MEDICAL/SURGICAL LASER UPDATE -- January 2005

12/27 **DUSA Pharmaceuticals, Inc.** reported that it had filed a lawsuit against **New England Compounding Center (NECC)** of Framingham, MA alleging violations of U.S. patent law. The suit has been filed in the United States District Court in Boston, MA. In addition, DUSA believes that certain actions of NECC go beyond the activities which are permitted under the Food, Drug and Cosmetic Act, and as a result, it has advised the FDA and local health authorities of its concerns.

Dr. Geoffrey Shulman, DUSA's President and CEO, stated, "'We have taken this action to protect our proprietary intellectual property position from pharmacies such as the NECC that are promoting and selling ALA of unknown quality from unknown sources. In addition, we intend to protect against damage to our product's reputation that might arise from the use of what could be an unsafe copy of our products. The recent serious incidents involving the use of non-FDA approved botulinum toxin illustrate how important it is to be proactive in this regard."

12/28 **CardioGenesis Corporation** announced the FDA approval of the SolarGen 2100s, an advanced laser console for performing TMR. Chairman and CEO, Michael Quinn explained that "the SolarGen 2100s is the first in a series of significant, advanced product offerings intended to expand the TMR market. In the past 12 months, working closely with leading cardiovascular practitioners, we have implemented a minimally invasive initiative that will dramatically change the way TMR is performed, and how it is viewed by patients and referring physicians. Our minimally invasive strategy is consistent with the overriding trend in cardiovascular care ... providing improved patient outcomes with reduced morbidity and risk."

The company has been preparing for the launch of the advanced TMR products, which they are naming the TMR PLUS platform. This advanced SolarGen 2100s is an important component of the new and improved TMR platform, as it removes many of the obstacles to performing the procedure that are directly related to the existing TMR technology.

"The SolarGen 2100s represents a significant platform advancement in the application of TMR in the operating room," Quinn stated. "The substantially reduced size and footprint of the SolarGen console, the flexibility of the power requirements, and the instantaneous system start up -- are all important benefits of this advanced technology. It dramatically increases the advantages of our platform to the hospital and the practitioner in terms of clinical ease of use."

The TMR PLUS platform will include a full range of minimally invasive delivery systems designed to reduce the morbidity associated with standard open surgical techniques, while adding technological features to enhance the physician's ability to visualize and treat all targeted areas of the left ventricle. Quinn stated, "FDA approval of the SolarGen 2100s is an important step forward for our company. We are excited to launch this first component of our advanced TMR PLUS platform, which we expect to

be followed shortly by the approval of the first of our minimally invasive delivery systems. We expect this advanced TMR console to help increase the utilization rates at TMR centers around the country, and provides us with the opportunity to significantly grow capital revenue for the first time since the initial approval of TMR."

Quinn emphasized that in 2005 the company is asserting itself as an innovative cardiovascular company providing tools for improved patient outcomes. The company is preparing for the launch of its advanced TMR PLUS platform, as well as the CelleratOR system for point of care preparation of platelet rich plasma. He added, "We will continue to add to our market basket of innovative products, focusing on devices and therapies designed to treat advanced cardiovascular disease. 2005 is our opportunity to achieve significant revenue growth from these new products, and those we expect to add in the near future." Additionally, the company recently launched a direct to physician and direct to patient web site (www.heartofnewlife.com) regarding TMR to help accelerate the awareness of TMR.

The company intends to highlight the advanced SolarGen 2100s TMR console, along with its minimally invasive TMR delivery systems that are currently in the regulatory process, and the CelleratOR system for point of care preparation of autologous platelet rich plasma at an educational symposium in conjunction with the STS meeting in January.

1/3 **Lumenis Ltd.** and **OpusDent Ltd.**, its dental laser division, announced the FDA clearance of the OpusDuo Er:YAG laser system for contact bone removal during oral surgical and periodontal procedures. This represents the first ever FDA clearance for contact cutting of bone tissue in dentistry and is based on the precise and safe Thermal Mechanical Ablation (TMA) of bone utilizing the company's proprietary contact sapphire tip. "Lumenis is pleased to extend its 39-year track record of pioneering groundbreaking laser systems with novel applications," said Avner Raz, president and CEO of Lumenis, the parent company of OpusDent. "We believe this clearance paves the way for dental professionals to achieve unparalleled clinical results by staying in contact with calcified bony tissue. Contact bone removal using our OpusDuo laser system sets a new benchmark for oral and periodontal surgery in the U.S. and provides dentists and oral surgeons the most effective laser systems on the market."

Lumenis reviewed this new application with over 100 U.S. and international dental professionals at the December *Symphony of Light Laser Education Symposium* in Las Vegas, NV. Dr. Eric Bornstein of Natick, MA, who assisted Lumenis with the FDA application, said, "FDA clearance for the 'contact cutting' of bone is one of the most significant milestones ever reached in the dental laser field. This will allow practitioners using the OpusDuo to actually feel the laser hand-piece make contact with the bony tissues being ablated, instead of the previous method, of having to point and shoot in a surgical field."

1/5 Beginning Thursday, January 27, 2005, cosmetic surgeons from around the world will converge at the *American Academy of Cosmetic Surgery's* 21st Annual Scientific Meeting to share and learn the latest developments in cosmetic surgery. **"The Art & Science of Cosmetic Surgery: Past, Present & Future"** will be held from January 27 - 30, 2005 at The Manchester Grand Hyatt in San Diego, California. AACS continues its commitment to excellence, gathering speakers from each medical discipline to share their research in an effort to advance cosmetic surgery. Featured speakers include renowned facial plastic surgeon Leslie Bernstein, MD, DDS of the United States, ophthalmic plastic surgeon Robert Goldberg, MD from UCLA, dermatologic surgeon Loek Habbema, MD of the Netherlands and laser specialist Mario Trelles, MD of Spain.

In addition, AACS is pleased to welcome Michael Maves, MD as Keynote Speaker. As executive vice president and CEO of the *American Medical Association*, Dr. Maves will present "The State of Medicine in the United States," a serious look into the turbulent forces impacting the healthcare system today and what the future may have in store.

New developments in each topic of cosmetic surgery will be presented including abdominoplasty following gastric bypass surgery, facelift with Aptos threads, ELOS technology for cellulite and fat treatment, hair restoration surgery, male cosmetic surgery, breast implants and breast reduction. The Annual Scientific Meeting will also feature a Video Workshop, an expert Botox Panel conducted by Jean Carruthers, MD and Alastair Carruthers, MD, and a session showcasing young surgeons of the future.

1/11 **Syneron Medical Ltd.** announced that it had filed a patent infringement counterclaim against **Thermage, Inc.**, alleging that Thermage infringes U.S. Patent No. 5,569,242, which Syneron recently acquired. The counterclaim, filed on January 10, 2005, was added to the patent litigation between Thermage and Syneron pending in the Northern District of California. The '242 patent covers methods for controlled contraction of collagen using radiofrequency (RF) energy. It predates each of the patents asserted by Thermage in the lawsuit. Syneron's counterclaim alleges that the methods performed by Thermage's ThermaCool infringe the '242 patent. Syneron's counterclaim seeks damages and an injunction enjoining any future infringement by Thermage.

Moshe Mizrahy, CEO of Syneron Medical Ltd. commented, "Syneron is pleased that it had the opportunity to acquire this patent, which we believe is a fundamental patent and enhances our intellectual property position. Syneron will vigorously pursue its infringement claims against Thermage and also will continue to compete strongly in the marketplace by supplying doctors with its high quality devices based on its proprietary ELOS technology."

1/13 **DUSA Pharmaceuticals, Inc.** announced increased fourth quarter (Q4) and full year Levulan Kerastick end-user sales, along with Q4 and full year 2004 BLU-U placements. For Q4 2004, end-user Kerastick sales to physicians totaled 26,322, consisting of 22,944 sold in the United States (US), and 3,378 sold by **Coherent-AMT**, our Canadian marketing and distribution partner. During Q3 2004, Kerastick sales totaled 20,196,

including 18,870 in the US and 1,326 in Canada. During Q4 2003, US Kerastick sales totaled 5,478, with no sales in Canada at that time.

For full-year 2004, 76,482 Kerastick units were sold, including 69,870 in the US and 6,612 in Canada, versus a total of 11,172 sold during 2003, all in the US.

In percentage terms, 2004 Kerastick sales growth from Q3 to Q4 was 30% in total and 22% in the US versus 13% sales growth in total and 18% in the US from Q2 to Q3 2004. Q4 2004 sales vs. Q4 2003 sales were up by 381%, while overall 2004 sales were up 585% vs. 2003 total sales.

The net number of BLU-U units placed in doctors' offices during the fourth quarter was 44, consisting of 29 in the US and 15 in Canada. For the full year 2004, 508 BLU-U units (net) were placed and a total of 914 units were in doctor's offices by the end of 2004, consisting of 813 in the US and 101 in Canada, versus 406 at the end of 2003, all of which were installed in the US. As announced previously, BLU-U sales during Q4 were expected to be modest due to inventory supply constraints. We have ordered additional BLU-Us, and expect to be re-supplied prior to the annual meeting of the American Academy of Dermatology in mid-February, 2005.

Dr. Geoffrey Shulman, DUSA's chairman and CEO, stated "We are very pleased by the strong quarterly and annual growth in Kerastick sales, reflecting the increasing interest in, and demand for, our therapy. Based on these trends, we are looking forward to making 2005 another successful year."

1/17 **Lumenis Ltd.** announced that it had entered into an agreement with its distributor for aesthetic products in four states in the south central United States, **Eclipse Medical, Ltd.** Lumenis will immediately commence direct sales and service operations in Eclipse's former region, which comprises Texas, Louisiana, Oklahoma and Arkansas. Lumenis and Eclipse expect a smooth operational transition. As previously disclosed in November 2004, Lumenis and Eclipse had disagreements over possible cross-defaults and the potential obligation of Lumenis to purchase the distribution business of Lumenis products and related services from Eclipse. The agreement provides for a purchase of the distribution business and resolution of both parties' claims for a total purchase price of $3 million. The purchase price will be paid through the forgiveness of a loan due Lumenis from Eclipse with principal and accrued but unpaid interest aggregating approximately $1.28 million, $650,000 in cash will be paid on January 31, 2005 and the balance of approximately $1.07 million will be paid ratably over 6 quarters, with the first installment commencing on April 30, 2005. Lumenis will also assume certain service, warranty and training commitments, which are currently estimated at a cost of approximately $300,000 and will have the right to purchase any remaining Lumenis product inventory held by Eclipse. Lumenis will also release Eclipse from a non-competition clause effective May 1, 2005.

Avner Raz, President and CEO said, "We have people in place that are ready to continue uninterrupted sales and service support to our present and future customers in the region. We are pleased to have entered into this mutually satisfactory agreement with Eclipse that eliminates a potentially larger cash exposure to the company and allows us to focus on directly serving customers in this important market."

1/17 **Trimedyne, Inc.** announced its financial results for the quarter and fiscal year ended September 30, 2004. Revenues were $1.6 million, compared with $1.6 million in the same period of 2003. Net income in the current quarter was $529,000 (4 cents per share) compared with net income of $205,000 (1 cent per share) in the same period of 2003. The current quarter's net income includes the benefit of the reversal of $290,000 of the company's reserve for excess and obsolete inventory, due to an analysis of inventory turnover rates and projected future usages. The effect of this reversal was a decrease in the company's cost of goods for the quarter, increasing net income.

Revenues for the fiscal year ended September 30, 2004 were $6.0 million compared with revenues of $6.5 million in the prior fiscal year. Net income in the fiscal year ended September 30, 2004 was $1.0 million (7 cents per share) compared with net income of $1.0 million (7 cents per share) in the prior fiscal year. The current year's results include the benefit of the $290,000 inventory reserve reversal described above.

Marvin Loeb, chairman of Trimedyne, said, "We are pleased to report our second consecutive year of profitable operations. We have been engaged in the development of several new products. We hope one or more of these new products, whose development is almost completed, will enable us to increase our revenues and profits in 2005, although such cannot be assured."

1/18 **Diomed Holdings, Inc.** announced that **Cigna Health Care** had published new guidelines providing insurance coverage for laser ablation of varicose veins including its patented EndoVenous Laser Treatment (EVLT). "Diomed began 2004 with only thirteen coverage policies, representing approximately 34 million covered lives. Thanks to the rapid acceptance of the EVLT procedure by patients and the medical community, Diomed now lists over fifty-four coverage policies, representing over 200 million covered lives," stated James Wylie, president and CEO of Diomed Holdings, Inc. "In addition, the *American Medical Association (AMA)* and *Center for Medicare and Medicaid Services* has recognized the procedure and has implemented specific CPT codes as of January 1, 2005."

"With the growth in published policies and the addition of CPT codes, 2004 saw EVLT evolve from a new, highly advanced technology to the emerging gold standard that benefits patients, physicians and the U.S. healthcare system alike," added John Welch, vice president of Marketing for Diomed. "Diomed, in collaboration with key physicians and professional medical societies, has been the primary driver of expanded health insurance coverage for this procedure, demonstrating national leadership in efforts such as the creation of educational programs certified for Continuing Education Credits by the Commission for Case Manager Certification, the Certification of Disability Management

Specialists Commission, the Commission on Rehabilitation Counselor Certification, and is a certified provider of continuing education programs through the California Board of Registered Nursing."

"Cigna joins **Aetna US Healthcare**, **United Healthcare**, **Anthem** and a number of other regional **Blue Cross Blue Shield** organizations, among others, offering their subscribers coverage for minimally invasive treatment of chronic venous disease," concluded Mr. Wylie. "With the expansion of insurance coverage and estimates that 25 to 40 million Americans suffer from chronic varicose veins, we have barely scratched the surface for providing care to this patient population."

1/18 **Syneron Medical Ltd.** and **Syneron North America** announced that **American Laser Centers (ALC)** had purchased $1.5 million worth of elos (electro-optical synergy) aesthetic devices, including the Aurora and Comet systems. ALC now has 75 elos devices in its 52 centers located in 14 U.S. states. Offering the latest, safest and most reliable elos treatments for hair removal and skin rejuvenation therapies, ALC has treated more than 23,000 patients with Syneron systems in its elos-exclusive centers.

"ALC chose Syneron's elos technology as the core for all treatments at its centers nationwide," said Rich Morgan, president, American Laser Centers. "We have been successfully using elos technology throughout the last two years. Syneron's commitment to its customers coupled with amazing clinical outcomes and patient satisfaction levels led to this expansion. Offering the ability to treat darker skin tones and light hair colors, which are traditionally more difficult to treat, elos technology allows us to reach an untapped patient population. We are confident in our selection of elos technology."

Elos, Syneron's proprietary, patented technology, is the first major breakthrough in aesthetic technology in a decade and is the only combined energy technology. Elos combines Bi-Polar Radio Frequency and Light energies for maximum patient comfort, safety and efficacy, permanently reducing unwanted hair and treating wrinkles, acne, Rosacea and leg veins as well as rejuvenating the appearance of aging and sun-damaged skin.

"We are thrilled with American Laser Centers' continued support and commitment to Syneron and our elos technology," said Domenic Serafino, president, Syneron North America. "By implementing a comprehensive database of patient skin types, genetic makeup, hair colors and body chemistry, ALC has perfected the use of the technology, yielding very high efficacy rates and safe results."

1/18 **CardioGenesis Corporation** announced that fourth quarter and 2004 annual revenues are expected to be at their highest level in the last four years. Strong TMR handpiece sales combined with laser sales in the fourth quarter resulted in expected revenues in the range of $4.9 - $5.1 million for the fourth quarter and $15.2 - $15.4 million for the year. These results reflect an estimated 80% quarter-to-quarter increase in revenues from the 2004 third quarter, a 48% increase in revenues compared to Q4 of 2003, and a 14%

year-to-year increase in revenues from the prior year. The company also announced the highest level of handpiece sales in eight quarters with handpiece sales exceeding 800 units in the fourth quarter. Laser sales were also robust in the fourth quarter with 11 units sold. The FDA approval in late December of the SolarGen 2100s provided the company with the opportunity to sell three SolarGen 2100s units in December. Chairman and CEO, Michael Quinn commented, "Customer reactions to our advanced TMR PLUS Platform and SolarGen 2100s have been very positive."

"The 2004 fourth quarter results reflect the positive impact of the company's actions over the last 12 months. From the new business unit structure established at the beginning of the year, the sales force expansion, the completion of $8.7 million in financing and the recent FDA approval of the SolarGen 2100s, several important milestones were achieved in 2004," Quinn stated. "We focused our sales force on our core TMR business, and our entire organization on the advanced products supporting the launch of our TMR PLUS platform, which contributed directly to an increased acceptance of TMR in the surgical community. We also strengthened our balance sheet, positioning us with the resources to continue to expand our product pipeline and build a substantially larger and more profitable company."

The company intends to release complete financial results for the fourth quarter and year-ended December 31, 2004 in February 2005.

1/20 **Syneron Medical Ltd.** and **Syneron North America** announced the upcoming North American debut of the Comet hair removal system at the 63rd *Annual Meeting of the American Academy of Dermatology (AAD)* in New Orleans. The FDA-approved Comet provides permanent hair reduction for all hair colors on all skin types, including tanned skin, and is the fastest hair removal device currently available. The Comet with elos (electro-optical synergy), Syneron's proprietary, patented technology, is the first major breakthrough in aesthetic technology in a decade. Elos, the first and only combined-energy technology, combines Bi-Polar Radio Frequency and Light energies.

"In clinical testing of the Comet, we found the device to provide consistent, accurate and long-lasting hair removal at a much faster speed than any similar treatments for unwanted hair," said Dr. Stanley Kovak, founder of the **Midwest Dermatologic Laser & Vein Centre**. "Speed is particularly important when treating large areas like men's backs or women's legs. We're pleased to be able to offer this treatment to our patients, and have found success with those treated with white/blonde/red or gray hair. Elos technology provides a safe and effective solution for our patient base."

The device is powered by the patented elos technology combining Bi-Polar Radio Frequency (RF) energy and high-powered Diode Laser, to deliver safe, effective, permanent hair reduction from all parts of the body. The RF energy directly targets the hair follicle to create thermal damage and is not chromophore-dependent, meaning it can treat hair with little or no pigment or color. Laser and intense pulsed light-based hair removal systems cannot effectively remove light or non-pigmented hair since these

devices rely on melanin or color in the hair to treat it. Similarly, most lasers cannot be used on darker skin types, as the light is drawn to the pigment and can cause burning; however, the Comet high speed hair removal device can provide a safe and effective treatment with no downtime or adverse effects for all skin types including tanned skin.

"We're excited to provide the North American-based medical aesthetic community with the fastest treatment option for permanent hair reduction. The speed and ease-of-use of the Comet will allow for more procedures to be done, benefiting both patient and doctor," said Domenic Serafino, president of Syneron North America. "We expect the Comet to become the new gold standard in hair removal technology and look forward to providing the physicians at AAD with information and access to this system, which is now available to them."

The combined effect of the Bi-Polar Radio Frequency and Diode Laser energies allows the use of less overall optical energy (when compared to light or laser-only devices), increasing the safety of the device and causing less patient discomfort. In addition, the Comet treats a large treatment area (12mm x 15mm) and can deliver two pulses per second. The combination of the largest spot size available on any hair removal device and the pulse speed, are the basis of Comet's exceptional speed. The Comet also incorporates active dermal monitoring, a unique patented technology that provides direct impedance feedback on energy delivery and is displayed on the display panel of the device after every pulse for maximum safety.

1/20 **CardioGenesis Corporation** announced that it will be exhibiting at the 41st annual meeting of *The Society of Thoracic Surgeons (STS)* held January 23 - 26 in Tampa. The company will be formally launching its recently FDA approved advanced laser console for TMR, the SolarGen 2100s and their new celleratOR PRP system for point of care preparation of platelet rich plasma (PRP). Chairman and CEO, Michael Quinn commented, "These are the first new products we will be launching to our cardiothoracic customers in over two years. We have worked closely with leading innovative clinicians in developing our advanced TMR PLUS platform, including the recently FDA approved SolarGen laser system. We are excited to be formally launching it to the international audience that attends the STS." Quinn added, "We will also be introducing our celleratOR PRP system, providing the patient's own platelet concentration from a small centrifuge system. This product has achieved significant penetration in several other surgical specialties, and we are excited to be bringing it to the cardiovascular market."

The company is supporting an educational symposium in conjunction with the STS Meeting. The presentations will include: Robotic and thoracoscopic minimally invasive TMR procedures; PRP in cardiac applications; and the FDA approved SynCardia CardioWest Temporary Artificial Heart (TAH-t) to be presented by Jack Copeland, MD of the University of Arizona Health Sciences Center. The company is supporting this advanced practice course, which includes training on thoracoscopic TMR.

"Having proven the significant and enduring benefits of TMR, we have focused on bringing advanced devices and tools to expand the eligible patient population. We are excited to be going into the STS, our biggest meeting of the year, with strong momentum from the end of 2004 and a series of new products to introduce at the meeting," explained Quinn. "We have an opportunity to drive revenue growth in 2005 with these new products, with more to follow soon."

1/24 **MedicalCV, Inc.**, a cardiovascular surgery device manufacturer, focusing on surgical needs surrounding atrial fibrillation, announced the completion of the first U.S. human clinical case using the AtriLaze Surgical Ablation System. The diode laser system allows the cardiovascular surgeon to deliver laser energy to atrial tissue creating exact and complete lines of cardiac tissue ablation. Dr. Carmelo Otero, Cardiothoracic and Vascular Surgeon, performed the first U.S. clinical case at Christus Santa Rosa Hospital in San Antonio, Texas. The 53 year old, female patient presented with paroxysmal atrial fibrillation (A-Fib), mitral and tricuspid valve and coronary artery disease. The AtriLaze surgical ablation procedure was performed as a concomitant procedure with mitral valve replacement and tricuspid valve repair. Use of the AtriLaze system added a minimal amount of time to the overall surgical procedure.

"The AtriLaze system performed well, allowing me to easily and precisely replicate Maze lesions," said Dr. Otero. "The laser technology provides me the capability to safely and quickly create an array of cardiac lesions that enabled today's successful clinical case. The AtriLaze system facilitates a simple, reproducible technique that I believe will be very effective in concomitant cardiac surgical procedures and potentially lends itself to minimally invasive and robotic surgical treatments of A-Fib," commented Dr. Otero.

Marc Flores, president and CEO of MedicalCV, Inc. commented, "We are pleased to enter the U.S. market with this innovative technology for surgical cardiac tissue ablation. The atrial fibrillation market is in a state of chaos looking for an 'ideal' technological solution to provide a minimally invasive surgical option that mirrors outcomes of the 'gold standard' surgical Maze procedure. This successful surgery represents a further milestone in the company's goal of providing a better treatment solution for ablating cardiac tissue."

MedicalCV, Inc. acquired rights to the AtriLaze Surgical Ablation System in September 2003 and received FDA 510(k) clearance on November 30, 2004. The company is currently marketing the AtriLaze system for clinical use and is focusing its resources on the minimally invasive treatment of A-Fib as a stand-alone procedure.

"The laser's physical properties are a specific balance of absorption and transmission through atrial tissue that optimizes overall photocoagulation," said Adam Berman, vice president, Research and Development. "Through our continued development efforts, we believe the delivery of light energy through low-profile fiberoptic elements has the potential to enable closed-chest, beating heart procedures for cardiac tissue ablation."

About MedicalCV, Inc.: MedicalCV, a cardiovascular surgery device manufacturer, focuses on the design, development and commercialization of new, improved and enhanced technologies, products, methods and techniques to treat cardiovascular disorders and disease, including products targeting the treatment of atrial fibrillation. Historically, MedicalCV developed and marketed Omnicarbon mechanical heart valves and its proprietary pyrolytic carbon processes. The company acknowledges their continued maintenance of the mechanical heart valve business, supporting their customers and distributors during the divestiture process. The company also continues to concentrate it resources on the A-Fib market. The company's securities are traded on the OTC Bulletin Board under the symbol "MDCV."

1/26 **BIOLASE Technology, Inc.** announced the completion of the acquisition of the intellectual property portfolio of **Diodem LLC**. Under the terms of the definitive agreement, BIOLASE acquired all of the intellectual property portfolio of Diodem LLC, consisting of certain U.S. and international patents of which four were asserted against the company, for consideration of $3.0 million in cash, $4.5 million in common stock, valued at $11.06 per share as of the closing price on December 17, 2004, and five-year warrants exercisable for 81,037 shares of common stock at a strike price of $11.06 per share.

"We are pleased to announce the completion of this key transaction for BIOLASE," commented Robert Grant, president and CEO. "This deal not only creates a synergistic combination of intellectual property that we believe will provide attractive opportunities in the areas of strategic licensing and product development, but also strengthens the company's IP position of its market-leading Waterlase technology," continued Grant.

1/26 **Laserscope** announced that it had signed an exclusive three-year agreement with **MD International, Inc.** for distribution of the company's proprietary GreenLight PVP (Photoselective Vaporization of the Prostate) laser system, PVP disposable fiber optics and full aesthetic laser system line. MD International (MDI), a leading distributor of medical equipment in Latin America and the Caribbean, will be responsible for the distribution, service, and clinical support of Laserscope's GreenLight laser products for PVP and Aesthetic surgery products throughout Latin America and the Caribbean.

"We are pleased to have MDI representing Laserscope's new, innovative PVP procedure for the treatment of Benign Prostatic Hyperplasia (BPH), or enlarged prostate, and full aesthetic laser product line in these emerging markets," said Robert Mann, group vice president, Global Sales and Marketing. "We believe that MDI's experience, relationships and outstanding reputation in the Latin American and Caribbean medical device marketplaces will allow us to be successful in these new markets. We are looking forward to working with the MDI team to meet our respective business goals in this region."

"We are very excited to be working together with Laserscope to bring advancements in treating BPH and aesthetic conditions to the medical profession and patients in need in

Latin America and the Caribbean" said Al Merritt, CEO of MD International. "Laserscope's PVP procedure using the GreenLight laser system is of particular interest to us, due to the exceptional clinical efficacy that has been demonstrated by the Laserscope product by such a wide range of physicians and on so many patients. As with other advanced medical procedures we have introduced in the region, we expect to first educate the market about the PVP procedure. Once it is embraced by the region's thought leaders, we are confident PVP using the GreenLight laser system will replace the TURP procedure as the primary method for treating BPH.

"MD International has the best and most extensive sales, service and training for medical technology in Latin America," continued Mr. Merritt. "We are joining forces with Laserscope for the benefit of our physician customers in Latin America and the Caribbean, to bring them a successful combination of the most advanced technology for treating BPH, with a commitment to excellent sales and service."

"In Latin America, as is typical with other parts of the world, TURP, or transurethral resection of the prostate, is still the most prevalent surgical treatment for BPH," continued Mann. "However, we believe that the market will recognize the PVP procedure using our GreenLight laser system, as a compelling alternative. Our Agreement with MDI is indicative of Laserscope's continued focus on taking advantage of what we believe is an incredibly exciting international market opportunity."

1/27 **BIOLASE Technology, Inc.** announced an update to management's revenue guidance and expenses for the fourth quarter ended December 31, 2004. Total revenue is estimated to be approximately $19 million for the fourth quarter and approximately $60 million for the full year. The company expects a loss for the fourth quarter and for the full year due to two principal factors. General and administrative expenses are estimated to be approximately $6 million for the fourth quarter. Included in this estimate are legal fees of approximately $2 million related to the recently resolved **Diodem** litigation and professional service costs of approximately $1 million, the majority of which are related to the company's Sarbanes-Oxley Section 404 implementation. Additionally, gross margins for the fourth quarter 2004 are expected to be similar to the third quarter 2004 primarily as a result of increased manufacturing costs related to the initial production of the Waterlase MD.

Robert Grant, president and CEO, commented, "We are pleased with the record revenue for the fourth quarter. Looking ahead, we are confident in the continued growth and adoption of our market leading technology. With the successful launch of the Waterlase MD, our refocused sales and marketing effort and the successful Diodem patent acquisition behind us, we believe the business is well positioned for a reacceleration of growth and profitability."

The fourth quarter and year-end outlook announced today is preliminary and subject to change as a result of final review by management and the completion of the year-end

audit. BIOLASE expects to report final fourth quarter and year-end results in late February.

Share Repurchase Update: During the fourth quarter, the company substantially completed its share repurchase program with the repurchase of 438,500 shares at an average price of $6.76 per share.

1/27 Rebecca Cook of the *Associated Press* wrote about lawmakers attempting to impose a new tax on cosmetic surgery: **Nip, tuck and ... tax?**

Lawmakers trying to plump up the bottom line are considering a "vanity tax" on cosmetic surgery and Botox injections in Washington, Illinois and other states. Plastic surgeons and their patients say the idea is just plain ugly. "It makes no sense. Where does it stop — massages, facials, teeth cleanings?" asked Karen Wakefield, 51, who has had a nose job, dermabrasion, liposuction, tummy tuck and breast lift — plus a little Botox here and there. "Even having a baby is elective surgery," added Wakefield, an event planner in Woodinville. "Why not tax that, too?"

The Washington state senator who proposed the tax said she has never gone under the knife for beauty, but wouldn't rule it out. "I, too, look in the mirror and see my mother," said Seattle Democrat Karen Keiser, 57. But she thinks cosmetic surgery patients can afford the state's 6.5 percent sales tax. She wants to earmark the money for poor children's health insurance. "We could do Botox-for-babies parties. It might be the new thing," Keiser said. "Anyone who can afford the money for cosmetic procedures, I don't think they would be deterred by a little sales tax. You pay it on your lipstick."

The tax would not apply to reconstructive surgery for, say, burn victims or women who have undergone mastectomies.

In September, New Jersey became the first and so far the only state to tax plastic surgery, at 6 percent. The tax is projected to bring in $25 million a year. In Illinois, the state comptroller has proposed a 6 percent tax on cosmetic surgery to create a stem cell research institute. If the Legislature approves, the question could be put to the voters in 2006. In California, the very capital of cosmetic surgery, such procedures are tax-free.

The cosmetic surgery tax is a cousin to the "sin taxes" many states slap on drinking, smoking and gambling during tough budget times. "In this anti-tax climate, these user-based, selective tax proposals are more palatable than broader ones," said Bert Waisaner, tax policy analyst for the *National Conference of State Legislatures*. *The American Society of Plastic Surgeons* frowns on this new wrinkle, calling New Jersey's law a "dangerous precedent." Seattle surgeon Dr. Phil Haeck noted that 86 percent of cosmetic surgery patients are women. "This is an unfair tax on women," said Haeck, editor of *Plastic Surgery News*. "The bulk of the people who have procedures are not financially upper-class women. They've saved hard, and this is about restoring their self-esteem."

Wakefield, for one, wants people to know she paid for her own nips and tucks. "I'm not married to some rich guy," she said. "I worked my butt off for this."

1/31 **DUSA Pharmaceuticals, Inc.** reported that it had filed a lawsuit against **The Cosmetic Pharmacy** of Tucson, Arizona alleging violations of the Lanham Act for false advertising and trademark infringement, and of U.S. patent law. The suit has been filed in the United States District Court for the District of Arizona. In addition, DUSA believes that certain actions of The Cosmetic Pharmacy go beyond the activities which are permitted under the Food, Drug and Cosmetic Act, and as a result, it has advised the FDA and Arizona State Board of Pharmacy of its concerns.

On December 27, 2004, DUSA announced that it had filed a lawsuit against **New England Compounding Center** of Framingham, Massachusetts alleging violations of U.S. patent law.

Dr. Geoffrey Shulman, DUSA's chairman of the Board and CEO, stated, "We are filing this second lawsuit to demonstrate that we intend to protect our proprietary intellectual property position from those compounding pharmacies that go beyond their legal limits and that are promoting and selling ALA of unknown quality from unknown sources. We have an obligation to protect against damage to our product's reputation that might arise from the use of what could be an unsafe copy of our products. We intend to protect our trademarks and our goodwill, especially in light of recent events which implicate The Cosmetic Pharmacy in the recent serious incidents involving the use of non-FDA approved botulinum toxin, causing The Cosmetic Pharmacy to be restrained from committing violations of the Food Drug and Cosmetic Act by the United States District Court in the Southern District of Florida."

1/31 **Syneron Medical Ltd.** and its North American subsidiary **Syneron Inc.** announced that in a recent meeting between senior company officials and representatives of the FDA, the FDA representatives stated it appears reasonable for Syneron to submit a 510(k) pre-market notification to the FDA for marketing clearance of its VelaSmooth(TM) system in the U.S. The VelaSmooth is sold in Europe and Canada and in other countries around the world. It was cleared in these countries for treatment of cellulite in Europe under the Medical CE mark and in Canada under Health Canada clearance.

Dr. Amir Waldman, Director for Clinical and Regulatory Affairs, Syneron Medical Ltd., commented: "We will be working expeditiously to prepare and file an updated 510(k) application with the FDA."

MEDICAL/SURGICAL LASER UPDATE -- February 2005

1/31 **MedicalCV, Inc.** announced that it had retained **ROI Group Associates, Inc.**, of New York, as its investor relations firm. In announcing the initiative, Marc Flores, president and CEO of MedicalCV, Inc. said, "As we expand beyond the mechanical heart valve business, our objective is to reach out to a wide audience, thereby increasing the visibility

and awareness of MedicalCV in the investment community. We have retained ROI Group Associates to implement our continuing investor relations. We believe that there are so many exciting and innovative developments within the AF market and that this is the right time for MedicalCV to become a recognized player in the industry."

He continued, "We believe that MedicalCV's core business of manufacturing cardiovascular surgery devices, specifically the company's ATRILAZE Surgical Ablation System, which is focused on surgical needs surrounding cardiac tissue ablation, is in its infancy and rapidly gaining traction. Industry estimates of expenditures in the AF market, for a minimally invasive, closed-chest, beating heart AF stand-alone procedure, are expected to reach $1.5 billion in annual revenues by 2008, according to *Health Research International's* October 2002 market report."

Earlier this week, the company announced a successful completion of its first U.S. clinical case using the AtriLaze surgical ablation system in open-heart surgery. This surgery represents a further milestone in the company's goal of providing a better treatment solution for ablating cardiac tissue. Two cardiothoracic surgeons at leading hospitals in Texas have used the AtriLaze system for cardiac tissue ablation during the past week and have indicated that they will be incorporating the technology into future surgical procedures.

Flores continued, "With all of these growth opportunities we have identified in our business, and milestones that management is focused on, we believe it is the appropriate time to improve our communications with the financial community. ROI Group Associates has considerable experience in implementing investor relations strategies in order to maximize shareholder value. Additionally, they will work to strengthen our position with our existing investor base. We believe that the increased visibility will enhance our opportunities for new business for future growth," he concluded.

1/31 Dyke Hendrickson of *Mass High Tech* wrote about a local Massachusetts company developing a laser approach to treating oral infection: **Blasting bacteria**

A young dentist with a background in research and a veteran executive with decades in the medical-tools trade have launched a company to develop tools to eliminate oral infection. **Nomir Medical Technologies Inc.** in Natick has 17 patents pending and company officials say they will soon close on a $1 million funding round that comes atop $225,000 of angel money. Their plans are ambitious, but organizers appear to have a market.

Those who face the painful procedures to counter periodontal disease would seemingly be eager to open their yaps for a less painful, more effective manner to cleanse their troubled dental regions. "It's estimated that up to 19 million Americans between 35 and 65 has untreated dental problems related to bacteria," said Dr. Eric Bornstein, founder and now chief technology officer of the emerging company. "I have many patients who

are very pleased with the treatment they have received, and I feel we can expand the technology into a successful company."

Bornstein, a graduate of the University of Vermont (1988), and Tufts University School of Dental Medicine, has published numerous articles in dental journals about new ways to fight bacteria. After developing his research for a half-dozen years, he recruited Richard Burtt to take the post of chief executive officer. Burtt has 30 years' senior executive experience with companies that include **Medtronics**, the mammoth medical-tools company, **IBM** and **Andover Medical Inc.**

Burtt says that Nomir has about a half-dozen senior advisors and scientists who are helping grow the company. "We see this as a company growing to the size of $350 million to $500 million in market cap," Burtt said. "It's a powerful technology that addresses an immense need." The key initiative focuses a laser therapy for periodontal disease, and is called biofilm targeting technologies. The company is also working on systems that will target the probable connection between periodontal disease and cardiovascular disease.

Nomir starts with the premise that the mouth is home to scores of different bacteria. Many have become resistant to dental care and medication, and the result is gum disease for millions. Its therapies are intended to eradicate bacteria and biofilm, "a community of bacteria that are enclosed in a mucinous-like polymer of their own making." Bacteria in biofilm are not killed in orthodox ways, and thus Nomir is developing laser techniques to counter it. During the procedure, the biofilm is heated with a laser, causing it to coagulate "like an egg being cooked," Bornstein said.

The targeted biofilm and all the bacteria inside can then be removed with a steel scaler. The plan is to eventually sell kits using the technology to dentists.

"I am intrigued by the science and the potential of the company," said Howard Jacobson, a retired executive who is in the process of investing in the company. He is a trustee of the *Massachusetts Biomedical Initiative* in Worcester, and the *UMass Memorial Healthcare* organization. "I am fascinated by laser technology treating bacterial infections, and the people like Dr. Bornstein who are moving this forward."

One patient who has first-hand experience with Bornstein's technology is Mel Karzin, a computer technologist living in Natick. "I had infection in my gums after an implant," said Karzin, "and no other medications were working. I had his laser treatment, and it worked well. I am a stone-cold chicken when it comes to pain. In fact, I want my gums frozen in the parking lot before I even enter the office. But there was no pain and no blood."

Nomir has hurdles to clear before it can market its technology to dentists. It must get Food and Drug Administration approval based on clinical data. Company officials say that Bornstein has been collecting data on current patients, and this will be used as part

of a 510(k) filing. A 510(k) application to the FDA means that the technology is expanding on past advances, not creating a completely new product.

Nomir must raise money to administer the trials and must develop a corporate infrastructure. It is planning to open its business office in Worcester. But this is a group imbued with both zeal and optimism, and no obstacle appears too formidable as Nomir pursues a major economic opportunity.

"We're thinking of China as a potential market," Burtt said. "Everyone smokes over there, and there must be 400 million potential patients." Said Bornstein, "I'm confident in the technology and the company. There will be a time when I work my way out of my dental practice so I can spend full time on Nomir."

2/1 **Candela Corporation** reported that revenues for the quarter ended January 1, 2005 were $28.2 million versus $23.9 million for the same quarter a year earlier -- an 18% increase. The company reported earnings for the quarter of $2.6 million (11 cents per share) compared to $2.4 million (11 cents per share) for the same quarter last year.

Included in the quarter's earnings are $500,000 of expense consisting of legal fees related to the arbitration proceeding commenced by Candela against **The Regents of the University of California**, which proceeding was held in December 2004. Should the company prevail in the arbitration, the Regents will be required to reimburse Candela for those legal fees.

Also included in the quarter's earnings is a credit, net of tax, of $860,000 related to a decrease in the company's liability for lease payments at its former Boston spa, attributable to a new tenant taking over the premises.

Candela also announced today that it will soon commence the distribution in the U.S. of the next generation light technology called I2PL through a partnership with **Danish Dermatologic Development (DDD)**. Candela is expanding its product portfolio with the Ellipse I2PL.

Gerard Puorro, Candela's president and CEO, commented: "While our laser business continues to grow at a healthy pace, we felt we could enhance that growth by going into the intense pulsed light segment. This technology, unlike earlier generations of intense pulsed light, requires no skin cooling. Further, the Ellipse I2PL features a lightweight hand piece that is user-friendly and is effective for skin rejuvenation treatments on large or small body areas. The Ellipse is the only pulsed light system in the world to feature patented I2PL technology, which removes 'water absorbing' wavelengths from the output spectrum device. Given our strong distribution channel in the United States, we are optimistic that the Ellipse I2PL will increase Candela's lead in our markets.

As for guidance for the quarter ending April 2, 2005, we presently believe that the company is on track to generate a revenue range of $31 to $32 million, and an EPS of

$0.12 to $0.14, without benefit of sales of the Ellipse I2PL, or factoring in any positive or negative results of the arbitration against the Regents.

Commenting further on the announcement about the I2PL partnership, Gerard Puorro said, "Candela is thrilled to add this next generation technology to our well established, state of the art laser portfolio. With the addition of the Ellipse I2PL system, we have expanded our product offerings to provide our customers with a broader base of technologies from which to choose."

Puorro continued, "Candela is recognized as a leader in the aesthetic device industry. We recognize that no single technology can meet each customer's individual needs. Through our new Pathways Program, customers now have the flexibility to choose from multiple technology platforms for the optimum laser or light based technology that suits their needs. The combination of Candela lasers and the Ellipse I2PL system creates a complete package."

Dr. Christine Dierickx, Medical Director of the Laser and Skin Clinic in Boom, Belgium, commented, "I have been using the Ellipse I2PL system from DDD for the past 3 years. I find the system very easy to use and the clinical performance very consistent from patient to patient. The unique I2PL technology removes undesirable wavelengths which improves clinical outcomes in patients while minimizing side effects."

Ellipse is currently sold in more than 40 countries worldwide. DDD was formed in 1997 and is one of the largest manufacturers of intense pulsed light systems in the world. They are a fast growing, innovative and quality focused company providing high tech products and solutions for light based treatment of skin disease and cosmetic disorders.

"The collaboration between DDD and Candela Corporation is extremely natural for the companies," said Gert Toftkjaer, DDD's Managing Director. "We are both technology leaders in the dermatology field and share the same goals of quality and customer satisfaction. Candela has the largest and most comprehensive distribution networks in America and will continue to grow with the addition of the Ellipse I2PL system."

Candela's new Pathways Program is all about choices for the customer. Through a platform of upgradeable technologies, customers can choose from a variety of technologies for the specific clinical applications they are interested in treating. These technologies include diode technology, solid state laser, pulsed dye laser and intense pulsed light systems. No other company offers such a wide array of technology choices and clinical applications.

The Ellipse I2PL system is pending FDA clearance in the United States. The Ellipse I2PL system will be available for purchase after receipt of FDA clearance.

2/3 **Spectranetics Corporation** announced the company's CLiRpath Excimer Laser Catheter was featured in the January 26 edition of *The Detroit News*. The article featured the

treatment of peripheral vascular disease using Spectranetics' CLiRpath excimer laser catheter by Dr. Elias Kassab at Oakwood Hospital in Dearborn, Michigan, and included favorable testimonial by two patients post-procedure. "Dr. Kassab's work at Oakwood Hospital further validates the quality-of-life improvements that may be achieved with our CLiRpath excimer laser catheters," said John Schulte, president and CEO of Spectranetics. "The Detroit News story is the latest of several news articles featuring physicians treating peripheral vascular disease with our CLiRpath excimer laser catheters and the life-changing successful outcomes of their patients."

Commenting on his experience with CLiRpath excimer laser catheters, Dr. Kassab said, "The impact has been tremendous in terms of salvaging legs in patients with limb ischemia. Diabetic patients should be aware of warning signs of clogged arteries and alert their doctors if experiencing pain or discomfort in the legs."

Dr. Elias Kassab is Director of Cardiology Endovascular Services at Oakwood Hospital. He has performed more than 75 CLiRpath procedures and has trained other doctors in Michigan and throughout the U.S. on the procedure. Other hospitals in Michigan performing the CLiRpath procedure include Detroit Medical Center and St. John Hospital.

CLiRpath Excimer Laser Catheters are indicated for use in the endovascular treatment of symptomatic infrainguinal lower extremity vascular disease where total obstructions cannot be crossed with standard guide wires.

2/7 **BIOLASE Technology, Inc.** announced that its Board of Directors declared to pay a regular cash dividend of $0.01 per share. The dividend will be payable February 24, 2005 to shareholders of record on February 10, 2005.

2/7 **Syneron Medical Ltd.** announced fiscal year and fourth quarter financial results for the period ending December 31, 2004. Revenues for the fiscal year 2004 were $57.9 million, a 65% increase over the $35.0 million recorded for fiscal year 2003. Net income for the twelve months was $27.3 million ($1.14 per share), compared to net income of $8.6 million (42 cents per share) reported in 2003.

The company's revenues for the fourth quarter of 2004 were $17.5 million, a 47% increase compared to $11.9 million recorded in the last quarter of 2003. Net income for the fourth quarter was $8.2 million, ($0.30 per share), representing a 583% increase compared to net income of $1.2 million (6 cents per share) reported in the same period last year.

2004 was a landmark year in which Syneron established itself as a global leader in aesthetic medical devices, due to its achievements on a number of fronts:

* Rapid growth in sales: Syneron sold more than 1,300 platforms in 2004, compared with sales of 800 platforms in 2003. In the 3 years since Syneron commenced sales, the

company has sold more than 2,300 platforms demonstrating the medical community's endorsement of the safety and efficacy of Syneron's ELOS technology.

* Creation of broadest product portfolio: With the launch of the Comet and VelaSmooth systems in 2004, Syneron succeeded in building the broadest product portfolio in the aesthetic devices industry. The Syneron portfolio currently consists of six platforms covering a wide range of aesthetic procedures, from permanent hair reduction and skin rejuvenation, to wrinkle reduction and the treatment of pigmented and vascular lesions, leg veins, acne, and cellulite.

* Global marketing and sales network expansion: During 2004, Syneron's sales network expanded to cover 41 countries (compared to 30 countries in 2003) through our subsidiaries and 35 distributors. Syneron has developed solid strategic partnerships with its distributors, whereby Syneron strongly supports marketing, clinical and technical operations of its distributors worldwide.

* Accelerated growth in revenues, outstripping market growth: Syneron revenues grew 65% in 2004, far higher than the 20% estimated market growth.

* Outstanding profitability achievements: In 2004, Syneron reported four quarters with gross margin above 85%, with a net profit margin of over 45%. These margins are a direct result of Syneron's technology, outsourcing manufacturing efficiencies, and distinctive business model for support and maintenance that significantly reduce the cost of goods sold.

Based on the factors mentioned above, Syneron is raising its revenue guidance for FY2005 to $78-$80 million, from $75 million, representing a 35-38% increase over 2004. Guidance for Q1, 2005 has been set at $17-$18 million.

"The R&D, operations, sales and marketing teams, along with our strategic partners in manufacturing and global distribution, have achieved excellent results in the four years since Syneron was founded," said Moshe Mizrahy, CEO of Syneron Medical. "Our capture of the market leadership position during 2004 is a direct result of the synergy created by the teams' combined efforts. Through the same unique level of teamwork, we will continue our momentum in introducing new products and opening new markets in order to maintain our competitive advantage in the non-invasive medical aesthetic industry."

The company also announced that it intended to file a registration statement with the SEC for a public offering of up to 8 million of its ordinary shares. The shares would be offered by Syneron security holders. It is currently anticipated that the offering will be completed in the first quarter of 2005.

2/10 **Palomar Medical Technologies Inc** announced financial results for the fourth quarter and year ended December 31, 2004. The company's fourth quarter total revenues increased

by 63%, product revenues increased by 51%, and gross profit from product sales improved by 73% as compared to the same quarter in 2003. The company realized a significant increase in income from operations of $3.2 million, or 297%, and a net income improvement of $4.3 million, or 417%, as compared to the fourth quarter of 2003. The company also strengthened its balance sheet since the end of last year, including increasing its cash position from $10.6 million to $25.2 million.

Revenues for the quarter ended December 31, 2004, were $16.4 million, up from $10.1 million in the fourth quarter of 2003. Gross profit from product sales increased to $9.6 million (69% of product revenues), up from $5.5 million (60% of product revenues) in the year-earlier quarter. The company reported income from operations of $4.2 million for the fourth quarter of this year, as compared to $1.1 million for the fourth quarter of last year. The company reported net income of $5.4 million (29 cents per share) which includes a benefit from income taxes of $1.1 million from the reduction of tax reserves, for the fourth quarter of this year, versus net income of $1.0 million (6 cents per share) for the fourth quarter of last year.

Revenues for the year ended December 31, 2004, were $54.4 million, up from $34.8 million for the same period in 2003. Gross profit from product sales increased to $30.3 million (66% of revenues), up from $18.3 million (58% of revenues) in the year-earlier period. The company reported net income of $10.6 million (60 cents per share) for the year ended December 31, 2004, versus net income of $3.4 million (21 cents per share) for the same period in 2003.

During fiscal year 2004, the company announced the following events:

* The company and **The Gillette company** completed the initial phase of their agreement and moved into the next phase. In conjunction with entering this next phase, the parties amended the agreement to provide for additional development funding to further technical innovations. The original agreement provided for $7 million in development funding from Gillette. Under the amendment, Gillette will provide $2.1 million in additional development funding over a nine month extension of the development phase, for a total of $9.1 million, which is planned to be completed by August 31, 2006.

* The company and **Johnson & Johnson Consumer Companies, Inc**, a **Johnson & Johnson** company, signed an agreement to develop, clinically test and potentially commercialize home-use, light-based devices for (i) reducing or reshaping body fat including cellulite; (ii) reducing appearance of skin aging; and (iii) reducing or preventing acne.

* Awarded a $2.5 million research contract by the **Department of the Army** to develop a light-based self-treatment device for Pseudofolliculitis Barbae (PFB). PFB, commonly known as "razor bumps", has been called "the most significant dermatologic disease in the US Army"; affecting combat readiness, unit cohesion, and individual morale of over 50% of African American and Hispanic military personnel.

* The company and **Lumenis Ltd.** reached a settlement resolving their on-going litigation concerning both patent infringement and contractual matters. Under the terms of the settlement, Lumenis paid $868,000 in the second quarter for sales of the LightSheer made prior to July 1, 2002 and agreed to pay $3.225 million over the next six quarters, or $537,500 per quarter, for royalties due on sales of the LightSheer made between July 1, 2002 and December 31, 2003. Beginning on January 1, 2004, Lumenis agreed to pay Palomar a 5% royalty on sales of the LightSheer and other professional laser hair removal devices and modules. In addition, Lumenis granted Palomar a paid up license to a variety of Lumenis' patents for Palomar's light based devices. Palomar granted Lumenis a paid up license to the '568 and '844 patents for Lumenis' lamp based devices. Both parties have agreed to the validity and enforceability of each others patents and not to challenge such validity and enforceability in the future.

CEO Joseph Caruso commented, "I am pleased with Palomar's progress during the fourth quarter of 2004 and the full fiscal year, which includes the above mentioned milestones. Especially encouraging is the fact that our revenues continue to increase at a rapid rate, allowing us to further expand our sales, marketing, research and development efforts. Palomar has worked hard to maintain our reputation with customers for providing leading-edge technology addressing major market opportunities in the light-based cosmetic market. These markets are growing at an astonishing rate and we intend to capitalize on the popularity of these new procedures. We believe this is the beginning of a shift toward light based treatments for cosmetic applications that will change the standard of treatment in years to come. This positioning has resulted in continued growth for Palomar over the past three years in the expanding market for light-based cosmetic procedures. We expect to keep extending the applications of our technology during upcoming quarters, and the strength of our balance sheet should allow us to continue as a powerful competitor in this dynamic market."

Commenting on Palomar's ongoing program to expand its shareholder base,CFO Paul Weiner concluded, "Due to our strong operating and financial performance at Palomar during 2004 we substantially increased the institutional following of the company. We are continuing our efforts to expand our shareholder base with an ongoing program of meetings with professional money managers and analysts nationwide. We are currently scheduling our next round of investor meetings at this year's *Annual Meeting of the American Academy of Dermatology (AAD)*, to be held in New Orleans from February 19 to 21, 2005."

2/11 Stephen Simpson, writing in *Motley Fool*, on **Palomar**: **Laser Beamer Lookin' Good**

Vanity is always a good angle for a business looking to profit from basic human nature. Almost everyone wants to look better and most people want to do so without any pain involved. As a provider of cosmetic laser systems, Palomar Medical Technologies (Nasdaq: PMTI) offers virtually pain-free options for people looking for cosmetic treatments such as skin rejuvenation or the removal of hair or tattoos.

For the 11th straight quarter, Palomar achieved profitability, and sales in the fourth quarter were up 63%. While the company did not offer any cash flow information, a rough analysis of the balance sheet suggests it produced about $10 million or so in free cash flow for 2004.

In my past life as a Wall Street medical device analyst, there was always one sure way to get a portfolio manager to run screaming out of the room: mention a medical laser company. Historically, the medical laser market has suffered from numerous disappointments, failures, and outright frauds -- and making money through long-term ownership of these stocks was often impossible.

Palomar seems to be different, though. Not only is it profitable, but other extremely reputable entities have chosen to partner with it. In combination with **Gillette** (NYSE: G) -- soon to be owned by **Procter & Gamble** (NYSE: PG) -- Palomar is developing a home laser system for hair removal.

The company recently signed an agreement with **Johnson & Johnson** (NYSE: JNJ) to develop a home system for use in treating cellulite, acne, and skin aging. Palomar also has a relationship with the **U.S. Army** to develop a laser-based treatment for a skin condition called pseudofolliculitis barbae (in plain English, that's the razor bumps on the beards of men who have ingrown curly hair).

Palomar is clearly not the only company in the aesthetics space. Other companies like **Candela** (Nasdaq: CLZR), **Lumenis** (Pink Sheets: LUMEF), **Syneron Medical** (Nasdaq: ELOS), and **Cutera** all compete in overlapping markets.

While Palomar has recently settled patent litigation against Lumenis (and will be receiving royalties as a result), litigation is ongoing against Cutera. What's more, Candela has problems of its own lately. Thus, while Palomar isn't the only kid on the block, it's one of the better players in the market.

Palomar has many of the attributes that I like to see in small growth stocks. The target market is large and growing, insiders own a fair bit of stock, and margins and return on equity are both strong. Valuation, though, is another matter. This stock trades at nearly 41 times trailing earnings and more than 7 times trailing revenue. While I wouldn't bet against Palomar continuing to profit from people's desire to look better, I'll be waiting for the stock to look a little better itself, before jumping in myself.

2/14 The Board of Directors **El.En. SpA** approved the quarterly report as of December 31, 2004, which shows consolidated revenues for 28 millions of euro, up 41% on the 20 millions of the fourth quarter of the previous year. Revenues for the twelve months are up 39% reaching 94 millions, as opposed to the 68 millions of the previous fiscal year.

The increase in revenues, which exceeds the budget expectations that were forecasting a 30% revenues growth, has been driven by the positive trend in the medical business (up

52% on yearly basis), by the growth in the service revenues (up 27%) and also by the industrial business (up 9%). The direct effect of revenues growth is the notable increase in profitability, well above the forecast.

EBITDA for the quarter is 3,2 millions of euro, up 77% on the fourth quarter of 2003 (1,8 millions). On a yearly basis increase is 92%, up to 10,6 millions of euro from the 5,5 millions of 2003, with an 11% impact on the value of production (8% in 2003) EBIT for the quarter is 2,3 millions of euro, up 449% on the 0,4 millions of Q4, 2003. On a yearly basis EBIT is up 261%, 5 millions of euro comparing with the 1,3 millions of 2003. The impact on the Value of production is 5%, it was 2% in 2003.

The group closed the fourth quarter with a pre tax income of 2,4 millions of euro, and the year with a pre tax income of 8,4 millions, also due to the gain on disposal of assets which appear in the other income lines. The reported income is well above the forecast target. The net financial position as of December 31, 2004 is positive for 8,7 millions of euro, improving from the 6,5 millions reported as of the end of September. With the release of the quarterly financials the Board also approved the budget for the year 2005. The management is forecasting a further increase in sales up to around 110 millions of euro. Also EBIT is expected to increase, both in total amount and as percentage on sales, reaching 9 millions of euro. The budget has been drafted with a reference exchange rate of 1,30 between Euro and US dollar.

2/15 **Cynosure, Inc.** announced that it will launch its newest multiple-wavelength, multiple-application product, the Cynergy III Aesthetic Workstation, at the *American Academy of Dermatology* conference held in New Orleans, February 18-22, 2005. The Cynergy III is a complete aesthetic workstation which includes two lasers in one unit, plus a unique breakaway pulsed light system that can be used in the workstation or can be unplugged for use at other locations. The Cynergy III joins the Apogee Elite in the company's Aesthetic Workstation product line."

The Cynergy III provides three key capabilities for today's aesthetic and medical practices:

* "Baby-safe" highest-energy-available pulse dye laser technology for treating vascular lesions and fine telangiectasias (595nm wavelength)

* "Skin-safe" high-powered Nd:YAG laser for hair removal and the treatment of larger veins on the face and legs in all skin types (1064nm wavelength)

* Cynergy PL's 500-950nm wavelengths are superior for treating red and brown colorations and overall facial treatments.

"Our product strategy is aligned with the realities of the physician's practice, providing a complete range of treatments in a single workstation," said Michael Davin, Cynosure's chairman and CEO. "The more capability in a single system, the easier it is for the

physician to provide the most requested services to patients with minimal space requirements and excellent return on investment."

The Cynergy III can be used to treat veins and vascular lesions in babies, children and adults; laser hair removal for teenagers and adults; and, fine and larger veins, pigmented areas and overall facial treatments in adults.

"Combining systems or unique wavelengths in a single unit is a major engineering challenge, but we feel it is worth the R&D investment in order to provide the optimal tool for the application," stated Davin. "We began this product development strategy in 2004, when we introduced the Apogee Elite Aesthetic Workstation (755nm/1064nm wavelengths). The combination of the Alexandrite and Nd:YAG (both long and short wavelengths in one system) is the ideal solution for laser hair removal in all skin types, including tanned skin, and of vessels and pigmented lesions. These `combination products' allow physicians to provide medical and aesthetic treatments with one system to a broader demographic base."

2/15 **Trimedyne, Inc.** reported a 33% increase in revenues to $1.8 million for the quarter ended December 31, 2004, compared to revenues of $ 1.4 million for the same quarter of the prior year. Net profit was $173,000 (1 cent per share) for the current quarter, compared to a net profit of $165,000 (1 cent per share) in the prior year quarter. However, the profit for the prior year quarter included the benefit of $123,000 of other income, whereas other income in the current quarter was only $26,000, and R & D costs in the current quarter were twice those of the year earlier quarter, $133,000 versus $67,000.

Glenn Yeik, president of Trimedyne, said, "We are pleased to report a significant increase in sales of our surgical lasers in the current quarter, compared to the year ago period. While marketing expenses to introduce our new disposable devices are expected to rise in the coming months, we anticipate our revenues will increase from sales of the new products, although such cannot be assured."

2/15 **BIOLASE Technology, Inc.** announced that it has been granted a new European patent protecting key areas related to its core water and laser technology. European Patent No. 0847319, granted by the European Patent Office, has broad and complex claims related to the company's core technology of water and laser utilized in the Waterlase MD and Waterlase YSGG systems. The patent has been granted in ten European countries including Germany, France, United Kingdom, Italy and Spain, which represent key markets for BIOLASE's Waterlase systems. The 171 claims granted in this patent cover a broad range of methods and technologies applicable to laser systems utilizing a water spray, as well as other technologies such as fluid conditioning and delivery system accessories.

The scope of the patent claims is not only limited to technologies for cutting dental tissues such as bone, dentin, enamel, cementum, gums, skin and mucosa, but also for

cutting tissues related to medical applications, such as bone, cartilage, liver, kidney, brain, eye and vessels. Additionally, the patent's fluid conditioning claims cover medications, antiseptics, disinfectants and flavored fluids, which are applicable to both dental and medical applications.

