and patient advocacy groups.
"Skinandhealth.com is one of the many aspects of Lumenis' unmatched aesthetic practice marketing support program, called Building Blocks," said Todd Sims, vice president of marketing for the Lumenis aesthetic business unit. "This new consumer-friendly website will help our customers expand their practice and increase the public's demand for the most efficacious aesthetic procedures available." The Skin and Health website, part of Lumenis' Building Blocks physician practice enhancement program, also serves as a robust referral source for Lumenis system owners around the world. To ensure a strong flow of patient referrals, the site features regularly updated images and skin care tips, and will be extensively promoted in Lumenis' national consumer media campaigns.

"This direct-to-consumer internet marketing initiative is the most recent example of Lumenis' continuing investment on behalf of our aesthetic customers," stated Avner Raz, Lumenis president and CEO. "Through this new web site, the world's largest installed base of lasers and light-based devices -- the Lumenis user -- will now have a unique source of new clientele, as consumers seeking the latest in skin treatments visit the site."

7/10 **Laserscope** announced that its common stock was added to the Russell 3000 Index effective July 1, 2003. "We are very pleased to be included in the Russell 3000 Index, which raises our visibility with the investor community," said Eric Reuter, Laserscope president and CEO. "The solid execution of our business model has been the key to our success and our increasing market capitalization."

7/11 **Lumenis Ltd.** announced preliminary sales results for the second quarter ended June 30, 2003. The company expects net revenues for the second quarter to be approximately $68

million. Net revenues were $93 million for the second quarter of last year and previous guidance for the second quarter of 2003 was in the range of $80 to $85 million. Revenues last year and previous guidance included approximately $3 million of revenue from the industrial laser business which was sold early in the second quarter 2003. Excluding revenue from the industrial laser business, previous guidance would have been a range of $77 million to $82 million. The company expects to end the quarter with approximately $15 million of backlog up from $11 million in the first quarter of 2003. The variance in revenue from previous guidance is principally due to the increase in backlog of $4 million, the sale of the industrial laser business, which reduced revenues by $3 million and continued weakness in the aesthetic business. The net loss is expected to be significantly higher than previous guidance as a result of the lower revenue. The company also expects to report a loss in the second quarter of approximately $3.5 million related to the sale of its industrial business. Cash flow from operating activities are expected to be approximately a positive $4 million in the second quarter due to a decrease in working capital. The company expects to report actual results after the close of business on July 29, 2003.

7/14 A key U.S. patent held by **Photo Therapeutics Limited** of Manchester, UK, promises to provide an intellectual property foundation for licensing and development of an exciting new range of cosmetic PhotoDynamic Therapy (PDT) treatments. These new procedures, which have the potential for high volume, include: skin rejuvenation, acne treatment and prevention of skin cancers. Photo Therapeutics is actively seeking corporate partners to assist in the commercialization of their U.S. Patent No. 6,171,332 B1 which covers the use of non-laser light for the stimulation of a photosensitive drug for cosmetic purposes.

This company was established in 1998 to commercialize the intellectual property developed during the preceding ten years by the *Cancer Research Campaign*, the leading U.K. cancer charity, and the Christie Hospital, one of the largest cancer research organizations in the world. The intellectual property focused on light sources optimized for use in PDT, and benefitted from extensive clinical trials undertaken in the treatment of non-melanoma skin conditions including: actinic keratoses, basal cell carcinoma and Bowen's disease.

The first claim in the U.S. patent, which was filed in February 1998 and granted in January 2001, reads as follows: "A cosmetic method of treatment of dermatological conditions, comprising the introduction of a drug into a body undergoing said cosmetic treatment, said drug being selectively activated by light of a particular wavelength, and irradiating an affected area of the body with an incoherent high intensity non-laser light beam of said wavelength." A clinical study is currently underway by Nicholas Lowe, MD, a well-known dermatology researcher based in London, to optimize treatment protocols. Sue D'Arcy, CEO of Photo Therapeutics commented: "We have seen, over a number of years, many patients demonstrate the outstanding cosmetic outcome to be derived from photodynamic rejuvenation, through a combination of an optimal light source with the right drug. We are excited by the opportunities that a strategic partnership in the development of this treatment can afford."

According to industry analysts, cosmetic PDT is poised to become a high volume aesthetic procedure within a short period of time. The combined use of the FDA-approved drug Levulan from **DUSA** with selected light devices is proving extremely advantageous in terms of improved clinical outcomes for treatment of such skin conditions as acne, photoaging, and even pre-cancerous lesions.

Photo Therapeutics is a well-funded, private company based in the U.K., with distribution partners throughout the world. In addition to PDT research, this company manufactures a unique line of Light Emitting Diode (LED) devices (OmniLux Blue, Revive and PDT) which are specially designed for dermatology and cosmetic PDT applications.

7/14 **Vascular Solutions, Inc.** announced that it had commenced a clinical study on the use of the Vari-Lase endovenous laser procedure kit for the treatment of reflux of the great saphenous vein, commonly referred to as varicose veins, at the Heart Centre Siegburg in Siegburg, Germany. Prof. Eberhard Grube, Chief of the Department of Cardiology and Angiology at Heart Center Siegburg and principal investigator of the study, commented: "We are committed to advancing the practice of vascular medicine in all areas, from the heart to the peripheral vessels, and from the arteries to the veins. For the clinical problem of varicose veins, we are very excited about the opportunity to offer the minimally invasive treatment of endovenous laser therapy. We have performed our first procedures in the Vari-Lase study and are very pleased with the clinical results as well as the ease of use and professional design of the Vari-Lase kit."

Up to 200 patients are planned to be enrolled in the clinical study, which will document the safety and effectiveness of the endovenous laser therapy in the treatment of varicose veins. Vascular Solutions expects that up to four additional centers in Europe will be added to the multi-center clinical study, and that enrollment will be completed by the end of 2003. Completion of the clinical study is not expected to be a requirement for CE Mark approval of the Vari-Lase product and commercialization of the Vari-Lase kit in Europe.

7/15 **The Spectranetics Corporation** announced that its strategic focus for treatment of peripheral vascular disease will be centered on laser-assisted intervention for critical limb ischemia (CLI). The FDA has notified the company that a physician panel will review the LACI (Laser Angioplasty to treat Critical Limb Ischemia) data, which is expected during the fourth quarter of 2003, although an exact date has not been set.

John Schulte, president and CEO, commented, "We expected the LACI data to be reviewed by an FDA panel as it is consistent with their published guidelines for new indications. Given the strength of the data we submitted, we are hopeful that when the panel reviews the LACI data, it will recommend approval. We continue to believe that FDA approval may be obtained in late 2003."

CLI is the most severe manifestation of atherosclerotic disease of the lower extremities. Approximately 15-30% of patients with lower extremity arterial disease will progress

from intermittent claudication (pain) to CLI over the course of their disease. This translates to an estimated population of between 1.5 - 2.0 million CLI patients in the USA and Europe. CLI is associated with multi-level arterial disease from the superficial femoral artery (SFA) all the way down to the arteries below the knee and is dominated by occlusions (total blockages) rather than stenoses (partial blockages). The extent and location of the disease make arterial reconstruction, including surgery and balloon angioplasty, difficult. Balloon and stents have not been shown to be effective and many CLI patients are poor surgical candidates. The LACI 2 Registry showed that CLI patients who were poor surgical candidates can be successfully treated with laser assisted therapy. The primary endpoint of six-month survival with limb salvage was achieved in 93% of the limbs (legs) treated, compared with 87% in the control group. Additionally, surgery was performed in 2% of the LACI group compared with 34% in the control group.

Meanwhile, the company has completed the 12-month analysis on the Peripheral Excimer Laser Angioplasty (PELA) trial. PELA is a randomized study comparing the safety and efficacy of using the excimer laser followed with conventional balloon angioplasty, to balloon alone, in treating total occlusions at least 10 centimeters long of the superficial femoral artery (SFA) in the upper leg. The study randomized 250 patients at 13 US sites and six German sites. The PELA trial was designed to show superiority of the laser group over the balloon alone group. The clinical results showed equivalence in procedural success, minimal in-hospital serious adverse events and in technical success, as well as in the primary endpoint, which was primary patency as measured by greater than or equal to 50% diameter stenosis at 1 year by ultrasound with no re-intervention. The largest catheters in the trial were 2.5 mm in diameter as compared with vessel sizes in excess of 6.0 mm in diameter. The company believes that this low catheter size to vessel size ratio adversely affected results in the PELA trial and is currently developing larger catheters with the objective of improving clinical outcomes for the laser treatment of claudication. Because of the failure to show superiority of the laser group over the balloon only group in the PELA trial, the company does not currently intend to submit the data to the FDA requesting marketing clearance.

"While we are disappointed that we will not be submitting the PELA data for FDA review, we are confident that the $330 million opportunity in CLI is significant to Spectranetics as a stand-alone opportunity within the peripheral vascular market," said John Schulte. "The LACI indication, if approved, allows us to market our laser catheters in the SFA where critical limb ischemia is present and arteries below the knee; whereas PELA limited us to long, total SFA occlusions only. Further, the claudication market has become crowded with multiple stent and balloon manufacturers. In contrast, there are poor clinical options to treat CLI either with balloon and stent or with surgical procedures and we are not aware of any in-process clinical trials evaluating the use of stents below the knee. We believe that a very focused strategy on CLI will allow us to penetrate this market before competing technologies may be introduced. We will reevaluate our strategy to treat claudication as we develop larger laser catheters for the SFA."

7/17 **Spectranetics Corporation** reported financial results for the second quarter ended June 30, 2003. Net income for the quarter was $53,000 (0 cents per share) compared with a net loss of $2.3 million (9 cents per share) last year. Excluding proxy contest and settlement obligation charges of $1.8 million in the 2002 second quarter, net loss was $422,000 (2 cents per share).

Total revenue for the second quarter was $6.5 million, up slightly compared with the second quarter of 2002. Disposable product revenue (which includes coronary and lead removal products) rose 14% to $5.2 million, compared with $4.6 million last year, driven primarily by a 38% increase in lead removal revenue and partially offset by a 4% decrease in atherectomy revenue. Lead removal revenue increased primarily as a result of favorable market dynamics resulting from the expansion of patients eligible to receive automatic implantable cardioverter defibrillators (AICD) and the decision by the Centers for Medicare and Medicaid Services (CMS) to establish national reimbursement for a subset of these patients. When a patient who already has a pacemaker is upgraded to an AICD, the old pacemaker leads are generally removed due to the potential for electrical "cross-talk."

Equipment product revenue (which includes laser hardware sales and rental fees) was $442,000 in the 2003 second quarter, down 48% compared with $852,000 during the 2002 second quarter. The worldwide installed base grew to 368 laser systems at June 30, 2003, a net increase of seven units during the quarter. Gross margins strengthened to 73% for the second quarter of 2003, up from 69% last year, due primarily to a larger sales contribution from disposable products, which carry higher gross margins. Operating expenses for the 2003 second quarter were $4.7 million, down 5% compared with $5.0 million, excluding proxy contest and settlement obligation charges, for the comparable quarter last year.

Commenting on this quarter's financial performance, John Schulte, president and CEO, said, "I am very pleased with this quarter's disposable revenue performance as it was a near record for the company. The solid growth in our lead removal revenue business is supported by a developing trend of lead removal growth in conjunction with new defibrillator implants. While equipment revenues were down significantly compared with last year, we added a net of seven laser placements compared with four in the comparable prior year quarter. This represents the second highest quarterly growth in our installed base in the past year. Near term, the growth driver that continues to hold the most significant promise for Spectranetics remains the treatment of critical limb ischemia, where we anticipate FDA approval before year end for this new indication for our excimer laser system. Longer term, the significant potential for growth in our coronary business remains focused on the treatment of saphenous vein grafts and acute myocardial infarction. We remain encouraged by interim progress being made on those fronts. We are adjusting our full-year 2003 total revenue guidance from 3 to 5% growth over last year to a range of $27.5 million to $28.0 million, which is essentially equal with last year. This reflects an anticipated shift towards rental and evaluation laser placements as opposed to sales of laser units. Additionally, based on first half results, we expect our

atherectomy business to be flat to slightly down compared with last year. In order to grow our atherectomy business in the future, we will focus on securing the necessary clinical data to support the use of our technology to treat saphenous vein grafts and acute myocardial infarction. Better than anticipated gross margins in the first half of this year -- driven by a higher mix of disposable revenue -- combined with continued emphasis on cost management activities, particularly in selling and administrative expenses, is leading us to leave our net income guidance for the full year 2003 unchanged at a range of $500,000 to $1 million."

Year to date, total revenue of $13.5 million was comparable to total revenue of $13.5 million for the first half of 2002. Net income for the six months period was $194,000, (1 cent per share), compared with a net loss of $2.3 million (10 cents per share) during the first half of 2002. Excluding proxy contest and settlement obligation charges, the net loss during the first half of 2002 was $439,000 (2 cents per share). By product line, year to date 2003 disposable product revenue was $10.2 million, up 11% compared with last year, and equipment revenue was $1.5 million, down 32% from last year. Service revenue was essentially flat at $1.9 million for both periods. The gross margin for the first half of 2003 was 71%, compared with 68% in the first half of 2002, favorably impacted by product mix. Cash, cash equivalents and investment securities totaled $12.3 million at June 30, 2003, compared with $12.0 million at March 31, 2003 and $11.4 million at December 31, 2002.

7/17 **Lumenis Ltd.** announced that a United States District Court in the Central District of California had granted a preliminary injunction against **Syneron Medical Ltd.** and **Syneron Inc.** to stop continuing infringement of Lumenis' U.S. Patent No. 5,682,380, pending the outcome of trial in this matter. The injunction covers Syneron's Aurora devices when used with gel. Avner Raz, the CEO of Lumenis said, "We are pleased by this positive ruling at such an early stage in the litigation. Lumenis' intellectual property, particularly our Intense Pulsed Light technology, is at the heart of our leadership in aesthetic and medical markets throughout the world. Lumenis will continue to enforce its intellectual property rights, as it has done in the past."

7/18 **Syneron Medical Ltd.**, and its North American subsidiary **Syneron Inc.** responded to the Lumenis announcement with the following statement: Syneron Medical Ltd., and its North American subsidiary Syneron Inc., is pleased to announce that Lumenis has been denied a preliminary injunction against sale of Syneron's Aurora devices. The U.S. District Court for the Central District of California recently denied Lumenis's motion for a preliminary injunction on two Lumenis patents, finding that Lumenis had failed to show a likelihood of infringement on two claims and that Syneron had shown that another claim may be invalid. The court did issue a very limited injunction that does not bar sales of the Aurora device, but does direct that gel not be used with the Aurora devices.

The court's ruling confirms that Syneron can continue to sell its Aurora devices in the U.S. market. Unfortunately, Lumenis has once again chosen to mislead the investment and medical community with its public statements about the court's action. The Aurora

devices have built-in thermoelectric cooling and use water as effectively as gel to provide electro conductive coupling to the skin. Thus, Syneron has recommended the use of water with its Aurora devices, and under the court's ruling will continue to do so. Syneron is confident that the final ruling of the court will confirm that Syneron does not infringe on any Lumenis patents, or that Lumenis's patents are invalid, or both.

In responding to Lumenis' claims, Syneron noted that its ELOS (Electro-Optical Synergy) technology is an innovative, proprietary technology that does not infringe any of Lumenis' patents. "Pulsed light technology is used by several other companies in the US and around the world, yet Lumenis has not chosen to sue any of those companies," commented Moshe Mizrahy, CEO of Syneron Medical Ltd. "Lumenis' decision to sue Syneron can only be explained by their fear that our proprietary ELOS technology is becoming the leading technology in the medical aesthetic market."

"Syneron regrets that Lumenis has chosen to compete with our company through the courts rather than to compete in the marketplace. Nevertheless, we are confident that neither the medical aesthetic market nor the financial market will be willing to accept Lumenis' strategy of taking legal action against competing companies," continued Mizrahy, who noted that Lumenis had already used this strategy on several occasions against other competing companies. "It is a shame that Lumenis has decided to use its limited resources to pursue legal action instead of developing the market and supporting its customers," concluded Mizrahy.

Domenic Serafino, president of Syneron Inc. added: "Syneron's ELOS technology is more efficient, much more user-friendly for doctors and safer for patients. Lumenis is concerned about this competitive advantage, and this is the reason behind its decision to adopt the legal offensive."

7/18 **CardioGenesis Corporation** announced that the August 20th meeting with the FDA's Medical Device Dispute Resolution Panel (MDDRP) had been canceled based upon a decision by CardioGenesis and the FDA that the FDA will review additional data to be submitted by the company in support of its Premarket Approval (PMA) supplement for the PMR system. According to chairman and CEO Michael Quinn, the FDA and the company have agreed to work interactively to attempt to settle the scientific dispute in connection with the company's pending PMA supplement for its PMR system without the need for a MDDRP hearing. This decision does not preclude the company and the FDA from scheduling a MDDRP hearing in the future. The FDA has agreed to reschedule the hearing before the MDDRP if the dispute cannot be resolved.

Quinn said the decision to defer the dispute resolution hearing is based on discussions with FDA management from the Center for Devices and Radiological Health (CDRH) and Office of Device Evaluation (ODE). CardioGenesis will, in the next few weeks, submit additional information to the ODE, which has committed to a rapid, interactive review with the company. Quinn is optimistic that the additional information can resolve the dispute without the need for a hearing. "We are encouraged by the commitment of the

FDA to work interactively with us on their review of the additional information, which we are hopeful will be adequate to address the concerns of the FDA and support an approval decision," Quinn said. "Their firm commitment to a rapid review and consideration of the additional information were the key factors in our decision to defer a hearing before the MDDRP."

The CardioGenesis PMR system has been under evaluation in pivotal human clinical trials since 1997. The current pre-market approval application was filed with FDA in December 1999 and amended in July 2002 to address concerns raised at a FDA advisory panel meeting. Late last year the ODE determined that, in its opinion, there was not sufficient information to demonstrate reasonable assurance of PMR's safety and effectiveness.

7/23 **PLC Systems Inc.** reported positive financial results for the three and six months ended June 30, 2003. PLC's second quarter results represent the fifth consecutive profitable quarter for the company. "The worldwide and domestic second quarter kit shipments are at record levels for the CO_2 TMR angina therapy," stated Mark Tauscher, president and CEO of PLC Systems. "We are also encouraged by the breadth and depth of the domestic customer base. During the past several quarters, CO_2 TMR has made substantial gains in terms of market share. We are very pleased to see this laser base increase, now coupled with kit shipment growth."

During the second quarter of 2003, PLC shipped 10 CO_2 Heart Lasers worldwide. Nine next-generation CO_2 Heart Lasers (HL2) were delivered to United States hospitals through **Edwards Lifesciences Corporation**, PLC's exclusive U.S. sales and marketing partner. Five of the nine HL2 shipments were new lasers and four were redeployed lasers. Additionally, PLC shipped one first generation CO_2 Heart Laser (HL1) to an International hospital. A leading indicator for the adoption rate of the CO_2 TMR therapy is disposable kit shipments to hospitals. During the second quarter of 2003, a total of 609 disposable kits were shipped worldwide, which is a significant increase of 47% from worldwide kit shipments in the first quarter of 2003. Edwards Lifesciences delivered 524 disposable kits to United States hospitals and PLC shipped 85 disposable kits to International hospitals. The 524 domestic kits delivered by Edwards Lifesciences represents a growth of 37% from the first quarter. A total of 413 disposable kits were delivered worldwide during the quarter ended March 31, 2003. A total of 473 disposable kits were delivered worldwide during the quarter ended June 30, 2002.

Tauscher continued, "During the first six months of 2003, we have seen a re-emergence of TMR at medical conferences and trade shows, which has ranged from published papers to presentations to one-on-one surgeon conversations. I believe there is an increased awareness and appreciation by cardiac surgeons for the angina relief benefits that the laser based TMR provides."

PLC ended the second quarter of 2003 with 143 CO_2 Heart Lasers located at heart centers throughout the U.S., comprised of 89 HL2 customers and 54 HL1 customers. As of June

30, 2003, PLC's U.S. laser base (HL1 and HL2) had increased by 19% during the preceding twelve months. More significantly, PLC's U.S. HL2 installed base grew to 89 lasers as of June 30, 2003, up 50% from June 30, 2002.

Second quarter total revenues were $2.0 million compared with $2.2 million in the second quarter of 2002. Net income for the second quarter ended June 30, 2003, was $203,000, a 50% increase compared with net income of $135,000 for the second quarter ended June 30, 2002. Total revenues for the six months ended June 30, 2003 were $3.7 million compared to total revenues of $4.6 million for the six months ended June 30, 2002. Net income for the six months ended June 30, 2003 was $218,000 compared to a net loss of $124,000 for the six months ended June 30, 2002.

Tauscher concluded, "We believe that the CO_2 TMR team -- Edwards Lifesciences and PLC Medical -- is recognized throughout the cardiac surgical market as the premier TMR provider. We are committed and focused on addressing the needs of our customer -- the cardiac surgeon. I believe this commitment will continue to bode well for us in the future."

7/23 **BIOLASE Technology, Inc.** reported financial results for the three and six-month periods ended June 30, 2003. For the second quarter, net income was $1.7 million (8 cents per share) on sales of $11.1 million. For the three months ended June 30, 2002, net income was $669,000 (3 cents per share) on sales of $7.2 million. The sales figure for the second quarter represents a 55% growth over the same period in 2002. Gross margin for the three months was 61.8%, yielding a gross profit of $6.9 million. For the three months ended June 30, 2002, gross margin was 60.6% with a gross profit of $4.3 million.

For the six months period, net income was $2.4 million (11 cents per share) on sales of $19.7 million compared to net income of $788,000 (4 cents per share) on sales of $12.4 million for the six months ended June 30, 2002. Year-to-date, sales have increased 59% over the first two quarters of 2002.

Jeffrey Jones, president and CEO, commented, "Our market penetration continues to expand and our operating margins continue to grow, reaching 15% in the quarter just ended. Our financial position has also strengthened since the beginning of the year with cash now at $6.6 million and net working capital having more than doubled to $7.2 million."

In May 2003, the company acquired the **American Dental Laser** product line, including the Diolase and Pulsemaster systems, which can be used for common soft tissue procedures.

7/23 **CardioGenesis Corporation** announced results for its second quarter and first six months ended June 30, 2003. Chairman and CEO Michael Quinn said that revenues for this year's second quarter and first six months increased modestly compared to revenues in the same periods last year and gross margins in the 2003 second quarter and first six months rose

sharply from the prior year periods. The loss from operations in this year's second quarter and first six months declined from prior year periods despite a sharp increase in R&D in the second quarter and first six months of 2003 to support the company's efforts to gain clearance from the FDA to market the PMR system.

Revenues in this year's second quarter were $3.1 million with a loss from operations of $879,000, compared to revenues of $3.0 million with a loss from operations of $1.2 million in the second quarter of 2002. The company reported a net loss for the quarter of $878,000 (2 cents per share) compared to net income of $1.1 million, (3 cents per share) for the second quarter of 2002. Results for the second quarter of 2002 included non operating income of $2.3 million from the company's gain on the sale of its minority interest in a privately held medical products company.

"The modest increase in revenues in this year's second quarter, when compared to last year's second quarter," Quinn said, "was driven by the effects of higher average selling prices, which were partially offset by fewer disposable hand piece sales in the quarter. Even though we lost money in this year's second quarter, we believe our TMR business in the quarter remained on track to develop into a consistently profitable business. Interest in the procedure among cardiothoracic surgeons and potential patients continues to grow. This continues to be evidenced by the increasing number of trained TMR surgeons and greater awareness of TMR among potential new users of the system and patients with advanced cardiovascular disease who are in need of relief from severe angina pain."

For the first six months of 2003 revenues were $6.5 million, with a loss from operations of $760,000, compared to revenues for the first six months of the prior year of $6.2 million, with a loss from operations of $2.4 million. The net loss for the first six months of 2003 was $757,000 (2 cents per share) compared to a net loss for the first six months of last year of $102,000 (0 cents per share). Results for the first six months of 2002 included the $2.3 million of non-operating income recorded in the 2002 second quarter. Gross profit margins as a percentage of sales rose to 84% and 83%, respectively, in the second quarter and first six months of 2003, up significantly from 78% and 76%, in the prior year's respective periods and in line with the upward trend in gross margins seen in prior quarters. The increase in gross margins is due to higher average selling prices of the company's products and ongoing improvements in manufacturing by our contract manufacturer. Total operating expenses for the 2003 second quarter and first six months were $3.5 million and $6.1 million, respectively, which included $448,000 and $659,000, respectively, of R&D expenses associated with PMR.

Quinn said that the company remains committed to PMR, its less invasive, catheter-based version of TMR. He said the company continues to work even more closely with the FDA, and that the FDA and the company have agreed to work interactively to attempt to settle the scientific dispute in connection with the company's pending Premarket Approval (PMA) supplement for its PMR system. On July 18, the company announced that the August 20, 2003 meeting with the FDA Medical Device Dispute Resolution

Panel (MDDRP) had been canceled based upon a decision by CardioGenesis and the FDA that the FDA will review additional data to be submitted by the company in support of its PMA for the PMR system. This decision does not preclude the company and the FDA from scheduling a MDDRP hearing in the future. The FDA has agreed to reschedule the hearing before the MDDRP if the dispute cannot be resolved.

Quinn said, "Based upon our agreement with the FDA, we expect the review of the additional information to occur rapidly and are hopeful that we will receive a timely decision on the status of our PMR supplement. Even though it will take a few weeks to complete and submit the requested information, we believe this can be our fastest pathway to achieving approval of PMR. We are confident and optimistic that the strength of our clinical data coupled with the submission of the additional information to the FDA can effectively address their concerns and support an approval decision by the FDA without the need for a hearing."

The company's June 30, 2003 balance sheet showed cash and cash equivalents of $1.1 million, total assets of $6.9 million, shareholders' equity of $3.0 million, and no long term debt. The company has a Convertible Note agreement with a private equity fund that provides for borrowings up to $2 million based upon eligible accounts receivable. The company has no outstanding borrowings on the Note.

During the year's second quarter, the company shipped five lasers and had worldwide disposable sales of 730 units, compared to the shipment of two lasers and worldwide disposable sales of 859 units in the second quarter of 2002. At the end of the 2003 second quarter, there were 428 sites with CardioGenesis lasers for myocardial revascularization, compared to 418 sites at the end of the second quarter of 2002.

7/24 **Laserscope** reported that revenues for its second quarter ended June 30, 2003 increased 22% to $12.9 million from $10.5 million in the year-ago quarter. Sequentially, revenues increased from $12.5 million for the quarter ended March 31, 2003. Net income was $348,000 (2 cents per share) compared with net income of $128,000 (1 cent per share) in the same quarter last year, and net income of $135,000 (1 cent per share) for the first quarter of 2003. "The second quarter marks the seventh consecutive quarter of year-over-year revenue growth," said Eric Reuter, Laserscope's president and CEO. "We are especially pleased with the tremendous performance of our urology business where growing acceptance of our Benign Prostatic Hyperplasia (BPH) treatment solution is driving sales. Urologists, hospital administrators and patients alike are recognizing the unmatched, long-term clinical results and patient benefits of the Photo-Selective Vaporization of the Prostate (PVP) procedure."

"In late April, we introduced a new brand name for our PVP product line that we believe better captured the essence and capability of our technology. During the quarter, we shipped 20 GreenLight PV (formerly known as Niagara PV) laser systems and 3,075 fibers, up considerably from six systems and 1,400 fibers in the previous quarter. Furthermore, we ended the second quarter with a backlog of 21 GreenLight PV laser

systems. We additionally booked eight laser system orders for a new rental program that addresses the desire by many new urologists who are trained in the PVP procedure to rent the system and gain initial experience prior to purchasing. We believe these strong results are evidence of the significant progress we have made in achieving our stated goal of making the PVP procedure the standard of care for BPH. While sales of our urology products are ramping, our aesthetics business continues to perform well in the U.S. and is generating cash that we are redeploying into marketing and research and development. Domestic aesthetics revenues grew 5% over the second quarter of 2002."

Gross margin was approximately 50%, compared with approximately 53% for last year's second quarter. Sequentially, the gross margin was relatively unchanged. Selling, general and administrative expenses were $5.0 million, or 39% of net revenues, compared with $4.3 million, or 41% of net revenues, in the year-ago quarter. This demonstrates the company's good operating leverage despite increased spending on sales, marketing and training efforts to promote awareness of the PVP procedure. The company's cash position increased to $5.6 million at June 30, 2003 from $4.8 million at March 31, 2003 and from $4.7 million at the end of 2002. For the next several quarters, Laserscope expects to continue to fund growth of its urology business with cash flow generated from its aesthetics business and from sales of the GreenLight PV laser systems and fiber-optic devices.

Six-Month Results -- For the six months ended June 30, 2003, the company reported revenues of $25.3 million and net income of $483,000 (3 cents per share) compared with revenues of $19.9 million and net income of $81,000, or breakeven per share, for the same period in 2002.

Sales Momentum and Traction of GreenLight PV Products -- Reuter continued, "Our fiber volume growth in the second quarter, which increased by almost 120% over first quarter's level, was exciting and exceeded our expectations. We are particularly pleased with the jump in fiber sales to U.S. mobile service providers, which grew from 775 fibers in the first quarter to more than 1,670 in the second quarter. We believe that mobile service providers are the key to driving PVP procedural growth and utilization rates. These results demonstrate that we are successfully meeting our number one goal of growing adoption of the PVP procedure."

Patent Protects Proprietary Technology -- In April, Laserscope received a patent for the technology and applications of the company's GreenLight PV laser. "The patent covers our GreenLight PV laser and fiber-optic delivery device when applied in the treatment of BPH and is potentially extendible to other soft tissue applications. The key to the success of the PVP procedure is the ability to create the high power green light that allows urologists to precisely and quickly vaporize tissue without harming the surrounding area, a feature unmatched by alternative treatment technologies. We believe that this patent further establishes our technology leadership, building an important competitive barrier to entry and giving us a strong market advantage going forward."

Summary of 98th Annual *American Urological Association* Meeting -- The company presented three well-received clinical studies at this year's American Urological Association's meeting held in Chicago, April 27-30, 2003. First, Dr. Reza Malek presented five years of long-term follow-up results from the Mayo Clinic study, which mirrored the previously released three-year follow-up results and continued to confirm the procedure's long-term durability. Second, Dr. Jaspreet Sandhu presented the results from a study conducted at the Weill Cornell Medical Center of New York-Presbyterian Hospital that showed the safe and effective use of the PVP procedure on 29 BPH patients with large prostate glands. Finally, in a podium presentation, Dr. Alexis Te presented detailed results of the ongoing multi-site clinical evaluation of 145 patients at six treatment centers around the United States over the past 18 months. The key immediate post-operative and one year follow-up statistics reinforced the findings at the Mayo Clinic and demonstrated that the clinical results achieved with the PVP procedure were unequaled by any other known technology.

Industry and Outlook -- Providing an update on the shortage of some critical components that the company experienced in the first quarter of 2003, Reuter said, "We made good progress on this issue and successfully shipped 20 GreenLight PV laser systems in the second quarter. Our ongoing challenge is to improve our yield and bring our manufacturing output up to full capacity. We are confident that we can fulfill our backlog and field needs during this current quarter, and we will closely monitor our suppliers' progress toward the eventual goal of being able to ship within 30 to 60 days after receipt of a customer order."

The company also discussed the challenge of medical reimbursement. "We are continuing efforts to combat the reductions to reimbursement for virtually all treatments of BPH. However, these activities may take a significant amount of time to have an impact, and therefore, in the meantime, we will work to continue to increase our PVP adoption within the existing reimbursement environment," concluded Reuter.

2003 Guidance -- The company updated the following guidance for 2003:

-- Laserscope expects that overall laser sales will increase due to continued growth in PVP products. The company anticipates that it will sell 9,000 to 10,000 PVP fiber-optic devices during the year, an increase from its previous forecast of 7,500. Additionally, Laserscope believes that sales of aesthetic products will grow moderately in all markets. The company expects that aggregate revenues for the year will exceed $50 million.

-- Gross margin, as a percentage of 2003 revenues, is expected to be in the range of 50% to 54%.

-- The company expects research and development expenses during 2003 to be approximately 8% of net revenues, but may vary from quarter to quarter.

-- Selling, general and administrative expenses, as a percentage of net revenues, are expected to be marginally lower than the 2002 level of 41%, but remain relatively high in absolute terms in conjunction with continuing investment in educational and training support and marketing programs for the PVP products.

-- Overall for the year, the company expects net income between $0.10 and $0.15 per share.