"This is a key patent that strengthens our growing intellectual property portfolio around our core HydroPhotonics technology. And more importantly, this patent further bolsters our IP position in the international marketplace and sets the stage for international licensing opportunities," said Jeffrey Jones, Chief Technology Officer.

This patent has been granted in the following European countries: Austria, Belgium, France, Germany, Italy, Lichtenstein, Luxembourg, Spain, Switzerland and United Kingdom.

2/16 **Syneron Medical Ltd.** announced that it had filed a 510(k) application with the FDA for marketing clearance of its VelaSmooth system in the U.S. The VelaSmooth is already being sold in Europe, Canada and other countries. It was cleared in these countries for improvement in the appearance of cellulite through the Medical CE mark in Europe, and Health Canada clearance in Canada.

2/17 **Syneron Medical Ltd.** announced that it had filed with the Securities and Exchange Commission a registration statement for an offering of 7 million ordinary shares by selling shareholders. The selling shareholders have granted the underwriters a 30-day option to purchase up to an additional 1 million of their ordinary shares. The offer will be made only by means of a prospectus. **Lehman Brothers Inc.** and **CIBC World Markets Corp.** will act as joint book running managers of the offering with **Citigroup Global Markets Inc.** serving as lead manager. **Stephens Inc.**, **Thomas Weisel Partners LLC**, and **C.E. Unterberg, Towbin LLC** will act as co-managers.

2/17 **PhotoMedex, Inc.** issued an update on the progress of its civil action against Carlsbad, CA-based **RA Medical Systems, Inc.** and its founder Dean Irwin, PhotoMedex' former vice president of engineering. In January 2004, PhotoMedex brought an action against RA Medical and Irwin in the United States District Court for the Southern District of California. The action was brought for false advertising under the Lanham Act and the California Business and Professions Code and for unfair competition. Continuing settlement discussions in this case were terminated when PhotoMedex withdrew from those discussions on December 17, 2004 because PhotoMedex considered the nature of the process to be flawed. However, PhotoMedex did not withdraw any of its pending claims at that time, and the Court has ordered on Monday, February 14, 2005 that the suit should go forward to trial.

Patent infringement is not one of PhotoMedex's claims in this suit, and there is no patent-at-suit. PhotoMedex will take any and all appropriate action available to it to defend itself against any party that infringes its patents or that engages in unfair trade practices.

2/17 **Lumenis Ltd.** introduced a new and affordable laser head designed specifically for the removal of dark tattoos and benign pigmented skin lesions at the *American Academy of Dermatology* meeting. This upgrade greatly expands the value and utility of the highly successful IPL Quantum platform. Estimates suggest 16% of adult Americans, or 40 million people, currently have tattoos. "Many adults with tattoos would like to have them removed," said Lumenis president and CEO Avner Raz. "This desire is understandable when you consider roughly 60% acquire their tattoo at age 21 or younger. As life circumstances change, so does the tattoo's appeal. Providing the new Q- switched laser head for our 2,500-unit installed base of IPL Quantum systems gives the physicians a very affordable means of serving this large and growing market."

The Q-Switched 1064 nm Nd:YAG laser head fires extremely short 6 to 8 nanosecond pulses of light having very high peak energy. The pulsed laser creates a localized acoustic shock wave that fragments the pigment particles, breaking them into pieces small enough to be removed from the body by normal healing processes. The laser's design ensures energy is distributed evenly across the pulsed area which increases both safety and effectiveness.

"Before lasers, available techniques often left scars or merely camouflaged the tattoo," noted Dr. Moshe Lapidoth. "With Lumenis' new Q- Switched treatment head, physicians can offer their patients safe and effective tattoo removal. After treatment and as the body flushes out the pigment fragments, patients are delighted to see their tattoos fade."

The new Q-switched laser head, which fits all existing IPL Quantum systems, adds to the system's revenue-producing power. The IPL Quantum system is a proven design boasting years of successful use by physicians around the world. The QS laser head joins three existing IPL Quantum modules: SR (for telangiectasias, broken capillaries and benign brown pigmentation from sun damage and photoaging); DL (for large, deep telangiectasias, melasma and benign cutaneous vascular lesions such as hemangiomas); and HR (for permanent hair reduction). The QS laser head clearly improves IPL Quantum's overall cost-effectiveness, further expanding this multi-use platform with an affordable upgrade for physicians, as well as safe and effective tattoo removal for patients.

The company will also introduce Aluma with FACES (Functional Aspiration Controlled Electrothermal Stimulation) technology for the non-invasive treatment of wrinkles at the *American Academy of Dermatology* meeting in New Orleans, LA. Upon FDA approval, the Aluma system will be available in the United States as both a stand-alone system and a module for the flagship Lumenis One multi-application platform, and will add a new dimension to Lumenis' product offering. "With Aluma, our systems and our customers will be able to treat the full range of photorejuvenation for vascular and pigmented lesions, sun damage, texture, wrinkles and photodynamic therapy (PDT)," explained Lumenis President and CEO Avner Raz. "We have been very pleased with the results of our preliminary clinical trial."

Aluma with FACES technology is a unique entry into the market for non- ablative photorejuvenation of the skin -- a rapidly expanding market. A recent study identified effective treatment of fine lines and wrinkles as "the greatest unmet need" in rejuvenation skin care.

"Our results with Aluma have been substantial," notes Michael Gold, MD, a dermatologist in private practice in Nashville, TN. "The unique vacuum- assisted bipolar delivery of radio frequency energy (RF) deep into the dermal layer bypasses the epidermis, resulting in a pain-free and minimal risk procedure. We achieved 90% patient satisfaction and greater than 40% improvement of periorbital and perioral wrinkles. This is fantastic by today's standards."

2/17 **Laserscope** reported that it will introduce the next generation of light-based aesthetic treatment devices, called the Solis, at the *American Academy of Dermatology* Annual Meeting taking place in New Orleans from February 18th through February 22nd.

"The Solis platform will be positioned to complement our existing aesthetic product lines and will address a significant need in the market," said Eric Reuter, Laserscope president and CEO. "Overall practice revenue for physicians of all specialties performing light-based cosmetic procedures continues to climb in the U.S. and internationally. However, the average revenue per procedure and per physician for these treatments is falling as the market becomes more competitive and patients have a wider range of choices. The Solis addresses this trend by offering among the fastest treatment speeds for large body areas of any available device. For instance, an average man's back can be treated with the Solis for hair removal in as little as 15 minutes. This is from 50% to 500% faster than any of the leading laser and light-based treatment devices available on the market today.

"The addressable market includes not only new practitioners who are considering offering cosmetic treatments to their patients, but also the thousands of physicians who have purchased devices in the past that are no longer competitive in the current market environment. We believe the Solis will give our customers a wide range of choices and will fill out our aesthetic treatment product line very well. It is specifically designed for those customers who want to do large body areas very quickly. We are very excited to be able to bring this innovative new technology to our existing and new customers."

Robert Mann, Laserscope's Group vice president, Global Sales and Marketing added, "The unprecedented speed, ease of use and efficacy of Solis delivers a real economic benefit to the physician and ultimately the patient. The Solis is another example of Laserscope's commitment to provide profound clinical and economic solutions to physicians worldwide."

2/17 Cutera will continue its introduction of the Titan, an innovative light-based technology at this year's *American Academy of Dermatology (AAD)* annual meeting in New Orleans, February 18-22. The latest in the line up of outstanding choices Cutera has to offer, Titan

utilizes a safe infrared light source with a unique wavelength filtering design to uniformly heat the dermis. The non-invasive Titan Procedure protects the epidermis through continuous contact cooling while the infrared light heats the deep dermis. No down-time or pain medication is required.

The Titan Procedure has been very well received by dermatologists in clinical investigations throughout Asia, Europe and North America since its staged introduction in late 2004. Melanie Grossman, MD, Javier Ruiz-Esparza, MD, Ronald Moy, MD, and Christine Lee, MD will be speaking about their experiences with the Titan Procedure at AAD scientific sessions over the weekend.

"Titan has quickly become a very popular procedure in our practice", said Ronald Moy, MD, Associate Clinical Professor of Dermatology at UCLA. "Patient satisfaction has been very high among over sixty patients we have treated in just the past 3 months."

2/17 **Candela Corporation** announced that the arbitrator had issued an interim decision in the dispute concerning Candela's royalty obligations under its Amended and Restated License Agreement with **The Regents of the University of California (the "Regents")**. Candela licenses certain patent rights from the Regents relating to technology incorporated in Candela's dynamic cooling device (the "DCD"). The arbitrator found in favor of the Regents as to the primary issue in dispute, finding that Candela is obligated to pay royalties on the good faith list prices of its Sclero, SPTL, GentleLASE and GentleYAG laser systems when those systems are sold with DCDs, and not just on the good faith list prices of the DCDs for sale with those systems.

The arbitrator denied the Regents' request for the right to declare a forfeiture of Candela's license with the Regents, and found in Candela's favor on the remaining monetary disputes concerning Candela's past royalty payments to the Regents. The arbitrator will issue a final decision with actual damages after further post-arbitration submissions by the parties as to calculation of damages. Because the Regents prevailed on the primary issue in dispute, as part of the damages award, Candela will be obligated to reimburse the Regents for its costs and fees associated with the arbitration, as well as the amount of unpaid royalties computed in accordance with the final decision.

The Regents have asserted past due royalty damages of approximately $3.5 million together with interest thereon through the quarter ended July 3, 2004, and during the pendency of the arbitration, Candela deposited approximately $3.4 million into an interest-bearing escrow fund to be paid in whole or in part to Candela or the Regents as determined by the arbitrator. Candela will take a charge for the related expense in the fiscal quarter in which the arbitrator issues his final decision. As a result of the arbitrator's interim ruling, Candela will incur royalty obligations to The Regents on future sales of the DCD at a higher royalty rate than it has recognized on DCD sales over the past few years.

Gerard Puorro, president and CEO, said: "We are disappointed with the outcome of the arbitrator's interim decision, but we observe that the arbitrator made a finding that Candela acted in good faith with respect to its actions. Moreover, while Candela will have to pay higher royalties to The Regents going forward, The Regents were unsuccessful in their attempt to terminate our exclusive license."

2/18 **CUTERA** introduced Solera, a new single-technology tabletop platform, at this year's *American Academy of Dermatology (AAD)* annual meeting in New Orleans, February 18-22. The Solera platform presents advanced technology in two compact models. The Solera Titan features Cutera's highly acclaimed, tailored infrared light source for heating the deep dermis. The Solera Opus brings Cutera's intelligent pulsed light technology for hair removal and skin rejuvenation to a tabletop console. Like all Cutera platforms, Solera offers multiple options for upgrading the system to add additional applications as a physician's practice grows.

"The Solera Opus is ideal for any busy aesthetic clinic with a growing skin rejuvenation and hair removal practice," said Kevin Connors, president and CEO of Cutera. "The Solera's attractive price point, streamlined design, and convenience of next-business-day service response make this offering an exciting new family of aesthetic products."

Cutera's innovative engineering team consistently introduces intelligent and well-designed aesthetic systems. Now with three unique technology platforms to choose from, physicians can select multiple clinical applications at a wide range of price points. In addition to the new Solera, Cutera offers the well known CoolGlide platform with its unique long pulse Nd:YAG technology for laser hair removal, vein therapy, and skin rejuvenation on all skin types. The Xeo is Cutera's high-end multi-technology platform, integrating Nd:YAG, pulsed light, and Titan technology into one sleek efficient design. The Xeo is today's answer to combination therapies on all skin types.

2/21 Dyke Hendrickson, writing in his **Biomed Rounds** column in *Mass High Tech*:

It's good to see some life sciences companies getting on the **New England Patriots** bandwagon. News has arrived that a Canton company was contracted by the team to provide laser therapy to treat sprains and inflammations before the Super Bowl. Ellen Spicuzza, a nurse who works with the **Mind Body Connection** in Canton, traveled to Jacksonville to attend to players with minor injuries.

She was not seen sprinting though the smoke and confetti that greeted the squad when it went onto the field, but she says she attended to about seven players prior to the competition. "Laser therapy expedites healing of sprains, strains, tendinitis and inflammations," Spicuzza said. "Two players would not have played without the use of the laser."

Spicuzza declined to identify those players. Said a colleague, "The players don't mind releasing their names, but the agents object. I guess they want to keep their secrets." The

hardware was developed by **Microlight Corp.** in Texas and distributed by **Kessler Therapy Equipment Inc.** in Norwood (MA).

2/21 **Lumenis Ltd.** reported that it had received a notification -- referred to as a "Wells Notice" -- from the staff of the Boston District Office of the SEC in connection with the staff's ongoing investigation into various accounting matters. The notification indicated the staff's intention to recommend that the SEC bring a civil proceeding seeking, among other things, an injunction and civil monetary penalties against the company alleging violations of the antifraud and other provisions of the U.S. federal securities laws in connection with the reporting of certain transaction reflected in its 2002 and 2003 financial statements. The transactions identified were the subject of the report of internal investigation conducted on behalf of the audit committee of the board of directors (the "Audit Committee Report") disclosed in the Company's press release dated May 3, 2004.

The notification also indicated the staff's intention to recommend allegations that the Company's May 3, 2004 press release disclosing the Audit Committee Report was misleading for (i) failing to provide detailed information on the quarterly impact on earnings (loss) of the improper recognition of revenue in certain transactions covered by the Audit Committee Report, which in some quarters had been significantly higher on a percentage basis than those percentages reported on an annual basis; and (ii) creating an impression that all transactions covered by the Audit Committee Report involved premature recognition of revenue, whereas in certain of the transactions revenue should never have been recognized. In this regard, the Company notes that the effect of the company's accounting for the transactions referenced in the preceding sentence as transactions in which revenues should never have been recognized was included in the table of aggregate effects which was set forth in the May 3, 2004 press release.

The company understands that the staff of the SEC has separately sent a Wells Notice to one former officer of the company.

The company has the opportunity to respond to the SEC staff before the staff makes its formal recommendation on whether any action should be brought by the SEC. The company is discussing the Wells Notice with the SEC staff and intends to continue to cooperate fully with the staff in an effort to bring the matter to an appropriate and timely resolution.

The company also noted that it has been taking steps for some time to improve its internal controls and intends to continue its review of internal controls. In that regard, the company is utilizing outside consultants to assist it in this review of internal controls on financial reporting.

2/22 **Lumenis Ltd.** announced preliminary and unaudited financial results for the fourth quarter and full year ended December 31, 2004. The results reported herein and in the attached financial statements do not reflect any adjustments relating to the results of the Audit Committee investigation which were previously reported. In addition, quarterly

2004 and full year 2004 and 2003 results have not been reviewed or audited by independent external auditors and, as such, these results, as well as Lumenis' historical statements, are subject to change to reflect results of any such review or audit. There can be no assurance that any such changes will not be material.

Fourth Quarter and Full Year 2004 Results: Revenues in the fourth quarter were $72.8 million compared with $75.4 million in the same quarter last year. 2004 revenues were $273.0 million compared with $287.2 million in 2003.

Gross profit in the fourth quarter was $33.5 million, or 46.0% of revenues, compared with $26.4 million, or 35.0% of revenues, in the fourth quarter of 2003. Gross profit for the year was $132.6 million, or 48.6% of revenues, an increase of 24% from $106.8 million, or 37.2% of revenues, in 2003.

Operating loss in the fourth quarter of 2004, including a $2.5 million charge related to the agreement with former distributor **Eclipse Medical, Ltd.**, was $3.6 million compared with an operating loss of $21.1 million in the same quarter of 2003. For the year 2004, the company reported an operating profit of $5.3 million compared with an operating loss of $58.4 million in 2003.

Net loss in the fourth quarter was $6.3 million (17 cents per share) compared with a net loss of $28.2 million (76 cents per share) in the fourth quarter of 2003. Net loss for the year 2004 narrowed to $11.7 million (31 cents per share) from $83.6 million ($2.25 per share) in 2003.

Net cash flow from operating activities was a positive $9.1 million in the fourth quarter of 2004 compared with a net negative cash flow from operating activities of $1.0 million in the fourth quarter of 2003. For the year 2004, net cash flow from operating activities was a positive $21.8 million compared with a net negative cash flow from operations of $4.3 million in 2003. At December 31, 2004, the company had $18.1 million of cash and cash equivalents and unused borrowing capacity under its committed lines of credit of an additional $29.9 million. Total bank debt at year-end declined to $189.8 million from $212.4 million at December 31, 2003. Based on the preliminary and unaudited results for the year 2004, the company is in compliance with its covenants under its bank agreements.

Commenting on the results, Avner Raz, Lumenis' president and CEO said, "We set ambitious financial goals for 2004 and I am pleased by the progress made on all fronts: significant improvement in margins; a large reduction in operating costs; an impressive $21.8 million in operating cash flow, and a better balance sheet. Operationally, as we saw in the fourth quarter, we still have work ahead of us to drive greater efficiencies into our activities, but I am satisfied with the overall progress seen this past year.

"Owing to our dedicated global sales team and the strong demand for our leading-edge products, we were able to deliver very encouraging fourth quarter revenues. As we enter

2005, we plan to leverage this momentum and to continue to introduce new, innovative products to drive revenue growth and profitability in each of our markets," he added.

2/22 **Diomed Holdings, Inc.** announced results for the fourth quarter and year ended December 31, 2004. Diomed delivered total revenue of $4.0 million for the quarter ended December 31, 2004, an increase of 56% compared to the same quarter of 2003, while EVLT sales increased 65% during the period. Revenue from EVLT disposable procedure products increased 108% over the fourth quarter 2003. Correspondingly, gross margins for the fourth quarter increased to 47%.

For the full year ended December 31, 2004, Diomed delivered revenue of $13.4 million, an increase of $4.2 million or 46% over 2003. Revenue from the EVLT product line increased 57%, including a 100% increase in revenue from EVLT disposable procedure products during the year.

"We capped off a solid 2004 performance with strong fourth quarter results," commented James Wylie, president and CEO of Diomed Holdings, Inc. "The company also completed a number of significant financial initiatives, including the completion of a $10.6 million financing which strengthened our balance sheet, and a common stock reverse split that strategically improved our capital structure."

"During 2004, we also saw the insurance community embrace EVLT as an emerging standard of care for varicose vein treatment, bringing the number of covered lives to over 200 million," added Wylie. "The positive impact of this development was evidenced in our fourth quarter EVLT revenues, with a sequential quarterly North American EVLT laser sales increase of 73%. Diomed has now installed nearly 600 EVLT systems worldwide, and we plan to drive continued rapid expansion and global commercialization of our EVLT product line."

The company reported that gross profit for FY2004 of 41% increased 468 basis points over FY2003, reflecting the impact of incremental volume, as well as improvements in material costs. However, at the cost of revenues line, improvement over 2003 from fixed manufacturing cost leverage on incremental 2004 volume was partially offset by the foreign exchange impact on raw material purchases and the impact of patent royalties not in effect in the prior year.

Research and development expenses for FY2004 were $1,695,000, an increase of $845,000, or 99%, from FY2003. The company indicated that R&D expenditures are expected to remain at this elevated level, as it continues to improve the feature-function of its products and continues to reduce product costs.

Selling and marketing expenses for FY2004 were $7.2 million, an increase of $3.1 million, or 77%, from the same period 2003. The increase was driven by a significant expansion of the sales force, higher sales commissions resulting from the increased sales

volume, and increased marketing expenditures in support of the sales efforts to drive the growing commercialization of EVLT.

General and administrative expenses for FY2004 were $6.4 million, an increase of $2.0 million, or 46%, from 2003. The increase was primarily attributable to incremental legal fees, as well as sales volume-based product liability insurance costs, and infrastructure enhancements. Legal costs included the cost of patent infringement litigation against **AngioDynamics**, **Vascular Solutions**, **Total Vein Solutions**, and **CoolTouch**, as well as continuing costs of litigation against Vascular Solutions in trade secrets suit litigation commenced by the company in the fourth quarter of 2003.

Net loss applicable to common stockholders, adjusted for the one-for-twenty-five reverse stock split effective June 17, 2004, for Q4 2004 was $3.1 million (18 cents per share) compared to $12.6 million ($2.41 per share) in Q4 2003; and $10.1 million (68 cents per share) for FY 2004, compared to $19.9 million ($8.99 per share) for the same period 2003. As a result of the 2003 equity financing, 2004 targeted offering, and the October 2004 PIPE, weighted average shares outstanding increased from approximately 2.2 million shares to 14.8 million shares for the corresponding fiscal periods.

The company reported an ending cash balance of $14.4 million which reflected the proceeds of a $10.6 million financing ($9.5 million net of financing costs), repayments of bank borrowings and debt from the prior year, EVLT acquisition payments, expanded sales force expenses, marketing efforts and legal fees relative to asserting the EVLT patent.

2/23 **Spectranetics Corporation** reported financial results for the fourth quarter and year ended December 31, 2004. For the fourth quarter of 2004 compared with the same quarter last year, revenue rose 25% to $9.3 million and reflected a 17% increase in disposable product revenue to $6.8 million, a more than doubling of equipment revenue to $1.3 million and a 16% increase in service and other revenue to $1.3 million. The worldwide installed base of laser systems increased by 13 units to 417 (311 in the United States) at December 31, 2004, reflecting the highest volume of units placed in the last nine quarters and nearly double the net 7 units placed in the comparable 2003 quarter.

Net income for the 2004 fourth quarter was $1.9 million (7 cents per share) compared with $378,000 (1 cent per share) for the fourth quarter of 2003. Net income for the 2004 fourth quarter reflected a $1.6 million income tax benefit, which includes the release of a valuation allowance that is no longer required on specific deferred tax assets. Pre-tax net income for the 2004 fourth quarter was $356,000 compared with $419,000 during the fourth quarter of 2003.

Gross margin for the fourth quarter of 2004 improved to 74% from 73% in the prior-year quarter. Operating expenses increased to $6.7 million from $4.9 million primarily as a result of a planned and ongoing expansion of the company's sales organization, an increase in research and development expenses due to increased new product

development and clinical studies activities, and costs associated with a promotional campaign to support the recently launched CLiRpath product. In addition, general and administrative costs of $332,000 were incurred during the fourth quarter of 2004 to support compliance with the internal control aspects of the Sarbanes-Oxley legislation.

"2004 was a very productive year for Spectranetics. In May, we successfully launched our new CLiRpath catheters, giving us a new indication. We also made substantial progress in our clinical trials and expanded our sales force. Our revenue growth in 2004 was 25% and we were profitable and cash flow positive in each quarter. We accomplished our key objectives and are well-positioned as we head into the new year," said John Schulte, president and CEO of Spectranetics.

2004 Financial Results: Comparing 2004 to 2003, total revenue for 2004 rose 25% to $34.7 million, with equipment sales and rental fees increasing 34% to $3.8 million and disposable products revenue increasing 21% to $25.7 million. Service and other revenue rose 35% to $5.3 million.

Net income for the year ended December 31, 2004 rose to $3.0 million (11 cents per share) compared with $929,000 (4 cents per share) for 2003. Net income for the year ended December 31, 2004 reflected a $1.6 million income tax benefit, which includes the release of a valuation allowance that is no longer required on specific deferred tax assets. Pre-tax net income was $1.4 million during the year ended December 31, 2004 compared with $1.0 million during the year ended December 31, 2003.

Gross margin for 2004 was 75% compared with 72% in 2003. Gross margin expansion was primarily attributable to laser system and disposable products manufacturing efficiencies resulting from higher production volumes.

Cash, cash equivalents and current and long-term investment securities totaled $17.4 million at December 31, 2004, compared with $13.3 million at December 31, 2003.

2005 Financial Guidance: Spectranetics anticipates revenue for 2005 to be within the range of $40 million to $43 million. Revenue growth compared with 2004 will be driven by three key factors:

1. Continued growth in our coronary and lead removal product lines;

2. Growth in our existing peripheral product line, driven by the CLiRpath products that received FDA clearance in April 2004; and

3. Potential growth associated with new products in the peripheral atherectomy market that may be launched in late 2005, depending on the completion of product development cycles and regulatory clearance.

Net income is anticipated to be in the range of $1.0 million to $1.5 million and gross margin as a percentage of sales is expected to be in the mid-seventies. This guidance assumes reinvestment of most of the incremental gross margin into continued expansion of the field sales and clinical organizations, key product development and clinical study programs, and the staffing of two key executive officer positions. This revenue guidance also assumes 40 to 50 new laser placements in 2005. We expect revenue and net income to strengthen throughout the year; however, 2005 first quarter revenue and net income is expected to be less than 2004 fourth quarter levels, which is consistent with historical seasonal patterns.

In assessing the company's financial guidance, Spectranetics' management considered many factors and assumptions including, but not limited to, current and projected sales trend data; and status, timing and progression of the company's development projects; current and projected spending levels to support sales, marketing, development and administrative activities; and other risk factors discussed in Spectranetics' publicly filed documents. The above guidance does not take into account the effect of expensing stock options.

2/24 **Candela Corporation** announced that it had received clearance from the FDA to market its family of pulsed dye lasers for the treatment of benign epidermal pigmented lesions adding to the previously cleared treatments of facial veins, rosacea, leg veins, port wine stains, scars, wrinkles, psoriasis, stretch marks and warts. Gerard Puorro, Candela's president and CEO, said, "We are pleased to offer this additional indication for our family of pulsed dye lasers. Our customers demand devices with multiple applications that enhance value and provide the greatest flexibility. As part of our new Pathways program, these additional indications for use allow us to give physicians a wider range of clinical applications from which to choose."

2/28 **Ra Medical Systems** announced that the California Court of Appeal, Fourth Appellate District, rejected **PhotoMedex's** appeal of a lower court ruling in a breach of contract case that Ra Medical and its founder, Dean Irwin, won early last year. PhotoMedex appealed the judgment award of attorneys' fees and expenses. After hearing oral arguments presented by both sides on February 16, 2005, the appellate judges unanimously affirmed that PhotoMedex must pay Ra Medical the amount due. The total award amount is expected to exceed $100,000, including interest and additional fees.

"We believe that competition benefits physicians and patients, and should be determined by the market," commented Dean Irwin, Ra Medical Systems' president. He added, "PhotoMedex's lawsuit was without merit and has resulted in taxpayer expense and unnecessary expense to PhotoMedex and its shareholders. Ra Medical's installed base of EX-308 excimer lasers has performed thousands of treatments to patients across the nation suffering from dermatological disorders." Ra Medical Systems, Inc. has also sued PhotoMedex, Inc. for malicious prosecution in California state court in November 2004.

2/28 **ProCyte Corporation**, a company that develops and markets skin care and procedure related products for the dermatology, cosmetic surgery and spa markets announced that **Institutional Shareholder Services, Inc. (ISS)**, a leading provider of proxy advisory services to over 700 institutional investors, mutual funds and other fiduciaries has recommended to its clients that they vote FOR the agreement and plan of merger between ProCyte Corporation and **PhotoMedex, Inc.** The Boards of both companies have recommended that shareholders vote in favor of the merger. Both Jack Clifford, President and CEO and Robin Carmichael, Vice President of Marketing of ProCyte Corporation will be joining PhotoMedex Inc., management team once the merger is complete.

ProCyte is holding a special meeting of shareholders at 9:00 a.m. PST on Thursday, March 3, 2005 in Bellevue, Washington to vote on the merger with PhotoMedex, Inc. Each ProCyte shareholder that owned shares of ProCyte common stock as of the close of business on January 14, 2005, the record date, is entitled to vote in person or by proxy at the special meeting. A joint proxy statement/prospectus, which contains important information about the proposed merger, was first mailed to ProCyte shareholders of record on or about January 25, 2005.

2/28 **Candela Corporation** announced that it had received clearance from the FDA to market its next generation Ellipse I2PL system for skin rejuvenation of vascular and pigmented abnormalities. Candela is distributing the Ellipse I2PL in the U.S. through a partnership with **Danish Dermatologic Development A/S (DDD)**. The Ellipse successfully treats sun-damaged skin to reduce pigment and vascular disturbances by specifically heating targeted structures in the skin. It has a lightweight, ergonomically shaped hand piece that is easy to use and comfortable for both clients and operators. The Ellipse allows effective treatments of large or small body areas and is the only intense pulsed light system to feature patented I2PL technology, which reduces the risk of side effects to the surrounding skin.

Candela recently unveiled the Ellipse I2PL at the *American Academy of Dermatology (AAD)* 63rd Annual Meeting. "We are very excited about the high level of interest we received from attendees at the AAD," said Gerard Puorro, Candela's president and CEO. "The enthusiasm expressed at the meeting is a good indicator that the Ellipse I2PL will be in high demand and we look forward to being able to provide our customers with the best treatment available for skin rejuvenation," Puorro added.

As a leader in the aesthetic device industry, Candela continues to offer high-quality products and programs to best meet customer requirements. "Skin rejuvenation is one of the most popular treatments for IPL systems on the market," said Dennis Herman, Candela's senior vice president of North American Sales, Marketing & Service. Herman continued, "With the FDA clearance, we can now offer our customers a complete package to meet the specific clinical applications they are interested in treating."

MEDICAL/SURGICAL LASER UPDATE -- March 2005

2/24 Following approval from the FDA, for its SINON, MYDON and ARION aesthetics laser systems in the second half of 2004, **WaveLight Laser Technologie** presented the systems to an audience of international industry professionals at the important global dermatology congress, the *American Academy of Dermatology (AAD)*, from February 18 – 22 in New Orleans.

Visitors to the fair were enthusiastic -– both about the design and about the outstanding technology behind the WaveLight laser systems. Physicians reacted extremely positively, thus laying the foundations for successful market entry via the company's wholly-owned U.S. subsidiary **WaveLight, Inc.**

The SINON, MYDON and ARION laser systems offer practitioners in the U.S.A. a broad range of cosmetic-aesthetic laser treatment options. The SINON ruby laser system allows the practically pain-free removal of skin pigmentations and tattoos, whilst the MYDON neodymium YAG laser was primarily developed to remove vascular skin alterations. The versatile MYDON laser also allows safe hair removal and skin rejuvenation. The ARION alexandrite laser has proved its worth thanks to its effective hair removal for virtually all types of skin, and also features impressive treatment of surface blood vessels. All in all, the WaveLight aesthetics laser systems are distinguished by their flexible handling and excellent patient results.

WaveLight plans to extend its product portfolio by focusing on the development of systems using alternative light sources, such as light-emitting diodes (LEDs). With this in mind, the company presented an LED concept system for cosmetic treatment for the first time at the AAD. The innovative, powerful aesthetics system can be used with various wavelengths and offers a compelling performance not only in terms of effectiveness and quality, but also from an economical point of view. "The LED concept system is our response to the increasing demand for a system in the mid-price range that still delivers the high standard of quality expected from WaveLight," said Max Reindl, founder and CEO of WaveLight. The company also aims to reach a larger target group, as the easy-to-use applications lend themselves to deployment in spas and wellness areas, as well as medical practices and clinics.

"WaveLight Laser Technologie AG's strong performance at the 63rd AAD was another major step towards improving our international market presence and laid vital groundwork for successful sales of the WaveLight systems on the U.S. market," Max Reindl concluded.

2/28 **Palomar Medical Technologies, Inc.** announced the VisiLux1064 Laser Handpiece and the LuxIR Infrared Handpiece for the Palomar StarLux Pulsed Light and Laser System, and the DermaType Skinphotometer, presented at the *American Academy of Dermatology's* 63rd Annual Meeting in New Orleans. The Lux1064 Nd:YAG Laser Handpiece was introduced in February 2004 for the treatment of vascular lesions, including leg veins, telangiectasias, and other conditions. The VisiLux1064 Laser Handpiece is the next generation and features a built-in, high resolution camera which

projects an image of the treatment area onto an LCD screen mounted on the handpiece. The LCD screen provides real-time digital imaging for clear evaluation and treatment of leg veins and other targets. The camera magnifies the treatment area to about 4.5 times the actual size and through a proprietary illumination system enhances the image by contrasting the target against its background, for example, to provide clear viewing of deep veins. This innovation offers unparalleled visibility, treatment precision and ease of use while offering an additional laser alternative to Palomar's specialized family of Lux Handpieces. Palomar plans to begin shipments of the VisiLux1064 Laser Handpiece by the end of the year.

The LuxIR Infrared Handpiece delivers pulses of infrared light deep into the dermis to create carefully controlled areas of elevated temperature. This handpiece is pending FDA clearance for the temporary relief of muscle and joint pain, muscle relaxation and increased circulation. Palomar also intends to seek FDA clearance for creating a smoother, tighter skin appearance as the technology has been shown to trigger a biological response which leads to collagen remodeling in the dermis. Remodeled collagen can fill the skin to smooth out fine wrinkles and minor sagging, and can also stimulate increased collagen production to create visible long term results. This is the first Palomar Handpiece to utilize infrared light for the treatment of skin rejuvenation. Palomar plans to begin shipments of the LuxIR Infrared Handpiece by the end of the year.

The DermaType Skinphotometer measures the melanin and blood content of skin in a matter of seconds. With this device, physicians will be able to quickly and accurately determine appropriate Palomar System settings for each patient to insure the safest and most accurate treatments are provided. The DermaType Skinphotometer can be used in conjunction with the Palomar StarLux, MediLux or EsteLux Systems, resulting in treatments perfectly tailored to the patient's individual skin type. This device is not yet available for sale. Palomar intends to seek FDA clearance for this device in the near future and begin shipments of the DermaType Skinphotometer this summer.

CEO Joseph Caruso commented, "We remain a market leader in the development of new technology. We continue to advance our aesthetic products to meet the demands of the market while offering the most accurate and safe treatments possible. These new product additions greatly increase a physician's available treatment options and complement our business model by providing numerous expansion opportunities through versatile, innovative attachments and harmonizing accessories."

3/3 **PhotoMedex, Inc.** announced the results of its operations for the fourth quarter and year ended December 31, 2004. Revenues for the fourth quarter were $4.9 million, an increase of 33% over the same period last year. Revenues for the fourth quarter 2003 were $3.7 million. Domestic XTRAC procedures increased 140% in the 2004 fourth quarter to $1.0 million compared to the $434,108 reported for the same period in 2003.

The net loss for the quarter ended December 31, 2004 was $1.3 million (3 cents per share) representing an improvement of 42% over the loss of $2.2 million (6 cents per share) for the fourth quarter ended December 31, 2003.

Revenues for the year were $17.7 million representing a 24% increase over the same period last year. Revenues for 2003 were $14.3 million. The revenue includes $3.3 million from domestic XTRAC procedures, an increase of 146% from the $1.3 million reported for 2003. In addition, revenues include $7.8 million from surgical procedures, an increase of 31% from the $6.0 million reported for 2003.

The net loss for the year was $5.0 million (13 cents per share) representing an improvement of 33% over the loss of $7.4 million (21 cents per share) for the year ended December 31, 2003.

As of December 31, 2004, the company had cash and cash equivalents of $4.0 million, including restricted cash of $112,200.

Jeffrey O'Donnell, PhotoMedex CEO and president, commented, "2004 was a very successful transition year for PhotoMedex. The private insurer landscape changed significantly with the adoption by many large insurers of a policy considering XTRAC treatments medically necessary. We believe approximately 65% of covered lives now have the opportunity to have their XTRAC treatments reimbursed for psoriasis. We are optimistic that we will be above 80% in the near future, following the successful conclusion of policy reviews currently underway at several important insurance companies. In addition to the progress made with the XTRAC, we also saw meaningful growth in our surgical procedure business requiring limited capital investment."

The following were among the more notable recent achievements:

Reimbursement:

* **WellPoint Blue Cross and Blue Shield Plans**, the nation's 2nd largest health plan with 15 million medical members adopts XTRAC reimbursement;
* **Aetna**, with 13.6 million medical members, adopts XTRAC reimbursement;
* **Anthem Blue Cross and Blue Shield**, the fourth largest health plan with 12.6 million members, adopts XTRAC reimbursement;
* **The Regence Group**, with 3 million medical members, adopts XTRAC reimbursement; and
* Additional Blue Cross Blue Shield Plans in certain states adopt XTRAC reimbursement.

Financial:

* Domestic XTRAC procedures increased 63% in 2004 over 2003; and
* Surgical Services yielded 31% growth from 2003.

New Product Development:

* FDA market clearance for XTRAC Ultra, a smaller-size excimer laser, was received;
* FDA market clearance for manufacture and distribution of a CO2 surgical laser was received; and
* FDA market clearance for the manufacture and distribution of a diode laser for use in multiple surgical specialties was received.

Business Development:

* Acquired dermatology technology from **Stern Laser srl** of Italy;
* Entered into a definitive agreement to acquire **ProCyte Corporation**; and
* Entered into a product development agreement with **AzurTec** for the design of a cancer detection device to be marketed to MOHS surgeons in dermatology.

Additional notable activities and company recognition during and following the third quarter included:

* Awarded first place in the prestigious Technology Fast 50 Program for the Delaware Valley Awards, a ranking of the 50 fastest growing technology companies in the local area by **Deloitte & Touche LLP**;
* Awarded a ranking of number 22 on the 2004 Deloitte Technology Fast 500, a ranking of the 500 fastest growing technology companies in North America.

3/3 **PhotoMedex, Inc.** and **ProCyte Corporation** announced that ProCyte shareholders approved the adjournment of the special meeting of shareholders that took place today in order for ProCyte to solicit additional proxies to vote on the proposed merger between PhotoMedex, Inc. and ProCyte. The adjourned special meeting will be reconvened on March 18, 2005 at 9 AM Pacific time at Redmond Inn, Redmond, WA.

The ProCyte special meeting was adjourned because an insufficient number of shareholders was present or represented by proxy to approve the merger proposal under applicable Washington law. Washington statute requires that the merger be approved by the affirmative vote of at least two-thirds of the shares of ProCyte common stock outstanding and entitled to vote on the merger. As of the adjournment of its special meeting, ProCyte had received proxies representing approximately 9,639,000 of the required 10,548,344 share votes needed to approve the merger proposal. Over 92% of the proxies received by ProCyte have been in favor of the merger proposal. Of the 9,639,000 shares represented at the special meeting, 8,572,000 (88.9%) voted in favor of the adjournment of the meeting for the purpose of soliciting additional proxies in favor of the merger proposal. Valid proxies submitted by ProCyte shareholders in connection with the March 3, 2005 meeting will continue to be valid for the purposes of the March 18, 2005 reconvened meeting.

3/3 **PLC Systems Inc.** reported financial results for the three months and year ended December 31, 2004. The company also announced that it earned a quarterly profit for the first time since the fourth quarter of 2003. Total revenues for the fourth quarter of 2004 were $2.3 million compared with $2.3 million for the fourth quarter of 2003. Fourth quarter net income for the quarter ended December 31, 2004 increased by $130,000 to $204,000 (1 cent per share) compared to net income of $74,000 (0 cents per share) for the quarter ended December 31, 2003. Fourth quarter results were positively impacted by the initial shipments of the Optiwave 980 Cardiac Laser Ablation Systems to **Edwards Lifesciences** as well as a $56,000 reduction in accrued liabilities for past clinical trial obligations no longer deemed necessary. The fourth quarter of 2003 included a non-recurring charge of $257,000 related to the liquidation of the company's Swiss subsidiary.

Total revenues for the year ended December 31, 2004 were $7.6 million compared to total revenues of $8.3 million for the year ended December 31, 2003. The net loss for 2004 was $833,000 (3 cents per share) compared to net income of $517,000 (2 cents per share) for the year ended December 31, 2003. During the year, PLC improved its cash position by approximately $3.3 million and ended 2004 with cash and cash equivalents totaling approximately $9.7 million. The improved cash position resulted from a payment of $4.5 million from Edwards in February 2004.

"Throughout 2004 we continued to execute our strategic plan to invest in new products that will address unmet clinical needs in select cardiac and vascular related markets," stated Mark Tauscher, president and CEO of PLC Systems. "Our research and development initiatives serve as the foundation to diversify and grow the company's revenues beyond TMR. The exclusive manufacturing rights to the Optiwave 980, PLC's first strategic move to expand its product portfolio, were obtained through a second partnership with Edwards in the first quarter of this year. We are pleased to report that PLC's fourth quarter results benefitted from revenue generated from the initial shipments of the Optiwave 980 lasers."

PLC 2004 highlights include:

* In the first quarter, the *Society of Thoracic Surgeons (STS)* issued TMR practice guidelines.
* In the first quarter, PLC and Edwards entered into an exclusive, multi-year agreement to develop and manufacture the Optiwave 980 Cardiac Laser Ablation System.
* In the first quarter, PLC and Edwards modified their existing TMR relationship, which included lengthening the term of the distribution agreement and adjusting the domestic TMR disposable kit revenue sharing arrangement, in exchange for an upfront payment of $4.5 million from Edwards to PLC.
* In the third quarter, Medicare Coverage Advisory Committee (MCAC) reviewed the clinical data that supports the use of TMR. The agency has indicated that it has no plans to alter the coverage policy.

* In the fourth quarter, PLC started manufacturing and shipping Optiwave 980 lasers to Edwards to be used in clinical evaluations.
* In the fourth quarter, PLC generated a profit for the quarter.

In the first quarter of 2004, PLC and Edwards entered into an exclusive, multi-year agreement to develop and manufacture the Optiwave 980 system. Edwards will market and distribute the Optiwave 980 worldwide. Currently, Edwards is performing ongoing clinical evaluations of the Optiwave 980 system, which includes both lasers and handpieces. During the initial evaluation phase Edwards identified performance enhancement opportunities. Edwards and PLC will implement and complete these enhancements before Edwards initiates the full marketing launch for the Optiwave 980. During 2004 Edwards built an inventory of Optiwave 980 disposable handpieces. Edwards believes that this inventory will be sufficient to conduct the clinical evaluations. As a result, PLC now expects to begin manufacturing Optiwave disposable handpieces in the second half of 2005.

Tauscher concluded, "Expanding our product portfolio, growing our revenues, achieving sustainable profitability, and increasing shareholder value are PLC's primary goals. During 2005 we will continue to invest in our new growth initiatives and we expect these investments will keep us in a net loss position for the year. We do believe these new initiatives will serve as the catalyst for future revenue growth and profitability for PLC."

During the fourth quarter of 2004, six next-generation CO2 Heart Lasers (HL2) were delivered to United States hospitals through Edwards. PLC ended the fourth quarter of 2004 with 171 CO2 Heart Lasers located at heart centers throughout the U.S., comprised of 124 HL2 customers and 47 HL1 customers.

During the fourth quarter of 2004, a total of 483 disposable kits were shipped to hospitals worldwide. Edwards Lifesciences delivered 457 of these disposable kits to United States hospitals and PLC shipped an additional 26 disposable kits to international hospitals. A total of 476 disposable kits were delivered worldwide during the fourth quarter of 2003.

3/3 **Laserscope** reported record revenues of $29.4 million for its fourth quarter ended December 31, 2004, a 65.2% increase from $17.8 million in the fourth quarter of 2003. Revenues also increased 21.8% sequentially, from $24.2 million for the quarter ended September 30, 2004. The increase in revenues was attributable to continued growth in sales of the company's line of GreenLight products for Photo-Selective Vaporization of the Prostate (PVP), in addition to strong aesthetic product sales. Fourth quarter 2004 net income was a record $5.2 million, or $0.23 per diluted share, a significant increase from net income of $1.5 million, or $0.07 per diluted share, in the same quarter last year, and net income of $4.4 million, or $0.19 per diluted share, for the third quarter of 2004.

"The fourth quarter capped another very exciting year for Laserscope," said Eric Reuter, president and CEO of Laserscope. "Since launching our urology business in 2002, global adoption of the PVP procedure using the GreenLight laser system for treatment for

Benign Prostatic Hyperplasia, or BPH, has been outstanding. As more patients and physicians continue to recognize the safety and efficacy of the PVP procedure using our GreenLight laser system, we've been able to grow procedure volume. We are regularly hearing now that men, both in the U.S. and internationally, are choosing PVP over all other major therapy types, including many men who are choosing to forego or stop their medical therapy to have a PVP procedure done. Our strong and consistent financial performance over the last year is the result of this success coupled with continued solid performance in our aesthetics business."

Gross margin in the fourth quarter of 2004 was approximately 58%, compared with approximately 54% in the fourth quarter of 2003, and approximately 59% for the third quarter of 2004. The increase in 2004 fourth quarter gross margin resulted from product mix changes and manufacturing efficiencies, partially offset by an approximate $400,000 year-end write-down of inventory.

Selling, general and administrative expenses were $10.1 million, or 34% of revenues, in the fourth quarter of 2004, compared with $6.8 million, or 38% of revenues in the fourth quarter of 2003, and $8.7 million, or 36% of revenues, in the third quarter of 2004. Increased SG&A spending resulted primarily from higher commissions paid commensurate with the increase in revenues, higher marketing and education expenses related to expanding the presence of the company's products in both domestic and international markets, as well as increased costs related to Sarbanes-Oxley compliance.

The company's financial position remains strong. At December 31, 2004, Laserscope had no bank borrowings and a cash position of $15.7 million, up from $7.2 million at December 31, 2003 and $12.7 million at September 30, 2004. Shareholders' equity increased from $23.2 million at December 31, 2003 and $35.5 million at September 30, 2004 to $42.9 million at December 31, 2004.

2004 Full Year Results: Laserscope reported 2004 revenues of $93.8 million, a 63% increase when compared to $57.4 million in 2003. Net income in 2004 was $14.7 million, or $0.65 per diluted share, a 486% increase when compared to $2.5 million, or $0.13 per diluted share, in 2003.

Urology Business Update: "Our urology business continued its impressive track record in the fourth quarter, as we sold 77 GreenLight laser systems and almost 12,500 disposable fibers worldwide," said Reuter. "At the end of December 2004, our worldwide installed base of GreenLight laser systems exceeded 400 systems, and fiber sales since we introduced the PVP procedure in 2002 have been over 54,000. While our international fiber revenue was lower in the fourth quarter when compared to the third quarter of 2004, due primarily to the previously discussed buying patterns of some of our international customers, we expect strong growth in PVP procedure volume internationally over the full year in 2005, although this growth will vary on a sequential basis.

"The world's leading academic medical centers and urologists continue to prove the effectiveness and safety profile of the PVP procedure using Laserscope's GreenLight laser system. As more and more men are choosing PVP for treatment of their BPH symptoms, the PVP procedure using the GreenLight laser system is gaining momentum and displacing other forms of surgical treatment, as well as drug therapies. Around the globe, we're getting closer to our number one priority in the urology segment, which is to ensure that Laserscope's GreenLight laser system for PVP is recognized as the new worldwide standard for treating BPH.

"We are especially proud of the progress we're making overseas, where we believe the ultimate market for the PVP procedure is approximately four to five times that of the United States. Recently, Kings College Hospital in the United Kingdom won an award for clinical excellence based on their use of our BPH treatment technology. We continue to believe that the visibility we're receiving from recognition like this, along with current and up-and-coming academic papers that will continue to demonstrate not only the effectiveness and safety of the procedure using our product, but the reduction in costs to the healthcare system, will help us penetrate other two-tiered medical systems around the world.

"We recently announced a new, exclusive distribution agreement for the sale of our GreenLight laser system into Latin American and Caribbean markets, previously untapped for Laserscope. We are also currently in the process of preparing a submission to the Ministry of Health in Japan for our GreenLight laser system. The market for BPH treatments in Japan is among the largest in the developed world outside the United States, and although we do not expect to be able to market and sell GreenLight products in Japan until late 2006 at the earliest, we remain very optimistic that this market represents a very exciting future untapped opportunity for Laserscope."

Aesthetics Business Update: "Our Aesthetics business continues to produce good results, as we're taking advantage of the growing demand around the world for cosmetic treatments," continued Reuter. "Last month, we enhanced our aesthetic product offering with the introduction of our new Solis treatment system at the *American Academy of Dermatology* Annual Meeting. The Solis is targeted to address the increasing trend toward very fast light-based cosmetic procedures in the U.S. and abroad. We believe the Solis, which is ideal for treating large areas of the body, offers some of the fastest treatment speeds among all similar devices, making it a great choice for physicians who are considering adding cosmetic procedures to their suite of services. We believe the Solis will appeal to physicians who want to replace older, less effective systems that are no longer competitive in the current environment with one of the fastest treatments systems available. We expect to begin shipping the Solis in the late summer.

"We think we've built a great franchise in both the urology and aesthetic markets. Growth in the PVP procedure using our GreenLight laser system continues to surpass expectations, while we're strengthening our aesthetics portfolio to capture growing

market opportunities," said Reuter. "We look forward to 2005 with enthusiasm and excitement, as the entire Laserscope team continues to execute on our business plan."

Full Year 2005 Guidance: The management of Laserscope has updated full year 2005 guidance as follows:

* 2005 full year revenues are expected to be in the range of $125 million to $130 million.

* Reported pre-tax earnings are expected to be in the range of $28 million to $31 million.

* During 2004, the company did not release the reserve for its deferred tax asset. Should it not release the reserve during 2005, the company's effective tax rate is expected to be in the range of 14% to 17%, and net income would be expected to be in the range of $1.00 to $1.10 per fully diluted share. Should the reserve be released during 2005, we would expect net income to be between $0.75 and $0.80 per fully diluted share, on a fully taxed basis of approximately 38%, without consideration given to the benefit of the release of the reserve.

* As was the case in 2003 and 2004, we expect the sequential growth in revenue and earnings in 2005 to be more heavily weighted to the second half of the year.

3/3 **Cardiogenesis Corporation** announced results for its fourth quarter and year ended December 31, 2004.

Fourth Quarter and Fiscal 2004 Highlights:

* Fourth quarter revenues increased by 52% from the prior year quarter to $5.2 million; Annual revenues increased by 14% to $15.5 million

* Gross margins improved by 4%age points to 88% for the fourth quarter compared to the prior year quarter; Gross margins improved by 3%age points to 86% for the 2004 year compared to the prior year

* Operating income increased by 146% to $1.4 million for the fourth quarter compared to the prior year quarter; Operating income increased by 260% to $497,000 for the 2004 year compared to the prior year

* Increase in cash of $6.6 million as of December 31, 2004 over prior year levels

Chairman and CEO Michael Quinn commented on the 2004 results, "We are very pleased with our performance in the fourth quarter and 2004. We reached an important milestone for this company -- our first achievement of annual operating income in the 16 year history of this company and our highest annual revenue in the last four years. The FDA's approval of our new SolarGen minimally invasive laser system in December brought

2004 to a close on a very positive note. The strong interest expressed by our customers was evidenced by the sale of three SolarGen lasers in the last week of the year."

"Our primary goal in 2004 was to enhance our product basket by bringing our greatly improved laser system to market and by developing our two new handpieces for our minimally invasive platform. We are pleased with the progress we made last year with the FDA and with our successful approval of the SolarGen laser. We have already submitted FDA applications on the minimally invasive handpieces and we will continue to make progress towards obtaining approval on those devices in 2005. Looking forward, we intend to build on our recent successes with the introduction of new products in the coming year for our minimally invasive and robotically assisted approaches to TMR."

Net revenues in the fourth quarter of 2004 were $5.2 million compared to $3.4 million in the same period in 2003, an increase of 52%. Net revenues in the 2004 fourth quarter included a higher number of laser sales than in the 2003 fourth quarter, of which 44% of laser sales revenue for the fourth quarter was attributed to sales of the new SolarGen laser.

Gross profit margins in 2004 continued to improve increasing to a record 88% in the fourth quarter and 86% for the full year, up from 84% and 83%, respectively, for the 2003 fourth quarter and full year. The increase in margins is attributed to a higher number of laser sales in both periods, which result in higher profit margins.

Sales, general and administrative expenses in this year's fourth quarter increased approximately $740,000 from the prior year period to $2.9 million, and for the full year increased $1.7 million to $11.3 million due primarily to increases in sales compensation costs as a result of increased sales revenue as well as increased marketing expenses due to the introduction of our new minimally invasive platform and platelet rich plasma product line.

Research and development costs increased by $145,000 to $253,000 for the 2004 fourth quarter from the prior year quarter. The increase resulted from costs incurred for the development and testing of the SolarGen laser and the development of our new handpieces for our minimally invasive platform. Research and development costs decreased by 26% to $1.4 million for the 2004 year from $1.9 million from the prior year. The decrease resulted from decreases in the costs associated with the company's efforts to obtain FDA clearance for PMC. Such costs were $1.4 million in 2003 compared to $288,000 in 2004, with the decrease being partially offset by increased spending on research and development activity for our new products in 2004.

For the full year of 2004, the company generated income from operations of $497,000, a significant improvement of 260% from a loss from operations of $311,000 in 2003. Net revenues in 2004 increased by 14% to $15.5 million in 2004 from $13.5 million in the prior year. This represents the highest annual revenue in the last four years and the highest year-to-year revenue increase since 1999.

The company expects to incur significant non-operating, non-cash interest and other charges resulting from the valuation of warrants and derivatives related to the convertible debt financing completed in October 2004. These charges will result in a net loss for the quarter and year ended December 31, 2004 and will be reflected in the company's Annual Report on Form 10-K. The company is currently finalizing its determination of the exact amount of such charges. Since the amount has not yet been determined, the company is unable to report net loss for the fourth quarter and year ended December 31, 2004 at this time. However, the company expects that such non-operating, non-cash charges will total between $1.6 million and $3.7 million which will result in the company reporting a net loss for the year ended December 31, 2004 of between $1.2 million and $3.3 million.

"We are extremely pleased with the goals we accomplished in 2004," Quinn commented. "We achieved our highest annual revenue since the year 2000 and our highest annual profit margin in the history of the company. Our fourth quarter revenue was the highest quarterly revenue over the last 19 quarters and the highest quarterly profit margin in the company's history. We also achieved our first annual operating income in the company's 16 year history. We introduced two new products to the market, our SolarGen laser system and celleratOR platelet rich plasma product line at the end of the year. We also brought two new handpieces to the FDA for review. To assist in introducing our new technologies and products for our growing TMR business, we raised a total of $8.7 million, further strengthening our balance sheet and allowing us to support our product and business development activities."

As a way to enhance the momentum the company created entering into 2005, the company recently reorganized its business unit structure by adding two divisions. A third sales division was added to the company's domestic business creating a total of three domestic sales divisions. In addition, the company added an International division that the company believes will enable it to execute a targeted approach in enhancing the company's existing international business and creating new sales opportunities.

During the fourth quarter of 2004, the company shipped 6 lasers and converted 6 installed lasers to sale and worldwide disposable shipments were 806 units. In 2004, a total of 23 lasers were shipped, 11 lasers were converted to sale and worldwide disposable shipments were 3,018 units. This compares to the shipment of 3 lasers, the conversion of 5 installed lasers to sale and worldwide disposable shipments of 666 units in the fourth quarter of 2003. In 2003, 25 lasers were shipped, 7 lasers were converted to sale and worldwide disposable shipments were 2,895 units.

3/7 Kathy Kincade, writing in the March issue of *Medical Laser Report* on the recent AAD meeting in New Orleans: **Lasers show maturity at AAD meeting**

The annual meeting of the *American Academy of Dermatology (AAD*) once again provided a forum for the discussion and demonstration of the latest in laser technologies for the treatment of chronic and aesthetic skin conditions. More than 360 presentations were given on the latest research in the diagnosis and medical, surgical, and cosmetic treatment

of skin, hair, and nail conditions. Among those involving lasers was a presentation by Tina Alster, MD, clinical professor at Georgetown University (Washington, DC), who discussed fractional rejuvenation and how this technique is changing the way that damaged skin is being revitalized.

"The innovation of fractional rejuvenation is its ability to treat only the areas of the skin that are damaged," said Dr. Alster. "This more focused treatment promotes faster renewal of the underlying skin cells and tissue creating a fresher and healthier appearance of the entire skin surface."

Fractional rejuvenation -- a process being commercialized by **Reliant Technologies** (San Diego, CA) under the moniker "Fraxel Laser Treatment" -- involves the use of a non-ablative erbium laser assisted by a computer that precisely reads the contours of the treatment area. These contours are contrasted on the skin by a blue tint applied prior to treatment, which specifically darkens the damaged areas of the skin. The laser then directs thermal beams into these darkened areas of skin in precise increments.

Unlike old ablative lasers that remove the top layer of skin, the Fraxel laser procedure produces tiny, microscopic sites of thermal impact separated by areas of unaffected, healthy tissue. The spared healthy tissue between treatment zones contains viable cells that promote rapid healing of the outer skin layers. At the same time, each MicroThermal Zone penetrates between 400–700 microns into the dermis to remodel collagen. Thus, the Fraxel treatment strives to achieve the skin improvements obtained with conventional CO2 laser resurfacing but without the associated side effects or downtime.

"Fractional rejuvenation offers the best characteristics of both ablative and non-ablative lasers," Dr. Alster said. "Patients receive the deeper revitalization of the ablative laser with the shorter recovery process of the non-ablative laser."

Following treatment, the untreated skin tissue begins rapidly assisting the cells targeted by the laser to begin forming new collagen and elastic tissue, the main components of the skin that keep it looking young and healthy. The skin's repair begins as quickly as 24 hours following the initial treatment. After a few bi-weekly treatments, patients will begin to notice improvement of the tone and texture of their skin as well as a reduction in the appearance of fine lines and wrinkles.

This treatment is proving effective for reversing the appearance of photodamaged skin, including discoloration and deep wrinkles, acne and traumatic scarring and pigment irregularities, such as melasma. Even non-facial skin can benefit from this treatment, including the hands, chest and neck. Side effects of fractional rejuvenation are minimal and typically involve swelling and redness, which fades over several days.

Other highlights of this year's AAD meeting, according to Dr. Alster, included the VelaSmooth system from **Syneron Medical** (Yokneam, Israel), which combines bi-polar radiofrequency energy and infrared light to enhance the treatment of cellulite and skin-

contour irregularities. Dr. Alster presented results from a 20-patient trial of this approach; the patients received eight treatments (including mechanical manipulation) twice a week over one month, and the majority showed "significant improvement" in the appearance of cellulite and skin texture. In fact, Dr. Alster sees this kind of treatment -- where multiple technologies and techniques are combined -- as a growing trend in dermatology.

"In addition to finding new procedures that bridge the gap between most invasive and least invasive, I think the general trend (in dermatology) is mixing and matching different technologies to optimize outcomes," Dr. Alster said. "The result is a cumulative effect where the techniques enhance each other."

New products at AAD

In addition to the scientific presentations, a number of new laser products were on display at the AAD meeting. Some of these included:

— **Palomar Medical Technologies** (Burlington, MA) demonstrated the VisiLux1064 Laser Handpiece and the LuxIR Infrared Handpiece for the Palomar StarLux Pulsed Light and Laser System, and the DermaType Skinphotometer. The Lux1064 Nd:YAG Laser Handpiece was introduced in February 2004 for the treatment of vascular lesions, including leg veins, telangiectasias, and other conditions. It features a built-in, high resolution camera that projects an image of the treatment area onto an LCD screen mounted on the handpiece to provide realtime digital imaging for clear evaluation and treatment of leg veins and other targets.

The LuxIR Infrared Handpiece delivers pulses of infrared light deep into the dermis to create carefully controlled areas of elevated temperature. This handpiece is pending FDA clearance for the temporary relief of muscle and joint pain, muscle relaxation and increased circulation; Palomar also intends to seek FDA clearance for creating a smoother, tighter skin appearance via a biological response that leads to collagen remodeling in the dermis.

The DermaType Skinphotometer measures the melanin and blood content of skin in a matter of seconds to allow physicians to quickly and accurately determine appropriate Palomar system settings for each patient. Palomar intends to seek FDA clearance for this device in the near future and begin shipments this summer.