7/24 **Palomar Medical Technologies, Inc.** announced that for the second quarter ended June 30, 2003, the company's total revenues increased by 36%, its product revenues increased by 44% and its gross profit from product sales improved by 62%, compared to the second quarter of 2002, due to growing sales of the company's flagship family of Lux Pulsed Light Systems. The company realized a significant increase in operating income of $420,000, or 192%, and a net income improvement of $850,000, or 387%, which includes a benefit from income taxes of $430,000, compared to the second quarter of 2002. Over the past year, product gross margins have improved significantly due to higher margin product mix and increased sales volume. The company has also strengthened its balance sheet since the end of last year with a 66% increase in its cash position.

CEO Joseph Caruso commented, "We are pleased to report another strong quarter with a substantial increase in profitability, and are especially encouraged that our revenues continue to grow. In addition, we have increased market share over the past few quarters and anticipate this trend to continue as we concentrate on increasing distribution both domestically and internationally. This is all being achieved while investing the necessary resources in research and development to maintain our technology leadership position."

Revenues for the quarter ended June 30, 2003, were $8.7 million, up from $6.4 million in the second quarter of 2002. Gross profit from product sales increased to $4.5 million (58% of product revenues), up from $2.8 million (52% of product revenues) in the year-earlier quarter. The company reported net income of $1.1 million (7 cents per share) for the second quarter of this year, versus net income of $219,000 (2 cents per share) for the second quarter of last year.

Revenues for the six months ended June 30, 2003, were $15.5 million, up from $10.6 million for the six months ended June 30, 2002. Gross profit from product sales increased to $8.0 million (58% of revenues), up from $4.0 million (45% of revenues) in the year-earlier period. The company reported net income of $1.4 million (10 cents per share) for the six months ended June 30, 2003, versus a net loss of $517,000 (5 cents loss per share) for the six months ended June 30, 2002.

Caruso continued, "As always, our focus is on maintaining a balance between our short-term and long-term objectives. In the short term, we will continue our drive toward growth and increased profitability by enhancing our cosmetic product offerings and expanding distribution worldwide. Our long-term objective remains that of making our

cosmetic light technology available to the mass consumer markets. The development and license agreement that we entered into earlier this year provides the means for achieving this long-term goal."

7/24 **PhotoMedex, Inc.** announced the results of operations for the second quarter ended June 30, 2003. Revenues for the quarter were $3.8 million, which represented an increase of approximately 11% over the first quarter of 2003. Included in these figures was $2.9 million from operations of **Surgical Laser Technologies, Inc.**, a company acquired by PhotoMedex on December 27, 2002. Revenues for the quarter ended June 30, 2002 were $842,699 and reflect no revenues from SLT. The net loss for the quarter was $1.7 million (5 cents per share). The net loss for the same quarter last year was $2.3 million (9 cents per share). The net loss for the six months period was $3.4 million (10 cents per share). The net loss for the six months ended June 30, 2002 was $4.4 million (18 cents per share). As of June 30, 2003, the company had cash and cash equivalents of $9.6 million.

Jeffrey O'Donnell, PhotoMedex CEO and president, commented, "We are pleased with the continuing development of our domestic dermatology business. The number of XTRAC procedures performed in the quarter doubled from just under 4,000 in the first quarter to just over 8,000 in the second quarter. In the geographic areas where we have achieved success with the adoption rate of private insurance, our business model with practitioners appear to have been validated. However, there is still work to complete in this process, but to date the company appears to be tracking to the milestones it had previously set. We are pleased that another clinical study has been completed and published in a peer review journal. This study, comparing psoriasis patients with failed topical treatments to the results obtained from excimer laser therapy, adds clinical support to the company's claims of XTRAC benefits. Our international XTRAC business has recovered from the first quarter with the company selling 10 XTRACs overseas in the second quarter versus 2 in the first quarter of this year. Our surgical procedures business continued to grow and revenue from procedures was up over 7% compared to the first quarter of this year. Our management team has integrated nicely as a result of the merger and is producing results as a single cohesive unit. The recently completed net financing of $9.5 million enables us to expand rapidly in parallel with the further adoption by private payers of excimer laser therapy and fuel the growth in the other areas of our business."

7/25 **BriteSmile, Inc.** announced that its subsidiary, **BriteSmile Development, Inc.**, had completed the acquisition of certain intellectual property from Eric Montgomery, a longtime director of BriteSmile. The acquisition would significantly expand BriteSmile's teeth whitening focus to include all types of oral care products. BriteSmile Development has acquired or licensed key rights to Montgomery's intellectual property, which consists of over 80 United States and foreign patents and patent applications that cover a wide range of oral care products with particular emphasis in the tooth whitening area. In addition, Montgomery will consult for BriteSmile and BriteSmile Development on an exclusive basis in field and will be joining the Board of BriteSmile Development.

"The completion of our exclusive consulting agreement with Eric is a key component in our strategy to expand BriteSmile's position into the broader category of oral care products," said John Reed, CEO of BriteSmile. "Eric has made significant contributions to the BriteSmile teeth whitening technology and we are excited to continue our work with him in our expanded partnership."

"Having worked extensively with BriteSmile in the past, I am excited about the opportunities this expanded consulting agreement provides to work collectively in advancing BriteSmile's broader new product development goals," said Montgomery. BriteSmile will pay Montgomery between $5.0 and 6.0 million for the acquired rights, depending upon certain contingencies.

7/28 **Cell Robotics International Inc.** announced that, in an effort to reduce costs and optimize its workforce, the company had implemented a comprehensive streamlining initiative that involves a reduction of the general workforce, reduction in management salaries, introduction of an equity component to compensation and product cost reduction plans. Overall, the streamlining is expected to reduce annual expenses by over $500,000, increase margins by 25% and improve productivity metrics. "While the unavoidable discharge of some of our valued colleagues is regrettable, we have paid very careful attention to adding motivation and challenge during this process," said Lou Sena, president and CEO of Cell Robotics. "Many of our employees will have the opportunity to perform new functions in exciting market launch activities or in creating customer support systems. Some of our employees will continue their contributions as consultants. In adding equity incentives to compensation, our employees will have ownership and participation in our success. In the end, I am convinced that we will substantially increase our skill levels and will add resourcefulness to a leaner organization. The company has also introduced product cost reduction plans in all of its product lines that will simultaneously increase margins, simplify product engineering and manufacturing and improve productivity. We have increased modularization, decreased the number of components, and reduced the number of configurations. These efforts will simplify our production ramps, enable sub-assembly automation, will consolidate the number of suppliers, while significantly improving our time to market and financial metrics. Our customers will benefit from better price/performance value and improved responsiveness to product enhancements."

"This streamlining is an opportunity to continue to hone and align ourselves with the reality of the company's market development-and-penetration business plan. In the process, we will further develop the talents of our valuable employee team, improve our financial metrics in a very substantive way and better leverage the intellectual property of our medical laser-based product lines," said Sena. "The bottom line is that this important initiative will increase the investment value of our company and prepare us to execute an aggressive market launch."

"This restructuring initiative is a major step forward in creating a more efficient company that can position itself for excellent sales growth in the near-future," said Oton Tisch,

chairman of the Board of Cell Robotics. "I have the utmost confidence in Lou Sena, our newly-appointed president and CEO, and believe that this will translate into increased value for our shareholders."

7/28 Laser Presentations from *ACADEMY '03*, the *American Academy of Dermatology's* summer scientific meeting in Chicago:

TATTOOS -- If tattooing the name of your old flame on your arm seemed like a good idea at the time but, understandably, your new flame doesn't think so, you're not alone. These days, tattoos aren't reserved for rock stars and celebrities. As the number of people opting for tattoos increases, so does the number of people wanting to remove them years later. Until the development of recent laser technology, tattoos were permanent and people who wanted them removed didn't have many options. Speaking at ACADEMY '03, dermatologist Elizabeth McBurney, MD, Clinical Professor of Dermatology, Louisiana State University Health Sciences Center, and Tulane University Health Sciences Center, New Orleans, La., discussed the benefits of using lasers to remove unwanted tattoos.

"Most of the people I treat in my practice for unwanted tattoos cite a change in their lifestyle as the reason they want to remove their tattoos," explained Dr. McBurney. "For instance, a person may have a tattoo on their arm or leg and find that it is inappropriate for the workplace, and they are tired of covering it up every day. Whatever the reason, I find that people often regret their decision to get a tattoo within the first few years."

Lasers work to remove tattoos by targeting the tattoo pigment in the dermis (or inner layer of the skin) and vaporizing the pigment colors with a high-intensity light beam. The three lasers most commonly used to remove tattoos are the Q-switched Nd: YAG, the Q-switched ruby, and the Q-switched alexandrite. The type of laser used to remove the tattoo depends on the pigment colors. The inks that respond best to laser treatment are black, dark blue, red, some lighter blues and green. Dr. McBurney noted that she has found that lasers have poor results on inks of lavender, yellow and orange hues. In general, the best candidate for laser tattoo removal is someone with a fair complexion -- the skin type that responds best to any laser treatment -- and a black tattoo. Depending on the size of the tattoo, a treatment session lasts about 15 to 30 minutes and sessions are repeated no more frequently than every two months. Amateur tattoos, which usually consist of a single pigment color, are typically removed after three to six sessions. Professional tattoos, which often have more elaborate designs or use multiple pigments, require about six to 10 sessions to be removed by laser.

While side effects of laser treatment are generally minimal, they can include scarring, loss of natural skin pigmentation, and residual tattoo pigment. "Anyone considering having a tattoo removed by laser surgery needs to be aware that it can be a painful, timely and costly procedure," said Dr. McBurney. "However, in the skilled hands of a dermatologist or dermatologic surgeon, lasers are still the best option for people who want to safely remove an unwanted tattoo."

Since the practice of tattooing is generally unregulated and carries potential health risks such as blood-borne infectious diseases like hepatitis and local allergic reactions, the American Academy of Dermatology (AAD) encourages the strict regulation of the practice of tattooing -- including requirements for those who want to provide tattoos and careful screening of those who want to get tattoos. In addition, the AAD supports regulation by the U.S. Food and Drug Administration of tattoo pigments and the devices used to inject these pigments into the skin.

Laser Hair Removal -- Excess facial or body hair can be a nagging cosmetic concern for men and women, alike. While depilatories, shaving, waxing, and electrolysis are common solutions for hair removal, many people complain that the accompanying discomfort and time-consuming nature of many of these treatments are too high a price to pay for temporarily smooth skin. However, these men and women are beginning to discover that lasers are a convenient yet gentle solution to the problem of unwanted hair.

Speaking at ACADEMY '03, dermatologist Allison Vidimos, MD, Staff Member, Department of Dermatology, Section of Dermatologic Surgery and Oncology, and Program Director, Dermatology Residency, Cleveland Clinic Foundation, Cleveland, Ohio, discussed the facts of laser hair removal. "The continued development of laser technology has led to a variety of exciting treatment options for patients of all skin types with unwanted hair," stated Dr. Vidimos. "Last year, more than 585,000 laser treatments were performed in the United States, and the number of patients taking advantage of this procedure to receive permanent hair growth reduction is growing."

Laser hair removal uses a low-energy laser to gently remove unwanted hair. The laser energy passes through the skin and is absorbed by the pigment in the hair follicle. In a fraction of a second, many of the treated hair follicles are injured by the heat generated by the laser. Laser treatments can last anywhere from a few minutes to a few hours depending on the size of the area being treated. With the exception of the region close to the eye, almost any area of the body with excess hair can be treated with lasers. The most common areas requested by patients are the face, upper lip, neck, chest, periareolar (breast region), underarms, back, abdomen, bikini line and legs.

"In general, patients with light skin and dark hair are the ideal candidates for laser hair removal," said Dr. Vidimos. "However, the use of longer wavelength lasers and skin cooling devices have increased the safety of lasers used to treat patients with darker skin types that, until now, have not been candidates for laser hair removal. These skin cooling devices protect the upper layer of skin in darker skinned patients from absorbing too much laser energy, thereby reducing the risk of blistering and pigment change."

Yet while laser treatments for darker skinned patients have improved, patients with tanned skin are still not candidates and must wait until their tan fades before they can be treated. Patients are instructed not to suntan or use sunless tanning products prior to laser treatment, since tanning alters skin pigment and can affect how the skin absorbs the laser energy. This could lead to increased side effects such as blistering or discoloration

following treatment. In addition to a patient's skin color, their hair color also influences the success of laser hair removal. As a rule, the pigment in dark hair absorbs more laser energy, making black or brown hair easier to treat. Light hair, such as blonde or red, contains a pigment that absorbs laser energy less readily, and therefore does not respond with permanent hair reduction.

The number of hair removal treatments required for optimal long-term benefits usually depends on the area the patient would like to have treated, the hair density, and the patient's hair growth cycle. Hair grows in cycles and many factors influence its growth. Age, ethnicity, weight, hormones, diet, medication, and metabolism all play a part in a patient's hair distribution, thickness, and resilience. When necessary, laser treatments are usually repeated at six to eight week intervals. A typical laser hair removal patient may experience brief swelling and redness following the procedure. Most patients will be completely healed in two to 10 days, although their hair may not fall out for up to two weeks after treatment. Following laser hair removal, patients can return to their normal activities immediately. As always, patients should avoid any direct sun exposure and use a sunscreen with a Sun Protection Factor (SPF) of 30 since the treated skin will be very sensitive to the sun.

"The success of laser hair removal depends on the skill of the physician performing the treatment," cautioned Dr. Vidimos. "I would advise patients to ask questions, and make sure that the physician they've chosen to work with is a board-certified dermatologist or other appropriately-trained surgeon with extensive experience in performing laser procedures in order to ensure the best possible results."

Medical/Cosmetic Skin Treatments -- Lasers are becoming one of the most versatile treatment options for everything from leg veins to birthmarks. However, the first generation of laser treatments was not appropriate for use on darker colored skin because they could result in loss of pigment and scarring. As a result of the research and development conducted by dermatologists, advances in laser technology have made treating conditions that affect even the darkest skin safe and effective. Speaking at ACADEMY '03, dermatologist Min-Wei Christine Lee, MD, Clinical Instructor, Department of Dermatologic Surgery, University of California, San Francisco, Calif., discussed the use of lasers for both medical and cosmetic procedures on patients with skin of color.

"New laser treatments, when used by dermatologists who are skilled in both their use and in treating skin of color, can successfully improve a variety of conditions that affect patients with darker colored skin," said Dr. Lee.

Medical Uses of Lasers in Ethnic Skin -- Acne affects 80% of both ethnic and Caucasian patients, but its treatment has only recently benefited from advances in laser, light and radiofrequency technology. While lasers can thermally reduce the oil production of the sebaceous glands and light sources can destroy acne bacteria itself, it is the use of radiofrequency in combination with these other treatments that has recently been studied.

Radiofrequency energy effectively tightens the skin by delivering heat directly into the dermis, deep below the skin surface. The heat causes subsurface tissue to immediately contract, and then gradually tighten. Dermatologists began to explore the uses of radiofrequency specifically for acne when patients noticed clearer complexions after treatments.

"The use of a light and radiofrequency combination to treat acne can greatly benefit patients with skin of color who can develop disfiguring complications following conventional treatment, such as acne scarring and keloids, or post-inflammatory skin discoloration," said Dr. Lee. A recent study evaluated the safety and efficacy of this combined treatment for inflammatory acne lesions in patients with a variety of skin colors. Patients received 10 weekly treatments with a device that produces an intense optical light burst followed by a radiofrequency wavelength which was calibrated depending on the skin color and severity of the acne. After two weekly treatments, 80 percent of patients noted reduced inflammation of their lesions and this improvement continued following subsequent treatments. Another treatment that has recently been studied for the control of existing acne in both light and dark skin is the variable-pulsed KTP laser, which is currently used to treat vascular lesions including those on the face. Following treatment of facial veins, many patients noted a decrease in the severity of their acne. A recent study of 175 patients with mild to moderate acne on the face, chest, back and arms, showed that this laser has the potential to clear acne as well as reduce sebum, the oily substance made by the sebaceous glands. After one treatment with this laser, which is passed over the skin a number of times depending on the skin type and severity of acne, improvement was evident in 80% of patients.

"These new treatments are promising for patients with skin of color because they have few side effects and prompt a faster decrease in the severity of acne lesions than oral antibiotics," said Dr. Lee. Another condition that can occur in both Caucasian and ethnic populations is vitiligo, in which there is complete loss of pigment in localized areas of the skin. Advances in laser technology have led to new treatment options that can induce repigmentation of the skin by stimulating the production of melanin in the skin, the natural substance that gives color, or pigment, to hair and skin. New research has examined the use of long-pulsed infrared lasers to treat vitiligo. These lasers penetrate deeper into the skin than UV light treatments, reaching dormant melanocytes, the cells located in the epidermis that produce melanin. "A preliminary study showed that the use of the long- pulsed infrared laser produced 50% to 70% repigmentation for all of the patients," said Dr. Lee. "This new laser treatment also has the additional benefit of not exposing the patient to ultraviolet light which may have long- term cumulative carcinogenic effects."

Another recent study of patients with vitiligo, hypopigmented or lightened scars, and striae, or stretch marks, showed promise for the treatment of these skin conditions. Using a high-intensity, light source that emits in the wavelength range of 290 to 320nm, areas of affected skin can be selectively targeted with small doses of UVB light, sparing the surrounding healthy skin from unnecessary ultraviolet light exposure. Patients in this

study received 15 treatments and every patient showed some degree of repigmentation in a fraction of the time conventional treatment requires. However, after six months, half of the patients demonstrated regression of repigmentation.

Cosmetic Uses of Lasers in Ethnic Skin -- No matter what their skin color, patients are often concerned about the obvious signs of aging, caused by years of sun exposure, such as wrinkles, deep skin furrows and discoloration. One of the most effective treatments to turn back the hands of time is CO_2 laser resurfacing which uses short bursts of extremely high-energy laser light to vaporize the skin tissue one layer at a time, revealing fresh skin underneath. While the laser's highly focused beam enables the dermatologist to gently remove the skin's surface with a low risk of scarring and other complications, recovery time for patients with skin of color can be long since there can be residual redness and hyperpigmentation. However, a recent study has shown that the use of nonablative laser treatments following CO_2 laser resurfacing can shorten recovery time for darker skinned patients by more than 50%.

"By following a CO_2 laser treatment with nonablative lasers to decrease hyperpigmentation and discoloration, patients with darker skin greatly reduced their downtime," stated Dr. Lee. "In addition, these patients demonstrated better skin tone and tightness, and maintained wrinkle reduction under the eyes a year after the procedure, versus patients who only received the CO_2 laser procedure," stated Dr. Lee. "Whether patients are looking for the treatment of a medical condition or for cosmetic improvement of their skin, it's important to ask their dermatologist if laser treatment is right for them," said Dr. Lee. "However, since skin treatments using lasers can carry potential side effects, especially for patients of color, they should be performed by a qualified physician or under direct physician supervision."

MEDICAL/SURGICAL LASER UPDATE -- August 2003

7/31 **BriteSmile, Inc.** made another industry changing announcement, unveiling its proprietary Magic Mirror. The BriteSmile Magic Mirror allows a user to smile in the mirror and with a click of a button see what the dramatic improvement will be like following the BriteSmile treatment. The Magic Mirror projects the new smile using the average shade improvement achieved by the BriteSmile treatment. The BriteSmile Magic Mirror is the first of its kind in the teeth whitening industry. "BriteSmile has consistently distinguished itself in the industry by delivering guaranteed results to almost 500,000 satisfied customers," said John Reed, BriteSmile CEO. "BriteSmile customers have always had the before and after pictures that capture the outstanding results achieved with BriteSmile. Now with the Magic Mirror, our customers can see the projected results in real time."

The Magic Mirror will be available to anyone who walks into any of BriteSmile's 14 company-owned, dentist-run spas, located in major cities across the U.S. BriteSmile will also offer the Magic Mirror on an exclusive basis to its network of more than 4,500 dentists worldwide. "By showing a potential customer in real time what their smile would

look like with the BriteSmile treatment, we are providing a powerful selling tool to both our spas and the prestigious network of dentists who offer BriteSmile," said Reed.

7/29 **Lumenis Ltd.** announced financial results for the second quarter ended June 30, 2003. The company reported revenues of $68.1 million, compared to $89.9 million in the same quarter a year ago and $77.4 million in the first quarter of 2003. The company had a net loss from continuing operations of $29.5 million in the second quarter (79 cents per share) compared with a net loss from continuing operations of $2.5 million (7 cents per share) for the second quarter of 2002. After deducting a $3.8 million loss from discontinued operations, the company recorded a net loss of $33.3 million in the second quarter (89 cents per share) compared with a net loss of $2.8 million (8 cents per share) for the second quarter of 2002. The company had net cash from operating activities of a positive $6.0 million in the second quarter 2003.

Avner Raz, president and CEO, commented, "I have been with Lumenis for approximately one month and during that time have visited most of our operations worldwide and met with many employees and customers to understand the challenges and opportunities faced by the company. Clearly, given the disappointing results for the second quarter, significant changes and improvements need to be made in our cost structure and organization." The loss for the second quarter 2003 includes charges for inventory adjustments of $8.9 million primarily due to the processing of excess inventory in the second quarter, which was recovered at a lower value than previously estimated. The results also include a total loss of $3.8 million related to the sale of **Spectron**, the company's industrial laser business. Additional charges in the second quarter include $1.3 million for severance for a former executive and an accrual for certain legal matters of $0.9 million. The loss in the second quarter 2002 included a charge of $5.2 million for an arbitration award and a gain of $1.7 million on the sale of an investment. Net cash from operating activities was $6.0 million in the second quarter of 2003 due principally to a decrease in accounts receivable and inventory.

The company reported revenues of $68.1 million in the second quarter of 2003, compared to $89.9 million in the same quarter a year ago and $77.4 million in the first quarter of 2003. Prior period revenues have been restated to reflect the sale of the industrial business. Revenues were below the original guidance of $80-85 million, primarily due to weakness in Aesthetic sales, delays in shipments, a decrease of $3 million in revenues resulting from the sale of the industrial laser business and an increase in backlog of $5 million.

Medical business sales were $28.4 million, compared to $31.8 the same quarter a year ago. Sales in the Aesthetic business in the second quarter were $22.7 million, compared to $41.2 million in the second quarter of 2002. Aesthetic Business sales were weaker in the U.S. and due in part to the SARS crisis, were also lower in Asia. The Veterinary Business sales were $2.3 million, compared to $3.0 million in the same quarter a year ago. Sales in the Dental Business were $1.6 million, compared to $2.6 million in the second quarter of 2002, and the service business revenue was $13 million for the second

quarter of 2003 compared to $11.2 million in the second quarter of 2002. Geographically in the second quarter of 2003, the Americas had sales of $30.6 million, compared to $46.2 in the same quarter a year ago. The Asia/Pacific region had sales of $21.3 million, down from $26.6 million in the second quarter of 2002. Sales in Europe met expectations at $14.7 million, compared to $14.5 million in the second quarter 2002.

The company had $16 million in backlog at June 30, 2003 up from $11 million at the end of March. The company met its financial covenant under its three loan agreements with **Bank Hapoalim** for the second quarter of 2003. As of June 30, 2003, the company's total debt was $208.7 million and it's cash and cash equivalents were $19.2 million.

Following release of its financial information, Stephen Levey of **UBS** issued an updated research report, entitled: "Will Lumenis Survive?" Some of his comments included:

*** Disappointing Results:**

By any measure, Lumenis's Q2 results were disappointing. Revenues fell to US$68.1m from US$77.4m in Q1 and losses per share reached 89c versus our expectations of 33c. While the company generated $6m cash from shrinking its balance sheet, we are not convinced that this feat can be repeated in Q3.

*** It's Now or Never:**

Lumenis is left with US$18m in cash or cash equivalents. In Q3 or Q4 one of two things should happen before the company is unable to service its debts. Either costs must be cut aggressively or the balance sheet must continue to be downsized. We are not sure that this can happen in the time available and are far from sure that the banks will lend the company more money.

*** Debt For Equity Swap Likely:**

We reiterate view that Lumenis will undergo a debt for equity swap. The company has only US$1.4m of shareholder equity and net debt of US$190m versus an equity value of under US$50m. We do not think management have the time to avoid such a move.

*** Valuation: Focus on Balance Sheet**

At this point, all P&L valuation work is secondary to the balance sheet. This is a binary story. Either the company survives or it doesn't. All focus should be on the balance sheet. Our US$0.8 PT, down from US$1.2, is based on an EV/04E Revenues of 0.7x. We retain our REDUCE 2 rating.

8/4 **Axcan Pharma Inc.** announced that it had received approval from the FDA for the use of PHOTOFRIN photodynamic therapy in the ablation of High-Grade Dysplasia (HGD) in Barrett's Esophagus patients who do not undergo esophagectomy. PHOTOFRIN PDT

was also granted orphan drug designation for this indication, which guarantees a 7-year marketing exclusivity. "We are very pleased with this approval since the new indication of PHOTOFRIN PDT will allow us to fill an other therapeutic void in gastroenterology," commented Leon Gosselin, president and CEO of Axcan. "We expect to launch PHOTOFRIN PDT in the United States at the beginning of fiscal 2004 and to reach peak sales of U.S. $30-50 million within 5 to 7 years." PHOTOFRIN PDT was recently approved in Canada for the ablation of HGD in Barrett's Esophagus patients and is still under review in Europe for a similar indication. Axcan also recently announced that it was supporting Phase II studies on the use of PHOTOFRIN PDT in the treatment of cholangiocarcinoma, an aggressive cancer that grows in the ducts that carry bile from the liver to the small intestine.

The filing was based on a 208-patient multicenter, randomized, controlled, partially blinded, 2-arm trial, in which 138 patients were randomized to PHOTOFRIN PDT + omeprazole and 70 patients to omeprazole only, as a control group. Patients were followed every 3 months until four consecutive endoscopic results were negative for High-Grade Dysplasia and then semi-annually until the last enrolled patient had completed at least 24 months of follow-up evaluation after randomization. The length of follow-up ranged from 2 to 3.6 years. The primary efficacy endpoint, assessed after a minimum follow-up of 24 months, was the complete ablation of High-Grade Dysplasia. PHOTOFRIN PDT resulted in this response in 77% of treated patients, while omeprazole alone resulted in 39% (the difference between groups was significant, with $p<0.0001$). Secondary efficacy endpoint analyses showed that 1) the median duration of the ablation of HGD was 987 days in the PHOTOFRIN PDT group and 98 days in the omeprazole-only group; 2) the proportion of patients who progressed to oesophageal cancer was about twice as high in the omeprazole-only group compared to PHOTOFRIN photodynamic therapy group ($p=0.006$). Additional analyses showed that patients who failed to achieve a Complete Response in either group of patients had an approximately ten-fold higher risk of progression to cancer than patients who achieved a Complete Response.

8/6 **DIOMED HOLDINGS INC.** announced that on August 6, 2003, it entered into a Stipulation of Settlement in **Augenbaum** vs. Diomed Holdings, Inc., filed in the Delaware Chancery Court on July 28, 2003. The terms of the settlement agreed to by the Registrant required the adjournment of its 2003 annual meeting and the reconvening of its annual meeting during the late third quarter or early fourth quarter of 2003. At the reconvened annual meeting, the Registrant will seek the approval of its stockholders for certain matters relating to its contemplated financing and also for the matters that had been proposed for the annual meeting originally to have been held on July 29, 2003. The Registrant expects that it will complete a portion of the contemplated financing in the third quarter of 2003 and the balance in the fourth quarter immediately after the annual meeting has been held and the stockholders have given necessary approvals.

The matters that were to have been voted upon on July 29, 2003 included the election of directors, the appointment of the Registrant's certified public accountants, the approval

of the Registrant's 2003 incentive plan, the authorization of additional shares of common stock and the authorization of a reverse split. The Registrant anticipates that, at the reconvened annual meeting, it will seek the approval of its stockholders for the issuance of shares of its Common Stock to the investors that invest in its contemplated financing, as well as the issuance of Common Stock to the investors that provided an aggregate of $3,200,000 bridge financing to the Registrant in December 2002 and May 2003. Those bridge investors included **Gibralt US, Inc.**, which is an affiliate of the company, and two directors of the Registrant, including James Wylie, Jr., its president and CEO.

On August 5, 2003, in anticipation of the terms of settlement, the Registrant adjourned its 2003 annual meeting. The board of directors expects to set a new record date for the reconvened 2003 annual meeting within the next 45 days.

8/6 **The Lensgraf Clinic and Medical Center**, offering a full range of medical services and specializing in diagnosis and treatment for back-related problems, announced a non-surgical medical treatment for carpal tunnel syndrome, Du-light, a cold laser therapy machine (that operates at the same wavelength as the MicroLight 830, from **MicroLight Corporation**). "We're pleased to offer patients suffering from carpal tunnel syndrome an alternative to surgery," said Douglas Lensgraf, DC, CEO of The Lensgraf Clinic and Medical Center. "Many carpal tunnel sufferers have difficulty clenching their fists or grasping small objects. With an average of eight treatments, the patient's symptoms can be greatly alleviated and possibly eliminated."

Carpal tunnel syndrome affects more than 8 million Americans and is caused by an inflammation of the tendons that go through the carpal ligament as a result of repetitive actions with the hand or wrist. The inflamed tendons can also squeeze the medial nerve, causing pain, numbness and weakness. Carpal tunnel sufferers generally include musicians, dental hygienists, hairdressers, cashiers and those who work in hospitals and hotels who do a lot of pulling and stretching as well as those working on various types of assembly lines. The Du-light machine involves direct-to-skin application with a Cold Laser, the common term for a Low Level Laser Therapy (LLLT) device. It is considered cold laser because it will not increase the thermal temperature of what it is contacting. Treating one hand takes about 10-15 minutes.

"The patient generally feels no discomfort or sensation of heat," adds Lensgraf, "making this a very simple procedure. We encourage those suffering from carpal tunnel syndrome to check out this non-invasive option before contemplating surgery, particularly since many health insurance policies cover this low-level laser treatment."

8/7 **Axcan Pharma Inc.** announced operating results for the third quarter of fiscal 2003 ended June 30, 2003 (amounts are stated in U.S. dollars). The company reported revenue growth of 32% to $46.9 million and net income of $8.7 million, which represents $0.19 per share prior to one-time costs and related income taxes associated with the unsuccessful takeover bid for **Salix Pharmaceuticals, Ltd.** Net income this quarter was $6.3 million or $0.14 per share (basic income per share) after such costs are taken into

account. Net income also reflects a full quarter of interest expenses on the $125 million of convertible debentures issued on March 5, 2003.

"Continued growth witnessed in this quarter enhances our confidence that Axcan will meet or surpass the consensus estimates of revenues and net income per share," said Leon Gosselin, president and CEO of Axcan. "The strength of Axcan's balance sheet is such that we are in a position to execute several product in-licensing or acquisition deals by the end of calendar 2003."

8/7 **BIOLASE Technology, Inc.** announced that it and its independent accountants have decided to seek guidance from the SEC regarding the accounting affect of certain language in the company's purchase order forms. The language on the forms may impact when title to goods passes and the timing of revenue recognition. BIOLASE has consistently over the years recognized revenue upon receipt of purchase orders from its customers, shipment of its products and the satisfaction of other conditions contained in its revenue recognition policy as described in its SEC filings. Under a recent review of the company's standard purchase orders, a technical question has arisen as to whether revenue should be recognized upon shipment or upon receipt of payment.

In the event that the language in the purchase order forms causes a change in revenue recognition, the company may have to defer certain revenue recognized in prior periods. Since the company is experiencing a period of rapid growth, revenue and earnings for prior periods would likely be reduced from previously reported amounts and recognized in the subsequent quarters. The change would not eliminate revenue or affect reported operating cash flow, but would change how reported revenue and earnings are divided among reporting periods. The company has modified the language in question on its purchase order forms to eliminate the technical uncertainty surrounding the transfer of title and the ability of the company to recognize revenue upon shipment. Therefore, the company expects that, if a change in revenue recognition were required, it would result in a reduction in revenue for prior periods, one time positive impact on the third quarter 2003 revenue and earnings and no impact on revenue and earnings expected for the fourth quarter and beyond. Jeffrey Jones, BIOLASE president and CEO, stated, "The company remains focused on its business. We intend to proceed with our public offering when this matter is resolved and our registration process with the SEC is complete. Our cash flow and other economic fundamentals of BIOLASE are not affected by any of these interpretive issues."