— **Candela** (Wayland, MA) demonstrated the Ellipse I2PL system, which recently received FDA clearance for skin rejuvenation of vascular and pigmented abnormalities. Candela is distributing the Ellipse I2PL in the United States through a partnership with **Danish Dermatologic Development A/S**. According to the company, the Ellipse successfully treats sun-damaged skin to reduce pigment and vascular disturbances by using pulsed light to specifically heat targeted structures in the skin, reducing the risk of side effects to the surrounding skin.

— **Cutera** (Brisbane, CA) introduced the Solera platform, which presents advanced technology in two compact models. The Solera Titan features Cutera's infrared light source for heating the deep dermis, while the Solera Opus brings Cutera's intelligent pulsed light technology for hair removal and skin rejuvenation to a tabletop console. In addition to the new Solera, Cutera offers the CoolGlide platform, with long pulse Nd:YAG technology for laser hair removal, vein therapy, and skin rejuvenation on all skin types; and the Xeo multi-technology platform, which integrates Nd:YAG, pulsed light and light-based technology for combination therapies on all skin types.

— **Laserscope** (San Jose, CA) introduced the Solis system, an intense pulsed-light system (300–1400 nm) designed for hair removal, skin rejuvenation, and other aesthetic applications. According to the company, the Solis uses a unique combination of technological innovations that allow the system to drive a 10.64cm2 spot while providing an even mist of cryogen cooling through an array of specially placed microports. The result is increased treatment speed; for example, an average man's back can be treated with the Solis for hair removal in as little as 15 minutes, which the company says is 50% to 500% faster than any leading laser or light-based treatment device available on the market today.

"The Solis platform will be positioned to complement our existing aesthetic product lines and will address a significant need in the market," said Eric Reuter, Laserscope president and CEO. "Overall practice revenue for physicians of all specialties performing light-based cosmetic procedures continues to climb in the United States and internationally. However, the average revenue per procedure and per physician for these treatments is falling as the market becomes more competitive and patients have a wider range of choices. The Solis addresses this trend by offering among the fastest treatment speeds for large body areas of any available device."

— **Lumenis** (Yokneam, Israel) introduced the Aluma system, which features FACES (Functional Aspiration Controlled Electrothermal Stimulation) technology for the non-invasive treatment of wrinkles. Upon FDA clearance, the Aluma system will be available in the United States as both a stand-alone system and a module for the Lumenis One multi-application platform. The system is designed to treat the full range of photorejuvenation for vascular and pigmented lesions, sun damage, texture, wrinkles, and photodynamic therapy.

Michael Gold, MD, a dermatologist in private practice in Nashville, TN, says his results with Aluma have been "substantial." "The unique vacuum-assisted bipolar delivery of RF energy deep into the dermal layer bypasses the epidermis, resulting in a pain-free and minimal risk procedure," Gold said. "We achieved 90% patient satisfaction and greater than 40% improvement of periorbital and perioral wrinkles."

— **Cynosure** (Chelmsford, MA) launched the Cynergy III aesthetic workstation, a multi-wavelength, multi-application system that combines two lasers and a pulsed light source. The Cynergy III can be used to treat veins and vascular lesions in babies, children and

adults using the 595-nm pulsed dye laser; laser hair removal for teenagers and adults using the Nd:YAG laser (1064 nm); and fine and larger veins, pigmented areas, and overall facial treatments in adults using the Cynergy PL's 500- 950 nm wavelengths for treating red and brown colorations and overall facial treatments.

3/8 A first of its kind surgery was performed at *Walter Reed Army Medical Center*, Washington, DC, on a soldier suffering a bullet wound to the throat during his tour of duty in Iraq. Using a surgical Pulsed Dye Laser (PDL) from **Cynosure, Inc.** (Chelmsford, MA) and an endoscopic video imaging system from **Pentax Medical company**, a division of **Pentax of America** (Montvale, NJ), a novel triple procedure was performed to treat a cyst, a granuloma, and severe scarring in the soldier's larynx (voice box) that developed following critical reconstructive surgery.

The bullet created such a substantial amount of damage that operating with the usual instrumentation through the mouth was impossible. By using the Pentax endoscope to gain access to the larynx through the nose, and then passing a flexible optical fiber through the endoscope to deliver the laser energy, a new treatment option became possible for this patient.

As an immediate response to the trauma, an emergency tracheotomy (opening into the windpipe) was placed on the battlefield. It was initially feared that the patient would require a tracheostomy (breathing tube) for the rest of his life. However, the preliminary results from this treatment with the PDL are providing hope that someday a normal airway can be restored, as well as a functional voice.

Michael Davin, president and CEO of Cynosure, Inc. states, "It is a pleasure to hear of stories like this in which a Cynosure laser is used to help treat a very serious medical condition. Our thoughts are certainly with this soldier, and we are wishing for his full recovery."

The Cynosure PDL is unique among surgical lasers due to the therapeutic effect it has on tissues. The PDL selectively destroys targeted blood vessels while leaving surrounding healthy tissues unharmed, making it a safer treatment option for delicate surgery in the throat. Other lasers typically vaporize diseased and healthy tissues indiscriminately.

Cynosure's PhotoGenica SV Pulsed Dye Laser is cleared by the FDA for the treatment of vascular and vascular dependent lesions of the upper airway, including recurrent respiratory papilloma, epistaxis, hemorrhagic telangiectasias, and the pre-cancerous condition of glottal dysplasia.

3/8 This is your opportunity to get the latest news on research findings and clinical advances in laser technologies, particularly those in clinical trials and on the brink of commercial development. Representing dermatology, dentistry and plastic surgery to oncology, ophthalmology and urology, experts from all over the world will converge on Orlando

to present cutting-edge information on new lasers, new techniques, new protocols and new clinical applications in laser medicine and surgery.

The American Society for Laser Medicine and Surgery will hold its premier scientific conference at Disney's Coronado Springs Resort in Lake Buena Vista, FL, March 30th -April 3rd, offering educational forums and workshops that separate laser fact from science fiction. ASLMS president-elect Dr. Roy Geronemus promises "this conference will cover everything that is happening in laser medicine today. The meeting is most stimulating because of the significant new clinical applications being presented for the first time and the unique multidisciplinary nature of the lectures and participants."

Hot Topics in Laser Medicine and Surgery:

-- Development of Optical Sensor for Spectroscopic Detection of Breast Cancer during Needle Biopsy - Lead researcher Changfang Zhu presents promising results using a light-based probe to discriminate between malignant and non-malignant tissue samples before they are removed.

-- Photodynamic Therapy (PDT) in Age-Related Macular Degeneration (AMD) -- Dr. Anita Agarwal reports that most patients treated with laser-assisted PDT for wet AMD experienced a slowing down in vision loss and were better able to use glasses or hand-held magnifying devices to read.

-- The Non-Extreme Mommy Makeover Featuring Fractional Rejuvenation, Non-Surgical Radiofrequency Tummy Tightening and Endovenous Laser Treatment of Leg Veins -- Dr. Robert A. Weiss shows how several new non-invasive therapies are being used to treat common after-effects of pregnancy like melasma, loose abdominal skin and leg veins, providing moms with a gentle makeover.

-- All About Hair: How To Grow It and How To Remove It -- Dr. David McDaniel presents first-time data from pilot studies of men and women using LED photomodulation to stimulate hair growth and slow down hair loss. Dr. David Goldberg reports on improved performance of hair removal treatments thanks to faster delivery of the laser/light energy and use of combined energy sources.

-- Optical Clearing Agent Increases Depth of Microscopic Treatment Zones during Fractional Skin Resurfacing of Wrinkles -- Dr. Misbah Khan's award-winning study shows how a clearing gel applied topically prior to treatment may improve clinical outcomes without increasing side effects. Reports on fractional resurfacing of scars, wrinkles, melasma and pigmentation are also presented.

-- Treatment of Cellulite with Gliding Broadband Infrared Source and Contact Cooling -- Dr. Khalil Khatri presents clinical findings using a broadband infrared source with a cooling device attached in one single unit, along with a separate massaging implement in the form of a gliding hand-piece to treat cellulite of the thigh.

-- Lasers in Dentistry Including Non-Invasive Diagnostics in Oral Surgery -- Dr. Harvey Wigdor reports on the use of a 9.6 micron carbon dioxide laser to remove tooth decay without the dreaded dental drill among a wide range of age groups, as well as laser technology to determine tooth decay in seemingly healthy teeth.

In addition to the presentation of awards and achievements, the Society's 2005-2006 slate of officers will be installed at the Society's Board of Directors meeting. Roy Geronemus, MD, from New York, NY will be installed as the new ASLMS president, and Jay Burns, MD, Dallas, TX, will become the president-elect.

3/9 **Syneron Medical Ltd.** announced that it had priced the offering of 7 million of its ordinary shares being sold by selling shareholders at $28.00 per share. The selling shareholders have granted the underwriters a 30-day option to purchase up to an additional 1 million of their ordinary shares. The offer is being made only by means of a prospectus. **Lehman Brothers Inc.** and **CIBC World Markets Corp.** acted as joint book-running managers of the offering with **Citigroup Global Markets Inc.** serving as a joint lead manager. **Stephens Inc.**, **Thomas Weisel Partners LLC**, and **C.E. Unterberg, Towbin LLC** acted as co-managers.

3/14 **DUSA Pharmaceuticals, Inc.** announced its fourth quarter and full year 2004 financial results and corporate highlights. During the fourth quarter, the company's revenues from product sales were $2.5 million compared to $516,000 in 2003. Other highlights of the quarter included the initiation of a Phase II study using Levulan PDT in the treatment of moderate to severe acne; the announcement of a clinical trial agreement with the National Cancer Institute (NCI) Division of Cancer Prevention (DCP), covering Levulan PDT development for the treatment of oral cavity dysplasia; and bringing the majority of Kerastick distribution in-house.

For the fourth quarter of 2004, end-user Kerastick sales to physicians totaled 26,322, consisting of 22,944 sold in the United States, and 3,378 sold by **Coherent-AMT**, our Canadian marketing and distribution partner. During the fourth quarter of 2003, US Kerastick sales totaled 5,478, with no sales in Canada at that time. For full-year 2004, 76,482 Kerastick units were sold, including 69,870 in the US and 6,612 in Canada, versus a total of 11,172 sold during 2003, all in the US.

The net number of BLU-U units placed in doctors' offices during the fourth quarter was 44, consisting of 29 in the US and 15 in Canada. For the full year 2004, 508 BLU-U units (net) were placed and a total of 914 units were in doctor's offices by the end of 2004, consisting of 813 in the US and 101 in Canada, versus 406 at the end of 2003, all of which were installed in the US.

For the full year, product sales increased to $8.0 million from $970,000 in 2003, reflecting a major increase in awareness of, and demand for, our therapy among dermatologists. Other highlights for the year included expansion of our sales force over the course of the year from 8 to 22; initiation of a Phase II study using Levulan PDT for

the treatment of photo-damaged skin; a greatly increased presence at dermatology educational meetings and conferences; publication of numerous scientific papers highlighting the use of our products in dermatology; commencement of commercial Kerastick production at our Wilmington manufacturing facility; a financing that raised over $28 million; and the signing of our first clinical trial agreement with the NCI DCP, covering Levulan PDT in the treatment of high-grade dysplasia in patients with Barrett's esophagus.

Subsequent to year-end, we announced the hiring of Bob Doman as president and COO and Gary Talarico as vice president of Sales, and the promotion of Rich Christopher to vice president, Finance and CFO; we participated successfully at a number of important meetings, including the *South Beach Dermatology Symposium* February 10-13 and the annual meeting of the *American Academy of Dermatology (AAD)* February 18-22. We also received our new supplies of BLU-U units in time for these two meetings and were pleased to see increased reimbursement, effective January 1st, 2005, for Levulan PDT for actinic keratosis.

Based on the increasing demand for our products, we decided in January 2005 to increase the sales force from 22 to 34, including sales representatives, regional managers and the vice president. Most of the new reps are already in place and we expect them to help deliver a significant increase in sales as the year progresses. With the development of this strong, specialized field force, we have also decided to place an increased emphasis on developing and/or licensing additional dermatology products for the sales force to sell.

Our Levulan PDT dermatology development program also continues on track, with all patient treatments in our Phase II photo-damage and moderate-to-severe acne trials expected to be completed this year. As each of these indications represents major market opportunities for DUSA, we remain committed to moving these trials along as quickly as possible. Our cooperative agreements with the NCI are also progressing, with trials in both Barrett's esophagus and oral cavity dysplasia currently expected to get underway later this year.

We continue to await the Court's decision in the Australian litigation with **PhotoCure** and **Galderma**. Simultaneously, we are continuing with settlement discussions. Late in 2004 and early 2005, DUSA also instituted legal action against 2 compounding pharmacies alleging that they have violated U.S. patent law. One of them, the **Cosmetic Pharmacy**, was also allegedly involved in the recent incidents involving the use of non-FDA approved botulinum toxin, causing that company to be restrained from committing violations of the Food Drug and Cosmetic Act by the United States District Court in the Southern District of Florida. DUSA has reported the actions of these pharmacies with respect to ALA to the FDA, and is pursuing legal action in order to protect our IP.

Financial Highlights: For the three months ended December 31, 2004, DUSA's net loss was $4.1 million (24 cents per common share) compared to a loss of $3.8 million (27 cents per common share) for 2003. For the twelve months ended December 31, 2004, the

company incurred a net loss of $15.6 million (96 cents per common share) as compared to a net loss for 2003 of $14.8 million ($1.06 per common share). The decrease in net loss per share in 2004 as compared to 2003 is primarily due to an increase in the number of weighted average of common shares outstanding during 2004 as a result of our private placement earlier in 2004. As discussed below, the increase in total net loss in 2004 is due to the increase in operating costs offset, in part, by an increase in revenues.

Revenues for the three months ended December 31, 2004 increased to $2.5 million compared to $516,000 in 2003, due primarily to the significantly higher Kerastick end-user sales. Revenues for the twelve months ended December 31, 2004 were comprised of $8.0 million in product sales, as compared to product sales of $970,000 in 2003. With respect to U.S. Kerastick sales, we have increased our direct selling and distribution efforts, while maintaining the services of one external distributor in the United States. We increased our internal distribution capabilities in order to increase our net profit per unit and gross revenue per unit, although our costs to support this function have also increased. During the second quarter of 2004, DUSA also commenced selling the BLU-U and Kerastick in Canada through an exclusive marketing and distribution agreement with Coherent-AMT Inc.

3/15 **Syneron Medical Ltd.** announced the closing of the previously announced secondary offering by selling shareholders of 7 million of its ordinary shares at $28.00 per share. The selling shareholders have granted the underwriters a 30-day option to purchase up to an additional 1 million of their ordinary shares.

The offer is being made only by means of a prospectus. **Lehman Brothers Inc.** and **CIBC World Markets Corp.** acted as joint book-running managers of the offering with **Citigroup Global Markets Inc.** serving as a joint lead manager. **Stephens Inc.**, **Thomas Weisel Partners LLC**, and **C.E. Unterberg, Towbin LLC** acted as co-managers.

3/17 **BIOLASE Technology, Inc.** announced the postponement of its Form 10-K for the fiscal year 2004. At this time, the company has not completed its financial statements or management's assessment of the effectiveness of internal control over financial reporting for the fiscal year 2004. The remaining open items include, but are not limited to, the evaluation and accounting treatment of the previously announced Diodem transaction as well as other areas discussed below. The company also expects, upon completion of management's assessment of internal control over financial reporting as required by the Sarbanes-Oxley Act Section 404, to identify significant deficiencies and potentially material weaknesses in its internal control, particularly in the areas of inventory, accruals, deferred revenue and sales tax.

During the course of the 2004 financial closing process, management became aware of potential adjustments to prior periods relating to the following items: (i) approximately $1.0 million to $1.5 million in under accrued sales tax and value-added tax obligations in 2002 and 2003, which may be partially reversed due to settlements of such obligations during 2004; (ii) deferral of approximately $350,000 of revenue that was originally

recognized in 2003 to 2004; and (iii) corrections to certain accrued liabilities aggregating approximately $325,000 during 2003 and the quarters in 2004. Management is currently in the process of assessing the impact and the materiality of these potential adjustments on prior periods. None of these potential adjustments affect the current cash flows of the company.

Robert Grant, president and CEO, stated, "We regret the delay and appreciate the patience of our stockholders as the company works to complete its financial closing process. Although the Sarbanes-Oxley Act Section 404 compliance has been a significant challenge for the company, we believe our efforts to improve our internal control and procedures will make our company stronger in the long term."

Total revenue for the fourth quarter of 2004 is expected to be approximately $19.2 million. Gross margins are expected to be approximately 58% for the fourth quarter due to increased manufacturing costs related to initial start-up production of the Waterlase MD. Sales and marketing expenses and engineering and development expenses for the fourth quarter are expected to be approximately $6.6 million and $1.1 million, respectively. As previously stated in our press release dated January 27, 2004, we expect to incur a loss for the fourth quarter and for the full 2004 fiscal year. At December 31, 2004, the company had total cash, cash equivalents and short-term investments of approximately $31.4 million and accounts receivable of approximately $9.8 million. During the fourth quarter of 2004, the company substantially completed its share repurchase program with the repurchase of 438,500 shares at an average price of $6.76 per share. The company's total share repurchase now totals 1.96 million shares at an average price of $8.35 per share, amounting to $16.4 million.

"During the fourth quarter, we experienced strong demand for the Waterlase MD laser system, shipping over 190 systems, which represented approximately 60% of all Waterlase system revenue in the fourth quarter. We are working diligently with our suppliers to ensure appropriate and continuous supply of parts both in quantity and quality as we strive to meet the needs of our customers," commented, Grant.

3/18 **Candela Corporation** announced that it had received approval from the *Japanese Ministry of Health* to sell its GentleYAG laser throughout Japan. The GentleYAG is used for hair removal, the treatment of vascular lesions including leg veins, and wrinkle reduction for all skin types including tanned skin. Gerard Puorro, Candela's president and CEO, said: "Obviously additional regulatory approvals are always welcome. We will now be able to offer the most powerful Nd:YAG laser available to a broader range of potential customers in Japan, which is a significant opportunity given the effectiveness of this laser on darker skin types."

3/18 **PhotoMedex, Inc.** and **ProCyte Corporation** announced that following ProCyte's shareholder meeting, the companies had shareholder approval to complete their merger in a stock-for-stock transaction. On March 18, 2005, at a reconvened special meeting of shareholders, ProCyte shareholders voted to approve the merger agreement and the

merger between the two companies. The measure was passed by a vote of 11.1 million shares in favor of the merger. This represents approximately 70.3% of ProCyte's 15.8 million shares of common stock outstanding, as of the record date. Under applicable State law, the affirmative vote of two-thirds of ProCyte shareholders was needed to complete the merger.

Previously, on March 3, 2005, at a special meeting of the PhotoMedex stockholders, the merger agreement and merger were approved including the issuance of PhotoMedex shares as consideration for ProCyte shares.

Under the terms of the agreement, PhotoMedex will issue 0.6622 shares of its common stock in exchange for each outstanding share of ProCyte common stock. PhotoMedex expects to issue approximately 10.5 million shares of common stock. The combined company will continue to operate under the name PhotoMedex, Inc. and will continue to trade on the Nasdaq National Market under the ticker "PHMD." The combined company will remain headquartered in Montgomeryville, PA and will have operations in Carlsbad, CA and Redmond, WA.

Jeff O'Donnell, president and CEO of PhotoMedex, commented, "We are gratified to have received the support of both companies' stockholders in approving this merger. The important work of integrating our two companies is well under way. We look forward to operating a profitable healthcare company that continues to gain market share in the dermatology and surgical products markets."

3/18 **Syneron Medical Ltd.** announced that the underwriters of the recent secondary offering by selling shareholders of 7 million of its ordinary shares had purchased an additional 937,809 ordinary shares at a public offering price of $28.00 per share pursuant to an over-allotment option granted by the selling shareholders in connection with the offering.

3/21 John Calcagnini of **CIBC World Markets**, issued an update on **Syneron**: **ELOS: Raising Estimates, and Rating to Sector**

Effective 3/21, we are raising our rating on Syneron to Sector Outperformer from Sector Performer as the company has addressed the major concerns that we expressed when we downgraded the stock to SU on 11/30/04. We subsequently raised our opinion to SP on 12/3/04.

Syneron has recently completed a secondary public offering to re-distribute 8 mm shares formerly held by insiders of the company. The anticipation of the lock-up coming off in Feb. 2005 had been one of the factors that we believed caused weakness in the stock late last year and early this year.

Syneron has also succeeded in convincing the FDA that the company's Vela Smooth cellulite product should be treated as a 510(k) submission, rather than a PMA, as

predicate devices exist for all components of the product. We believe that Vela Smooth has a market potential of $100 mm/year.

We are introducing a price target of $42 per share, which is based on giving the stock a peer group P/E of 27.5x our 2006 EPS estimate of $1.54. We are raising our EPS estimate for 2005 to $1.25 from $1.20 and introducing a 2006 EPS estimate of $1.54.

3/23 **BriteSmile, Inc.** released results for the quarter and year ended December 25, 2004. Total revenue for 2004 was $46.0 million, up 5% compared to $43.8 million in 2003. In 2004, approximately 172,000 BriteSmile teeth whitening procedures were performed compared with 163,000 in 2003, an increase of 6%. The net loss in fiscal 2004 was $(7.8) million or $(0.76) per share, compared with a loss of $(14.6) million or $(2.15) per share in 2003 (both per share numbers reflect the 5:2 stock split which was effective January 30, 2004). The 2004 net loss includes a non-cash non-operating gain of $1.1 million due to the mark-to-market impact of financial instruments issued in connection with the company's $12 million convertible debt financing from private investors in December 2004. It also reflects a $0.75 million non-cash charge to BriteSmile's third quarter operating income for certain consulting work initiated and paid for by a related party, one of our principal stockholders.

Earnings in fiscal 2004 before interest, tax, depreciation, and amortization (EBITDA) was a loss of $(0.5) million, excluding the non-cash $1.1 million mark-to-market gain and $0.75 million consulting charge described above. This compares to an EBITDA loss of $(6.8) million in 2003. EBITDA is a non-GAAP financial measure. It reflects operating income excluding depreciation and amortization of approximately $6.8 million and $6.6 million in 2004 and 2003, respectively. More information regarding this non-GAAP financial measure, and a reconciliation of EBITDA to net loss, the most directly comparable GAAP measure, is provided below.

The company's full year growth was negatively impacted by a 23% decline in fourth quarter revenue to $9.6 million compared to $12.4 million in the fourth quarter of 2003, due to a softening in market demand and significant shipments of BriteSmile-To-Go(TM) incident to its launch in the fourth quarter of 2003.

Key highlights for 2004 were:

-- Successfully launched 2 new centers in Soho, New York and Schaumburg, Illinois, and signed leases for premier locations on Madison Avenue in New York, and in Union Square in San Francisco.
-- In December 2004, placed $12 million of Convertible Notes with six investors who have an option for 180 business days to purchase up to an additional $4 million under the same terms, including a conversion price of $7.61.

Additionally, in January 2005, Gregg Coccari joined BriteSmile as CEO. Coccari has an outstanding track record of leading high growth marketing companies such as **Teleflora** and **The Franklin Mint.**

"While we are pleased with the full year revenue growth and significant improvement in 2004 EBITDA performance compared to 2003, we are very disappointed with the decrease in revenue in the fourth quarter," said Gregg Coccari, BriteSmile CEO. "Actions are being taken on many fronts to regain our revenue momentum, including new marketing initiatives and improved internet strategies, call center performance, associated center programs, as well as continuing the launch of new BriteSmile whitening centers. My excitement for the future of BriteSmile has only increased during my short tenure with the company."

3/23 As reported by the *Associated Press*, **Laserscope Inc.'s** laser technology has the potential to become the standard of care to treat enlargement of prostate, according to **CE Unterberg Towbin** that upgraded the medical device company's stock Wednesday.

Laserscope shares rose $1.87, or 6.7 percent, to $29.73 in afternoon trading on the Nasdaq.

Unterberg upgraded the stock to "Buy" from "Market Perform," and set a 12-month price target of $36 while forecasting 2006 earnings per share of $1.09 on revenue of $157 million. Analysts surveyed by Thomson First Call currently expect 2006 earnings per share of $1.06 on revenue of $152.1 million. Unterberg expects sales of the company's GreenLight PVP laser system to grow 59 percent in 2005 to $71 million. The company had total 2004 revenue of $93.8 million, a record for the company.

The firm also based its rating on the stock's 15 percent decline from $32.74 since the company reported record fourth-quarter results March 3, which offers a much more favorable risk/reward for investors. Unterberg also expects Laserscope aesthetic laser sales to grow 20 percent in 2005. However, the firm cautioned that a slower than expected adoption of laser-treated enlarged prostate procedures and reimbursement issues for equipment posed a risk to forecasts.

3/24 The number of U.S. surgical procedures performed is on the rise due to the aging population, the active baby boomer generation, and increased elective surgeries, while at the same time the percentage of these procedures performed on an inpatient basis is declining with the increasing use of outpatient and same-day surgery. The total number of open and minimally invasive surgical procedures and device implantations in the United States, including those used in cardiovascular and thoracic, orthopedic and spinal, and cosmetic surgery, among many other categories, are forecast to exceed 38 million in 2012, up from approximately 28.5 million in 2004, according to a detailed new report from **Medtech Insight**, titled *"U.S. Surgical Procedure Volumes."*

This newly published 326-page analysis provides current and forecast U.S. surgical procedure volumes data for leading surgical procedures in nine major categories, for the years 2004 through 2012: cardiovascular and thoracic, cosmetic, general, gynecologic and obstetric, major organ and tissue transplantation, ophthalmic, orthopedic and spinal, urologic, and other miscellaneous procedures, including breast and ear, nose and throat (ENT) procedures. Included in the analyses are annual percentage growth rates, compound annual growth rates, procedure descriptions, medical indications, disease prevalence, inherent surgical risks, and emerging surgical technologies.

This thoroughly researched new report also includes 105 detailed exhibits. A full table of contents and ordering information can be viewed on the Medtech Insight Web site at **http://www.medtechinsight.com/ReportA605.html**.

Medtech Insight has also recently published a 287-page analysis of European Surgical Procedure Volumes, for France, Germany, the United Kingdom, Italy and Spain, with detailed procedure volumes forecast from 2003 to 2009 in these surgical categories: cardiovascular and peripheral vascular, general, obstetric and gynecologic, ophthalmic, orthopedic and arthroscopic, otorhinolaryngologic, spinal, and urologic surgery (also see **http://www.medtechinsight.com/ReportA610.html**).

Now a division of **Windhover Information Inc.**, Medtech Insight is the leading provider of business information and market intelligence for the medical technology marketplace. For more on the company's products and services, please visit **www.medtechinsight.com**.

3/24 The Board of directors of **El.En. SpA** approved the draft 2004 consolidated financials. The 2004 financials show consolidated revenues for 94 euro millions, up 39% on the 68 millions of 2003, higher than the expected 30% growth; the revenues growth has been mainly achieved due to the good behavior in the medical segment, which marked a 52% increase, but in the post sale services (up 27%) and industrial lasers (up 9%) as well. Gross Margin is up 39% on 2003, touching 52,3 euro millions, with 53% impact on the value of production.

EBITDA increased markedly up to 10,5 euro millions, with a 90% increase on the 5,5 millions of 2003, and with the impact on the value of production raising from 8% to 11%. EBIT showed a strong increase, up 251% to 4,9 euro millions from the 1,4 millions of 2003, and increasing its impact on the value of production from 2% to 5%. Profit before taxes is 8,4 euro millions for 2004. The profit, though positively affected by the gains on sale of assets which took place in the year, largely overcomes the targets set by the management. Net profit for the group is 3,6 euro millions.

The consolidated net financial position as of December 31st , 2004 is positive for 8,7 euro millions. The 2004 financials for the mother company El.En. SpA showed revenues of 28 millions of euro, a gross margin of 13,8 millions, EBITDA of 4,9 millions, EBIT of 3,5 millions and a net profit of 1,9 euro millions with respect to the 1,7 millions of 2003. The board of Directors will propose, on the Shareholders Meeting scheduled for April

29th (first call) and May 13th (second call), the payment of a 0,35 euro per share dividend, up 40% with respect to the previous year, to be delivered on May 23rd and payment on May 26th 2005.

MEDICAL/SURGICAL LASER UPDATE -- April 2005

3/28 Dyke Hendrickson, writing in his **MedTech** column in *Mass High Tech*, followed up on the recent news release from **Cynosure** in last month's newsletter: **Cynosure moves from cosmetics into OR surgery**

A Chelmsford company whose laser products target cosmetic hair removal and vascular lesions recently launched a technology to aid surgeons and physicians. Technology of **Cynosure Inc.**, which has partnered with **Pentax Medical Co.**, was recently used at Walter Reed Medical Center in Washington D.C., to treat a soldier wounded in Iraq. Cynosure officials say his damaged throat could not be accessed by conventional techniques. Using a surgical pulsed dye laser from Cynosure and an endoscopic video imaging system from Pentax, a procedure was performed to treat a cyst, a granuloma, and severe scarring in the soldier's larynx that developed following reconstructive surgery.

By using the Pentax endoscope to gain access to the larynx through the nose, and then passing a flexible optical fiber through the endoscope to deliver the laser energy, doctors used a new treatment option. Company officials say preliminary results from this procedure are providing hope that someday a normal airway in this soldier can be restored, as well as a functional voice.

"Doctors feel the results were quite stellar," said Joseph Lowery, manager of surgical business for Cynosure. "The soldier had severe wounds which doctors felt weren't accessible through the throat, and they were able to go through the nasal region with endoscope and lasers."

Nick Tsaclas, manager of the ear, nose and throat division for Pentax, said, "This technology has proved itself, because it enabled doctors to remove the tracheotomy tube that had been put in when he came off the battlefield. "With success like that, how can the technology not be successful?"

Dr. Keith Saxon, a surgeon at Walter Reed who worked on the aforementioned soldier, said, "Lasers have virtue when they allow the surgeon to do something that could not otherwise be accomplished, or increase safety for the patient or minimize postoperative morbidity (the illness created by the operation). "In the case of the soldier, I was able to avoid an open (incision from the outside of the body) procedure because I could deliver the power of the laser via a fiber-optic scope and fiber to multiple different levels and problems in the soldier's airway, all with very limited post-operative morbidity."

Cynosure, founded in 1991, employs about 100. The private company is known for its laser hair-removal technology, and its accompanying hardware delivery systems. It offers

services that focus in a variety of cosmetic improvements, including removal of age spots, stretch marks, warts, scars and tattoos. The company's skin rejuvenation process is said to reduce the appearance of pores, fine lines and sun damage by removing top layers of damaged skin. In Massachusetts, most of these procedures do not have to be performed by physicians. They are found in many spas and physical fitness centers.

Cynosure's PhotoGenica SV Pulsed Dye Laser is cleared by the U.S. Food and Drug Administration for the treatment of vascular and vascular dependent lesions of the upper airway, according to the company. Its devices have been used at Massachusetts General Hospital and Massachusetts Eye and Ear Hospital, in addition to Walter Reed.

3/29 **Miravant Medical Technologies** announced consolidated financial results for the fourth quarter and the year ended December 31, 2004. The net loss for the quarter was $3.3 million (9 cents per share) compared to a net loss of $1.6 million (6 cents per share) for the same period in 2003.

The Company reported a net loss for the year ended December 31, 2004 of $15.9 million (48 cents per share) compared to a net loss of $7.5 million (30 cents per share) for the year ended 2003. The comparative differences were largely the result of a gain on the retirement of Company debt and the selling of certain investment assets in 2003. The Company had cash and marketable securities of $6.1 million at December 31, 2004; and subsequently, in March 2005, entered into a $15.0 million line-of-credit agreement available through June 2006, subject to satisfaction of certain conditions and requirements.

"Our primary areas of focus in 2004 were our development programs in ophthalmology and cardiovascular disease," stated Gary Kledzik, chairman and CEO. "In ophthalmology, we were extremely pleased to receive an FDA Approvable Letter for PHOTREX, a treatment for patients with wet age-related macular degeneration (AMD). The conditional FDA approvable status represents a major accomplishment in the development process, reflecting positively on the clinical results achieved to date with this promising new drug."

Dr. Kledzik added, "In our cardiovascular program, we forged a collaborative relationship with **Guidant Corporation** to develop regional treatments for vulnerable plaque, inflammatory plaque in arteries estimated to cause 85% of all heart attacks. We are gratified to have the benefit of Guidant's experience and consultation as we prepare for human cardiovascular clinical trials."

FDA Approvable Letter for PHOTREX:

* In March 2004, Miravant submitted its first New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA), seeking approval of PHOTREX as a treatment for wet AMD, which was granted a priority review designation.

* As a part of the review process, the FDA inspected Miravant's manufacturing facilities for the PHOTREX active pharmaceutical ingredient. The FDA noted no deficiencies after the inspection for compliance with Pharmaceutical Good Manufacturing Practices.

* In September 2004, the FDA issued an Approvable Letter for PHOTREX, a major achievement for the Company, which included a request for an additional confirmatory clinical trial, among other requirements.

* Based on the knowledge and experience gained during prior clinical studies, Miravant prepared the confirmatory Phase III clinical protocol, for which the FDA granted a Special Protocol Assessment. The randomized, placebo-controlled study is designed to enroll wet AMD patients with both classic and occult lesions. The Company expects to conduct a primary efficacy endpoint analysis of approximately 600 patients at one-year follow-up and, contingent on the clinical results, expects to amend the NDA to potentially gain regulatory approval of PHOTREX as a treatment to stabilize vision in a broad range of wet AMD patients.

* Miravant plans to initiate this confirmatory Phase III clinical trial in mid-2005 at investigational sites in Central and Eastern Europe and the United Kingdom. The Company selected **Kendle**, a leading international contract research organization with locations worldwide, to provide clinical development and trial management services for the study.

* Also during 2004, PHOTREX clinical investigators presented Phase III results at major ophthalmology conferences, including the Association for Research in Vision and Ophthalmology, the American Society of Retina Specialists, and the American Academy of Ophthalmology.

* In 2005, Miravant also expects to initiate a PHOTREX clinical study to investigate its use in combination with anti-angiogenic agent(s) to treat wet AMD patients.

Guidant Collaboration for PhotoPoint PDT:

* In March 2004, results of extensive preclinical studies were presented at the American College of Cardiology, New Orleans, suggesting that PhotoPoint PDT can induce stabilization and regression of atherosclerotic plaque.

* In July 2004, Miravant announced Collaboration and Securities Purchase Agreements with Guidant Corporation, a world leader in the treatment of cardiac and vascular disease. Guidant agreed to invest up to $7.0 million, which includes an up-front payment of $3.0 million and additional staged investments based on the achievement of certain milestones, in support of PhotoPoint cardiovascular programs through Phase I clinical trials, focusing on regional treatments for vulnerable plaque.

* During 2005, Miravant expects to submit its Investigational New Drug (IND) application to begin clinical testing next year of PhotoPoint drug MV0633. The drug and light procedure will use Miravant's proprietary endovascular light delivery catheter to treat cardiovascular disease.

3/30 **Lumenis Ltd.** announced a new global strategy for expanding the dental segment of its medical laser business. Lumenis has restructured its sales and marketing efforts based on expected growth in the dental market. Effective March 1, 2005, Lumenis established a direct sales force and sales management team as part of its existing Americas' sales management organization. The Company previously had relied on independent representatives for most of its sales force.

These organizational changes will be further supported by Lumenis' new AquaLite Er:YAG/CO2 combination laser system. The AquaLite is the only combination laser on the dental market designed for both hard and soft tissue procedures. The AquaLite includes the newly introduced illuminated contra- angle handpiece, touch screen control with pre-set operating parameters for 108 hard and soft tissue procedures and several improvements that make the system even easier to use. This introduction follows the most recent FDA clearance for contact cutting of bone tissue.

"We believe we must focus and invest more aggressively in the dental market to command a more significant market share. With the launch of AquaLite and our most recent FDA approval for contact bone cutting, Lumenis is positioned as the technological leader in dental lasers," said Avner Raz, president and CEO of Lumenis. "Our strategy moving forward will be to integrate these market leading dental technologies into our global sales and marketing organizations, improving our role in this growing segment."

3/30 In the eternal pursuit of younger-looking skin, patients have had to rely on abrasive procedures fraught with long recoveries and the risk of side effects to achieve noticeable cosmetic improvement. Now, **Reliant Technologies, Inc.**, announces that the FDA granted 510(k) market approval of the Fraxel laser for skin resurfacing procedures, providing physicians a gentle and intelligent treatment approach to fast, remarkable results with minimal downtime and maximum safety. Fraxel Laser Treatment (FLT) is the latest beauty breakthrough to restore aging and sun-damaged skin -- pixel by pixel, spot by spot. It is the only laser device specially designed to resurface a fraction of skin at a time without breaking the skin's protective outer barrier. Best of all, FLT offers immediate results -- softer, smoother and toned skin, with cumulative improvement that creates a healthy, vibrant and youthful appearance in as few as four to eight weeks.

"We are pleased to announce the FDA's clearance of the Fraxel laser for skin resurfacing because it provides our physicians and their patients an innovative and efficacious treatment without the inconvenience of traditional ablative techniques," said Dennis Condon, executive vice president, Reliant Technologies. "This regulatory milestone caps off our successful introduction of a new science of fractional resurfacing and is another example of our corporate mission to fulfill the promise of laser aesthetics. We believe the

patented Fraxel laser represents the first major invention in laser technology of the 21st century and will be a significant enhancement to physicians' cosmetic treatment regimen."

The latest 510(k) FDA clearance for skin resurfacing was based on a review of clinical performance data comparing Fraxel laser outcomes with traditional ablative CO2 lasers as the predicate device. This new indication for the Fraxel laser joins clearances obtained in 2003 for soft tissue coagulation and in 2004 for correction of periorbital wrinkles and pigmented lesions, including age spots, sun spots and skin discoloration.

Similar to the technique of editing a digital photograph comprised of pixels, Fraxel Laser Treatment precisely produces thousands of tiny columns of treatment zones invisible to the naked eye that target flawed skin and leave surrounding healthy skin untouched. This fractional resurfacing affects between 12% and 20% of the skin at any one time, permitting the spared tissue to assist in the rapid healing of damaged cells. FLT also reaches deep into the dermis to stimulate collagen remodeling in the skin layers below. Patients typically require an average of three to five treatment sessions over about four to eight weeks to obtain maximum benefit.

"Our patients have been thrilled with the results from Fraxel laser treatment. The procedure is well tolerated and most of our patients return to their normal activities the next day. The clinical success and patient satisfaction we've seen in a relatively short period of time is remarkable," said renowned laser expert Roy Geronemus, MD, Director of the Laser & Skin Surgery Center of New York City. "As we continue to explore the versatility and functionality of this laser technology, I expect we will find more therapeutic and cosmetic applications for fractional resurfacing procedures.

The latest advances with FLT will be featured at the upcoming 25th annual meeting of the *American Society for Laser Medicine and Surgery* in Orlando, FL, on March 31 - April 3, 2005. Pioneers in the fields of cosmetic dermatology and plastic surgery will present new studies demonstrating the clinical benefits of this sophisticated device.

3/30 **Cynosure, Inc.** announced that it would launch its newest pulsed light system, the PhotoSilk Plus, at the *American Society for Laser Medicine and Surgery (ASLMS)* conference in Lake Buena Vista, Florida, March 30-April 3, 2005. The PhotoSilk Plus provides the technology to treat a variety of aesthetic therapies, including skin rejuvenation, hair removal, and removal of pigmented lesions and the blush of rosacea. The system's patented U-Shape technology minimizes lateral dispersion of energy, and longer wavelengths are eliminated for safer treatment. The large spot sizes(8.3 cm2) allow for faster treatment and greater patient throughput, while the dual-handpiece capability reduces the need to make frequent changes. A typical facial rejuvenation treatment can take less than 10 minutes.

"The PhotoSilk Plus is ideal for treating the entire body. Its stylized, ergonomic design make it a very attractive package for the aesthetic practice and medical spa environment," said Marina Kamenakis vice president of Marketing.

The PhotoSilk Plus can be customized with different handpieces, each of which houses an electronic microchip that provides usage information to the main module; additional handpieces can be added as the physician's practice grows:

* PL 500 for pigmented lesions
* PL 560 a universal handpiece
* PL 650 for the removal of unwanted hair

"We are pleased to offer this new pulsed light system from our European partner and introduce it to the North American Market at the ASLMS convention," said Michael Davin, Cynosure's CEO. "The more productive the technology, the better productivity and profitability for the physician's practice."

3/31 **CUTERA** will present Dr. Brian Zelickson reporting on a key study using Titan at the *American Society for Laser Medicine and Surgery (ASLMS)* meeting in Lake Buena Vista, March 30 - April 3. "The clinical study was designed to evaluate the ultrastructural changes in tissue for different fluence levels with the Cutera Titan infrared handpiece," said Brian Zelickson, M.D., Assistant Professor of Dermatology at the University of Minnesota. "All treated samples show definitive signs of collagen denaturation." Denaturation is the process that results in thickening and shortening of the collagen fibers.

The latest in the line up of outstanding choices CUTERA has to offer, Titan utilizes a safe infrared light source with a unique wavelength filtering design to uniformly heat the dermis. The non-invasive Titan Procedure protects the epidermis through continuous contact cooling while the infrared light heats the deep dermis. No down time or pain medication is required.

4/4 **MedicalCV, Inc.** announced that it had completed the sale of approximately $13.6 million of 5% Series A Convertible Preferred Stock and common stock purchase warrants. In connection with the transaction, the Company also converted approximately $4.4 million of debt into such securities. The preferred shares were sold at a stated value of $1,000 per share. Each preferred share is convertible into a number of shares of common stock equal to the stated value divided by $0.50, subject to anti-dilution adjustments. The preferred shares were sold along with warrants to purchase a number of shares of common stock equal to 75% of the number of shares of common stock initially issuable upon conversion of the preferred shares. The warrants have a term of five years and are exercisable at $0.50 per share, subject to anti-dilution adjustments. The Company has agreed to register the common shares underlying the preferred shares and the common shares underlying the warrants under applicable federal and state securities laws.

The net proceeds of the financing will be used as working capital to fund development of the Company's ATRILAZE Surgical Ablation System and to repay approximately $500,000 in convertible notes issued in February and March 2005.

4/5 Nearly 12 million cosmetic procedures were performed in 2004. Of those 12 million, more then eighty% were non-surgical. With surgical treatments such as facelifts quickly becoming a thing of the past, new non-invasive alternatives to achieve younger, smoother skin is now just a laser treatment away. **Candela Corporation** announced that its GentleYAG laser now offers consumers "skin tightening" treatments adding to the laser's current applications for hair, leg and facial vein removal. The GentleYAG "tightens" by heating the underlying layers in the skin and forming new collagen resulting in smoother, younger looking skin. The GentleYAG's patented epidermal cooling system, the Dynamic Cooling Device (DCD), protects the skin with every laser pulse allowing for quick results and patient comfort.

"Non-invasive treatments are becoming the fastest growing trend in cosmetic surgery today", said Gerard Puorro, Candela's president and CEO. "With the GentleYAG's additional skin tightening procedure, Candela is able to offer an affordable treatment with the same laser that physicians and patients have trusted for years to remove unwanted hair and leg veins."

Dr. Mark Taylor, a dermatologist at the **Gateway Aesthetic Institute and Laser Center** in Salt Lake City, Utah, conducted a new clinical study comparing skin tightening results of the GentleYAG versus a commonly used radiofrequency device. The study found the GentleYAG to be more effective than the radiofrequency device. Additionally, GentleYAG treatments proved to be faster, less painful and more economical for the patient and practitioner. The results of Dr. Taylor's study were presented at the *American Society for Laser Medicine and Surgery (ASLMS)* 25th Annual Meeting in Orlando, Florida.

"Candela's GentleYAG laser is an exceptional new way to get rid of wrinkles and tighten skin", said Dr. Taylor. "The patients I have treated with the GentleYAG are overwhelmingly happy with the results." Taylor continued, "Because it is so quick and results in little redness, patients can receive a skin tightening treatment during their lunch break and their co-workers wouldn't even notice."

4/6 **DUSA Pharmaceuticals, Inc.** announced that the Federal Court of Australia had ruled that the Australian patent assigned to DUSA by *Queen's University* which relates to DUSA's aminolevulinic acid photodynamic therapy is valid and remains in full force and effect. However, the Court also ruled that **PhotoCure's** product, Metvix, does not infringe the claims in the Australian patent. Since these claims are unique to the Australian patent, DUSA does not expect this ruling to be determinative of the validity of any other patents licensed by DUSA from Queen's University or of whether Metvix infringes claims in such other patents, including the United States patent. DUSA will be reviewing the Court's opinion in the coming days. The parties to the lawsuit have approximately one

(1) month to appeal the decision. As previously reported, the parties have been trying to settle their differences under a Mediation Agreement which they signed last summer.

Dr. Geoffrey Shulman, DUSA's Chairman and CEO, stated "We are very pleased to see that the Australian court has upheld the validity of our patent in Australia, which was our primary goal in defending this case. DUSA believes that the wording of our patent in the U.S., along with differences in US patent law, would give us a strong case against potential infringement in the U.S. by a similar product. As DUSA does not have an active drug application in Australia, DUSA believes that this ruling will have no operational impact on the Company.

4/7 **BIOLASE Technology, Inc.** announced that it had received a notification from The Nasdaq Stock Market concerning the Company's failure to comply with the requirement for continued listing set forth in NASD Marketplace Rule 4310(c)(14), which requires that a listed company file with Nasdaq all reports and other documents filed or required to be filed with the Securities and Exchange Commission. As previously announced on March 17, 2005, the Company has not filed its Form 10-K for 2004 because it has not completed its financial statements or management's assessment of the effectiveness of internal control over financial reporting for 2004. As a result, the Company's shares of stock are subject to delisting from The Nasdaq National Market.

In accordance with Nasdaq's procedures, the Company intends to appeal Nasdaq's determination that its shares should be delisted by requesting a hearing before Nasdaq's Listing Qualification Panel. The time and place of such hearing will be determined by the Panel; however, Nasdaq has advised the Company that a hearing request will stay the delisting of the Company's stock pending the Panel's decision. There can be no assurances that the Panel will grant the Company's request for continued listing.

As of the opening of business on April 7, 2005, an "E" will be appended to the Company's trading symbol "BLTI" to reflect its noncompliance with NASD Marketplace Rule 4310(c)(14).

4/8 An interesting article on a new laser technique to improve dental implants was presented in the April issue of *Medical Laser Report*: **Laser technique enhances bioengineered dental implant**

Because conventional dental implant surfaces do not firmly attach to gums, dentists have long found it a challenge to create a stable foundation to secure an implant. As a result, the gums surrounding the implant may become inflamed, and if the inflammation spreads, it can erode the bone and loosen the implant. But last October the U.S. FDA approved NYU Professor John Ricci’s design for an implant whose surface has been precisely engineered for stability. Ricci, associate professor of Biomaterials and Biomimetics at NYU’s College of Dentistry, etched microgrooves that are exactly the size of soft and bone tissue cells -- 8-12,000th of a millimeter deep -- into the top, or collar, of the implant, using a computer-guided laser to pattern these grooves so that they

lock the cells into a "tissue-engineered" seal. His collaborators included Sally Frankel, associate professor at the Musculoskeletal Research Center of the Hospital for Joint Diseases; the late Charles Naiman, a laser physicist; and Harry Alexander, president of **Orthogen Corporation** and adjunct professor of bioengineering at Rutgers University.

"Because the LaserLok implant prevents bone loss and promotes faster healing of the gums following surgery, dentists can make greater use of early and immediate loading protocols that may reduce treatment time by as much as six months," Dr. Ricci said. "Immediate implant placement can restore patients with relatively healthy gums and good oral hygiene to improved function and esthetics in as little as one treatment visit, compared to traditional protocols requiring patients to wait up to six months after surgery for their gums to heal and for bone to stabilize the implant."

When laser-microtextured dental implant restorations were compared with conventional ones, bone loss was reduced to half a millimeter from nearly two millimeters, according to findings from a pilot study by the *Italian Group for Implant Research* presented at a meeting of the *Academy of Osseointegration* last year. The gum tissue sealed to the LaserLok surface was more stable and less prone to inflammation that leads to deep pocket formation, the researchers said. A four-year follow-up study comparing LaserLok and conventional implants is now under way at NYU under the direction of Dennis Tarnow, professor and chairman of the Dr. Arthur Ashman Department of Implant Dentistry, and Nicolas Elian, clinical assistant professor of implant dentistry. Now being marketed by **BioLok International**, LaserLok is the first FDA-approved implant with a tissue-engineered microtextured surface. Dr. Ricci believes the FDA action may help speed other microtexturing applications to market. "Once you've convinced the FDA of your safety and efficacy, it's easier to get a serious hearing from potential licensing partners," he said.

Though Ricci first envisioned orthopedic applications when he began laser microtexturing experiments 15 years ago, he soon focused on dental implants because clinical results in the mouth are relatively easier to observe and document than in other parts of the body. Ricci, a cofounder of Orthogen Corporation, a microtexturing research venture that was later bought by BioLok, said: "Our success in dentistry gives us a good basis to move on to orthopedic applications, such as improving tissue integration for artificial hip joints and transcutaneous pins used in fracture repair." Ricci also is studying microtexturing's ability to enhance the performance of artificial lenses for cataract patients and to facilitate the integration of electrical sensors controlling a motorized prosthesis designed to provide amputees with mechanical control mimicking normal function.

4/11 **BIOLASE Technology, Inc.** announced that its Waterlase MD dental laser system had been named a winner in the *Medical Design Excellence Awards (MDEA)* 2005 competition. The Medical Design Excellence Awards is the only awards program that exclusively recognizes contributions and advances in the design of medical products. Entries are evaluated on the basis of product innovation, design and engineering

excellence, end-user benefit and cost-effectiveness in manufacturing and healthcare delivery. BIOLASE is one of only two companies within the dental instruments, equipment and supplies industry to be honored in the MDEA competition. Finalists were chosen after a comprehensive review of the entries was performed by an impartial, multidisciplinary panel of jurors with expertise in biomedical engineering, industrial design, medicine and diagnostics. MDEA awards are offered in 10 categories ranging from critical care and emergency products to implant devices and surgical equipment.

Robert Grant, president and CEO, stated, "We are honored to receive this award and to be recognized for our engineering achievement. This award highlights the Company's exceptional product development capabilities in bringing to market a new and exciting dental laser that offers mass appeal while raising the bar to a new level of clinical excellence. We believe as more dentists adopt our technology, the Waterlase MD will change how dentistry is practiced and perceived in the years to come."

4/12 **Cynosure, Inc.** announced that its first CynosureSPA workshop will be held on Saturday, April 16, 2005, at the Hotel Plaza Athenee, East 64th Street, New York The CynosureSPA workshop will include hands-on demonstrations, real life results, important tips and networking opportunities. Keynote speakers will feature staff members from the world-renowned JUVA Skin & Laser Center/MediSpa in New York, including Kathryn Frew, MD, dermatologist, and Angela Caponi, Director of Operations.

The workshop will coincide with the *American Spa Expo* in New York City, with expected attendance of more than 50,000 beauty professionals, being held April 17-19 at the Jacob K. Javits Convention Center.

"The workshop is an important opportunity for us to demonstrate the exciting new spa services provided by the TriActive and to give spa professionals a chance to experience its ease of use and to see for themselves the benefits of treatment," said Marina Kamanekis, Cynosure's vice president of Marketing. "TriActive LaserDermology allows both medical-spa and day-spa managers, using a single device, to offer several new services for their clients including: high-tech laser massage, cellulite treatment, and non-surgical facial rejuvenation, all of which are now in high demand."

The TriActive has been featured in *Oprah*, *Woman's World*, *The New York Post*, *Fitness Rx*, *Glamour*, *Prevention Magazine* and other publications, as well as on television.

According to the Day Spa Association, the most popular treatment performed at day-spas is massage, followed by cellulite treatment and non-surgical face lifts. The ABMP, the professional massage therapist association, recently reported that an estimated 40% of adults in the U.S. visited a massage therapist in 2004, putting massage on a par with consumer use of chiropractic and physical therapy services. The International Spa Association, iSPA, reports that spa locations in the United States have grown by 25% in the past two years to a total of 12,000, exceeding $11 billion in revenue.

To service this burgeoning market, Cynosure developed the TriActive LaserDermology system, which is supported by a staff of highly trained CynosureSPA representatives.

"We are committed to this market and view it as a natural extension of our aesthetic medicine business," said Michael Davin, Cynosure's CEO. "As more and more baby-boomers look for more holistic and non-surgical ways to slow the aging process, we expect to develop and market a wider range of non-invasive technologies."

4/12 **DUSA Pharmaceuticals, Inc**. announced increased first quarter (Q1) Levulan Kerastick and BLU-U end-user sales. For Q1 2005, end-user Kerastick sales to physicians totaled 28,704, consisting of 24,900 sold in the United States (US), and 3,804 sold by **Coherent-AMT**, our Canadian marketing and distribution partner, versus 12,054 sold during Q1 2004, all in the U.S. In%age terms, Q1 2005 Kerastick sales were up by 107% in the U.S. and 138% overall, vs. Q1 2004.

As announced previously, we started to receive our new supply of BLU-Us during late January 2005. The net number of BLU-U units placed in doctors' offices during the first quarter was 131, consisting of 100 in the US and 31 in Canada. At the end of Q1 2005, a total of 1,045 units were in doctor's offices, consisting of 913 in the US and 132 in Canada, versus 534 at the end of Q1 2004, almost all of which were installed in the US. Besides meeting current demand, we are building inventory in anticipation of meeting our BLU-U supply needs throughout the year.

Dr. Geoffrey Shulman, DUSA's chairman and CEO, stated "We are pleased by the continued overall growth in Kerastick sales and the re-acceleration in BLU-U sales for the quarter. These results reflect the strong interest in, and demand for, our therapy, which we expect to continue to increase as the year progresses, based on the impact of our new sales representatives, as well as our marketing and educational initiatives. As we now have a year of solid performance, starting with this release, we are using the more traditional measure of comparing to sales of the same prior year quarter rather than the previous quarter."

4/13 **AngioDynamics, Inc.** announced a favorable Markman ruling in the patent lawsuit between **Diomed Inc.** and AngioDynamics, Inc. Judge Sterns of the United States District Court issued the Memorandum and Order on Claims Construction, commonly known as the Markman ruling, in which the court rejected Diomed's interpretation of certain claim limitations. Instead, the Court agreed with AngioDynamics' position on certain claim limitations and, as a result, effectively reinforced AngioDynamics' position that it does not infringe the '777 patent.

In January 2004, Diomed, Inc., a subsidiary of Diomed Holdings, Inc., filed a lawsuit against the Company in the federal district court in Massachusetts, alleging patent infringement related to AngioDynamics' endovascular laser venous system. This system is used for the treatment of severe varicose veins. The suit involves a single U.S. patent,

Number 6,398,777 (the '777 patent), covering a specific method of endovascular laser treatment of varicose veins.

"We are very pleased that the court agreed with AngioDynamics' position on key claim interpretations," said Eamonn Hobbs, president and CEO of AngioDynamics. "This ruling further reinforces our conviction that our Venacure product does not infringe the Diomed patent. We also strongly believe that Diomed's patent is invalid, and we intend to continue to vigorously defend this action."

4/13 However, **Diomed Holdings, Inc.** had its own spin on the ruling, reporting that the honorable Judge Richard G. Stearns had issued his Memorandum and Order on Claims Construction in Diomed's patent infringement case against its competitors **AngioDynamics** and **Vascular Solutions, Inc.** "In Markman hearings such as these, judges provide clarification and interpretations of patent claims in order to provide the jury a yardstick against which to measure an infringer's conduct," stated James Wylie, president and CEO at Diomed Holdings, Inc. "We are pleased with Judge Stearns' ruling. Taken together with the evidence that has been discovered during the litigation process, this ruling further strengthens our ability to enforce the '777 patent against infringement by our competitors."

In January 2004, Diomed commenced legal action in the United States Federal District Court for the District of Massachusetts against AngioDynamics, Inc. seeking injunctive relief and damages for infringement of Diomed's United States Patent Number 6,398,777 covering the endovascular laser treatment of varicose veins. Diomed acquired exclusive rights to the patent from the five inventors of the procedure in September 2003. Diomed initiated similar actions against Vascular Solutions and two other competitors later in 2004. Discovery and depositions in the case are expected to continue through the second quarter of 2005.

"As we have stated in the past, Diomed has made a significant investment in the commercialization of EVLT and we fully intend to protect our intellectual property against willful and improper conduct by individuals or companies that infringe upon Diomed's legal rights," added Wylie. "We look forward to seeing these cases to their just conclusion." The Company declined further comment on the pending action.

4/13 **Lumenis Ltd.** announced its plans to partner with **AestheticPC.com Corporation** to distribute its clinical management software with each new Lumenis aesthetic laser sold in the United States. Avner Raz, President and Chief Executive Officer, stated, "Lumenis is very pleased to distribute AestheticPC, the world's premiere web-based patient relationship management software specifically designed for aesthetic practices, along with our industry leading aesthetic lasers. This partnership represents another clear example of our commitment to continually increase the value of our products to our customers. We are confident this combination will enable our customers to better manage their practices and maximize their aesthetic procedure revenues."

AestheticPC is the leading software company focused on web-based applications specifically designed for aesthetic practices and provides the platform needed to seamlessly manage patient accounts, clinic scheduling, resource allocation and treatments for aesthetic service providers. Joey Collins, Office Manager of the Advanced Laser & Dermatologic Surgical Center in Beaverton, Oregon, and an AestheticPC user notes, "We have a very busy clinic with two physicians, nurses and technicians doing multiple procedures every day and AestheticPC manages all of that clinical activity incredibly fast with just a few clicks of a mouse. Best of all, customer service and support from AestheticPC are exceptional!"

The AestheticPC software was developed to meet the demanding needs of the largest chain of aesthetic laser treatment centers in the U.S., Advanced Laser Clinics (ALC). Observing how these successful and busy clinics managed their business, and utilizing the expertise of IT professionals with over 100+ years combined experience, AestheticPC designed its platform to be easy to learn and use, and focused on improving clinic business and customer management. It is currently used in over 90 clinics in the U.S. and Canada.

4/14 **BIOLASE Technology, Inc.** provided a review of the Company's progress related to its consumer awareness campaign. Over the past six months, BIOLASE has been using public relations initiatives as part of its overall communication strategy to heighten Waterlase's brand awareness among consumer audiences. In September 2004, BIOLASE engaged **Richter 7**, a nationally acclaimed public relations and advertising agency. With the help of Richter 7, the Company has participated on a national media tour, promoting the benefits of Waterlase dentistry to several print and broadcast journalists. As part of this PR effort, the Company has distributed more than 850 Video News Releases (VNR) to national and local TV stations and over 12,000 Matte Releases to magazine and newspaper publishers. In particular, the March 2005 *Fitness Magazine* featured an article titled "Smile - The Dentist Is Now Pain-Free," highlighting the benefits of the Waterlase MD and raising the awareness of Waterlase dentistry among young women and mothers by informing them how they can find a practicing dentist in their area. Several other nationally recognized magazines and newspapers have indicated their intentions to feature articles on Waterlase dentistry, which are expected to be published in the late spring/early summer timeframe.