8/7 **BriteSmile, Inc.** reported second quarter 2003 results that showed a significant improvement. Revenue for the second quarter of 2003 was $10.98 million, versus revenue for the second quarter of 2002 of $11.01 million, a slight 0.3% reduction. Net loss excluding non-cash deductions such as depreciation and accrued interest expense was $40,472 versus the previous year's second quarter loss of $1.4 million for a 97% improvement over the previous year. Loss per share was $0.88 for the second quarter 2003, versus a loss of $1.23 for second quarter 2002, or a 28.5% improvement over the previous year. Net loss for the quarter was $2.2 million versus a net loss of $3.0 million

or a 27.2% improvement over the previous year. The current quarter's net loss of $2.2 million included a $293,000 non-cash charge related to the relocation of the company's Houston Spa to a new strategic location in the Houston Galleria. Operating expenses in the second quarter of 2003 decreased $958,000 or by 6.9%, to $12.9 million from $13.9 million in the second quarter of 2002. Of particular note, SG&A expenses were down 13.2% compared with the same quarter of 2002 ($7.2 million vs. $8.3 million for 2002) reflecting a significant reduction in marketing expenses. Marketing is BriteSmile's largest single expense and the improvement this quarter is the result of the company's continued commitment to improving its marketing efficiency.

"In light of the difficult and uncertain economic climate, we are pleased with our progress," said John Reed, CEO of BriteSmile, Inc. "We anticipate consistent improvement in performance for the balance of 2003, continuing with tight expense controls and adding to revenue with new, innovative products including the recently announced Magic Mirror and BriteSmile To Go, an easy to use personal care whitening product."

8/8 **IMAGIN Diagnostic Centres, Inc.** is the general partner to a group which has acquired a strategic block position in excess of 10% of the non-control shareholdings of **Laser Rejuvenation Centers**, for the purpose of evaluating LRC as a potential reverse merger candidate. LRC is subject to an outstanding tender offer at Cdn. $0.155 per LRC share to expire on August 20, 2003 made by control party, Dr. Tom Woo who owns 426,074 or 24%. IMAGIN has requested and received a shareholders list and has called on the LRC independent committee of the Board to rescind the Pre-Acquisition agreement and to cause the lock-up agreement on 177,981 shares or 9.8% to become null and void. IMAGIN does not believe that the offer which puts a valuation of $281,000 on the entire company is fair or that independent Board members are truly independent. IMAGIN does not currently intend to tender into the Cdn. $0.155 bid therefore the statutory force out of minority shareholders will not be available to the current offeror. IMAGIN will solicit shareholders not to tender. IMAGIN is exploring opportunities in order to offer shareholders an alternate opportunity to the tender offer including the possibility of an IMAGIN tender offer at a higher price. No competing offer however is currently pending. IMAGIN's affiliate intends to acquire 360,000 shares or 19.9% of LRC, in open market transactions at prices above $0.155. IMAGIN contends that LRC with a tax loss carry forward of above $4 million and good standing as a fully-reporting listed company on the TSX Venture Exchange has a value in excess of the tendered-for price of Cdn. $0.155 per share which puts a value of only $281,000 on the entire company.

IMAGIN Diagnostic Centres, Inc. is a closely-held developmental stage company dedicated to being the leader in bringing PET ("Positron Emission Tomography") and PET/CT ("Computed Tomography") technology to Canadians. IMAGIN is negotiating joint ventures with private imaging centers and hospitals for the financing, installation and management of PET scan facilities across Canada. IMAGIN has a control position in Scans For Life, an early-stage marketing company focused on the patient acquisition

function for CT and PET scans in the USA. IMAGIN is negotiating various transactions in order to establish a foothold in multiple Canadian markets.

8/12 **Candela Corporation** announced that it expects shortly to report record revenues for its fourth fiscal quarter, exceeding both analyst estimates and its own previous guidance for the quarter. The company expects to report quarterly revenues in the range of $25 million to $27 million as compared to $20.8 million for the same quarter a year earlier. The company said that it expects to release detailed results after the close of market on Tuesday, August 19th. Gerard Puorro, Candela's president and CEO, commented: "Our fourth quarter was a banner quarter for us. We have delayed the issuance of a detailed press release and rescheduled our earnings conference call because our transition to a new internal computer system during the quarter has delayed our ability to close our financial statements and complete our audit as scheduled. We look forward to discussing our strong fourth quarter results next week."

8/12 **DUSA Pharmaceuticals Inc.** reported its corporate highlights and financial results for the second quarter ended June 30, 2003, including the hiring of an associate vice president, Sales, FDA approval of DUSA's new manufacturing facility and the addition of a new member to the Board of Directors.

Corporate Highlights

Building on the momentum of the numerous posters and presentations related to Levulan PDT at the *American Academy of Dermatology* annual meeting in late March, during the second quarter there was a near continuous stream of positive reports, articles, and presentations at meetings related to Levulan PDT for dermatology. The reports and articles (both peer reviewed and non-peer reviewed) in widely read dermatological publications, along with posters and presentations at scientific and educational meetings for dermatologists, have led to a significant increase in interest from dermatologists in the use of Levulan PDT. Although these are all very encouraging signs for future usage, actual sales for the quarter stayed flat at 1914 Kerastick units (vs. 1842 during the first quarter), as it is expected to take a number of months for this increased interest in our therapy to translate into increased sales. BLU-U placements also remained flat, ending the quarter at 323 units, vs. 324 at the end of the first quarter.

In order to help translate the increased level of interest into sales, DUSA has finalized its plans to implement a small regional sales force, beginning this fall. With this in mind, DUSA is delighted to announce the hiring of David Page, formerly vice president of Sales, Aesthetics Division of **Lumenis, Inc.**, as associate vice president of Sales, effective August 11, 2003. David brings more than 15 years of sales and sales management experience in the dermatology and aesthetics industries to DUSA, along with a track record of achieving strong sales growth in these markets. David will be responsible for the development and implementation of DUSA's new sales strategy. With success, DUSA plans to expand the sales force significantly during 2004.

DUSA also continues to make progress on reimbursement issues. For example, one of our goals has been to obtain universal coverage by private insurance companies, to supplement coverage already in place for Medicare patients. During the quarter, based on the increasing scientific evidence supporting the use of Levulan PDT, one major private insurer did agree to cover the therapy. We are now working with the remaining companies to provide them with the information that they require to implement coverage. We also continue working with CMS on issues related to the bundling of the drug costs into the procedure fee that occurred during the first quarter.

During the quarter, DUSA made some adjustments to our dermatology development strategy, based on recently completed market research. DUSA has decided to move forward with Phase II studies on both `Photodamaged skin' and `Acne', using our Levulan Kerastick applied to broad skin areas. In both studies, drug will be applied, followed by light treatment during a single patient visit. The planned Phase II studies will also, for the first time, use light sources already in doctors' offices in addition to DUSA's FDA-approved BLU-U light source. The market research also indicated that expanding our current AK labeling would be unlikely to significantly impact sales. Therefore, DUSA has decided that the previously planned Phase III studies for 'Broad Area AK' will not be carried out at this time.

The company is also delighted to announce the recent FDA approval of our new Kerastick manufacturing facility at our Wilmington, MA, offices. Although DUSA still has significant inventory built by our former contract manufacturer, this approval means that when demand becomes sufficient, we will be able to manufacture our product in-house. It also makes DUSA a vertically integrated pharmaceutical company. The company continues to support development efforts for Levulan PDT in the treatment of Barrett's esophagus dysplasia. A company-sponsored pilot Phase II study is being planned using Levulan PDT in the treatment of high-grade dysplasia, primarily to test our new, proprietary and user-friendly light delivery device in preparation for what we anticipate to be pre-pivotal Phase II trials. DUSA continues to seek a development and marketing partner for this indication.

The company also made some changes to its Board of Directors. During the quarter, Jay Haft was named chairman of the Board and lead director, succeeding Geoffrey Shulman, who remains as president, CEO and CFO. DUSA is also delighted to be able to announce the recent appointment of Magnus Moliteus, former president of **Pharmacia, Inc.**, to DUSA's Board of Directors. Magnus brings a wealth of pharmaceutical industry experience to DUSA. Simultaneously, the Board appointed Peter Chakoutis, DUSA's controller, as the company's principal accounting officer.

Financial Highlights:

DUSA's net loss for the three-months ended June 30, 2003 was $3.8 million (27 cents per share) as compared to a net loss of $3.4 million (25 cents per share) for the three months ended June 30, 2002. Revenues for the current quarter were $147,000 as compared to

$1.4 million in 2002. Revenues in 2003 were totally comprised of Kerastick product sales to end-users. Revenues in the comparable 2002 period were comprised of $56,000 in product sales, $496,000 of research grant and milestone revenues, and $878,000 of co-development revenue earned under our collaboration agreement with our former marketing and development partner. Total research and development costs were $1.4 million for the three months ended June 30, 2003, compared to $3.4 million in the prior year period. The decrease in 2003 is mainly attributable to lower clinical trial expenditures for dermatology projects, as DUSA has delayed its warts and onychomycosis projects that were co-sponsored with its former marketing and development collaborator. During the current quarter, DUSA incurred marketing and sales expenses of $533,000 as we commenced certain initiatives in 2003 following the re-acquisition of the rights to our dermatology products. In the prior year period, all marketing and sales expenses were the responsibility of our former partner. Total other operating expenses for the current quarter were $1.7 million, as compared to $1.5 million in 2002. This increase was caused by significantly higher legal expenses, primarily related to the challenge to our Australian patent and associated issues, offset, in part, by lower staffing costs in 2003 due primarily to employee separations during 2002. It is expected that general and administrative costs will remain elevated as long as the patent dispute continues.

Interest income for the three-months ended June 30, 2003 was $527,000, as compared to $785,000 for the same period in 2002. This decrease is mainly attributable to lower investable cash balances in support of DUSA's operating activities, and lower yields. As of June 30, 2003, total cash, cash equivalents, and United States government securities were approximately $45.0 million, and long-term debt including current maturities was $1.7 million.

8/12 **Diomed Holdings** announced the publication of a new study that shows excellent long-term results for the removal of varicose veins caused by reflux of the great saphenous vein. The study conducted by Dr. Robert Min, Director of Cornell Vascular in New York and Vice-Chairman of Radiology at Weill Medical College of Cornell University, entitled "Endovenous Laser Treatment of Saphenous Vein Reflux: Long-Term Results," appears in the August issue of the *Journal of Vascular and Interventional Radiology*. Co-authors for the study include Neil Khilnani of New York and Steven Zimmet of Austin, Texas. Dr. Min is a paid consultant to Diomed and has licensed the treatment to Diomed. He assists Diomed in physician training and in the development of medical treatments using EVLT.

The data presented in the study shows that minimally invasive laser treatment of varicose veins has a high long-term success rate, low complication rate and rapid recovery. The Cornell study included 499 limbs with varicose veins treated by EVLT over a three-year period. Patients were evaluated clinically and with duplex ultrasound scans at 1 week, 1 month, 6 months, 12 months, 24 months, and 36 months to assess efficacy and adverse reactions. Successful occlusion of the great saphenous vein (GSV) after initial treatment was 98.2% and at 2 year follow-up 93.4% remain closed (113 of 121 limbs followed for

2 years). Importantly, all recurrences occurred prior to 9 months with the majority noted less than 3 months following endovenous laser treatment.

According to Dr. Min, "EVLT is an outpatient procedure that offers many benefits including little to no pain, no need for general anesthesia, no scars, less cost and rapid recovery times compared to traditional surgery," Min, an Interventional Radiologist went on to say, "the procedure takes less than an hour and people can return to normal activity almost immediately."

In this study there were no reports of skin burns, no abnormal nerve sensation and no deep vein clots. In comparison, traditional surgery (ligation and stripping) often requires general or spinal anesthesia and can take up to 4 weeks for full recovery. Pain, bruising and scarring are also common. "Even when you remove the vein with surgery there is a 10 to 25% chance of recurrence. We have less than a 7% recurrence rate with this much less invasive procedure," said Dr. Min. The results in this study also show EVLT to be comparable or superior to those reported for other options available for treating GSV reflux, including ultrasound guided sclerotherapy, and radiofrequency ablation.

The EVLT procedure costs about $2,000 to $3,000 per leg. Because many varicose veins result from a medical condition known as venous insufficiency, insurance reimbursement may be available to cover the cost of treatment.

8/13 **Microwave Medical**, in an SEC filing, announced that it was incorporated under the laws of the state of Nevada on December 4, 1997 as a subsidiary of **Dynamic Associates, Inc.**, and was in the business of manufacturing and selling our primary product, the MW 2000. The company also was in the business of designing and developing microwave technologies for dermatological applications. Due to its financial condition and filing for bankruptcy, it has written off its entire inventory and currently has no business activities.

The company went on to describe its current condition:

Reverse Stock Split -- Currently our operations are at a standstill and we wrote off our entire inventory. In addition, we have issued a total of 99,822,443 out of 100,000,000 authorized common shares and are therefore unable to issue additional shares without increasing the authorized shares or reducing the total issued shares through a reverse stock split. Management has determined that it must seek additional funding or other business relationships such as a merger or reverse acquisition in order to proceed with an active business operation. While no such relationships or funding have been identified as of yet, management believes that the currently large number of issued and outstanding shares will effect the consummation of any such relationship and that a smaller number of issued and outstanding shares will assist in management's attracting of funding sources and merger partners on terms that will be more beneficial to us.

We filed a Schedule 14A and called a shareholders meeting for December 2, 2002, in part, to seek shareholder approval for a reverse split on a basis of one share for every 25 presently outstanding. As a result of insufficient votes, the meeting was canceled and no approval was obtained. The board is now proposing that the company's common stock undergo a reverse split on a basis of one share for every 500 shares presently outstanding in order to make the corporation more attractive as a target for a merger or reverse acquisition and to allow the company to offer its stock to investors. Shareholder approval of this reverse stock split will effectively reduce the number of shares held by each shareholder as well as the total number of shares outstanding. The percentage of outstanding shares owned by each shareholder prior to the proposed split will remain the same. We are planning to file a new amended preliminary Schedule 14A in contemplation of this reverse split in order to have a new shareholders meeting in the third or fourth quarter of 2003 to decide this action.

Plan of Operations -- We currently have no business activities. Unless we can secure financing, we will not be able to restart our operations. With the economic downturn, we have been unable to raise additional capital from outside sources and management is unaware of any reasonable prospects for financing. We are in the process of evaluating other business interests.

Assets -- Our total assets as of June 30, 2003 were $115, compared to total assets in the amount of $937 on December 31, 2002. Our only asset is cash in the amount of $115. Unless we can secure financing, we will not be able to restart our operations. With the economic downturn, the company has been unable to raise additional capital from outside sources and management is unaware of any reasonable prospects for financing.

8/13 **Spectranetics Corporation** announced that the FDA had approved a labeling change for its excimer laser coronary atherectomy (ELCA) catheters that allows individualization of use for treatment of patients with acute myocardial infarction (AMI), acute thrombosis, or ejection fraction less than 30%. Under the new labeling, patients with these clinical conditions can be treated with the laser after individual consideration by their doctor. The FDA approved the new labeling in response to a Pre-Market Approval (PMA) Supplement submitted on February 10, 2003.

The approved labeling changes relied on both research and clinical studies data. Among the clinical studies was the CARMEL registry, a cohort of 151 heart attack patients treated at eight international sites. This study analyzed the application of the excimer laser as a revascularization tool for patients with AMI. The laser was applied to the infarct related artery for purposes of clearing the obstructive atherosclerotic plaque and associated thrombus. The investigators noted a high procedural success rate combined with a low rate of complications. Comprehensive details regarding the results of the study are scheduled for presentation at the upcoming *TCT Conference* in Washington, D.C. on September 15, 2003.

Dr. On Topaz, Professor of Medicine (Cardiology) and Pathology at the Medical College of Virginia, Virginia Commonwealth University, Richmond, Virginia, and CARMEL Principal Investigator, commented, "There is considerable evidence stemming from clinical studies and basic research clearly pointing to the ability of the excimer laser light to successfully remove thrombus from target lesions in the settings of acute myocardial infarction and unstable angina. Similar observations are made in the treatment of patients with peripheral atherosclerotic vascular disease. The cumulative data and experience in thrombus-laden lesions supports further investigation of the utilization of the excimer laser for other areas within the vascular system, including saphenous vein grafts and selective patients with acute stroke."

"The labeling change approved by the FDA is an important first step towards our goal of becoming the standard of care for the treatment of thrombus-laden lesions," stated John Schulte, president and CEO of Spectranetics. "At least 750,000 people in the United States each year experience a heart attack and we believe approximately 200,000 of these patients are treated with percutaneous catheter interventions. We plan to expand our clinical research in this area by initiating a prospective, multi-center clinical registry to study the use of our technology to treat AMI."

8/18 **Diomed Holdings, Inc.** announced FY2003 financial results for the second quarter and year-to-date. Revenue for the quarter was $2.1 million, compared to $1.2 million for the same period in 2002. Revenue for the six-month period was $4.3 million, compared to $2.1 million for the same period in 2002. The increase in revenues was primarily due to the commercialization of EVLT for the treatment of varicose veins. Gross profit for the quarter was $0.9 million, compared to $0.1 million for the same period in 2002. Gross profit for the six-month period was $1.6 million, compared to a loss of $0.1 million for the same period in 2002. This increase was driven by increased sales volume and resulting fixed manufacturing cost leverage.

Research and development expenditures for the quarter principally remained unchanged at $0.2 million compared to the same period in 2002. Research and development expenditures for the six-month period remained largely unchanged at $0.4 million compared to the same period in 2002. Selling and marketing expenses for the quarter ended June 30, 2003 were $0.9 million compared to $0.7 million for the same period in 2002. Selling and marketing expenses for the six-month period were $2.0 million compared to $1.1 million for the same period in 2002. The increase was driven by the cost of the company's continuing efforts to move to a direct sales model and its increased investment in marketing initiatives to support the commercialization of EVLT. In fiscal 2003, the company anticipates continued investment in sales and marketing programs to support the aggressive commercialization of EVLT.

Between December 2002 and May 2003, the company obtained $3.2 million of bridge financing from **Gibralt US, Inc.**, an affiliate of one of our directors, Samuel Belzberg, and two of our other directors, James Wylie, Jr. and Peter Norris. In order to fund its operations in 2003, the company will need to obtain additional debt or equity financing

and, as an additional option, put in place a credit facility to support the company's commercialization of EVLT. The company anticipates it will have access to additional funding sources and has entered into discussions that it believes may lead to a long term financing transaction during the second half of 2003.

8/19 **Candela Corporation** announced that sales for both its fourth fiscal quarter and it full fiscal year ended June 28th produced record revenues. For the fourth fiscal quarter, the company recorded revenues of $26.4 million compared to $20.8 million for the same quarter a year earlier -- a 27% increase. For the full fiscal year, the company posted revenues of $80.8 million versus $61.5 million a year earlier -- a 31% increase. Candela also reported that profits for the quarter were $3.0 million (28 cents per share) compared to $500,000 (5 cents per share) for the same quarter a year earlier. Profits for the year were $6.8 million (66 cents per share) versus a loss of $2.2 million (21 cents per share) last year. Gerard Puorro, Candela's president and CEO, commented: "The fourth quarter put an exclamation point on a solid turnaround year. The momentum we are seeing comes from our "best in class" products across all of our geographic markets. Despite difficult economics across the globe, we are seeing growth in the markets we serve and we are taking market share from others. Of special note, our Smoothbeam product grew as a percentage of sales and is gaining momentum in the marketplace. Outside of the laser business, our only remaining spa in Boston struggled during the year, and was unable to turn a profit. We are examining that business to determine appropriate alternatives to facilitate a change. Lastly, we remain optimistic that our "best in class" products and solid distribution channels will allow us to continue to grow the business."

8/19 Gloria Lau of *Investor's Business Daily*, wrote about Candela in her piece entitled, "Medical Gear Maker Lasers In On Boomers". She wrote in part, "Baby boomers might not like the fact that they're aging, but medical companies thrive on it. Aging Americans need more drugs, more surgery and more help to keep them looking young and fit. That's good news for laser-manufacturing companies such as Candela Corp. Candela makes lasers that reduce the appearance of wrinkles and other such ghastly things. It's a good time to be in the business, given the obsession some baby boomers have with looking good. "The baby boomers represent 29% of the U.S. population, and their spending on cosmetic procedures has been growing about 10% a year," said analyst Dalton Chandler of **Needham & Co.** He estimates that Americans spend around $10 billion a year on cosmetic procedures.

Candela's flagship product is its GentleLase laser, used to remove hair, lesions and wrinkles. The device comes in several versions, which cost around $60,000 apiece. Each laser comes with a disposable cooling device that cools the site of the laser application, reducing patient discomfort during the procedure. The devices provide a recurring revenue stream because doctors have to keep buying them...Candela markets its products directly to doctors. It targets electrologists and dermatologists in the U.S., as well as those in 54 other countries. For doctors, offering cosmetic procedures rather than just traditional insurer- or government-funded medical services fattens the pocketbook. That's because most insurers won't pay for cosmetic procedures. Patients pay by cash, check or

credit card, and doctors don't have to go through the usual reimbursement headaches. "The out-of-pocket nature of payment for cosmetic procedures is becoming more appealing to medical practitioners," analyst Chandler said.

8/19 **Norwood Abbey Ltd.** announced that the manufacture of the first batch of its Laser Assisted Delivery (LAD) Device has commenced and is progressing to plan. Upon completion of the first batch of units before the end of August, Norwood expects that these devices will be delivered to both its U.S. and Asian Distributors. As reported previously, the manufacturing of the LAD device has been outsourced to **LightMed Corporation** in Taiwan. Norwood's Quality and Engineering staff has been in Taiwan assisting the LightMed Team in setting up the procedures for routine manufacture of the product. As a result, the technology and manufacturing transfer to LightMed has been completed successfully.

LightMed is an international medical device company based in Taiwan, with its foundation in the medical instrumentation manufacturing field. It is a registered manufacturing establishment with the FDA and has extensive experience in the manufacture of medical devices, including 15 years' experience in laser products. LightMed is an ISO13485 approved company as well as having a U.S. Federal Code of Regulation 21CFR820 approval.

Norwood Abbey further announced that it has appointed **MedNet International** as its commercial partner for Asia Pacific. Taiwan-based MedNet International has extensive experience in the region in the sales and marketing of medical products, specifically in the area of medical lasers. The countries included in this agreement are China, Taiwan, Korea, Thailand, Singapore, Indonesia, Malaysia and India. Additional countries may be added to this agreement at a later stage. The role of MedNet International is to manage all aspects of the sales and marketing of Norwood's Laser Assisted Drug Delivery (LAD) product for the local anesthesia application in the defined countries.

Norwood's Director of Marketing, Bernie Romanin, stated, "We are very excited to have MedNet International as our partner for Asia Pacific. They have extensive knowledge of the region and have existing distributors of medical products that can sell the LAD products. Additionally, Norwood's U.S. FDA 510(k) clearance will be a key element for achieving specific country regulatory clearance." It is expected that the first LAD products will be shipped to Asian distributors during September 2003.

8/20 **Trimedyne, Inc.** reported a net profit of $311,000 (2 cents per share) on revenues of $1.5 million for the quarter ended June 30, 2003, compared to a net loss of $287,000 (2 cents per share) on revenues of $1.9 million for the quarter ended June 30, 2002. Net profit for nine months ended June 30, 2003 was $828,000 (6 cents per share) on revenues of $4.8 million, compared to a net loss of $1.1 million (8 cents per share) on revenues of $5.4 million for the nine months ending June 30, 2002. This is the company's third, consecutive, profitable quarter. The company's R&D, sales and G&A expenses were significantly lower in the current quarter and nine month period, as a result of its having

completed the development of certain of its products and management's aggressive cost control efforts. During the current quarter, the company made a provision for income taxes of $17,000, which is reflected in the above financial results.

During the quarter, net revenues were $1.5 million as compared to $1.9 million for the same period of the previous year, a $399,000 or 21% decrease. Net sales from lasers and accessories decreased by $547,000 or 70% to $240,000 in the current quarter from $787,000 in the prior year quarter. This decrease was the result of an decrease in both domestic and export sales during the quarter. Net sales from delivery and disposable devices increased by $51,000 or 6% to $880,000 in the current quarter from $829,000 in the same quarter of the prior year. Net sales from service and rental increased by $97,000 or 35% to $377,000 from $280,000 for the same quarters. This increase is primarily due to an increase in service related revenue, which includes sales of service contracts and service parts along with billable service calls. Cost of goods sold was 43% of net sales in the third quarter of fiscal 2003 compared to 49% for the third quarter of fiscal 2002. This decrease was primarily a result of higher margins obtained from the sale of refurbished and fully depreciated lasers from demo inventory along with an increase in sales of delivery systems which carry a higher profit margin.

8/20 **The Spectranetics Corporation** announced that the FDA had set the date of October 2, 2003 for a Circulatory System Devices Advisory Panel review of the company's Pre-Market Approval (PMA) Supplement based on its LACI (Laser Angioplasty to treat Critical Limb Ischemia) pivotal trial. John Schulte, president and CEO stated, "A panel review of the LACI trial data was expected and is consistent with the FDA's published guidelines for new indications. Given the strength of the data we submitted, we are hopeful that when the panel reviews the LACI data, it will recommend approval. In light of this established panel date, we are growing more confident that if approved, we will be positioned to market our products for the LACI indication by year end."

Critical Limb Ischemia (CLI) is the most severe manifestation of atherosclerotic disease of the lower extremities. Approximately 15-30% of patients with lower extremity arterial disease will progress from intermittent claudication (leg pain) to CLI over the course of their disease. This translates to an estimated population of between 1.5 and 2.0 million CLI patients in the United States and Europe, which represents an estimated addressable market for the LACI indication that is in excess of $300 million annually. CLI is associated with multi-level arterial disease in the thigh all the way down to the arteries near the ankle and is dominated by occlusions (total blockages) rather than stenoses (partial blockages). The extent and location of the disease make arterial reconstruction, including surgery and balloon angioplasty, difficult. The LACI trial showed that CLI patients who were poor surgical candidates can be successfully treated with laser assisted therapy. The primary endpoint of six-month survival with limb salvage was achieved in 93% of the limbs (legs) treated, compared with 87% in the control group. Additionally, surgery was performed in 2% of the LACI group compared with 34% in the control group.

8/20 According to Mike Moretti of **Medical Insight Inc.**, topical photodynamic therapy (PDT), non-ablative skin rejuvenation, and acne treatment using lasers, pulsed light, radio frequency and PDT were among the presentations at the advanced symposium on *Controversies and Conversations in Cutaneous Laser Surgery*. The meeting, held in Gleneden Beach, Ore. during August, attracted nearly 40 faculty, including some from Europe and Asia.

"The setting was provocative, collegial and entirely interactive," said co-course director Kenneth Arndt, MD, president of SkinCare Physicians of Chestnut Hill, in Massachusetts. Arielle Kauvar, MD, director at New York Laser and Skin Care in New York City, was one of four presenters on acne treatments. "Acne is a global problem that affects approximately 80% of people," Dr. Kauvar noted. "Millions and millions of dollars are spent each year on pharmaceuticals to treat this disorder. But a lot of the topical therapies are not particularly effective, and the systemic therapies, including long-term use of oral antibiotics and Accutane, carry risks of significant adverse side effects." In contrast, device-based treatments for acne "are not systemic therapies and the risk of adverse effects is extremely low," Dr. Kauvar said. "I don't think anyone can say at this time which technology is best for treating acne. Ultimately, I believe a combination of various devices or treatment techniques may prove to be the most effective." Dr. Kauvar also believes that using devices to treat acne "is the beginning of an emerging field of attempting to use devices for treatment of inflammatory disorders."

Christopher Zachary, MD, a clinical professor of dermatology at the University of California, San Francisco, was a presenter in three topics: "Non-Ablative Skin Rejuvenation: Where's the Beef?," "Is Intense Pulsed Light Any Better Than Lasers?" and "Laser Safety: Will Eye Injuries Spell the End of Laser and Light Therapy?" "From my viewpoint, it would be nice to be clear about the outcomes of non-ablative rejuvenation," Dr. Zachary said. "But in practice, there is no clarity. It is very confusing." And as for intense pulsed light (IPL) being superior to laser, "contrary to popular opinion, it is quite possible that multiple wavelengths may contribute to more enhanced results than single wavelengths," Dr. Zachary said.

Furthermore, eye safety needs to be brought to the forefront. "This is definitely a problem," Dr. Zachary stated. "Every year, multiple eye injuries - both anterior and posterior - occur, causing significant visual disturbance which is often permanent." One challenge in addressing ocular safety with lasers and light sources is a lack of information. "Most information comes from the armed forces because they are so good at documenting complications. Complications from individual physicians are less obvious because by and large we tend not to publish our complications, but rather our successes." Dr. Zachary advocates that physicians become more diligent about reporting eye injuries when using lasers and light sources. Overall, "by attending this meeting, I'm likely to get to the truth of the matter. At major meetings, the truth is often obscured," he said.

"This is one of the most useful conferences that exist," added Dr. Kauvar. "There is a free interchange of information among physicians, nurses and industry personnel. People can put their heads together and come up with new ideas and concepts."

MEDICAL/SURGICAL LASER UPDATE -- September 2003

8/26 **BIOLASE Technology, Inc.** provided an update to its press release of August 7, 2003 in which it announced that it was seeking the guidance of the SEC on a technical matter involving its purchase order forms and their possible effect on revenue recognition. The company has submitted a request to the SEC as it said it would do to clarify the revenue recognition issue and has been in communication with the SEC on the matter. The company expects to receive a response this week.

The company will be able to file its Quarterly Report on Form 10-Q once it resolves the matter and is able to determine whether or not it will adjust prior period financial reports.

As stated in its press release of August 7, the company anticipates that, if any prior period adjustment of financial reports due to revenue recognition is needed, the effect would likely be to shift revenue and earnings from prior periods into subsequent periods due to the company's growth. Because the underlying language in the business forms that raised the accounting question has been eliminated, the company also anticipates that the revenue deferral would reverse this year, providing a one-time positive impact. Jeff Jones, president and CEO, stated: "We believe getting direction from the SEC on this matter was the right course of action. Unfortunately we will not be able to complete our filings for both the second quarter and for our public offering until we get resolution. We appreciate the patience of our stockholders during this time and want to assure them that we have been and will continue to do everything we can to expedite the process."

8/27 For the one in five Americans who suffer from the pain, discomfort and embarrassment of varicose veins, the minimally invasive laser treatment known as ELVS is a welcome quick fix with effective long-term results. Introduced by **AngioDynamics Incorporated**, the ELVS (Endovascular Laser Venous System pronounced "Elvis") treatment is a 45-minute outpatient procedure using only local anesthesia -- you can literally walk home after the treatment. The ELVS system has received FDA clearance and offers a safe and non-surgical alternative to the painful and time-consuming techniques of surgical ligation and vein stripping. ELVS also has proven results (a 93% long-term success rate) without lengthy recovery of these traditional treatment options.

Varicose veins develop when valves of the veins are damaged, weakened or stretched, which prevents the veins from keeping the blood flow in one direction against gravity toward the heart. Blood pools in the legs, and pressure builds up in the veins. This causes the veins in the legs to enlarge and become twisted, thus more visible under the skin's surface. Varicose veins are not just a cosmetic problem; their enlargement can cause severe pain, swelling and itching.

The procedure involves a doctor making a small nick in the skin around the knee and inserting a thin laser fiber into the vein. The laser heats up the diseased vein shrinking it and sealing it shut to allow for normal blood flow to the healthy veins. The accuracy and precision of the laser's energy enables patients to resume activity immediately and see results quickly without scarring, sutures, hospital stay, lengthy recovery, or the risk of surgical complications.

8/28 **CardioGenesis Corporation** announced that it had submitted additional information to the FDA in support of the Premarket Approval (PMA) Supplement for the Axcis PMR System. According to chairman and CEO Michael Quinn, the company had submitted the new information to the FDA in accordance with an agreement in which the agency and the company agreed to defer a previously scheduled meeting of the Medical Devices Dispute Resolution Panel (MDDRP) and undertake an interactive FDA review of this additional data and information. The company and FDA have agreed to work closely during the agency's review of this submission, which is likely to take about eight to 10 weeks. If the dispute is not resolved, a hearing before the MDDRP remains an option.

The CardioGenesis PMR system, developed as a less-invasive, catheter based version of its FDA-cleared TMR system, has been under evaluation in pivotal human clinical trials since 1997. The current PMA application was filed with the FDA in December 1999 and amended in July 2002. The new information provided this week responds to the reviewing division's non-approvable determination from late last year.

8/29 **BIOLASE Technology, Inc.** announced that, based upon guidance from the Securities and Exchange Commission received on August 28, the company will amend previously issued financial statements to account for timing differences in revenue recognition. Accordingly, prior-period financial statements will be adjusted to recognize revenue when payment was actually received rather than when products were shipped. While this will reduce revenue and earnings for prior periods, the company expects the effect of these changes will be offset by a one-time positive impact on third quarter 2003 revenue and earnings, and that there will not be any impact thereafter, because BIOLASE has now modified the language in question in its purchase order forms to allow revenue recognition upon shipment.

Jeffrey Jones, BIOLASE president and CEO, stated, "We are simply glad to put this matter behind us and move on. The timing of the issue was unfortunate in that it has delayed our public offering. We will also incur heavier than normal professional fees, which we are estimating will be less than $500,000, in the third quarter as a result of our efforts to resolve this matter. However, this issue has not affected the economic fundamentals of our business. As soon as these changes to our filings are made, we intend to complete the registration process and our public offering as planned."

9/2 **MedicalCV, Inc.**, a Minnesota-based cardiothoracic surgery device manufacturer, announced it had signed an agreement to acquire a technology platform for the treatment of atrial fibrillation (AF) from **LightWave Ablation Systems, Inc.**, a private

research-based corporation focused on new devices for the treatment of cardiovascular diseases. Terms of the agreement were not disclosed.

"The acquisition of the LightWave technology adds an important platform to our technology portfolio for the cardiothoracic surgeon," said Blair Mowery, MedicalCV's president and CEO. "LightWave's technology is unique and has the potential to allow surgeons to deal definitively and simply with patients suffering from a wide variety of conditions and potentially, even the most difficult forms of atrial fibrillation. It is also consistent with our desire to provide front-end solutions to reduce the incidence and severity of congestive heart failure."

Atrial fibrillation is the most common irregular heart rhythm condition among the U.S. population, and is a significant worldwide, healthcare challenge. Atrial fibrillation is one of the major precursors to congestive heart failure and can be partially traced to concomitant damage to the heart from a heart attack and/or diseased valves, all of which can create an enlarged heart and inappropriate electrical signals.

"We believe our technology represents the next generation of therapy for soft tissue ablation," said Dr. Gregory Brucker, LightWave's president and CEO. "It fits well with MedicalCV's commitment to developing a comprehensive cardiac surgery program for dealing early with problems that lead to congestive heart failure."

There are approximately 5.5 million people worldwide afflicted with atrial fibrillation. This includes approximately 25 percent of the 200,000 valve replacement patients and approximately 10 percent of the additional 1.2 million open heart patients, who would be candidates for a surgical approach to AF treatment. This market is expected to grow to over $100 million annually by 2008. A minimally invasive surgery technique could balloon the market to a total revenue size of over $250 million by 2008. Near-term, MedicalCV plans to investigate several minimally invasive approaches which could open this significant opportunity for the company. "LightWave's surgical ablation system represents a new growth opportunity for our organization and will leverage MedicalCV's relationship with cardiac surgeons," said Lawrence Horsch, MedicalCV's chairman of the board of directors. "LightWave's technology will add a surgical solution to many conditions surgeons face on a regular basis in their practice, particularly when they are doing valve replacement and valve repair. This move to acquire some very sophisticated technology is consistent with our long-range growth strategy."

(We have learned that this is laser-based technology, but have not as yet learned what type of laser is used and if this technology differs from that of **CardioFocus, Inc.**, who is developing a diode atrial fibrillation laser, and was acquired earlier this year by **Edwards Lifesciences Corporation**.)

9/2 **Diomed Holdings, Inc.** announced that it had executed definitive agreements for $21.3 million in equity financing in a private placement offering. The agreements provide for an immediate infusion of $6.5 million in convertible debt that will convert into common

stock later this year following stockholder approval of the issuance of the underlying common shares. At that time, the company will draw down the remaining $13.6 million which has been placed in escrow by the investors.

"This financing leaves the company extremely well positioned to fund key sales and marketing initiatives, launch an aggressive intellectual property strategy, and retire existing debt," said James Wylie, president and CEO of Diomed. "This is the largest capital raise in Diomed's fourteen year history and was accomplished in an extremely difficult financing climate. We are particularly pleased with the participation by a significant number of top medically-oriented institutional investors, confirming the market's belief in the company's solid growth potential."

"Under the terms of the financing, we will be adding three new directors to what we believe is already a very solid Board," stated Geoff Jenkins, Diomed's chairman. "Diomed has already received recommendations for several highly regarded candidates from new investors, and looks forward to completing the nomination process. The new directors will join the Board after we complete stage two of the financing."

"Given the company's ongoing commitment to its stockholders, we intend to provide existing stockholders the right to invest alongside the new institutional investors in this exciting opportunity," Wylie added. "We expect to offer our stockholders the right to purchase common stock at the second stage financing price of 10 cents per share on a pro rata basis with common stock they held as of the record date, August 29, 2003."

The company also announced that it had entered into definitive agreements to acquire exclusive rights to U.S. Patent No. 6,398,777 and foreign counterparts covering the endovenous laser treatment of varicose veins from the five inventors of the procedure. "Acquisition of exclusive rights to this leading edge technology will be an enormous accomplishment for our company," said James Wylie. "With this new proprietary position, Diomed emerges as the clear leader in minimally invasive varicose vein treatment."

It is estimated that between 25-40 million Americans suffer from venous insufficiency. EVLT represents the next generation of minimally invasive treatment of varicose veins. The procedure takes less than 45 minutes without the need for general anesthesia or hospitalization, and patients experience only minimal discomfort with no scarring. Published clinical studies indicate that EVLT has greater than a 93.4% long-term success rate, and is superior to surgery and alternative technologies used for the treatment of varicose veins.

John Welch, vice president of Marketing added, "Patients and physicians alike will benefit from the knowledge that they will be buying a fully integrated system upon which the vast majority of published clinical data is based. The company's EVLT system has been successfully used in more than 5,000 procedures since the FDA granted clearance

for this procedure in January 2002. We expect this number will exceed 10,000 by the end of 2003."

In a final comment, Wylie went on to say, "Our recently announced $21.3 million financing has enabled us to complete this exciting exclusive technology acquisition and position the company to participate with the medical community in the advancement of vein disease management while concurrently building shareholder value." Diomed is completing its consolidation of the exclusive rights to the patent through two separate but coordinated transactions. Diomed is purchasing patent rights from Dr. Robert Min, one of the inventors, with whom the company currently holds a non-exclusive technology license and an exclusive marketing and promotional agreement. The company is simultaneously effecting an exclusive patent license with the remaining four inventors, led by Dr. Luis Navarro, through their business, **Endolaser Associates, LLC.** Details of the transactions were not disclosed.

9/3 **BriteSmile, Inc.** announced the company's move to expand its successful, dentist-run Spa model in the United States. BriteSmile plans to open an additional eight to ten new Spas in the next 18 months. Leveraging BriteSmile's unique teeth whitening Spa model and the great success of its existing New York Spa on West 57th Street, BriteSmile will initiate its expansion with the opening of a new Spa in the heart of downtown New York's Soho shopping district. The Spa will be located at 131 Prince Street, between Wooster Street and West Broadway. The Soho Spa is expected to open by the end of the calendar year. "We are very excited at our ability to expand our successful spa model and at having an exciting new dynamic location to offer our procedure and products through," said John Reed, BriteSmile CEO. "We look forward to opening our new Spa in Soho and continuing to provide the best in a professional teeth whitening spa experience."

9/9 Many heart patients, suffering from angina, have previously received a variety of treatments including coronary artery bypass surgery, angioplasty and medications. For those patients who continue to have heart pain, a therapy has emerged -- carbon dioxide (CO_2) Transmyocardial Laser Revascularization (TMR). The CO_2 TMR system, which is manufactured by **PLC Systems Inc.** and distributed by **Edwards Lifesciences Corporation**, achieved a clinical milestone with the announcement of the 10,000th patient treated using the PLC's CO_2 Heart Laser technology.

Dr. Michael Banbury, a cardiac surgeon from The Cleveland Clinic Heart Center, commented on the angina relief therapy, "CO_2 TMR has emerged as a solution for some angina patients. Patients' lives have been extended through the innovative technologies of bypass grafting, angioplasty and stenting. However, the progression of coronary artery disease has not been halted and it does continue. There is a need for other therapies to help this patient population. Our experience is that angina patients can truly benefit from the CO_2 TMR therapy. This proven angina relief technology is an additional tool that cardiac surgeons can employ in the treatment of coronary artery disease."

Today, in the United States, more than six million heart patients suffer with angina. Angina is the clinical name for the heart and chest pain or discomfort that occurs when the heart does not receive enough oxygen-rich blood. This happens when the heart's arteries become partially blocked or narrowed by the accumulation of plaque. The narrowing of these arteries is called coronary artery disease. When angina patients are working hard or just walking, the heart needs more blood. With the narrowing of the coronary artery oxygenated blood has difficulty reaching the heart. At this point, the body signals that there is a problem by producing the heart and chest pain, which is called angina. This pain may limit an angina patient's ability to participate in simple daily activities, and can substantially reduce a patient's quality of life.

During the CO_2 TMR procedure, a cardiac surgeon utilizes a CO_2 laser to create approximately 20 to 40 channels through the wall of the heart (myocardium) to promote increased blood flow into previously deprived areas of the myocardium. It is believed the creation of TMR channels promotes angiogenesis, the development and formation of new blood vessels. In clinical studies, TMR has demonstrated a reduction in angina and an improvement in quality of life. In fact, the CO_2 TMR therapy has demonstrated long-term (five-year) angina relief in severely debilitated heart patients.

"When you consider the journey that PLC and CO_2 TMR has traveled; treating 10,000 angina patients with PLC's CO_2 Heart Laser is a great achievement," stated Mark Tauscher, president and CEO of PLC Systems. "Putting this milestone into perspective, our first angina patient was treated in 1990. From that early beginning, PLC initiated the clinical trials necessary for FDA approval, which was achieved in 1998. As TMR has evolved, so has PLC's business model. In 2001, we made the strategic decision to partner our CO_2 Heart Laser technology with Edwards Lifesciences. The combination of these steps has enabled PLC to position CO2 TMR as a standard of care for angina patients."

PLC ended the second quarter of 2003 with 143 CO_2 Heart Lasers located at heart centers throughout the United States.

9/10 **DUSA Pharmaceuticals, Inc.** reported that it received 510(k) marketing clearance from the FDA for the BLU-U Blue Light Photodynamic Therapy Illuminator Model 4170, which allows DUSA to market the BLU-U as a stand alone device for the treatment of dermatological indications, and specifically for the treatment of moderate inflammatory acne vulgaris. The BLU-U has previously received FDA approval for use in conjunction with the Levulan Kerastick (aminolevulinic acid HCl) for Topical Solution, 20%, for the treatment of non-hyperkeratotic actinic keratoses of the face or scalp.

Many factors contribute to the cause of acne. Propionibacterium acnes is a bacterium normally present in human sebaceous glands that plays an important role in the development of acne. In vivo and in vitro studies have shown that these bacteria produce endogenous porphyrins that, when activated by blue light, result in a photodynamic effect that kills the bacteria. The BLU-U utilizes patented, proprietary technology to deliver uniform narrow-band blue visible light that efficiently activates these bacterial

porphyrins. DUSA also markets the BLU-U together with the Levulan Kerastick (aminolevulinic acid HCl) as part of a simple two step photodynamic treatment designed to treat actinic keratosis lesions on the face or scalp. After application, Levulan is absorbed and converted into a potent photosensitizer, protoporphyrin IX, which is then activated by the BLU-U. Photodynamic therapy (PDT) with Levulan is attracting significant interest in the dermatology community.

"This is an exciting additional clinical application for the BLU-U," stated Mitchel Goldman, MD, Associate Clinical Professor of Dermatology, University of California, San Diego and Medical Director at Dermatology/Cosmetic Laser Associates in La Jolla, California. "Many patients and parents have been seeking a cost-effective alternative approach to oral and topical prescription drugs for moderate inflammatory acne vulgaris."

"Blue light for mild to moderate acne has been gaining acceptance and has been available to clinicians for sometime now but with the BLU-U from DUSA we finally have a cost-effective product available to us," stated Brian Zelickson, MD, Medical Director, Abbott Northwestern Hospital Cosmetic Care Center and Assistant Professor of Dermatology University of Minnesota.

9/16 **The Spectranetics Corporation** announced results from the CORAL LAKE registry, a single-center, retrospective registry that studied the use of the excimer laser for the treatment of degenerated saphenous vein grafts. These results were presented yesterday in Washington D.C., at the annual *TCT Conference*. The registry yielded an acute procedural success rate of 98% and an acute major adverse cardiac event (MACE) rate of 5%. CORAL LAKE included 119 patients treated with the excimer laser at Lakeland Regional Medical Center, Lakeland, Florida, by Dr. Douglas Ebersole and other interventional cardiologists at the hospital. The goal of the registry was to quantify acute outcomes in saphenous vein grafts after excimer laser treatment, as evidenced by procedural success and MACE events. Procedural success was defined as having a final residual stenosis less than 50% of the original stenosis. MACE events include death, myocardial infarction (heart attack) and target vessel revascularization. Randomized clinical trials have shown that treatment of saphenous vein grafts with traditional therapies such as balloons and stents result in 30-day MACE events approaching 20%. The 30-day MACE rate shown in randomized trials with traditional catheter-based therapies plus embolic protection devices has been reduced to approximately 10%. A key contributing factor to MACE events is distal embolization, or the dislodging of plaque, thrombus, or other atherosclerotic debris that can form blockages elsewhere in the vascular system.

Dr. Douglas Ebersole, CORAL LAKE Principal Investigator, stated, "In my experience, the excimer laser's unique ability to ablate thrombus and atherosclerotic plaque, while minimizing complications, makes it an ideal treatment option for patients with this type of cardiovascular disease. Given the low rate of procedure-related complications that patients in this registry experienced, I believe the excimer laser has an important role in treating patients with diseased saphenous vein grafts."

"The findings of Dr. Ebersole's registry further supports our belief that the excimer laser can benefit patients with blocked bypass grafts," stated John Schulte, president and CEO of Spectranetics. "This is encouraging as it supports our multi-center clinical registry that is already underway at 12 hospitals in the United States. This larger CORAL (COronary graft Results following Atherectomy with Laser) registry is a 250 patient study that also will be documenting the ability of the excimer laser to successfully treat diseased saphenous vein grafts. Both CORAL LAKE and CORAL are important registries for us as we believe there are approximately 150,000 patients the United States treated each year for blocked bypass grafts."

Treating blocked saphenous vein bypass grafts is one of Spectranetics' seven FDA-approved indications within the coronary vascular system.

9/17 **BIOLASE Technology, Inc.** filed an amended 10-K and 10-Qs to restate financials for prior periods to account for timing differences in revenue recognition. The company also filed its quarterly report for June 30, 2003 which was delayed pending the amended filings. As discussed in previous press releases, due to language in the company's purchase orders with its customers, the company will recognize revenue for prior periods as well as the quarter ended June 30, 2003 primarily on a cash basis, as payments are received rather than when products are shipped. Beginning in the third quarter of 2003, the company anticipates that it will once again recognize revenue upon shipment because it has changed the language in question in its purchase orders. As a result, it also expects that the cumulative revenue deferred in the amended financials beginning in 2000 should reverse this year, mostly in the third quarter. This is expected to provide a one-time positive impact on revenue and earnings in the third quarter of 2003. The company does not expect that this issue will affect revenue and earnings in the fourth quarter of this year and beyond.

The company has filed an amended Form 10-K for December 31, 2002 restating revenues for the years 2000 - 2002. The company has also filed amended Form 10-Qs for the quarters ended March 31, 2002 through March 31, 2003, and filed its Form 10-Q for the three months ended June 30, 2003.

Basically, the restatement of revenues for 2002 reduced revenues from $29.2 million to $27.3 million, and for this year to date, reduced revenues from $19.8 million to $19.6 million.

9/18 **Candela Corporation** announced it had received expanded wrinkle clearance from the FDA to market its Smoothbeam diode laser for the non-invasive treatment of wrinkles on the face. Gerard Puorro, Candela's president and CEO, commented: "We are very pleased to gain this additional clearance from the FDA. The treatment of wrinkles and other cosmetic procedures is growing at a tremendous rate. Our involvement in these markets outlines our path for growth in the coming years. This represents our fourth FDA approval for Smoothbeam. Adding multiple indications to our lasers makes purchasing a laser an attractive financial investment for physicians."

Smoothbeam remodels collagen in the upper layers of the skin to reduce the appearance of wrinkles and acne scars using its proprietary LASR process. Smoothbeam creates a mild thermal injury just below the skin's surface. The body's natural healing response stimulates the deposition of new collagen, smoothing out wrinkles and softening the appearance of acne scars. Smoothbeam is also cleared for the treatment of acne on the back.

9/18 **The Spectranetics Corporation** announced that clinical data related to excimer laser treatment of heart attack patients was presented this week in Washington, D.C. during the annual *Transcatheter Cardiovascular Therapeutics (TCT)* conference. The presentations highlighted the results of the CARMEL registry, which was the primary clinical data relied upon for the recent FDA approval of a labeling change that allows for individualization of use to treat patients with acute myocardial infarction (AMI, or heart attack), acute thrombosis, or ejection fraction less than 30%.

The CARMEL registry was a cohort of 151 heart attack patients that were treated with the excimer laser at eight international medical centers. The results of the study showed a procedural success rate of 91%, where procedural success was defined as having final vessel stenosis less than 50% and complete perfusion or blood flow through and beyond the target vessel (TIMI 3 flow), in the absence of any major adverse coronary events. Of particular interest, was that of the 151 patients in the study, 71% (107 patients) had pre-procedure blockages that were subtotal (95% - 99% stenosis).

Dr. On Topaz, Professor of Medicine (Cardiology) and Pathology at the Medical College of Virginia, Virginia Commonwealth University, Richmond, Virginia, and CARMEL Principal Investigator, commented, "The procedural success rate of 91% in the CARMEL registry is encouraging because the registry ncluded 20 patients with cardiogenic shock and 31 patients whose target vessel for revascularization was an old saphenous vein graft. The findings support other clinical literature and basic research pointing to the ability of the excimer laser light to successfully remove thrombus from target lesions in the settings of acute myocardial infarction."

John Schulte, Spectranetics president and CEO, stated, "This clinical study and its positive outcomes in treating heart attack patients with the excimer laser are significant steps in our strategic plan for our coronary business. The CARMEL data was instrumental in the FDA's decision to allow individualization of use for laser treatment of patients with heart attack, acute thrombosis, or an ejection fraction less than 30%. We look forward to initiating another clinical study, Extended FAMILI, which will treat approximately 80 patients at up to 8 centers in the United States and Europe. The primary endpoint of this larger feasibility study is to measure S-T segment resolution and upon completion of Extended FAMILI, we will consider whether to sponsor a randomized clinical trial to demonstrate the laser's effectiveness to treat patients suffering from AMI, which we believe represents a U.S. market opportunity of at least $200 million."

9/18 **Miravant Medical Technologies** announced new preclinical results in cardiovascular disease, presented by Ron Waksman, M.D. at the *Vulnerable Plaque Symposium, Transcatheter Cardiovascular Therapeutics (TCT)*, Washington DC. The results indicate that PhotoPoint PDT may provide benefit in a wide range of coronary and peripheral atherosclerotic disease indications, including diffuse disease, long lesions and life-threatening vulnerable plaque. In preclinical atherosclerosis models at 28-days post-treatment, there was a 23-44% decrease in plaque areas (p less than 0.03), which suggests that PhotoPoint PDT may significantly reduce vessel blockage by decreasing the atherosclerotic plaque burden. Furthermore, following PhotoPoint treatment, the macrophage cells characteristic of vessel inflammation were almost completely eliminated and were replaced by smooth muscle cells typical of arteries free of disease. This suggests that PhotoPoint PDT may also stabilize rupture-prone vulnerable plaque, the most dangerous form of atherosclerosis.

The experimental studies were conducted under the direction of Dr. Waksman, Professor of Medicine (Cardiology), Georgetown University and Associate Chief of Cardiology at the Washington Hospital Center, who stated, "It appears that PhotoPoint PDT may have the potential to turn back the clock by reducing atherosclerotic burden, attenuating inflammation and allowing vessels to return to a more normal cellular state. Furthermore, this therapy may enable us to treat long lengths of arteries not currently addressed by drug-eluting stents. Thus I believe these preclinical results will be of great interest to interventional cardiologists."

Cardiovascular disorders, including acute coronary syndrome and vulnerable plaque, are by far the leading cause of morbidity and mortality in the developed world. Miravant is currently developing PhotoPoint PDT as a minimally invasive interventional procedure for the treatment of such at-risk patients. The catheter-based treatment uses a systemic light-reactive drug in combination with low power light to selectively treat the lesion site. Atherosclerosis is characterized by the formation of plaques in arteries, which can block the flow of blood and cause reduced circulation, oxygen deficiency (ischemia) and related coronary events. Recent studies have also indicated that vulnerable plaque, a particular subset of inflamed atherosclerotic plaques that are vulnerable to rupture, causes 60-80% of fatal heart attacks. Therapies that can reduce the atherosclerotic plaque burden and reduce vessel inflammation may be useful in treating a wide range of atherosclerotic diseases, estimated to be a multi-billion dollar market.

9/18 According to market research conducted by **Medical Insight, Inc.**, skin rejuvenation, wrinkle removal, acne treatment and body shaping are currently the highest-growth aesthetic procedure market segments. Medical Insight has developed a series of market studies focused on these new business opportunities. Medical Insight is also conducting an in-depth Aesthetic Practice Survey involving every major cosmetic surgery practice in the U.S. This survey provides detailed data on procedure pricing, brand loyalty and preferences, market share by major manufacturer, satisfaction ratings of products and suppliers, procedure volume statistics and product purchasing trends. Results of this survey are available exclusively to Medical Insight clients.

According to Michael Moretti, president of Medical Insight, Inc. and Editor of the *Aesthetic Buyers Guide*, "Skin rejuvenation procedure volume is forecast to grow to more than 29 million annual treatments in 2007, generating approximately $2.9 billion in fees. Wrinkle removal treatment volume is expected to reach 5.6 million procedures earning $4.2 billion in fees by 2007. Similarly, device-based acne treatment volume will grow to 6.2 million procedures generating $2.3 billion in fees by the end of this forecast period. And an estimated 9.4 million cellulite reduction procedures will earn $9.4 billion for practitioners in 2007." Data on these high-growth market segments is available via several new market reports, including: Next Generation Dermal Fillers; Cosmetic PhotoDynamic Therapy; and New Aesthetic Technologies and Business Opportunities. To receive Executive Summaries of these market studies, contact Katie Davis at Kdavis@MiiNews.com, or call 949-830-5409 or visit www.MiiNews.com.

Public companies participating in the aesthetic market include: **Allergan**, **Candela Corporation**, **DUSA**, **Inamed**, **Lumenis**, **Medicis**, and **Palomar**.

9/22 **Trimedyne, Inc.** announced it received FDA clearance to market its patented UroMAX Side-Firing Laser Needle for use with its Holmium Lasers for the vaporization of tissues in urology, orthopedics, gynecology, ENT surgery, GI surgery and general surgery. The new device is designed to enable a urologist to vaporize tissue of an enlarged prostate in about five minutes, which would make Trimedyne's procedure the shortest of any procedure for such application. Enlarged prostates affect about 50% of men over age 55, and approximately 200,000 surgical procedures, many of which take an hour or longer, are performed each year in the United States to treat this condition.

Trimedyne's new UroMAX Side-Firing Laser Needle is covered by two U.S. Patents and two pending U.S. patent applications covering the new, unique features of the device.

9/23 **Pharmacyclics, Inc.** announced the publication of data from its phase 1 clinical trial of Antrin (motexafin lutetium) Phototherapy, an investigational treatment for atherosclerotic plaque, in a recent edition of the peer reviewed journal *Circulation*, the official journal of the *American Heart Association*. The paper, entitled, "Phase 1 Drug and Light Dose-Escalation Trial of Motexafin Lutetium and Far Red Light Activation (Phototherapy) in Subjects with Coronary Artery Disease Undergoing Percutaneous Coronary Intervention and Stent Deployment, Procedural and Long Term Results," authored by 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 the University of Cincinnati College of Medicine, and co-workers, report the results from a completed multicenter trial involving 79 treated patients.

"Antrin selectively targets and accumulates in metabolically active inflammatory cells, such as macrophages in atheromatous plaque," said Dr. Kereiakes. "This trial suggests that Antrin Phototherapy is a well-tolerated and feasible interventional procedure. These data help to form the basis for future phase 2 efficacy trials of Antrin Phototherapy for the treatment of coronary atherosclerosis, particularly vulnerable plaque." The open label

multi-center phase 1 drug and light dose escalation study assessed the safety and tolerability of Antrin plus phototherapy in patients undergoing percutaneous coronary intervention with stent deployment. Antrin was administered intravenously to 79 patients 18-24 hours prior to the procedure and photoactivation was performed following balloon angioplasty and before stent insertion. Clinical evaluation included serial quantitative angiography and intravascular ultrasound conducted soon after the procedure and a six month follow up examination.

Antrin was found to be well tolerated without serious dose limiting toxicities and side effects were minor with no reported procedure related vascular adverse effects detectable by angiography. A range of both drug and light doses were evaluated. The optimum dosing regimen was found based on evaluation of the treated segment by angiography and intravascular ultrasound. "We are very pleased to see that Antrin Phototherapy is becoming increasingly recognized as a promising potential treatment for coronary isease as indicated by publication of our phase 1 trial in Circulation," said Richard Miller, MD, president and CEO of Pharmacyclics. "This product opportunity demonstrates the breadth of our technology platform, which is capable of producing novel compounds that selectively target diseased tissues."

9/25 **Cool Laser Optics, Inc.**, the owner of key patents regarding skin cooling, an essential element in the treatment of several noteworthy vascular skin disorders, announced that it had reached an agreement with **Lumenis, Inc.**, the world's largest laser manufacturer, over issues regarding alleged infringement of certain CLO patents. While the terms of the agreement remain confidential, Lumenis has acquired from CLO a license for the pertinent intellectual property.

CLO's patents apply to contact cooling devices that are often integral parts of medical lasers sold around the world by a number of manufacturers. Dr. Cyrus Chess, Medical Director of Cool Laser Optics, views this agreement as "confirmation of the applicability of CLO technology in any laser application incorporating contact cooling for treating vascular anomalies, such as Port Wine Stains or leg veins, whether the skin surface is cooled peripherally or across its horizontal plane, and regardless of the presence of thermo-electric heat exchangers."

In a related development, on September 12th, CLO filed patent infringement complaints in US District Court against four other manufacturers of contact cooling devices or cosmetic lasers using such devices: **Laserscope, Inc.**, **Nidek, Inc.**, **Sciton, Inc**., and **MedArt, Inc.** "Since we started commercial operations in 1996, we have been very clear about our willingness to license our technology, and we have done so on several occasions," said CLO president Michael Barretti. "We have also said we will vigorously defend our intellectual property rights, and these actions reflect the fact that we will not tolerate a disregard for those rights granted to CLO by the Federal Government."

9/26 I learned today that old friend Jeff Manni of **JGM Associates**, continues to publish and update his "Dental Applications of Advanced Lasers" reports, which will now be updated

annually. Anyone interested in learning more about this report should visit his website with information about the report, **www.jgma-daal.com**. By the way, the report is priced at only $100.00.

9/29 **Candela Corporation** announced it had permanently closed its one remaining skin care center, which was located in Boston. The company said that continuing and growing losses associated with the spa business unit dictated its closure. There remain approximately six years in the term of the building lease for the spa. The company said that it would honor all of its obligations under the lease. In order to meet its obligations under the remainder of the leasehold term, in the fiscal quarter ended September 27, 2003, the company will record a $2.3 million charge for accrual of $3 million of future occupancy costs and $350,000 of severance obligations and other related costs of closure, net of anticipated tax benefits of $1.1 million. In addition, all prior period financial statements will be restated to reflect skin care centers operations as discontinued.
Gerard Puorro, Candela's president and CEO commented: "For the fiscal year ended June 28, 2003, the Boston spa lost approximately $1.5 million. This continued drain on our core laser business was unacceptable. Our attempts to find a buyer for the spa business were unsuccessful and, as such, economics dictated this course of action which we believe will save Candela millions of dollars over the remaining term of the lease." Puorro added: "Our core laser business remains vibrant, growing and profitable."

9/29 More cardiac surgeons are discovering the long-term benefits of carbon dioxide (CO_2) Transmyocardial Laser Revascularization (TMR) therapy. The CO_2 TMR therapy is a treatment for heart patients who suffer with severely debilitating angina. Today, the **Emory Heart Center**, a world-renowned center dedicated to the advanced treatment of cardiovascular disease, hosted its first CO_2 TMR training program. Dr. Joseph Craver, a cardiac surgeon from The Emory Heart Center, directed the educational training seminar that included cardiac surgeons from leading cardiac centers throughout the United States. The CO_2 TMR system is manufactured by **PLC Systems Inc.** Dr. Craver stated, "The CO_2 TMR therapy provides positive outcomes for patients and improves their quality of life. I have performed TMR with the CO_2 laser on many patients and have witnessed first hand excellent results. The CO_2 TMR treatment appears to be very effective in patients who have severe coronary artery disease and usually have already undergone angioplasty, stenting, and even cardiac bypass surgery. Relief from their disabling chest pain and the reduction and need for subsequent hospitalization has been most significant and gratifying."

MEDICAL/SURGICAL LASER UPDATE -- October 2003

9/30 **Trimedyne, Inc.** announced its chairman, Marvin Loeb, was interviewed by *Wall Street Reporter*. Loeb's interview featured Trimedyne's new laser device which has been cleared for sale by the FDA for use with its Holmium Lasers for the vaporization of tissues in urology. The new device is designed to enable a urologist to vaporize tissue of an enlarged prostate in about five minutes, which would make it the shortest of any procedure for such application. Approximately 50% of men over age 55 have an enlarged

prostate, and 200,000 surgical procedures to treat this condition are performed annually in the United States.

The interview also covered Trimedyne's laser devices which are cleared for sale by the FDA for the treatment of herniated or ruptured spinal discs. Trimedyne's laser procedure to treat a herniated or ruptured disc is typically performed on an outpatient basis, the patient usually walks out with only a Band-Aid on the puncture, is generally able to resume light daily activities in a day or two, and can return to desk-type work in about two weeks.

Commenting on the interview, Loeb said, "We are pleased Wall Street Reporter has chosen to interview us. We are gratified by the increased attention being paid to Trimedyne's continued profitability and its new laser products."

9/30 **Radiancy, Inc.**, announced that it had expanded the treatment applications for its LHE (Light Heat Energy) phototherapy systems by introducing a new light unit assembly (LUA), specially designed to clear mild to moderate psoriasis. The company has already introduced the new LHE application in Asia, Latin America, Europe and Canada, and expects to conduct additional clinical trials in the U.S. at the beginning of 2004 in order to pursue marketing clearance by the FDA. Radiancy's new psoriasis LUA enables LHE phototherapy practitioners to perform a fourth treatment application in addition to vascular and pigmented lesions, acne phototherapy and photoepilation. Like the other LUAs, the modular psoriasis LUA attaches quickly to the Radiancy SkinStation, SpaTouch Pro, and Xtreme Clear LHE phototherapy systems.

In clinical studies to date, LHE phototherapy combined with a salicylic acid regimen has been shown to be safe and effective for the treatment of mild to moderate plaque and guttate psoriasis. Clinical results show an average reduction of 65% in patients' Psoriasis Severity Index (PSI), a standard measure of the erythema, scaling and induration of a psoriasis plaque. Up to 75% clearance of psoriatic lesions has been reported. According to Dr. Amos Leviav, Kaplan Hospital, Rehovot, Israel, a clinical investigator evaluating LHE in the treatment of psoriasis, "The Light and Heat Energy selective photothermolysis system delivers controlled heat simultaneously with the light pulse, has a large spot size and relieves itching after one week of treatment, making the system very efficient and sufficiently cost-effective to be considered for widespread use."

The LHE technology developed by Radiancy combines special wavelengths of pulsed light with direct heat to treat psoriasis from the inside out. The psoriasis LUA delivers green-yellow light that penetrates below the epidermis and through the plaque to the blood vessels that feed the plaque. There, by selective photothermolysis, the blood vessels are coagulated and destroyed, resulting in eventual destruction of the plaque and its replacement by healthy tissue. The LUA also delivers red light and direct heat into the lesion to reduce swelling and inflammation, and to relieve itching. LHE powered systems employ a large spot size of 22 x 55 mm, allowing larger psoriatic areas to be treated for quicker patient relief using shorter treatment times. LHE is also cost-effective for the

practitioner to operate because of its simplicity and capacity for multiple treatment applications using a single technology platform. Radiancy also provides a variety of specially formulated cosmeceuticals based on mineral preparations from the Dead Sea that are used in conjunction with LHE phototherapy systems in the treatment of psoriasis, acne and other skin conditions.