Nationally, the Company recently began to market the benefits of Waterlase dentistry to patients through marketing efforts targeted towards TV programs that showcase reality makeovers featuring cosmetic dentistry. The recent popularity seen by TV reality programs such as ABC's "Extreme Makeover" and FOX's "The Swan" has made these types of media outlets great vehicles for raising consumer awareness for innovative, dental technologies and procedures. In particular, the Company was recently highlighted by Dr. Sherri Worth on FOX's "The Swan." Dr. Blake LaBounty, a featured dentist on the syndicated morning TV talk show "Tony Danza Show," also discussed using Waterlase technology to perform various cosmetic procedures in a segment titled "New Smiles, New Styles Makeovers." The Company anticipates more coverage in the

upcoming season on FOX's "The Swan," and BIOLASE is also working closely with 1-800-Dentist and sponsoring dentists in running TV commercials featuring Waterlase dentistry.

Since the beginning of the year, Waterlase dentistry have been seen on more than 65 local TV news station broadcasts as a health & human interest spot, where local residents and practicing dentists talk about their personal experiences and perceived advantages of Waterlase technology. Some of these TV news stations include: WHBQ TV FOX CH.13 - Memphis, TN, WKRC TV ABC CH.12 - Cincinnati, OH, KSL TV NBC CH.5 - Salt Lake City, UT, WVLA TV NBC CH.33 - Baton Rouge, LA, WWAY TV ABC CH.3 - Wilmington, NC, KMSP TV UPN CH.9 - Minneapolis, MN, WBNS TV CBS CH.10 - Columbus, OH, WPLG TV ABC CH.10 - Miami, FL and WCBD TV NBC CH.2 - Charleston, SC. Several other local TV news stations have expressed interest in running the Waterlase TV spot or are in the process of setting up the segment with a local dentist.

"We believe an effective consumer PR campaign will strategically raise the visibility and awareness of Waterlase dentistry. We believe these important steps will help speed the adoption of our proprietary technology," commented Robert Grant, president and CEO.

4/14 John Calcagnini of **CIBC World Markets** provided an update on **Syneron**: **ELOS: Small Customer Bankruptcy No Impact on 1Q or Full Year Guidance**

We reiterate our Sector Outperformer rating on ELOS and would view the recent weakness in the stock as a buying opportunity. We spoke with the company, and the weakness seems to be driven by a customer of theirs, **Nuvo** (private), which recently filed for Chapter 11 bankruptcy. This particular customer has purchased only 45-50 systems in the past three years, so does not represent a significant portion of the company's business. Also, the company told us that this customer was not included in the company's 2005 revenue guidance of $78-$80M.

Syneron has told us that its top customer, which represents approximately 10% of sales, is a distributor in Japan. This customer is a separate independent entity from Syneron.

Finally, our channel checks suggest that Syneron will have a strong first quarter. In addition, we estimate the company could receive approval for its Vela device to treat cellulite by the end of May. We estimate the present market for Vela in the U.S. at $100M per year.

4/15 The millions of Americans who credit their white teeth to the leading in-office tooth whitening procedure will be pleasantly surprised to find they have also taken a step towards improving oral health. In a study published in the April 2005 *Journal of Antimicrobial Agents and Chemotherapy*, researchers at the Boston-based Forsyth Institute confirmed for the first time that a short exposure to UV-free blue light from the proprietary **BriteSmile** tooth whitening procedure killed four major bacteria implicated

in gingivitis and periodontal disease. The findings are the first to confirm the disease fighting ability of the blue light component of the patented procedure, and add to a growing body of clinical evidence on the health benefits of phototherapy in treatment and prevention of gum disease.

More than 200 million people in the United States are estimated to have some form of gum disease, which can lead to tooth and bone loss. The study suggests an easy non-invasive therapy for patients facing traditional forms of periodontal treatment such as scaling and planing. In addition, numerous clinical studies have connected poor oral health and gum disease to an increased risk of chronic diseases such as heart attack and stroke.

"By utilizing the UV-free blue light in this tooth whitening procedure over a short duration of exposure, we have demonstrated its potential health benefits in preventing, controlling and treating periodontitis -- one of the most widespread health problems in the country," said Dr. Max Goodson, DDS, PhD, Director of Clinical Research at the Forsyth Institute and lead researcher on the study. "Perhaps even more exciting though is the promise of one day leveraging this technology in new ways such as professional and consumer hand-held devices that might be used to help combat periodontal disease."

Study Details: Past research on the effects of phototherapy on oral bacteria indicated that red and green light were useful in partially suppressing the growth of certain oral bacteria. This study sought to prove that blue light could rapidly and selectively kill four major oral black-pigmented bacteria (BPB) that cause gum disease, while leaving helpful bacteria unharmed.

Researchers collected oral cultures containing as many as 600 different bacteria from 15 patients who were suffering from chronic periodontitis but had not undergone any treatment for the condition in the past three months. The effects of the blue light treatment were measured on Porphyromonas gingivalis (P.gingivalis), Prevotella intermedia (P.intermedia), Prevotella nigrescens (P.nigrescens) and Prevotella melaninogenica (P.melaninogenica). The study included measurement of a control strain Streptococcus constellatus, which is not classified as a BPB.

Researchers exposed the bacteria samples to varying levels of intensity and exposure time in the spectral range of 380-520 nm (the blue spectrum) for a minimum of 60 seconds using the BriteSmile light source.

Results of the study showed that within minutes, the proprietary blue light from the BriteSmile light source selectively eliminated four harmful types of bacteria while leaving other more beneficial bacteria unaffected. Specifically, P.intermedia and P.nigrescens were virtually eliminated within 60 seconds, and P. melaninogenica was reduced by 70% within five minutes. The survival rate of P.gingivalis was 77%, 13% and 1.5% after exposure to varying light fluences over a short period of time. The control, S.constellatus, remained unaffected by irradiation.

In addition, the study also found that while the proportion of pathogenic bacteria was reduced, the proportion of beneficial bacteria increased, encouraging the bacterial balance necessary for a healthy mouth.

"Our past research has proven the cosmetic benefits of the complete tooth whitening procedure including light and peroxide; but this study is the first to establish the health benefits of BriteSmile's technology in eliminating harmful bacteria," said Dr. Julian Feneley, president of BriteSmile. "In the near term, this study identifies significant clinical benefits of our treatment; but the long-term implications could change the face of oral healthcare."

4/19 **Lumenis Ltd.** announced it had reached agreement to outsource its global IT services to **EDS Israel**, a wholly-owned subsidiary of **Electronic Data Systems Corporation**. EDS will manage and operate Lumenis' internal IT activities and services for a period of up to 8 years at all existing sites, which include the USA, Europe, China, Hong Kong, Japan and Israel. The agreement provides for the employment of Lumenis' IT employees by EDS; for the operation, maintenance and upgrade of existing IT hardware and software applications and the implementation of a new global ERP platform.

Avner Raz, Lumenis president and CEO, commented, "Our new relationship and cooperation with EDS, a world renowned and experienced IT service provider, will allow us to retain the expertise and knowledge of our IT employees, better manage costs, and provide Lumenis with IT applications and platforms to support our growth."

4/19 John Calcagnini of **CIBC World Markets** issued an update on **Syneron**: **ELOS Expected to Report Solid 1Q05**

We checked in with industry contacts and believe that ELOS will report a first quarter at or above our expectations of $16.8 mm in revenue and $0.26 in EPS. We see the potential for revenues to exceed $18 mm and cont. ops. EPS above $0.30.

We believe the company will take a charge of $160,000 in the first quarter associated with the **NUVO** bankruptcy because it did agree to a partial guarantee, but this is covered in our forecast, and the company tells us that its auditors have agreed to this.

Skin Nuvo is not a current customer, and only $1.5 mm of $4 mm is still due from that company, which continues to operate. Syneron and its two finance companies share the risk for these receivables, and we are told that management of NUVO has also signed personal guarantees.

ELOS will take a charge of approximately $700K in the quarter for deal/secondary-related expenses that will be classified as one-time. Finally, the company has not received a negative letter from FDA on Vela Smooth and remains optimistic. It expects to hear from FDA mid-May.

MEDICAL/SURGICAL LASER UPDATE — May 2005

4/26 **Spectranetics Corporation** announced first quarter 2005 financial results. Total revenue for the quarter ended March 31, 2005 rose 16% to $9.1 million from $7.8 million in the comparable prior-year quarter. Net income for the first quarter of 2005 was $75,000 (0 cents per share) compared with net income of $135,000 (1 cent per share) in the first quarter of 2004. Pre-tax net income for the quarter ended March 31, 2005 was $132,000 compared with $156,000 during the comparable quarter last year.

For the 2005 first quarter, disposable product revenue (which includes coronary atherectomy and lead removal products) rose 19% to $6.8 million from $5.7 million in the same quarter last year and included a 30% increase in lead removal revenue. Laser equipment revenue (which includes laser system sales and rental fees) rose 3% to $783,000, while service and other revenue increased 12% to $1.5 million.

Gross margin for the first quarter of 2005 improved to 76% from 73% a year ago, reflecting manufacturing efficiencies associated with increased disposable products sales. Operating expenses were $6.8 million in the first quarter of 2005 compared with $5.5 million in the same quarter last year. The increase is primarily a result of costs associated with the planned sales organization expansion, increased marketing outreach efforts, increased new product development and clinical studies activities, and the costs associated with Sarbanes-Oxley compliance.

During the first quarter of 2005, the Company's worldwide installed base of lasers increased by a net of 12 compared with a net increase of five a year ago, bringing the worldwide installed laser base to 429 systems, of which 321 laser systems are in the United States.

"I am pleased to report that this quarter's sales performance reflected strength in laser placements and disposable revenues. I am particularly encouraged by the positive response from nearly 40 interventional cardiologists and vascular surgeons who attended our training course in Dallas, which featured four live laser cases treating peripheral vascular disease. We have seen a meaningful increase in atherectomy product sales following this training course. We believe this bodes well for continuing sales momentum as the year progresses," said John Schulte, president and CEO.

Cash, cash equivalents and current and long-term investment securities totaled $15.9 million at March 31, 2005, compared with $17.4 million at December 31, 2004. Cash used during the quarter included a $1.3 million purchase of the manufacturing facility the Company previously leased.

Company Reiterates 2005 Financial Guidance: Spectranetics today reiterated previously stated 2005 financial guidance as follows:

Net income is anticipated to be in the range of $1.0 million to $1.5 million and gross margin as a percentage of sales is expected to be in the mid-seventies. Revenue guidance, which assumes 40 to 50 new laser placements in 2005, is estimated to be between $40 million to $43 million. Revenue growth will be driven by three key factors:

1. Continued growth in Spectranetics' lead removal product line and renewed growth in the coronary product line driven by new products targeted at the treatment of chronic total occlusions;
2. Growth in the existing peripheral product line, driven by the CLiRpath products, which received FDA clearance in April 2004; and
3. Potential growth associated with new products in the peripheral atherectomy market that may be launched in late 2005, depending on the completion of product development cycles and regulatory clearance.

4/27 **Laserscope** reported revenues of $28.2 million for its first quarter ended March 31, 2005, a 50.3% increase from $18.8 million in the first quarter of 2004. The increase in revenues was primarily attributable to continued strong growth in sales of the Company's line of GreenLight products for Photo-Selective Vaporization of the Prostate (PVP). First quarter 2005 operating income grew 134.8% to $6.1 million, from $2.6 million for the first quarter of 2004. First quarter 2005 net income was $5.0 million (22 cents per share) a substantial increase from net income of $2.2 million (10 cents per share) in the same quarter last year.

"We reported very strong results again this quarter, driven primarily by exceptional growth in our urology business worldwide," said Eric Reuter, president and CEO of Laserscope. "As our installed base of GreenLight laser systems continues to expand around the globe, and as sales of our single-use fiber-optic delivery device increase, we're gathering more and more evidence that the PVP procedure using the GreenLight laser system is gaining an increasing share of the BPH treatment market, not just at the expense of highly invasive surgical procedures such as Trans-Urethral Resection of the Prostate ("TURP"), but now at the expense of the so-called thermal therapies and non-surgical treatment options, such as drug therapy, as well.

"While we also saw a year-over-year decline in aesthetic product sales this quarter, we believe this development was largely due to the short-term effects of several structural changes implemented in our aesthetics sales organization during the first quarter of 2005, changes that we hope will accommodate and drive future long-term growth in our aesthetics business. As a result, we believe our solid foundation of existing and upcoming light-based treatment products, and continued strong customer demand in the aesthetic treatment market, will enable us to move ahead in the current quarter and in the foreseeable future, even in an ever more competitive environment."

Gross margin in the first quarter of 2005 grew to approximately 62%, compared with approximately 57% in the first quarter of 2004. The increase in 2005 first quarter gross margin percentage resulted from a higher mix of GreenLight products.

Selling, general and administrative (SG&A) expenses were $9.9 million, or 35% of revenues, in the first quarter of 2005, compared with $6.8 million, or 36% of revenues in the first quarter of 2004. Increased SG&A spending resulted primarily from higher commissions paid commensurate with the increase in revenues, higher marketing and clinical education expenses related to expanding the presence of the Company's products in both domestic and international markets, as well as increased costs related to Sarbanes-Oxley Section 404 compliance.

The Company's effective tax rate for the first quarter of 2005 was 20%, compared to 13% in the first quarter of 2004. The difference in the rates is due to a lower relative benefit of net operating loss carry forwards in the first quarter of 2005.

The Company's financial position remains strong. At March 31, 2005, Laserscope had no bank borrowings and a cash position of $22.0 million, up significantly from $16.0 million at December 31, 2004. Shareholders' equity increased from $42.9 million at December 31, 2004 to $49.3 million at March 31, 2005.

Urology Business Update: "Our urology business continues to surpass our expectations as adoption of the PVP procedure using the GreenLight laser system is increasing in all major geographic regions of the world," said Reuter. "We sold 90 GreenLight laser systems during the first quarter and more than 16,000 single-use disposable fibers. GreenLight fiber sales growth was impressive in both the United States and overseas, as we posted 135% and 222% gains, respectively, year-over-year.

"We have long said that the potential market for PVP is millions of men annually and growing worldwide along with the aging population. Additionally, we expect the worldwide demand for PVP to continue to rise as more and more patients, physicians, and health care insurers become aware of the combined outstanding clinical outcomes, long-term durability, safety profile, and cost-effectiveness of this procedure. We believe that the rapid worldwide adoption of PVP using the GreenLight laser system validates our contention that no other known therapy provides these kinds of benefits to all the relevant stakeholders in the treatment process. In the United States, current estimates show that approximately 11 million men, or 30% of all men over the age of 50, will suffer from the symptoms of BPH over the course of their lifetimes, and further, that 20% of those men will require treatment. Overseas the numbers are even more compelling, where the ultimate market for our procedure is estimated at four to 10 times that of the United States. We have made strong progress in international markets to date, but believe there is still much work to be done, and challenges to be overcome, to fulfill the opportunity in our key international markets. We will continue to educate health care system providers, patients, and physicians at home and abroad about the safety profile and cost-effectiveness of PVP over alternative therapies. Distribution agreements such as the ones we've established in Germany, Russia, Latin America and the Caribbean will help us penetrate new and underserved markets around the globe, and throughout the year we'll be working to secure additional relationships that provide market entry or an enhanced presence in key geographies."

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Aesthetics Business Update: "By offering a full line of easy to use and competitively valued aesthetics products, we believe Laserscope is well positioned to capitalize on the growing worldwide demand for cosmetic treatments," continued Reuter. "This demand, which is being fueled by many factors, including the need by physicians to uncover additional revenue streams, will be best satisfied by companies that can provide versatile and multi-use systems that are quick, efficacious, and provide patients with a high level of comfort and satisfaction. Our Gemini system has already gained wide appeal in the marketplace, while our newest product, the Solis, has received an enthusiastic welcome since its introduction a few months ago at the *American Academy of Dermatology* Annual Meeting. The Solis is expected to begin shipping sometime this summer. We believe these two products will enable us to compete in the challenging highly-competitive aesthetic treatment market."

Full Year 2005 Guidance: The management of Laserscope has raised full year 2005 guidance as follows:

* 2005 full year revenues are expected to be in the range of $130 million to $135 million.

* Reported pre-tax earnings are expected to be in the range of $30 million to $33 million.

* Net income is expected to be in the range of $0.79 to $0.87 per fully diluted share, assuming a fully taxed basis of approximately 38%. This is without giving consideration to the potential benefit of the deferred tax asset or its associated reserve. The ultimate release of the deferred tax asset reserve will depend on not only the level of achievement of our operating projections but also the timing of other non-operating tax deductions such as the exercise of employee stock options. We intend to continue to evaluate the reserve each quarter consistent with GAAP.

* Sequential growth in 2005 revenues and earnings is expected to be more heavily weighted to the second half of the year, as was the case in 2003 and 2004.

"Our overall business strategy is driven by the considerable and growing market for the treatment of conditions of aging. We are focused on improving the quality and cost-effectiveness of healthcare by offering safe, minimally invasive and clinically effective surgical solutions. As a result, we believe Laserscope is well positioned to not only create value for our shareholders, but to continue to make a substantial difference in the quality of life for people throughout the world," said Reuter.

4/27 **Cynosure, Inc**. announced that it had received a new FDA clearance for the TriActive LaserDermology System, a laser-based system for treating cellulite. The new FDA clearance classifies the System as a Class II over the counter device. Laser-based medical devices typically require restricted use by or directed use by a physician. However, due to its safety characteristics, the TriActive has been cleared for use by non-physicians such as aestheticians, spa professionals, and other therapists.

The TriActive combines distinct technologies, including lasers, for treatment:

-- Six low-energy diode lasers, which enhance microcirculation

-- Mechanical massage, which stimulates and tightens the subcutaneous tissue

Aestheticians and therapists at spas and cellulite centers (as well as aesthetic medicine physicians) who use the TriActive report, that using the laser over a series of treatments in conjunction with massage, is more effective in treating cellulite than massage alone.

"A recent study conducted at our center, showed that the TriActive laser and massage components improved the appearance of cellulite in 83% of subjects as compared to 17% improvement for massage only," said Kathryn Frew, MD, of the JUVA Skin and Laser Center in New York City.

In addition to temporarily improving the appearance of cellulite, TriActive treatments have also been shown to temporarily relieve minor pain and muscle spasms, improve circulation and be used in conjunction with liposuction and other plastic surgery procedures.

"We now offer the TriActive LaserDermology System throughout North America. Originally developed by laser scientists in Italy, it has been in use worldwide for the past four years," said Michael Davin, Cynosure's CEO. "It complements the other products in our cosmetic laser line and helps us better serve our markets, which include the thousands of aesthetic medicine practices and the more than 6,000 day spas in the United States who do not necessarily have an associated physician relationship."

4/28 **Thermage, Inc.** announced the ratification of evidence-based treatment guidelines for optimizing the effects of its ThermaCool device. A specially convened panel of cosmetic procedure experts reviewed impressive Thermage results with standardized treatment guidelines, backed up by independent research findings presented at the *American Society of Laser Medicine and Surgery (ASLMS)* annual meeting.

The scientific proceedings, co-chaired by Dr. Jeffrey Dover, Associate Clinical Professor, Dermatology Section of Dermatologic Surgery and Oncology -- Yale Medical School, and Dr. Brian Zelickson, Assistant Professor, Dermatology at University of Minnesota, marked the first time leading physicians representing the four major aesthetic specialties -- dermatology, plastic surgery, facial plastic surgery, and oculoplastic surgery -- have met jointly to evaluate standardized guidelines for performing the first and only non-invasive procedure proven to tighten and contour deep tissue.

"This meeting is another milestone in the continued cooperative research progress among cosmetic procedure specialists," said co-chair Dr. Dover at the meeting's conclusion. "The new evidence presented today enabled this group of experienced physicians to come to an agreement on proven methods to optimize the impressive efficacy and safety of the

Thermage Procedure." Plastic surgeon Dr. Jay Burns, Assistant Professor of Plastic Surgery, UT Southwestern Medical School added, "While Thermage does not replace a surgical lifting procedure, we all agree that this standardized approach to non-invasive tissue tightening now provides the majority of patients with noticeable changes, without the downtime required by surgery."

The expert panel considered pooled data reports from 5,700 Thermage patient treatments, and assessed satisfactory efficacy in 94% of recently treated cases. Improvements in predictability were directly attributed to following optimized treatment guidelines. Most importantly, they reported that using multiple passes at moderate settings resulted in higher patient satisfaction and improved patient comfort during the procedure.

"The convening of this panel of elite specialists and their endorsement of the optimized treatment guidelines validates the promising future of our unique technology," said Steve Fanning, CEO of Thermage.

Key scientific findings also presented at ASLMS included: Dr. Brian Zelickson and Dr. Jay Burns data confirming Thermage treatment denatures additional collagen fibers in deep skin layers with each energy application up to at least five "passes" in a single treatment session.

Dr. Michael Kaminer presented preliminary findings from a clinical study in progress that demonstrates a clear correlation between higher numbers of radio frequency passes with Thermage and increased patient satisfaction. A greater number of pulses and passes increased all measures of efficacy in the multi-center study, with Dr. Kaminer observing responses in over 90% of patients receiving an average of 556 pulses as per a standardized protocol for treatment of the mid- and lower face.

4/28 **Diomed Holdings, Inc.** announced results for the first quarter ended March 31, 2005. Total revenue was $4.1 million for the quarter, an increase of 40% compared to the same quarter of 2004, while EVLT revenue increased 79%. Concurrently, revenue from EVLT disposable procedure products increased 122% over the first quarter of 2004.

"Diomed continued on its record-setting trend in the first quarter, completing its ninth quarter of consecutive sales growth," commented James Wylie, president and CEO of Diomed Holdings, Inc. "Most noteworthy about the first quarter was our ability to overcome traditional seasonality in the market, posting 6% sequential revenue growth in both EVLT and North American sales, while our two largest competitors reported decreased revenues in this market segment."

Gross profit as a percentage of sales for Q1 2005 of 45% increased 11 percentage points over Q1 2004, reflecting the impact of incremental volume as well as improvements in material costs. However, at the cost of revenues line, improvement over 2004 from fixed manufacturing cost leverage on incremental 2005 volume was partially offset by the foreign exchange impact on raw material purchases.

Selling and marketing expenses for Q1 2005 were $2.3 million, an increase of $701,000, or 44%, from the same period 2004. The increase was driven by a significant expansion of the sales force, higher sales commissions resulting from the increased sales volume, and increased marketing expenditures in support of the sales efforts to drive the growing commercialization of EVLT.

General and administrative expenses for Q1 2005 were $1.6 million, an increase of $172,000, or 12%, from 2004. The increase was primarily attributable to incremental legal fees as well as salaries, incentive compensation and other administrative costs. Legal costs included the continuing cost of patent infringement litigation against our primary competitors.

Net loss for Q1 2005 was $3.8 million (21 cents per share) compared to $2.3 million (18 cents per share) in Q1 2004, as incremental volume gains were partially offset by increased sales, marketing and general and administrative expenses, as well as $1.3 million in non-cash interest expense arising from the amortization and acceleration of the debt discount, deferred financing costs and beneficial conversion feature of the debt.

The Company reported an ending cash balance of $11.6 million, down from $14.4 million in December. The decrease reflected $300,000 in 2004 incentive bonus payments, payments of $240,000 for 2004 patent litigation expenses in excess of the 2005 Q1 run rate, $100,000 in payments related to the 2004 PIPE financing, and $100,000 in payments related to the 2004 restructuring of our sales management team.

"The first quarter was remarkably successful for Diomed," Wylie concluded. "With our continued gains in market share and the recent favorable ruling in the Markman hearing, Diomed is poised to deliver an outstanding performance during 2005."

4/28 **Palomar Medical Technologies Inc.** announced financial results for the first quarter ended March 31, 2005. The Company's first quarter total revenues increased by 57%, product revenues increased by 48%, and gross profit from product sales improved by 57% as compared to the same quarter in 2004. Net income increased by 203% as compared to the first quarter of 2004. The Company also strengthened its balance sheet since the first quarter of last year, including increasing its cash position from $13 million to $29 million.

Revenues for the quarter ended March 31, 2005, were $17 million, up from $10.8 million in the first quarter of 2004. Gross profit from product sales increased to $9.8 million (68% of product revenues), up from $6.2 million (65% of product revenues) in the year-earlier quarter. The Company reported net income of $3.5 million (19 cents per share) for the first quarter of this year, versus net income of $1.2 million (7 cents per share) for the first quarter of last year.

CEO Joseph Caruso commented, "This has been an exciting and rewarding quarter for Palomar. We continue to enjoy increased market acceptance of our new product

offerings, and we believe we are maintaining our leadership position as an innovator in our markets. Our reputation for leading-edge technology and product reliability has resulted in increased revenue for Palomar over the past three years in the expanding market for light-based cosmetic procedures; a trend we think will continue throughout 2005."

Caruso continued, "We continue to advance our aesthetic products to meet the demands of the market while offering accurate and safe treatments. During the first quarter, the Company presented, at the *American Academy of Dermatology*, the VisiLux1064 Laser Handpiece and the LuxIR Infrared Handpiece for the Palomar StarLux Pulsed Light and Laser System, and the DermaType Skinphotometer. These new product additions greatly increase a physician's treatment options and complement our business model by providing numerous expansion opportunities through versatile, innovative attachments and complementing accessories."

5/2 **Cutera, Inc.** reported financial results for the first fiscal quarter ended March 31, 2005. First quarter 2005 revenue was $15.1 million, representing a 31% increase over the $11.6 million recorded in the first quarter of 2004. Gross margin during the first quarter of 2005 was 73%, compared to 69% in the same period in 2004. Net income for the first quarter of 2005 was $1.5 million (11 cents per share) compared to $221,000 (2 cents per share) in the first quarter of 2004. Included in the first quarter of 2005 results is $426,000 of pre-tax, non-cash, stock-based compensation charges, compared to charges of $372,000 in the first quarter of 2004. Cash generated by operations in the first quarter of 2005 increased by 58% to $1.6 million, compared with $1.0 million in the first quarter of 2004.

Kevin Connors, president and CEO, said "Our better- than-expected first quarter 2005 performance reflects the strength of our product portfolio and expansion of our sales channels. During the first quarter, we completed the launches of our Titan application and single- technology tabletop platform, Solera. We have been highly successful positioning our new tabletop platform with the aesthetic practitioner market and leveraging our installed base of customers by offering our new value-added Titan application to their existing products. These launches, combined with the continued strong acceptance of our existing multi-application Xeo, enabled us to broaden both our product offerings and our target market."

Connors concluded, "With the breadth of our innovative product offerings, a strong balance sheet, a global business infrastructure, and a talented pool of employees, we are in an excellent position to leverage our strengths to become a global leader in the fast growing worldwide light based aesthetics market."

Management believes second quarter 2005 revenue will be approximately $16.0 million with earnings per diluted share of approximately $0.11. For full year 2005, management is raising revenue guidance to approximately $67.0 million, from $66.0 million provided at the beginning of the first quarter, to reflect the better-than-expected first quarter 2005 results. In addition, management is raising its earnings per diluted share guidance for the

full year 2005 to $0.48, from $0.40. The projected increase in earnings per diluted share is primarily attributable to better than expected first quarter 2005 results, a lower effective tax rate, and an improved operating margin outlook for the remainder of 2005.

5/2 **MedicalCV, Inc.** announced that its company information will be made available via **Standard & Poor's Market Access Program**, an information distribution service that enables subscribing publicly traded companies to have their company information disseminated to users of Standard & Poor's Advisor Insight. The company information to be made available through this program includes share price, volume, dividends, shares outstanding, company financial position, and earnings. Standard & Poor's Advisor Insight is an Internet-based research engine used by more than 100,000 investment advisors. A public version of the site is available at **www.advisorinsight.com** .

In addition, information about companies in Standard & Poor's Market Access Program will be available via S&P's Stock Guide database, which is distributed electronically to virtually all-major quote vendors. As part of the program, a full description of MedicalCV, Inc. will also be published in the Daily News section of Standard Corporation Records, a recognized securities manual for secondary trading in approximately 37 states under the Blue Sky Laws.

5/3 **Resource Bridge LLC**, a leading provider of tools and services to support corporate training, announced today that **Cell Robotics**, a leading manufacturer of innovative biophotonic technologies for clinical and research medicine, has selected Resource Bridge to develop a dynamic eLearning curriculum for its Clinical Lasette laser lancing device. The Lasette is the first and only needle-free device for capillary blood sampling. Overwhelming demand for the product has necessitated Cell Robotics' use of a widespread training tool designed to support the growing adoption of this device among blood donation and hospital professionals throughout the United States.

Cell Robotics' COO Gary Oppedahl said, "As the Lasette has become widely accepted within the medical community, our customer service representatives are inundated with calls from clients asking about the product. Resource Bridge's cutting-edge eLearning courseware will enable us to streamline our customer service operations and offer our customers in-depth training without sacrificing the quality of person-to-person interaction." Oppedahl continued, "The courseware developed by Resource Bridge will complement our current training program nicely and allow us to redirect resources to other strategic business development initiatives."

Resource Bridge contracted with Cell Robotics to create an online curriculum designed to train the company's clientele on the principles of Lasette's operation, maintenance, structure of the device's controls and the proper procedure for using the device to collect capillary blood samples. The interactive training course utilizes eLearning tools such as animation, simulation and user interaction together with an entertaining and attractive graphical user interface to increase learner retention of the product's key points. Internal test points and a final certification test are administered to ensure the client has all of the

necessary knowledge needed to gain the maximum benefit from use of the Lasette. Over 5,000 people worldwide are expected to take the course this year, a number that is expected to double in 2006.

Kerry Kalous, president, Resource Bridge said, "Cell Robotics is a forward-thinking medical technology company dedicated to producing practical and innovative products such as the Lasette. We welcome the opportunity to work with Cell Robotics and look forward to helping their customers to increase safety and quality with the most effective training technology available."

5/3 **PLC Systems Inc.** reported financial results for the three months ended March 31, 2005. First quarter total revenues increased to $1.9 million compared with $1.9 million in the first quarter of 2004. The net loss for the first quarter of 2005 was $184,000 (1 cent per share) compared to a net loss of $350,000 (1 cent per share) in the first quarter of 2004.

"This year is important for PLC as we look to expand our product portfolio," stated Mark Tauscher, president and CEO of PLC Systems. "We believe that our strategic investments into new products and markets will generate future revenues and diversify our business."

During the first quarter of 2005, PLC shipped nine next-generation CO2 Heart Lasers (HL2) to United States hospitals through **Edwards Lifesciences**, PLC's exclusive U.S. sales and marketing partner. Four of the nine HL2 shipments were new lasers and five were redeployed lasers. PLC ended the first quarter of 2005 with 174 CO2 Heart Lasers located at heart centers throughout the U.S., comprised of 127 HL2 customers and 47 HL1 customers.

During the first quarter of 2005, a total of 489 disposable kits were shipped worldwide by Edwards and the Company. Edwards delivered 439 of these kits to United States hospitals and PLC shipped 50 disposable kits to international hospitals. In comparison, a total of 427 disposable kits were delivered worldwide during the quarter ended March 31, 2004.

Commenting on the first quarter TMR results, Tauscher said that "The current quarter's increase in disposable kit shipments over the first quarter of 2004 is an encouraging sign. In fact, based on recent, well-attended Edwards sponsored educational and training TMR events we believe that there is a continuing interest in the therapy."

5/3 **Syneron Medical Ltd.** announced first quarter financial results for the period ending March 31, 2005. The Company's revenues for the first quarter of 2005 were $18.5 million, compared to $12.1 million recorded in the first quarter of 2004. Net income for the first quarter was $7.5 million, compared to net income of $5.5 million reported in the same period last year. Results for the first quarter of 2005 included a one-time charge in the amount of $1.1 million for expenses related to the secondary offering and legal costs. Diluted earnings per share (EPS) for the first quarter of 2005 were $0.27, which takes

into account $0.05 of the one-time charge, compared to diluted EPS of $0.26 in the first quarter of 2004.

Pro forma net income for the first quarter of 2005, excluding the one-time expenses related to the secondary offering and legal costs mentioned above, was $8.6 million. Pro forma diluted EPS were $0.32 for the first quarter of 2005, a 23% increase from $0.26 for the first quarter of 2004.

Q1, 2005 sales surpass seasonally strong Q4 sales in 2004: Sales for the first quarter demonstrated continued sequential momentum, rising 6% over the $17.5 million in sales in the fourth quarter of 2004, despite the seasonal tendency for the last quarter of the year to be the strongest for the sector. The higher Q1 revenues reflected a rise in sales across Syneron's portfolio of platforms and the successful worldwide market introduction of the Comet system for high-speed hair removal. The higher Q1 sales are also a result of recent strengthening of Syneron's global distribution network.

Completion of secondary offering raises liquidity of shares: During the first quarter, Syneron successfully completed its secondary offering, which increased the free float of shares from 5 million to 13 million shares, equivalent to 53% of 24.6 million total shares outstanding. The higher liquidity as a result of the secondary issue has contributed to a notable rise in average daily trading volume in Syneron shares, compared with the period prior to the announcement of the transaction. Following the secondary issue, equity research on Syneron has broadened to seven analysts, affording Syneron widespread institutional coverage.

Syneron is confirming revenue guidance for FY2005 of $78-80 million, representing a 36% increase over 2004. Guidance for Q2, 2005 has been set at $18-19 million.

Commenting on the higher Q1 numbers, Moshe Mizrahy, CEO of Syneron Medical, said: "The quarterly rise in sales during a period that is usually slower than the previous quarter reflects Syneron Medical's continued capture of market share. The global launch of the Comet in the first quarter, and the introduction of the VelaSmooth cellulite treatment system at the *American Academy of Dermatology* meeting in February, will serve to further solidify our leadership position in the market this year."

Remarking on the secondary issue, Shimon Eckhouse, chairman of the Board, observed that: "The success of the secondary issue and the higher trading activity in the aftermarket indicates that we achieved significant institutional interest in Syneron, which is supported by the higher free float of shares."

John Calcignini of **CIBC World Markets** provided an update on **Syneron**: **ELOS: Reports Upside Revenue and EPS Surprise and Vela Approval Expected Soon**

We are raising our 2005 and 2006 EPS estimates to reflect higher sales expectations for the Galaxy 5 mode laser for hair removal, wrinkle removal, acne, photo-rejuvenation, and

leg veins, which had a strong showing in 1Q05 with 95 systems sold WW versus our est. of 58 units. We are expecting EPS to grow from our new estimate of $1.64 in 2006 (our old est. was $1.54) to $1.80 in 2008. We have increased our revenue and EPS estimates in each year and would note that we have no Vela revenue in our model in 2005 and only $11M in 2006.

The company reported a strong 1Q05 rev. performance with sales up 50% to $18.5M, exceeding our estimate of $16.8M. The company has no change in rev. guidance of $78-$80M because they have decided to do that upon the expected Velasmooth approval in May 2005.

EPS came in at $0.32 v. $0.26 a year ago, exceeding our est. of $0.26 before a one-time charge of $1.1M tied to the secondary offering. DSOs were up just three days seq. to 56 and the shorts are evidently trying to make a big deal about this and the secondary expenses being deducted.

The bottom line is that the company had a solid quarter with strong earnings quality. We reiterate our Sector Outperformer on the stock and would buy aggressively here. We spoke with the company this morning and believe that they remain quite optimistic that the FDA will approve Velasmooth by May 17, 2005. This is just around the corner and we have no revenue in our model for this product in 2005 and only $11 million in 2006. Clinical data on this product and feedback from IRB sites is very positive and we know that there is significant interest on the part of physicians in treating cellulite. Velasmooth could be a $100 million-plus product in our view and has the potential to add $1.00 incrementally to earnings. We view the stock as quite cheap here relative to our $42 price target.

Why The Stock Is Weak Today -- Our View: We had a chance to speak with many clients today and apparently there is a short making calls to at least some holders saying that, among other things, the company should not be deducting secondary offering legal expenses to arrive at its pro forma EPS and that DSOs were up sequentially.

One thing seems clear: The company beat our sales and margin expectations, and certainly expenses related to a secondary offering are one-timers. DSO was up only 3 days sequentially, and the company had a very good explanation—that Aurora and Polaris got approved in Japan and they can now sell on net 60 day terms in that market.

As we understand it, the shorts also contend that the company effectively lowered EPS guidance for the remainder of 2005 by not raising revenue guidance for the year following the upside surprise in 1Q05. It is true that guidance for the year remains $78-$80 million despite the $1.6 million upside in 1Q05. This is because they plan to update their complete forecast upon FDA approval of Velasmooth. There is no reason we know if to imagine it is because they anticipate weakness.

Price Target Calculation: Our price target on ELOS of $42 per share, which can be found by applying a cosmetic laser peer group median 2006 P/E multiple of 25.5X to our 2006 EPS estimate for Syneron of $1.64 per share.

Key Risks To Price Target: The following risks are business risks associated with the company.

Syneron is incorporated under the laws of the State of Israel and most of the principal offices, manufacturing and research and development facilities are located there. Given the political and military conditions in Israel, operations could be severely affected if hostilities against Israel occur or if trade with Israel diminishes. Employees could be forced to report for military duty, were a national emergency to occur.

The company operates within an "Approved Enterprise" zone within Israel and therefore is not required to pay taxes on earnings for 10 years. If the company fails to meet the requirements to maintain this status, or the tax laws change, profitability could be adversely impacted.

Syneron owns a portfolio of patents (two issued and seven pending in the U.S.) surrounding the ELOS technology. There can be no assurance the company can successfully defend its intellectual property to preclude future competition. Patent litigation can lead to high legal expenses that can adversely impact quarterly financial performance. Conversely, the company could also be accused of patent infringement and be sued by other parties, such as existing litigation that has been filed by competitor Thermage (private) seeking to enjoin the sale of the company's Polaris laser-based system for treating wrinkles and leg veins.

Syneron sells medical lasers and light sources that have little in the way of a recurring revenue stream outside of deferred warranty and service revenue. The laser industry is cyclical with periods of growth being tied to the emergence of new applications like wrinkle removal, hair removal and other indications in the future. Intense product competition and severe price discounting can occur when end-user demand begins to slow following full penetration of the installed base.

The company's Vela Smooth product to treat cellulite has not yet approved in the U.S. Any delay in approval could have an adverse effect on the stock price of ELOS.

Failure to meet quarterly revenue and earnings objectives set by either Wall Street or Syneron could lead to stock price declines.

The company outsources the manufacturing of its products to three subcontractors in Israel. Syneron's operations could be negatively impacted if any of these subcontractors' operations were halted, were unable to fulfill orders or did not meet FDA manufacturing standards.

Product liability lawsuits are risks in the medical device industry, but we would note that Syneron does not sell implantable devices.

The company currently sells its products to aestheticians in the medical spa market overseas and to U.S. spas where physician supervision is available. Any change in U.S. or international regulations that would limit or disallow the ability for aestheticians and non-physicians to operate the company's products could negatively impact operations.

Senior management and directors have agreed to a 90-day additional lock-up for shares they did not sell in the secondary offering on 3/9/05. The numbers of shares for this additional lock-up totals approximately 9 million. When these lock-ups expire, there could be an adverse stock price impact associated with overhang or selling of these shares.

5/3 **Candela Corporation** reported that its revenues for the third fiscal quarter ended April 2, 2005 reached an all-time high of $34.7 million. This compares to $27.7 million for the same quarter last year -- a 25% increase. Revenues for the nine-month period ended April 2, 2005 were $85.3 million, compared to $70.2 million for the same period last year -- a 21% increase. Net loss for the third fiscal quarter was $1.4 million (6 cents per share) compared to net income of $2.0 million (9 cents per share) for the same quarter last year. Net income for the nine-month period ended April 2, 2005 was $4.1 million (18 cents per share) compared to net income of $3.8 million (17 cents per share) for the same period last year.

During the third fiscal quarter, Candela recorded charges for an unfavorable arbitration ruling in its litigation with **The Regents of the University of California** relating to prior period royalty payments. These charges were approximately $5.6 million. In addition, during the third fiscal quarter, Candela recorded a before tax increase in the provision for bad debt of $0.8 million. The increase in the provision for bad debt primarily related to the bankruptcy of **DVI Inc.** Excluding these litigation charges and the provision for bad debt, pro forma net income for the third fiscal quarter was $3.0 million (13 cents per share) and for the nine-month period ended April 2, 2005 was $8.5 million (37 per share).

Gerard Puorro, Candela's president and CEO, commented, "We continue to grow at a healthy rate. During the quarter, we began shipments of our next-generation intense pulsed laser system (I2PL) and the U.S. market has been very receptive to this new entry." Puorro added, "Also, a few weeks ago, we introduced a new FDA-approved application for our GentleYAG, which can now be used for skin tightening. The market reception for that application was positive as well." Puorro continued, "In both China and Brazil, we completed our product registrations, distribution training and marketing plans and we are hopeful that sales in both countries will begin on a steady growth path. The market is also responding to our new Pathways program, which provides our customers choice, flexibility, and value. We remain confident that we will continue to be the growth leader in this space."

5/3 **PhotoMedex, Inc.** announced the results of its operations for the quarter ended March 31, 2005, inclusive of activity from its acquisition of ProCyte Corporation from March 19, 2005 through March 31, 2005. Revenues for the first quarter ended March 31, 2005 were $5.0 million, an increase of 23.8% over the same period last year. Included in these revenues is $623,301 from **ProCyte Corporation**, a company acquired by PhotoMedex on March 18, 2005. This compares to revenues for the first quarter ended March 31, 2004 of $4.0 million.

The net loss for the quarter was $1.1 million (3 cents per share). The net loss for the quarter ended March 31, 2004 was $1.4 million (4 cents per share). As of March 31, 2005, the Company had cash and cash equivalents of $7.3 million.

Jeffrey O'Donnell, PhotoMedex CEO and president, commented, "We are pleased to begin presenting PhotoMedex inclusive of the operations of ProCyte and to now have the combined resources of 30 sales professionals calling on dermatologists and developing both XTRAC and ProCyte products and services. The combined sales force has completed their training and integration and we look forward to their full contribution in the second quarter. I would also like to welcome the ProCyte customers, employees and investors to the PhotoMedex team and look forward to reporting on our combined efforts over the next several quarters as we take advantage of the strengths of both organizations."

Continuing, O'Donnell added, "This was a quarter of substantial progress for PhotoMedex. The continued adoption of positive payment policies from major insurance companies, as well as the six-fold increase in field sales representatives, paves the way to a healthy future for PhotoMedex. Our balance sheet is strengthened and we believe we are on track to achieve profitability and positive cash flow in the near term."

5/4 **Miravant Medical Technologies** announced the closing of an $8 million private placement of convertible Preferred Stock led by **Scorpion Capital Partners LP**, a New York-based SBIC, with net proceeds to the Company of $7.50 million. The Preferred Stock is convertible into Common Stock at the conversion price of $1.00 per share. The Company has also issued a warrant to purchase one share of Common Stock for each convertible share of Common Stock purchased. The exercise price of each warrant is $1.00 per share.

Separately, the Company also announced an amendment to its March 2005 $15.0 million convertible debt line-of-credit agreement, to establish the minimum conversion rate at $1.00 per share of convertible Common Stock or 125% of the average monthly closing price of the month preceding the conversion, whichever is greater.

Gary Kledzik, chairman and CEO, said, "We are very pleased to announce the completion of this funding with Scorpion. The proceeds will primarily support the PHOTREX confirmatory phase III clinical trial for macular degeneration, slated to begin in Europe this summer."

5/5 **BriteSmile, Inc.** released results for the quarter ended March 26, 2005. Total revenue for the first quarter of 2005 was $10.2 million, or 14% below the first quarter of 2004. The number of whitening procedures performed in the first quarter declined 3% compared to last year. The net loss was $3.0 million (28 cents per share) in the first quarter ended March 26, 2005 compared with a loss of $1.2 million (12 cents per share) in the first quarter of 2004. Earnings before interest, tax, depreciation, and amortization (EBITDA) was a loss of $2.5 million in the first quarter 2005, excluding a $0.7 million non-cash charge to BriteSmile's income statement related to the stock grant to the new CEO hired in January 2005. This compares to an EBITDA of $0.6 million in the first quarter of last year. EBITDA is a non-GAAP financial measure.

Other key highlights for the first quarter were:

* Center whitening fees of $4.4 million were 2% higher than last year.
* Associated Center whitening fees of $4.4 million were 12% lower than the first quarter of 2004.
* Product sales and other revenue of $1.4 million were 45% lower than last year. The decrease compared to the first quarter of last year was primarily due to the launch of the BriteSmile-to-Go (BTG) take-home whitening pen in the dental distribution channel that continued into the first quarter of 2004.
* Signed a lease to open our eighteenth whitening spa in Tyson's Corner, Virginia, which is planned to open in the third quarter of this year.
* Launched integrated professional and consumer press campaign to publicize the oral health benefits of the BriteSmile whitening procedure.

"Although revenues are beginning to show some positive momentum following the fourth quarter of 2004, we are not satisfied with the EBITDA loss," said Gregg Coccari, BriteSmile CEO. "We are continuing to perform numerous marketing tests and are implementing new sales initiatives to optimize our sales and marketing efforts and improve revenue momentum. In addition, we are continuing our footprint expansion with the announcement of our newest spa scheduled to open in Tyson's Corner in the third quarter of this year."

5/9 **DUSA Pharmaceuticals, Inc.** reported its corporate highlights and financial results for the first quarter ended March 31, 2005.

Corporate Highlights: As reported earlier, Q1 2005 end-user Levulan Kerastick net sales to physicians totaled 28,704 Kerastick units, versus 12,054 in Q1 2004. Sales volumes for the quarter were enhanced by successful showings at both the *South Beach Dermatology*' and *American Academy of Dermatology* annual meetings. BLU-U placements for the quarter totaled 131, with 1,045 units in doctors' offices at quarter-end, compared with 534 at the end of Q1 2004. Total revenues for the quarter were $3.37 million, up from $1.26 million in Q1 2004.

During the quarter, DUSA also announced a significant expansion in its sales team, from 22 to 31, as well as some important additions/changes to the management team. The latter included Bob Doman joining DUSA as President and COO, Gary Talarico joining as VP, Sales, and the promotion of Rich Christopher to CFO.

DUSA has also commenced Part B (the efficacy phase) of its Phase II photodamage skin study, and completed enrollment in the first of three cohorts of the Phase II multi-center acne study, treating 24 patients with a total of 81 PDT sessions. It is anticipated that we will have primary efficacy and safety data for both of the Phase II studies around year end 2005. We also received the Notice of Final Determination for the Hatch-Waxman Patent Term Extension for Actinic Keratosis, which will extend our patent claims that cover AK from July 2009 to October 2013. As previously announced, we have received a new supply of BLU-U units, and are in a positive inventory position.

Subsequent to the end of the quarter, we announced the outcome of our Australian litigation with PhotoCure. The validity of our Australian patent has been upheld following litigation, although the Court has ruled that in Australia, PhotoCure's product does not infringe our patent. We continue to negotiate a potential settlement for the U.S. and other jurisdictions with PhotoCure.

Geoffrey Shulman, DUSA's Chairman and CEO, stated "Interest in Levulan photodynamic therapy (PDT) continues to be strong, as our therapy continues to gain acceptance as an important therapeutic tool in dermatology. Overall, we are pleased by the positive trends we are seeing in such key metrics as number of reordering customers and new customers on a quarterly basis. In addition, our average net selling price for the Kerastick increased to $87.44 in the first quarter from $74.27 in the first quarter of 2004.

We believe that DUSA is now much better positioned to take advantage of the market opportunities for Levulan PDT in dermatology and other fields. With our strengthened management team, increased sales force, and a variety of educational and marketing initiatives, we anticipate significant year-over-year increases in sales going forward, although variability in quarterly growth rates at this early stage of the adoption curve is still to be expected. Now that we have a specialty dermatology sales force, we are also actively working on in-licensing and/or developing additional dermatology products; while continuing to work on out-licensing Levulan PDT for dermatology in territories outside of North America."

Financial Highlights: For the three months ended March 31, 2005, DUSA's net loss was $4.3 million (26 cents per share) compared to a loss of $4.4 million (30 cents per share) for the comparable 2004 period. This slight decrease in our year over year loss is primarily due to increased margins on the sales of our products due to higher sales volumes and lower general and administrative expenses offset, in part, by increased marketing and sales costs.

Revenues for the three months ended March 31, 2005 were $3.4 million, compared to $1.3 million in 2004 and were comprised of the following:

Kerastick product revenues — $2.5 million

BLU-U product revenues — $859,000

The increase in 2005 Kerastick revenues was driven by a number of factors including: improved sales volumes, our decision to increase our average unit selling price as of November 2004, increased levels of direct distribution to customers, and a reduction in our overall sales volume discount programs. The increase in 2005 BLU-U revenues was also driven by both improved sales volumes and an increase in our average selling price. Total product revenues for the first quarter of 2005 reflect the highest quarterly level of product revenues to date. However, revenues must continue to increase significantly in order for DUSA to become a profitable operating company.

Total product gross margins for the three months ended March 31, 2005 were $1.4 million as compared to $430,000 for the comparable 2004 period. Kerastick gross margins increased to $1,530,000 or 61% from $465,000 or 52%. The increase in Kerastick margin is directly attributable to the increase in Kerastick revenues. BLU-U gross margins were ($165,000) or negative 19% in 2005 versus ($35,000) or negative 10% in 2004. The erosion on margin is directly attributable to the fact that in 2005 we are selling newly purchased units with an associated production cost, as compared to the 2004 period, during which we sold units that had a zero net book value due to inventory impairment charges recorded during 2002. The erosion was somewhat offset by an increase in BLU-U revenues. Additionally, during the 2005 quarter we sold most of the units at a discounted price at the major medical conferences we attended, which also affected our margins. Our short-term strategy is to approach breakeven on device sales in an effort to drive Kerastick sales volumes. However, longer term, our goal is to move towards a reasonable profit margin on all device sales.

Total operating costs for the three months ended March 31, 2005 were $6.1 million as compared to $5.2 million in 2004. Research and development costs remained relatively flat at $1.6 million and $1.7 million respectively, as we continue to move forward with our Phase II clinical trials for use of Levulan PDT in photodamaged skin and moderate to severe acne vulgaris. Marketing and sales costs increased to $2.8 million in 2005 as compared to $1.4 million for 2004. The increase is mainly due to the expansion of our sales team from 8 employees as of March 31, 2004 to 31 employees as of March 31, 2005; as well as our increased presence at major tradeshows. General and administrative costs decreased to $1.7 million in 2005 as compared to $2.2 million for 2004. This decrease is mainly attributable to lower legal expenses incurred due to the absence of patent litigation costs in Australia as the final hearing in the PhotoCure litigation was held in April 2004. The savings related to the Australian litigation is partially offset by the litigation costs against two compounding pharmacies and higher levels of general corporate expenses to support our expanding business.

As of March 31, 2005, total cash, cash equivalents, and United States government securities, including long-term instruments, were $43.8 million, compared to $49.3 million at the end of 2004. This decrease is primarily attributable to the funding of our operational expenses, most notably our marketing and sales and research and development efforts in support of our current and future products.

5/12 **Spectranetics Corporation** announced that it had recently received 510(k) clearance from the FDA to market its enhanced lead locking device (LLD E) featuring several design enhancements that will save deployment time, improve navigation through tortuous vascular anatomy and provide additional stability to the pacemaker or defibrillator lead being removed. The market launch for this device began last week at the *Heart Rhythm Society* meeting in New Orleans, Louisiana.

Charles Kennergren, MD, a cardiovascular surgeon at Sahlgrenska University Hospital in Goteborg, Sweden, stated, "Tortuous leads are one of the major challenges in lead extraction. The improved tip flexibility of the new Spectranetics LLD E can significantly enhance trackability in these often demanding cases."

The LLD E may be used alone or in combination with the Spectranetics Laser Sheath. Together, these devices are marketed as CLeaRS (Cardiac Lead Removal System). The LLD E utilizes proprietary technology that locks onto the entire working length of the inner wall of the lead being removed, providing a stable platform for the lead extraction.

5/16 **BIOLASE Technology, Inc.** announced that the Company met with the NASDAQ Listing Qualifications Panel on May 12, 2005, to discuss the continued listing of BIOLASE's securities on the NASDAQ National Market. At that meeting, the Company discussed its progress in completing its Annual Report on Form 10-K for the year ended December 31, 2004, and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as well as any potential prior period adjustments. The Company's securities will continue to be listed on NASDAQ while the Panel considers whether to grant an extension. The Company expects to receive a decision from the panel within the next 35 days. At the meeting, the Company agreed to keep the Panel apprised of its progress as it works to complete its Form 10-K and Form 10-Q.

5/16 **BriteSmile, Inc.** released updated results for the quarter ended March 26, 2005. Total revenue for the first quarter of 2005 was $9.9 million, or 15% below the first quarter of 2004, and $0.2 million lower than reported in our earnings release issued May 5, 2005. This decline of $0.2 million from the previously reported revenue was due to an increase in deferred revenue related to selected international sales.

The updated net loss was $3.2 million (30 cents per share) in the first quarter ended March 26, 2005 compared with a loss of $1.2 million (12 cents per share) in the first quarter of 2004. This is $0.2 million worse than previously reported, due to the change in first quarter revenue.

5/16 **Cardiogenesis Corporation** announced results for its first quarter ended March 31, 2005. The Company reported that revenues in the first quarter of 2005 were $3.0 million compared to $4.0 million in the same period in 2004, a decrease of 26%. Revenues in the 2005 first quarter were impacted by a decrease in laser sales. The Company reported a favorable increase in handpiece shipments with 766 handpieces shipped worldwide. This is the second highest quarterly handpiece shipment of the previous five quarters.

Gross profit margins in 2005 decreased by 6% in the first quarter to 80% compared to the same period in the prior year. The decrease in margins is primarily attributed to the decreased volume in higher margin laser sales resulting in lower overall profit margins.

Chairman and CEO Michael Quinn commented on the first quarter results, "We are encouraged by the increase in handpiece sales that we achieved in the first quarter, a trend that we continue to see in the second quarter. We are very encouraged by the handpiece volumes generated both domestically and internationally, a sign that we are making progress towards sustained adoption of the TMR procedure. Our goal is to continue increasing procedural generated revenue thereby reducing our dependence on capital sales to meet short term goals."

Sales, general and administrative expenses in the first quarter increased approximately $816,000 from the prior year period to $3.7 million due primarily to increased headcount due to expansion in sales and marketing which occurred in the first quarter. In addition, the Company incurred increased costs attributed to trade shows and increased marketing expenses due to the introduction of the new minimally invasive platform and Cellerator platelet- rich plasma product line. Research and development costs increased by $59,000 to $350,000 for the 2005 first quarter from the prior year quarter. The increase resulted from costs incurred for the development of the new handpieces for the minimally invasive TMR platform.

For the first quarter of 2005, the Company generated a loss from operations of $1.7 million and a net loss of $2.8 million which includes non-operating, non-cash interest and other charges of $1.1 million primarily resulting from the valuation of warrants and derivatives related to the convertible debt financing completed in October 2004.

"Despite the lack of capital sales during the quarter, we are still very encouraged by several events which have taken place since the beginning of the year," Quinn commented. "We increased our handpiece volume in the first quarter over the prior year first quarter. We have seen this momentum increase into the second quarter, both domestically and internationally. We do consider the first quarter laser revenue to be an anomaly, and expect to see that revenue component rebound during the current quarter."

"We increased our sales force by 30% in the first quarter," Quinn added, "creating three new territories and hiring two highly experienced and successful general managers. We are already starting to see the positive effects of this sales force expansion on our second quarter in terms of our handpiece volumes continuing on their positive trend."

During the first quarter of 2005, the Company shipped 7 lasers and worldwide disposable shipments were 766 units. This compares to the shipment of 9 lasers and worldwide disposable shipments of 739 units in the first quarter of 2004.

5/16 **Diomed Holdings, Inc.** reported that **Diomed Ltd**, its UK subsidiary and manufacturing facility has been awarded the 2005 Queen's Award for Enterprise. The Queen's Award for Enterprise is recognized as a major industry achievement and is awarded to elite businesses following a thorough and demanding judging process. Diomed's award in international trade is awarded annually to a select group of UK-based businesses which must attain a high standard of industry excellence by their management and workforce alike; exhibiting innovation, professionalism and sustained growth in their specific markets.

"We are delighted to have been granted this prestigious award," stated Kevin Stearn, Managing Director of Diomed, Ltd. "Our Cambridge team has been an integral part of driving the growth of Diomed's business around the world, particularly in EndoVenous Laser Treatment of varicose veins. Over the last 3 years Diomed Holdings' UK subsidiary, Diomed, Ltd., has seen a worldwide increase in sales of over 71%, with 95% of its revenue being generated from export sales. This award is a tribute to our team's dedication and commitment."

5/16 **Trimedyne Inc.** reported a 9% increase in revenues to $1.4 million for the quarter ended March 31, 2005, compared to revenues of $1.3 million for the same quarter of the prior year. Revenues for the six months ended March 31, 2005, were $3.2 million, an increase of 22% from revenues of $2.7 million in the year-ago period. Although revenues increased during the current quarter ended March 31, 2005, Trimedyne had a net loss of $24,000 (0 cents per share), compared to a net profit of $149,000 (1 cent per share) in the prior year quarter. However, the profit for the prior year quarter included the benefit of $177,000 of other income, whereas other income in the current quarter was $45,000 and R&D costs in the current quarter increased 53% to $144,000 in the current year quarter from $94,000 during the same quarter of the prior year.

As a%age of sales, compared to the same quarter of the prior year, the company's cost of goods decreased to 49% from 53%, SG&A increased to 45% from 42%, R&D expenses rose to 10% from 7% and gross profit increased to 51% from 48%.

For the six months ended March 31, 2005, the company had a net profit of $149,000 (1 cent per share) compared to a net profit of $314,000 (2 cents per share) in the same period of the prior year. The profit for the six-month period of the prior year included the benefit of $300,000 of other income, whereas other income in the current six-month period was $45,000. R&D costs in the current six-month period increased to $277,000 from $161,000 during the same period of the prior year. As a percentage of sales, compared to the same period of the prior year, the cost of goods decreased to 50% from 52%, SG&A decreased to 39% from 41%. R&D expenses increased to 9% from 6% and gross profit increased to 50% from 48%.

GlennYeik, president of Trimedyne, said: "We are pleased to report an increase in sales in the current quarter and six-month periods, compared to the year-ago periods. We have achieved a net profit for the first six months of this year, despite the increase in SG&A due to the loss in sub-lease income and increase in R&D due to increased development of new products. We are planning to introduce some new products shortly, and as a result, marketing expenses are expected to rise in the coming months. We anticipate our revenues will increase from sales of the new products, although such cannot be assured."

5/17 **Lumenis Ltd.** announced preliminary and unaudited financial results for the first quarter ended March 31, 2005.

First Quarter Results: Revenues in the first quarter were $64.7 million compared with $65.7 million in the same quarter last year. Gross profit in the first quarter was $26.8 million, or 41.4% of revenues, compared with $31.2 million, or 47.5% of revenues, in the first quarter of 2004. Gross profit in the first quarter of 2005 reflects higher parts consumption than in the comparable quarter in 2004 and inventory adjustments.

Operating expenses in the first quarter were $28.6 million, or 44% of revenues, compared with $32.0 million, or 49% of revenues, in the first quarter of 2004. Operating loss in the first quarter of 2005 was $1.8 million compared with an operating loss of $0.9 million in the same quarter of 2004.