10/1 I received word from Eric Geoffrion that his startup company to produce a new mid-IR fiber for holmium and erbium laser delivery had changed its name from **AllSpectrum** to **IRphotonics Inc.** As he put it, "We are pleased to announce that as of October 1st, we have changed our name. The new name represents our commitment to developing, manufacturing and commercializing a new breed of Infra Red materials and fibers with a particular focus on the Mid Infra-Red optical spectrum (2,000 to 5,000+ nm). Furthermore, we would like to inform you that we have completed the installations required to make and draw Mid Infra-Red fibers and have started drawing our first test-fibers this week. We will be contacting you (those of you who I thought might be interested in this new fiber) towards the end of October to schedule a visit and delivery of your evaluation samples. Thank you for your interest in our products and company, we look forward to serving you in the future."

10/1 **CardioGenesis Corporation** announced that the top performing hospitals in the U.S. are much more likely to adopt important new patient care technologies, including TMR, than other acute care U.S. hospitals, according to a recent **Solucient** report that named the Top 100 hospitals in the nation. The report by Solucient, a leading source of health care business intelligence for providers, indicated that among hospitals that perform coronary artery bypass surgery (CABG), those named as a Top 100 hospital for four or more years were almost twice as likely as peer hospitals to perform TMR procedures. TMR is a surgical procedure 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, to relieve angina pain.

CardioGenesis chairman and CEO Michael Quinn said, "We feel that the results of this report support the recent data we have seen with our Holmium:YAG TMR laser -- data that shows TMR is benefiting patients by helping to relieve severe angina pain and improving their quality of life. Patients and hospitals benefit when TMR is appropriately used as a part of the cardiac treatment regimen. It is very pleasing to see that the top 100 hospitals in the United States are leading the way in implementing TMR."

10/1 *Reuters* reported that on Thursday, **Spectranetics Corporation** will try to persuade a U.S. advisory panel to support use of its laser system for clearing serious artery blockages in the legs. The company is seeking approval for the device in treating critical limb ischemia, a severe decrease in blood flow caused by cholesterol build-up in leg arteries, Chief Executive John Schulte said in an interview. Severe blockages can require limb amputations. Spectranetics estimates the potential market for treating critical limb ischemia is up to $300 million a year in the United States, Schulte said. The laser system facing the panel review, which the company announced in August, consists of

Spectranetics' CVX-300 laser, already approved for cardiac uses, and various catheters. The laser is used to break artery blockages into tiny particles and restore blood flow to the leg. Spectranetics' research showed 93% of patients were alive and their limbs salvaged six months after treatment with the laser, compared with 87% in a control group. The firm is scheduled to present its results on the system's safety and effectiveness to a Food and Drug Administration advisory panel on Thursday in hopes of winning a recommendation for approval. FDA staff reviewers also are expected to give their preliminary opinion of the data. The FDA usually follows its panels' advice in making the final decision. The laser procedure offers a less invasive alternative to surgery, Schulte said. The laser is delivered to the blockage site via a catheter inserted into a groin artery. Recovery time in the hospital averaged 1-1/2 days in the Spectranetics study, Schulte said. Recuperating from surgery usually takes about six to eight days in the hospital, he said. "It makes very good economics for the hospital and certainly it's very convenient for the patient," Schulte said. No major complications were related to the procedure, Schulte said.

10/2 **Spectranetics Corporation** announced that the Circulatory System Devices Advisory Panel of the FDA recommended non-approval of the company's Pre-Market Approval (PMA) supplement for LACI (Laser Angioplasty for Critical Limb Ischemia). The Panel, by a vote of 9-1, recommended that LACI not be approved for facilitating limb salvage in patients with critical limb ischemia, based on comparative clinical data with the historical control group that the Panel believed did not sufficiently demonstrate efficacy of the LACI procedure. While the Panel agreed that the LACI trial met the safety endpoint of the study, they believed that the historical control group was not appropriate to demonstrate efficacy. Noting patients treated with the company's laser received other therapies including balloons and/or stents, the Panel cited difficulty in measuring a direct benefit for the laser. Although the FDA is not bound by the recommendations of its advisory committees, it generally follows their recommendation. "While we are disappointed with the Panel's decision, we will immediately begin efforts to work with the FDA to determine the necessary steps to resolve the issues raised by the Panel," said John Schulte, Spectranetics president and CEO. "We remain committed to pursuing FDA approval of our technology to treat critical limb ischemia patients, who are under-served by currently available therapies."

10/3 The safe and easy-to-use **HairMax** LaserComb, a comb-like device that exposes the scalp to laser light, leads to significant new hair growth and improves hair strength, according to a paper published in the summer 2003 issue (Volume 5, Number 2) of *International Journal of Cosmetic Surgery and Aesthetic Dermatology*, a peer-reviewed journal published by **Mary Ann Liebert, Inc.** (**www.liebertpub.com**). The paper is available free online at **http://www.liebertpub.com/lasercomb.pdf**.

In a report entitled, "Hair Regrowth and Increased Hair Tensile Strength Using the HairMax LaserComb for Low-Level Laser Therapy," John Satino and Michael Markou, DO, from The Laser Hair and Scalp Clinic (Clearwater, FL) describe the remarkable results patients achieved with the HairMax LaserComb after six months of treatment.

Patients used the laser comb at home for 5 to 10 minutes every other day. The comb-like teeth of the device separate the hair, exposing the scalp to the light from nine laser beams. Patients reported no adverse effects.

10/8 Device-based acne treatments are rapidly finding acceptance from physicians and patients, according to clinical news reports in the most recent issue of the *Aesthetic Buyers Guide*, published by **Medical Insight, Inc.**

The SkinStation from **Radiancy, Inc.** combines a safe level of light energy and heat to treat acne. "I'm thrilled because this device is extremely effective in some people, thereby eliminating the need for oral treatment," said Ava Shamban, MD, a clinical assistant professor of dermatology at the University of California School of Medicine, Los Angeles. "SkinStation is a small, user-friendly device. Treatment is comfortable for the patient, and it doesn't require a topical anesthetic."

The ClearLight Acne Photoclearing System from **Lumenis** is a high-intensity blue light device for the treatment of moderate inflammatory acne, and was the first such device approved by the FDA. "This is a completely novel way to treat inflammatory acne, without requiring any systemic medications or even using devices that are painful or ineffective," said Vic Narurkar, MD, director at the Bay Area Laser Institute, San Francisco, Calif.

The Smoothbeam System from **Candela Corporation** is a 1450 nm diode laser that thermally alters the sebaceous glands at the sites where acne lesions occur. Besides achieving an improvement in inflammatory and comedonal acne, Smoothbeam "can safely treat all skin types, regardless of pigmentation," said Arielle Kauvar, MD, a clinical associate professor of dermatology at New York University School of Medicine.

Levulan photodynamic therapy (PDT) from **DUSA Pharmaceuticals, Inc.** has been shown to effectively treat acne by clinical researchers. According to Mark Nestor, MD, a clinical associate professor of dermatology and dermatologic surgery at the University of Miami School of Medicine, Miami, Fla., "Myself and others have had really outstanding results overall in treating patients with moderate to severe acne."

According to Michael Moretti, president of Medical Insight, Inc. and Editor of the Aesthetic Buyers Guide, "The market for acne treatment devices is rapidly expanding as these innovative procedures offer physicians and their patients viable options other than medications. Our market research indicates that patients will pay cash for acne treatment procedures, and this will have a powerful near-term influence on sales of related equipment and cosmeceuticals."

Data on the emerging market for device-based acne treatment is available via the New Aesthetic Technologies and Business Opportunities market study published by Medical Insight. To receive an Executive Summary of this report, contact Katie Davis at **Kdavis@MiiNews.com**, or call (949) 830-5409 or visit **www.MiiNews.com**.

Public companies participating in the aesthetic market include: **Allergan**, **Candela Corporation**, **DUSA**, **Inamed**, **Lumenis**, **Medicis**, and **Palomar**.

10/9 **Norwood Abbey Ltd.** announced that commercial activities for its Laser Assisted Drug Delivery (LAD) product were progressing very well. A meeting of Asia Pacific medical distributors was held last week with attendees representing Norwood's key Asian countries present. The meeting, which was co-hosted by Norwood and its Asia Pacific commercialization partner **MedNet International**, included representatives from Korea, Taiwan, China and other Asian countries. The key objectives of the meeting were to provide Norwood's partners with detailed sales and marketing plans, as well as product training, to assist them in the introduction of the LAD technology in their markets. Over the next few months, these distributors will be assessing the market opportunity in their countries, identifying and accessing key thought leaders and applying for product registrations where required.

During this month, Norwood will be presenting at a European Distributor Alliance meeting. In addition, the company is planning to exhibit at *Medica*, Europe's largest medical products Congress to be held in Germany in late November. In support of its European commercial strategy, Norwood is progressing toward receipt of the CE Mark for the product, a requirement to promote the product in Europe. The CE Mark is expected sometime in early 2004.

In support of its U.S. commercial plan, Norwood will be exhibiting at the *American Academy of Pediatrics (AAD)* meeting being held in Orlando, Fla. on November 9th and 10th. This meeting attracts over 10,000 delegates, including specialist children's physicians and nurses and is a key strategic component of Norwood's U.S. commercial program. Norwood expects to receive strong interest from conference attendees.

10/9 According to *Globes Online*, **Bank Hapoalim** has approved **Lumenis's** restructuring plan. Lumenis CEO Avner Raz presented the plan to the bank. Under the plan, Bank Hapoalim will revise its credit terms and reschedule Lumenis's debt. In the first stage, Bank Hapoalim approved an additional $9 million capital injection into Lumenis, increasing its debt to the bank to $218 million. Bank Hapoalim is the sole lender to Lumenis. Lumenis's cash reserves totaled only $19.2 million as of June 30, 2003. Bank Hapoalim was forced to ease its credit terms for Lumenis, otherwise it could not have met its repayments to the bank.

Lumenis's restructuring plan includes closing divisions and operations around the world, along with wide-scale lay-offs, mostly outside Israel. Lumenis stated in its second quarter financial report that it could not meet Bank Hapoalim's credit terms.

10/9 **Lumenis Ltd.** announced its most advanced, customer-centric product to date. The Lumenis One is a fully customizable, flexible, all-in-one platform that allows the aesthetic physician to invest in a single system with Intense Pulsed Light (IPL) and laser capabilities they currently need -- and add other technologies and applications as their

practice needs evolve. Avner Raz, president and CEO stated "Lumenis One demonstrates Lumenis' industry leadership and technological strength. Lumenis One offers the customer the best aesthetic technology on the market today and allows the practitioner to take advantage of future new advances in aesthetic applications developed by Lumenis." Unlike single or dual-technology products, the Lumenis One platform is the ultimate in flexibility, uniting the full set of technologies most fundamental to today's aesthetic practice. For the first time, the physician can offer all -- or any combination -- of these essential treatment options without compromise:

* Lumenis' patented Intense Pulsed Light (IPL), the gold standard for skin treatments using Photorejuvenation, and the treatment of vascular and pigmented lesions and hair removal

* LightSheer diode laser, the world's most widely used technology for laser hair removal

* Multi-Spot Nd:YAG laser for the advanced treatment of leg veins and deeper vascular lesions.

Lumenis One is uniquely designed to accommodate the broadest possible range of user needs. In its Basic Mode, the relatively inexperienced aesthetic medicine practitioner will find that the easy-to-navigate touch screen interface and pre-programmed parameters facilitate quick, simplified and effective operation. For the experienced IPL and laser user, Advanced Mode allows every parameter to be customized to the unique needs of each patient, with unparalleled flexibility.

Lumenis One features unique user-oriented treatment head technology. For example:

* With the versatile, revolutionary Universal IPL treatment head it is no longer necessary to switch heads when changing IPL applications -- and valuable storage space is saved

* All treatment heads include continuous contact cooling for maximum patient comfort

* Calibration is effortless, with a power meter built into each treatment head cradle

* Each handpiece applies the latest in ergonomic research to minimize user fatigue

The modular, upgradeable Lumenis One was designed with the growing aesthetic practice in mind. And because it is a platform, not a single technology device, it represents a stable investment that will not become obsolete as Lumenis advances in aesthetic applications continue.

10/10 *Reuters Health*, in a story by Merritt McKinney, reported that "Lasers May Reduce Arm Swelling After Mastectomy", based on an article first published in the September 15, 2003 issue of *Cancer.*

The zap of a low-level laser seems to relieve some cases of chronic swelling in the arm that often occurs after a mastectomy, new research suggests. In a study, swelling diminished significantly in nearly a third of women who received laser treatment for the condition, known as lymphedema. "It's not a quick fix, but it does seem to help in some people and is not invasive," Dr. Colin Carati, the study's lead author, told Reuters Health. "Lymphedema is a chronic and progressive condition for which there are few effective treatment options," explained Carati, who is at Flinders University in Adelaide, Australia.

Low-level laser treatment has proved effective in improving wound healing and scarring, "so we decided to give it a try in lymphedema," he explained. In the trial, 61 women who had a mastectomy were randomly assigned to receive one or two cycles of laser therapy or a sham therapy using a disabled laser. Laser therapy did not have an immediate effect on symptoms, but 2 to 3 months later, women who had undergone two cycles of laser therapy were more likely to have experienced improvements than women given the sham treatment, the researchers report in the journal Cancer. Swelling was reduced in about 31% of women in the laser group.

Women who had undergone two cycles of laser therapy also had softer skin on their upper arm than women treated with the disabled laser. Hardening of the skin is an effect of lymphedema. Despite the reduction in swelling, laser therapy did not seem to improve the range of movement in the arm, according to the report. Also, there was no significant difference between the groups in quality of life and the ability to perform daily activities.

Exactly how low-level lasers may relieve lymphedema remains a mystery, according to Carati. One possibility, he said, is that the laser has an effect at a cellular level, "possibly encouraging cells to work harder."

According to the Australian researcher, lasers are rarely used to treat lymphedema outside of Australia. The treatment is under consideration by the U.S. Food and Drug and Administration, however, he said.

The study was funded by an Australian government grant to Flinders University and **RIAN Corporation**, which makes the laser used in the study.

10/10 **CardioGenesis Corporation** announced that the company and the FDA had made meaningful progress in their interactive review of the Premarket Approval Supplement for the Axcis PMR system and now expects the review process to be complete by mid-November. Chairman and CEO Michael Quinn said his staff and the FDA are working closely to help evaluate all information and data related to the CardioGenesis PMR system, a less invasive, catheter-based version of its FDA-cleared TMR system. Both TMR and PMR are designed to trigger the mechanisms of angiogenesis, or the creation of new blood vessels in the heart, to relieve the often crippling chest pain called angina. "We are very pleased with the commitment demonstrated by the FDA throughout this review process and look forward to completing the process in the coming weeks,"

Quinn said. "This has truly been a close and interactive exercise with both sides taking an operative role in the process."

Quinn added that if a favorable result cannot be reached as a result of this interactive review process, a hearing before the FDA's Medical Devices Dispute Resolution Panel remains an option. Quinn also noted that while the company has continued to invest time and resources in seeking FDA approval of its PMR system, its TMR franchise is solid and continues to prosper as a stand alone business as more cardiothoracic surgeons adopt the quality-of-life-enhancing procedure. As a result, Quinn said he expected the third quarter revenue will be approximately $3.6 million, up nearly 12% compared to the same period in 2002 and more than 16% over the second quarter in 2003.

10/14 **BriteSmile Inc.** claimed to revolutionize the tooth whitening market yet again, by offering a new state-of-the-art product for personal whitening. The proprietary BriteSmile To Go allows consumers the ease of at-home whitening combined with the effectiveness and professionalism that is associated with the BriteSmile brand. BriteSmile To Go allows users to whiten their smile whenever, wherever with the use of a convenient and lightweight "whitening pen." BriteSmile To Go's click pen applicator applies a clear, proprietary, time-release whitening formula that dries rapidly on the surface of teeth to safely and gently whiten. Within seconds, the user has forgotten that it is even there.

Just two easy 30-second applications a day is all it takes to dramatically whiten teeth within two weeks, making BriteSmile To Go a simple and convenient alternative to other messy, unsightly and cumbersome over-the-counter products. BriteSmile To Go delivers results similar to professional bleaching trays without the mess, time commitment, and at a dramatically lower price. BriteSmile To Go also has a fresh mint taste that is unique in the marketplace. BriteSmile To Go is available directly through BriteSmile at 1-800-BRITESMILE or **www.britesmiletogo.com**, the 14 BriteSmile Professional Teeth Whitening Spas located in major cities across the United States and through dental offices around the world.

"The teeth whitening market is a growing industry estimated at more than $1.5 billion a year," said John Reed, CEO of BriteSmile. "BriteSmile now has the opportunity to garner an even greater share of this exploding category by offering an at-home or on-the-go whitening option that meets the same high, professional standards for which BriteSmile is already known." BriteSmile To Go is packaged in a stylish, compact travel case. Each case contains three whitening pens, which can also be carried individually like a pen or lipstick. BriteSmile To Go three-pen pack is available for $69.95, while individual whitening pens are also available for $29.95.

10/14 **Lumenis Ltd.**announced the immediate implementation of its turnaround plan. The company has also reached an understanding on a new $9 million financing with **Bank Hapoalim B.M.** and reported that it is in negotiations with the Bank regarding a restructuring of its existing debt. The Plan consists of a reorganization of the company to a more customer focused functional organization and a significant cost reduction

program to bring costs in line with current revenues. The company will reduce approximately 300 positions or 23% of the workforce, close several manufacturing sites and offices and consolidate other sites and activities.

Avner Raz, president and CEO, commented, "It was imperative that Lumenis reorganize to be able to effectively serve customers with the most innovative products and the highest level of service. I am confident that with the continued support of Bank Hapoalim, the dedication of our employees and the successful execution of the turnaround plan Lumenis will return to the level of performance expected by its customers, investors, employees and suppliers. While the road to recovery will take time, the turnaround plan provides the basis for the company to return to growth."

Implementation of the Plan will begin immediately and is expected to be completed within approximately 9 months. Costs of implementation for severance and relocation and related costs are estimated at $9 million and are expected to be incurred and charged to earnings in the amount of $5 million in the fourth quarter 2003 and $4 million in 2004.

The Plan includes the following key elements and is intended to increase efficiency, reduce costs and improve competitiveness while achieving greater customer satisfaction.

The company will reorganize from the current business unit structure to a functional organization. Four geographical sales and customer service regions including the Americas, Europe, Japan and China/Asia Pacific have been created to handle all customer needs. Centralized global business functions will include Marketing and Business Development, Research and Development, Logistics, Planning and Resources, Manufacturing, Finance, Human Resources and Legal.

The new logistics, planning and resources group has been created to manage the short and long term planning of the company and the global supply chain, IT and all logistics activities. The group's objectives will include improving and maintaining the reliability of supply of systems and parts to customers.

The company will close four sites around the world including its sites in Pleasanton, CA, Norwood, MA, Netanya, Israel and Kristianstad, Sweden. Research and development operations will be consolidated in three sites worldwide. The office in NY will be reduced and relocated to a smaller office.

The new organizational structure with centralized global business support functions combined with regional sales, service and support, creates a lean, flat and flexible organizational structure, which enables Lumenis to be more customer focused and respond quickly to competitive pressures. As part of the turnaround plan and in an effort to align costs with revenues, Lumenis will reduce the workforce by 23%, including the 75 employees announced in July; senior management positions by 25% and the layers of management will be decreased from 8 to 4.

The Bank has agreed to provide the company with a new $9 million receivable based loan, and is in discussions with the company about a restructuring of its existing $210.7 million of debt. The company anticipates completing those discussions in the fourth quarter. Until negotiations are concluded the Bank has agreed to waive the covenants for the third and fourth quarter 2003 and deferred the $15 million in principal payments originally due in the fourth quarter. The new financing is subject to the execution of definitive agreements.

The company also announced that the Audit Committee of its board of directors has initiated an independent investigation into the relationship with one of its distributors and the accounting and disclosures related thereto, in connection with the continuing SEC investigation and at the request of its independent auditors, **Deloitte & Touche Brightman Almagor**. The Audit Committee is proceeding expeditiously with its investigation and will seek to complete its review prior to the time for the filing of the company's third quarter report for 2003 on Form 10-Q. Filing of its Form 10-Q for the third quarter could be delayed pending completion of the investigation and the review of the findings by its auditors.

10/16 As would be expected, the Israeli press expressed their opinions about the **Lumenis** restructuring plan and the SEC investigation. Perhaps the best summary of the news and accompanying investor teleconference came from *The Marker*.

Gitit Pincas of TheMarker wrote: "Not Afraid to hope"

When a new manager comes to a battered, bleeding company, expectations run high. Restructure! Upgrade! Streamline! Clean up, clean out, fire, hire, etc. etc. leading to a complete makeover.

All these cliche's applied to Lumenis, the Israeli medical technology company that makes lasers for surgical and cosmetic uses. Investors' expectations of new broom Avner Raz, who came on board four months ago, were fond. And finally, last night, he presented the plan the market had so eagerly awaited.

Beyond the spotlighted cutbacks, which the company probably should have done before, there were no great surprises in the Great Plan. Investors and analysts were accordingly peeved during the conference call with Raz and chief financial officer Kevin Morano last night, and sent the stock down 18%, reducing Lumenis' market cap to $25 million. Raz started by saying he'd spent the last four months studying the company's operations, meeting with its people and analyzing its global market, in order to promote a turnaround for the good of the employees and shareholders. "We chose four areas that need improvement: customer relations, production processes, logistics, and inventory control. Improving those will restore investor faith," he said.

Investors had apparently expected something more and gave the company officers a hard time in the call. After the presentation, **UBS** analyst Stephen Levey slammed the plan,

calling it illogical. One investor was even less complimentary. "After the bell on Monday, you (Lumenis) announced a new FDA approval and the share almost doubled," he said. "That was a dirty trick, to announce something positive in the morning and later to announce something bad." To which Morano responded that he regretted the investor's hard feelings, but "news comes when it comes", and the company can't control that. After that announcement about the FDA, Lumenis stock had shot up 94%. A lot of investors apparently got burned.

Eye on functionality

Back to the plan: its key points are restructuring the company's operations to be more functional, slashing expenditure, closing certain production sites and merging operations and facilities. Also, Bank Hapoalim, the only bank financing Lumenis, agreed to extend it another $9 million credit. Lumenis already owes Bank Hapoalim about a billion shekels, of which the bank has written off NIS 400 million. That $9 million is supposed to finance the restructuring plan, which is scheduled to take nine months to complete. After the loan, Lumenis will owe Bank Hapoalim $220 million. The Lumenis management failed to explain why Bank Hapoalim is still standing by its side, or to elucidate whether it will continue to do so. Meanwhile, Bank Hapoalim has already agreed to change the terms of its loan agreements four times, as Lumenis failed to comply with its covenants time after time. A fifth time is looming, too, and who knows, it may not be the last.

Some specifics: Lumenis will be establishing four geographical sales and customer service units in America, Europe, Japan and southeast Asia. It is cutting 300 jobs, of which 75 were announced back in July. That is 25% of its workforce. It is halving its management force and closing production sites in California, Massachusetts, Netanya and Sweden. Production will be carried out in Salt Lake City and Yokneam. Lumenis will be recording a $9 million charge for the restructuring.

"We hope to become a one stop shop," Raz says. Here too may be a disappointment for the investors. Once its surgical and cosmetic laser operations are united, Lumenis will have much more difficulty selling operations, if it wants to.

More breathing room

Capital market sources say today that Lumenis had received concrete offers to sell its four units. If it had sold just negotiations, for $15 million to $20 million, more than it got from Bank Hapoalim, it could have given itself more breathing room. Also, Lumenis is neglecting R&D in some of its units, especially the dental lasers division. "Every day that passes without a sale reduces value," the market complains. Raz: No intention of selling units, just of reducing costs.

Not enough bad news? There is more. Lumenis also announced on Tuesday "that the Audit Committee of its board of directors has initiated an independent investigation into

the relationship with one of its distributors and the accounting and disclosures related thereto, in connection with the continuing SEC investigation and at the request of its independent auditors, Deloitte & Touche Brightman Almagor."

The probe should be over by the filing of the company's third-quarter report, it added. From which we are to understand? Who is to say, but it doesn't sound like good news. And for dessert, a niggling question. Despite that infusion from Bank Hapoalim, does Lumenis have enough cash to make it? The company refused to comment on its break-even point after the cutbacks, but did say that after the nine-month implementation, it should be profitable. Meanwhile, it was cash flow-positive in the second quarter, despite its gargantuan $33 million net loss.

Can it remain cash flow positive until the reform plan is finished? It itself doesn't project profits until the second quarter of 2004. All it has is $25 million to weather the period. "We will know where the break-even point is after we start looking at a working program for 2004," is all Raz says.

(I also have copies of three other articles from the Israeli press if anyone is interested. They are: "Hapoalim's lottery ticket" by Sami Perez -- TheMarker.com, October 13, 2003; "Lumenis launches restructuring plan, accounting probe" -- Globes online, October 15, 2003; and "Lumenis CEO outlines tough future" by Ido Alon -- TheMarker.com, October 16, 2003.)

10/16 **The Spectranetics Corporation** reported financial results for the third quarter and nine months ended September 30, 2003. Net income for the third quarter of 2003 was $357,000 (1 cent per share) up 57% from $227,000 (1 cent per share), for the third quarter of 2002. Total revenue for the quarter was $6.9 million, compared with $7.2 million in the third quarter of 2002. Disposable product revenue rose 11% to $5.1 million, compared with $4.6 million last year reflecting 10% and 11% growth in the atherectomy and lead removal disposable product lines, respectively. Equipment product revenue (which includes laser hardware sales and rental fees) was $745,000 in the 2003 third quarter, down from $1.6 million in the same quarter a year ago. The third quarter of 2002 was the final quarter for the company's special price promotion on its lasers, a promotion which contributed to strong unit sales.

The worldwide installed base of the company's laser systems grew during the quarter to 376, a net increase of eight units. Gross margin for the quarter was 72%, up from 67% last year, reflecting continued benefit of the larger sales contribution from higher-margin disposable products. Operating expenses for the 2003 third quarter were unchanged at $4.7 million. Cash flow for the quarter was $600,000, increasing the company's cash, cash equivalents and investment securities balance to $12.9 million at September 30, 2003.

John Schulte, Spectranetics' president and CEO, said, "We are encouraged by growth in both our coronary atherectomy and lead removal product lines. Growth in these

high-margin products allowed us to post our fifth consecutive quarter of profitability and a 57% increase in net income compared with the third quarter of last year." On October 2, 2003 Spectranetics announced that the Circulatory System Devices Advisory Panel of the FDA recommended non-approval of the company's Pre-Market Approval (PMA) supplement for LACI (Laser Angioplasty for Critical Limb Ischemia). "We are disappointed with the Advisory Panel's recommendation on what we believe is an important medical treatment, with an undisputed record of safety. We remain committed to gaining approval for our technology to treat this under-served patient population, and hope to meet with FDA officials as soon as possible in order to determine the best course of action for pursuing LACI approval, preferably without conducting additional studies."

Schulte stated: "Longer term, we believe there is significant growth potential in our coronary business as we focus on the treatment of saphenous vein grafts and acute myocardial infarction (AMI). Enrollment in our 250-patient CORAL registry is underway. For AMI, we anticipate commencing enrollment in the fourth quarter of an 80-patient feasibility registry to study the role of the excimer laser in treating heart attack patients."

For the nine months, net income totaled $551,000 (2 cents per share) compared with a net loss of $2.0 million (9 cents per share) during the first nine months of 2002. Excluding proxy contest and settlement obligation charges, the net loss during the first nine months of 2002 was $212,000 (1 cent per share). Revenue for the nine months was $20.4 million compared with $20.7 million during the same period last year. Year-to-date 2003 disposable product revenue was $15.3 million, up 11% compared with last year. On a product line basis, atherectomy disposable product revenue was down 1% and lead removal disposable product revenue increased 24% compared with the same period last year. Equipment revenue was $2.3 million, down 41% from last year, and service revenue was $2.9 million, up 3% from last year. Gross margin for the first nine months of 2003 was 71%, compared with 68% in the first nine months of 2002, again reflecting a more favorable product mix of a greater proportion of disposable product sales.

Management reiterated previous guidance for the full-year 2003, with total revenues in the range of $27.5 million to $28.0 million. The revenue guidance reflects decreased equipment revenue compared with last year as a result of a planned shift toward rental and evaluation laser placements versus laser unit sales. Net income guidance for the year remains unchanged in the range of $500,000 to $1 million.

10/16 A new line of multi-wavelength aesthetic laser systems from **Adept Medical Concepts** will be introduced Oct. 26-28 in San Diego at *Plastic Surgery 2003*, the annual scientific meeting of plastic surgeons from throughout the world. The premier product, UltraWave III, combines three proven, non-ablative laser wavelengths into one efficient, multi-wavelength unit. The entire UltraWave line from Adept provides physicians with versatility, convenience, cost savings and space savings.

"Currently, physicians either purchase an individual unit with one or maybe two wavelengths, which can be limiting, or they buy a modular system with multiple wavelengths, which is more bulky and more costly than our new product," explained Adept Medical Concepts president Jerry McFarland. "With our UltraWave III, we have taken three extremely popular non-ablative wavelengths and combined them into a compact unit at lower cost. We believe our unit is the first to offer physicians this opportunity," McFarland added. The UltraWave products currently are in the process of gaining FDA clearance. McFarland added that the UltraWave III is ideal both for physicians less experienced in the aesthetic laser arena who will benefit from this all-in-one approach, and also for doctors with active aesthetic laser practices who will welcome both the space savings and cost savings possible with UltraWave III.

The UltraWave III includes the 532nm (frequency doubled Nd:YAG), 755 nm (Alexandrite) and 1064 (Nd:YAG long pulse) wavelengths. Together, they allow physicians to reduce or remove pigmented and vascular lesions, fine-line wrinkles and unwanted hair from all skin types. Two additional Adept products can be viewed at Plastic Surgery 2003. The UltraWave I combines the 1064nm and 532nm wavelengths, providing the ideal laser system for physicians who focus primarily on treating fine-line wrinkles, pigmented and vascular lesions, and facial and leg veins. The UltraWave II consists of the 1064nm and 755 nm wavelengths, creating a laser system for physicians who wish to focus on hair removal. These wavelengths, together, allow hair removal from all skin types.

"Physicians today, more than ever, are seeking quality products that can provide operating efficiencies and financial savings to help their practices prosper," McFarland said. "Our UltraWave family of products is based on this concept."

The UltraWave laser systems are the first products from Adept; additional products in the laser and light industry will be introduced in 2004.

10/20 **BIOLASE Technology, Inc.** announced that it had obtained the first-ever clearance from the FDA for periodontal procedures for both early and advanced stages of periodontal disease for a 810nm solid-state laser system, LaserSmile. The new clearances for the LaserSmile now include soft tissue curettage; removal of diseased, infected inflamed and necrosed soft tissue within the periodontal pocket; and removal of highly inflamed edematous tissue affected by bacteria penetration of the pocket lining and junctional epithelium.

The LaserSmile previously had FDA clearance for cosmetic and soft-tissue applications including tooth whitening, cosmetic gingival contouring, crown lengthening, treatment of herpetic lesions and aphthous ulcers, gingival troughing, sulcular debridement in the periodontal pocket, and other indications.

Jeffrey Jones, BIOLASE CEO and president, commented, "With more than 30% of adults over 50 suffering from periodontal disease, this additional new clearance expands

the market for BIOLASE products. This new clearance also covers soft tissue curettage for post extraction tooth socket, which represents more than 30 million potential treatments per year, further entrenching BIOLASE's position as the world leader in the dental laser market."

10/20 Stephen Levey of **UBS Investment Research** issued an update report on **Lumenis** following the October 14th announcement of their restructuring plan (see above), entitled, "Too Little Too Late".

Some of his comments included:

Restructuring Plan: -- Lumenis management announced last week that it would reduce its workforce by 23%, or 300 positions, close several manufacturing sites and offices, consolidate other sites and reduce management layers, in a bid to save the company from financial insolvency.

Little Unexpected: -- There was little unexpected in this plan – a massive cut to costs and streamlining of the business was vital. The question is, will this latest restructuring plan be enough to save the company from financial meltdown? Our view is that sadly, this plan is too little, too late, and that in all likelihood investors should brace themselves for more pain in the quarters to come.