Net loss in the first quarter was $5.8 million (15 cents per share) compared with a net loss of $5.0 million (14 cents per share) in the first quarter of 2004.

Net cash flow from operating activities was a negative $5.3 million in the first quarter of 2005 compared with a net positive cash flow from operating activities of $2.8 million in the first quarter of 2004. At March 31, 2005, the Company had $14.3 million of cash and cash equivalents and unused borrowing capacity under its committed lines of credit of an additional $27.6 million. Total bank debt at quarter-end was $192 million compared with $190 million at December 31, 2004. Based on the preliminary and unaudited results for the quarter, the Company is in compliance with its covenants under its bank agreements.

Commenting on the results, Avner Raz, Lumenis' President and Chief Executive Officer said, "Q1 results offer good insight into the progress that we have made in strengthening our presence in the Americas; in improving our standing in the aesthetics market; in gaining momentum in the surgical segment as well as in the ophthalmic market, when we exclude the impact of the terminated **Wavelight** distribution agreement on ophthalmic sales in Europe and Americas, and in realizing good operating leverage.

"However, operationally, as we saw in the previous quarter, we still have work ahead of us to drive greater efficiencies into our activities. The Q1 results also point out the key challenges we face, which are to achieve better revenue growth in Asia, to bring our inventory and materials planning under better control, and to improve the profitability of

our service business. We have the programs in place to meet these challenges successfully and the commitment of the management and employees to execute those plans," he added.

Revenue Breakdown: First quarter sales by geographic region were as follows ($ in millions):

	Q1/05	Q1/04
Americas	$32.4	$27.8
Europe	$15.0	$18.5
Asia and Japan	$17.3	$19.4

First quarter sales by product line were as follows ($ in millions):

	Q1/05	Q1/04
Aesthetic	$22.0	$20.4
Surgical	$12.7	$12.4
Ophthalmic	$12.6	$16.1
Dental	$0.9	$1.8
Service/Other	$16.5	$15.0

5/17 **TRIMEDYNE INC.** announced it had entered into a License Agreement with **Northwestern University**, Evanston, Ill., under which Trimedyne acquired an exclusive license to the Hydrostat invented by John Pandolfino, MD and others of the Gastroenterology Department of the University's Medical School. The Hydrostat measures the resistance (opening pressure) of the sphincter valve of the esophagus. If the resistance is too low, acid in the stomach may enter the esophagus causing gastro esophageal reflux disease or GERD, commonly known as "heartburn." If not treated, damage to the esophagus over time may lead to esophageal cancer, an often fatal condition.

Trimedyne has begun the development of a new, small laser and disposable fiber optic device to shrink the lower esophagus to tighten the sphincter and increase its resistance, preventing stomach acid from entering the esophagus. The Hydrostat shows the physician when the sphincter has been sufficiently tightened.

An estimated 21 million people in the United States and millions more outside the U.S. suffer from GERD. Drugs and OTC medications that treat the discomfort, but not the cause of GERD, must be used by 25% to 50% of GERD patients for the rest of their lives. Injections of polymers are successful in only some patients, and staples to cinch the esophagus may cause bleeding and pain. Although symptoms can be controlled with medications, the only cure for GERD is surgically wrapping a portion of the upper stomach around the lower portion of the esophagus and sewing it into place.

Trimedyne's laser procedure to treat GERD is being designed to be performed through a flexible endoscope on an outpatient basis. Clinical trials must be successfully concluded before an application for clearance to market Trimedyne's new laser, fiber optic device and the Hydrostat can be filed with the U.S. FDA.

5/18 **PLC Systems Inc.** provided an update for the Optiwave 980 Cardiac Laser Ablation System business line. In the first quarter of 2004, PLC and **Edwards Lifesciences** entered into an exclusive, multi-year agreement to develop and manufacture the Optiwave 980 System. Throughout 2004 PLC and Edwards worked together to enhance the technology, which included the development of less invasive approaches to this therapy. In the first quarter of 2005, Edwards and PLC further enhanced the epicardial Optiwave 980 System and returned to marketing trials. Clinical experience with the new version will help shape future launch plans. To facilitate the marketing trials, Edwards built an inventory of Optiwave 980 disposable handpieces.

"To date, PLC's revenues recognized from the Optiwave 980 System consists of lasers sold to Edwards for use in their marketing evaluations," stated Mark Tauscher, president and CEO of PLC Systems. "PLC does not expect significant revenues from Optiwave 980 System sales until Edwards commercially launches the system into the market and we successfully increase our disposable manufacturing capacity to meet Edwards' sales demand. We believe it will take us approximately six months to increase our disposable manufacturing capability from the time that Edwards decides to commercially launch the Optiwave 980."

5/18 **Trimedyne, Inc.** announced it had received clearance from the FDA to market its new, patented VaporMAX Side Firing Laser Fiber which, based upon animal tissue bench testing and published data, vaporizes tissue faster and lasts longer than other currently marketed side firing laser fibers. Marketing of the VaporMAX Fiber will commence in June. The VaporMAX Laser Fiber has been cleared for sale by the FDA for use with Trimedyne's 80 watt Holmium Lasers and **Lumenis** (**Coherent**) 60-100 watt Holmium Lasers, which are cleared for the treatment of benign prostatic hyperplasia or BPH, commonly referred to as an enlarged prostate. BPH affects approximately 50% of men over age 55, and about 200,000 procedures are performed to treat BPH each year in the United States.

Many hospitals in the United States and overseas already own, lease or rent a high power Trimedyne or Lumenis (Coherent) Holmium Laser. These hospitals can buy Trimedyne's VaporMAX Fiber to treat BPH, without having to buy a new laser. Laser vaporization of the prostate procedures to treat BPH are now being reimbursed by Medicare under the New Technology Ambulatory Payment Classification (APC) Code 2525 (CMS Transmittal 132, Publication 100-04) at $3,750 per treatment, about twice the old reimbursement rate.

Laser vaporization of the prostate is rapidly replacing surgical resection of the prostate, because it typically eliminates the 1-3 day hospital stay and reduces the bleeding, general

anesthesia risk, impotence and incontinence of the surgical procedure. Rapid vaporization of the prostate minimizes procedure and costly operating room time, and the higher reimbursement rate makes these procedures attractive to physicians, hospitals and outpatient surgery centers.

5/19 **BIOLASE Technology, Inc.** announced that the Company's management had recommended, and the Company's Audit Committee has concluded, that its financial statements as of and for the years ended December 31, 2002 and 2003 included in its Annual Report on Form 10-K for the year ended December 31, 2003, as well as the financial statements included in its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004 will need to be restated as a result of certain adjustments previously described in the Company's March 17, 2005 press release and therefore the above referenced financial statements as such should no longer be relied upon. A primary consideration in reaching this conclusion was the significance of the under accrual of sales tax and related penalties and interest in 2002. The aggregate impact of corresponding adjustments in 2003 and the first three quarters of 2004 relating to the sales tax and penalties and interest, together with other adjustments in 2003 and 2004 that were not individually material, led the Audit Committee to conclude that 2003 and the first three quarters of 2004 also need to be restated. The Company and the Audit Committee discussed the conclusion to restate its financial statements with the Company's independent registered public accounting firm.

The Company has concluded that the aggregate effect of the adjustments to be made to the historical financial statements will result in pretax income in 2002 being reduced by approximately $440,000, pretax income in 2003 being reduced by approximately $520,000, and pretax income for the first three quarters of 2004 being increased by approximately $360,000. These adjustments, on a cumulative basis, represent approximately $600,000, or approximately 6% of the total cumulative pretax income for 2002, 2003 and the first three quarters of 2004, as originally reported.

"We appreciate the continued patience of our shareholders. We are pleased to have put behind us the sales tax issue, in particular the accounting treatment of penalty and interest, and the development of a system to track sales tax on an ongoing basis. We look forward to completing our audit and getting our 2004 Form 10-K and 10-Q/As for the first three quarters of 2004 on file as quickly as possible," commented Robert E. Grant, President and Chief Executive Officer.

The Company remains committed to completing its financial review at the earliest possible time. The accounting analysis is ongoing and the scope of the Company's work is subject to continuing review; therefore, management may have further assessments of these and any other transactions it reviews and consequently, the final financial results may vary materially from this preliminary report.

Update to Form 10-K and Form 10-Q Filings

At this time, the Company has completed its analysis related to the **Diodem** transaction, as previously discussed in its March 17, 2005 press release, and expects to expense a majority of the consideration in the fourth quarter of 2004, since it was attributable to the settlement of the related lawsuit. The Company is close to finalizing its financial statements for fiscal year 2004. Management's assessment of internal control over financial reporting as required by the Sarbanes-Oxley Act Section 404 also remains an open item with respect to completing the financial review for 2004. As previously mentioned in a press release dated March 17, 2005, the Company expects to identify significant deficiencies and now believes there are at least two material weaknesses in its system of internal controls related to the accounting for sales taxes and the identification of the impairment of indefinite-lived intangible assets. The Company is continuing its assessment, including the impact of the adjustments described herein, and may identify additional material weaknesses; however, due to the expected material weaknesses identified, the Company expects it will conclude that its internal control over financial reporting was not effective at December 31, 2004 and expects that its independent registered public accounting firm will likewise conclude the Company's internal control over financial reporting was not effective at December 31, 2004.

The Company will file its Form 10-Q for the first quarter of 2005 as soon as practicable after filing its Form 10-K for 2004.

5/19 John Calcagnini of **CIBS World Markets** issued an update on **Syneron**: **ELOS: FDA Deadline for Velasmooth Is Upon Us**

We remind investors that the timeline for the FDA decision on the Velasmooth Cellulite device approval is upon us. Following conversations with the company, it is unclear if the deadline is this week or early next week.

We would note that there is always the possibility for the FDA to ask additional questions, but we do not expect any major delays. We suppose that minor delays could occur as Vela is a new category of product, but one that has predicate devices for all of its components.

We continue to believe that the launch of the Comet high-volume hair removal system is gathering steam in the U.S. this quarter, and we believe that overall trends in the business are in good shape. Also note that our 2005 model assumes no Vela revenue in the U.S.

We are reiterating our Sector Outperformer rating and $42 price target and remain optimistic about the company's new product launches and new product pipeline.

5/20 **Syneron Medical Ltd.** announced that the FDA had requested additional technical information on its 510(k) Premarket Notification application for the VelaSmooth system. Head of Clinical and Regulatory Affairs for Syneron, Dr. Amir Waldman, reported that

"The FDA asked two specific technical questions and we promptly submitted answers to these inquiries according to standard 510(k) procedure."

5/20 **BriteSmile, Inc**. announced that a Federal District Court Judge in San Francisco had issued a ruling that clears the way for BriteSmile to proceed with its claims of infringement involving the three patents in its lawsuit against Discus Dental. The ruling provided the definitive legal pronouncement as to the scope of the three patents. The lawsuit will now proceed on BriteSmile's charges of patent infringement by **Discus Dental** of U.S. Patent Numbers 6,343,933; 6,514,543; and 6,536,628 based on both the sale and the use of Discus Dental's Zoom!, Nite White, Day White and Excel products.

"We believe based on the recent ruling from Judge White that BriteSmile has valid patents that are being infringed by Discus. We look forward to the next steps of completing our discovery and bringing our proof to a jury," said Nhat Ngo, executive vice president and General Counsel for BriteSmile. Following discovery, BriteSmile will move for summary judgment to ask the judge to rule in its favor without the need for a trial.

"What is particularly alarming is that public statements made recently by Discus Dental amount to a gross mischaracterization of the facts of the case in an obvious attempt to confuse the dental community and market participants. In fact, Judge White's recent ruling was highly favorable to BriteSmile, providing a ruling on the scope of the remaining patents that leads to the inevitable conclusion that these patents are not only valid, but infringed by Discus," said Ngo.

BriteSmile brought suit against Discus Dental in Federal District Court in San Francisco, California in 2002 charging Discus Dental with unfair business practices and tortious interference under California state law, including targeting dentists with illusory and illegal marketing incentives.

A second suit followed shortly thereafter seeking an injunction and damages for infringement by Discus Dental of key patents owned by BriteSmile involving its proprietary light-activated teeth whitening technology using peroxide and photosensitizer compositions and patents involving a two component whitening gel.

BriteSmile's complaint was amended in 2003 by adding Salim Nathoo, BriteSmile's former Medical Director, as a defendant. The amendment states that Discus Dental paid Nathoo $2.5 million over less than a two-year period for "consulting" services, which included divulging 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.

5/23 **Laserscope** announced that it had introduced an enhanced version of its revolutionary GreenLight laser system for Photoselective Vaporization of the Prostate (PVP) at the 100th *American Urological Association* Annual Meeting. The meeting is currently taking

place until May 26, 2005 at the Henry B. Gonzalez Convention Center in San Antonio, Texas.

GreenLight Laser System Re-engineered: The improved GreenLight laser system has been re-engineered and integrated with new fiber-optic delivery device enhancements to provide physicians with even better performance through maximum fiber flexibility and control. Increased system up-time, faster new site set-up time and "real-time" response to fiber manipulation are just a few of the important features of the enhanced GreenLight laser and the integrated fiber-optic delivery device. Laserscope will begin shipping the improved version of the system and delivery device immediately to new customers and plans to make the new features available to its current installed base through an upgrade program.

Medical Abstracts Confirm Benefits of PVP: The 2005 AUA Annual Meeting will feature the presentation of 10 studies related to Laserscope's PVP procedure, including two randomized trials comparing PVP and Trans Urethral Resection of the Prostate (TURP), the surgical 'gold standard' for Benign Prostatic Hyperplasia ("BPH"), or enlarged prostate. The randomized studies mark a significant milestone because they independently affirm that PVP delivers comparable clinical outcomes with substantially lower risks and complications, and shorter recovery times. All of the presented abstracts, which were written by prominent researchers and physicians from around the world, once again confirm the significant benefits of PVP using the GreenLight laser system over other forms of BPH treatments and demonstrate:

* Improved healthcare costs through utilization of the PVP procedure;
* Substantial improvement in safety over TURP, while providing equivalent efficacy; and
* The safety and effectiveness of PVP for a wide variety of patients including those with special needs such as those who are fragile, those with large prostate glands and those being treated with blood thinning medication for other ailments.

For a complete list of the PVP-related abstracts being presented at the 2005 AUA annual meeting please visit Laserscope's website (**www.laserscope.com**) and click on "Urology."

"We are very excited to have such a significant presence at this year's AUA annual meeting," said Eric Reuter, president and CEO of Laserscope. "Our improved GreenLight laser system and delivery device should be a highlight of the meeting, as the enhancements improve system performance, making treatment of BPH even easier.

"The number of abstracts being presented at this year's meeting about our PVP procedure is much higher than at any past conference, indicating a growing interest in PVP as a preferable alternative to many other forms of BPH treatment. In fact, we believe this year's presentations continue to show that PVP is quickly becoming the de facto standard of care for the treatment of BPH. The outpatient nature of the procedure, combined with a well-demonstrated safety and efficacy profile, is propelling PVP toward the number one

position as the treatment of choice for the many men around the world exhibiting symptoms of BPH."

5/24 **Syneron Medical Ltd.** and its Chinese distributor, **Miracle Laser**, announced today that the State Food & Drug Administration (SFDA) of the People's Republic of China has granted regulatory approval to sell Syneron's products in China. The SFDA approval is a significant milestone in Syneron's penetration of one of the world's largest aesthetic medical laser device markets. "The Chinese regulatory environment has matured in recent years to match the high quality expectations of the Chinese consumer," noted Thomas Goslau, Syneron's Director of Marketing & Sales for Asia-Pacific. "The SFDA approval firmly endorses and validates our products in the eyes of our customers, who must still deal with the numerous low-cost and non-approved foreign products that have flooded the Chinese market."

The approval comes on the heels of Syneron and Miracle Laser signing a strategic partnership agreement to develop the Chinese market for Syneron's elos (Electro-Optical Synergy) product platforms. Ms. Vivian Peng, CEO of Miracle Laser added, "We are excited to have Syneron as a strategic partner in the Chinese market. Syneron's strong record of efficacy and safety in Asia, backed by SFDA approval, will support and energize our aggressive and combined effort to rapidly penetrate the market."

"Miracle has demonstrated itself to be the most powerful company in China for the distribution of innovative high-end light technologies for aesthetic medicine," commented Shimon Eckhouse, Syneron's chairman and inventor of the elos and IPL technologies. "Their reputation for outstanding customer support matches our 'Ultimate Customer Care' philosophy and we are proud to have them on board."

5/24 Patients at the **MIAMI Institute for Age Management & Intervention** at the Four Seasons Hotel & Tower will be among the first in the country to experience treatment of facial wrinkles, scars and brown spots with the SINON and BURANE XL lasers from **WaveLight**. Although new to the U.S., WaveLight is an elite established German brand known throughout Europe and Asia for innovative technology and ergonomic design, which provide a comfortable patient experience and excellent results.

"We obtained the SINON and BURANE XL as soon as they received FDA approval this year because they fit so well within The MIAMI Institute's philosophy of providing the very best options for individual rejuvenation services," said Dr. Julio F. Gallo, M.D., F.A.C.S., Medical Director at The MIAMI Institute. "WaveLight has harnessed the latest scientific advances in laser energy to provide patients quick treatment time, maximum comfort and outstanding results -- values that are consistent with our approach."

The MIAMI Institute for Age Management & Intervention is a one-of-a-kind, leading edge surgical center and medical spa dedicated to providing progressive medicine, advanced technology and encompassing treatments that prevent and reverse the effects of aging. Dedicated to providing patients with the most sophisticated tools in this effort,

The MIAMI Institute's medical team chose WaveLight among a broad array of available lasers for its superior efficacy.

Lasers have become an essential tool of today's cosmetic surgeon, representing almost 20 percent of all cosmetic procedures in 2004(a). Depending on the type of laser and wavelength, they can be used for hair removal, leg/spider vein treatment, skin resurfacing, treatment of wrinkles and scars - even tattoo removal. One laser cannot do everything, however, and doctors must carefully select specialized lasers to perform specific treatment tasks.

The SINON, a q-switched ruby laser, offers a fast, effective solution for brown spots on hands, body and face. These pigmented lesions are typically caused by sun exposure or hormonal changes and can be a telltale sign of the aging process. The SINON works by targeting and vaporizing the pigment of the brown spots, without harming the skin. Because it can target large areas at a time, the SINON can treat a patient's hands or upper arms in less than an hour with minimal patient discomfort. The SINON also has the ability to remove most tattoos, a procedure that has grown in popularity as baby boomers re-evaluate tattoo designs from their youth.

The BURANE XL, an Er:YAG laser, offers three different approaches to skin rejuvenation, allowing physicians at The MIAMI Institute to offer the ultimate customization for treatment of wrinkles and scars. In one mode, the BURANE XL offers classic skin ablation, using laser energy to resurface or "ablate" the skin surface, smoothing moderate to severe wrinkles and scars. This is an intense laser procedure requiring anesthesia and post-treatment healing time before the "new" improved texture skin emerges weeks later.

In a second mode, the BURANE XL can be used for non-ablative skin rejuvenation, targeting the laser energy deeper into the skin, inducing collagen formation with minimal damage to the skin's surface. This gentler, non-invasive method promotes improved skin texture and tone, and patients can return to normal activity immediately. The third, and most exciting, unique option, is a combination mode that allows the physician to combine the ablative and non-ablative modes for truly customized treatment and superior results.

"We're extremely proud to be among the first to offer state-of-the-art laser treatments for patients who want skin rejuvenation," said Steve Watson, President & CEO at The MIAMI Institute. "The SINON and BURANE XL are valuable tools for The MIAMI Institute's medical staff and we're confident our patients will appreciate the versatility and effectiveness of these premium lasers."

MEDICAL/SURGICAL LASER UPDATE — June 2005

5/31 **Laserscope** announced that it and **McKesson Medical-Surgical Inc.** had agreed to amend the parties' original distribution agreement, which provided McKesson exclusive rights to distribute Laserscope's core aesthetic laser products in the United States. The

amendment to the distribution agreement makes McKesson's distribution rights non-exclusive, extends the term of the distribution agreement for an additional five years (subject to the pre-existing termination provisions), increases the suite of products covered by the distribution agreement to include Laserscope's new Solis intense pulse light device and certain future light-based aesthetic treatment devices, and makes changes related to transfer pricing.

"We are pleased to have extended our agreement with McKesson for an additional five years, and believe the amended agreement better aligns our respective interests with current marketplace opportunities," said Eric Reuter, president and CEO of Laserscope. "In particular, the new structure of the relationship allows us both to enter into other distribution relationships, allows Laserscope higher margin on products sold through leads generated by Laserscope, and expands McKesson's opportunities to sell our current and future aesthetic products throughout the United States."

5/31 **Palomar Medical Technologies Inc.** announced their inclusion in *BusinessWeek's* Annual List of 100 "Hot Growth Companies" ranking number four on the list of 100 best small companies. According to BusinessWeek, the elimination process begins by sorting through a database of 2,200 publicly traded companies whose revenues are in the range of $50 million to $1.5 billion a year and ranking those companies by sales and earnings growth, as well as return on capital over three years. Those companies who under perform the NASDAQ composite are eliminated, as well as those who recently released disappointing earnings. The top 100 companies make BusinessWeek's "Hot Growth" list.

Palomar CEO, Joseph Caruso commented, "We are pleased to be included on such a prestigious list. Our accomplishments and business strategies are being recognized by both the financial community and the public. We have been able to execute an aggressive growth strategy resulting in revenue increases of 57% and profit increases of 216% over the past year. We also continue to balance our current business expansion with our long term objective of driving our technology to the mass consumer markets with **Gillette** and **Johnson and Johnson**, our development partners. Our technology provides simple, safe and effective light-based cosmetic treatments and is perfectly positioned to address the ever growing trend in society to look and feel younger. These new methods of treatment can provide cosmetic results that are much greater than any previous technology and are capable of addressing multi-billion dollar markets. Our thanks to our employees and shareholders for supporting our vision and helping to achieve each milestone, including being number four of America's top 100 best small companies!"

6/1 **WaveLight Laser Technologie AG** presented its new IDAS aesthetic laser system for the gentle treatment of unsightly superficial vascular alterations in the facial area at this year's meeting of the *German Dermatological Society (DDG)* in Dresden. With the IDAS laser, WaveLight is launching a high-performance laser system for aesthetic dermatological applications on the market that is convincing both from the point of view of quality of treatment and effectiveness, and in economic terms.

The powerful 8-watt laser system has a wavelength of 532 nm, which significantly improves the treatment for vascular alterations. This is also confirmed in practice by reports from current clinical trials. During the development of the aesthetic laser, WaveLight placed great importance on the simple handling of the system. This is not only an advantage for day-to-day operation of the device, but also saves on costs. The compact design of the IDAS laser also enables easy transportation, which is another plus.

"Our new IDAS aesthetic system is a response to the growing demand for a simple vascular laser that naturally also meets the high quality standard expected from WaveLight. We are planning the market launch for the second half of 2005," said Max Reindl, founder and CEO of WaveLight Laser.

6/1 **Spectranetics Corporation** reported on highlights of the *Euro PCR (Paris Course on Revascularization) Conference*, which was held last week in Paris and attended by nearly 11,000 interventional cardiologists, vascular surgeons and interventional radiologists. Highlights of the week included three live peripheral laser cases, a live coronary laser case and five podium presentations covering the use of Spectranetics' laser technology in peripheral interventions, including critical limb ischemia (CLI), and the favorable economic outcomes compared with other therapies. Significant interest for the excimer laser was generated and the technology was well received.

"This year's Euro PCR, with its record attendance, marked a prestigious gathering where Spectranetics enjoyed heightened visibility, particularly in the treatment of peripheral arterial disease. Without a doubt this was the most successful Euro PCR for Spectranetics, and our trade show booth was more active than ever before," said John Schulte, Spectranetics' president and CEO. "Of note, the Focus Session co-sponsored by Spectranetics on treating patients with critical limb ischemia was standing room only, with more than 300 physicians in attendance."

"Additionally, several thousand attendees viewed a live case where our development-stage PRIMA .014-inch laser wire was used in a very difficult chronic total occlusion in a coronary artery. We are pleased to report that in this live case the PRIMA wire successfully crossed the proximal cap of the blockage that was not crossable by standard mechanical wires. This is an important product development area for Spectranetics and we continue to focus significant efforts on this market segment, which represents approximately 15% of all percutaneous interventions as well as a significant unmet clinical need," said Schulte.

The Euro PCR Peripheral Program: The major topic of this year's peripheral program was CLI and below-the-knee interventions. In addition to the traditional "infra-inguinal" day, additional Symposia and invited presentations highlighted the excimer laser. In several cases Spectranetics' prospective, multi-center LACI trial data were presented. Praise was given for the rigorous nature of this trial, in particular when compared with single-center or self-enrolled studies.

A focus session entitled "Critical limb ischemia -- Advanced Endovascular Techniques for Limb Salvage," which was co-sponsored by Spectranetics and Boston Scientific, highlighted the excimer laser and other emerging tools for the treatment of complex peripheral disease associated with CLI. The session was chaired by Marc Van Sambeek, M.D., PhD, Erasmus University Medical Center, The Netherlands and was moderated by Craig Walker, M.D., Cardiovascular Institute of the South, USA. During the two live cases the moderators also included Patrick Peeters, M.D., Imelda Hospital, Belgium and Tony Das, M.D. Dallas Presbyterian Hospital, USA.

The Focus Session included reviews on the treatment of lesions above and below the knee and featured data and case reviews on the excimer laser. Drs. Das, Marc Bosiers, of St. Blasius Hospital, Belgium, Andrej Schmidt, of University of Leipzig Heart Center, Germany and Bruce Gray of Greenville Memorial Hospital, USA each presented information on clinical intervention in CLI.

David Allie, M.D., of Cardiovascular Institute of the South, USA ended the session by providing new economic data on amputation as well as data from a study commissioned by Spectranetics outlining the clinical and economic impact of CLI. The study concluded that the utilization of the excimer laser for revascularization could have provided meaningful clinical and economic cost savings in treating CLI patients. The study also was published in the 2005 edition of the Journal Euro Intervention, which was distributed for the first time at Euro PCR 2005.

Two cases were successfully performed live from the University of Leipzig Heart Center and featured the use of the excimer laser. The first case was performed by Dierk Scheinert, M.D. Dr. Scheinert used a 1.4 mm excimer laser catheter to cross a total occlusion of the distal posterior tibial artery, which was followed by balloon inflations. The second case was successfully performed by Bruce Gray, M.D., Greenville Memorial Hospital and Giancarlo Biamino, MD, PhD University of Leipzig Heart Center, on an occluded popliteal artery, and used a 2.5 mm CliRpath catheter to debulk the lesion prior to ballooning.

John Laird, M.D. of The Washington Hospital Center and Dr. Scheinert performed a third laser case in the main peripheral theater on Thursday with nearly 800 attendees present. Dr. Laird used a 1.4 mm excimer laser catheter to debulk a total occlusion tibio-peroneal trunk. After two passes with the excimer laser, a lumen of nearly 2.0 mm was achieved. This larger lumen illustrated the excimer laser's ability to ablate thrombus.

6/6 In a special report entitled, *"Hot Growth"*, Arlene Weintraub writing in *Business Week Online*, reported on the magazine's 4th ranked small hot growth company, **Palomar Medical: Zapping away the signs of aging**

Jeannie Rogers was always embarrassed by the sun damage on her face. The longtime lifeguard was scarred with so many red and brown spots that she had to pile on the makeup to even out her skin tone. Then she enrolled in a clinical trial conducted by

Palomar Medical Technologies Inc. (PMTI), which makes machines that use light-based technology to erase sun damage. After one 15-minute treatment, Rogers was amazed to discover that most of the discoloration had vanished. “I don't have to wear any makeup at all," says Rogers, a restaurant owner in Newton, Mass. “It's really excellent."

WHAT'S HOT: Wrinkle-reducing devices and other light-based technologies that physicians and spas use to make aging baby boomers look good. Many more baby boomers like Rogers are buzzing about newfangled treatments for sun damage, wrinkles, unwanted hair, and other unpleasant trappings of age. And when they go to their dermatologists or plastic surgeons, they're often treated with Palomar gizmos. In the mid-1990s, Palomar was one of the first to win Food & Drug Administration approval for a laser-based hair-removal machine. Now doctors are snapping up the latest iteration of its technology, called the Lux system, which can treat many different cosmetic conditions. In 2004, the Burlington (Mass.) company's sales rose 56.6%, to $54.4 million, and profits more than tripled, to $10 million, helping land Palomar at No.4 on the Hot Growth list.

After 14 years of struggling in a highly competitive industry, Palomar is starting to turn heads. In 2003, **Gillette (G) Co.** formed a research partnership with Palomar to invent a home hair-removal system. And last fall, **Johnson & Johnson Cos. (JNJ)** picked Palomar to help it develop home-use devices for treating acne, cellulite, and wrinkles. Those deals have been jet fuel for the stock, which has blasted from $1 a share prior to the Gillette news to a recent $24.

That has been sweet validation for CEO Joseph Caruso. In 1997 he urged Palomar's board to divest nearly a dozen unprofitable businesses the company had acquired over the years and focus solely on cosmetic lasers. “I thought the social and economic drivers would make this a good business," recalls Caruso, 46.

PHOTON TORPEDOES: Palomar's machines use a technology called pulsed light. They direct photons -- bundles of energy -- at targets in the skin. Changeable hand pieces that attach to the Lux system use various combinations of wavelengths, pulse durations, and energy levels to achieve different results. Photons fired at melanin in hair shafts, for example, destroy hair. A different combination of light properties interacts with hemoglobin in blood -- providing a quick way to erase unsightly veins.

Palomar's newest system offers a big advantage for doctors. Instead of shelling out $100,000 for a hair-removal laser, another $100,000 for a vein eraser, and so forth, as some rival systems require, they can spend $82,000 on Palomar's base machine, then buy hand pieces for each type of job for $10,000 to $35,000 each. “We can get more than one laser in one box," says Tina Alster, director of the Washington (D.C.) Institute of Dermatologic Laser Surgery, which ditched a competing system last year and signed on with Palomar. “That allows a lot more flexibility."

Still, competitors are starting to develop Lux copycats, and that worries some Wall Street analysts. **Candela Corp. (CLZR)** and No. 80 **Cutera Inc. (CUTR)** are among the rivals trying to invade Palomar's turf. “The valuation assumes [Palomar] is going to have this market to themselves," says Anthony Vendetti, an analyst for **Maxim Group LLC** in New York. Indeed, Palomar is trading at a pricey 28 times his 2005 earnings estimate.

Caruso is getting ready for the competition with new products and an expanded sales force. At one point, he tested a Palomar lamp himself, to smooth out some blotchiness on his face. “It was an easy, pleasant experience," he reports. And one that he's betting many more age-averse baby boomers will embrace.

(The 10th ranked company in the listing is **Laserscope**.)

When **Laserscope** first appeared on *BusinessWeek's* Hot Growth list in 1991, the San Jose (Calif.) company seemed poised to dominate the growing market for medical lasers. But then the outfit lost its way, trying unsuccessfully to sell into dozens of markets. When CEO Eric Reuter took over in 1999, he quickly refocused the company on the aging baby boomer population, winnowing its product lines down to lasers for such markets as gynecology, orthopedics, and plastic surgery.

But where Laserscope has found its biggest fan base is in urology. Today Laserscope is back on top, thanks to a line of products called GreenLight, used to treat enlarged prostates -- a condition that affects 30% of men past the age of 50. The focus on urology has clearly paid off for Laserscope: In the last three years, sales have jumped an average 38% a year, and profits have rocketed 576% a year. In the last two years, the stock has quadrupled to $34 a share

6/6 **Thermage** and **Syneron Medical** announced that they had reached an agreement, resolving lawsuits that claimed Syneron infringed certain patents held by Thermage and that Thermage infringed a patent held by Syneron. The Thermage lawsuit, originally filed on July 23, 2004, in the U.S. District Court for the Northern District of California, sought damages and injunctive relief for infringement of six Thermage patents that Thermage alleged were infringed by Syneron's systems for non-invasively treating skin. The Thermage patents asserted in the lawsuit were U.S. Patent No. 6,749,624, (the '624 patent), which claims methods and devices for treating skin using either light or radiofrequency (RF) energy or both, as well as five additional patents added in a subsequent filing by Thermage on December 3, 2004, which relate to methods and devices for tightening skin and achieving other beneficial improvements in skin and tissue structures, all without damaging the skin surface.

Syneron subsequently filed a patent infringement counterclaim against Thermage, alleging that Thermage infringed U.S. Patent No. 5,569,242, (the '242 patent) which Syneron had recently acquired. The counterclaim, filed on January 10, 2005, was added to the patent litigation between Thermage and Syneron then pending in the Northern District of California. The '242 patent covers methods for controlled contraction of

collagen using radiofrequency energy. Syneron's counterclaim alleged that the methods performed by Thermage's ThermaCool product infringe the '242 patent, and sought damages and injunctive relief for infringement by Thermage.

Terms of the Settlement: As a result of the settlement, Thermage and Syneron have granted each other a non-exclusive paid-up license under their patents in suit and related patents. In addition, Syneron paid Thermage a one-time undisclosed sum. Thermage excluded from this license any rights to utilize monopolar RF and capacitive electrical coupling. Syneron excluded from this license any patents related to its proprietary Electro-Optical Synergy (elos) technology. Both parties admitted validity of all patents in the litigation, but neither admitted any wrongdoing or liability. Additional terms of the settlement remain confidential.

Moshe Mizrahy, CEO of Syneron Medical, said, "We are extremely pleased to have resolved our litigation with Thermage and to have obtained a license to Thermage's patents while protecting the exclusivity of our proprietary elos technology. Syneron is the only company in the world that makes aesthetic medical devices that combine light and RF energy, and we will continue to innovate and to develop new products using this technology."

Stephen Fanning, president and CEO of Thermage, said, "We are pleased we were able to reach an amicable settlement while protecting our propriety position in monopolar and capacitive technology, the two key components proven to create deep, uniform volumetric heating and unique clinical effects. Thermage has invested more than nine years and $38 million to develop and validate its unique RF technology and to create a strong patent portfolio for its inventions. We will continue to invest in the scientific research needed to develop new, non-invasive aesthetic products and procedures."

John Calcagnini of **CIBC World Markets** commented on the **Syneron/Thermage** settlement: **ELOS: Resolves Patent Litigation with Thermage**

Syneron announced an agreement with Thermage (private) this morning to license that company's RF patents for use in cosmetic applications, resolving litigation between the companies. Syneron now has free rein to sell RF in conjunction with ELOS technology as well as bipolar RF on a standalone basis.

All of Syneron's products currently use bipolar RF, according to the company. We see this as a positive event for Syneron in that it will save the company potentially millions of dollars each year in legal expenses, gives them free rein to use RF in their devices, and they probably have the broadest patent portfolio in the industry with ownership or rights to hundreds of patents.

The company no longer has outstanding litigation in the U.S. or Europe. As part of the agreement, Syneron sub-licensed to Thermage a patent that Syneron had purchased from **Smith & Nephew** for the use of RF in orthopedic applications. We believe that Syneron

also made a small payment to Thermage as part of the settlement. Our sense is that this amount is in the $2 million range.

6/7 **Syneron Medical Ltd.** and **Syneron North America** announced the publication of positive clinical data on its Polaris(TM) WR in the *Journal of Cosmetic and Laser Therapy (2005:7)*. This study, led by Dr. Tina Alster and Dr. Seema Doshi of the **Washington Institute of Dermatologic Laser Surgery**, found that Syneron's unique elos(TM) (electro-optical synergy) technology provided study participants with safe and effective treatment of wrinkles, while tightening the skin as well. The study, "Combination Radiofrequency and Diode Laser for Treatment of Facial Rhytides (wrinkles) and Skin Laxity," documents clinical results of the Polaris WR among 20 patients with different skin types and mild to moderate facial wrinkles.

"When we began the study using the Polaris WR, we started looking at the improvement of wrinkles but what we were surprised at was the fact that there was actual tissue tightening," said Tina Alster, MD, founding director, Washington Institute of Dermatologic Laser Surgery in Washington, D.C. "While there are many non-ablative lasers and light sources available, the elos technology actually helps to tighten tissue as well as help with collagen remodeling and skin tone. In our study using the Polaris WR, we showed vast improvement of wrinkles around the eyes and the mouth, as well as improvement in the skin tone and laxity of the cheeks."

Dr. Alster continued, "In my clinical practice, I have never before tested an aesthetic device with such high satisfaction levels. In this case 93 percent of my patients were satisfied with the results we achieved with the Polaris WR treatments. The device tightened the skin as well as helped reduce wrinkles for my patients and provided them with an effective aesthetic treatment other than cosmetic surgery."

The Polaris WR delivers focused and predictable performance to treat wrinkles and leg and spider veins at low energy levels that assure high patient comfort. Its deep heating produces results at both the epidermal and deep dermal levels to effectively treat wrinkles, including fine wrinkles on the surface and deeper wrinkles, in the same procedure. This device is also FDA cleared to treat visible leg veins and vascular lesions including telangiectasia and leg veins up to 3mm in diameter. The device includes built-in contact cooling, which ensures additional epidermal protection and comfort for the patient.

"We are encouraged that the women who participated in this study and those who have been treated with the Polaris WR since its FDA clearance experienced very few side effects and a noticeable improvement in the look and tightening of their skin," said Domenic Serafino, president of Syneron North America. "The publication of this data on the Polaris WR in this prestigious journal acknowledges the fast growing interest in noninvasive medical aesthetic treatments."

6/7 **Cardiogenesis Corporation** announced it had received a Binding Letter of Agreement (LOA) from the FDA regarding the trial design for its PMC system. The Company plans to submit the Investigational Device Exemption (IDE) application to the FDA by June 30 and begin this definitive trial on patients suffering from severe angina soon after approval. Thus far, Cardiogenesis has collaborated with the FDA on a LOA to ensure key scientific and clinical issues regarding the PMC technology and trial are clearly understood and agreed to prior to commencing the study.

"The signed Letter of Agreement allows us to move a step closer to conducting this definitive PMC trial and receiving U.S. approval of the technology," stated chairman and CEO, Michael Quinn. "We felt the formal Binding Letter of Agreement process was essential to first clarifying, and then agreeing with the Agency on all of the key points needing to be addressed in the trial. Based on the PMC's success to date in treating severe chronic angina in Europe, where Cardiogenesis currently has CE Mark approval, we expect that, when approved for use in the U.S., it will show similar benefits to patients here."

Following receipt of the LOA, Cardiogenesis expects to complete and submit the IDE Protocol to the FDA by June 30th. The FDA will then have 30 days to complete a review of the protocol and respond to the Company. "We've enjoyed a productive dialogue with the Agency branch and management teams throughout this process, and are optimistic that the protocol review will be straightforward and can be completed in a timely fashion," said Quinn.

As Cardiogenesis finalizes the trial's design with the Agency, it is contracting study core labs and recruiting investigative sites. The Company intends to leverage its significant international experience with the PMC system to support a successful U.S. trial.

"We feel that after experiencing the debilitating pain of angina, patients shouldn't be subjected to large, invasive surgeries. PMC is far less invasive than other therapies and can help these individuals recover their lives without the pain that has dogged them for months or years," Quinn concluded.

6/9 For patients who undergo a cosmetic procedure to reduce the telltale signs of aging, their face may look years younger but their untreated hands, neck, shoulders and chest often tell a different story. That's because in the past, there was no effective treatment to improve aging skin off the face. Now, the Fraxel laser, with its proven track record in fractional resurfacing of photodamaged skin, is being used successfully as a full-body resurfacing treatment. **Reliant Technologies, Inc.**, the pioneer of Fraxel Laser Treatment, reported that physicians across the country are validating the clinical versatility of the laser's unique mechanism of action - pixel by pixel, spot by spot - to treat aging and sun-damage on non-facial skin. The Fraxel laser is the only device specially designed to resurface a fraction of skin at a time, reducing downtime and increasing patient safety. No other cosmetic treatment, including ablative lasers or chemical peels, has been shown

to treat photodamaged skin on so many areas of the body as effectively as the Fraxel laser.

Scientific data presented by cosmetic laser dermatologists and plastic surgeons at recent medical meetings confirm the Fraxel laser's success in treating non-facial skin. At the recent annual meeting of the *American Society for Laser Medicine and Surgery (ASLMS)*, Elizabeth Tanzi, M.D., co-director of the Washington Institute of Dermatologic Laser Surgery in Washington, D.C., presented her findings.

"In the past, there were simply no other modalities that could safely and effectively treat crepe-like texture and discoloration of the neck, chest and hands," said Dr. Tanzi. "Over half of my patients now want treatment of these body areas along with their face." Plastic surgeon Jay Burns, M.D., director of the Dallas Medical Skin Care Center in Dallas, TX, discussed his experience using the Fraxel laser at the ASLMS meeting and at the April 2005 *American Society for Aesthetic Plastic Surgery (ASAPS)* annual meeting.

According to Dr. Burns, "there is simply no other procedure that resurfaces skin on the neck, chest, and hands like the Fraxel laser." Dr. Burns added that the Fraxel laser has been a financial asset to his practice. "The Fraxel laser offers the kind of treatment that sells itself. Patients notice results immediately - and their friends notice as well. Because it is so well received by patients, the laser has literally paid for itself."

Also presenting at the ASAPS meeting, plastic surgeon Lawrence Bass, M.D., director of the minimally invasive plastic surgery program at NYU Medical Center in New York, NY, compared the benefits of Fraxel laser treatment with other cosmetic techniques.

"As plastic surgeons, we know how to lift and tighten," said Dr. Bass. "Now, we can optimize these results with laser treatment that complements surgery by producing improvement of periorbital wrinkles, as well as other pigment and textural changes. In my practice, the Fraxel laser has virtually replaced the intense pulsed light (IPL) and other non-ablative therapies for skin rejuvenation."

In March 2005, the Fraxel laser was granted 510(k) market approval by the FDA for skin resurfacing procedures. This new indication for the Fraxel laser joins clearances obtained in 2003 for soft tissue coagulation and in 2004 for correction of periorbital wrinkles and pigmented lesions, including age spots, sun spots and skin discoloration.

6/9 **PLC Systems Inc.** announced that a study published in the May 2005 issue of *The Journal of Thoracic and Cardiovascular Surgery* reports an increase in angiogenesis within the heart as a result of a combination of revascularization therapies: CO2 transmyocardial laser revascularization plus matrix adenoviral fibroblast growth factor-2 (FGF-2) gene therapy. "Prior studies and clinical use have demonstrated that CO2 TMR can be a positive influence on treating ischemic myocardium. Other investigations have evaluated gene therapies as treatments for ischemic heart disease," said Dr. Keith Horvath, lead author of the study and Chief, Cardiothoracic Surgery Branch, National Heart, Lung and

Blood Institute, NIH. "We believe the principal mechanism of action for both CO2 TMR and gene therapy is the stimulation of angiogenesis. With this study we have demonstrated that the combination of a growth factor formulated in a collagen-based matrix and CO2 TMR will lead to enhanced neovascularization and most importantly, improved myocardial function."

The study entitled, **"Improvement of Myocardial Contractility in a Porcine Model of Chronic Ischemia using a Combined Transmyocardial Laser Revascularization and Gene Therapy Approach,"** is a pre-clinical animal study that had four treatment groups -- CO2 TMR alone, adenoviral FGF-2 in a collagen-based matrix alone, adenoviral FGF-2 in a collagen-based matrix combined with CO2 TMR, and saline-formulated adenoviral FGF-2. The study demonstrated that a matrix adenoviral FGF-2 combined with CO2 TMR treated areas had a 105 percent increase in arteriolar development versus either alone treatment. In addition, the matrix adenoviral FGF-2 combined with CO2 TMR treated areas had a 390 percent increase compared with saline-formulated adenoviral FGF-2. Contractility was significantly improved in matrix adenoviral FGF-2 plus CO2 TMR treated areas as measured by myocardial wall thickening. This functional improvement was confirmed by cine magnetic resonance imaging, in which a 90 percent increase in the contractility of the treated area after matrix adenoviral FGF-2 plus CO2 TMR. The other treatments provided significantly less restoration of myocardial function.

"The research results published in this study are very promising," stated PLC Systems' CEO and president Mark Tauscher. "Gene therapies and biologics are cutting-edge, emerging research areas that have a significant level of interest and investment by academia, healthcare providers and leading biotech companies. We believe this study demonstrates that CO2 TMR can enhance the angiogenic response of a gene therapy or biologic. As the research and development continues to evolve we hope to demonstrate that CO2 TMR should be the preferred therapy to complement or enhance gene therapies, autologous cells or biologics within the heart."

6/10 **Cardiogenesis Corporation** issued the following statement today in reaction to a study published in the current issue of *The Journal of Thoracic and Cardiovascular Surgery*. According to Michael Quinn, chairman and CEO of Cardiogenesis: "As highlighted by this noteworthy research, we believe that the future of TMR lies in minimally-invasive, closed-chest delivery tools and techniques, with potentially synergistic delivery of biologic enhancements. The impressive work by Dr. Horvath and his co-authors, as supported by the *American Heart Association* and **Selective Genetics Inc.**, is advancing the understanding of TMR's potential beyond the demonstrated significant patient benefits as a primary or sole therapy. We are encouraged by his continued contribution in advancing the scientific understanding and clinical application of TMR, and in helping to advance therapies to the growing group of patients suffering from advanced heart disease who have limited therapeutic options."

Cardiogenesis's products and systems specifically are used for Transmyocardial Revascularization (TMR) and Percutaneous Myocardial Channeling (PMC) procedures.

The study shows a significant increase in angiogenesis within the heart as a result of a combination of TMR and matrix adenoviral fibroblast growth factor-2 (AdFGF2) gene therapy. The results demonstrated a clear improvement versus either therapy conducted alone. In the article entitled, **"Improvement of Myocardial Contractility in a Porcine Model of Chronic Ischemia using a Combined Transmyocardial Laser Revascularization and Gene Therapy Approach,"** the authors state "(t)he key limitation of growth factor protein therapy seems to be the difficulty in achieving sustained therapeutic protein concentrations at the intended sites."

The study's design used a chronic ischemic porcine model in comparing the response of four treatment groups-TMR alone, adenoviral FGF-2 in a collagen-based matrix alone, adenoviral FGF-2 in a collagen-based matrix combined with TMR, and saline-formulated adenoviral FGF-2. The authors reported that histological analysis confirms the matrix formulated vectors present in TMR channels post treatment and that arteriogenesis is enhanced in the TMR plus AdFGF2 treated areas compared to either therapy alone. They concluded the combination therapy provides a "salutary angiogenic response that has significant clinical implications and in planned translational work may provide a better treatment in combination than either therapy alone."

6/13 **CUTERA** introduced the ProWave 770, the most significant innovation in light-based hair removal in 5 years. The ProWave 770's unique design emits infrared light between 770nm and 1100nm -- wavelengths that have been proven to be safe and effective for hair removal. The proprietary ProWave 770 is the first hair removal system that allows the practitioner to select the ideal wavelengths for each skin type. The ProWave 770's infrared output spectra is programmable. ProWave Program A, ideal for lighter skin types, shifts the wavelength distribution toward shorter wavelengths. Programs B and C, designed for medium and darker skin types, shift to longer wavelengths.

The sensitive relationship between melanin absorption (in the skin and hair follicle) and light requires customization of wavelengths, pulse duration, and cooling for ideal safe and efficacious treatments of patients of different skin types. Unlike any other system on the market, the ProWave 770 allows practitioners to tune the wavelengths for optimal performance and safety. Furthermore, the ProWave 770's large treatment window and fast repetition rate mean treating large areas like women's legs and men's backs can be done quickly.

Renowned dermatologist and researcher, Victor Ross, MD, Head of Laser Section, Dermatology Division, Scripps Clinic in San Diego, CA observes, "The greatest advantage of the new ProWave 770 is the ability to 'shift on-the-fly' from output spectrum to spectrum. By simply pushing a button, one can select the optimal wavelength range for specific skin types. In particular, the ability to shift to a longer wavelength emission for darker skin patients has allowed us to treat even dark skin with a nice balance of safety and efficacy. In the past we have achieved these types of results only with Nd:YAG lasers or with very long pulse 810 nm diode lasers."

Commenting on the value of both the ProWave 770 and CUTERA's well-known CoolGlide Laser System, Leonardo Rasi, MD of Senza Cosmetic Laser & Vein Center, a medical spa in Redlands, CA, said, "The ProWave 770 is the ideal complement to my CoolGlide. The CoolGlide has been the cornerstone of my busy hair removal practice treating all skin types and tanned skin. Patient satisfaction with the new ProWave 770 on skin types I-V has been extremely high, especially for large areas like legs and backs."

The ProWave 770 is available on Cutera's new Solera Opus platform -- the compact, table top platform Cutera introduced earlier this year. The ProWave 770 is also available on the Xeo, Cutera's high-end multi-technology system.

6/13 **Syneron Medical Ltd.** announced that the FDA had granted 510(k) pre-marketing clearance to Syneron's VelaSmooth medical device, powered by elos, for the temporary reduction in the appearance of cellulite. The VelaSmooth also received clearance for the relief of minor muscle aches, pain and spasm and the temporary improvement of local blood circulation. The clearance of the VelaSmooth offers a new non-surgical, no downtime alternative for patients wishing to treat the appearance of cellulite. "The VelaSmooth incorporates a combination of technologies enabling deeper heating and mechanical manipulation of cellulite in a non-invasive manner," said Dr. Tina Alster, director of the Washington Institute of Dermatologic Laser Surgery and clinical professor of dermatology at Georgetown University. "In our clinical study of 20 women of various ages and skin types with moderate thigh and buttock cellulite, significant clinical improvement was observed in skin contour irregularities, and thigh circumferences were also reduced. Patients didn't lose weight, but they looked as if they had. Our research has shown that it is no longer necessary to endure painful and lengthy recovery times or be exposed to general anesthesia that is typical of other procedures like liposuction in order to achieve improvement of cellulite."

In addition to the 510(k) clearance, the FDA created a new product code for the VelaSmooth, confirming its unique position in the aesthetic device market. According to Dr. Amir Waldman, head of Clinical and Regulatory Affairs for Syneron, "The FDA's designation of a new product category specifically for the VelaSmooth reaffirms how technically innovative this device is for the treatment of cellulite."

Cellulite is a term used to describe the pitting, bulging and deformation of the skin usually affecting the thighs, buttocks, hips, breasts and the abdomen of women. More than 80 percent of women above the age of 18 have cellulite, regardless of their size, weight or physical fitness. Women are more likely to have cellulite than men as men's fat cells reside deeper within the skin, while women's are closer to the surface, causing the ripples associated with cellulite.

"It is important for potential patients to understand that the VelaSmooth has been cleared by the FDA as a medical device," said Domenic Serafino, president of Syneron Medical Inc. "Many companies offer lotions and devices that have claimed to have effectively

treated cellulite. We are proud to be the only company that has gone through the exercise of clinical studies with more than 500 patients to verify the efficacy of the treatment."

The VelaSmooth system, like all of Syneron's medical aesthetic devices, is powered by elos (Electro-Optical Synergy). Elos, the first and only combined energy technology, uses Bi-Polar Radio Frequency (RF) and Infrared Light energy along with the added feature of negative pressure tissue mobilization. The synergy of the three components makes VelaSmooth an effective treatment for those seeking a medical cellulite solution. Because it is a cleared medical device, the VelaSmooth is only sold to physicians for use by trained professionals under their medical direction.

John Calcagnini of **CIBC World Markets** issued an update on **Syneron**, following the announcement of the FDA approval of it VelaSmooth device: **ELOS: Syneron receives FDA approval on Velasmooth**

We reiterate our SO rating on Syneron after learning that the company has received FDA approval for the Velasmooth device for the treatment of cellulite. We will review our earning estimates later today.

We view this as a very positive development for the company as we believe the market potential for this product is $100 million-plus annually, based on feedback from physicians, clinical studies, and field representatives. ELOS's stock price had been weak in recent weeks due to concerns about the status of FDA approval of Velasmooth. Now that this concern has been resolved, we expect the stock to trade up.

We look for strong 2Q results for Syneron as the company can now convert 70- plus clinical Velasmooth systems to sales and begin commercial shipments. We believe that dermatologists and plastic surgeons have a pretty good awareness that this approval was pending.

6/14 **Cardiogenesis Corporation** announced the completion of the first robotically-assisted completely endoscopic TMR PLUS procedure. Louis Brunsting, III, MD, successfully performed the procedure at Centennial Medical Center in Nashville, Tennessee. The patient, a 58-year-old male suffering from intractable angina pectoris, had undergone two coronary artery bypass procedures in the last five years. While still in severe distress from his condition, he was no longer a candidate for further bypass surgery or stent placement. According to Dr. Brunsting, "TMR is shown to provide significant and enduring patient benefits and is an important tool for treating advanced cases and optimizing outcomes in these increasingly complex revascularization cases. Cardiogenesis is advancing the TMR therapy with innovative new tools building on the foundation of their flexible fiberoptic delivery system, enabling delivery through small ports in a closed-chest, robotically assisted technique. Our goal in implementing robotically assisted TMR is to provide well documented patient benefits with significantly reduced procedural morbidity and related hospitalization."

"We are fortunate to be associated with Dr. Brunsting, a leading innovator in cardiothoracic surgery, as well as the highly skilled team and first-class facilities at Centennial," said Michael Quinn, Cardiogenesis chairman and CEO. "We are impressed with his accomplishments in implementing robotically-assisted cardiac techniques to improve the patient experience, and are grateful to have his leadership and direct involvement in the implementation of our advanced TMR PLUS robotically assisted technique."

Dr. Brunsting has significant experience in this type of surgery, having performed more than 130 robotically-assisted, endoscopic cardiothoracic procedures. He also has conducted many open TMR surgeries using the Cardiogenesis system. With his partner--Dr. Robert S. Binford, M.D.--Dr. Brunsting has also trained other physicians from the U.S., Japan and Australia on the Intuitive Surgical da Vinci robotic system. Dr. Brunsting has been utilizing TMR for the treatment of patients debilitated by angina due to late stage coronary artery disease since 1999.

Dr. Brunsting is the principal investigator in a small, FDA-mandated study to demonstrate the safety and feasibility of closed chest, robotically-assisted TMR at multiple centers. Cardiogenesis is now enrolling and training centers with robotic experience to participate in the study.

Centennial was the first medical center in Tennessee to perform robotic cardiac bypass surgery and has developed one of the leading cardiac robotic programs in the country.

6/16 Five people who turn 50 in 2005 will be selected for free Fraxel Laser Treatment (a $5,000 value), plus a trip to New York City to celebrate their 50th birthday in style, as **Reliant Technologies Inc.** marks the Fraxel laser's recent FDA 510(k) clearance for skin resurfacing procedures. Fraxel Laser Treatment (FLT) is the latest beauty breakthrough to help restore aging and sun-damaged skin - pixel by pixel, spot by spot. It is the only laser device specially designed to resurface a fraction of skin at a time, reducing downtime and maximizing patient safety. Best of all, FLT offers rapid results - most patients report that they have softer, smoother and better toned skin, with cumulative improvement that creates a more healthy, vibrant and youthful appearance in as few as four to eight weeks.

Reliant encourages men and women who turn 50 anytime in 2005 to enter the contest by logging on to www.fraxel.com/5040 Qualified applicants(a) will receive a complimentary certificate good for a free consultation (a $100 value) in their geographic area. The top five finalists(b) as determined by a panel of cosmetic physician specialists and skin health experts will receive free Fraxel Laser Treatment in their area, along with hometown birthday festivities for friends and family. Later this year, they will be flown to New York City for a 50th birthday celebration of their more youthful appearance and the "Make 50 the New 40 with Fraxel Laser Treatment" campaign. Applications must be received by Friday, July 15, 2005 at 5 p.m. PDT.

The national spokeswoman for the "Make 50 the New 40 with Fraxel Laser Treatment" campaign is Sandie Harvey of Las Vegas, Nevada. A convergence of life changes two years ago prompted Harvey, now 52 years old, to seek Fraxel Laser Treatment to improve her appearance by reducing the periorbital fine lines and sun damage that are an unfortunate byproduct of aging. She also wanted her skin to look firm and tight - in synch with her fit, healthy body. Harvey had five treatments of her face and one of her neck over a period of a couple of months. The Fraxel treatments resulted in an overall resurfacing of her skin texture and reduction of fine lines around her eyes. "It was like my skin went from burlap to silk," she says. "A few days later, people were asking, what's different, what have you done, did you get your hair colored?"

"Fraxel laser treatment is the ideal solution for vitality-minded men and women who want to recapture their youthful yet natural appearance without interrupting their busy lives," said Dennis Condon, CEO of Reliant Technologies. "We're excited to present five winners the opportunity to experience first-hand how Fraxel laser allows their physician to confidently and safely resurface photodamaged skin so they can begin to look as young as they feel. That's the beauty of our 'Make 50 the New 40' campaign."

-- (a) Qualified applicants must be U.S. citizens living in the continental U.S. who turn fifty (50) years of age at any time during the 2005 calendar year.

-- (b) Finalists must be able to travel in November 2005 to New York City from their nearest major airport. Complete eligibility requirements can be found at www.fraxel.com/5040.

6/20 **Lumenis Ltd.** announced that it had received regulatory approval for the Lumenis One from the State Food and Drug Administration (SFDA) of China. Lumenis also announced today that it has sold more than 500 IPL Quantum systems in the Asia Pacific region, which consists of all of Asia outside of Japan. Avner Raz, president andCEO, stated, "Receiving approval for our Lumenis One system from the SFDA in China represents a major milestone. It enables us to market the system without restriction and to be purchased more easily by government hospitals. Another significant milestone was the sale of more than 500 IPL Quantum systems in Asia Pacific since receiving SFDA approval for the Quantum in 2001. This is a clear demonstration of the high level of satisfaction our customers have with our products."

Lumenis One represents the fourth generation of IPL technology and reinforces Lumenis' place at the forefront of innovation in the aesthetic market. Optimizing and building upon a firm foundation, Lumenis One unites three gold standard technologies on one multi-technology and multi-application platform: Intense Pulsed Light for skin photorejuvenation and treating vascular and pigmented lesions, the LightSheer diode laser for hair removal and the Multi-Spot Nd:YAG for treating leg veins and deeper vascular lesions. The system's key features include Optimal Pulse Technology (OPT), numerous presets, easy custom settings and an intuitive touch-screen software interface.

These enable Lumenis One to provide increased patient comfort, faster treatments and easily tracked patient information.

The IPL Quantum is Lumenis' mid-range multi-application aesthetic system and is used to treat a wide variety of conditions including skin treatments using photorejuvenation, permanent hair reduction and deep leg veins. Its superior clinical results, ease of use and upgradeability have made Lumenis' IPL Quantum the system of choice in more than 2,200 aesthetic practices worldwide.

6/20 **Cardiogenesis Corporation** announced it had received approval from Health Canada to sell the Company's advanced TMR PLUS platform, including the Solargen 2100s console and the minimally invasive PEARL surgical delivery systems, in that country. To distribute the systems, Cardiogenesis entered into a distribution agreement with **Minogue Medical** for the Canadian market. "The recent comprehensive approval by Health Canada of our advanced TMR PLUS system components makes the Canadian market the first with access to the full range of laser myocardial revascularization devices," commented Michael Quinn, chairman and CEO. "Patients throughout Canada now have access to all of our minimally invasive surgical and percutaneous devices and techniques, which have been shown to decrease procedural morbidity compared to the traditional open surgical techniques."

Cardiogenesis reported that it is currently implementing a new TMR program at the Canadian Surgical Technologies and Advanced Robotics (CSTAR) Center. The company expects that CSTAR will be the first medical facility in Canada to use the minimally invasive PEARL robotic delivery system for TMR. Located in London, Ontario, the Center is a leader in developing and implementing next generation minimally invasive surgical and interventional techniques and technologies.

To distribute the newly-approved platform, Cardiogenesis contracted with Minogue Medical, a leading surgical supply company. Minogue Medical will exclusively distribute TMR PLUS, including the Solargen 2100s console and the PEARL surgery delivery systems throughout the country.

"Canada will be a growth market for Cardiogenesis, now that our full range of TMR PLUS and PMC products are available for sale there," stated Quinn. "We were drawn to Minogue Medical because of their fine reputation and established ability to educate, sell and support the platform across the country."

Quinn went on to say, "Our progress in developing the Canadian market is the result of our ongoing regulatory and sales efforts in targeted international markets. We have already been approved to utilize the TMR and PMC procedures in Europe, and Canada represents a tremendous opportunity to accelerate our sales and profitability in providing our laser myocardial therapy to patients in need around the world."

6/21 **Lumenis Ltd.**, in a continuing effort to reduce costs and build world-class customer service, announced today that it has reached agreement to outsource its global supply chain activities to **UPS Supply Chain Solutions**, a subsidiary of UPS. Under the terms of the initial 3-year agreement, UPS Supply Chain Solutions will assume responsibility for logistics, warehouse management, customs and transportation services for all Lumenis activities worldwide. UPS will also provide specialty services such as critical order management and service parts logistics. The agreement includes key performance parameters, such as order processing speed, on-time delivery, and inventory accuracy.

Avner Raz, Lumenis president and CEO, commented, "This agreement provides us with cost advantages due to UPS' global supply chain flexibility and, more importantly, enables us to focus on our core activities which brings us closer to our customers. We expect that our increased efficiency will have a positive impact on our business and customer satisfaction".

"Lumenis is a global company whose supply chain needs match well with our capabilities," said John Hafferty, UPS Supply Chain Solutions vice president for Europe and Asia. "We plan on leveraging our supply chain management solutions to improve their efficiency and customer service."

6/22 In response to current market conditions, **DUSA Pharmaceuticals** reports that it now expects sales of its Levulan Kerastick and BLU-U brand light device for the quarter ending June 30, 2005 to be lower than sales for the quarter ended March 31, 2005. However, management also expects year to date revenue versus the prior year to reflect significant growth. As previously stated in its Form 10-Q for the period ended March 31, 2005, while DUSA is seeing certain positive trends, it believes that the lower volumes of Kerastick units may be due, in part, to the continuing effects of supply levels at physician's offices who participated in volume discount purchases during late 2004 and who are working down their supplies; and also due to disruption caused by the sales force reorganization which took place during the first and second quarters. In the case of BLU-U sales, DUSA has eliminated price discounting during the second quarter which it believes has had a negative effect on this quarter's sales.

DUSA also wishes to clarify that while negotiations with **PhotoCure** and **Galderma** are on-going and progress is being made, there is no certainty if, or when, a settlement will be reached regarding the parties' patent dispute. Finally, DUSA wishes to note that its Phase II clinical studies for the treatment of acne remain blinded and that preliminary results are expected to be available by the end of the year, though through the first cohort of the trial, investigators are reporting encouraging results.

In light of recent volatility, DUSA will release its sales results for the June 30, 2005 quarter during mid-July, prior to the full financial results which will be released on or before August 9, 2005.

6/22 John Calcagnini of **CIBC World Markets** sent along an update report on **Syneron**: **ELOS: Receives FDA Approval for VelaSmooth, and We See Upside Earnings Potential**

We reiterate our Sector Outperformer rating on ELOS following the good news recently that the company has received FDA approval for the VelaSmooth device for treating Cellulite, which has been a central part of our thesis in recommending the stock.

We have spoken with numerous dermatologists/cosmetic surgeons about this device and read clinical studies that reported efficacy with the device in treating cellulite. We see Vela having $100 mm+ in sales potential and believe that the sales force has "seeded" the market for a strong launch.

We are not modifying our model until ELOS gives revised guidance, but we do see potential for it to raise guidance on this news. Elsewhere, ELOS tells us it has not guaranteed any other loans beside NUVO (private), which is reorganizing, so the short buzz seems misleading.

Furthermore, ELOS already took a writeoff for NUVO last quarter, and it is working on a favorable cash-based extension of that relationship. ELOS only paid investigators with stock in the beginning. ELOS recognizes A/R reserves when the need arises, common for medical equipment cos.

6/24 **Syneron Medical Ltd.** announced that it had established a strategic relationship for marketing and sales in India and Russia following the receipt of regulatory approval to sell Syneron's proprietary elos-based products in both the Indian and Russian markets. In India, Syneron has signed an agreement with **Suchita NuMed Tech Pvt. Ltd.** and in Russia with **JSC "World."** According to Syneron CEO, Moshe Mizrahy, "The two new agreements, in addition to the agreement in China announced one month ago, are part of a strategic decision in Syneron to enter these three emerging markets for medical aesthetic products in their early stage of development to ensure a strong market position in the future."

MEDICAL/SURGICAL LASER UPDATE — July 2005

6/28 **Cardiogenesis Corporation** announced that it had formed a new division called **Cardiogenesis Financial Options (CFO)**, and had named Christine Ocampo as General Manager. Ms. Ocampo also will maintain her position as the Company's Chief Financial Officer. The CFO Division will offer customized financial solutions for customers by providing an array of financing options that are tailored to meet the individual financial needs of customers.

"We created the CFO Division in order to expedite sales-cycles and the deal-closing process," said Michael Quinn, Chairman and CEO of Cardiogenesis. "The CFO Division's primary focus will be to convert our robust pipeline into revenue dollars. This is an important step for the Company and we look forward to increasing our sales

revenues and advancing the use of minimally invasive surgeries to treat heart ailments like angina."

The CFO Division has secured funding for the new division through **First Premier Capital**, an affiliate of **First Premier Bank**, located in Sioux Falls, South Dakota. The Company currently holds over $1 billion in assets.

6/28 **Syneron Medical Ltd.** announced that during Q2 2005 it received FDA clearances for two new Syneron applicators and was also granted additional regulatory clearances in several other markets. The FDA cleared Syneron's new Aurora SR advanced applicator with broader specifications to treat superficial benign vascular and pigmented lesions. The FDA also granted clearance for Syneron's new advanced Aurora DS applicator with broader specifications for permanent hair reduction treatment. Both new applicators have been designed for use on the Aurora and Galaxy platforms.

Since March, Syneron has added three new regulatory clearances for the VelaSmooth system: Australia, Korea, and the Philippines. These new Asia-Pacific clearances follow regulatory clearances in the U.S., Canada, and Europe for the VelaSmooth, Syneron's medical device for the treatment of cellulite.

In Europe, Syneron received Medical CE Mark approval for its Comet high-speed hair removal system.

According to Syneron's head of regulatory and clinical affairs, Dr. Amir Waldman, "Syneron continues to strengthen its global leadership position with new product development and enhancements to our existing successful product offering. The momentum of clearances from regulatory authorities worldwide is testimony to the safety and efficacy of Syneron products and the elos technology on which they are based."

6/28 **VNUS Medical Technologies, Inc.** announced that it had launched a television advertising campaign to educate patients about the VNUS Closure system for the minimally invasive treatment of patients with venous reflux disease. The VNUS Closure system enables a procedure known as radiofrequency (RF) vein ablation, which employs precisely controlled RF energy to seal diseased veins, thereby allowing blood to be naturally rerouted to other healthy leg veins. The VNUS advertising campaign is currently appearing on selected cable television networks throughout the United States.

"We have chosen this time to reach out and enhance public education through television advertising because of the extensive clinical evidence that exists today about the effectiveness of the VNUS Closure procedure as a treatment for patients with painful varicose veins and venous reflux disease," said VNUS president and CEO Brian Farley. "This extensive clinical evidence demonstrates the clinical effectiveness and long-term durability of the procedure out to five years and also includes comparative data between the VNUS Closure procedure and other treatment alternatives such as traditional vein-stripping surgery and endovenous laser treatment. Patients no longer need to suffer

from the quality of life reduction that accompanies chronic pain or limb fatigue due to venous reflux disease."

VNUS' Medical Director and vice president of Clinical Research and Education Lian Cunningham, MD stated, "Clinical data shows that five years after treatment with the VNUS Closure procedure, 84% of limbs remained free from reflux. In addition, randomized trial data show that the VNUS Closure procedure results in not only faster recovery with fewer adverse events, but also significant improvement in quality of life and pain reduction out to two years after treatment, compared to vein-stripping surgery. Also, a recent publication showed that the VNUS Closure procedure produced better vein occlusion rates than endovenous laser ablation one year after treatment. Compared to other alternatives that treat saphenous vein reflux, which is often an underlying cause of painful varicose veins and other symptoms, the VNUS Closure procedure is the only therapy proven in comparative trials to offer advantages over traditional surgery."

Population studies show that over 25 million Americans suffer from quality of life issues emanating from painful varicose veins, swollen legs or a feeling of heaviness and fatigue in their legs due to venous reflux disease.

6/30 **Diomed Holdings, Inc.** announced, that it had entered into an exclusive distribution agreement with Colorado-based **Med1Online, Inc.**, one of the leading online distributors of capital medical equipment in the United States. "We believe that Diomed's strategic agreement with Med1Online will expand our market reach and help us accelerate revenue growth for EVLT," stated James Wylie, president and CEO of Diomed Holdings, Inc. "The execution of this distribution agreement creates a powerful combination of Diomed's patented technology and Med1Online's novel distribution approach to bring EVLT to currently underserved market segments."

Under the terms of the three-year renewable distribution agreement, Med1Online acquired exclusive distribution rights to market Diomed's EVLT product line to the OB/GYN and plastic surgery physician market segments, providing a superior adjunct technology to **Toshiba America Medical Systems'** Nemio ultrasound product, recently secured by Med1Online in a similar distribution agreement.

"We are very pleased to be partnering with Diomed to expand this exciting technology," stated Scott Carson, president of Med1Online. "This product partnership further strengthens our position in the OB/GYN and plastic surgery markets while offering one-stop shopping for all of our customers' vascular product needs. Collaboration with market leaders in a specific segment is critical to driving rapid growth in that market. Diomed's clear leadership position in the endovenous laser treatment of varicose veins should only accelerate, with their operational focus on EVLT and their solid intellectual property position."

"This is the first in a planned series of new sales and marketing initiatives by Diomed," added Wylie. "Med1Online will have an immediate positive impact on the business and we expect them to be a significant contributor to our future growth."

6/30 **Syneron Medical Ltd.** announced that following receipt of the FDA's 510(k) pre-market clearance for its VelaSmooth cellulite treatment system and a preliminary assessment of market demand, it is raising revenue guidance for Q2 2005 to $20m from its prior estimate of $18-19m. The Company is increasing revenue guidance for the year to $84-85m from a previous range of $78-80m.

Commenting on the revenue guidance revision, CEO of Syneron, Moshe Mizrahy, said, "Initial market response to the VelaSmooth has been very positive. We have a strong marketing program underway for the Vela, including clinical training programs, and we expect to receive strong orders in the second half of the year."

John Calcagnini of **CIBC World Markets** reacted to **Syneron's** update: **ELOS: Raises Revenue Guidance for 2Q and 2005; Raising Ests and Price Target**

We reiterate our Sector Outperformer rating on ELOS following the company's announcement that it is raising revenue guidance for 2005 to $84-$85M from $78-$80M previously. ELOS also raised 2Q05 revenue guidance to $20M from $18-$19M previously.

The revised guidance reflects the recent approval of Vela, the company's newest product for the treatment of cellulite. ELOS has initiated a marketing program to doctors and expects to receive strong order volume in 2H05.

We are raising our 2005 and 2006 rev. and EPS ests. Our 2005 and 2006 revenue estimates are $91M and $124M, respectively, from $85M and $107M. Our 05-06 EPS estimates are $1.47 and $1.90, respectively, from $1.38 and $1.64.

Our model now assumes that Vela generates revs. of $6M in North America in 2005 and $25M in 2006, from $0M and $8M previously. We continue to think the market opportunity for this product is $100M annually. We recommend buying the stock here. Raising price target to $49 from $42.

7/5 **PhotoMedex, Inc.** announced that it had joined the new *Russell Microcap Index* as **Russell Investment Group** reconstituted its family of 23 U.S. indexes on June 24. The Russell Microcap Index, comprised of the smallest 1,000 securities in the small-cap Russell 2000 Index plus the next 1,000 companies, is based on a ranking of all U.S. equities by market capitalization. This new index offers managers and other investors a comprehensive, unbiased barometer to compare their performance against the genuine microcap marketplace of stocks

PhotoMedex president and CEO Jeff O'Donnell said, "Our inclusion in the Russell Microcap Index is a significant step forward for PhotoMedex. It reflects the progress we've made in building shareholder value and will help raise our profile among institutional and retail investors, especially those that rely on such indexes as part of their investment strategy."

The Russell indexes are widely used by investment managers and institutional investors for index funds and as benchmarks for both passive and active investment strategies. More than $2.5 trillion in assets currently are benchmarked to them. Investment managers who oversee these funds purchase shares of member stocks according to that company's weighting in the particular index.

Companies in the Russell Microcap were ranked as of May 31, 2005 by total market capitalization and weighted based on free-float adjustment, an integral aspect of Russell index methodology. Free-float adjustment means stocks are weighted by their available market capitalization which is calculated by multiplying the primary closing price by the available shares.

7/5 **Syneron Medical Ltd.** announced that it had signed an agreement to invest $1.5m in **Light Instruments Ltd.**, an Israeli start-up specializing in the development of advanced dental laser devices. Syneron's investment, to buy 51% of the new company, will be made in two equal $750,000 tranches. Syneron will fund the second half of the investment only if a prototype of the laser system meets certain technical and clinical specifications. Syneron will also have an option to invest an additional $2m in the company. As part of the investment agreement, Syneron will have exclusive North American marketing and sales rights for 10 years following FDA clearance.

Chairman of Syneron, Dr. Shimon Eckhouse, explained that "dental laser products have many synergies in their technology, manufacture and marketing with Syneron's platform of aesthetic medical devices and the expected margins of the Light Instrument dental system are consistent with the margins of our core products."

Commenting on the market for the dental laser system, Dr. Eckhouse added: "There is a potential market of some 200,000 dentists in North America alone. The dynamics of the dental market have many similarities to the dynamics of the market for aesthetic medical devices in which Syneron is gaining a clear leadership position. Moreover, within the context of private dental clinics and emerging `dental spas,' dentists are also potential customers for Syneron's core platform of aesthetic medical devices."

7/6 **Cardiogenesis Corporation** announced that it had submitted its definitive percutaneous myocardial channeling (PMC) trial protocol to the FDA in an Investigative Device Exemption (IDE) application. The Company expects to receive formal response from the FDA regarding the submission within 30 days, and to be able to begin this trial in the U.S. in eligible patients suffering from severe angina soon thereafter. In early June, Cardiogenesis received a Letter of Agreement from the FDA that detailed its acceptance

of the key elements of trial design, endpoints and patient criteria that forms the basis of the PMC trial protocol. PMC is already being used in Europe under CE Mark approval and has shown positive results for angina sufferers abroad.

"The submission of the formalized IDE trial protocol is an important step in the development pathway toward initiating this definitive PMC trial that is aimed at supporting final FDA approval of this technology," stated chairman and CEO, Michael Quinn. "We are confident that our efforts in proactively achieving a formal binding Letter of Agreement with the FDA will facilitate approval of the IDE."

According to the *American Heart Association*, more than eight million people in the U.S. suffer from angina, and its advanced stages are often overwhelming for patients and their families. Cardiogenesis's strategy is to provide minimally invasive tools to the cardiac surgeons and the PMC system to the cardiologists who treat these patients.

"By providing a full range of treatment tools for laser myocardial revascularization, Cardiogenesis is providing essential support to physicians who care for patients suffering from the disabling effects of severe angina," said Marvin Slepian, MD, the Company's Chief Scientific Officer and Director, Interventional Cardiology, University of Arizona Sarver Heart Center.

Following the submission of the IDE trial protocol, the FDA now has 30 days to complete its review and to respond to the Company. "We've enjoyed a productive dialogue with the Agency review team throughout this process, and are optimistic that the protocol review will be straightforward and can be completed in a timely fashion," said Quinn.

7/6 **Cutera, Inc.** announced the opening of its European Headquarters. Based in Zurich, this world-class facility will provide sales, marketing, service and finance support for Cutera's direct and distributor organizations in Europe, the Middle East and Africa. The facility will also allow Cutera to hold regional training seminars including patient demonstrations. The expanded service capabilities here will also provide quicker response to Cutera's international customer base. These actions reflect Cutera's overall strong commitment to its European customers.

As part of this expansion, Cutera now offers direct sales, service and marketing support in Switzerland to complement Cutera's existing direct sales organizations in Germany, France and Spain. Cutera has also formed strategic relationships with new distributors in other markets in Europe, which will allow more potential customers to access this technology.

"Cutera has seen significant growth in its European business based on its innovative product technology which includes the new Titan application," said Cutera president and CEO Kevin Connors. "This expansion is designed to establish greater focus in the area

and increase our market share. I consider this a milestone in our business because it creates the foundation for accelerated international growth."

7/6 **Diomed Holdings, Inc.** announced that it had acquired exclusive rights to market the TDS infusion pump for the minimally invasive treatment of varicose veins. The TDS Pump is a vibration-free infusion pump capable of injecting up to 1000 milliliters per minute and can be used for pressurized administration of tumescent anesthesia during the EVLT procedure. The exclusive rights were acquired from **Med1Online** for use in the Diomed EVLT procedure, increasing the volume of solution which can be delivered with each injection, thereby increasing patient comfort by reducing the overall number of injections required.

"Use of our new Tumescent Delivery System (TDS) will allow more efficient administration of local anesthesia during the EVLT procedure, greatly increasing patient satisfaction and reducing overall procedure time," commented John Welch, Diomed's vice president of Marketing. "Introduction of the TDS pump is the second in a series of product and marketing initiatives planned for the remainder of 2005 and addresses our goal of providing a full range of products for treatment of varicose veins with EVLT."

In addition to the TDS Pump and its disposable refill kits, Diomed provides a broad line of products and tools for the EVLT procedure including diode lasers, procedural kits, and accessory packs combined with expert training and practice development support through a unique program known as the MBA (Maximizing Business Achievement). Details of the TDS Pump transaction were not announced.

7/7 Peter Benesh, writing in *Investor's Business Daily* on **Laserscope**: **Medical Device Maker Gives The Green Light To Prostate Therapy**

It's a guy thing. Get older and expect prostate trouble. The worst scenario is prostate cancer. Most of those who get it wind up with benign prostatic hyperplasia (BPH), the medical term for an enlarged prostate. BPH occurs in 50% of men over age 50 and in 80% of men over age 80. About half of men with enlarged prostates have urinary obstruction. Drugs help some patients. When drugs don't help, things can get nasty.

The most common of several surgical procedures for BPH is often referred to as the "Roto-Rooter." The official name of the procedure is transurethral resection of the prostate, or TURP. In TURP, a urologist uses instruments fed through the urethra to cut away and cauterize prostate tissue that constricts urine flow.

Time For A Change? TURP has been the standard for 50 years. It's time to limit its use, says Eric Reuter, chief executive of **Laserscope**. Reuter is trying to replace TURP with Laserscope's photo vaporization of the prostate, or PVP, a procedure that uses a green-light laser to remove prostate tissue.

Analyst Patrick Winton of **Sterne Agee & Leach** says PVP is less painful than TURP, has fewer side effects and often produces better results. PVP, like TURP, is performed through the urethra. The urologist uses a fiber-optic device and watches on a monitor until it reaches the prostate gland. Green light laser energy is fired into the gland. Instead of being sliced away, excess prostate tissue is vaporized by the laser. The procedure is usually bloodless and can be done on a hospital outpatient basis.

TURP requires an expensive hospital stay -- sometimes several days. In addition, TURP often results in bleeding, infection and even impotence. PVP is especially helpful to geriatric patients, CEO Reuter says. "Many are on anti-coagulants for heart conditions. PVP minimizes blood loss."

Laserscope got Food and Drug Administration for its PVP system in 2001. The PVP has been on sale since 2002 in the U.S. and Europe. Laserscope has sold 500 machines at $88,000 each, Reuter says. The challenge is weaning urologists off TURP, says analyst Jose Haresco of **Merriman Curhan Ford & Co.** "Urologists are one of the most difficult doctor groups to try to break into," he said. "(Most believe) if it ain't broke, don't fix it." Though TURP is hard on the patient, many doctors are happy with the procedure's long-term result and its success in cases where the prostate is very large, Haresco says. Building the case for PVP is a doctor-by-doctor process. "Doctors I've talked to who use PVP verify that patients are out late in the evening after a morning procedure, or at least the next day," Haresco said.

Catching A Buzz: One concern about PVP is how long it takes to perform the procedure. The time frame depends on the size of the enlarged prostate. A 100-gram prostate, which is really big, might take up to two hours with PVP, analyst Winton says. A typical TURP procedure lasts 90 minutes, according to the *National Kidney and Urologic Diseases Information Clearinghouse*. Still, there's evidence that urologists are becoming more interested in PVP. At the *American Urological Association* annual meeting in May, doctors gave 10 presentations on PVP, up from four in 2004.

"The buzz continues to grow dramatically," Winton said. Laserscope has strategies to convince doctors and patients to use its PVP technology, though Reuter is tight-lipped on details. He does say the plan is to educate patients and their primary-care physicians.

Eyes Abroad: In the first quarter, the company sold 90 of its PVP systems, up from 77 in the preceding quarter. Overall first-quarter revenue rose 50% from the prior year to $28.2 million. Earnings more than doubled to 22 cents a share. Analysts polled by First Call see full-year profit rising 34% to 87 cents a share. Laserscope gets 25% of its revenue from abroad. Reuter intends to increase that to 50%.

The first big step will be to enter the Japanese market. That will probably happen in 2007, after Laserscope gets regulatory approval there. Herasco says Japan has as many TURP operations a year as the U.S. -- 120,000 to 150,000.

Europe will be an even bigger market than the U.S. because the Continent performs two to three times as many TURPS each year, Winton says. He adds that the Chinese and Indian markets present opportunities for Laserscope as their populations get healthier and live longer.

Laserscope's aesthetic lasers compete with those made by several companies, including **Lumenis, Palomar Medical Technologies**, **Candela**, **Cutera** and **Iridex**.

7/7 **PhotoMedex, Inc.** announced that **UnitedHealthcare**, a leading healthcare provider serving more than 18 million individual customers around the world, has adopted a medical policy covering medically necessary treatment of mild to moderate psoriasis using the PhotoMedex XTRAC laser system. UnitedHealthcare is a part of **UnitedHealth Group**, a diversified Fortune 100 company. The policy decision was effective as of June 21, 2005 and includes **Oxford Health Plans**, as well, which was recently acquired by UnitedHealthcare.

Jeff O'Donnell, CEO of PhotoMedex, said, "The adoption of a policy by UnitedHealthcare approving the treatment of mild to moderate psoriasis with our XTRAC laser is a milestone for our Company and we believe great news for the millions of people around the country who suffer from psoriasis. For PhotoMedex, insurance reimbursement is an important business driver as it provides physicians and patients with a clinically proven and effective treatment for their disease management. It is our understanding that UnitedHealthcare performed an extensive technology assessment that included input from the *American Academy of Dermatology* and the *National Psoriasis Foundation* as well as from independent technology rating organizations in arriving at their decision to consider XTRAC treatments as a proven benefit. This review of the XTRAC adds to those performed by all of the other national insurers and many regional managed care organizations underscoring the value of our laser system to psoriasis sufferers. We look forward to being able to provide the XTRAC treatment to UnitedHealthcare members and to continuing our work to make the XTRAC a covered benefit by all insurance companies."

Continuing, O'Donnell added: "The adoption of a policy by UnitedHealthcare and Oxford adds to previously announced decisions from **Aetna**, **Cigna**, the **Blue Cross Blue Shield Plans of WellPoint**, **Anthem**, **Carefirst**, **Regence** and other individual Blue Cross Blue Shield Plans in many states and many other private insurers."

UnitedHealthcare, along with its sister company **Uniprise Solutions**, provides access to high-quality care from more than 470,000 physicians and 4,500 hospitals across all 50 states and in four international markets.

7/11 **BIOLASE Technology, Inc.** announced that the Company received notice on July 5, 2005, that The NASDAQ Stock Market, Inc. had granted the Company an extension of time until August 1, 2005, in which to file its Form 10-K for the fiscal year ended December 31, 2004, certain restatements with respect to the Company's historical

financial statements, the Form 10-Q for the fiscal quarter ended March 31, 2005, and to otherwise meet all necessary listing standards of The NASDAQ National Market.

As previously disclosed in its Form 8-K filed May 20, 2005, the Company intends to restate its historical financial statements and will file (i) its 2004 Form 10-K that will include, in addition to its consolidated financial statements for the year ended December 31, 2004, restated consolidated financial statements as of December 31, 2003, and the two years then ended and (ii) amended Form 10-Qs for the fiscal quarters ended March 31, 2004, June 30, 2004 and September 30, 2004 that will include restated financial statements for the prior comparative periods as well.

At this time, the Company expects to file its 2004 Form 10-K and 2004 Form 10-Q/As prior to August 1, 2005; however, the Company does not expect to be able to complete the first quarter 2005 Form 10-Q by August 1, 2005, and intends to seek an additional extension from NASDAQ to file such first quarter 2005 10-Q. There is no assurance that the Company will be able to file its 2004 Form 10-K or 2004 Form 10-Q/As by August 1, 2005, or that NASDAQ will grant any extension to the Company to file its first quarter 2005 Form 10-Q.

7/12 **Diomed Holdings, Inc.** announced, that a hearing on **Vascular Solutions, Inc.'s** motion for summary judgment will be held on Wednesday July 13, 2005 in its pending case against Vascular Solutions and a former Vascular Solutions employee. The case asserts counts for misappropriation of certain Diomed trade secrets relating to the EVLT treatment, as well as for other torts including trademark infringement and commercial disparagement.

At the hearing, Judge Rya Zobel, of the United States Federal District Court for the District of Massachusetts, will hear summary judgment arguments from Diomed and the defendants on a number of issues. Judge Zobel may immediately issue rulings on some or all of the issues, or may hear arguments and rule at some future date. The ultimate direction of this case will depend on the results of those rulings.

This case is unrelated to the ongoing suit against Vascular Solutions and other competitors for infringement of Diomed's patent relating to laser vein ablation, which is pending before a different judge in the same federal court in Massachusetts. Diomed continues to pursue its separate patent suits against Vascular Solutions, **Angiondynamics, Inc.**, **Total Vein Solutions, LLC**, and **CoolTouch, Inc.** for infringement of Diomed's United States Patent Number 6,398,777 covering the endovascular laser treatment of varicose veins.

7/12 **Spectranetics Corporation** announced that the Company had been added to the new Russell Microcap Index. The new Russell Microcap Index is comprised of the securities of 2,000 microcap companies based on a ranking of all U.S. equities by market capitalization. This new index, which includes companies up to $540 million in market

cap, offers money managers and other investors a comprehensive, unbiased barometer to compare their performance against the genuine microcap marketplace of stocks.

"Being included in the Russell index is an important acknowledgment of the value we are creating at Spectranetics," said John Schulte, Spectranetics' president and CEO. "We believe inclusion in this index will help increase our visibility among investors and contribute to our efforts to increase shareholder value."

The Russell indexes are widely used by investment managers and institutional investors as benchmarks for both passive and active investment strategies. More than $2.5 trillion in assets currently are benchmarked to them. Investment managers who oversee these funds purchase shares of member stocks according to that company's weighting in the particular index.

7/13 **Cynosure Inc.** announced that it had partnered with **Universal Companies**, the leading supplier of quality products and services to the spa market, to distribute Cynosure's TriActive LaserDermology and pulsed light PhotoLight systems. Through their consulting services and extensive product catalog, Universal will offer the Cynosure products to provide cellulite treatment, massage therapy and cosmetic facial solutions. Universal will also offer hands-on training and consulting services on the products.

"Our mission is to consistently deliver innovative spa solutions that will maximize the success of our partner-customers," said Marti Morenings, Universal Companies' Founder and CEO. "We chose Cynosure from among more than a dozen companies because of the innovation demonstrated in their products and their specialized service organization dedicated to spas."

"The Triactive LaserDermology solution will allow our customers to add several new treatment options to their spas: laser massage, cellulite treatment, and non-surgical facial rejuvenation. The PhotoLight will provide additional cosmetic treatments, including hair removal, with a single device," added Gary McConnell, Universal Companies' president.

The TriActive, for the treatment of cellulite, has recently been featured in a number of publications such as Oprah, Glamour, Woman's World, The New York Post, and Fitness Rx. The cellulite treatment system has also been highlighted on various television programs.

"We are very pleased to have Universal Companies as a spa industry partner and to be their exclusive supplier of this technology. Cynosure has developed products specifically for the spa market and has created a dedicated team of specialists to support them, but our challenge has been to reach the broad-based U.S. spa market which extends to more than 14,000 day-spas," commented Michael Davin, Cynosure's president and CEO. "Spa locations in the United States have grown considerably within the last two years. Working closely with Universal Companies will give us great visibility within this growing market."

7/14 **DUSA Pharmaceuticals, Inc.** announced second quarter (Q2) Levulan Kerastick and BLU-U end-user sales. For Q2 2005, end-user Kerastick sales to physicians totaled 20,172, consisting of 16,506 sold in the United States (US), and 3,666 sold by **Coherent-AMT**, our Canadian marketing and distribution partner, versus 17,910 sold during Q2 2004, consisting of 16,002 sold in the United States (US), and 1,908 sold in Canada. On a year-to-date basis, Kerastick sales for the first six months of 2005 were 48,876, as compared to 29,964 for the first six months of 2004. Although sales volumes have increased year over year on a comparable quarter and six month basis, sales volumes for Q2 2005 of 20,172 represented a decrease from Q1 2005 sales volume of 28,704.

The net number of BLU-U units placed in doctors' offices during the second quarter was 72, consisting of 48 in the US and 24 in Canada. At the end of Q2 2005, a total of 1,117 units were in doctor's offices, consisting of 961 in the US and 156 in Canada, versus 775 at the end of Q2 2004, including 61 in Canada.

Bob Doman, DUSA's president and COO, stated "While we are disappointed with the second quarter sales results, we continue to receive very positive feedback about our therapy from doctors across the country that believe Levulan PDT will become a routine part of standard dermatological practice. As mentioned in our June 22, 2005 press release, we had an unusual combination of events this quarter which we believe impacted our Q2 results: the drop off in orders from high volume customers in 2004 who continued to work down inventories after the elimination of the discount programs which were in place last year; the significant disruption of the sales force related to the addition of 11 new reps over the first 4 months of the year; and the implementation of a more focused sales strategy from a more opportunistic approach to selling. We also believe that sales by compounding pharmacies are still having some negative impact. In the case of BLU-U sales, DUSA has eliminated price discounting during the second quarter, which management believes has had a negative effect on this quarter's sales. On the positive side, we are seeing significant increases in usage versus the prior year among this year's highest volume accounts. If this trend continues, we should begin to see a smoothing of orders and the emergence of growth more reflective of end customer usage."

Dr. Geoffrey Shulman, DUSA's chairman and CEO, stated "We believe that Levulan PDT is still early in its adoption curve, primarily as it is only FDA approved for actinic keratosis at this time. While we continue our clinical development program for acne and photodamage, our other two key dermatology indications, increasing adoption of our therapy in these two areas prior to the successful completion of clinical studies and receipt of FDA approval can occur only through the dissemination of scientific data at educational conferences, publication of peer-reviewed journal articles and thought leader presentations. We continue to support such initiatives where appropriate, and we remain confident that the long-term potential for our therapy is very positive."

DUSA expects to release its full financial results for the June 30, 2005 quarter on or before August 9, 2005.

7/14 **Vascular Solutions, Inc.** announced that a summary judgment hearing was held on July 13, 2005 in the United States Federal District Court for the District of Massachusetts regarding intellectual property litigation brought by **Diomed Holdings, Inc.** against Vascular Solutions. The summary judgment hearing was held solely to consider Vascular Solutions' motion to dismiss all counts of Diomed's complaint and to grant judgment to Vascular Solutions on its counterclaim invalidating Diomed's EVLT trademark. The Court took the motion under advisement and issued no formal ruling.

After the close of trading on July 13, 2005, Diomed issued a press release which stated that in the summary judgment hearing Vascular Solutions "conceded" on Diomed's trade secret and disparagement claims. Also in the press release Diomed stated that the Court took under advisement "Diomed's claims for trade secret misappropriation."

"Diomed's press release is bizarre and incorrect," stated Howard Root,CEO of Vascular Solutions. "Diomed, in this litigation, alleged that Vascular Solutions violated Diomed's EVLT trademark and engaged in commercial disparagement through one of our Vari-Lase marketing documents. Vascular Solutions has never used Diomed's EVLT trademark in selling any of our Vari-Lase products. Furthermore, Vascular Solutions hasn't used the one page marketing document in question since 2003. Given these preemptory facts, and without even getting to the merits of our request for dismissal, the Court questioned why Diomed's allegations continued, and Diomed agreed to dismiss with prejudice both the trademark and the disparagement portions of the litigation. Vascular Solutions conceded nothing on Diomed's claims. Furthermore, while Diomed states that the Court took Diomed's trade secret claims under advisement, what the Court is considering is Vascular Solutions' motion to dismiss Diomed's sole remaining trade secret misappropriation claim. For Diomed to try to claim victory out of the dismissal of two of their three allegations with the requested dismissal of the third claim still under consideration by the Court is simply stunning."

7/15 **Spectranetics Corporation** announced that the Company had received an unfavorable decision in its arbitration with **Edwards Lifesciences Corporation** related to royalties due pursuant to a license agreement between the parties. The disputed license expires in November 2005, and is related to the payment of royalties on certain service-based revenue. The arbitrator determined that royalties were due on such services.

Spectranetics will submit an accounting of royalties due to Edwards under the terms of the arbitration within 30 days and if no agreement between the two parties is reached on the amount of royalties due, a separate hearing with the arbitrator will be held within 60 days from today. As of March 31, 2005 Spectranetics had recorded a reserve of approximately $1.8 million for this matter.

"While we cannot determine with certainty that the loss contingency will fully cover the amount of royalties due as a result of this ruling, our strong cash and investment securities position ensures this ruling will not affect our ability to fund our business plans. I'm looking forward to finalizing this matter so we can put this legacy issue behind us.

All royalty payments pursuant to this license agreement will cease in November 2005, pursuant to the expiration of the underlying patents," said Guy Childs, Spectranetics' CFO.

7/19 **Laserscope** announced that the United Kingdom's National Institute for Health and Clinical Excellence (NICE) had approved the Photoselective Vaporization of the Prostate (PVP) procedure for the treatment of Benign Prostatic Hyperplasia, or BPH, at National Health Service (NHS) hospitals in England and Wales. The PVP procedure is performed using the GreenLight PV laser system. NICE approved the PVP procedure after a thorough review of recent clinical studies that showed excellent BPH treatment results using Laserscope's GreenLight PV laser system. In its review, NICE determined that the PVP procedure is satisfactorily safe, efficient and effective for the treatment of BPH within the NHS system.

NICE is an independent organization formed in April 1999 to create a single excellence-in-practice body responsible for providing national guidance in the United Kingdom on the promotion of good health and the prevention and treatment of illness. NICE provides guidance to the National Health Service on public health issues, health technologies, including direction about the use of new and existing medicines, treatments and procedures within the NHS, and clinical practice, including recommendations on the appropriate treatment and care of people with specific diseases and conditions within the NHS.

"We are gratified by NICE's approval of the PVP procedure for the treatment of BPH," said Eric Reuter, president and CEO of Laserscope. "Importantly, this approval removes a prior barrier faced by every NHS hospital for each patient treated with PVP, including an ethical board review and patient consent for a so-called 'experimental treatment.' Based on NICE's review of recent clinical studies, the solicitation of expert opinions and the views of organizations representing both healthcare professionals and patients and caretakers, it was determined that Photoselective Vaporization of the Prostate is a safe and effective procedure to help the many men who are suffering with the symptoms of enlarged prostate.

"Late last year, Kings College in London was granted a prestigious award by the NHS for demonstrating the success of the PVP procedure on an outpatient basis, versus the more invasive trans-urethral resection of the prostate, or TURP, procedure. The award cited the hospital's ability to reduce costs and waiting times, while increasing patient satisfaction and experience through utilization of the PVP procedure. The combination of this award and NICE's recent recommendations should help continue to improve the visibility and credibility of the positive attributes of PVP, not only within the UK's public healthcare system, but in other two-tiered healthcare systems around the world," continued Reuter.

"Our number one priority has been to ensure that PVP using Laserscope's GreenLight PV laser system technology is recognized as the worldwide standard of care for treating BPH, and we believe we are getting closer and closer to achieving that goal every day."

7/19 **Diomed Holdings, Inc.** announced that the Company's common stock had been added to the *Russell MicrocapIndex*. The newly launched Russell Microcap Index, which debuted on July 1, 2005, includes 1,000 securities from the small-cap Russell 2000 Index along with the next smaller 1,000 companies, based on a ranking of all U.S. equities by market capitalization. The index offers portfolio managers and other investors a comprehensive unbiased barometer against which their performance can be measured.

"We are very pleased to be joining the new Russell Microcap Index," commented David Swank, CFO of Diomed Holdings, Inc. "Inclusion in the index marks an important milestone in the growth of Diomed and should provide even greater exposure of our stock to the institutional investor."

7/19 **BIOLASE Technology, Inc.** announced the filing of its Form 10-K, which included results for the fourth quarter and fiscal year ended December 31, 2004 as well as restated financial statements for fiscal years ended December 31, 2002 and 2003. Additionally, the Company filed its amended Forms 10-Q/A for the first three quarters of 2004 and the quarters of 2003. All references below reflect the effects of the restatements for fiscal years 2002, 2003 and the first three quarterly periods of 2004.

Net revenue for the fourth quarter and fiscal year ended December 31, 2004 was $19.1 million and $60.7 million, respectively. This compares with net revenue of $15.9 million and $48.8 million for the fourth quarter and fiscal year ended December 31, 2003, respectively.

Revenue from the Company's principal product category, the Waterlase system, comprised approximately 89% of net revenue for the fourth quarter of 2004. This compares with Waterlase revenue of 93% for the fourth quarter of 2003. Approximately 60% of the Waterlase related revenue in the fourth quarter of 2004 was comprised of the new Waterlase MD product.

Gross margin during the fourth quarter of 2004 was 57% as compared to 68% in the same period in 2003. Gross margin for the year ended December 31, 2004 was 59% as compared to 64% for the year ended December 31, 2003. Gross margin was primarily impacted in the fourth quarter of 2004 by increased manufacturing costs related to the initial production of the Waterlase MD, additional reserves of $0.3 million for excess and obsolete inventory and an increase in costs related to customer training and WCLI seminars of $0.4 million. Gross margin for fiscal year 2004 includes increases in excess and obsolete inventory of $0.4 million and $1.9 million of costs related to customer training and WCLI seminars.

Operating expenses were $20.4 million and $45.4 million for the fourth quarter and fiscal year ended December 31, 2004, respectively. This compares with operating expenses of $8.3 million and $24.4 million for the fourth quarter and fiscal year ended December 31, 2003, respectively. As described in greater detail below, operating expenses for fiscal year 2004 were principally affected by the litigation of the **Diodem** patent matter, including legal expenses of approximately $3.1 million and settlement expenses of $6.4 million. Additionally, the Company's operating expenses for the fiscal year 2004 were impacted by costs of approximately $1.3 million associated with the Sarbanes-Oxley Act of 2002 ("SOX") and increased sales and marketing expense as a result of the introduction of the Company's new Waterlase MD product.

Sales and marketing expense was $6.4 million or 34% of net revenue for the fourth quarter of 2004 as compared to $5.8 million or 37% of net revenue for the same period in 2003. The increase in sales and marketing expense from the same period in 2003 is related to the launch of the Waterlase MD, continued expansion of the Company's sales force and increased marketing expense associated with the Company's consumer awareness initiatives. General and administrative expense was $5.7 million or 30% of net revenue for the fourth quarter of 2004 as compared to $1.6 million or 10% of net revenue for the same period in 2003. Increases in general and administrative expense in the fourth quarter of 2004 are related to higher legal costs of approximately $2.1 million for the Diodem litigation as well as higher infrastructure and professional services expense of approximately $0.9 million, principally as a result of SOX. Engineering and development expense was $1.1 million or 6% of net revenue for the fourth quarter of 2004 as compared to $0.8 million or 5% of net revenue for the same period in 2003. Increases in engineering and development expense are due primarily to the development of the Company's research initiatives in other medical specialties.

Loss before income taxes was $9.4 million and $8.8 million for the fourth quarter and fiscal year 2004, respectively. As noted above, the primary reason for the loss in the fourth quarter and fiscal year relates to legal and settlement expenses for the patent infringement lawsuit with Diodem LLC, increased expenses associated with SOX, and an intangible impairment charge of $0.7 million related to trade names acquired as part of the American Dental Laser acquisition in 2003. This compares with income before income taxes of $2.7 million and $7.2 million for the fourth quarter and fiscal year 2003, respectively.

Largely as a result of the operating loss incurred in the fourth quarter of 2004, the Company determined that a valuation reserve was necessary due to the uncertainty of the future realization of its deferred tax assets. This decision was primarily based on the Company's cumulative three-year historical performance of pre-tax losses for its U.S. operations, the main determination for recording such a reserve. The recognition of this valuation reserve does not affect operating results, cash flow or the timing of income taxes payable in the future. At December 31, 2004, the Company had net operating loss carry forwards for federal and state purposes of approximately $39.0 million and $11.3 million, respectively, which will begin expiring in 2005. The net income tax provision

was $14.2 million for the fourth quarter of 2004, bringing the full fiscal year income tax provision to $14.4 million. The full valuation reserve at December 31, 2004 was $21.1 million. Due to recording the full valuation reserve of deferred tax assets in 2004, the Company expects to record a nominal provision for income taxes in 2005.

Net loss was $23.6 million or $1.04 per diluted share for the fourth quarter of 2004 and $23.2 million or $1.00 per diluted share for fiscal year 2004. This compares with net income of $14.6 million or $0.64 per diluted share for the fourth quarter of 2003 and $19.0 million or $0.84 per diluted share for fiscal year 2003. Net income for 2003 included a net income tax benefit of $11.9 million, resulting from the reduction of the Company's deferred tax asset valuation, which totaled approximately $16.2 million.

Cash flow used in operating activities for the year ended December 31, 2004 was $1.6 million compared to cash flow generated by operating activities of $6.5 million for the year ended December 31, 2003.

Robert Grant, president and CEO, commented, "We appreciate the support of our stockholders in what has proven to be a difficult period. The Form 10-K and restatement process has been a significant disruption to our operations and management focus. With this filing behind us, we are now able to dedicate our resources to the implementation of the Company's strategic plan."

7/20 Millions of Americans suffer from skin conditions that affect their appearance and can cause emotional and social distress. Thanks to technological advances, many of these conditions are treatable with laser and light therapies which offer a faster way to improve appearance with less recovery time and a higher degree of safety.

Speaking today at **ACADEMY '05**, the *American Academy of Dermatology's* summer scientific meeting, dermatologist Arielle N.B. Kauvar, M.D., clinical associate professor of dermatology at New York University School of Medicine in New York City, discussed how innovative laser and light treatments, used alone or in combination with light-activated skin medications, are advancing dermatologists' ability to treat a variety of skin conditions including acne, rosacea and sun damage.

"In the past, treatments for some skin conditions could be quite involved, leaving the patient with visible side effects and a long recovery time," said Dr. Kauvar. "With today's laser and light treatments, dermatologists can safely and effectively remove the visible signs of a variety of skin conditions with faster results and a shorter recovery time for the patient."

Acne: More than 80 percent of Americans are affected by acne, which is most common in teenagers. There are three major factors that cause acne: the overproduction of oil by enlarged oil glands in the skin; blockage of the hair follicles that release the oil; and a growth of bacteria called P. acnes within the hair follicles.

New laser and light treatments can specifically target two of these factors: excessive oil production by enlarged oil glands and the overgrowth of P. acnes bacteria. Several laser systems, including the diode, YAG and erbium glass, use heat to damage the oil glands. Photodynamic therapy, a treatment that uses the combination of a photosensitizing medication called aminolevulinic acid with laser and light treatment, also targets the oil glands and P. acnes bacteria. Each of these treatments reduce the overproduction of oil and help diminish, and in some cases completely remove, acne.

"The biggest benefit of these laser and light therapies is that they treat the affected area without harming the surrounding skin," said Dr. Kauvar. "Another benefit is they promote collagen formation and renewal which helps diminish acne scarring."

Other light and laser therapies include narrow band blue light, KTP (green light), pulsed dye lasers (yellow light) and intense pulsed light (IPL) devices which destroy the P. acnes bacteria. These treatments are non- invasive, but may leave the patient with mild pinkness that lasts for a few hours. Photodynamic therapy may leave patients with a sunburn-like reaction, such as redness and light peeling, for up to two-to-three days. "Depending on the technique that is being used, a series of four-to-six treatments delivered at two-to-four week intervals can produce long-term remissions in acne," said Dr. Kauvar.

Rosacea: An estimated 14 million Americans suffer from the facial redness and swelling of rosacea, and according to a survey by the National Rosacea Society, nearly 70 percent of rosacea patients reported lower self-confidence and self-esteem because of the condition. Rosacea is most common in fair- skinned people and usually begins as a tendency to blush easily. The condition can occur over a long period of time and often progresses to a persistent redness of the face with visible blood vessels, pimples and in its most severe form, enlarged oil glands with thickening of the nose called rhinophyma.

In the past, antibiotics, both topical and oral, were the primary treatment for rosacea. Today new laser treatments, including KTP and pulsed dye lasers, can simultaneously treat the redness and the visible blood vessels with minimal discomfort and bruising. These lasers work by using heat to seal the blood vessels from the inside out, causing the vessels to collapse and effectively prevent the body from producing the excessive facial redness.

"Depending on the severity of the condition, a series of two-to-five treatments over a period of weeks will cause the redness and pimples to gradually disappear," explained Dr. Kauvar. "Patients may need to return annually for treatment of new blood vessels."

Sun Damage and Signs of Aging: Almost everyone who has spent time in the sun has something to show for it -- sun damage and signs of aging. Wrinkles, brown spots, loss of elasticity and actinic keratoses (AKs) are all signs of sun damage that can be treated by non-invasive laser and light therapies. Non-invasive lasers that target pigment (KTP, alexandrite, ruby lasers and IPL) or blood vessels (KTP, pulsed dye laser and IPL) are

used to remove red and brown blotches associated with years of sun exposure. Other lasers (YAG, diode and erbium glass) can stimulate new collagen in the skin, thereby improving fine lines, skin texture and acne scars.

In addition to improving the visible signs of skin aging -- red and brown blotches, sallowness and wrinkling -- photodynamic therapy can enhance the health of the skin by destroying abnormal growths. When aminolevulinic acid is applied to the sun damaged skin, the medication accumulates in abnormal cells. Laser treatment activates the medication to destroy these abnormal calls. This treatment, termed "photodynamic photorejuvenation," will rid the skin of early cancerous cells and growths while reducing redness, brown blotches and improving the overall skin texture and appearance.

"The advantage of these new laser and light therapies is that they work beneath the surface of the skin layer to improve a variety of bothersome skin conditions," said Dr. Kauvar. "A dermatologist can determine your best treatment."

7/21 **VNUS Medical Technologies, Inc.** announced that it had filed a patent infringement action in the United States District Court, Northern District of California, against **Diomed Holdings, Inc.** for infringement of several of VNUS' patents. Diomed markets endovenous laser ablation products for use in methods which infringe several of VNUS' patents. VNUS is seeking an injunction prohibiting Diomed from selling these products in addition to monetary damages.

7/22 **Diomed Holdings, Inc.** responded to a press release asserting that it is the subject of a patent infringement action by **VNUS Medical Technologies, Inc.** The announcement, made by VNUS yesterday evening, states that VNUS filed an action in the United States District Court, Northern District of California, alleging that Diomed infringes several of VNUS' patents. According to the release, the action seeks an injunction against Diomed's selling certain products and unspecified monetary damages.

"Diomed has been marketing EVLT in the United States since January 2002," stated James Wylie, president and CEO. "The timing of this action raises serious questions as to the real motivation of the lawsuit. It would appear to be a response to Diomed's accelerating growth in the field of minimally invasive varicose vein treatment."

Wylie further went on to say, "We had no prior warning of the lawsuit and have not been served with the Complaint. Accordingly, we have no knowledge of the allegations other than the VNUS press release. Diomed takes intellectual property rights seriously, vigorously enforces its own patent rights, and has no reason to believe that it infringes any patent claims of VNUS. Diomed will be in a position to comment further once we have seen the Complaint."

The Company declined further comment, but expects to provide an update on the status of the action during its scheduled second quarter conference on Thursday, July 28th.

MEDICAL/SURGICAL LASER UPDATE — August 2005

7/26 **Diomed, Inc.**, a subsidiary of **Diomed Holdings, Inc.** announced that it had received a Notice of Allowance from the U.S. Patent and Trademark Office allowing a patent encompassing a proprietary marked introducer sheath for use with its patented EVLT laser treatment for varicose veins. The new patent, which includes both product and method claims, covers use of an introducer sheath that has graduated markings to aid a physician in moving the laser fiber through the vein at a desired rate during the procedure. Diomed introduced this technical innovation to the market in the fourth quarter of 2003. Currently, all EVLT procedure kits sold by Diomed contain the marked introducer sheath covered by the patent.

"This Notice of Allowance is a significant accomplishment for Diomed," stated James Wylie, president and CEO of Diomed Holdings, Inc. "Complementing our pioneering U.S. Patent No. 6,389,777, which covers intraluminal laser vein treatment procedures, the new patent will provide Diomed with yet another competitive tool by further strengthening our existing patent portfolio."

Diomed is currently pursuing patent suits in federal court in Boston against **Vascular Solutions, Inc.**, **AngioDynamics, Inc.**, **Total Vein Solutions, LLC**, and **CoolTouch, Inc.** for infringement of Diomed's U.S. Patent Number 6,398,777 covering intraluminal laser treatment of varicose veins. The AngioDynamics and Vascular Solutions patent suits are in the discovery stage which is scheduled to be concluded in September. The other cases are earlier in the legal process.

In a separate suit unrelated to the U.S. Patent 6,398,777 infringement lawsuits, Diomed is taking action against Vascular Solutions and one of its former employees for trade secret misappropriation related to their introduction and sale of a marked sheath.

Diomed declined to comment on how the new patent may impact its litigation strategy to protect its intellectual property including patents and trade secrets.

7/27 **PLC Systems Inc.** reported financial results for the three and six months ended June 30, 2005. Second quarter total revenues were $1,982,000 compared with $1,796,000 in the second quarter of 2004. The net loss for the second quarter of 2005 was $290,000, or $.01 per share, compared to a net loss of $251,000, or $.01 per share, in the second quarter of 2004.

Total revenues for the six months ended June 30, 2005 were $3,925,000 compared to total revenues of $3,705,000 for the six months ended June 30, 2004. The net loss for the six months ended June 30, 2005 was $474,000, or $.02 per share, compared to a net loss of $601,000, or $.02 per share, for the six months ended June 30, 2004.

During the second quarter of 2005, **Edwards Lifesciences Corporation**, PLC's exclusive U.S. sales and marketing partner, delivered 566 disposable kits to United States hospitals

representing an increase of 13 percent over the second quarter of 2004 and 29 percent over the first quarter of 2005. In the second quarter of 2004, a total of 502 disposable kits were shipped to United States hospitals. A total of 439 disposable kits were delivered domestically during the first quarter of 2005.

"We are very pleased with the increased TMR kit shipments," said Mark Tauscher, president and chief executive officer of PLC Systems. "The second quarter domestic shipments of 566 disposable kits are a record level for our angina relief therapy."

During the second quarter of 2005, seven next-generation CO2 Heart Lasers (HL2) were delivered to United States hospitals through Edwards. Four of the seven HL2 shipments were new lasers and three were redeployed lasers. PLC ended the second quarter of 2005 with 179 CO2 Heart Lasers located at heart centers throughout the U.S., comprised of 134 HL2 customers and 45 HL1 customers.

During the quarter, PLC shipped Optiwave 980 lasers to Edwards, which generated $192,000 for PLC in the second quarter of 2005. Currently, Edwards is conducting Optiwave 980 System marketing trials. Clinical experience with the Optiwave 980 laser and handpieces will help shape future launch plans. As a result of the marketing trials, PLC does not expect to ship additional Optiwave 980 lasers until Edwards commercially launches the system into the market.

Tauscher concluded, "Throughout the year we have focused our efforts on growing PLC beyond T As we enter the second half of 2005, PLC's portfolio includes the CO2 TMR Heart Laser System, the Optiwave 980 System, and an additional internal research and development initiative that is underway. These three programs are in diverse stages of their product life cycles: the CO2 TMR Heart Laser is commercially available and the adoption of TMR continues to improve; the Optiwave 980 is in marketing evaluations under the direction of Edwards Lifesciences; and PLC's new product initiative is in the proof of concept phase. Regarding the R&D project, we are currently undertaking development work necessary to bring the product to market, which if successful will further diversify our business. Most importantly, this project fits within our stated mission of providing innovative technologies for the cardiac and vascular markets."

7/28 **VNUS Medical Technologies, Inc.**, a leading provider of medical devices for the minimally invasive treatment of venous reflux disease, today announced its membership in the NASDAQ Health Care Index, one of two new indexes announced by The NASDAQ Stock Market on July 27, 2005. The NASDAQ Health Care Index is a market value-weighted index that contains NASDAQ-listed companies classified as "Health," "Pharmaceutical" or "Biotechnology," according to the FTSE Global Classification System. These companies include health maintenance organizations, hospital management and long-term care providers, medical equipment and supplies manufacturers, and other health care entities, as well as pharmaceutical and biotechnology companies. The inaugural Health Care Index announced recently by NASDAQ contains 545 companies.

"We appreciate the opportunity for enhanced visibility in the institutional and retail investment community that comes with membership in a NASDAQ index," said VNUS president and CEO Brian Farley. "It is a privilege to be named to the first NASDAQ Health Care Index with other listed leaders in our industry."

The NASDAQ Health Care Index, like all NASDAQ Indexes, is calculated every 15 seconds, disseminated at the same interval over NASDAQ Index Dissemination Service (NIDS), and can be accessed through financial data vendors.

In June 2005, VNUS was named to the broad-market Russell 3000 Index, the small-cap Russell 2000 Index and the new Russell Microcap Index.

7/28 **Spectranetics Corporation** reported financial results for the second quarter and six months ended June 30, 2005. Revenue was a record $10.6 million, up 23% compared with $8.7 million in the second quarter of 2004 driven primarily by strength in Spectranetics' atherectomy product sales, which increased 43% compared with the second quarter of 2004 and 47% compared with the first quarter of 2005. For the second quarter of 2005 compared with the same quarter last year, disposable product revenue rose 27%, total laser revenue rose 49% and service and other revenue decreased 9% to $1.2 million compared with $1.3 million last year.

The worldwide installed base of lasers grew to 446 laser systems at quarter's end (337 in the United States) with a record net increase for the quarter of 17 units as compared with the installed base at March 31, 2005. Gross margin for the current and prior year quarter was 75%.

For the second quarter of 2005, net income was $242,000, or $0.01 per diluted share, compared with $401,000, or $0.01 per diluted share during the second quarter 2004. Pre-tax net income for the current quarter was $643,000 versus $422,000 last year, an increase of 52%.

"We are extremely pleased with this quarter's strong atherectomy sales, which we believe supports expanded use of our laser for the treatment of peripheral arterial disease. We anticipate our product offering to be bolstered by the addition of new larger lumen catheters. We recently submitted a 510(k) application for the first of these larger lumen catheters and are hopeful that FDA clearance will be received later this year," said John Schulte, president and CEO. "Additionally, the expansion of our live physician training programs with interventional cardiologists and vascular surgeons has contributed to our record laser placements this quarter and bodes well for continuing the disposable sales momentum going forward."

Year-to-Date Financial Results: Revenue for the first half of 2005 rose 20% to $19.7 million from $16.4 million for the first half of 2004. Year-to-date 2005 disposable product revenue was $15.1 million, up 23% and equipment revenue was up 26% to $1.9

million from $1.5 million in the first half of 2004. Service and other revenue was essentially flat compared with last year at $2.7 million.

Gross margin for the first half of 2005 was 76% compared with 74% in the first half of 2004, increasing primarily as a result of manufacturing efficiencies in both laser systems and disposable product sales.

Net income for the first half of 2005 totaled $317,000, or $0.01 per diluted share, compared with $536,000, or $0.02 per diluted share, last year. Pre-tax net income for the six months ended June 30, 2005 was $775,000, up 34% compared with $578,000 during the first half of 2004.

Cash, cash equivalents and investment securities totaled $16.1 million at June 30, 2005, compared with $15.9 million at March 31, 2005.

Company Updates 2005 Financial Guidance: Spectranetics today updated previously stated 2005 financial guidance as follows:

Revenue is estimated to be within the range of $41 million to $43 million compared with previous guidance of $40 million to $43 million. The updated guidance takes into consideration the following key factors:

1. Growth in the existing peripheral atherectomy product line, driven by CLiRpath products, which received FDA clearance in April 2004;
2. Growth associated with a new product (2.5 Turbo) in the peripheral atherectomy market that may be launched in late 2005, depending on FDA clearance;
3. Continued growth in new laser placements, driven by interest in our peripheral atherectomy products. The Company now expects 50 to 60 new laser placements in 2005, up from previous guidance of 40 to 50 new laser placements;
4. Continued growth in Spectranetics' lead removal product line and renewed growth in the coronary product line driven by new products targeted at the treatment of chronic total occlusions; and
5. Continued expansion of the field sales organization, increasing the number of field sales employees to be added during 2005 to 10 to 13 from previous guidance of seven to 10.

Net income guidance is unchanged and is anticipated to be within the range of $1.0 million to $1.5 million and gross margin as a percentage of sales is expected to be in the mid-seventies. Pre-tax net income is expected to be in the range of $1.7 million to $2.6 million. Net income guidance assumes an effective tax rate of 43%; however, it may fluctuate on a quarterly basis for the remainder of 2005 based on the timing of implementing tax planning strategies and an analysis of our valuation allowance on deferred tax assets. The net income guidance does not reflect any amounts that may be owed in excess of the current reserve of $1.8 million under the terms of a pending arbitration proceeding with **Edwards LifeSciences**. Any amounts owed as a result of the

arbitration proceedings will constitute a final settlement, given that the underlying license agreement expires in November 2005.