Back to the Bank?: -- Management argue that part of the reason for the collapse in revenues is poor operational efficiency and customer care, and that the plan will address these issues. We broadly accept this argument, but believe that the size of the restructuring will make it difficult to grow revenues significantly in the coming quarters and there is a good chance that the company will run out of cash again by H204.

Valuation: Equity Almost Worthless -- Lumenis shareholders should use the recent share price strength to sell the shares. We maintain our Reduce 2 rating and US$0.80c PT, based on an EV/Revenues of 0.85x.

10/21 **El.En. Group** reported their six-month results. As of June 30, 2003, sales of medical laser systems were E18.5 million, up 55% over sales for the same period in 2002, and represented 61% of total company sales. As the company stated, "The medical sector confirmed its pre-eminence within the Group, showing an increase of approximately 55% for this financial period, thanks in part to the contribution of **Asclepion Laser Technologies GmbH**, but mostly to **Cynosure, Inc.** The industrial sector remains difficult, and not withstanding the contribution of **Lasit Srl** and **Lasercut Inc.**, no increase in sales was shown for this period with respect to the same period last year."

Within the medical sector, sales of surgical CO_2 lasers were E662,000; physiotherapy lasers E283,000; cosmetic lasers E10.9 million; dental lasers E1.9 million; other medical systems E4.6 million (mostly Cynosure's dye lasers); and accessories E180,000. Sales of Cynosure products represented approximately 41% of the sector's sales.

The new range of products for dentistry is now fulfilling expectations and new developments will be appearing soon, thanks to **Deka Laser Technologies** which will distribute the dental lasers in the United States.

10/21 **Diomed Holdings, Inc.** announced that it has retained **Cameron Associates, Inc.** as its investor relations advisor. Cameron Associates is a 27-year-old New York-based, full-service investor relations firm that represents a wide variety of publicly-held companies in the U.S. Cameron will assist Diomed in broadening its financial market presence and establishing new relationships within the investment community and financial media. The firm has a wealth of experience representing rapidly growing, emerging health care and technology companies.

James Wylie, president and CEO of Diomed commented. "I am very pleased with our appointment of Cameron Associates. We expect our relationship with Cameron to enhance the visibility and value of the company as we expose our products and business strategies to a wider audience. We believe Cameron's experience and knowledge of the investment industry, and particularly its experience with small public companies, will serve Diomed. and its shareholders well."

10/23 **Laserscope** reported that revenues for its third quarter ended September 30, 2003 jumped 36% to $14.3 million from $10.5 million in the year-ago quarter. Sequentially, revenues increased 11% from $12.9 million for the quarter ended June 30, 2003. Net income was $533,000 (3 cents per share) compared with net income of $192,000 (1 cent per share) in the same quarter last year, and net income of $348,000 (2 cents per share) for the second quarter of 2003.

"We are very pleased that revenues increased significantly on both a year-over-year and sequential basis, driven primarily by the continued adoption of our Photo-Selective Vaporization of the Prostate (PVP) procedure, and strong domestic and international sales and marketing efforts," said Eric Reuter, Laserscope's president and CEO.

"Every day, we are educating a growing number of urologists, healthcare administrators and patients on the clinically-proven, long-term benefits of our proprietary procedure. We believe that our message is resonating with these individuals and our strong quarterly results are evidence of this progress. During the quarter, we sold 34 GreenLight PV laser systems and 3,414 fibers, compared with 20 systems and 3,075 fibers in the prior quarter. Additionally, we shipped nine systems as part of our new rental program. Backlog declined to 12 systems at the end of the third quarter, versus 21 systems at the close of the second quarter, primarily as a result of progress made towards correcting the component shortage issue we experienced earlier this year."

"In the third quarter, we saw increased interest from domestic hospitals and clinics for our GreenLight PV products. Of the 34 systems sold during the quarter, 15 were shipped to this customer group. We believe that this will continue to be an important target market going forward. Sales for the third quarter were also bolstered by a solid

performance from our aesthetics business. Domestic aesthetics revenues grew 10% over the year-ago quarter. While we expect the urology market to be our long-term growth catalyst, our core aesthetics business is an important and growing part of our operations."

Gross margin was approximately 52%, compared with approximately 54% for the third quarter of fiscal 2002. Sequentially, the gross margin improved from approximately 50% for the second quarter. Selling, general and administrative expenses were $5.8 million, or 40% of net revenues, compared with $4.5 million, or 43% of net revenues, in the year-ago quarter. Increased spending in this area came primarily from higher sales and marketing expenses relating to the GreenLight PV products, reimbursement consulting and higher legal expenses.

The company had no short-term bank borrowings and increased its cash position to $6.1 million at September 30, 2003, from $4.7 million at the end of 2002.

Nine-Month Results -- For the nine months ended September 30, 2003, the company reported revenues of $39.6 million and net income of $1.0 million (5 cents per share) compared with revenues of $30.4 million and net income of $273,000 (1 cent per share) for the same period in 2002.

Update on Reimbursement -- The company provided an update on the issue of medical reimbursement and recounted its recent efforts to meet this challenge. "In August, the Centers for Medicare and Medicaid Services (CMS) announced adjusted reimbursement rates for the various BPH treatment alternatives," stated Reuter. "These rates are due to become effective in January 2004. While the national average reimbursement rates for the PVP procedure in 2004 are now projected to be slightly higher in the outpatient hospital facility, we believe that a further increase is needed to adequately reflect the resource and equipment costs of the procedure. As a result, we are undertaking a number of different actions to improve the CMS reimbursement rates assigned to the procedure. We have recently had several constructive meetings with the CMS staff in order to raise their awareness to the disparity that exists, and we are hopeful that these efforts will result in positive action. However, our guidance for 2004 is based, among other things, on the current reimbursement rates that have been published by the CMS for 2004."

Guidance -- The company revises the following guidance for 2003:

* Laserscope expects that overall revenues will increase due to continued sales growth of the PVP products. The company anticipates that it will sell over 11,000 PVP fiber-optic devices during the year, an increase from its previous forecast of 9,000 to 10,000 units and compared with the total of 3,450 devices sold in 2002. The company also revises its total revenue expectation for the year to exceed $54 million.

* Gross margin, as a percentage of 2003 revenues, is expected to be in the range of 51% to 52%.

* The company expects research and development expenses during 2003 to be approximately 8% of net revenues.

* Selling, general and administrative expenses, as a percentage of net revenues, are expected to be marginally lower than the 2002 level of 41%, but remain relatively high in absolute terms in conjunction with continuing investment in educational and training support and marketing programs for the PVP products.

* For the year, the company expects net income of $0.10 to $0.11 per diluted share. Laserscope is narrowing its previously forecasted range of $0.10 to $0.15 per diluted share as a result of its continued, significant investment in the urology business. The company is deploying its resources to further develop the GreenLight technology, to support new sales and marketing initiatives, and to address the reimbursement challenge.

Following its strong third quarter performance, the company is issuing the following guidance for fiscal year 2004:

* Expecting continued adoption of the PVP procedure to drive further sales growth of the GreenLight PV products, the company forecasts 2004 revenues to reach the $64 million level.

* Gross margin, as a percentage of 2004 revenues, is expected to be in the range of 53% to 55%.

* The company expects to achieve 2004 net income of $0.30 per diluted share.

10/23 **CardioGenesis Corporation** announced results for its third quarter and nine months ended September 30, 2003. Chairman and CEO Michael Quinn said that revenues for this year's third quarter increased 12% when compared to the prior year period and were up 16% from the second quarter of this year. Gross margins in the third quarter and first nine months of this year rose sharply and the loss from operations declined significantly from prior year periods despite large increases in R&D to support the company's efforts to gain clearance from the FDA to market the PMR system.

Revenues for the 2003 third quarter were $3.6 million with a loss from operations of $121,000, compared to revenues of $3.2 million with a loss from operations of $581,000 in the prior year third quarter. The net loss for the 2003 third quarter was $129,000 (0 cent loss per share) compared to a net loss of $576,000 (2 cents loss per share) for the third quarter of 2002. Included in this year's third quarter results was $522,000 of R&D expenses associated with the company's efforts to gain clearance from the FDA to market PMR in the U.S., and in the prior year third quarter there was $247,000 in PMR related R&D expenses. The 2003 third quarter and the prior year's third quarter also included $155,000 and $684,000, respectively, for the reduction of accrued liabilities established in prior periods for research and development costs associated with estimated clinical trial obligations. Sales, general and administrative expenses in this year's third quarter

declined approximately $1 million from the prior year period to $2.4 million, primarily due to reductions in the company's workforce and related expenses.

"The increase in revenue over last year's third quarter and the second quarter of this year reflects the continuing trend of expanded adoption of TMR by cardiothoracic surgeons," Quinn said. "The strength of this year's summer quarter, which is often a slow quarter for procedural volume, is another indicator of the momentum we see developing in our TMR franchise. At the same time, our expenses are in line with the revenue we are generating and we are well positioned to increase TMR revenues without significantly increasing expenses. If you exclude the additional R&D expenses associated with our commitment to getting FDA clearance for PMR, we would have been profitable in this year's third quarter, which proves to me that TMR can become a consistently profitable business."

CardioGenesis has been aggressively pursuing long-term follow-up data, five years and more, on the pivotal trials of its Ho:YAG TMR laser, the 12-month results of which were first published in 1999. The initial presentation of the long-term follow-up data was made in June of this year and the company believes that the data has already begun to have a positive impact. The completed follow up of the pivotal trials has been accepted for presentation at the upcoming *American Heart Association* meeting in November and the *Society of Thoracic Surgeons* meeting in January. "We are confident that the long-term follow-up data of the pivotal trials of our TMR laser system will significantly assist our efforts to drive the acceptance and adoption of our TMR procedure with the surgical and referring communities," Quinn said.

For the first nine months of 2003 revenues were $10.1 million, with a loss from operations of $881,000, compared to revenues for the first nine months of the prior year of $9.4 million, with a loss from operations of $3.0 million. The net loss for the first nine months of 2003 was $886,000 (2 cents loss per share) compared to a net loss for the first nine months of 2002 of $678,000 (2 cents loss per share). Included in the 2003 nine-month results were $1.2 million in R&D expenses associated with PMR, compared to $576,000 in the prior year period. The first nine months of 2003 and the comparable period last year included $296,000 and $684,000, respectively, for the reduction of accrued liabilities established in prior periods for research and development costs associated with estimated clinical trial obligations. The 2002 first nine months results also included a $2.3 million one-time gain associated with the company's sale of its minority interest in a privately held medical company. Sales, general and administrative expenses for the first nine months of 2003 were $7.4 million, down $2.4 million from the first nine months of the prior year, primarily due to reductions in the company's workforce and related expenses.

Gross profit margins as a percentage of sales were 83% in the third quarter and first nine months of 2003, up significantly from 78% and 77%, in the prior year's respective periods. The increase in gross margins is due to higher average selling prices of the company's products and ongoing improvements in manufacturing by its contract manufacturer.

Quinn said that the company and the FDA continue to make meaningful progress in their interactive review of the Premarket Approval Supplement for the Axcis PMR system and that he expects the review process could be complete by mid-November. "We are happy with the FDA commitment to this review process and look forward to completing the process in the coming weeks. This has truly been a close and interactive exercise with both sides taking an operative role in the process."

If a favorable result cannot be reached as a result of this interactive review process, a hearing before the FDA's Medical Devices Dispute Resolution Panel remains an option for the company.

The company's September 30, 2003 balance sheet showed cash and cash equivalents of $1.1 million, total assets of $6.7 million, shareholders' equity of $3.1 million, and no long-term debt. The company has a convertible note agreement with a private equity fund that provides for borrowings up to $2 million based upon eligible accounts receivable. The company has no outstanding borrowings on the note. During the year's third quarter, the company shipped nine lasers and had worldwide disposable sales of 778 units, compared to the shipment of five lasers and worldwide disposable sales of 747 units in the third quarter of 2002.

10/23 **Palomar Medical Technologies Inc.** announced that for the third quarter ended September 30, 2003, the company's total revenues increased by 25%, its product revenues increased by 28% and its gross profit from product sales improved by 48%, compared to the third quarter of 2002, due to the continued growth of the company's flagship family of Lux Pulsed Light Systems. The company realized a significant increase in operating income of $510,000, or 428%, and an improvement to net income of $785,000, or 658%, which includes a benefit from income taxes of $275,000, compared to the third quarter of 2002. Over the past year, product gross margins have improved significantly due to higher margin product mix and increased sales volume. The company has also strengthened its balance sheet since the end of last year, including doubling its cash position and almost tripling stockholders' equity; the current ratio now stands at 2.7x, up substantially from 1.5x at the end of 2002.

CEO Joseph Caruso commented, "Once again we are pleased to report another strong quarter with a substantial increase in revenues and profitability, even during what historically has been a seasonally slow quarter for this industry due to the summer vacation months. We have increased market share over the past few quarters and anticipate this trend to continue as we concentrate on increasing distribution both domestically and internationally. We have put a concerted effort into growing our revenues and as such have doubled our sales force in the United States effective earlier this month. During the past few quarters, we have set the foundation for a significant expansion of our business. We now have a diversified product line with a strong reputation for reliability that meets the needs of our growing customer base. Our manufacturing capacity is sufficient to accommodate our next stage of growth, and we have firmed up our financial resources and have put in place a creative and dedicated

team of professionals to take Palomar to what we think will be a higher level of revenues and profitability. Cosmetic light-based treatments are rapidly becoming preferred over traditional treatments and we expect this trend to continue. Given all these factors, we believe Palomar is well-positioned for continued growth."

Revenues for the quarter ended September 30, 2003, were $9.2 million, up from $7.4 million in the third quarter of 2002. Gross profit from product sales increased to $4.8 million (58% of product revenues), up from $3.2 million (50% of product revenues) in the year-earlier quarter. The company reported net income of $904,000 (5 cents per share) for the third quarter of this year, versus net income of $119,000 (1 cent per share) for the third quarter of last year.

Revenues for the nine-months ended September 30, 2003, were $24.7 million, up from $18.0 million for the nine-months ended September 30, 2002. Gross profit from product sales increased to $12.8 million (58% of revenues), up from $7.2 million (47 % of revenues) in the year-earlier period. The company reported net income of $2.3 million (15 cents per share), versus a net loss of $398,000 (4 cents loss per share) for the nine-months ended September 30, 2002.

During the third quarter, the company further broadened its product line with the introduction of the NeoLux Pulsed Light System. The NeoLux is the latest introduction to the Palomar family of pulsed light systems. Having established the EsteLux and MediLux Systems for a primarily medical clientele, Palomar set out to make these pulsed-light innovations even easier to use and more affordable for the beauty industry worldwide by focusing on two applications. The NeoLux offers permanent hair reduction on all skin types and photofacial treatments on pigmented lesions, for improved skin tone and texture.

The NeoLux uses pulses of concentrated light to disable hair follicles, resulting in long-lasting hair removal, and to break down the pigment in pigmented lesions (such as age spots and freckles), for improved skin tone and texture. The NeoLux can remove hair from all skin types, from the fairest to the darkest, including tanned skin. This allows treatment providers to offer permanent hair reduction to a wide range of ethnic groups and skin types. In addition, the NeoLux handpieces all feature a large spot-size for quick treatments; the hair from a back or pair of legs can be removed in under 30 minutes, and smaller areas can be treated in even less time. The NeoLux combines the permanency of electrolysis with the fast coverage of waxing, and delivers effective photofacials. The NeoLux's affordability and effectiveness make it an ideal addition to any practice focused on expanding cosmetic treatments for their customers.

10/23 Patients who undergo laser resurfacing to help smooth their complexions are generally satisfied with the results of the procedure, though their satisfaction levels tend to decline over time, according to a study by a Stanford University Medical Center researcher. The study included 27 patients - both men and women - who were queried at various stages within 30 months after their laser surgery procedure, designed to help smooth wrinkles

around the eyes and mouth, minimize scarring from acne and correct uneven skin tone resulting from sun damage. Though much has been written on laser resurfacing from a clinicians' perspective, the study is thought to be the first to focus on after-the-fact patient perceptions, said Sonia Batra, MD, chief resident in dermatology at Stanford and first author on the study which appeared in the October issue of the Archives of Dermatology. "We found that while patient satisfaction overall remains quite high, it's important to note that the% of patients who felt it met their expectations declined over the 30 months," Batra said.

Within three months of the procedure, 23 patients (85% of the study group) said it met their expectations. By 30 months, however, only 13 patients (54%) said they felt this was still the case. Laser resurfacing is a common procedure popularized in the last decade with the advent of the carbon dioxide and more recently, the erbium:YAG lasers. During the outpatient procedure, doctors apply short bursts of laser energy to remove the top layer of skin and stimulate the underlying cells, or collagen, that provide support to the skin. Patients are sedated though remain awake during the procedure, which requires about a two-week recuperation period, Batra said.

Batra became interested in patient satisfaction with the technique while a medical student at Harvard, musing one day with a mentor, Jeffrey S. Dover, MD, about the high expectations cosmetic surgery patients often have, particularly after they've traveled some distance and spent thousands of dollars on an elective procedure such as laser resurfacing. "We definitely encountered patients who never expected to get a wrinkle again," she said. "There was a perception that rather than reset the clock, the procedure should halt the clock. That was just unrealistic."

She decided to design a study with Dover to examine patient experiences and their perception of results. The patients included 25 women and two men who were treated with both the carbon dioxide and erbium:YAG lasers between August and November 1999 in a Boston-area clinic. The average age of the patients was about 50. Roughly half the patients were being treated for wrinkles and sun-damaged skin, while the other half came in for treatment of acne scarring. The researchers queried the patients about their experiences one day, three days and one week after the surgery and again at three weeks, six weeks, 12 weeks and 30 months.

On the day of the procedure, 37% of patients reported being very worried about the outcome and 11% considered laser resurfacing a "terrible experience"; 26 patients (96%) said they experienced discomfort and 20 (74%) said they experienced pain during the procedure, though pain and discomfort subsided within an average of six to 12 days. While patients initially reported being satisfied with the results, the responses became less favorable as time progressed. After three months, all 27 patients said they felt they looked better than they did before the procedure. By 30 months, however, just 21 patients said they looked better. When asked after three months if they would have the procedure again, 89% said they would; by 30 months, this figure had dropped to 71%.

The researchers noted that "the decline in satisfaction between three and 30 months may represent a real reduction in clinical improvement over time." Previous studies suggest that clinical results don't always hold up over time, particularly in areas of the face, such as around the eyes and mouth, where movement and expression may impact the quality and appearance of the skin, Batra said. She said the researchers had expected patients with acne scarring to be less satisfied with results overall, as these patients "often have many more psychological issues related to their appearance." However, the satisfaction levels for these patients were comparable to those who came in for treatment of wrinkles, she said. Batra said the study should help prepare clinicians and patients on what to expect with laser resurfacing. "The goal is to help the patient and the practitioner have shared realistic expectations regarding the possible outcome," she said.

Batra's co-authors on the study are Carolyn I. Jacob, MD, at Northwestern University Medical School; Lori Hobbs, MD, at Charles Drew University of Medicine and Science in Los Angeles; Kenneth A. Arndt, MD, who has affiliations at Harvard, Yale and Dartmouth medical schools; and Dover, who has affiliations with Yale and Dartmouth medical schools.

For more information, please visit the Web site of the medical center's Office of Communication & Public Affairs at **http://mednews.stanford.edu**.

10/23 **Henry Schein, Inc.** announced a new agreement to offer dental offices around the country the latest innovation in teeth whitening. Henry Schein's U.S. Dental business, **Sullivan-Schein Dental**, has been named exclusive distributor to dental professionals for BriteSmile To Go, which allows patients the ease of at-home whitening combined with the effectiveness for which **BriteSmile**, a leader in professional teeth whitening, is known. Terms of the agreement were not disclosed.

BriteSmile To Go allows patients to whiten their smile whenever and wherever they like with the use of a convenient, lightweight "whitening pen". BriteSmile To Go's click pen applicator applies a clear, proprietary, time-release whitening formula that dries rapidly on the surface of teeth to whiten them safely and gently. Within seconds, the user has forgotten that it is even there. BriteSmile To Go will compete in the middle of the market, between high-end light-activated products used in office settings and lower-end over-the-counter products.

"The $1.5 billion market for teeth-whitening products and services has grown 300 percent over the past five years, and is the most exciting segment of the dental industry today," said John Reed, CEO of BriteSmile. "BriteSmile To Go will help us further expand the market, and with a strategic distribution partner such as Sullivan-Schein Dental, whose reach into the dental community is unsurpassed, we are confident in this product's success."

"At Henry Schein, we constantly strive to bring the latest in technology and the most innovative new products to our customers, and our new relationship with BriteSmile is

evidence of that commitment," said Stanley Bergman, chairman, CEO and president of Henry Schein. "Our highly trained field sales consultants and telesales representatives recognize the benefits that BriteSmile To Go can deliver to patients, and are eager to make it available to our dental customers. We are delighted to have been selected by BriteSmile as exclusive distributor for this new, innovative product in an expanding product category."

Beyond the distribution agreement, BriteSmile also is supporting the product with a significant marketing investment in television and online advertising, consumer direct mail, public relations, and a full professional program.

10/27 **DUSA Pharmaceuticals, Inc.** announced that it had hired, trained and deployed an initial sales force of 6 regional sales managers and sales representatives targeting key US markets, in keeping with our 2003 sales and marketing plan. The direct sales force, which was hired effective October 1st, will report to David Page, DUSA's Associate VP, Sales. DUSA is also contracting with an independent regional sales organization and independent sales representatives, totaling 12 additional representatives, in order to reach a greater number of dermatologists over a wider geographic area.

Since starting with DUSA, the direct sales force has undergone in-depth training on Levulan Photodynamic Therapy (PDT) in dermatology, followed by an official introduction to the dermatology community at the recent *American Society of Dermatologic Surgery (ASDS)* meeting in New Orleans, where DUSA had one of the busiest booths. DUSA was also well represented at the *Fall Clinical Dermatology Conference* in Las Vegas, where over 500 dermatologists were present. Both events also featured many papers and presentations covering the use of Levulan PDT in dermatology. PDT in dermatology was also one of the topics featured at *Derm Update 2003*, in New York for the dermatologic and business press, sponsored by the *American Academy of Dermatology (AAD)*.

The ASDS meeting also served as the first opportunity, since receiving FDA clearance, for DUSA to introduce the BLU-U (without Levulan) for the treatment of moderate inflammatory acne to the dermatology community. The BLU-U is a low cost alternative to some of the other blue light sources that have been marketed for acne treatment over the last year or so. This clearance to market is in addition to the BLU-U's ongoing use in combination with Levulan for the treatment of non-hyperkeratotic actinic keratoses (AKs) of the face and scalp, making for an increasingly versatile platform.

Dr. Geoffrey Shulman, DUSA's president and CEO, stated "With the rapidly growing interest in Levulan PDT for dermatology, the recent FDA clearance for the BLU-U in the treatment of acne, and our initial sales representatives now in place, we believe that DUSA is now well positioned for increasing sales in the months and years to come. With success, the Company plans to increase the sales force in 2004."

MEDICAL/SURGICAL LASER UPDATE -- November 2003

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10/28 **Lumenis Ltd.** announced financial results for the third quarter ended September 30, 2003. Total revenues in the quarter were $66.2 million, compared to $68.1 million in the second quarter of 2003 and $87.3 million in the third quarter of 2002. The net loss for the quarter was $15.3 million (41 cents per share) compared to a loss of $33.3 million for the second quarter of 2003, and a loss of $0.9 million for the third quarter of 2002.

Avner Raz, Lumenis president and CEO, commented: "The management team is focused on the successful implementation of the Turnaround Plan, which will allow the company to return to growth and profitability. The Turnaround Plan is the right platform to enable us to increase efficiency, lower costs, and improve competitiveness as well as customer satisfaction".

The company had an operating loss of $10.5 million, compared to an operating loss of $24.4 million in the second quarter of 2003 and an operating profit of $3.8 million in the third quarter 2002. Operating expenses were $37.1 million in the third quarter, a decrease from the second quarter of 2003 operating expenses of $41.8 million, which included severance costs of $1.3 million and legal settlement costs of $0.9 million, as a result of cost reduction efforts and strict control of operating expenses. Operating expenses were $42.4 million in the third quarter of 2002. The cash flow from operating activities in the third quarter was negative $1.0 million with the operating loss largely offset by decreases in receivables.

Geographically, Europe had sales of $12.7 million, which was lower than the $21.5 million in the third quarter of 2002 and lower than the $15.3 million in the second quarter 2003. Sales in the Americas were $30.5 million, down 23.4% compared to the same quarter a year ago and stable compared to $30.4 million in the second quarter. The Asia/Pacific region had sales totaling $23.0 million, a decrease from the $26.0 million in the third quarter of 2002 and up slightly compared to the $22.3 million in the second quarter 2003.

The third quarter sales of aesthetic products were $23.9 million, down compared to $37.9 million in the third quarter a year ago and up slightly from the $22.7 million in the second quarter of 2003. Sales of aesthetic products have stabilized and there was increase in backlog to approximately $8 million for the third quarter. Sales of medical products (which now includes both ophthalmic and surgical sales) were $25.2 million compared to $33.3 million a year ago and to $28.4 million in the second quarter of 2003. Sales were lower due to delays in product shipments and backlog increased by $2.0 million in the quarter to $9 million. Sales of dental products in the third quarter were $2.7 million and $2.0 million in the veterinary business. The service business had total revenues of $12.4 million up 12.8% from a year ago and down from $13.0 million in the second quarter of 2003.

(Separately, sales of ophthalmic products were $16.5 million, down from the $21.6 million reported in the third quarter of 2002, and also down from the $19.1 million reported in this year's second quarter.)

The company had $19 million in backlog at September 30, 2003, up from $16 million at the end of June. Until the turnaround plan is fully implemented and the results begin to take effect, the company does not expect to provide guidance for future results.

As previously announced the Audit Committee of the board of directors has initiated an independent investigation into the company's relationship with one of its distributors and the accounting and disclosures related thereto, in connection with the continuing SEC investigation and at the request of its independent auditors, **Deloitte & Touche Brightman Almagor**. The Audit Committee is proceeding expeditiously with its investigation and will seek to complete its review as soon as possible. Filing of the company's Form 10-Q for the third quarter could be delayed pending completion of the

investigation and the review of the findings by the company's auditors. Also, since the company's auditors have not performed their normal limited review of our third quarter results, the company's reported results may be subject to future change based upon review by its auditors.

Following the release of financial data for the quarter, two analysts provided their view of the results.

John Calcagnini of **CIBC World Markets**, reported, **"LUME Reports $15 Million Loss; No Change in Our Outlook in 2004"**. Some of his comments included:

* We reiterate our Sector Underperformer (Speculative) rating on Lumenis following the report of a 3Q03 net loss of $15.3M and negative operating cash flow of $1M. The company continues to be strapped with $210M in debt. We have no change to our 2004 loss est. of $31M.

* The net loss for 3Q03 was slightly better than our $16.9M net loss estimate as a result of sales and gross margin being slightly better than our estimates.

* Revenues declined 26% to $66.2M from $90M a year ago due to lower aesthetic, ophthalmic and surgical laser system sales.We were looking for sales of $63.5M. The upside relative to our estimate came from higher than expected vascular and hair removal light source sales.

* The company reported an operating loss of $10.5M versus $3.6M in earnings a year ago. Gross profit margin in 3Q03 was 40% versus 52% a year ago, slightly higher than our 38% estimate but not an encouraging trend.

Stephen Levey of **UBS Investment Research** also reported, **"In the Balance(Sheet)"**. His comments included:

Not As Bad as Expected -— While Lumenis's Q3 results were indeed very bad, they were not quite as bad as we had expected, with a net loss of US$15.3m less than our expectations of US$17.8m; we remain concerned about the financial viability of the company.

Some Encouraging Signs -— It is possible to see some encouraging signs this quarter, including lower OpEx, relatively stable revenues and a pickup in aesthetic revenues. However, we maintain our view that Lumenis remains in a perilous financial position and that bankruptcy is still a possibility.

Losses to Continue -— We do not expect Lumenis to return to operating profitability until H204, and with less scope for balance sheet shrinkage than in the previous quarters, with any further slip-ups the company could run out of cash yet again.

Valuation: Sell into Strength — Clearly, if management were to succeed in turning Lumenis around, there is much potential upside, in our view. However, we believe that at this point the risks of insolvency outweigh the possibility of this occurring and we continue to rate the shares REDUCE 2, with a PT of 80c based on an EV/Revenues multiple of 0.85x.

10/28 **Candela Corporation** reported results for its first fiscal quarter ended September 27, 2003. The company said revenues from continuing operations were $18.7 million versus $13.2 million for the same period one year ago -- an increase of 41%. The company also reported after tax earnings from continuing operations of $1.8 million (17 cents per share) compared to $947,000 (10 cents per share) one year earlier -- increases of 89% and 70% respectively. During the quarter, the company closed its last remaining spa in Boston resulting in an after-tax charge from disposal of the spa of $2.1 million, and a charge of $298,000 for discontinued operations during the quarter. As such, the company's net loss for the quarter was $604,000 (6 cents per share) versus a gain of $735,000 (8 cents per share) one year earlier.

Gerard Puorro, Candela's president and CEO, commented: "Given that the July to September period is traditionally the slowest in our industry, we are delighted with the results for the quarter. Our best-in-class products continue to take market share from others. We are seeing continuing momentum in each of our geographic theaters, in particular in our European operations. We remain exceptionally positive and optimistic as we go forward."

10/28 **CardioGenesis Corporation** announced that new TMR data from five-year follow-up clinical studies of the company's pivotal TMR vs. Medical Therapy trial will be presented at the upcoming 2003 *American Heart Association (AHA)* Scientific Sessions on Nov. 9, 2003, in Orlando. Keith Allen, MD of the Indiana Heart Hospital in Indianapolis will present the new data, which includes 212 patients from nine cardiovascular treatment centers who participated in the prospective, multi-center, randomized, controlled clinical trial of the CardioGenesis system that was originally published in *The New England Journal of Medicine*.

The title of Dr. Allen's presentation at the AHA meeting will be "Transmyocardial Revascularization vs. Medical Therapy: Five Year Follow-up of a Prospective Randomized Trial" and will provide information regarding the long-term safety and efficacy of patients randomized to TMR compared to medical therapy. His discussion will feature the complete five-year follow-up results of the clinical trial that compared patients who received TMR for relief of their severe angina pain to those who received drug therapy alone.

"This AHA data represents the first complete long-term follow-up of a prospective, multi-center, randomized, controlled trial with TMR," said CardioGenesis chairman and CEO Michael Quinn. "We were encouraged by the positive response of the initial five-year follow-up data Dr. Allen presented at the *Western Thoracic* meeting in June and

he will be adding to the body of scientific evidence supporting the clinical application of our Ho:YAG TMR system. We are committed to continuing this important research regarding the long-term clinical results of TMR with our proprietary Ho:YAG technology."

Quinn also noted that the significant positive benefits of the CardioGenesis TMR system compiled by Kurt Wehberg, MD and associates of Peninsula Regional Hospital in Salisbury, Maryland, have been recently published in *The Heart Surgery Forum*. "While long-term follow-up results from prospective, randomized, controlled trials represent a rigorous level of scientific evidence, and are important in validating new technology, we are also pleased with the ongoing publications of single center clinical experiences." Quinn said. "This recent publication in The Heart Surgery Forum provides perspective on the clinical implementation and benefits of TMR and is important information for the surgical and referring community in showing how TMR can be effectively implemented in a cardiothoracic practice to improve patient outcomes."

10/29 On October 10, 2003, **PhotoMedex, Inc.** filed a Preliminary Proxy Statement with respect to its Annual Meeting of Stockholders currently scheduled to take place on December 16, 2003. The company intends to revise the Proxy Statement, in pertinent part, to:

- modify Resolution 2 in the Proxy Statement proposing to amend our certificate of incorporation to increase the number of authorized shares of our common stock. We had previously proposed to increase the number of authorized shares from 50,000,000 shares to 100,000,000 shares of common stock. We intend to reduce the proposed increase of the number of authorized shares to 75,000,000 shares.

- eliminate Resolution 5 in the Proxy Statement proposing to adopt a 2003 Executive Retention and Recognition Plan. The 2003 Executive Plan had proposed to reserve up to 4,000,000 shares of common stock for issuance.