Jason Mills of **First Albany Capital** provided his update on **Spectranetics** following release of its second quarter finances: **Spectranetics (SPNC-$7.12-Buy): Reports 2Q Results above Expectations**

* Sales were $10.65M, up 23% Y/Y, and above our $10.1M estimate.
* EPS were $0.01, in-line with our estimate.
* Laser atherectomy was up 43% Y/Y (47% Q/Q), while we had estimated 25% Y/Y growth.
* Total disposables were up 27% Y/Y (vs. our estimate of 18% growth).
* Laser revenue came in at $1M, above our $0.7M estimate, through the placement of 6 lasers in the U.S. incremental to our estimates.
* Pretax income was $650K, well above our $300K estimate. A higher tax rate (which was an anomaly) drove the in-line EPS; otherwise, it would have been 1.5 cents.
* SPNC recently submitted a 510K application for the 2.5 Turbo larger lumen catheter and expects to receive approval in 3Q.
* The company raised the bottom end of previous stated guidance range to $41-$43M from ($40-$43M).
* We reiterate our Buy rating on SPNC and $8.50 PX and would be putting new money to work through $7.50. The company must now string a few of these good quarters together, but this is a very good start, in our view.

7/28 **Palomar Medical Technologies Inc** announced financial results for the second quarter ended June 30, 2005. The Company's second quarter total revenues increased by 38%, product revenues increased by 48%, and gross profit from product sales improved by 54% as compared to the second quarter of 2004. Net income increased by 97% as compared to the same quarter in 2004. The Company also strengthened its balance sheet since the second quarter of last year, including increasing its cash and investments from $17 million to $34 million.

Revenues for the quarter ended June 30, 2005 were $18.2 million, up from $13.2 million in the second quarter of 2004. Product revenues increased to $15.8 million from $10.7 million in the second quarter of 2005 as compared to the second quarter of 2004. Gross profit from product sales increased to $10.5 million (67% of product revenues), up from $6.9 million (64% of product revenues) in the year-earlier quarter. The Company reported net income of $4.0 million, or $0.21 per diluted share, for the second quarter of this year, versus net income of $2.0 million, or $0.12 per diluted share, for the second quarter of last year.

Revenues for the six months ended June 30, 2005, were $35.3 million, up from $24.1 million for the six months ended June 30, 2004. Product revenues increased to $30.1 million from $20.3 million in the first half of 2005 as compared to the first half of 2004. Gross profit from product sales increased to $20.3 million (68% of revenues), up from

$13.1 million (64% of revenues) in the year-earlier period. The Company reported net income of $7.5 million, or $0.40 per diluted share for the six months ended June 30, 2005, versus net income of $3.2 million, or $0.18 per diluted share for the six months ended June 30, 2004.

CEO Joseph Caruso commented, "We are pleased to report another strong quarter with a substantial increase in profitability, and we are especially encouraged by our continued revenue growth led by our flagship Lux product lines. Our projects with **Gillette**, **Johnson and Johnson** and the government are progressing as planned and we continue to strengthen our balance sheet by more than doubling our cash and investments over the last twelve months. We anticipate this trend to continue as we concentrate on increasing distribution both domestically and internationally. We are also pleased with the balance we have been able to maintain between short term financial performance and long term strategic goals. It is important that we maintain our strategy of investing the necessary resources in research and development and intellectual property protection to maintain our technology leadership position as we advance our technology toward the consumer market with our partners."

7/28 **Diomed Holdings, Inc.** announced results for the second quarter ended June 30, 2005. Diomed delivered total revenue of $4.8 million for the quarter ended June 30, 2005, an increase of $1.6 million, or 50% compared to the same quarter of 2004, while EVLT revenue increased 69%.

"Our continued revenue growth includes a 16% increase over the first quarter of 2005 and marks our 10th consecutive quarter of sustained revenue growth," commented James Wylie, president and CEO of Diomed Holdings Inc. "Most importantly, our sales growth in North America continues to accelerate, as demonstrated by a 94% growth in EVLT sales over the second quarter of 2004, including a 96% increase in laser revenue. This strong performance is a direct result of the solid field sales leadership and focus of our North America sales team."

Revenue for the six months ended June 30, 2005 of $8.9 million increased $2.8 million, or 45%, over the first six months of 2004, while EVLT sales increased 74%. Revenue from EVLT disposable procedure products increased 95% during the six month period over the comparable 2004 period.

Gross profit as a percentage of sales for Q2 2005 of 47%, increased 7 percentage points over Q2 2004, and 2 percentage points sequentially. Gross profit for the six months ended June 30, 2005 of $4.1 million was 46% of sales, an increase of 9 percentage points over the same period in 2004. Both periods reflect the impact of incremental volume as well as improvements in material costs.

Selling and marketing expenses for Q2 2005 were $2.3 million, an increase of $754,000, or 49%, over Q2 2004, and for the six months ended June 30, 2005 were $4.6 million, an increase of $1.5 million, or 46% over the same period in 2004. The increase was driven

by a significant expansion of our sales force, higher sales commissions resulting from the increased sales volume, and increased marketing expenditures in support of our sales initiatives to drive the growing commercialization of EVLT.

General and administrative expenses for Q2 2005 were $2.1 million, an increase of $683,000, or 48%, over Q2 2004, and for the six month period ended June 30, 2005 were $3.7 million, an increase of $855,000 over the same period in 2004, or 30%. The increase during the quarter was primarily attributable to $367,000 in incremental legal fees, as well as Sarbanes Oxley compliance and other administrative costs. Total second quarter legal costs of $725,000 included $637,000 in the continuing cost of litigation against our primary competitors.

Net loss for Q2 2005 was $2.7 million, or $0.14 per share, compared to $2.1 million, or $0.14 per share, in Q2 2004, and $6.5 million, or $0.34 per share, for the six months ended June 30, 2005 compared to $4.4 million, or $0.31 per share for the same period 2004. The expansion of our sales and marketing efforts during the first half led to incremental revenue, which was offset by the increased legal costs and $1.4 million in non-cash interest expense arising from the amortization and acceleration of debt discount in the first quarter 2005.

Diomed reported an ending cash and short term investment balance of $9.8 million at the end of Q2 2005, down from $11.6 million at the end of Q1 2005. This represents a net cash burn of $1.8 million for the quarter, down from $2.9 million in the first quarter of 2005. The decrease in cash burn was a result of increased revenue and a $313,000 draw down under our UK trade line with **Barclay's Bank**, offset by litigation expenses and $400,000 in first quarter charges which did not recur during the second quarter.

"We are extremely pleased with our second quarter results and the outstanding performance of our entire organization. Diomed continues to execute on our plan to offer state of the art practice enhancement programs including our customized Maximizing Business Achievement program, clinical support, and reimbursement assistance, all of which position Diomed as a market leader in the minimally invasive treatment of varicose veins," Wylie concluded.

7/28 **BIOLASE Technology, Inc.** announced that the Company had requested an additional extension from NASDAQ to file its late Form 10-Q for the period ending March 31, 2005 and to come into full compliance with the rules of the NASDAQ National Market (the Company's securities originally were scheduled to be delisted on August 1, 2005). The Company's securities will continue to be listed on NASDAQ while the Listing Qualifications Panel considers whether to grant an extension. The Company can provide no assurances that the Panel will grant the request for an extension. If the Panel does not grant an extension, the Company's securities will be delisted. Pending receipt of the decision from the Panel, the Company has agreed to keep NASDAQ apprised of its progress as it works to complete its Form 10-Q.

8/1 **Cutera, Inc.** reported financial results for the second fiscal quarter ended June 30, 2005. Second quarter 2005 revenue was $17.6 million, representing a 43% increase from $12.3 million recorded in the second quarter of 2004. Net income for the second quarter of 2005 was $2.7 million, or $0.20 per diluted share, compared to $591,000, or $0.05 per diluted share, reported in the same period last year. Cash generated by operations in the second quarter of 2005 was $4.9 million, compared with $1.5 million in the second quarter of 2004.

The Company's revenue for the first six months ended June 30, 2005 was $32.7 million, a 37% increase from $23.8 million recorded in the same period last year. Net income for the first six months was $4.2 million, or $0.31 per diluted share, compared to net income of $812,000, or $0.07 per diluted share, reported in the comparable period last year. Cash generated by operations in the first six months of 2005 was $6.5 million, compared with $2.5 million generated in the first six months of 2004.

Kevin Connors, president and CEO, said, "We are very pleased with our second quarter financial performance, which exceeded our expectations. Demand for our multi-application CoolGlide Xeo products, the recently introduced Titan application, and the Solera platform continues to improve in both the domestic and international markets. This growth is driven by the following key strategic initiatives and investments: (i) worldwide sales force expansion; (ii) new aesthetic applications and product introductions; and, (iii) marketing to the broad and expanding market of physicians outside of the traditional dermatology and plastic surgery physician specialties, including the fast-growing medi-spa market. The medi- spa market is comprised of physicians who offer aesthetic treatments in a spa environment."

Connors concluded, "During the second quarter our operating margin more than doubled to 18% as the leverage in our business model improved. In addition, our balance sheet strengthened as we ended the second quarter of 2005 with almost $75 million in cash and marketable securities with no debt. Our strong financial performance, coupled with our breadth of innovative product offerings, strategically position Cutera for continued expansion in a market that we estimate is growing annually in excess of 20%. We believe these aspects of our business position Cutera as the leader in light-based aesthetic systems."

Guidance: Management believes that for the third quarter of 2005, which is seasonally softer, revenue will be approximately $17.5 million, with earnings per diluted share of approximately $0.13. For full year 2005, management is raising revenue guidance to approximately $70 million, from $67 million. In addition, management is raising its earnings per diluted share guidance for the full year 2005 to $0.62, from $0.48. The projected increase in earnings per diluted share is primarily attributable to better than expected second quarter 2005 results and a strong outlook for the remainder of 2005.

8/1 **VNUS Medical Technologies, Inc.** announced its financial results for the second quarter ended June 30, 2005. Net revenues for the second quarter were $12.3 million, an increase

of 33% from $9.2 million for the corresponding quarter of 2004 and an increase of 10% from $11.2 million for the first quarter ended March 31, 2005. Net revenue growth was driven by increased sales of proprietary disposable endovenous catheters and accessory products, as well as increased unit sales of the company's radiofrequency (RF) generators to hospitals and physicians for use in the VNUS Closure procedure.

Second-quarter net income was $1.4 million, an increase of 194% from $471,000 for the corresponding quarter of 2004 and a moderate decrease from $1.5 million for the first quarter of 2005. Earnings per share for the second quarter were $0.09 on a fully diluted basis, compared with $0.04 for the second quarter of 2004 and with $0.10 for the first quarter ended March 31, 2005. The number of weighted average shares outstanding used in the per-share calculations decreased sequentially from 15.7 million to 15.6 million for the second quarter of 2005, due primarily to the dilutive effect of stock options outstanding, which was partially offset by stock option exercises.

Net income for the second quarter of 2005 included the effect of a non- cash charge for stock-based compensation of $128,000. This compared with non- cash charges for stock-based compensation of $296,000 for the corresponding quarter of 2004 and $198,000 for the first quarter ended March 31, 2005.

VNUS' balance sheet at June 30, 2005 included cash, cash equivalents and short-term investments of $69.6 million. The company generated approximately $1.3 million in net cash flows during the second quarter.

"We're pleased with our second-quarter results, which showed strong year- over-year growth at the top and bottom lines," said VNUS president and CEO Brian Farley. "Second-quarter revenues came in at the high end of our expectations, and net income exceeded our expectations for the second quarter. In addition, we continued our clinical success and progress toward a release in the second half of 2005 of our VNUS RFS family of products, which can be used for perforator vein ablation."

VNUS also announced its business outlook for third-quarter and full-year 2005: VNUS currently estimates that third-quarter 2005 net revenues will range from approximately $13.0 million to $13.2 million. The company continues to invest in the growth of its business by expanding its sales force and marketing activities, and in general and administrative functions to support its operations as a public company. Partially as a result of these ongoing investments, VNUS currently estimates that third-quarter net income will range from approximately $0.75 million to $1.0 million, or $0.05 to $0.06 per share on a fully diluted basis. The number of weighted average shares outstanding used to calculate fully diluted net income per share for the third quarter is currently estimated to range from approximately 15.8 million to 16.0 million.

VNUS currently expects that full-year 2005 net revenues will range from approximately $51.0 million to $52.0 million and net income will range from approximately $5.4 million to $5.9 million, or $0.34 to $0.38 per share on a fully diluted basis. This outlook

assumes approximately 15.7 million to 15.9 million weighted average shares outstanding for the full year.

8/2 **Laserscope** reported record revenues of $33.5 million for its second quarter ended June 30, 2005, a 56.4% increase from $21.4 million in the second quarter of 2004. The increase in revenues was primarily attributable to continued strong growth in sales of the Company's line of GreenLight products for Photoselective Vaporization of the Prostate (PVP) as well as solid growth in the Company's aesthetics business. Second quarter 2005 operating income grew 154% to $6.9 million, from $2.7 million in the second quarter of 2004. Second quarter 2005 net income was $5.4 million, or $0.23 per fully diluted share, a substantial increase from net income of $3.0 million, or $0.13 per fully diluted share, in the same quarter last year.

"This was another very exciting and well-balanced quarter for Laserscope," said Eric Reuter, president and CEO of Laserscope. "We continued to gain share in the worldwide market for the treatment of Benign Prostatic Hyperplasia, also known as enlarged prostate or BPH, and executed a significant rebound in worldwide aesthetics sales. We are continuing to benefit from the substantial positive impact PVP has had on health care systems around the globe, as well as on the millions of men who are affected by the symptoms of BPH.

"Our aesthetics business rebounded strongly from the first quarter of this year, and grew solidly when compared to the same quarter of last year," said Reuter. "We believe the strong core foundation we've built with our range of light-based treatment products and services will serve the Company well as we continue to take advantage of the significant opportunity that exists for our aesthetic product line, especially in more 'non-traditional' aesthetics markets worldwide."

Gross margin in the second quarter of 2005 grew to approximately 61%, compared to approximately 58% in the second quarter of 2004. The year-over-year increase in gross margin resulted from a higher proportion of GreenLight products within our product mix. Gross margin declined from 62% in the first quarter of 2005 as the result of a higher mix of aesthetic sales and international sales as a percentage of overall revenues.

Selling, general and administrative (SG&A) expenses were $11.6 million, or 35% of revenues, in the second quarter of 2005, compared to $8.3 million, or 39% of revenues, in the second quarter of 2004. The increase in SG&A expenses resulted primarily from increases in marketing and sales costs both domestically and internationally.

The Company's effective tax rate for 2005 was 23%, compared to 9% in 2004. The higher tax rate was due to a smaller relative amount of net operating losses (NOL) available in 2005 to reduce income tax expense as compared to 2004. The Company has additional NOLs related to stock option activity that are available to reduce income tax payments it could owe in the future, but the tax benefit from these lower tax payments

would be accounted for as an addition directly to equity rather than as a reduction in income tax expense.

The Company strengthened its balance sheet during the second quarter of 2005. At June 30, 2005, Laserscope had no bank borrowings and a cash position of $28.0 million, up significantly from $16.0 million at December 31, 2004. Shareholders' equity increased from $42.9 million at December 31, 2004 to $56.5 million at June 30, 2005.

Six-Month Results: For the six months ended June 30, 2005 the Company reported revenues of $61.7 million compared to $40.2 million for the six months ended June 30, 2004. Operating income in the first six months of 2005 was $13.1 million, compared to $5.3 million in the prior-year period. For the six months ended June 30, 2005, Laserscope reported net income of $10.3 million, or $0.45 per fully diluted share, compared to $5.2 million, or $0.23 per fully diluted share, last year.

Urology Business Update: "Worldwide demand for PVP continues to grow significantly, with no sign of abatement in the foreseeable future," said Reuter. "As a result, we sold more than 19,000 single-use disposable fibers in the second quarter of 2005. GreenLight fiber sales were strong both domestically and internationally, with year-over-year gains of 108% in the United States and 198% in international markets.

"The growing quantity and quality of clinical data on PVP from sites all over the world continues to validate the outstanding clinical efficacy, high safety profile and cost-effectiveness of the PVP procedure, which makes it a viable alternative to all existing treatment options for enlarged prostate. When compared to the highly-invasive Trans-Urethral Resection of the Prostate, or TURP procedure, office-based thermal therapies, which often do not provide long-term success, and pharmaceutical therapies (which can be costly and ineffective), the PVP procedure using our GreenLight PV® laser system is becoming the treatment of choice around the world.

"As exciting as the opportunity still is within the United States, the total market opportunity outside the U.S. is even more substantial. As a result, we look to international growth as a major driver of Laserscope's long-term growth and success. We are making steady progress in educating physicians and patients in overseas markets. We're also growing our direct sales team and distribution network, especially in major European countries like the United Kingdom, Germany, Italy, Spain and France, as well as in the Asia-Pacific region, where PVP adoption is growing steadily as well, particularly in such countries as South Korea, China, and Australia. In addition to the international markets we have already begun to penetrate, we continue to target 2007 for entrance into the large Japanese market and are currently in the process of submitting for regulatory approval there. We will continue to report the achievement of important milestones in this process in the future."

Reimbursement Update: Laserscope is continuing to work with the American Urological Association and the Centers for Medicare and Medicaid Services (CMS) to ensure that

physicians, hospitals and outpatient facilities are adequately reimbursed for performing the PVP procedure. Recently, CMS published its proposed rule on the Outpatient Prospective Payment System (OPPS) for outpatient hospital facility reimbursement in 2006. CMS proposed that PVP be moved into a standard clinical Ambulatory Payment Classification (APC) code beginning in 2006. The proposal is based on cost data collected by CMS from hospitals performing the PVP procedure, and possibly other laser vaporization and coagulation procedures, that indicates that the national average reimbursement paid to outpatient hospitals for these types of procedures should be approximately $2,500 per procedure. This proposed reimbursement is down from the temporary reimbursement amount of $3,750 per procedure paid by CMS for performing the PVP procedure under the new technology APC code that became effective in April 2004, but higher than the approximately $1,850 per procedure paid in the prior year.

"Although the proposed action by CMS occurred much more quickly than expected, the timing of the proposal to transfer PVP to a standard APC code beginning in 2006 is likely the result of the rapid growth of the PVP procedure in the United States which enabled CMS to gather a claims data sample during a shorter period than that typical for other new technologies," said Reuter. "We plan to work with CMS during the 60-day comment period that is required prior to adoption of the final rule to ensure that the data used by CMS to set the new reimbursement rate is correct and complete. We expect the final rule from CMS on the OPPS reimbursement for 2006 sometime in November of this year.

"The potential impact of the proposed reduction in Medicare reimbursement rates for hospitals on PVP adoption in the U.S. is not certain at this time.

"Given the tremendous need that exists in the U.S. and overseas for a cost-effective treatment solution for BPH that also provides outstanding clinical outcomes, we believe that growth in sales of our GreenLight PV disposable fibers will be strong throughout the remainder of 2005 and 2006," said Reuter. "While each country and health care system around the world has its own reimbursement and adoption challenges, we believe we can clearly demonstrate the many advantages of the PVP procedure using the GreenLight PV laser system to health care providers, insurers and patients worldwide. As a result, we expect to continue to make significant progress worldwide toward overtaking the TURP procedure as the standard of care for treating BPH in the months and years ahead."

Aesthetics Business Update: "This was a very solid quarter for our aesthetics business, which is especially gratifying given last quarter's results," said Reuter. "Aesthetics revenues grew 46% on a sequential basis and 13% year-over-year. We believe we now have the right team and product mix in place to drive future long-term growth as we continue to market our broad line of competitive, easy- to-use and highly-effective aesthetic products, in what remains a highly competitive environment. Our newest entry, the Solis, is gaining considerable marketplace attention and is expected to begin shipping in the third quarter of 2005 and contributing materially to revenues in the fourth quarter.

"The market for cosmetic procedures is large and growing worldwide. In particular, we continue to see a meaningful opportunity in the less traditional aesthetics market segments, such as with family practitioners and OB/GYNs who are looking for additional revenue streams to supplement their current practices. In fact, a recent marketing study we conducted showed that a significant percentage of these 'non-traditional' U.S. physicians are aware of and have plans to purchase laser or light-based aesthetic treatment products for their practices in the future. Additionally, international demand remains strong and should be a key driver of aesthetic growth going forward."

Full Year 2005 Guidance: The management of Laserscope raised full-year 2005 guidance as follows:

* 2005 revenues are expected to be in the range of $133 million to $137 million.
* Reported pre-tax earnings are expected to be in the range of $31 million to $34 million.
* Net income is expected to be in the range of $0.81 to $0.89 per fully diluted share, assuming a fully taxed basis (approximately a 39% income tax rate).
* Growth in revenues and earnings in 2005 is expected to be more heavily weighted to the second half of the year, as was the case in 2003 and 2004.

8/2 **PhotoMedex, Inc.** announced the results of its operations for the quarter ended June 30, 2005. Revenues for the second quarter ended June 30, 2005 were $8,055,173, an increase of 86.3 percent over the same period last year. Included in these revenues is $3,522,214 from ProCyte Corporation, a company acquired by PhotoMedex on March 18, 2005. This compares to revenues for the second quarter ended June 30, 2004 of $4,323,134.

The net loss for the quarter ended June 30, 2005 was $660,651, or $(0.01) per diluted share. The net loss for the quarter ended June 30, 2004 was $1,207,167, or $(0.03) per diluted share.

Revenues for the six months ended June 30, 2005 were $13,038,505, an increase of 56.2 percent over the same period last year. Included in these revenues is $4,145,515 from **ProCyte Corporation**. This compares to revenues for the six months ended June 30, 2004 of $8,348,364.

The net loss for the six months ended June 30, 2005 was $1,788,763, or $(0.04) per diluted share. The net loss for the six months ended June 30, 2004 was $2,570,249, or $(0.07) per diluted share.

As of June 30, 2005, the Company had cash and cash equivalents of $5,720,117.

Jeffrey O'Donnell, PhotoMedex CEO and president, commented, "I am proud of the progress our team has made on insurance reimbursement and the integration of ProCyte into PhotoMedex. Our XTRAC procedures ramped up for the quarter and with the recent reimbursement wins at United Healthcare and Independence Blue Cross of Pennsylvania, we expect continued upward momentum. Without the transaction expenses connected to

the ProCyte acquisition, we were cash flow positive for the second quarter achieving a significant milestone event for the Company. We are also pleased at the recent recognition the Company received with its inclusion in the Russell Microcap Index and the invitation by NASDAQ to ring the Closing Bell on August 4."

8/3 **DUSA Pharmaceuticals, Inc.** reported its financial results for the second quarter ended June 30, 2005. Revenues for the second quarter of 2005 were $2.23 million compared to $2.18 million in the second quarter of 2004. Revenues for the six-months ended June 30, 2005 were $5.60 million compared to $3.43 million in the comparable 2004 period. As a result of lower than expected sales during the first half of 2005, the Company today announced a planned reduction of overhead and expenses by eliminating 14 corporate headquarters staff positions and consolidating two sales territories. The Company expects that it will reduce future operating costs by $1.4 million on an annualized basis as a result of these actions.

Bob Doman, DUSA's president and COO, stated: "The underlying fundamentals and large market potential for our therapy have not changed. However, in light of the lower level of sales during the first half of 2005, we did make the prudent decision to reduce corporate headquarters staff, across all departments, in order to better align our expenses with revenues. We also decided to consolidate 2 sales territories during the quarter whose markets will be addressed by sales reps in adjacent territories. Combining these organizational changes with the continued progress in enrollment in our Phase II clinical trials, and a number of ongoing in-licensing and out-licensing discussions, we remain confident that we are in a good position to exploit our therapy in a highly attractive market segment. We believe that with a more focused sales strategy we will begin to deliver increasing revenue as we approach year end."

Financial Highlights: For the three months ended June 30, 2005, DUSA's net loss was ($4,826,000), or ($0.29) per common share, compared to a loss of ($4,196,000), or ($0.25) per common share for the comparable 2004 period. This increase in our year over year loss is primarily due to lower margins on the sales of our products as well as increased research and development costs, and increased marketing and sales expenses in anticipation of higher sales volumes, offset, in part, by lower general and administrative expenses.

The increase in 2005 Kerastick revenues was driven by a number of factors including: improved sales volumes, increased average unit selling prices as of November 2004, increased levels of our direct distribution to customers, and a reduction in our overall sales volume discount programs. Second quarter 2005 end-user Levulan Kerastick net sales to physicians totaled 20,172 Kerastick units, versus 17,910 in the second quarter of 2004. The decrease in 2005 BLU-U revenues was driven by lower sales volumes, offset, in part, by increased average selling prices. There were 69 units sold during the second quarter of 2005 versus 220 units in the comparable 2004 period. The decrease in BLU-U units sold is due primarily to the implementation of a more focused sales strategy aimed

at increasing Kerastick sales volumes in existing accounts as well as, a decrease in our BLU-U discount programs.

Total product margins for the three months ended June 30, 2005 were $758,000 or 34% as compared to $1,107,000 of 51% for the comparable 2004 period. Kerastick margins increased on a pure dollar value basis to $920,000 in the second quarter of 2005 from $814,000 in the comparable 2004 period, but decreased on a percentage basis from 62% to 52%. This decrease in margin percentage is due to the fact that we have been operating our Kerastick manufacturing plant below capacity, resulting in under utilization charges, which have negatively impacted margins. Due to this situation, we are realizing expected fluctuations in our margins as result of both the timing of production and unabsorbed expenses. Our long-term goal is to achieve higher margins on Kerastick sales which will be dependent on increased sales and production volumes. BLU-U margins were ($162,000) or (35%) for the current quarter versus $293,000 or 34% in 2004. The erosion on margin is directly attributable to the fact that in 2005 we sold newly purchased units with an associated production cost, whereas during the comparable 2004 period, we sold units which had a zero net book value due to inventory impairment charges recorded during 2002 following termination of an agreement with a marketing partner. The margin erosion is somewhat offset by an increase in the overall selling price per unit. Our short-term strategy is to approach breakeven on device sales in an effort to drive Kerastick sales volumes. However, our longer term goal is to move towards a reasonable profit margin on all device sales.

Total operating costs for the three months ended June 30, 2005 were $5,936,000 as compared to $5,679,000 in 2004. Research and development costs for the second quarter of 2005 have increased to $1,799,000 from $1,577,000 in the second quarter of 2004, as we continue to move forward with our Phase II clinical trials for use of Levulan PDT in photodamaged skin and moderate to severe acne vulgaris. Marketing and sales costs increased to $2,296,000 in the second quarter of 2005 as compared to $1,699,000 for the second quarter of 2004. The increase in marketing and sales is mainly due to the expansion of our sales force from 16 employees as of June 30, 2004 to 31 employees as of June 30, 2005, including sales management. General and administrative costs decreased to $1,841,000 in Q2 2005 as compared to $2,403,000 for Q2 2004. This decrease is mainly attributable to lower legal expenses incurred due to the absence of patent litigation costs in Australia as the final hearing in the PhotoCure litigation was held in April 2004. The savings related to the Australian litigation is partially offset by the litigation costs against two compounding pharmacies and higher levels of general corporate expenses to support our business.

As of June 30, 2005, total cash, cash equivalents, and marketable securities was $38,661,000, compared to $49,151,000 at December 2004. This decrease is primarily attributable to the funding of our operational expenses, most notably our marketing and sales and research and development efforts in support of our current and future products.

8/4 **Syneron Medical Ltd.** reported revenues of $20.1 million for its second quarter of 2005, a 50.6% increase from $13.4 million reported in the second quarter of 2004. The increase in revenues was attributable to strong sales across all platforms and the introduction of new platforms: the Comet system for fast hair removal toward the end of the first quarter of 2005 and the VelaSmooth system for reduction in the appearance of cellulite at the end of the second quarter of 2005. Gross margins in the second quarter of 2005 were 86.8%. Second quarter operating income grew 40.1% on a proforma basis (excluding expenses for the Thermage settlement) to $8.9 million, from $6.3 million in the second quarter of 2004. Second quarter 2005 net income was $9.2 million proforma, a 43.7% rise compared to the 6.4 million net income reported in Q2 2004. On a US GAAP basis, including the costs of the Thermage settlement, operating income for the second quarter of 2005 was $6.5 million, with net income of $6.9 million. Earnings per diluted share, on a proforma basis for the second quarter of 2005, were $0.34, while on a GAAP basis, earnings per diluted share were $0.25.

R&D expenditure rose to $1.3 million, equivalent to 6.2% of revenues in the second quarter of 2005 compared to $0.5 million, or 3.8% of revenues in the second quarter of 2004. The higher R&D expenditure reflects the continued investment of Syneron in the development of new products and applications, such as non-invasive fat treatment, as well as the expansion of our elos technology product line into applications performed by (non-MD) professionals specializing in aesthetic treatments.

Selling and marketing expenses rose 39.7% to $6.6 million, compared to 4.7 million in Q2 2004. Approximately $0.6 million of the increased selling and marketing expenditures were spent on preparations for the launch of the VelaSmooth, including clinical studies, the establishment of three training centers, development of training courses and promotional and marketing materials.

The Thermage settlement resulted in a one-time charge to Syneron of $2.37 million for legal and settlement expenses. The settlement removed all future legal liabilities or costs to Syneron and gave Syneron a license to relevant Thermage patents, while securing Syneron's exclusive patent rights over its proprietary elos technology.

"Robust sales in the second quarter were driven by a strong sales effort to get the products out to new customers' world wide," commented Moshe Mizrahy, CEO of Syneron. "Sales rose strongly across all markets for Syneron. North America accounted for $12 million, or 59% of total sales, with $8.1, or 41% of sales outside North America. Looking to new future markets, in the second quarter we initiated strategic partnerships in China, India and Russia, with the view of establishing a strong position for Syneron in three emerging markets for aesthetic devices which have enormous growth potential.

"We are confirming the increase in our revenue guidance to $84-85 million from $78-80 million, which we announced on June 30," said Mizrahy. "This increase in guidance was based on our initial assessment of sales for the Vela, which is showing very strong demand worldwide."

Continuing on Syneron's growth plans, Dr. Shimon Eckhouse, chairman of Syneron, said, "Our business strategy is driven by an effort to utilize our technologies and market position in new and innovative applications, while maintaining our commitment to the levels of profitability we have obtained as a result of the elos technology. The increase in R&D and the investment in the dental laser venture are the first steps in the evolution of Syneron from a company focused on doctors dealing with aesthetic facial and skin treatments to a company developing products for a broader market base. Our business strategy consists of four central components: strengthening our leadership position in our core business of FotoFacial RF skin treatment; establishing a new segment in the medical aesthetic field for body shaping and body sculpturing treatments; developing a complete product line for the spa and the Non-MD professionals; and developing a complete dental laser line of products through our Light Instruments investment."

Syneron's financial position remains strong. At June 30, 2005, the cash position was $104.5 million compared with $93.4 million on December 31, 2004. Shareholders' equity increased to $110.4 million from $94.4 at year-end 2004.

John Calcagnini of **CIBC World Markets** on **Syneron: ELOS: Reports Upside EPS for 2Q05; Would Buy on Weakness**

Syneron reported revenues for 2Q05 of $20.1M (+50.6%), which is in line with the company's guidance given in June of $20M for the quarter. ELOS reiterated its revenue guidance for 2005 of $84-$85M, which it raised in June, so we were not expecting any change in guidance on this call.

Syneron's pro forma net income was up 43.7% to $9.2 million versus $6.4 million a year ago. EPS for the quarter was $0.34 versus $0.30 a year ago, despite an additional 6.5 million shares associated with the IPO.

EPS, excluding the one time expense to settle the Thermage (private) litigation, exceeded our $0.32 estimate and the consensus of $0.33 due to gross profit margin coming in at 86.8% versus our estimate of 85%. SG&A was in line with our expectations while R&D was slightly higher.

We reiterate our Sector Outperformer rating and are increasing our price target to $52 from $49 due to increasing our 2006 EPS est. We would view weakness in the stock as a buying opportunity as it appears that Comet and Vela are having and will continue to have solid product launches.

8/8 **Spectranetics Corporation** announced that the Company's CLiRpath Excimer Laser Catheter was featured in the August 2005 edition of *Podiatry Today*. The article highlighted the trade publication's annual roundup of 10 current and emerging innovations that may prove beneficial to podiatrists and their patients. The feature article included detail on the use and benefits of the Spectranetics Clirpath excimer laser catheters for treating artery blockages in the leg, and providing greater flexibility for the

interventionalist and podiatrist to avoid amputation due to peripheral vascular disease and critical limb ischemia (CLI).

"Podiatrists are an extremely important referral source to CliRpath users, and our public relations initiatives and podiatry outreach programs continue to build an awareness of the advantages of early diagnosis and minimally invasive treatment of CLI with our Clirpath excimer laser catheters," said John Schulte, president and CEO of Spectranetics. "We are delighted to be included among the Top 10 innovations by Podiatry Today. This is the latest of several recent news articles highlighting the advantages of treating peripheral vascular disease with our CLiRpath excimer laser catheters and the life-changing outcomes to patients."

Quoting David Armstrong, DPM, a member of the National Board of Directors of the *American Diabetes Association*, the article states, "The laser blasts through obstructions to restore blood flow and also provides an opportunity to traverse the site with a guidewire that can balloon the stenosis."

8/9 **BIOLASE Technology, Inc.** announced that The NASDAQ Stock Market, Inc. had granted the Company an extension of time until September 30, 2005 in which to file its Forms 10-Q for the fiscal quarters ended March 31, 2005 and June 30, 2005 and to otherwise meet all necessary listing standards of The NASDAQ National Market. The Company has agreed to keep NASDAQ apprised of its progress as it works to complete its Forms 10-Q.

The company also announced the dismissal of **PricewaterhouseCoopers LLP (PWC)** as the Company's independent registered public accounting firm. The Company's Audit Committee approved the decision to dismiss its independent registered public accounting firm. Additionally, the Company announced today that it has engaged **BDO Seidman, LLP (BDO)** as the Company's new independent registered public accountant effective as of August 8, 2005.

The reports of PWC on the Company's financial statements as of and for the fiscal years ended December 31, 2004 and 2003 contained no adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principle.

During the fiscal years ended December 31, 2004 and 2003 and through August 3, 2005, there were two disagreements with PWC on matters regarding accounting principles and practices, financial statement disclosure, or auditing scope or procedure, which disagreements, although ultimately resolved to the satisfaction of PWC, were reportable events required by the Securities and Exchange Commission. There was a disagreement during the year ended December 31, 2003 related to revenue recognition. There was a disagreement during the year ended December 31, 2004 related to the accounting for penalties and interest on sales tax.

The Company's Audit Committee has discussed the foregoing disagreements with PWC and has authorized PWC to respond fully to BDO, the new independent registered public accounting firm for the Company, concerning these disagreements. Except for the disagreements noted above, there were no disagreements with PWC on the matters noted above for the fiscal years ended December 31, 2004 and 2003 and through August 3, 2005 that would have caused PWC to make reference thereto in their reports on the Company's financial statements for such years if such matters were not resolved to the satisfaction of PWC.

The Company refers to Item 9A of its Form 10-K for the fiscal year ended December 31, 2004 which was filed with the SEC on July 19, 2005 with respect to the eleven material weaknesses in the Company's internal control over financial reporting, which is incorporated herein by reference. The Company refers to Item 9A on its Form 10-K for the fiscal year ended December 31, 2003, which was filed with the SEC on March 3, 2004 with respect to the material weakness in the Company's internal control over financial reporting, which is incorporated herein by reference. Except for the material weaknesses noted above, there were no other reportable events for the fiscal years ended December 31, 2004 and 2003 and through August 3, 2005.

The Company has requested that PWC furnish the Company with a letter addressed to the SEC stating whether or not it agrees with the foregoing statements by the Company and, if not, stating the respects in which it does not agree. A copy of the letter from PWC has been filed as an exhibit to the Company's Form 8-K.

During the Company's two most recent fiscal years and through August 8, 2005, the Company did not consult with BDO with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, or any other matters or reportable events.

8/9 **Candela Corporation** announced that it had signed an exclusive three-year agreement with **McKesson Medical-Surgical Inc. (McKesson)** for distribution of the Company's full aesthetic laser and light-based line of products. McKesson is a leading distributor and service provider to the family and general practice market in the United States. The agreement will become effective beginning November 1, 2005.

"We are very excited and pleased to have McKesson Medical-Surgical represent Candela's full line of aesthetic products in the emerging family and general practice market," said Gerard Puorro, Candela's president and CEO. "We believe that McKesson's experience, relationships and outstanding reputation in the U.S. medical device marketplace will enhance our success in reaching this new specialty and we are looking forward to working with the McKesson team to meet our respective goals."

Puorro went on to say: "We will continue to grow our direct sales force in all of our other markets to further expand our position as the market share leader."

Today, an increasing number of family practitioners are incorporating aesthetic medicine into their practices as an effective way to diversify and generate additional revenue. In addition to plastic surgeons, dermatologists and cosmetic surgeons, over 60,000 family practitioners in the U.S. are now providing cosmetic services to their patients.

Within the agreement, McKesson will be distributing the GentleLASE and the GentleYAG, both of which provide hair removal treatments and skin rejuvenation; the Smoothbeam, used for the treatment of acne, acne scars and wrinkles; the Vbeam, which provides treatment of all vascular lesions and skin rejuvenation; the ALEXLAZR, used for the removal of tattoo pigments; and the Ellipse I2PL which provides skin rejuvenation and treatment for facial redness.

8/9 **Syneron Medical, Ltd.** announced that it had selected **Platinum EuropeLab, Inc.'s Equipment Division**, a leading distributor of cosmetic products and equipment, as its North American distributor for the Dental Spa, Day Spa, Aesthetic and Chiropractic Spa markets. Under the terms of the agreement, EuropeLabs/Platinum Equipment Division, one of the largest distributors of specialized equipment for the spa market, will now distribute Syneron's VelaSmooth and the Pitanga systems to the spa market in North America. The VelaSmooth was recently cleared by the US FDA as an innovative medical device to reduce the appearance of cellulite. The Pitanga is a spa-exclusive machine that provides skin treatments, including the treatment of benign superficial and vascular lesions, and eliminates unwanted hair. Both systems are based on Syneron's elôs technology, which combines light and bi-polar radio frequencies for the treatment of multiple cosmetic conditions.

"With a client base of more than 4,200 day spas, spas and other aesthetic clinics, Europe Labs/Platinum Equipment has earned the reputation as the leader in 'one-stop-shopping' for top equipment and skincare products to the traditional and emerging spa markets," remarked Daniel Fields, Syneron's Head of New Business Development. "We feel strongly that their goals and capabilities uniquely complement those of Syneron."

"Syneron is the world's fastest growing manufacturer of light-based cosmetic technology. We are pleased that they have looked to EuropeLabs/Platinum Equipment as a strategic partner in their penetration of spa markets," said Manon Pilon, founder, EuropeLabs.

About EuropeLab: EuropeLab is headquartered in Montreal, Canada and is an exclusive supplier of specialized equipment and skin care products to more than 4,200 day spas, spas and other aesthetic clinics throughout North America. In addition to the new line of Syneron products, EuropeLab's brands include: Methode Physiodermie, a full range of sophisticated and scientifically advanced skin care products from Switzerland, ActivaDerme an exclusive line of high quality natural nutritional supplements for the skin, and Alaska products, a full range of spa equipment. Additional information can be found at **www.derme.ca**, **www.platinumequipment.com** and **www.methodephysiodermie.com**

8/10 **Lumenis Ltd.** announced preliminary and unaudited financial results for the second quarter and six months ended June 30, 2005.

Second Quarter Results: Revenues in the second quarter were $71.6 million compared with $64.7 million in the prior quarter and $71.0 million in the same quarter last year.

Gross profit in the second quarter was $32.0 million, or 45% of revenues, compared with $26.8 million, or 41% of revenues, in the first quarter of 2005 and $36.5 million, or 51% of revenues, in the second quarter of 2004.

Operating expenses in the second quarter were $29.4 million, or 41% of revenues, compared with $28.6 million, or 44% of revenues, in the first quarter of 2005 and $29.6 million, net of a $1.8 million gain on the termination of a distribution agreement, or 42% of revenues, in the second quarter of 2004.

Operating income in the second quarter was $2.6 million compared with an operating loss of $1.8 million in the first quarter of 2005 and an operating profit of $6.9 million in the same quarter of 2004. Net loss in the second quarter was $3.1 million, or $0.08 per share, compared with a net loss of $5.8 million, or $0.15 per share, in the first quarter of 2005 and a net profit of $1.4 million, or $0.04 per fully diluted share, in the second quarter of 2004.

Commenting on the results, Avner Raz, Lumenis' president and CEO said, "I am encouraged by the progress that our Q2 results show. Our revenues were up on a year-over-year basis and 11% sequentially. This growth reflects continued strong momentum in the Americas and marked improvement in our business in Asia from the previous quarter. Our aesthetic and surgical sales are ahead of last year's performance and we are making initial gains with our revised sales strategy in the dental market. The new products that we expect to launch in the second half of the year should enable us to continue to drive revenue growth and market share gains.

"Operationally, we have started to see the benefit of our efforts to bring our inventory and materials planning under better control and to increase the profitability of our service business. We still have opportunity for significant improvement in these areas and realizing these improvements is a key element of our plan to achieve sustainable and profitable growth."

Revenue Breakdown: Second quarter sales by geographic region were as follows ($ in millions):

	Q2/05	Q2/04
Americas	$36.9	$34.1
Europe	$14.2	$14.4*
Asia and Japan	$20.5	$21.2

Second quarter sales by product line were as follows ($ in millions):

	Q2/05	Q2/04
Aesthetic	$25.4	$24.9
Surgical	$14.3	$11.3
Ophthalmic	$14.0	$15.0*
Dental	$ 1.7	$ 2.4
Service/Other	$16.2	$16.1

*for comparison purposes, excludes $1.3 million of sales of Wavelight products sold in Europe as the distribution agreement was terminated in Q2/04.

Net cash flow from operating activities was a negative $208 thousand in the second quarter of 2005 compared with a negative $5.3 million in the first quarter of 2005 and a net positive cash flow from operating activities of $6.6 million in the second quarter of 2004. At June 30, 2005, the Company had $12.7 million of cash and cash equivalents and unused borrowing capacity under its committed lines of credit of an additional $19.5 million. Total bank debt at quarter-end was $190 million compared with $191 million at March 31, 2005. Based on the preliminary and unaudited results for the period, the Company is in compliance with its covenants under its bank agreements.

Six Months Results: Revenues for the first six months of 2005 were $136.3 million compared with $136.6 million in the same period last year. Gross profit for the first six months of 2005 was $58.8 million compared with $67.7 million for the first six months of 2004. Operating income for the first six months of 2005 was $0.8 million compared with $6.0 million for the same period last year.

Net loss for the first six months of 2005 was $8.9 million, or $0.24 per share, compared with a net loss of $3.7 million, or $0.10 per share, for the same period in 2004. Net cash flow from operating activities for the first six months of 2005 was negative $5.5 million compared with a positive net cash flow from operating activities of $9.4 million for the same period last year.

As reported in the first quarter earnings release, upon review of the Company's prior practices concerning the recognition of royalty income, it was determined that the income statement classification of royalty and certain other income should more appropriately be as components of operating income or loss, rather than other income. The financial statements for the quarterly and six month periods ended June 30, 2005 and June 30, 2004 contained in this release reflect this classification. Additionally, as previously reported, with respect to royalty income, the review indicated that certain royalty income previously reflected in the results for the quarter ended March 31, 2004 which was paid at the time of the settlement of certain claims should, more appropriately, be recognized over a longer period of time. The financial statements for the quarter and six month period ended June 30, 2004 contained herein have been appropriately adjusted.

As previously reported, a report prepared for the Audit Committee with respect to the Company's internal investigation had concluded, with respect to certain identified transactions in 2001, 2002 and 2003, that the Company's revenue recognition actions were inappropriate. The aggregate effect of the Company's accounting for the transactions identified in the report, as set forth in the Company's press release of May 3, 2004, was to cause revenues in 2001 and 2002 to be overstated, and revenues in 2003 to be understated. As indicated earlier, the financial statements contained in this release do not reflect any adjustments relating to the results of the Audit Committee investigation which were previously reported.

In addition, as previously reported, the Audit Committee anticipates that a restatement of previously reported financial results may be appropriate, but intends to defer making a final decision pending completion of the audit by the Company's independent accountants, **BDO Ziv Haft**. A restatement, which reflects the results of the investigation as well as any other adjustments identified during the restatement, audit or review processes, may affect the information reported in this release.

8/10 **Cardiogenesis Corporation** announced results for its second quarter ended June 30, 2005. The Company reported that revenues in the second quarter of 2005 were $4.9 million compared to $3.4 million in the same period in 2004, an increase of 45 percent. Revenues in the 2005 second quarter were fueled by a 38% increase in handpiece unit sales and as well as a significant increase in laser sales. The Company reported a record 1,025 handpieces shipped worldwide in the second quarter, the highest quarterly handpiece sales performance in the last four years. Domestic handpiece shipments increased by 17% and international handpiece shipments increased considerably to 173 units compared to 12 units in the prior year quarter. For the first six months of 2005, revenues increased by 6% to $7.9 million, from revenues of $7.4 million in the same period last year.

Chairman and CEO Michael Quinn commented on the second quarter results, "Our strong revenue performance was supported by an increase in disposable units and a good quarter for capital sales, and we're pleased with the significant growth in TMR disposable units achieved both domestically and internationally. $4.9 million for the quarter represents the second highest quarterly revenue performance during the past 4 years. We are seeing the initial benefits from our renewed international sales efforts, with a five fold increase in international sales compared to the prior year quarter. This is the result of establishing new distribution relationships in four targeted markets during the second quarter."

Quinn stated, "Our success in significantly growing our TMR business in the second quarter is based upon: the market acceptance of our new SolarGen 2100s TMR console; the progress we are making in educating the medical community on the significant and enduring patient benefits of TMR as well as patient selection; and the growing interest of surgeons in learning the newest minimally invasive cardiovascular tools, the Robotic and Thoracoscopic PEARL delivery systems. We are leading the way to the future of TMR in providing surgeons with tools that are advancing the practice by addressing the

concerns of patients and their doctors about the invasiveness of traditional surgical procedures."

"We are especially encouraged by the interest level being expressed by hospitals around the country in utilizing their Intuitive Surgical da Vinci Robot for advanced cardiovascular procedures, including robotic TMR with the Cardiogenesis system," Quinn explained. "The first robotic TMR procedure completed at Centennial Hospital in Nashville by Dr. Louis Brunsting III utilized our Robotic 5.0 PEARL delivery system, the SolarGen 2100s console and the Intuitive Surgical da Vinci Robotic system. The procedure went as planned, and the patient was discharged angina free from the hospital just two days post procedure. This advanced procedure represents a dramatic improvement in the patient experience in regards to both hospitalization and total recovery time. This is especially true when compared to the previous bypass operation most of these patients have experienced, or even when compared to the initial TMR procedures completed through a thoracotomy."

Sales, general and administrative expenses increased approximately $1.6 million from the prior year period to $4.3 million due primarily to increased headcount from sales and marketing expansion. Sales, general and administrative expenses in the first six months increased approximately $2.4 million from the prior year period to $8.1 million. In addition to the sales and marketing expansion, the company incurred higher costs attributed to an increased presence at trade shows and higher marketing expenses due to the initial clinical introduction of the Company's new minimally invasive product line. Research and development costs increased by $309,000 to $687,000 for the 2005 second quarter from the prior year quarter and increased by $368,000 to $1 million for the first six months of 2005 from the prior year period. The increase resulted from costs incurred for the development and study costs for the new minimally invasive TMR handpieces and the Company's investment in important research initiatives.

The Company generated a loss from operations of $1 million and a net loss of $858,000 for the second quarter of 2005 and a loss from operations of $2.7 million and a net loss of $3.7 million for the first six months of 2005. The net loss includes non-operating, non-cash interest and other charges primarily resulting from the valuation of warrants and derivatives related to the convertible debt financing completed in October 2004.

In addition to the progress made on the clinical implementation of the minimally invasive TMR delivery systems, the Company has made important progress with new product programs, including the development initiative for a TMR PLUS biologic delivery system. This advanced development program will take advantage of our proprietary holmium: YAG delivery technology, which acutely stimulates the tissue surrounding the transmural laser channels with a wave of thermo-acoustic energy.

Quinn explained, "The precise pulsed delivery of our low power Ho:YAG wavelength to the myocardium creates a fertile region of stimulated tissue surrounding the channel. This is the region of tissue that has been shown to grow new micro vessels resulting in

improved perfusion and regional mechanical function in controlled studies of chronic ischemic myocardium. We are working with research and clinical experts to developing tools for express biologic delivery in this fertile region immediately upon completion of the TMR channels. As the field of therapeutic angiogenesis approaches clinical viability, Cardiogenesis intends to provide advanced surgical delivery system options for optimizing patient outcomes utilizing our proprietary Ho:YAG TMR system in conjunction with delivery of biologic solutions. This will include advanced versions of our minimally invasive TMR delivery systems."

"In the second quarter, we achieved significant progress on our top line revenue," Quinn commented. "We increased our total revenue by 45% in the second quarter compared to the prior year quarter. We are taking steps to support our continued revenue growth while drastically reducing our expense base moving forward. Our focus is on achieving consistent quarter to quarter profitability. In order to accomplish this, we have restructured the company in order to create a reduced break-even goal which requires a rigorous cost containment effort and a focus on new products and projects that will directly contribute to this goal in a timely manner."

During the second quarter of 2005, the Company shipped 20 lasers and worldwide disposable shipments were 1,025 units. This compares to the shipment of 3 lasers and worldwide disposable shipments of 742 units in the second quarter of 2004.

8/10 **Diomed Holdings, Inc.** announced that it had acquired exclusive distribution rights to the VeinViewer Imaging System for the sclerotherapy, phlebectomy and varicose vein treatment markets in the United States and United Kingdom. The agreement with **Luminetx** includes both a $1 million phased investment in Luminetx and a grant of warrants to purchase 600,000 shares of Diomed common stock based upon the achievement of certain milestones. The VeinViewer, cleared by the FDA in 2004, is a breakthrough patented biomedical imaging system developed by Luminetx, Inc. of Memphis, TN. Hailed by *Time Magazine* as one of the year's "Coolest Inventions," the mobile imaging system utilizes infrared light which illuminates on a real-time basis subcutaneous veins to an average depth of 8mm and projects their location on the surface of the skin with an accuracy of 0.06 mm. VeinViewer is a unique guidance tool allowing physicians to visualize the exact location and orientation of the patient's veins, thereby providing more precise sclerotherapy and phlebectomy procedures through increased accuracy in vein mapping and imaging.

"We believe that Luminetx's VeinViewer will be an important adjunct to our core EVLT business and will enhance our competitive advantage in the treatment of venous disease," stated James Wylie, president and CEO of Diomed Holdings, Inc. "Additionally, as vein treatment continues its move from the hospital to outpatient facilities and physicians' offices, we expect to leverage our existing sales and marketing organization by offering physicians an array of medical tools for the treatment of superficial venous disorders, from reflux of the greater saphenous vein to unsightly spider veins."

"We are particularly pleased to be partnering with Jim Phillips and the entire Luminetx team," added Wylie. "Jim has been described by *Red Herring* magazine as a 'serial entrepreneur', co-founder and past CEO of both the wireless messaging company, **Skytel** and Internet imaging company, **iPIX**. Jim's extensive experience coupled with Luminetx's innovative technical team, provide a proven business partner for Diomed."

Diomed's target market for the VeinViewer encompasses physician specialties practicing radio frequency and endovenous laser ablation of the greater saphenous vein and its tributaries, including interventional radiologists, vascular surgeons, general surgeons, dermatologists and dermatologic surgeons among others. Diomed estimates that its initial VeinViewer target market of nearly 2,000 installed laser and RF systems represents less than 15% of the addressable market. The Company also estimates that there are between 2 and 3 million sclerotherapy and ambulatory phlebectomy procedures performed annually in the United States.

"Diomed's leadership position in the treatment of varicose veins and Luminetx's unique imaging technology creates a powerful team to address the treatment of superficial venous disease," stated Jim Phillips, chairman & CEO of Luminetx. "We looked at several companies working in the area of peripheral venous disease, and chose Diomed as our distribution partner because we believe they have the winning technology."

Diomed plans to display the VeinViewer at three upcoming medical meetings this fall, including the *American College of Surgeons* Annual Clinical Congress in San Francisco (October 16-20), the 19th Annual Congress of the *American College of Phlebology* meeting in San Francisco (November 10-13), and the *VEITH Symposium* in New York City (November 17-20). The VeinViewer is expected to be available for general distribution in the first quarter of 2006.

8/10 **Luminetx Corporation's** news release contained a few additional facts: Luminetx Corporation, a leading developer and marketer of bioscience technologies, including its patented infrared vein imaging system, VeinViewer, announced today a 3-year distribution agreement with **Diomed Holdings, Inc.**, an industry leader in the area of minimally invasive medical technologies, including its patented EVLT for varicose veins. The agreement, which provides exclusive distribution rights to the sclerotherapy, phlebectomy and varicose vein treatment markets in the United States and United Kingdom and includes both a $1 million investment in Luminetx and a grant of 600,000 Diomed warrants, is expected to generate a minimum of $16 million in Luminetx revenues over the term of the agreement.

"We looked at several companies working in the sclerotherapy and phlebectomy arenas, and chose Diomed as our distribution partner because we believe they have the winning technology," said Jim Phillips, CEO of Luminetx. "We were also very impressed with the caliber of the management team at Diomed."

"We believe that the Luminetx VeinViewer is an important adjunct to our core EVLT business and will enhance our competitive advantage in the treatment of venous disease," said James Wylie, president and CEO of Diomed Holdings, Inc. "Additionally, as vein treatment continues its move from the hospital to outpatients facilities and physician offices, we expect to leverage our existing sales and marketing organization by offering physicians an array of medical tools for the treatment of superficial venous disorders, from reflux of the GSV to unsightly spider veins."

VeinViewer, which was cleared by the FDA in 2004, is undergoing key clinical evaluations in physician offices in both the U.S. and South America. Steven Zimmet, MD, is the president of the American College of Phlebology. "The first time I saw the VeinViewer in action I was astounded by what I saw," he said. "It is clear to me that the VeinViewer will be a very useful tool in my everyday phlebology practice."

Roberto Kasuo Miyake, MD, is a noted international researcher and expert sclerotherapist and vascular surgeon at the Clinica Miyake in Sao Paulo, Brazil. He is a frequent presenter at international medical conferences and was inducted as a Fellow in the American Society for Laser Medicine and Surgery this year. "VeinViewer has been a key component of our treatment protocols, and has radically improved our patient outcomes," Miyake said. "With VeinViewer, the marks are exact, which eliminates the need for `fishing,' reduces additional trauma to the area and actually allows patients to heal faster."

Steve Elias, MD, director of the Center for Vein Disease at Englewood Hospital and Medical Center adds, "VeinViewer not only allows physicians better visibility of veins targeted for treatment, but also provides verification of full and complete treatment. VeinViewer fulfills a basic surgical principle -- if I can see it, I can do it." Elias is also an assistant professor of surgery at Mt. Sinai School of Medicine in New York City and a Fellow in the American College of Surgeons.

Phillips notes that Luminetx is attracting the interest of key thought leaders in phlebology, sclerotherapy, dermatology, phlebotomy, pediatric venapuncture (i.e., blood collection, IV-PICC line insertions), interventional radiology, plastic surgery and a number of segments where venous access is critical to patient comfort and practitioner success.

"We're seeing an enormous variety of applications and opportunities for VeinViewer technology among large physician practices," Phillips says. "We believe that this pivotal partnership will be the industry genesis of a bright future for VeinViewer, as well as for the patients and physicians who will benefit from this innovative imaging technology. We are in discussions with numerous health care manufacturers, distributors and providers worldwide for other applications of VeinViewer breakthrough technology."

8/11 John Calcagnini of **CIBC World Markets** issued a note on **Syneron's** apparent weakness in the market: **ELOS- Stock Option Lockup Expires; Would Buy on Weakness**

We think ELOS shares are weak today due to a lock-up that expired yesterday (August 10) related to stock options granted under the company's 2003 and 2004 stock option plans. We spoke to management and they stated that this represents approximately 2-3 million shares that are vested.

We would view the weakness today as a buying opportunity given the strength of the company's overall business and its broad product platform. The VelaSmooth product for cellulite continues to have a strong commercial launch, and we expect this to be one of the leading products for the company. There are few effective treatments available for cellulite. We think that Vela could be a $100 million product line. The recent announcement on the agreement with EuropeLabs (private) should help drive growth in Vela as this agreement targets the spa market in North America. The company's Pitanga product, used for hair removal and superficial skin treatments, is also part of this agreement to distribute to day spas. In addition, the company's Comet product for fast hair removal continues to have a solid launch.

Bottom line is we think valuation is cheap here at 19X our 2006 EPS estimate of $2.02 and would buy the stock given the breadth of the company's product line and the commercial launch of VelaSmooth.

8/12 Charles Norton, a *RealMoney.com* contributor, originally published this piece in RealMoney. It was re-published on **TheStreet.com** as a bonus: **Syneron Makes Investors Look Good**

Fans of Jim Cramer have heard and read him enthusiastically sing the praises of aesthetic device maker and distributor **Syneron Medical** (ELOS:Nasdaq) . What has Cramer so excited? As he said on his Aug. 8 *"Mad Money"* show, the vanity play is the big macro driver for Syneron and other laser companies. Americans constantly seem to be searching for ways to improve their looks, and the simpler the method, the better.

Add aging's effects on the body and the graying of Baby Boomers in the U.S., and you have plenty of folks looking for ways to improve their appearance. More and more of them are finding a solution in noninvasive aesthetic medical procedures.

According to a recent study by **Medical Insight**, 40 million noninvasive aesthetic treatments were performed worldwide in 2004. By 2006, that figure is expected to exceed 60 million. Around $650 million was spent last year on equipment needed to carry out these treatments, and the market is expected to grow as much as 25% annually over the next five years.

Syneron looks poised to be one of the biggest beneficiaries of this trend. The company launched its first product platform, the Aurora, in December 2001. The Aurora is used by physicians for hair removal, rejuvenating the skin's appearance, and acne. In 2003, the Pitanga and Polaris were released, addressing the nagging issue of wrinkles. In all, it now sells five products that cater to America's obsession for short cuts to looking glamorous,

targeting a broad menu of noninvasive aesthetic treatments. Make that six. On June 13, Syneron received FDA approval for its VelaSmooth medical device, designed to temporarily reduce the appearance of cellulite.

Just how big is the cellulite market? More than 80% of women over the age of 18 have cellulite, regardless of their age, weight or physical fitness. According to data from the U.S. Census Bureau, as of July 1, 2004, there were more than 113 million women older than 18. By my math, that means that around 90.6 million women had cellulite last year -- and that's just here in the U.S.

It's no surprise, then, that some analysts think VelaSmooth has potential for $100 million annual sales eventually, a tidy sum for a company that did just $71.2 million in sales over the past 12 months. In fact, shortly after receiving the FDA news, management increased its revenue guidance for the year. Smith Barney thinks the upwardly revised projection is still conservative. VelaSmooth works to melt and then rearrange the fatty tissue by gently heating layers below the skin using a combination of radio waves, infrared light, rolling massage heads and suction. In fact, it's Syneron's proprietary Electro-Optical Synergy technology, or ELOS, that differentiates it from the competition.