10/29 **PLC Systems Inc.** reported positive financial results for the three and nine months ended September 30, 2003. PLC's third quarter results represent the sixth consecutive profitable quarter for the company. "We are very pleased with our third quarter results," stated Mark Tauscher, president and CEO of PLC Systems. "During the past several quarters we have witnessed a fundamental change in our penetration of the TMR market, which has led to a significant increase in customer awareness and growth in disposable kit shipments. **Edwards Lifesciences'** sales and marketing strength combined with PLC's clinical and technology expertise provides a formidable presence within the angina relief market. In fact, based on both the third quarter and year-to-date reported end user revenue, we believe the CO2 TMR team -- Edwards and PLC Medical -- has established the leadership position within the TMR market."

The third quarter total revenue of $2.3 million was up 13% compared to $2.0 million in the third quarter of 2002. Net income for the third quarter was $225,000 compared to net income of $219,000 for the third quarter of 2002. Total revenues for the nine months

were $6.0 million compared to total revenues of $6.6 million for the nine months ended September 30, 2002. Net income for the nine months was $443,000 compared to net income of $95,000 for the nine months ended September 30, 2002.

A leading indicator for the adoption rate of the CO2 TMR therapy is disposable kit shipments to hospitals. During the third quarter of 2003, a total of 503 disposable kits were shipped worldwide, which is an increase of 55% from worldwide kit shipments in the third quarter of 2002. Edwards Lifesciences delivered 488 disposable kits to United States hospitals and PLC shipped an additional 15 disposable kits to International hospitals. The 488 domestic kits delivered by Edwards Lifesciences represents a growth of 72% over the comparable third quarter a year ago. A total of 325 disposable kits were delivered worldwide during the quarter. Tauscher continued, "With respect to disposable kit shipments, we are extremely pleased to see the positive trend from the second quarter continue through the third quarter. This continued increased adoption is very encouraging because the third quarter is one of the slower quarters for cardiac procedures due to the summer months."

During the third quarter, 10 next-generation CO2 Heart Lasers (HL2) were shipped to United States hospitals through Edwards Lifesciences Corporation, PLC's exclusive U.S. sales and marketing partner. PLC ended the third quarter of 2003 with 152 CO2 Heart Lasers located at heart centers throughout the U.S., comprised of 99 HL2 customers and 53 HL1 customers. As of September 30, 2003, PLC's U.S. laser base (HL1 and HL2) had increased by 24% during the preceding twelve months. More significantly, PLC's U.S. HL2 installed base grew to 99 lasers, up 50 % from September 30, 2002. Tauscher concluded, "PLC's six consecutive profitable quarters is a testament to the momentum building around CO2 TMR. I believe CO2 TMR's increased visibility and awareness will continue to move the therapy to a standard of care for angina patients."

10/30 **PhotoMedex, Inc.** announced the results of their operations for the third quarter ended September 30, 2003. Revenues for the quarter were $3.3 million. Included in this amount is $2.9 million from operations of **Surgical Laser Technologies, Inc.**, a company acquired by PhotoMedex on December 27, 2002. Revenues for the same quarter a year ago were $832,045 and reflect no revenues from SLT. The net loss for the quarter was $1.9 million (5 cents per share). The net loss for the quarter ended September 30, 2002 was $2.1 million (7 cents per share).

Revenues for the nine months were $10.6 million. Included in this amount was $8.9 million from operations of SLT. Revenues for the nine months ended September 30, 2002 were $2.6 million and reflect no revenues from SLT. The net loss for the nine months was $5.3 million (15 cents per share). The net loss for the nine months ended September 30, 2002 was $6.5 million (25 cents per share). As of September 30, 2003, the company had cash and cash equivalents of $8.1 million.

Jeffrey O'Donnell, PhotoMedex CEO and president, commented, "I am pleased with our total shipments that again exceeded $4 million for the quarter even though our

conservative accounting practices only allow us to recognize $3.3 million. Our domestic dermatology business continues to increase even in a quarter that typically experiences seasonal summer slowdown characteristics. The number of XTRAC procedures performed in the quarter increased by over 12% to just over 9,000 procedures from approximately 8,000 procedures in the second quarter. More importantly, we have commenced a clinical study on the economics of alternative therapies for psoriasis. We believe the conclusions reached in this study will be instrumental in overcoming a remaining hurdle to achieve full private payer reimbursement. We anticipate the work related to this study will be completed in November and will provide data we believe will support additional private insurer decisions to establish favorable medical policies to reimburse patients for XTRAC."

"On August 4, 2003, **Hayes, Inc.** released their June 2003 technology assessment report on lasers for psoriasis. We are pleased that Hayes upgraded our technology assessment to a C-rating. We believe that further upgrades in the ratings from technology assessment firms like Hayes will occur over time as we expand the installed base of XTRAC users and these assessment firms better depict the distinction between UVB lasers and thermal ablative lasers. The XTRAC is a UVB light-generating device, not a thermal ablative laser. Decades of clinical data demonstrate the therapeutic advantages of UVB for psoriasis sufferers. PhotoMedex has compiled significant clinical studies and has been featured many times in peer-review journal publications clearly establishing its position as a safe and effective targeted UVB tool for psoriasis."

10/29 **BIOLASE Technology, Inc.** reported financial results for the three and nine-month periods ended September 30, 2003. For the three months, net income was $2.6 million, (11 cents per share) on sales of $13.4 million. Net sales for the quarter consisted of $10.7 million in revenue for product shipped in the third quarter, plus $2.7 million in revenue that had been deferred at June 30, 2003. For the three months ended September 30, 2002, net income was $382,000 (2 cents per share) on sales of $6.9 million. Under the company's revenue recognition policy in effect at June 30, 2003, revenue and related costs of sales on domestic sales were not recognized until the company received payment in full, in essence recognizing sales on a cash basis of accounting. For direct international sales, revenue was not recognized until installation had occurred.

In August 2003, the company modified its sales arrangements and returned to recognizing revenue upon shipment of its products, in the customary practice. Related to the deferred revenue recognized in the third quarter are cost of goods sold of $707,000 and commission expense of $248,000, which had been deferred but are now recognized as expense in this quarter.

For the nine months, net income was $4.8 million (21 cents per share) on sales of $33.0 million. In the comparable prior-year period, net income reached $1.2 million (5 cents per share) on sales of $19.1 million.

Gross profit for the 2003 second quarter totaled $8.4 million (62.6% of net sales) compared with $4.1 million (60.0% of net sales) for the same prior-year period. Gross profit for the nine months ended September 30, 2003 was $20.6 million (62.5% of net sales) versus $11.6 million (60.4% of net sales) for the nine months ended September 30, 2002.

Third-quarter 2003 general and administrative expenses were $1.5 million compared with $739,000 for the three months ended September 30, 2002 and versus $1.0 million for the three months ended June 30, 2003. The increase primarily reflects an increase in professional expenses, of which approximately $450,000 are non-recurring costs related to the financial restatement completed in September 2003. Amortization expense increased approximately $50,000 due to the amortization of intangible assets acquired from **American Medical Technologies** on May 23, 2003.

Jeffrey Jones, president and CEO, commented, "Sales for the quarter, excluding the recognition of previously deferred revenue, continued to demonstrate the robust growth in demand for our products that we have seen in 2003. Our financial position remains strong with cash at $6.1 million and working capital at $7.1 million."

A few days later, on October 31st, the company reported record sales orders were obtained at the annual meeting of the *American Dental Association (ADA)* held on October 24-26 in San Francisco. BIOLASE sales orders obtained during the meeting totaled over $3.5 million, exceeding the company's pre-meeting target of $2 million. Sales orders obtained at previous meetings had never exceeded $2 million.

Due to the demand for the Waterlase record numbers of dentists visited BIOLASE's booths. To handle the high demand of dentists expected at our booths, an additional booth was added and the company had more overall booth space than at any previous meeting. Dentists at the BIOLASE booths participated in short lectures by experienced Waterlase owners, had hands-on experience using the Waterlase on extracted teeth and soft tissue and met with BIOLASE sales representatives to answer outstanding questions.

BIOLASE had two booths at the ADA, one focused on the *World Clinical Laser Institute (WCLI)* and the other on BIOLASE. The WCLI Laser Lab and Education booth located in the South Hall of the Moscone Convention Center had several Waterlase workstations where interested dentists received hands-on experience using the Waterlase and also heard detailed clinical presentations by Waterlase trainers. The BIOLASE booth located in the North Hall was much larger, also had individual work stations and a larger lecture area where 20-30 dentists at a time participated in clinical Waterlase mini-lectures.

"Our booth was very busy the entire three days of the meeting. It was evident that a growing number of dentists are aware of Waterlase and its important clinical benefits and know colleagues that are currently using the Waterlase and how it can help them market their practices and increase revenue and profitability", commented Keith Bateman,

BIOLASE executive vice president. "We expected to achieve record sales and were gratified at the positive response of the dental community."

11/4 **Diomed Holdings, Inc.** announced 2003 financial results for the third quarter ended September 30, 2003. For the quarter, Diomed delivered revenue of $2.4 million, a 22% increase over $1.9 million in the prior year. Revenue for the nine-month period totaled $6.6 million, an increase of 63% or $2.6 million from the same period in 2002. Importantly, revenue from EVLT procedure kits increased 59% from the first quarter run rate and four times the prior year third quarter level. James Wylie, president and CEO of Diomed commented, "Diomed delivered strong financial results, and since going public, delivered record third quarter revenue, record gross margins, and record revenue from EVLT procedure kits. From a strategic standpoint, the EVLT kit revenue growth and its recurring revenue stream is key to our business model and driving Diomed to become a significant participant in the growing market for minimal and micro-invasive medical technologies."

Loss from operations for the quarter decreased by $0.2 million to $1.3 million, when compared to the same period in 2002. For the nine-month period, net loss from operations decreased by $0.9 million to $3.9 million when compared to the same period in 2002. Net loss applicable to common stockholders, including $2.0 million in non-cash interest expense, for the quarter was $3.5 million (12 cents per share) compared to a net loss of $1.6 million (11 cents per share) for the same period in 2002. Net loss applicable to common stockholders, including $2.9 million in non-cash interest expense, for the nine-month period ended September 30, 2003 was $7.3 million (29 cents per share) compared to a net loss of $5.1 million (38 cents per share) for the same period in 2002.

On September 2, 2003 the company executed definitive agreements for a private equity financing totaling $23.2 million. The financing provided an immediate infusion of $6.5 million in convertible debt that will convert into common stock later this year following stockholder approval of the issuance of the underlying common shares. At that time, the company will draw down the remaining $15.5 million placed in escrow by the investors. Upon closing the first round of financing, the company retired its December 2002 notes totaling $2.1 million in principal and interest. At the closing of the second round of the financing, $15.5 million held in escrow will be invested in the company's common stock at 10(cents) per share. Additionally, $1.2 million in May 2003 bridge notes will convert into common stock at the closing of the second round.

Also on September 2, 2003, upon completing the first stage of the financing, the company acquired the exclusive rights to U.S. Patent No. 6,398,777 and foreign counterparts covering the endovenous laser treatment of varicose veins from the five inventors of the procedure.

11/4 **Laserscope** announced that the Centers for Medicare and Medicaid Services (CMS) had notified Laserscope that its application for assignment of Photo-Selective Vaporization of the Prostate (PVP) to treat Benign Prostatic Hyperplasia (BPH) to a new technology

Ambulatory Payment Classification (APC) had been accepted. CMS has determined that PVP meets the new technology APC qualification criteria and will be assigned a new APC code effective April 1, 2004. Until that time, PVP will continue to be reimbursed under current designated codes. Details regarding the specific coding information and the new associated reimbursement rates will be forthcoming prior to the reassignment.

"This is extremely exciting news for us," said Eric Reuter, Laserscope's president and CEO. "Demonstrated to be a revolutionary way to treat BPH, PVP possesses both the clinical efficacy and the safety profile that separates and distinguishes it from any other known technology. Until now, however, access to this exciting new technology has been restricted due to the fact that reimbursement for the procedure was unfavorable in many geographic areas relative to the costs of the equipment and resources required to provide the procedure. We have had very constructive meetings with CMS over the past few months as we have sought ways to ensure that PVP gets fair and equitable reimbursement on both the hospital outpatient side as well as the fee schedule, or physician reimbursement, side. We applied for placement of PVP in a new technology APC for two reasons. First, because PVP is a new technology, no existing Current Procedural Terminology (CPT) code fully describes the nature of this distinct procedure. As a result, information regarding the cost of furnishing PVP was being masked by claims related to other technologies. Second, we wanted to ensure that Medicare reimbursement reflects the costs incurred to furnish PVP today and in the future."

"This announcement is very positive -- it indicates that CMS has recognized the uniqueness of PVP," continued Reuter. "Over the next few months, we will continue to work closely with CMS and the *American Urological Association (AUA)* to ensure that the hospital outpatient and physician reimbursement rates for furnishing PVP reflect the appropriate costs of performing the procedure."

11/4 John O'Neil of the *Associated Press* wrote about use of a pulsed dye laser in the treatment of acne, based on a study reported in *The Lancet*. The conclusion of the article was that, "A single session of laser treatment can reduce acne for three months". An editorial published in the same issue, Oct. 25, said the laser was about as effective as a more standard treatment, daily application of benzoyl peroxide, which is often combined with antibiotics.

"Pulsed-dye lasers have been used to treat other skin disorders, like port wine stains. The bacterium that causes acne has been shown to be sensitive to certain wavelengths of light, said the researchers, from Imperial College London, noting that many acne sufferers reported an improvement after prolonged exposure to sunlight. For the study, 31 adults with mild or moderate acne received a laser treatment, and 10 similar patients were given a sham treatment. Only two of those receiving real laser treatments complained of pain. Several others reported dry skin. The number of acne lesions fell by about half in the laser patients and by 9 percent in the control group, while rankings of severity of the acne fell to 1.9 from 3.8 in the laser group, compared with a drop to 3.5 from 3.6 in the control group.

The biggest portion of the drop took place in the first month, but the laser group's skin was still improving when the study ended after three months. The editorial noted that one limitation of the study was the near-impossibility of making a convincing sham laser, raising the possibility of a placebo effect. It also pointed out that the improvement, while "not insubstantial," was "also not enough to satisfy many patients." But it concluded, "Infrequent treatments that make drugs unnecessary would benefit all concerned (except drug companies)."

11/6 Gina Kolata, writing in *The New York Times*, claimed that "Heart Laser Treatment (was) Used Mostly on Patients Who Don't Meet the Federal Criteria". In her story, she wrote that, "About three-quarters of the patients who receive an expensive, invasive and risky laser treatment for the chest pains of heart disease do not meet the medical criteria for which it was approved. The approved treatment of TMR, transmyocardial revascularization, was only for patients with severe chest pains who could not have bypass surgery or angioplasty. But the researchers found that large numbers of surgeons were performing it while patients were having bypasses."

Moreover, they reported, the procedure carries greater risks than bypass surgery. More than one in 16 who had TMR died, and one in six suffered serious consequences, including strokes, prolonged time on a ventilator and kidney failure. These rates are one and half to two times those seen in patients with traditional bypass surgery.

TMR alone costs $24,340 per treatment, but additional payments to hospitals can nearly double that amount. It involves opening the chest and using a laser to drill holes in the beating heart with the hope of relieving chest pain. The study, commissioned to find out how many patients were getting the procedure and what its risks were, was published in *The Journal of the American College of Cardiology*. Medical experts say the findings offer a rare glimpse of what happens in the real world of medical practice, when doctors prescribe drugs or treatments "off label" for patients who do not meet the criteria for which the drug agency approved the treatments.

Off-label use is common with many drugs and devices, said Dr. Eric Peterson, a cardiologist at Duke University and the lead author of the study, but there is little information on the consequences. "No one really knows what happens," he said. The study found that 3,136 patients had TMR from 1998 to 2001. But just 661, or 21 percent, met the drug agency criteria of severe chest pain and no other surgical options. The others had TMR along with bypass surgery. "I was surprised by the volume and rapidity of off-label use," said Dr. Larry Kessler, the director of the drug agency's office of science and technology in its Center for Devices and Radiological Health. "Within two years, anywhere from 67 to 83 percent of the use was off-label. That's really remarkable for a high-risk procedure."

Dr. Kessler went on to say, "The patients were largely unaware that they were essentially subjects in a large, uncontrolled experiment. He called the off-label use of TMR "doing an experiment without informed consent."

The new study used the *Society of Thoracic Surgeons*' National Cardiac Database, which collects information from two-thirds of all hospitals in this country that do heart surgery. The most dismal results were with patients who had worsening or changing angina half of the patients in the database and with those who had a heart attack within the previous three weeks, which was he case for one-quarter. Those were conditions that the drug agency had warned about, saying TMR was particularly risky then. The study found that mortality rates were at least double those of patients without those conditions. If doctors waited until the patients were more stable, that death rate might have been cut in half, Dr. Peterson said.

Some doctors defend combining TMR with bypass surgery. "I agree that off-label use can become murky," said Dr. Keith Horvath, a surgeon at Northwestern University. But "from a surgeon's point of view, we're combining two known therapies to give a more complete operation to maximize the blood flow to a patient's heart." TMR was developed to help the most difficult of patients. "The patients literally feel like the walls are closing in on them," Dr. Horvath said. "One patient said he had a choice in the morning when he woke up between shaving, then sitting and resting, or not shaving and going to fix breakfast. Some said they wish they had their nitroglycerin in a Pez dispenser. That's how often they're taking it 10, 15 times a day."

Dr. Horvath and others developed the procedure as a way to help such patients. They reasoned that holes drilled with lasers might relieve pain by allowing more blood to be delivered to the heart. He and his colleagues obtained evidence, randomly assigning 192 patients with severe chest pain from heart disease and no other treatment options to have TMR or not. Their paper, published in 1999 in *The New England Journal of Medicine*, indicated that those who had TMR reported less chest pain. Even then, some doctors were skeptical. The Journal paper was accompanied by an editorial by Dr. Richard Lange and Dr. David Hillis, cardiologists at the University of Texas Southwestern Medical Center at Dallas. They said there was no convincing explanation for why the method might work, since the laser holes soon closed. There is no objective indication that hearts function any better, they said no signs of improved blood flow to the heart, no improvement on treadmill tests. The perceived benefit, they suggested, might well be a placebo effect.

But once the food and drug agency approved TMR, the stage was set for its widespread use. The next question was whether Medicare would pay, and if so, for which patients. The program's administrators decided to cover not just the agency's approved use, but other uses as well. They were persuaded by a small study showing that TMR seemed to produce fewer complications in hospitalized patients. Dr. Sean Tunis, director of the Office of Clinical Standards at the Center for Medicare and Medicaid Services, says the program tries to leave doctors with some flexibility. "There's a certain delicate tension between a clinician taking a technology that's proven for a certain indication and learning by experience that it is useful for patients that exceed those limits," Dr. Tunis said. Dr. Tunis noted that the TMR decision "happened before I got here," and added, "We probably would have handled it differently today."

The drug agency, in the meantime, wanted to get a handle on what was happening to TMR patients. The postmarketing studies it had requested of the device's makers, **CardioGeneis**, and **PLC Medical Systems**, never really got under way. That is not surprising, said Dr. Donna Tillman, deputy director at the drug agency's office for device evaluation. "The clinical community believes that once a device is approved it has been shown to be safe and effective, so why do we need to collect data?" Dr. Tillman explained. "Sometimes companies just don't want to be bothered once the device is out there making money."

So the FDA commissioned the study with the thoracic society's database. Some were amazed that the study was done and published. "It takes a lot of courage to publish a paper like this," said Dr. Scott Ramsey, an internist and health economist at the University of Washington. "It shows that TMR has gone from where the evidence is to where the money is." Dr. Bruce Ferguson, a cardiac surgeon at Louisiana State University and an author of the paper, took a very different view. "I don't think you can draw the conclusion that it was unreasonable," he said of doctors' decision to use TMR. "You can say that we don't have all the information we need to say that this is a good thing to do." He added that doctors could not overlook those patients who were suffering and desperate for relief.

Dr. Horvath said he understood the concern about TMR's use but added that many of the strongest critics were not surgeons and therefore did not perform TMR. He sees the patients who have no other options. "There are patients I see every day and I tell them it may be risky," Dr. Horvath said. "They say: `I can't live like this any longer. I will accept the risk'". Dr. Paul Armstrong, a professor of medicine at the University of Alberta and an author of the study, has a different perspective. "I'm bothered even in the indication for which it is approved," he said. "Now we're going into a circumstance where it is not approved in a group of patients where the risk is even greater."

11/10 **CardioGenesis Corporation** announced that the complete follow-up of 212 patients who took part in the company's original multi-center, randomized, controlled TMR pivotal trial, was presented by Keith Allen, MD of Indiana Heart Hospital on Sunday, Nov. 9 at the 2003 *American Heart Association* Scientific Sessions in Orlando. The study results showed that patients randomized to Holmium:YAG TMR had a significantly improved survival rate, 65% at five years, than those randomized to maximum medical management, 52%. The overwhelming majority of patients treated with TMR (88%) continued to experience significant improvement in angina pain five years after their original TMR treatment.

Robert Emery, MD, a leading thoracic surgeon from Minneapolis, was among a group of leading clinicians who commented favorably on the study. "This report indicates improved survival and quality of life in "no option" coronary patients through TMR," Dr. Emery said. "This represents a significant advance in the therapy for this form of heart disease...a condition that is often frustrating for both the patient and physician if left untreated." His comments were echoed by Louis Samuels, MD, of Lankenau Hospital in

Wynnewood, PA, who added, "This is an extremely important study which serves to validate the angina relief we've been observing in clinical practice with TMR."

The study data was collected in nine medical centers and showed that patients treated with Holmium:YAG TMR, a procedure in which physicians use a laser to create small channels in the heart muscle, improved with statistical significance from an average *Canadian Cardiovascular Society* angina score of 4.0 (severe) to an average of 1.2 (mild) after five years. Additionally, 33% of TMR patients compared to 11% of medically managed patients were completely angina free after five years. Richard Heuser, MD, of St. Joseph's Hospital and Medical Center in Phoenix, an interventional cardiologist who began referring patients for TMR in 1999, said, "This is the first time in a large series of patients that we see, in addition to symptomatic improvement, a mortality benefit with TMR. This bodes well for TMR going forward and is an exciting development for patients who cannot be effectively treated with standard surgical techniques."

Michael Mack, MD of Cardiothoracic Surgery Associates of North Texas in Dallas added that this trial and its follow-up were "extremely well done. Nobody can question the science." Masoud Alzeerah, MD of NW Texas HealthCare in Amarillo, TX said, "These authors have done an outstanding job in proving the value of TMR for patients with advanced coronary artery disease and disabling angina. Their data confirms not only the efficacy of TMR in relieving angina pain, but also its sustained result over five years. This result, on top of my personal experience, causes me to firmly believe in the value of TMR for this subset of patients."

CardioGenesis chairman and CEO Michael Quinn said this long-term data affirms the company's belief that patient outcomes are significantly improved by the appropriate use of its Holmium:YAG TMR laser system. "Five-year data such as that presented at AHA leaves little doubt that no-option, class IV angina patients can receive significant relief from TMR," Quinn added. "Considering that there are approximately 7 million angina sufferers in the United States alone, a number growing by 400,000 every year, TMR data such as this offers hope for those afflicted with the most severe form of this disease."

11/10 **Candela Corporation** announced that it had received FDA clearance for its new GentleYAG 1064nm Nd:YAG laser opening access to new markets and a multitude of new clinical applications. In addition to hair removal, the new GentleYAG is now cleared for the following indications: permanent hair reduction on all skin types including tanned skin, pseudofolliculitis barbae (beard bumps), pigmented and vascular lesions including leg veins, spider veins, warts, age and sun spots, and wrinkles.

Gerard Puorro, Candela's president and CEO commented: "The new GentleYAG is representative of our continued efforts to put the most flexible lasers into the hands of our customers. We are very pleased to gain these additional clearances from the FDA as it enables us to offer the most comprehensive product portfolio in the industry."

The new GentleYAG offers several new features including variable pulse durations, multiple spot sizes, as well as an increased repetition rate for even faster treatments all packaged in a smaller, more transportable laser system. Puorro continued, "We listened to our customers and went back to the drawing board to modify our Nd:YAG to meet their needs. We feel our new GentleYAG is now the premier Nd:YAG laser on the market today."

The GentleLASE portfolio of lasers also includes Candela's best selling laser of all time, the GentleLASE 755 nm alexandrite laser, as well as the GentleLASE Limited Edition and the GentleYAG Limited Edition lasers.

11/11 **Axcan Pharma Inc.** announced operating results for the fourth quarter and fiscal year ended September 30, 2003. For the quarter and fiscal year, the company reported revenue growth of 28% to $48.7 million and 35% to $179.1 million, respectively. Net income was $9.1 million (19 cents per share), and $33.4 million (70 cents per share) for the quarter and year respectively, prior to net unusual costs associated with the takeover bid for **Salix Pharmaceuticals** and before acquired in-process R&D expense of $12 million. Net income (loss) after these costs for the fourth quarter and year was $(1.9) million (4 cents per share), and $19.9 million (44 cents per share) respectively.

"Axcan demonstrated steady progress toward its strategic goals during fiscal 2003. We have strengthened the foundation for our gastroenterology business. Our focus on gaining market share for our existing products and preparing new products for launch to fuel both our short and long-term growth is paying off," said Leon Gosselin, president and CEO. "During fiscal 2003, Axcan consolidated its leadership position in the North American gastrointestinal market and established a solid presence in Europe. We also developed strategic alliances and relationships that will help us continue to build a strong business," he concluded.

Axcan's fourth quarter culminated a year of strong growth in revenue, earnings, and market share for key products. In addition to the approval of a new indication for PHOTOFRIN, the company acquired product rights and advanced the scientific development of several products in its pipeline, all of which management believes will accelerate its mid and long-term growth.

Sales of PHOTOFRIN and other products in North America amounted to $14.1 million, an increase of 3%. The company expects growth in PHOTOFRIN sales in fiscal 2004 with the launch of PHOTOFRIN for the treatment of High-Grade Dysplasia associated with Barrett's Esophagus, which is expected to occur by December 2003.

11/11 **PLC Systems Inc.** announced that data from a research study involving transmyocardial revascularization (TMR) with PLC's carbon dioxide (CO_2) Heart Laser technology combined with autologous stem cells will be presented today at the Scientific Sessions of the *American Heart Association (AHA)* held in Orlando, Florida. Dr. Race Kao, Professor & Chairholder, Carroll H. Long Chair of Excellence in Surgical Research,

Department of Surgery, James Quillen College of Medicine at East Tennessee State University, will present data from a pre-clinical animal study titled "Autologous Stem Cells and Transmyocardial Laser Revascularization for Myocardial Infarction".

Commenting on the study, Dr. Kao stated, "We are very encouraged by the early results of this revolutionary approach to increase ventricular function and enhance revascularization. The success of this project could lead to the development of a therapeutic procedure for the millions of patients suffering from coronary heart disease and heart failure. In conclusion, the data demonstrates that CO_2 TMR combined with implanting autologous myogenic stem cells significantly reduced scar areas, improved myocardial perfusion, and enhanced contractile function after myocardial infarction."

Dr. Kao discussed results from CO_2 TMR in combination with the implantation into heart muscle of autologous (the patient's own) myogenic (muscle forming) cells from skeletal muscle expressing angiogenic factors. It is believed that the transplantation of autologous myogenic cells into CO_2 TMR channels within the heart muscle will form new muscle tissue that will restore the contractile function and an expression of angiogenic factors will develop new blood vessels to improve perfusion of the damaged heart muscle after a heart attack. The myocardium (heart muscle) does not have myogenic cells like skeletal muscle. An injured heart typically repairs itself by scar formation and multiplication of non-muscle cells, which do not restore the damage that results from a heart attack.

11/13 **BriteSmile, Inc.** reported results for the third quarter 2003. Revenue for the quarter increased to $11.4 million compared to $9.9 million in the same quarter last year, an increase of 15%. Revenue at BriteSmile Centers was up significantly, 44% over the same quarter last year. In the latter part of the third quarter 2003, BriteSmile benefitted from initial shipments for its first ever on-the-go teeth whitening product, BriteSmile To Go. Response from both consumers and the dental community has been strong for the proprietary product.

BriteSmile has also established an exclusive distribution agreement for BriteSmile To Go with **Henry Schein, Inc.** Schein is a dental industry leader in sales serving over 60 thousand dental practices in the United States. This agreement should increase the BriteSmile brand presence within the total network of dental offices. New product sales were also helped by the introduction of the proprietary BriteSmile Magic Mirror. The BriteSmile Magic Mirror, which is available exclusively to BriteSmile dentists and BriteSmile Centers, allows the user to see in an instant what their smile would look like following the BriteSmile in-office procedure.

Operating expenses for the third quarter 2003 were $15.9 million versus expenses for the equivalent quarter in 2002 of $14.4 million. Expenses for the third quarter of 2003 included product startup costs of $1.3 million, which are related to the two new products. Net loss for the third quarter 2003 was $4.8 million versus a net loss of $4.6 million for the same quarter 2002. Net cash used in operating activities for the 39 weeks ended September 27, 2003 was $3.1 million versus $6.4 million for the same period in 2002.

"During the third quarter, the company saw increased demand at its company-owned centers and international locations for its products and services. We are off to an excellent start in the fourth quarter with the sale of the new products, which will contribute to revenues in the fourth quarter and beyond and will fuel revenue growth on key investments that have been made. We will also see additional marketing expenses in the fourth quarter on the new products, which will be made for the long-term benefit of revenue and resulting profit," said John Reed, CEO of BriteSmile, Inc.

11/13 The Board of Directors of **El.En. SpA**, convened under the presidency of Andrea Cangioli, and approved the quarterly report for the period ending September 30th 2003.

During the quarter, the El.En Group showed a consolidated sales volume of 17.738 thousand Euros, up +30%, in comparison to the same period in 2002. This outstanding result is due to the success in the medical and cosmetic sector which showed a growth rate of over 50%, notwithstanding a generally negative economic situation. Sales volume in the industrial sector on the other hand showed a slight drop of 4%, which is a result of the continuing crisis in the manufacturing field.

The gross operating margin for this quarter was 1.991 thousand euros, an increase of 26% with respect to the third quarter of 2002, while during the past nine months, the gross operating margin fell from 4.163 to 3.692 thousand Euros, showing a decrease of 11%. This result was influenced by the poor performance of the other companies in the Group operating in the industrial sector whose fixed expenses had a greater incidence on the sales volume, as well as to the weakness of the dollar.

The operating result for the first nine months was 978 thousand Euros, which is a decrease of 60% in comparison to the same period in 2002, but still shows a recovery of 50%, for an amount of 1.151 thousand Euros, in the third quarter of 2003 with respect to the 772 thousand Euros for the third quarter of 2002. The Group closes the third quarter with a before-tax result in the black for 921 thousand Euros, showing a decrease in comparison to the amount of 1.512 thousand Euros for the same quarter in 2002. The same result for the last nine months was 1.488 thousand Euros as opposed to 3.443 thousand Euros registered for the first nine months of 2002.

The net financial position as of September 30th 2003 remains in he black for over 12 million Euros.

The results for the third quarter show a pronounced improvement over those for the first semester and for the same period last year. “We are satisfied with the results for the third quarter, especially considering the context in which this has occurred and the rapid improvement of the results of Cynosure, remarked Andrea Cangiol, CEO of El.En. S.p.A. During the meeting, the Board of Directors also took the measure of delegating to the president, Gabriele Clementi, and the Board members, Barbara Bazzocchi and Andrea Cangioli, all the ordinary and extraordinary administrative powers with independent signature.

The Board of Directors of El.En. Spa, with the intent of involving the employees who, for their professional and personal characteristics and their dedication to their work, represent key figures for the future economic and strategic development of the Group, and with the knowledge that in a highly competitive market, the granting of option rights appears to be the ideal instrument for attracting new professionals, today approved the stock option plan for 2004-2005. For this purpose, the Board of Directors, as per the powers granted by the extraordinary assembly of July 16th 2002, voted an increase in the capital stock of 13.145,60 Euros and assigned 25.280 option rights which will grant rights to underwrite ordinary shares for a nominal value of 0,52 Euros each during the periods determined by the Board of Directors. The underwriting price for the new shares has been set at 15,78 Euros, with an extra-price for each share of 15,26 Euros.

11/15 Kathy Kincade, editor of both *Medical Laser Report* and *Optoelectronics Report*, wrote a profile of **Laserscope**, that appeared in the November 15th issue of OE and will appear in the December issue of MLR. With permission, I have reproduced the profile.

Four years ago, Laserscope -- one of the better known names in the medical-laser field in the 1990s -- was on the verge of bankruptcy. Not only was the market for surgical lasers -- which had long been Laser-scope's focus -- waning, but the company itself was experiencing significant losses and operational, product, and distribution challenges. Annual revenues on a pro forma basis were down to about $30 million and the stock was trading below $0.70/share.

That's when the company made Eric Reuter, then vice president of R&D, president and CEO. The result has been one of the few success stories in the surgical-laser arena in recent years. "When I was asked to take over, the entire company's structure and focus needed to be changed," Reuter said. "We needed a vision and we needed to raise the sense of urgency and change the entire culture and direction we were taking."

For Reuter and his management team, this meant implementing a four-step plan. The first step, he says, was to "right the ship" -- reorganize and re-structure the company so it was no longer bleeding cash. Then they renegotiated their credit line and divested their German subsidiary, **NWL** (sold to **Wavelight** in 2000). Next they did a common stock placement and sold debentures to raise some needed capital. And then came the decision to focus on just two major markets, aesthetics and urology. "It was not a matter of coming up with a new laser and then trying to find an application in the market," Reuter said. "We began implementing a business strategy that revolved around finding and focusing our development, clinical, marketing, and sales resources on high-volume applications, such as the treatment of benign prostatic hyperplasia (BPH), and on new market opportunities."

In fact, Laserscope has done something few other companies have been able to manage so far: successfully market and sell a surgical laser to urologists for the treatment of BPH and create a recurring revenue stream (via disposables) in the process. In its latest financials, Laserscope reported a 36% jump in its revenues over the previous year

quarter, from $10.5 million in the third quarter last year to $14.3 million in the third quarter this year. Net income was $533,000, or $0.03/share, compared with net income of $192,000, or $0.01/share, in the same quarter last year, and net income of $348,000, or $0.02/share, for the second quarter of 2003. Looking ahead, the company is now projecting total revenues of $54 million for 2003 and $64 million for 2004. At present, the company's stock is trading around $12/share.

"We are very pleased that revenues increased significantly on both a year-over-year and sequential basis," Reuter said. "Our growth is driven primarily by the continued adoption of our PVP (photoselective vaporization of the prostate) procedure and strong domestic and international sales and marketing performance in our core aesthetics business, which includes the treatment of vascular lesions and leg veins, hair removal, and photorejuvenation for sun damage and wrinkle removal." In addition to the restructuring and operational improvements, the key to the company's turnaround, Reuter says, has been a change in the way it approaches the market and its customers. Laserscope has become a market-focused company and has built a large disposable business, which has resulted in a continuing revenue stream beyond capital equipment sales. In addition, the company has worked to change its image from that of a laser company to that of a developer of medical products and services for minimally invasive surgical applications.

"We happen to have lasers as one of our core competencies, but physicians and the medical community are becoming more demanding, cost conscious, and sophisticated, which means we need to be more focused on customers and applications and less on the technology for technology's sake," Reuter said. "We are working to be a supplier of minimally invasive surgical solutions, not just a laser company. Our goal is to make our customers and their patients happy."

11/19 **Lumenis LTD.** announced it had completed definitive agreements with **Bank Hapoalim B.M.** to restructure its existing debt and complete a new $9 million loan. Avner Raz, president and CEO, commented, "The completion of this refinancing plan was the final element in our turnaround plan. The agreement reflects the continued support of Bank Hapoalim, and combined with the successful execution of the turnaround plan, will help Lumenis return to the level of performance expected by its customers, investors, employees and suppliers."

The debt restructuring plan covers the company's existing $160.7 million in bank and term loans and its $50 million revolving credit agreement with the Bank. The agreements provide for a deferral of all principal payments until August 2006, when amortization will resume at the rate of $15 million annually. Principal amortization will increase to $20 million annually in 2007 and continue through 2013. The revolving credit agreement will mature in March 2005 and is expected to be renewed on an annual basis. The interest rate on all $210.7 million of debt will be set at LIBOR plus 2.75% resulting in an annual cash interest cost of approximately $9 million at current rates.

The company has agreed to grant the Bank options on 7.8 million shares at a strike price of $1.97 per share for a term of ten years. In addition, the company has agreed to fees payable in cash upon the share price reaching certain levels between $5.00 and $7.00 a share, which will result in a total fee of up to $17.5 million. The new agreement provides for covenants which require the company to achieve $16.1 million of earnings before interest, taxes, depreciation and amortization for 2004 and limit capital expenditures in 2004 to $6 million. The agreements were also completed on the previously announced $9 million receivable based loan. The loan bears interest at prime plus 0.5% and matures January 2005 unless extended.

11/20 **Spectranetics Corporation** announced that a recent meeting was held with officials of the FDA to discuss alternatives available to Spectranetics relating to the approvability of laser treatment for patients suffering from critical limb ischemia. Several alternatives were presented by the company, including labeling modifications that would grant clearance for critical limb ischemia patients with lesions not crossable with a guidewire, and a label granting clearance for peripheral atherectomy, both of which require analysis of subsets of the LACI (Laser Angioplasty for Critical Limb Ischemia) clinical trial data. The company also proposed new statistical analyses of the ICAI-sponsored study, which was the historical control arm for the LACI trial, as well as a comparison to a pooled group of more recent PTA (balloon angioplasty) studies, which potentially could serve as a basis for approving the original label requested in the premarket approval (PMA) supplement. The FDA responded to each of the proposals and suggested additional information for each of the alternatives.

"We're encouraged by the willingness of FDA officials to meet with us and consider these options; we are also pleased with the outcome of the meeting. We will prioritize the tasks necessary to obtain the data that would allow us to seek approval to treat the subset of LACI patients with lesions not crossable with a guidewire," said John Schulte, Spectranetics president and CEO. "We will work in parallel with this immediate priority to obtain the necessary data and perform the statistical analyses that would allow us to pursue a broader label of peripheral atherectomy as well as the originally proposed indication. Pursuing FDA approval for the laser treatment of critical limb ischemia remains as the company's top priority."

About Critical Limb Ischemia and the LACI Trial

Critical Limb Ischemia (CLI) is associated with multi-level arterial disease in the vasculature between the thigh and the ankle, and is dominated by occlusions (total blockages) rather than stenoses (partial blockages). The extent and location of the disease make arterial reconstruction, including surgery and balloon angioplasty, difficult. Approximately 1.5 to 2 million people in the U.S. and Europe suffer from critical limb ischemia. The LACI trial enrolled 145 patients (155 limbs) at 15 sites in the U.S. and Germany. Clinical results from the trial showed that CLI patients who are poor surgical candidates can be successfully treated with laser-assisted therapy. The primary endpoint of six-month survival with limb salvage (i.e., no amputation) was achieved in 93% of the

limbs (legs) treated, compared with 87% in the historical control group. The historical control group was comprised of 789 CLI patients who were treated in Italy with a variety of standard therapies. Outcomes for this group were published in *The Annals of Internal Medicine* vol. 130 pp. 412 - 421, (1999). Additionally, surgery was performed in only 2% of the LACI group compared with 34% in the control group.

On October 2, 2003, a Circulatory System Devices Panel voted 9-1 for nonapproval of the company's (PMA) supplement, citing concerns with the use of a historical control group from a foreign country and the lack of data showing the specific benefits of the laser treatment, which was an adjunctive treatment to balloon angioplasty in most cases and stents in some cases. The FDA generally follows the advice of the panel but is not bound by the recommendation of the panel.

11/24 **Candela Corporation** announced that the FDA had cleared its Smoothbeam device for the "treatment of mild to moderate inflammatory acne vulgaris". The company also said that the clearance was not limited to any part of the anatomy.

Gerard Puorro, Candela's president and CEO, commented: "Our original application to the FDA was for facial acne only. However, working with the FDA we were able to modify the application to include all anatomical locations. Our clinicals have shown that the Smoothbeam procedure for acne, which alters the sebaceous gland, is head and shoulders over all other light sources which treat only bacteria. Further, it is a superior alternative to existing drug offerings. The Smoothbeam is now cleared for acne, acne scars, wrinkles and general dermatology. We believe this multi-application device will provide the efficacy and economics thousands of physicians worldwide are looking for."

Tina Alster MD, Director, Washington Institute of Dermatologic Laser Surgery and a world-renowned lecturer on cosmetic laser surgery, was one of the first physicians to use this breakthrough treatment. "After a series of treatments with Smoothbeam, patients experienced dramatic improvement in the reduction of acne lesions," said Dr. Alster. "I found it to be a safe and cost-effective treatment that dramatically changed the patients' lives for the better."

"I couldn't believe the difference after using Smoothbeam - not only me, but my family and everyone noticed," said Stella Petrakis, a Smoothbeam patient from New York City. "I don't wear makeup anymore, no more cover up. I don't have to use it," continued Petrakis. "I'm very, very happy with the results. Excellent - I recommend it to anyone."

11/24 Kirk Shinkle, writing in *Investor's Business Daily*, perhaps picking up on Kathy Kincade's writeup in *Optoelectronic Report*, reported on the sucess being achieved by **Laserscope** in his piece entitled, "Its Prostate Treatment Accelerates Growth". (The article reads a lot like Kathy's piece.)

When Eric Reuter took over as chief executive of Laserscope Inc. in June 1999, the company was foundering. Sales were down, losses were up and Laserscope's stock traded

for around a dollar a share. Its biggest sellers were, and are, laser systems for treating varicose veins and getting rid of wrinkles. "We were in really dire straits," said Reuter, who took over as CEO after previously serving as Laserscope's vice president of research and development. "In the last four years...we've refocused our product direction, divested a German subsidiary, raised money and refocused our marketing and research."

One market Reuter led his company into was urology. In February 2002, the company launched a treatment for enlarged prostates, or benign prostatic hyperplasia (BPH). Such treatments are in heavy demand partly because of the aging population. Most men don't experience symptoms - pain and difficulty urinating - until after age 40. Half of men in their 60s experience these symptoms, and 90% of those in their 70s and 80s do.

Industry researcher Medical Data International estimates 13 million cases were diagnosed in 2001. About 2 million needed treatment last year, and 180,000 need surgery every year. "The urology business is the long-term growth catalyst for Laserscope's revenue," analyst Adina Dodi of **B. Riley** wrote in a report.

Laserscope's product is a "green light" laser designed to treat BPH with better results and fewer inconvenient side effects than surgery. Called photo-selective vaporization of the prostate, or PVP, it uses a laser to vaporize the excess prostate tissue that squeezes the urethra and blocks the flow of urine. The procedure mainly competes with traditional surgery, though a variety of drugs also are used to treat BPH. The most common treatment - called a transurethral resection of the prostate, or TURP - has been the standard the last 50 years. But it's invasive and inconvenient, experts say.

With the TURP procedure, doctors simply remove the excess prostate tissue. Patients are saddled with a catheter for a day or two. And they spend a few days in the hospital. The procedure also carries the risk of sexual dysfunction and other side effects. By contrast, Laserscope's PVP treatment lets most patients avoid a catheter. It uses a laser to vaporize the excess tissue. Recovery times are quicker and side effects fewer.

"Patients are basically symptom free and catheter free the next day," Reuter said. "The TURP procedure...is bloody, has a high morbidity rate and a very high sexual dysfunction problem." He says that last year, Laserscope's PVP system grabbed 2% of the market from the TURP treatment. The goal this year: 6% to 8% of the market. "We have what we believe will be the gold standard for treating BPH," Reuter said. "There's nothing on the market that we know of that's even remotely close." He says the worldwide BPH market could be worth $1 billion a year.

About 50 doctors are trained to teach the PVP procedure. In the third quarter, Laserscope sold 34 systems and more than 3,400 of the disposable optical fibers used to run the machines. The systems go for $70,000 to $90,000, and the fibers cost about $800 each. Officials recently said they want to sell 11,000 fibers this year.

Laserscope's total revenue during the third quarter rose 36% to $14.3 million. Earnings tripled to 3 cents a share. The top line should get a further lift from improving Medicare reimbursement rates. Starting Jan. 1, the amount paid for PVP procedures performed in hospitals will rise 10% from current rates. In addition, the Centers for Medicare and Medicaid Services recently accepted Laserscope's application to review the PVP treatment for a new Ambulatory Payment Classification. An approval could mean even higher rates and wider acceptance of the technology. A decision is expected by April 1.

Reuter won't speculate on the timing and scope of those rates. "The guidance for next year is based on existing reimbursement," he said. "If the reimbursement were to go up, we'd modify our guidance." Analysts polled by First Call expect Laserscope to earn 11 cents a share for all 2003, up from 2 cents a year ago. Earnings in 2004 are seen nearly tripling to 30 cents.

While urology products are the hottest part of his company's story, they'll bring in only 20% of sales this year. The rest will come from old-line laser products used for cosmetic treatments. That market grows only 5% to 10% a year, but it helps fund the urology products. Reuter expects sales of PVP products to pass those of aesthetic laser systems in the next few years.

MEDICAL/SURGICAL LASER UPDATE -- December 2003

11/25 Following the recent approval of the Smoothbeam for the treatment of acne (November 24, 2003), **Candela** president and CEO Gerard Puorro, speaking to the *Boston Globe*, said the company estimates it can sell 20,000 Smoothbeam machines worldwide at a price of $49,000 each, making it a nearly $1 billion market.

In addition, in the same article, Arielle Kauvar, a clinical associate professor of dermatology at New York University, said, "It may be a real alternative to Accutane therapy in those individuals who can't take Accutane for whatever reason,". Accutane, a drug produced by **Roche Pharmaceuticals** that is commonly prescribed for severe acne, also works by shrinking sebaceous glands and reducing oil, but it presents potentially serious side effects. It can cause birth defects if taken by pregnant women, and requires monthly pregnancy testing during treatment. There also have been accusations it can increase depression and the risk of suicide among adolescents, but Roche has denied any link.

"The laser wipes out an average of 75% of acne lesions," Kauvar said. "Recurrences, which have occurred in 10 to 20% of patients, were milder and less frequent than before treatment. It also benefits adults because it simultaneously smoothes out old acne scars. "The vast majority of patients do extremely well."

11/25 **Laserscope** reported that it had received clearance from the FDA to market its Aura laser for the treatment of acne. "We are very excited about receiving this clearance for our Aura laser," said Eric Reuter, Laserscope's president and CEO. "According to the

American Academy of Dermatology, nearly 80% of the world's population is affected by acne at some point in their lifetime and close to 40% of adolescents have acne severe enough to require some treatment by a physician. Additionally, many of the existing treatment solutions for acne, such as oral antibiotics, topical retinoids and topical antibiotics, can be ineffective and, in some cases, have been associated with significant health risks. By contrast, the Aura laser treatment is fast, virtually painless and efficacious."

Clinical data was obtained from initial research conducted at the Wellman Laboratories of Photomedicine at Harvard Medical School, Massachusetts General Hospital by Dr. Ledya Elizabeth Bowes, Dr. Dieter Manstein and Dr. Rox Anderson of the Department of Dermatology and by Dr. William Baugh, a dermatologist from Fullerton, California and a Fellow of both the American Academy of Dermatology and the *American Society of Laser Medicine and Surgery*. "Treatment of facial acne with the 532-nanometer, KTP Aura laser twice weekly for two weeks resulted in a marked reduction of the acne lesion counts, which was maintained for at least 3 months after exposure. A reduction in sebum production was also noted, as well as an attenuation of the fluorescence attributable to P. acnes," said Dr. Bowes. "The Aura laser is a safe and highly effective device for the treatment of acne vulgaris," said Dr. Baugh. "Our patients have been uniformly impressed with the ease of treatments and the outstanding results. This laser not only makes my patients look good but their great results make me look good too! I highly recommend it to any physician who treats acne."

11/25 **CardioGenesis Corporation**, announced that the company and the FDA were continuing to work on their interactive review of the Premarket Approval (PMA) Supplement for the Axcis PMR system, which is now expected to be complete in January 2004.

Chairman, president and CEO Michael Quinn said that, as part of the interactive review process, the FDA's Office of Device Evaluation (ODE) informed the company that ODE believes the data in the amended PMA Supplement is still not adequate to support approval of the PMR system. In the next step of the process, the company will respond to the issues that were raised by the ODE. Both TMR and PMR are designed to trigger the mechanisms of angiogenesis, or the creation of new blood vessels in the heart, to relieve the often crippling chest pain called angina. PMR is a less invasive, catheter-based version of the FDA-approved TMR system.

"We, as well as our medical advisors, strongly believe the data supporting our PMA Supplement for PMR is compelling and demonstrates the safety and efficacy of this therapy for its intended use," Quinn said. Quinn added that if a favorable outcome cannot be reached as a result of this interactive review process, a hearing before the FDA's Medical Devices Dispute Resolution Panel remains an option for the company. There can be no assurance that the company's PMA Supplement for PMR will be approved. Quinn also noted that while the company has continued to invest time and resources in seeking FDA approval of its PMR system, its TMR franchise is well-established and continues

to prosper as a stand alone business as more cardiothoracic surgeons adopt the quality-of-life-enhancing procedure.

11/26 **Lumenis Ltd.** announced that on November 25, 2003 it had received a NASDAQ Staff determination letter indicating that since the interim financials in the company's Form 10-Q for the quarter ended September 30, 2003 had not been reviewed by the company's independent auditors in accordance with SEC Rules, the company had failed to comply with the filing requirements for continued listing set forth in Marketplace Rule 4310(c)(14) and therefore its securities are subject to delisting from The Nasdaq National Market. As provided under the rules, the company intends to request a hearing with a Nasdaq Listing Qualifications Panel to review the Staff's determination. Pending the hearing and the Panel's determination, the company's shares will continue to be listed. The company's trading symbol will be changed from LUME to LUMEE at the opening of business on November 28, 2003 to reflect this filing delinquency.

While the company is in the process of requesting a hearing, there can be no assurance that the Nasdaq Listing Panel will grant the company's request for continued listing, absent a timely completion of the required review by the independent auditors.

As previously disclosed in the company's Form 10-Q, the company's independent auditors did not conduct their review of the 10-Q because they had requested the Audit Committee of the Board of Directors of the company to conduct an independent investigation into the company's relationship with one of its distributors and the accounting and disclosures related thereto, in connection with the continuing Securities and Exchange Commission investigation of the company. The independent investigation is in progress, but has not yet been completed.

11/26 **Diomed Holdings, Inc.** announced that its stockholders had approved the company's $23.2 equity financing announced September 2, 2003. Following stockholder approval, the company closed on stage two of the equity financing, providing the company the final $16.7 million in equity capital. "The completion of this financing is a critical component of our growth strategy," commented James Wylie, Diomed's president and CEO. "With a total of $23.2 in equity financing, key management and exclusive rights to the EVLT technology now in place, we are very well positioned to take full advantage of the company's strategic growth initiatives."

The first stage of the equity financing agreement provided for an infusion of $6.5 million in convertible debt that converted to common stock upon today's closing of the second stage of the financing. Additionally, $15.5 million held in escrow was invested in the company's common stock at $0.10 per share. May 2003 bridge notes totaling $1.2 million in principal amount were also converted into common stock as part of stage two of the financing. "We are very excited about the completion of our financing and the opportunity it provides," commented Geoffrey Jenkins, Diomed's chairman." Stockholder approval of the equity financing, along with the actual investment by a significant

number of experienced medical technology investors, provide a very solid endorsement of the company's plan for growth."

12/4 **BriteSmile, Inc.** announced that two of its principal lenders have agreed to convert $10.5 million of company debt into restricted shares of BriteSmile common stock at $31.75 per share. On November 20, 2003, **LCO Investments Limited (LCO)** agreed to accept 204,725 shares of restricted Common Stock of the company in full satisfaction of the outstanding loan balance of $6.5 million under a credit agreement originally entered into in December 2001 between **CAP Advisers Limited (CAP)** and **BriteSmile International Limited**, a wholly-owned subsidiary of the company. The conversion price for the shares was $31.75 per share.

LCO is the company's principal shareholder. It is a wholly owned subsidiary of the **ERSE Trust**. The sole trustee of the ERSE Trust is CAP. Anthony Pilaro, a director of the company, is Chairman of CAP. Also on November 20, 2003, **Excimer Vision Leasing L.P. (EVL)** agreed to accept 127,268 shares of restricted Common Stock of the company in satisfaction of the company's $4.0 million obligation to pay "variable rent" for the year 2002, and for the period from January 1, 2003 through October 31, 2003, under the terms of an equipment lease agreement originally entered into in February 2001. The conversion price for the shares under this second exchange agreement was also $31.75 per share.

EVL has also agreed to defer approximately $3.1 million due in 2004 of Fixed and Variable Rent under its leasing agreement with the company. As a result of the exchange of debt for equity, in addition to the conversion of $3.5 million of outstanding Convertible Notes on November 12, 2003, and the bridge loan of $2.0 million from LCO funded on November 20, 2003, company debt was reduced from $20.9 million to $8.3 million, a 60% decrease. The company now has 3,656,302 shares of Common Stock issued and outstanding.

12/12 **Diomed Holdings, Inc.** announced that it had commenced legal action in the United States Federal District Court for the District of Massachusetts seeking injunctive and other relief against **Vascular Solutions, Inc. (VSI)** and a VSI Executive. Diomed's complaint alleged, among other things, that VSI and the Executive misappropriated trade secret information of Diomed and then improperly used that information to develop and market laser accessory products. The complaint also seeks to redress the willful and deceptive manner in which VSI has been marketing its laser accessory products by, among other things:

- Infringing Diomed's registered EVLT mark,
- Marketing VSI products in a way designed to confuse consumers as to the source and origin of VSI products,
- Making false and defamatory statements,
- Tortuously interfering with Diomed's existing and prospective customer relationships, and

- Tortuously interfering with agreements previously entered into by the Executive and Diomed that prohibit the Executive from disclosing confidential information about Diomed to VSI or to any other third party.

"Diomed has invested heavily in the commercialization of EVLT and we fully intend to protect our trade secrets and other intellectual property against willful and improper conduct by individuals or companies that infringe upon Diomed's legal rights," stated James Wylie, president and CEO of Diomed Holdings, Inc. "We believe that the actions of VSI and one of its senior executives clearly need to be addressed head-on in a court of law to protect the interests of our shareholders."

The company declined further comment on the pending action. The full text of the Complaint can be obtained from the court's file in this case.

12/12 **Vascular Solutions, Inc.** responded to the announcement by **Diomed Holdings, Inc.** of the initiation of a lawsuit against Vascular Solutions, Inc. in the United States District Court for the District of Massachusetts related to the company's Vari-Lase endovenous laser business.

Howard Root, CEO of Vascular Solutions, commented, "To my knowledge Vascular Solutions has not been served with a summons and complaint, and therefore we have not had the opportunity to review the allegations other than what is disclosed in Diomed's press release. However, we can state that we have not used any company's trade secrets in our endovenous laser business, and we have always been clear that the Vari-Lase is a Vascular Solutions' product. Other than us being a vigorous competitor of Diomed and the two other companies in the endovenous laser market, I am unaware of the motivation or substance behind these allegations."

12/15 **Radiancy, Inc.**, announced that the FDA had granted it clearance to market the company's unique ClearTouch Light Unit Assembly (LUA) for the treatment of acne vulgaris. With the new clearance, the Radiancy technology becomes the first light-based therapy in the world to be indicated for the treatment of pustular inflammatory acne. The ClearTouch LUA expands the treatment applications available with Radiancy's phototherapy systems, including SkinStation, the company's flagship product in the U.S.

As a result of the indication, physicians now have a new, safe and effective phototherapy modality to combat acne. By allowing patients to enjoy faster treatment results and freedom from medications, SkinStation with ClearTouch represents a significant medical advance in professional skin care.

Acne vulgaris is the most commonly treated skin condition in the U.S., afflicting 17 million people, according to the National Institutes of Health, and accounts for approximately 30 percent of all dermatology visits. An estimated $5 billion is spent annually in the U.S. on topical preparations, oral medications and other acne treatments.

According to Fabian Tenenbaum, vice president of marketing and sales for Radiancy, "This breakthrough provides clear benefits to both physicians and patients. SkinStation with ClearTouch optimizes the synergy of light and heat energy (LHE) to create the next generation in light-based therapy for acne. ClearTouch was designed to penetrate deeper than first-generation systems that employ only blue light. As a result, SkinStation with ClearTouch has demonstrated its effectiveness in the treatment of acne, including the treatment of pustular inflammatory acne." To treat acne, ClearTouch delivers penetrating green-yellow light that activates a photothermal reaction in the porphyrin molecules, causing the release of free oxygen to destroy P. acnes bacteria. Direct heat delivered to the skin accelerates the photothermal reaction and bacteria destruction. Pulsed light in the red spectrum further activates the porphyrin, and also helps reduce the inflammation associated with active acne.

"We now have another modality to use while dealing with the growing antibiotic resistance of acne," says Barry Ginsburg, MD, a dermatologist in private practice in Birmingham, AL. "I would expect long-lasting results. ClearTouch is a very safe, easy advance in acne treatment. It's also suitable for any age and any gender."

Physicians in the U.S. have already gained significant clinical experience with SkinStation. Since 2002, under the *National Acne Research Project (NARP)*, investigational use of the modality for the treatment of severe acne vulgaris has been conducted in 70 U.S. clinical sites. Using the ClearTouch LUA, physicians have achieved up to 90% clearance of inflammatory acne lesions in one month.

"During the study, we treated 40 patients with ClearTouch and saw good results when dealing with inflammatory acne," states Dr. Neal Gregory, a dermatologist in private practice in Chatam, NY, and a primary NARP investigator. "Over the length of the protocol, nearly all patients improved. Then after the protocol, when combined with other modalities, including glycolic peels, patients showed excellent improvement quickly. Further, throughout the study and in subsequent usage, patients experienced virtually no side effects. Based on our experience, I think ClearTouch is a good therapy that a lot of people will benefit from."

According to Steven Shapiro, MD, a dermatologist in Palm Beach Gardens, FL, "Sometimes patients don't respond to topical and oral medications when treating acne. ClearTouch provides us with an entirely new mechanism of treatment. We've seen either significant improvement or clearing, which has now lasted for several months. Patient satisfaction has been great in that it is a very simple treatment for them. An added benefit is that the texture of their skin appears to improve as well. Discolored scars also tend to lighten."

ClearTouch causes light activation of the natural porphyrins of the P. acnes according to Ava Shamban, MD, a clinical assistant professor of dermatology at the University of California School of Medicine, Los Angeles, and a NARP investigator. "The light and

heat appear to stimulate some kind of a photochemical reaction within the skin itself that helps normalize or reverse some of the inflammatory process of the acne," says Shamban.

"Internationally, SkinStation with ClearTouch accounts for 50% of all light-based acne treatments," noted Tenenbaum. "Unlike older technologies, SkinStation can be used to successfully treat a variety of conditions, including vascular and pigmented lesions, and hair removal, using a single phototherapy system. This new acne indication underscores the versatility of SkinStation, powered by LHE, as well as Radiancy's commitment to provide exceptional value in products that deliver unparalleled safety and efficacy in the treatment of a wide variety of dermatological conditions," said Tenenbaum.

12/16 **Trimedyne Inc.** and **Lumenis Ltd.** announced they had agreed to a settlement of the litigation between them. Under the terms of the settlement, Trimedyne and Lumenis have agreed to enter into a long-term commercial agreement covering the manufacture by Trimedyne and sale by Lumenis of certain side-firing and angled-firing fibers, to be used with Lumenis' lasers particularly in orthopedics, urology and spinal surgery. Under the agreement, Trimedyne will supply the products, Lumenis will market and sell them globally. The settlement includes certain other confidential terms. The arrangement will give Lumenis immediate entry into the market for side-firing laser devices for use in the spine, one of the fastest growing segments of the healthcare field. Trimedyne's side-firing Laser Needles, which are only one-twelfth of an inch in diameter, are the leading laser devices used in the outpatient treatment of herniated or ruptured lumbar discs in the spine. The laser procedure is usually performed with a local anesthetic in about 20-30 minutes. Patients typically leave the hospital or surgery center, within an hour after the procedure, with only a Band-Aid on the puncture. Most can return to light daily activities within a few days.

12/18 **Miravant Medical Technologies** announced that the FDA had granted orphan-drug designation to PhotoPoint MV2101, Miravant's drug candidate for the prevention of hemodialysis access graft disease in patients with new vascular grafts. Graft occlusion is a major unmet medical problem for patients undergoing chronic hemodialysis to compensate for end-stage kidney disease. PhotoPoint PDT is a minimally invasive medical procedure using a light-activated drug to selectively target diseased cells and blood vessels.

"As a prophylactic procedure done at the time of graft implantation, PDT may prevent the problematic cell growth that causes frequent access failures, a critical complication for hemodialysis patients," stated Gary Kledzik, chairman and CEO. "Our preclinical results have provided support for clinical trials of PhotoPoint PDT, and we have held discussions with the FDA about initiating phase II trials. We are currently seeking a corporate partner to fund these important studies."

The FDA orphan-drug designation encourages companies to develop treatments for diseases that affect fewer than 200,000 U.S. patients or, as in this case, for preventive drugs that will be administered to fewer than 200,000 patients per year. The designation

provides potential incentives such as funding for clinical studies, study design assistance, waiver of FDA user fees, substantial tax credits and up to seven years of marketing exclusivity.

PhotoPoint PDT may reduce complications for hemodialysis patients. An estimated 80,000 U.S. patients receive implantation of synthetic arteriovenous (AV) grafts to provide access to the patient's circulatory system for hemodialysis. While the accesses are critical to the health of the patients, the functional lifetime of grafts is limited due to stenosis, or narrowing, of the access site largely due to cell overgrowth in the vein. The high failure rate (40-60% at 12 months) requires costly interventional procedures to restore blood flow and hemodialysis function. After the first intervention, grafts re-narrow more frequently and additional procedures are required.

In investigational studies performed in preclinical models, PhotoPoint PDT depleted problematic cell populations at vascular access sites, inhibited neointimal lesion formation (cell overgrowth) and allowed normal healing responses in the blood vessel walls. These results suggest that the procedure may be useful in preventing stenosis and maintaining hemodialysis function, thus reducing graft failure rates. In addition to new graft implantations, another 40,000 patients each year receive hemodialysis access by surgical construction of AV fistulas. These fistulas also fail requiring frequent interventional procedures and, after several interventions, new accesses at different sites. Miravant's studies suggest that PhotoPoint PDT may help maintain the function of surgical fistulas by preventing cell overgrowth in a manner similar to AV grafts.

12/18 **Axcan Pharma Inc.** announced today that the Committee of Proprietary Medicinal Products (CPMP) of the European Agency for the Evaluation of Medicinal Products (EMEA) had issued a positive opinion related to Axcan's Marketing Authorization Application for the use of its photodynamic therapy (PDT), PHOTOBARR (porfimer sodium), in the treatment of High-Grade Dysplasia (HGD) associated with Barrett's Oesophagus (BO), and therefore recommends the granting of the marketing authorization. The Committee states in its opinion made public today, that "PHOTOBARR is the first conservative treatment of HGD in BO with a documented effect on progression to cancer". PHOTOBARR PDT was also granted an orphan medical product status at the time of its submission, which guarantees the grant of exclusive marketing rights for a ten-year period. Final approval is expected in the next three months.

"We are pleased with the CPMP's assessment of PHOTOBARR PDT in the treatment of High-Grade Dysplasia associated with Barrett's Oesophagus," said Leon Gosselin, president and CEO of Axcan. "A positive opinion by the CPMP is a significant step in the EMEA drug approval process and we are looking forward to receiving final approval as soon as possible," he concluded. Photodynamic Therapy (PDT) using PHOTOFRIN as a photosensitizer was approved and recently launched in North America under the brand PHOTOFRIN PDT, for the ablation of High-Grade Dysplasia in Barrett's Oesophagus.

STUDY RESULTS -- The filing was based on a 208-patient multicenter, randomized, controlled, partially blinded, 2-arm trial, in which 138 patients were randomized to PHOTOBARR/PHOTOFRIN PDT + omeprazole and 70 patients to omeprazole only, as a control group. Patients were followed every 3 months until four consecutive endoscopic results were negative for High-Grade Dysplasia and then semi-annually until the last enrolled patient had completed at least 24 months of follow-up evaluation after randomization. The length of follow-up ranged from 2 to 3.6 years. The primary efficacy endpoint, assessed after a minimum follow-up of 24 months, was the complete ablation of High-Grade Dysplasia. PHOTOBARR/PHOTOFRIN PDT resulted in this response in 77% of treated patients, while omeprazole alone resulted in 39% (the difference between groups was significant, with p less than 0.0001).

Secondary efficacy endpoint analyses showed that 1) the median duration of the ablation of HGD was 987 days in the PHOTOBARR/PHOTOFRIN PDT group and 98 days in the omeprazole-only group; 2) the proportion of patients who progressed to oesophageal cancer was about twice as high in the omeprazole-only group compared to PHOTOBARR/PHOTOFRIN photodynamic therapy group (p=0.006). 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.