Other noninvasive aesthetic products rely solely on optical energy from lasers or intense pulsed light (IPL), limiting the safety and effectiveness of many procedures because optical energy alone isn't able to adequately penetrate the skin. Rather, it undesirably gets absorbed in the outer layer of skin. High-power optical energy also requires relatively large and heavy equipment, which can be cumbersome and costly.

Syneron's ELOS technology adds radio-frequency energy to the mix. The combination of electrical and optical energy enhances the ability of physicians or other practitioners to accurately target the tissue to be treated, and allows for greater skin penetration. It also enables real-time measurement of the skin's temperature, improving patient safety and comfort. Lightweight and with a small footprint, Syneron's consoles require fewer costly handpiece replacements because they use less optical energy.

Next up? New technology is currently under development for nonsurgical liposuction. "This is a technology designed to perform what we call non-invasive liposuction -- the fat is actually removed non-invasively," CEO Moshe Mizrahy said in a recent article in *Australian Cosmetic Surgery*. That sounds like the holy grail in catering to American's sense of vanity. If botox was a home run in cosmetic treatment, then noninvasive lipo seems like a grand slam.

With a technological edge and a strong portfolio of patents, Syneron aims to expand its customer base beyond traditional users like the 30,000 or so dermatologists, plastic surgeons and other cosmetic surgeons in the U.S. The company has its eye on the 200,000 physicians who have not traditionally incorporated aesthetic treatment into their practices -- at least not yet. Then there's the newly developing medical spa market. Just

this week, Syneron announced a North American distribution deal with a division of EuropeLab, one of the largest distributors of specialized equipment for the spa market.

Ultimately, though, there's the possibility of selling directly to the consumer for home use. That's right: Sometime in the future, distressed people everywhere will be able to treat unwanted fat in the privacy of their own home. For the time being, though, Syneron is making fat profits making people look thinner.

8/15 **BriteSmile, Inc.** released results for the second quarter of 2005 ended June 25. Total revenue for the second quarter was $10.0 million, or 21% below the second quarter of 2004. The net loss was $(6.8) million or $(0.65) per share in the second quarter, compared with $(0.7) million or $(0.07) per share in the second quarter of 2004.

Earnings before interest, tax, depreciation, and amortization (EBITDA) was a loss of $(3.9) million in the second quarter 2005. This compares to an EBITDA of $1.1 million in the second quarter of last year. Information regarding a reconciliation of EBITDA, which is a non-GAAP financial measure, to net loss, the most comparable GAAP measure, follows.

Other key results for the second quarter were:

-- Center whitening fees of $4.1 million were 15% below last year.
-- Associated Center whitening fees of $4.5 million were 24% lower than the second quarter of 2004.
-- Product sales and other revenue of $1.4 million were 25% below last year.
-- Two new BriteSmile whitening Centers were opened in the second quarter: Madison Avenue in New York City in May, and Union Square in San Francisco, California, in June. A third new center at Tysons Galleria in McLean, Virginia, opened last week.
-- **Stonefield Josephson** replaced **Deloitte & Touche** as the Company's independent audit firm.

"Both revenue and EBITDA performance for the quarter were very disappointing" said Julian Feneley, BriteSmile's President. "In order to immediately improve BriteSmile's operating performance, we are focusing marketing on high potential markets and the most productive tactics, testing third party call center vendors, expanding the footprint in the retail and dental channels, and controlling expenses."

8/16 **PhotoMedex, Inc.** announced that it had been selected by *The Nasdaq Stock Market* as a founding member of the newly launched *Nasdaq Healthcare Index*. The Healthcare Index (Symbol: IXHC) is a market value weighted index that contains Nasdaq-listed companies classified, according to the FTSE Global Classification System, as "Health," "Pharmaceutical" or "Biotechnology." These classifications include health maintenance organizations, hospital management and long-term care, medical equipment and supplies, other health care, biotechnology, and pharmaceutical companies.

PhotoMedex president & CEO Jeff O'Donnell said, "It is very gratifying to be included in this index. It opens up new avenues by which investors and institutions can become acquainted with PhotoMedex and may even become an avenue for them to acquire shares of PhotoMedex and other companies within the health care industry. PhotoMedex has grown substantially over the last five years, and we appreciate the increased exposure associated with this inclusion. We look forward to continued growth and a long association with Nasdaq and the Index."

8/18 John Calcagnini of **CIBC World Markets** updated his take on **Syneron**: **ELOS- Syneron Weakness is a Buying Opportunity in Our View**

We had a chance to do field checks on Syneron and view the recent weakness as a buying opportunity in front of the expected closing of the American Laser Centers acquisition of Advanced Laser Centers. American Laser Centers is a major customer of Syneron's with an estimated 60 locations and we anticipate that they could acquire 60 additional centers with the expected acquisition of Advanced Laser Centers, creating a new business opportunity for ELOS.

Syneron is also having a successful launch of the Velasmooth device and is training 10-15 docs 2x per month to make sure that physician technique is appropriate and that expectations are managed. We hear good things about Velasmooth in skin tightening and diameter changes.

A company called Cynosure has apparently filed an IPO and we understand that device incorporates infrared light to preheat the epidermis, massage, and suction, but it does not incorporate RF the way the Velasmooth does to contract the connective tissue.

8/19 **Trimedyne, Inc.** filed its quarterly report: The consolidated financial statements include the accounts of the Trimedyne, Inc., its wholly owned subsidiary **Mobile Surgical Technologies, Inc. (MST)** and its 90% owned subsidiary, **Cardiodyne, Inc. (Cardiodyne)**. Quarter ended June 30, 2005 compared to quarter ended June 30, 2004:

During the quarter ended June 30, 2005, net revenues were $1,552,000 as compared to $1,696,000 for the same period of the previous year, a $144,000 or 8% decrease. Net revenues from delivery and disposable devices decreased by $99,000 or 11% to $789,000 in the current quarter from $888,000 in the same quarter of the prior year. Net revenues from service and rental decreased by $44,000 or 11% to $358,000 from $402,000 for the same quarters. This decrease was primarily due to the decrease in billable service for the current quarter.

Cost of revenues during the quarter ended June 30, 2005 was 59% of net revenues as compared to 50% of net revenues during the quarter ended June 30, 2004. This increase was primarily due to a decrease in service revenue while maintaining current service staffing costs, which resulted in higher cost per service call, combined with additional

periodic maintenance of rental inventory for our service subsidiary, Mobile Surgical Technologies, Inc.

Selling, general and administrative expenses increased in the current quarter to $657,000 from $578,000 in the prior year quarter, an increase of $79,000 or 13%. The increase in selling, general and administrative expenses was primarily the result of the following: the loss of $45,000 in rental income from a subtenant whose lease terminated in June 2004 which offset rent expense, and $31,000 in consultant fees (see Related Party Transactions).

Research and development expenses increased in the current quarter to $180,000 from $84,000 in the prior year quarter, an increase of $96,000 or 114%. This increase was a result of Trimedyne increasing its efforts to improve and develop new delivery systems through an increase in staff.

Other income, net increased by $41,000 or 315% to $54,000 in the third quarter of fiscal 2005 from $13,000 in the third quarter of 2004. During the three months ended June 30, 2005, the Company received $52,000 in royalties in connection with the terms of a settlement with a competitor.

For the current quarter, the Company had a net loss of $153,000 or $(0.01) per share, based on 14,602,931 basic weighted average number of common shares outstanding, as compared to net income of $158,000, or $0.01 per share, based on 14,597,876 basic weighted average number of common shares outstanding in the same quarter of the previous year, resulting from the above mentioned factors.

Further comments in a news release included: Revenues in the quarter declined 8% to $1,552,000 from $1,696,000 for the prior year quarter, and the company had a loss in the current quarter of $153,000 or $0.01 per share, versus a net profit of $158,000 or $0.01 per share in the prior year's quarter. R & D expenses rose as a result of readying the company's new VaporMAX Side Firing Fiber for release to the market, and higher sales management costs.

For the nine months ended June 30, 2005, revenues increased 10% to $4,783,000 from $4,350,000 for the prior year's period, but the company suffered a loss of $4,000 or $0.00 per share, versus a net profit in the nine-month period of the prior year of $472,000 or $0.03 per share. Other income in the year ago period was $188,000 higher than in the current nine-month period.

Glenn Yeik, president of Trimedyne, said: "We will soon introduce our new VaporMAX Side Firing Laser Fiber, which vaporizes tissue faster and is more durable than other laser fibers currently marketed for the treatment of enlarged prostates, based on animal tissue bench testing and published data. Used with our Holmium Laser for the treatment of benign prostatic hyperplasia (BPH or enlarged prostate), the procedure time is shorter, reducing operating room costs, and one device is sufficient to treat large prostates.

Comparable laser fibers are generally limited to treating medium-sized prostates. Our VaporMAX Fiber qualifies for the new, higher APC Medicare reimbursement rate. While its development cost was significant, we have a backlog of orders for our new VaporMAX Fiber and believe it will increase our revenues in the future."

8/22 **BIOLASE Technology, Inc.** announced that its Board of Directors had voted to discontinue its dividend policy of paying a cash dividend of $0.01 per share every other month. The Company believes that shareholder interests will be better served by eliminating the payment. These funds will be redirected towards research and development initiatives and general corporate purposes.

8/22 **Spectranetics Corporation** announced it had received 510(k) clearance from the U.S. Food and Drug Administration (FDA) for the Company's CLiRpath 2.5 Turbo Catheter (the 2.5 Turbo) to treat total occlusions in the superficial femoral artery (SFA), and had begun marketing this product. The 2.5 Turbo is the latest in Spectranetics' CLiRpath line of proprietary excimer laser catheters, ranging in diameter from 0.9 millimeters to 2.5 millimeters. These catheters are designed for treating blockages in the peripheral vasculature, and the 2.5 Turbo features several design enhancements compared with the existing 2.5 catheter, including:

* Increased number of laser fibers creating 30% more energy and 60% faster penetration rate to more efficiently ablate larger lumens in the SFA and popliteal arteries

* A "continuous on" lasing train, whereas the 2.5 catheter has a "10 second on, 5 second off" lasing train; the continuous on feature will enable shorter procedure times and reduce radiation exposure

* Hydrophilic coating to allow for smoother advancement through tight lesions and an easier transition over the aortic bifurcation

Giancarlo Biamino, MD, Professor of Medicine and Director of Clinical and Interventional Angiology at the Heart Centre Leipzig in Leipzig, Germany, stated, "In our experience, the improved ablation efficiency has resulted in the creation of larger lumens that are normally relatively larger than the nominal diameter of the catheter tip. As a consequence, the 2.5 Turbo will be useful to atherectomize tissue in larger vessels such as the popliteal and distal superficial femoral arteries, which may increase the number of stand alone procedures and reduce the need for stenting. The continuous lasing capability of the CLiRpath 2.5 Turbo catheter allows for easy advancement through long occlusions with more ablation efficiency. The recanalization can be performed in less time because you don't need to interrupt the procedure after each laser train. The hydrophilic coating reduces the friction and provides smooth advancement through contralateral sheaths."

"We are delighted with the favorable determination by the FDA to our 510(k) application for this enhanced CLiRpath catheter, and we plan further regulatory filings to add

'continuous on' capability to all of our Clirpath catheters. The increased energy provided by this catheter should enable larger lumens and may enhance the ability to ablate more calcified lesions." said John Schulte, Spectranetics' president and CEO. "Our launch of the CLiRpath 2.5 Turbo catheter is underway and is initially focused on the more than 200 current CLiRpath customers.

"Our top priority is to further penetrate the critical limb ischemia market through enhancements to our current products focusing on long total occlusions in the SFA and below-the-knee applications, and also to expand our presence in the treatment of peripheral vascular disease with catheters that will generate larger lumens in the upper leg, or the superficial femoral artery," Schulte added. "We have made progress in developing a new catheter that has the potential to create 5-plus millimeter lumens to more thoroughly treat the superficial femoral artery, and hope to begin trials in Europe with this new catheter later this year."

Many patients suffering from peripheral vascular disease and critical limb ischemia have total occlusions that cannot be crossed with standard guide wires, and have so few treatment options that surgery -- either bypass or limb amputation -- is nearly inevitable. CLiRpath (Cool Laser Revascularization for Peripheral Artery Therapy) provides an alternative in the fight against amputation.

8/24 **Candela Corporation** announced that it had completed a negotiation with the *University of California* to amend the exclusive license the Company has for its Dynamic Cooling Device (DCD). Under the amended agreement, royalties paid to the University for devices including the DCD will be cut in half from 6% to 3%. The Company has agreed to incorporate only the DCD in its devices. Further, the Company will make a $3.0 million pre-payment of license fees to be amortized over the ten years remaining on the licensed patent. Both Candela and the University have agreed to join together in a collaborative spirit to further research and develop new and additional technologies.

Gerard Puorro, Candela's president and CEO, commented: "This is very good news for Candela. Our gross margins will see immediate improvement. However, equally as important is the renewal of our research and development partnership that brought the world's most effective cooling to market, and we are confident this will bring new products and applications to market going forward."

David Schetter, Assistant Vice Chancellor, Office of Technology Alliances at the University of California, said: "The amended license agreement will help make Candela more competitive in growing markets, will ensure the public benefits from the very safe and effective DCD cooling technology, and sets the stage for a strong research collaboration and technology development partnership between Candela and UC Irvine's **Beckman Laser Institute**."

8/24 **Spectranetics Corporation** announced that Craig Walker, MD, Medical Director of Cardiovascular Institute of the South, performed the first two cases in the United States

utilizing the CLiRpath 2.5 Turbo catheter at Southwest Medical Center in Lafayette, LA. Both cases were successful. Dr. Walker used the new catheter to treat a long total occlusion in the Superficial Femoral Artery (SFA). The patient had femoral-popliteal bypass surgery 5 years ago. Both the graft and the native artery were occluded. The greater than 30 centimeter (cm) total occlusion originated at the common femoral artery and ended at the popliteal artery. Dr. Walker used the 2.5 Turbo Catheter to cross the native SFA that was calcified.

The 2.5 Turbo Catheter was operated at "continuous on" laser parameters to cross the entire total occlusion with no interruptions to laser energy delivery. After the first laser pass, angiography was performed. This revealed a widely open artery with what appeared to be a greater than 4 millimeter (mm) average lumen by angiographic assessment. Intravascular Ultrasound (IVUS) was utilized to more accurately measure the channel created by the laser. In what had been a long total occlusion the newly cleared channel ranged from 3.5 to 5 mm in diameter and there was brisk angiographic flow. Lesions below the knee were treated with a 2.0 mm CLiRpath catheter with an excellent result. Brisk blood flow was restored to the patient's foot. Following the procedure, the patient had an easily palpable pulse in the foot.

A second case with the 2.5 Turbo was performed within a previously placed SFA stent that had re-occluded. One pass with the 2.5 Turbo Catheter was performed. Angiography was subsequently performed showing brisk flow through the previously occluded segment with an angiographic lumen of 4 to 4.5 mm. To more accurately assess the true lumen, IVUS was performed confirming that this patient had a lumen ranging from 3.5 to 4.75 mm through the previously totally occluded vessel.

Dr. Walker commented, "The CLiRpath 2.5 Turbo Catheter has some improved features over the original 2.5 mm catheter that seem to make it better suited for SFA occlusions. First, the hydrophilic coating seemed to make it easier to cross long, total occlusions by creating less drag along the blockage. This allowed more controlled advance of the catheter tip. Secondly, the 'continuous on' feature is a significant improvement. It allows the operator to control when to stop the laser and may avoid inadvertently advancing the catheter through the lesion after the laser has shut off. The 'continuous on' lasing feature seems also to shorten the time we spend opening an occlusion. This is important to reduce the amount of radiation that the patient and physician are exposed to and lessens procedure time. While these are only two cases, I was impressed with the performance of the catheter in this initial experience in the SFA and in a re-occluded stent. We are looking forward to using more of these catheters over the next weeks and months."

The 2.5 Turbo is the latest in Spectranetics' CLiRpath line of proprietary excimer laser catheters, ranging in size from 0.9 millimeters to 2.5 millimeters. These catheters are designed for treating blockages in the peripheral vasculature, and the 2.5 Turbo features several design enhancements compared with the 2.5 catheter, including:

* Increased number of laser fibers creating 30% more energy and 36% faster penetration rate to more efficiently ablate larger lumens in the SFA and popliteal arteries
* A "continuous on" lasing train, whereas the 2.5 catheter has a "10 second on, 5 second off" lasing train; the continuous on feature will enable shorter procedure times and reduce radiation exposure
* Hydrophilic coating to allow for smoother advancement through tight lesions and an easier transition over the aortic bifurcation

CliRpath Excimer Laser Catheters are indicated for use in the endovascular treatment of symptomatic infrainguinal lower extremity vascular disease where total obstructions cannot be crossed with standard guide wires.

8/24 **Candela Corporation** reported that its revenues for its fiscal fourth quarter and full fiscal year reached all time highs of $38.6 million and $123.9 million, respectively. These amounts compare to the previous fiscal periods of $34.2 million and $104.4 million, increases of 13% and 19%. The Company reported net income for the quarter was $3.2 million or $0.14 cents per share versus $4.3 million or $0.19 cents per share a year earlier.

Gerard Puorro, Candela's president and CEO, said: "We continue to grow the business and take market share. When our fiscal year began, among the public reporting companies in the aesthetic space, we held a 25% share. This quarter saw that share grow to 31%." Puorro continued: "Through our new exclusive partnership with McKesson, and continued growth of our direct sales force in North America, we expect to further grow our share this coming year."

8/26 Rich Duprey, writing for *Motley Fool*: **Candela Burns Holes in Logic**

Whew! I just finished a great workout, and I didn't even have to go to the gym to break a sweat. Instead, I sat down to listen to the latest earnings conference call of aesthetic laser manufacturer Candela (Nasdaq: CLZR - News). My brain got plenty of exercise trying to follow the mental and linguistic gymnastics the company performed to satisfy its claims of major business growth.

As an innovative leader in the aesthetic laser market -- using lasers to banish unwanted hair, unsightly spider veins, acne, and sagging skin -- Candela had benefited from business and investor interest in its broad line of products. Yet the company seemed to stagnate last year, right after the CEO promised "white-hot" sales which never seemed to materialize.

Where Candela has put in workmanlike growth of 15% or so, competitors like Palomar Medical Technologies (Nasdaq: PMTI - News) and Cutera (Nasdaq: CUTR - News) have been growing revenues by 30% to 50% a year. Sure, they've started from somewhat smaller bases, but growth is growth, and these companies stand not too far from where Candela was a year ago.

This is where Candela's workout kicks into overdrive. Its press release headline trumpets:

"Candela Corporation Reports Record Revenues, Solid Profits and Increase in Market Share" Wow! Not only did it chalk up "record revenues," but also "solid profits" to boot. Provided you forget the conventional definitions of "record" and "solid."

Revenues only grew 13% this fourth quarter. That's less than half of the 29% growth Candela notched last year. Every single quarter for the past two years, it has reported steadily decreasing rates of growth. Its past performance may have been a yellow flag, but this greater-than-50% dropoff in sales growth is a bright red neon sign to me.

And those profits? They totaled $0.14 a share, in contrast to last year's, um, $0.19 a share. Of all the adjectives that spring to mind to describe Candela's profits, "solid" isn't one of them.

OK, let's forgive management for trying to put a smiley face on a tough situation. The company recently lost a court case over royalty payments, and they're facing higher costs. Candela's expenses rose 24% this quarter, even as its tax burden fell, so we can cut the company some slack here.

Yet the third part of the headline, the "Increase in Market Share" bit, really cramped my brain. A company that grew sales 19% for the year, in a market that by Candela's own calculations grew 40%, strains credulity in saying that it's capturing market share.

Candela's CEO laid out his rationale: The company added up the revenues of its sector's publicly traded companies four quarters ago and determined what percentage of the pie each owned. Then they did the same thing for this quarter. Candela's math breaks down the market as follows:

Company	Then	Now
Palomar	13%	12%
Cutera	14%	14%
Syneron	17%	16%
Laserscope	10%	17%
Lumenis	21%	20%
Candela	25%	31%
Total	100%	110%

Even as its sales grow incrementally, Candela is supposedly still pulling away from the pack. Apparently, I wasn't the only one having difficulty grasping their proof. Several analysts on the call tried to hold Candela's managers to the numbers, but they wouldn't elaborate. Instead, they advised would-be fact-checkers to contact the company directly to get its math in writing. Guys, if you're going to highlight a fact in your earnings release, you might want to have some data available during the call to back it up.

Furthermore, let's not forget that the entire market currently adds up to more than 100%, according to Candela. Talk about fuzzy math!

The company also broke down revenues according to laser types. Hair removal equaled 45%; vascular treatment was 27%; skin rejuvenation, 5%; and so forth. It reminded me of a prior call, when an analyst asked just how Candela was able to determine what a laser was used for, since they often had multiple uses. Management admitted they couldn't be certain, so they just assigned percentages to the various segments. Nothing odd about that, right? Right?

The press release also mentioned Candela's new partnership with distributor McKesson (NYSE: MCK - News), which promises to target Candela's "non-core" market of general practitioners, obstetricians, and gynecologists -- and reduce the company's margins. Even so, Candela said it expected gross margins to rise above 50% again by the end of the next fiscal year. We'll see. (Maybe it'll just assign a percentage to margins.)

Candela also boasted that it had cut its royalty payments to the Regents of the University of California, to whom it had lost the earlier lawsuit. However, even this wasn't entirely accurate. Candela did renegotiate its royalty agreement, halving the percentage to be paid from 6% to 3%. But the previous royalty was paid on the lower list price, while the new percentage is based on the higher selling price. It's a reduction, to be sure, but not as large as the company would have you imagine. In addition, Candela paid the $3 million royalty all at once, a sum it plans to amortize through cost of sales over the decade-long agreement.

With each succeeding quarter, I become more disillusioned with Candela's management. It overpromises and underdelivers -- not exactly the hallmarks of a Foolish investment. Every three months seems to bring the promise of great future progress, but that future keeps getting delayed. In the past, it was the Gentle YAG laser, then the intense pulsed light laser. Now we're suggestively told that Candela is considering entering the cellulite market.

Perhaps it ought to trim the fat off its verbiage instead and spare investors any more unneeded workouts.

Medical/Surgical Laser Highlights September 2005

8/29 John Calcagnini of **CIBC World Markets** passed along some comments on **Syneron**: **ELOS: VelaSmooth Launch Going Well**

We believe Syneron's stock price has been under pressure in recent sessions due to short sellers suggesting that the VelaSmooth device is not effective in treating cellulite or body contouring. After speaking with doctors that have used the device, we believe that it is effective.

VelaSmooth is the only device on the market that can truly perform body contouring, and the company tells us that no devices sold have been returned to date. In addition, Tina Alster M.D. is expected to publish a study of VelaSmooth in a peer-reviewed journal in the near future.

We believe those results will show Vela to be effective in treating cellulite. This is in addition to other studies we have seen where she obtained positive results. We also continue to believe that the launch of the Comet device for hair removal is going well.

After speaking with ELOS, we believe over 100 VelaSmooth devices have been sold worldwide this quarter, and this is with one month still left. We are estimating 63 units worldwide. Based on these checks, we believe ELOS will post a strong 3Q05 and would buy the stock here on weakness.

8/31 *NewsCenter 5* in Boston reported on a new laser claimed to help people stop smoking: **Laser Claims To Zap Away Urge To Light Up, American Lung Association Questions Laser's Effectiveness**

Smokers in Massachusetts might have a new tool to help them kick the habit. NewsCenter 5's Heather Unruh reported that a new laser smoking treatment has received a lot of publicity in Florida and Europe, and just opened its doors in Burlington this month. Michelle McCausland knows firsthand that constant cravings make smoking a difficult habit to break. "I've smoked a pack a day for 21 years," said McCausland.

She said she failed every attempt to quit until she came to the Anne Penman Laser Therapy Center two weeks ago. "I haven't even touched one (cigarette)," she said.

Often called laser acupuncture, the technique shines a cold, painless laser on 27 pressure points including the ear, nose and wrist. "This laser just simply balances out the endorphins -- increases and balances them and gets the body in a nice, even keel. They leave very relaxed, and it's long lasting, as long as they don't smoke," said Steve Mocanu, Anne Penman Laser Therapy franchise owner.

The results can be measured with a breath test that monitors carbon monoxide levels in the body. Carbon monoxide levels in heavy smokers can run as high as 20%. McCausland has lowered her level from 8.6% to .9%. McCausland said motivation helps make occasional urges manageable. "Once in a while when I'm driving in the car, I'll want a cigarette because I'd normally smoke at that time -- like going to work or after work, but it's fleeting and it's minimal," she said.

The $299 treatment includes five sessions. But the *American Lung Association* would prefer smokers spent that on other methods, saying, "There is no scientific basis that laser therapy is successful at helping smokers quit."

The Food and Drug Administration hasn't approved it yet, but allows franchises to treat smokers as long as they collect data for review. McCausland is already a believer. "I feel so much better, so much better and it's only been two weeks," she said.

McCausland is hoping the laser gets her through the rest of her life smoke-free. She said she has lost 3 pounds, where all other attempts to quit smoking resulted in weight gain.

As explained on her website, **www.stopsmokinglaser.net/home**, Anne Pennman says that the laser treatment involves the application of a cold, soft, non-evasive laser beam to specific energy points on the body; this is completely safe and painless. This will help stimulate the release of endorphins, the body's natural chemical, which deals with the relief of pain and stress.

It is believed that nicotine releases endorphins which give the smoker a sense of relaxation. When smoking stops, the sudden drop in endorphin levels leads to withdrawal symptoms. Laser treatment helps reduce the craving, stress, and restores balance.

9/6 **TRIMEDYNE, INC.** announced it had begun marketing its new VaporMAX Side-Firing Laser Device for use with its high power, 80 watt Holmium Laser for the treatment of Benign Prostatic Hyperplasia (BPH), commonly referred to as an enlarged prostate. This condition affects about 50% of men over age 55, and an estimated 200,000 procedures are performed to treat BPH each year in the United States.

TRIMEDYNE's VaporMAX Device vaporizes tissue faster than other currently marketed side-firing laser devices, based on animal tissue laboratory testing and published data, minimizing procedure and costly operating room time. In addition, testing has shown TRIMEDYNE's VaporMAX Device to be more durable than other side-firing devices, enabling even large prostates to be treated with just one VaporMAX Device, further reducing the cost of the procedure. TRIMEDYNE's VaporMAX Device qualifies for the new, higher Medicare reimbursement rate under Ambulatory Payment Classification Code 2525, which makes its use desirable by hospitals and physicians.

TRIMEDYNE presently has a backlog of $75,000 of orders for its VaporMAX Device, all of which are expected to be filled in the quarter ending September 30, 2005.

9/12 **American Laser Centers** announced it had acquired Lynnwood, Wash.-based **Advanced Laser Clinics**, doubling its number of treatment centers and expanding to 31 states nationwide. As a result of this acquisition, American Laser Centers will offer services to its customers from more than 100 physician-supervised locations. Prior to the transaction, American Laser Centers, with 2004 revenue totaling $29 million, operated 52 locations in 17 states. The acquisition is expected to boost American Laser Centers' revenue to $60 million by the end of this year.

"The acquisition of Advanced Laser Clinics enables us to expand our presence to the West Coast," said Rich Morgan, president of American Laser Centers. "Now we're truly a coast-to-coast company."

Hair removal -- American Laser Centers' core business -- is one of the fastest-growing segments of the $12.4 billion cosmetic-procedures industry. In 2004, Americans spent $500 million on 1.4 million hair removal procedures -- a 53-percent increase over 2003, according to the American Society for Aesthetic Plastic Surgery.

American Laser Centers' highly trained clinicians -- under the guidance of specialized physicians -- use state-of-the-art-technology from **Syneron** to remove unwanted hair and rejuvenate skin. The skin rejuvenation therapy includes a series of FotoFacial RF and microdermabrasion treatments to bring new toned and revitalized skin to the surface.

The hair removal and skin rejuvenation services offered by American Laser Centers rely on an industry-leading treatment protocol developed by the industry's most prominent physicians..

9/13 Coinciding with the *World Congress of Gastroenterology 2005* being held in Montreal, Canada, **Axcan Pharma Inc.** disclosed new data demonstrating that Photofrin photodynamic therapy ("PDT") used in conjunction with omeprazole, a standard acid suppression therapy, reduced occurrence of esophageal cancer. This new clinical information is based on the analysis of the 5-year follow-up observation of patients with High Grade Dysplasia ("HGD") associated with Barrett's esophagus ("BE") who were randomized in the original pivotal 2-year Phase III study conducted by Axcan which led to regulatory approval in 2003. Since HGD and the eventual possibility of developing cancer in BE are inextricably linked, the original 24-month follow-up study was continued over 5 years to confirm the reduction in cancer occurrence.

"We are extremely pleased with these results since they confirm that Photofrin PDT has the potential to be used for the prevention of esophageal cancer and that it is a clinically effective endoscopic therapy in reducing the incidence of cancer in patients with Barrett's High Grade Dysplasia," commented Dr. Francois Martin, senior vice-president, Scientific Affairs of Axcan. "Results already noted in our initial study are now strengthened by the 5-year follow-up. It has been demonstrated that Photofrin PDT is not only safe and effective but that its effects are prolonged," he concluded.

STUDY RESULTS: The study used multiple sites and involved 208 patients randomized (2:1) to Photofrin PDT used in conjunction with omeprazole 20mg twice-a-day, or to omeprazole alone at a dose of 20mg twice-a-day.

At the end of the 5-year follow-up, results of the study confirmed that Photofrin PDT used in conjunction with omeprazole was superior to omeprazole alone in preventing the progression to cancer, with about twice the likelihood of cancer occurring in the omeprazole alone group (29%) compared to Photofrin PDT used in conjunction with

omeprazole (15%). This reduction of the progression to cancer is highly statistically significant (p (equal sign) 0.0272).

The original pivotal 2-year Phase III study had shown successful HGD ablation in 77% of patients using Photofrin PDT in conjunction with omeprazole compared with 39% of patients using omeprazole alone. Detailed results of this original study will be published in the October 2005 issue of *"Gastrointestinal Endoscopy"(GIE)*.

9/14 John Calcagnini of **CIBC World Markets** sent along an update on **Syneron**: Vela Strength Expected to Be Sustainable: Big Orders

American Laser Centers (private), a large exclusive customer of Syneron, announced this week that they have completed the acquisition of Advanced Laser Clinics, doubling the company's number of clinics and expanding to 31 states.

American Laser Centers operated 52 cosmetic laser clinics in 17 states prior to this deal and will now have approximately 120 sites in 31 states. An estimated 80 of the 120 centers will be corporate centers and 40 will be licensees.

Now that this deal has closed, we believe that ELOS could get a large order for Vela Smooth devices ($5 mm plus?) for treating cellulite, body contouring and (now we are hearing) stretch marks. Syneron may have sold over 125 Vela units this quarter, well above expectations of 63.

The bears on ELOS have tried to make arguments against Vela saying it does not work, docs are dissatisfied, the head gets black, or competition is emerging. Do not let this discourage you is our view.

9/15 **MedicalCV, Inc.** announced that a cardiac surgeon had completed a series of minimally invasive concomitant procedures on three humans using the company's product. Marc Flores, president and CEO of MedicalCV, Inc. announced that Dr. Carmelo Otero of Baptist Medical Center in San Antonio, Texas, performed three minimally invasive concomitant mitral-valve/cardiac tissue ablation procedures with MedicalCV's AtriLaze Surgical Ablation System. Dr. Otero completed these minimally invasive procedures through a 4 centimeter thoracotomy incision (between the ribs) and then proceeded to ablate cardiac tissue.

Dr. Otero commented, "The extremely low profile of the AtriLaze combined with the precise and elegant delivery of laser not only allowed for the ablations to be done in a minimally invasive fashion, but also enabled me to complete the procedures in an efficient and timely manner." Dr. Otero continued, "This less invasive technique eliminated the patient sternotomy (sternal incision) and associated trauma and provided these patients with a decreased length of hospital stay, making this a promising procedure for patients as well as the hospital."

Adam Berman, vice president of Research and Development for MedicalCV added, "Focused, coherent laser energy was delivered through a flexible fiber less than one millimeter in diameter. The delivery of light energy through fiber optic elements provides a platform of enabling technology for minimally invasive procedures." Berman concluded, "Moving forward, MedicalCV's engineering focus remains on providing the market with a stand-alone, minimally-invasive, (closed-chest, beating heart) device for the treatment of atrial fibrillation."

9/16 **Syneron Medical Ltd.** and **Syneron North America** announced that **American Laser Centers (ALC)** will purchase $6.0 million worth of Syneron equipment for deployment in its centers throughout the nation. ALC, with more than 100 physician-supervised locations in the U.S., evaluated the VelaSmooth and decided to expand the activity of its clinics from hair removal and skin rejuvenation also to include cellulite treatment. ALC's new order with Syneron is for the purchase of 100 Syneron platforms with delivery scheduled over the next six months. The order includes both the VelaSmooth and the Aurora system -- Syneron's flagship product for hair removal and FotoFacial treatments.

"Syneron is pleased to build on our current relationship with ALC as its exclusive equipment provider at this time of tremendous expansion," said Domenic Serafino, president, Syneron North America. "By working even more closely with a medical chain like ALC, Syneron will achieve greater market awareness for the ELOS technology and Syneron's wide portfolio of medical aesthetic platforms."

John Calcagnini of **CIBC World Markets** updated his comments following the above announcement: **ELOS- American Laser Centers Places $6 Million Order**

Syneron announced this morning that it had received a $6 million order from American Laser Centers (private), the bulk of which will be booked in 4Q05. This incremental revenue of $6 million translates to an estimated $0.08-$0.09 in incremental EPS. We think the company may realize a small portion of this revenue in 3Q05 because they first need to install, train and have the equipment financed before it can book the order as revenue. We understand that Vela purchases are the biggest component of this order.

We continue to see upside to our revenue forecast for 3Q05 due to strength in Vela sales, and it sounds as if the company could book into revenue 75-100 devices in the U.S. and 50 units OUS. We are currently modeling 63 units worldwide. Our 3Q05 revenue and EPS estimates are $23.9 million and $0.38, respectively.

We would buy ELOS shares here going into what we believe will be another strong revenue and earnings quarter driven by strength in sales of Vela, Galaxy and Comet. Naturally, we expect these products to cannibalize Polaris and Aurora. We think the market for cosmetic lasers remains very healthy, and our channel checks suggest that the Asia-Pacific business is also doing well.

9/16 **Candela Corporation** announced that it did not file its Annual Report on Form 10-K for the fiscal year ended July 2, 2005, by the September 15, 2005, due date. The Company will file a Form 12b-25 (Notification of Late Filing) with the Securities and Exchange Commission seeking a 15-day extension to file its Annual Report on Form 10-K.

The Company's independent registered public accounting firm, **BDO Seidman, LLP**, has advised the Company that it has not completed its audit of the Company's annual 2005 financial statements, and its audit of the effectiveness of the Company's internal control over financial reporting, and that they need additional time to complete the procedures necessary to enable them to issue their reports on the audits. As a result of these delays and in order to ensure accuracy and completeness of the Company's Annual Report on Form 10-K for the year ended July 2, 2005, the Company is unable to complete and file its Form 10-K by the prescribed filing date without unreasonable effort and expense. The Company currently anticipates filing the Form 10-K within 15 days after the date thereof.

9/19 **Spectranetics Corporation** announced it will extend features of the recently launched 2.5 Turbo product to its entire CLiRpath product line used for clearing arterial blockages in the leg. Spectranetics has received 510(k) clearance from the Food and Drug Administration for the "continuous on" lasing train to be added to its entire CliRpath product line. "The initial physician feedback on both continuous on lasing and the hydrophilic coating incorporated into our 2.5 Turbo product has been extremely positive. These additions enable shortened procedure times and better tracking through tortuous anatomies," stated John Schulte, Spectranetics president and CEO. "I'm particularly pleased with the fast FDA response, which came within 11 days of our 510k submission. Additional product improvements, including higher laser energy parameters and improved ablation efficiencies will be incorporated into the CliRpath product line during the first half of 2006, depending on FDA review cycles."

Spectranetics plans to launch the expanded CliRpath Turbo product line within the next 90 days, allowing for required software upgrades to be completed for its customers.

Many patients suffering from peripheral vascular disease and critical limb ischemia have total occlusions that cannot be crossed with standard guide wires, and have so few treatment options that surgery -- either bypass or limb amputation -- is nearly inevitable. CLiRpath (Cool Laser Revascularization for Peripheral Artery Therapy) provides an alternative in the fight against amputation.

9/20 **Laserscope** announced that recent animal trials conducted by researchers at the Cleveland Clinic Foundation demonstrated the successful application of the Company's GreenLight PV laser system for laparoscopic partial nephrectomy in treating kidney masses or tumors. The findings were reported in the September 2005 issue of *The Journal of Urology*. Based on the trial study, Cleveland Clinic researchers concluded that the hemostatic, or blood clotting, properties specific to the GreenLight laser show a "real potential for clinical application." The study demonstrated that Laserscope's GreenLight PV laser is feasible, in most cases, for the resection and vaporization of kidney tissue

without having to interrupt blood supply to the kidney, thereby limiting the risk of organ damage. Blood loss during the laser treatment was found to be minimal and all study animals survived the one-month follow-up without complications.

Dr. Alireza Moinzadeh, earlier a fellow at the Cleveland Clinic, and now Head of the Section of Laparoscopic and Robotic Surgery at SUNY, Syracuse, and lead investigator in the study commented that, "This demonstration of the efficacy of KTP laser during laparoscopic partial nephrectomy without renal hilar clamping represents a significant step forward in the field."

Dr. Inderbir Gill, head, section of laparoscopic and robotic surgery at the Cleveland Clinic and senior author of the study added that, "The potential advantages of this new technique include optimization of renal function preservation, the complete eradication of cancer while eliminating the need for skill intensive suturing, thereby allowing a broader group of urologic surgeons to adopt laparoscopic partial nephrectomy."

"We are excited about this potential new application for our GreenLight PV laser system, as well as the publication of the study's results in the Urology industry's pre-eminent academic journal," said Eric Reuter, president and CEO of Laserscope. "We have believed for some time that the scientific properties of our GreenLight laser make it appropriate for treating a number of disorders, and have devoted appropriate research and development efforts toward identifying them. Although additional research is needed before we can commercialize the GreenLight PV laser for the treatment of kidney tumors, we believe that this study is the first step toward educating the marketplace about its potential benefits. With more than 35,000 new cases of kidney tumors being diagnosed each year in the United States, we believe this is an important finding."

9/20 **Reliant Technologies Inc.'s** Fraxel Laser treatment's winning combination of non-invasive fractional skin resurfacing will be spotlighted at two upcoming major medical meetings:

When it comes to choosing a full body solution for aging and sun damaged skin that produces dramatic results without surgery, it's no contest -- plastic surgeons, facial plastic surgeons, and patients turn to Fraxel Laser Treatment. Plastic surgeon Dr. Lawrence Bass will demonstrate Fraxel laser's revolutionary approach to treating facial and non-facial skin in the instructional course "Advances in Cosmetic Laser Surgery" at the *American Society of Plastic Surgeons (ASPS) Plastic Surgery 2005* in Chicago. In his presentation, Dr. Bass covers the unique capabilities of the Fraxel laser, including:

-- How Fraxel laser's breakthrough technology targets aging and sun damaged skin pixel by pixel, spot by spot, making it the only device specially designed to resurface a fraction of skin at a time

-- What consumers want - a full-body resurfacing treatment that offers rapid results and maximum safety, but with minimal downtime and utmost safety

At the *American Academy of Facial Plastic and Reconstructive Surgery (AAFPRS) 2005* Fall Meeting, in Los Angeles, Facial plastic surgeons Dr. David Shinesky and Dr. Howard Jen will present the latest research using the Fraxel laser, followed by a live patient demonstration in the session "Emerging Trends."

-- See firsthand this gentle non-invasive approach to skin resurfacing that produces results that until now were only seen with traditional invasive surgery.

"Make 50 the New 40 with Fraxel Laser Treatment:" To celebrate the Fraxel laser's recent U.S. Food and Drug Administration (FDA) 510(k) clearances for skin resurfacing procedures and the treatment of melasma, Reliant Technologies Inc., the product's manufacturer, awarded five people who turn 50 in 2005 a complimentary Fraxel Laser makeover in their area. As part of the consumer campaign, the five winners will receive a free trip to New York City to celebrate their 50th birthday and more youthful appearance in style.

9/21 **BIOLASE Technology, Inc.** announced that the federal court presiding over the patent infringement lawsuit brought by **Diodem LLC** against **HOYA ConBio** and **Lumenis, Ltd.** recently issued several rulings in the lawsuit that are favorable to Diodem and BIOLASE. BIOLASE was previously a named defendant in the Diodem lawsuit, but in January 2005 BIOLASE and Diodem finalized a settlement agreement, pursuant to which Diodem's patent portfolio was acquired by BIOLASE's independent subsidiary **BL Acquisition II, Inc. ("BLA II")** and Diodem became a licensee of BLA II. After the settlement, the remaining defendants, HOYA and Lumenis, argued to the Court that Diodem had lost standing to proceed with its lawsuit against them due to the assignment of the Diodem patents to BLA II and that the lawsuit should be dismissed. Defendant HOYA also argued, in a motion for summary judgment that the effect of the assignment from Diodem to BLA II was to give HOYA a license to the Diodem patents under the terms of a preexisting license agreement pursuant to which HOYA currently pays royalties to BIOLASE.

On September 13, 2005, the Honorable Gary Feess of the United States District Court for the Central District of California issued an order denying the Defendants' Motion to Dismiss and denying HOYA's motion for summary judgment. In the order, the Court also granted Diodem's cross-motion for summary judgment, which asked the Court to eliminate HOYA's license defense from the lawsuit based on HOYA's lack of supporting evidence, and granted Diodem's motion to join BLA II as a co-plaintiff in the Diodem lawsuit.

In addition, on September 15, 2005, the Court also denied the Defendants' motions for summary judgment, which sought to invalidate U.S. Patent Nos. 5,422,899, 6,122,300 (which cover mid-infrared lasers capable of operating at high repetition rates) and U.S. Patent No. 5,267,856 (which covers surgical methods that apply liquid, such as water, in conjunction with radiation that is highly absorbed by the liquid) based on a variety of grounds.

The case is scheduled to go to trial on November 15, 2005.

"We believe that the Court's rulings further solidify the strength of the patent portfolio held by BIOLASE and its subsidiaries and demonstrate the benefit to BIOLASE of its acquisition of the Diodem intellectual property earlier this year," commented Robert Grant, president and CEO.

9/22 John Calcagnini of **CIBC World Markets** provided an update on **Syneron**: **ELOS: Misinformation In Market Creates Buying Opportunity**

We are publishing this note because we view recent weakness in ELOS shares as a buying opportunity, created by what we view as a wealth of misinformation circulating in the marketplace.

We spoke with the company this morning and remain comfortable with our $23 mm revenue and $0.38 EPS estimates for 3Q05. We now think that the company can sell at least 100-125 Vela units in the quarter WW, not including the $6 mm ALC order, versus our printed est. of 63 units.

We have received many calls from investors on these concerns that have been circulating in the marketplace: 1) the quarter will be light and the CFO seemed uncomfortable with the numbers at a recent conference; 2) Aurora prices are dropping; 3) ALC's lenders are worried; and 4) Vela doesn't work.

We do not think that any of this has merit. We see the weakness as the short community's attempting to employ the well-known strategy of going after laser companies in a weak tape by citing the historical fact that these companies do go through vicious downcycles periodically.

First of all, we do not think we are in an industry downcycle. Investors historically should be buying laser stocks when new product cycles such as lasers for treating cellulite emerge because such cycles creates a large new revenue and earnings platform for the industry. Second, the market is bigger today than it has been historically because a growing number of physician types (not just dermatologists) are performing cosmetic laser treatments. These include plastic surgeons, ENTs, GPs, OB/GYNs, and others that may also supervise spa operations such as those we all see cropping up in malls around the country. We also note that procedures continue to grow pretty much across all cosmetic procedures involving lasers as Americans are increasingly focused on appearance. Obviously, this is an indication of satisfaction with outcomes. The fact that the end market potential installed base has increased in size with new physicians entering the fray, this will likely minimize the impact of any downturn in a particular laser sub-category such as hair removal should one occur, which we see no signs of happening right now.

We spoke with Syneron this morning and they said that all they did at a competitors' conference was to reiterate their former guidance of $21-$22 mm in sales. We believe that our $23 mm revenue estimate is conservative after speaking to various company and industry people about order trends. We believe that the Vela launch is going well and our estimate for this quarter does not include the $6 mm order from ALC.

We also spoke to the company about average selling prices on the Aurora and they tell us that prices are not dropping. Furthermore, we have been expecting all along that Aurora would be cannibalized by Galaxy and Comet, as anyone could have seen from looking at the financial models we have published over the past year.

The company indicated to us that they list Aurora for $89,900 if the customer buys all 4 applicator heads, but a portion of this price gets deferred to year 2 and 3 due to the warranty. The four potential heads that can be purchased are: (1) hair removal; (2) skin rejuvenation; (3) advanced skin rejuvenation for pigmented lesions and vascular use; and (4) acne. The minimum configuration is to buy two applicators at a list price of $75,900, but some of this would be deferred and some of these units will be sold to distributors overseas at much lower prices. Therefore, we encourage investors to avoid reacting to short calls about ASP numbers in any one quarter and to focus on the company's overall performance. As well, investors should consider that Syneron sometimes may be moving customers to a higher margined and higher priced mix of products.

We also note that the laser business is seasonally weak every year in the third quarter, and we foresee ELOS having a good 4Q05 with the recent ALC order.

The company also has what appears to be an exciting pipeline of products to follow Velasmooth, including an ultrasound based device for doing non-invasive liposuction. This is expected in Europe in 2006. It is also working on a full line of dental lasers. Finally, the company is expecting to launch a line of cosmetic lasers for the non-medical/spa markets. These are also expected to drive continued strong growth.

9/23 **Cardiogenesis Corporation** announced that the hospital reimbursement rates for TMR will increase 14% effective October 1st. Chairman and CEO Michael Quinn commented on this increase in hospital reimbursement by the Center for Medicare and Medicaid (CMS), "The increase in the hospital inpatient prospective payment system (IPPS) reimbursement for TMR will assist hospitals in covering all of the costs associated with treating patients with our therapy. This significant increase will help hospitals provide access to TMR for Medicare patients, both in terms of hospitals currently using TMR as well as hospitals considering adding TMR to their cardiac service line."

"The incidence of advanced coronary artery disease related to diabetes and other underlying conditions is growing at an alarming rate," stated Quinn. "Cardiothoracic surgeons are striving to improve outcomes in patients referred with increasingly complex and challenging conditions. The recently published long term follow-up of TMR demonstrates important clinical benefits in these sick patients, including; significantly

improved survival with TMR, and improved angina relief in diabetic patients treated with TMR adjunctive to bypass surgery (compared to bypass alone)."

Quinn explained, "The reality is that the ability of our Company to work closely with healthcare providers in advancing the application of TMR has been somewhat limited by the reimbursement received by the hospital for the therapy. In other words, there are real economic limits to a hospital's ability and willingness to implement a new therapy, no matter how effective and relevant to their patient population. This substantial increase in Medicare reimbursement for TMR is supportive of the application of this important treatment throughout the country."

TMR as a primary and secondary procedure is covered by CMS with a national coverage decision. Hospitals are reimbursed for TMR under the Diagnosis Related Group (DRG) 108. The Relative Weight used in the calculation of reimbursement to hospitals for TMR increases 14%. CMS recently published the final rule for Federal Fiscal Year (FY) 2006 changes to Medicare's hospital IPPS in the Federal Register. This rule will be effective October 1, 2005.

9/26 **Laserscope** announced the results of a milestone study evaluating the long-term outcomes of men treated with photoselective vaporization of the prostate (PVP) for benign prostatic hyperplasia (BPH) using the GreenLight laser system. The study, conducted at the Mayo Clinic by Dr. Reza Malek, was published in the October 2005 issue of the Journal of Urology. Laserscope also announced that in conjunction with the publication of this landmark study, the Company has partnered with the Men's Health Network to launch a national campaign designed to provide men and other consumers with the resources they need to better understand BPH, prostate health, sexual health and other related men's health issues.

Long-Term Study Methodology and Results: The Mayo Clinic study evaluated 94 patients suffering from obstructive BPH who were treated with PVP using Laserscope's GreenLight laser system and disposable fiber optic delivery devices. All of the patients studied were candidates for standard transurethral resection of the prostate (TURP) and exhibited significant obstructive urinary tract symptoms.

"The results of our study demonstrate significant and sustainable improvements in the outcomes of patients suffering from obstructive BPH," said Dr. Reza S. Malek, lead author of the study and Professor Emeritus of Urology who pioneered and performed PVP in this cohort of patients at the Mayo Clinic. "Given that PVP has a well established record for safety, low morbidity and rapid recovery, we are very pleased to reinforce its contribution as an effective, long-term treatment solution for many men suffering from obstructive BPH."

"Until now, the medical community did not have peer-reviewed follow-up data at these time frames for patients who had been treated with PVP. This study validates our strong belief that the procedure is a viable treatment option for sufferers of BPH that provides

long-lasting, positive results," said Eric Reuter, president and CEO of Laserscope. "There is no other technology that we are aware of for treating BPH that can demonstrate these kinds of clinical outcomes, speed, and safety profile with this kind of durability. PVP is quickly becoming the treatment of choice because it is safe and effective, and we now have additional evidence that PVP provides lasting relief from the symptoms related to BPH."

National Heal BPH Initiative Launched: In conjunction with the publication of this important study, Laserscope and the Men's Health Network today announced the "Heal BPH" initiative to provide men with in-depth information about BPH including symptoms, causes and diagnosis, treatment options, frequently asked questions, physician locator and other informative resources. Additional information and timely topics will be explored, including the relationship between erectile dysfunction (ED) and other medical conditions such as cardiovascular disease, metabolic syndrome (pre-diabetes), and lower urinary tract symptoms, which are often caused by BPH. The initiative will also include seminars held in major cities throughout the country.

"We're pleased that Laserscope has chosen to partner with the Men's Health Network to help increase the understanding and awareness of BPH among men and their partners," said Cece Dorough, MSW and Marketing Manager of the Men's Health Network. "The 'Heal BPH' campaign is in alignment with our mission to improve the health and wellness of men by linking them to the best health care resources available."

The initiative was developed in consultation with Dr. Kevin Billups, MD, an internationally recognized expert in the fields of Urology and Sexual Health, and author of a soon-to-be published book on Erectile Dysfunction as an early indicator of cardiovascular disease and other medical problems related to men's health.

"The 'Heal BPH' initiative presented an excellent opportunity to expand the dialogue surrounding the role that conditions such as BPH and ED play in our evolving understanding of cardiovascular disease," said Dr. Billups. "This campaign is meant to empower men with the information needed to better understand and deal with the long-term implications of BPH and erectile difficulty for their overall cardiovascular health."

"Heal BPH" campaign materials and resources are available online at **www.healbph.com**, or patients can speak directly to a "Heal BPH" representative at 1-866-HEAL BPH.

9/26 **Lumenis Ltd.** announced the establishment of semi-annual medical laser courses tailored for ENT physicians practicing in an office environment. In the US, there are about 7,000 physicians in this category. Avner Raz, president and CEOof Lumenis, stated, "Over the years, our lasers have proven effective and efficient for a number of procedures for the office-based otolaryngologist. Additionally, current market trends indicate more and more ENT procedures will be conducted in an office environment for potential healthcare cost savings and due to advances in technology, as well as the greater convenience

offered to both physician and patient alike. Lumenis, with our depth and breadth of innovative technology, is ideally suited to meet the needs of this growing segment. At the same time, we continue to dominate the hospital laser market with our flagship UltraPulse SurgiTouch CO2 laser system."

Yosef Krespi, MD, widely considered a pioneer and expert in ENT office- based laser procedures, will direct the course, entitled "Office-based Laser Surgery in Otolaryngology," at St. Luke's / Roosevelt Hospital Center in New York. According to Dr. Krespi, "Not many ENT physicians know about the versatility that lasers and newly-designed accessories can provide. They are very effective for tonsillotomies, turbinate reduction, tympanic membrane fenestration, uvulopalatoplasty, ablation of skin/mucosa lesions, etc., and a number of laryngeal applications in conjunction with laser waveguides. Coding and reimbursement will also be topics well covered in the course, since these have significant impact on practice decisions."

Avner Raz added, "The world's largest ENT meeting, the annual gathering of the *American Academy of Otolaryngology -- Head and Neck Surgery Foundation*, is in Los Angeles this year from September 25-28. At this event, Lumenis plans to display and demonstrate our wide range of lasers and accessories for the office-based physician including its Compact class laser system. We will also officially introduce our Digital AcuBlade to the market. Our new AcuBlade System is an innovative robotic laser microsurgery system which allows the user to pre-select differently-shaped scanning patterns that result in precise, automated ablation or incision of delicate structures such as vocal cords -- another exciting innovation from the world leader in medical lasers and light-based technologies."

The next office-based ENT laser course is scheduled for October 7-8, 2005, in New York. Interested physicians may register online at **www.surgical.lumenis.com/wt/content/meetings**. Course dates for 2006 will be announced shortly.

Medical/Surgical Laser Update - October 2005

9/29 The Board of directors of **El.En. Spa** met and approved the consolidated six months report as of June 30, 2005. According to the international accounting standards IAS/IFRS, the company showed revenues over 51 millions of euro (up 15%) and Gross Margin of 28,5 millions of euro up 17% with respect to the first semester of 2004.

EBITDA for the six month is 4,9 millions of euro, with a 9,5% impact on revenues. EBITDA shows a small decrease with respect to the six months of 2004 (down 0,9%) as an effect of the higher impact of operating expense and employees expense, also due to the adoption of the new accounting standards. Without the accounting standards modification, EBITDA would have increased by 11,5%.

EBIT for the six months is 3,2 millions of euro, up 38% on the 2,3 millions of 2004. This excellent result would have been even more evident without the accounting standards change, it would have marked an EBIT of 3,1 millions, more than doubling the 1,5 millions of the first six months of 2004.

The group closes the semester with Net Income for 1,4 millions of euro, decreasing from last year's 2,5 millions, which included a gain on the sale of assets for almost 3 millions achieved with the sale by **Cynosure** of its 30% interest in **Sona International Co.** that took place in May 2004.

The **Net Financial Position** as of June 30, 2005 is positive for 7 millions of euro.

9/29 **Lumenis Ltd.** announced that it had successfully negotiated a two-year dual-source purchase agreement with **American Laser Centers (ALC)**. Previously, ALC purchased its lasers from **Syneron Medical Ltd.** as its sole source.

Wade Hampton, Lumenis' senior vice president of the Americas stated, "We're very excited about this new agreement with American Laser Centers. Lumenis has successfully partnered with other nationwide aesthetic laser companies for several years. We look forward to providing the same high level of support and quality aesthetic laser products to American Laser Centers under our new agreement. This is truly a win-win for ALC, the patients and Lumenis."

Commenting on the new agreement, Rich Morgan, president of American Laser Centers, said, "With our recent acquisition of **Advanced Laser Clinics**, which included more than 70 centers equipped with Lumenis lasers and light devices, American Laser Centers achieved a national presence unlike any other aesthetic chain in the industry. Given this strong national presence, it was critical that American Laser align itself with the best, most proven and widely supported laser technology suppliers available. I am very pleased to sign this new agreement which ensures that Lumenis will be one of our laser suppliers for our national aesthetic clinics."

9/30 John Calcagnini of **CIBC World Markets** provided this update on **Syneron**: **ELOS: Survey of Dermatologists on VelaSmooth and Analysis of Cosmetic Laser Market**

Our note is designed to disclose the results of conversations with 15 dermatologists this week about VelaSmooth for the improvement of the appearance of cellulite, which revealed a number of benefits of the procedure in addition to treating cellulite.

We also analyzed the growth of the WW cosmetic laser market in 2004 (the market grew 30% to $650M), discuss new growth platforms emerging for removing fat, including mesotherapy and non-invasive liposuction and discuss penetration of a growing potential installed base.

We remain bullish on ELOS following our survey, which gave us confidence about growth prospects for VelaSmooth given we learned that not only are dermatologists happy with it as a stand-alone therapy for cellulite, but they are using it in conjunction with mesotherapy.

Dermatologists are performing mesotherapy to remove fat using a new needleless system made by **Dermawave** to inject fluid into the fat area to be treated. They use VelaSmooth adjunctive to Dermawave to circulate and smooth the fat to facilitate the body carrying it away in waste.

9/30 **BIOLASE Technology, Inc.** announced the filing of its Forms 10-Q, which includes results for the first half of 2005 as well as the quarterly periods ended March 31, 2005 and June 30, 2005. Net revenue for the first quarter ended March 31, 2005 was $16.9 million as compared to net revenue of $14.5 million for the same period of 2004. Net revenue for the second quarter and first half ended June 30, 2005 was $14.5 million and $31.4 million, respectively. This compares to net revenue of $14.8 million and $29.3 million for the second quarter and first half ended June 30, 2004, respectively.

Gross margin during the first half of 2005 was 50% as compared to 61% for the same period in 2004. Gross margin was primarily impacted in the first half of 2005 by higher production costs, costs of component design changes and related scrap, and the costs of customer training. Training negatively impacted the gross margin for the first half of 2005 by 4%, compared to the impact on gross margin in the first half of 2004 of 3%. In addition, as compared to the first half of 2004, the Company has increased the costs of its fixed manufacturing infrastructure, including quality control, materials management and other support activities. The Company also increased its reserve for excess and obsolete inventory by approximately $0.4 million during the first half of 2005 for unusable raw materials resulting from the aforementioned design changes.

Operating expenses were $26.5 million for the first half of 2005 as compared to $15.7 million for the first half of 2004.

Sales and marketing expense was $12.4 million or 40% of net revenue for the first half of 2005 as compared to $11.0 million or 38% of net revenue for the same period last year. The increase in sales and marketing expense from the prior year is due to increased marketing expenses for advertising, direct mailing fees, trade show and seminar activities, as well as overall infrastructure support costs related to the sales and marketing functions.

General and administrative expense was $10.0 million or 32% of net revenue for the first half of 2005 as compared to $3.2 million or 11% of net revenue for the same period in 2004. Increases in general and administrative expense in the first half of 2005 are related to professional fees totaling $2.7 million associated with the audit of 2004 and the restated financial statements, and costs of approximately $1.7 million related to compliance with the Sarbanes-Oxley Act, which included professional fees as well as temporary labor. Additionally, in the first half of 2005, the Company expanded its administrative infrastructure related to finance, information technology and human resources by

approximately $2.4 million, both in response to the Company's growth as well as to meet the ongoing compliance requirements related to the Sarbanes-Oxley Act. The Company expects general and administrative expense to decrease in absolute dollars in the second half of 2005 and in 2006, primarily due to a reduction in professional fees.

Engineering and development expense was $4.1 million or 13% of net revenue for the first half of 2005 as compared to $1.5 million or 5% of net revenue for the same period last year. Increases in engineering and development expense are due primarily to the purchase of licensed technology from SurgiLight, Inc. in the field of presbyopia and related expenses totaling $2.0 million. The entire consideration was expensed as in-process research and development.

Revenue from the Company's principal product category, the Waterlase system, comprised approximately 84% of net revenue for the first half of 2005. This compares with Waterlase revenue of 82% for the first half of 2004. Approximately 69% of the Waterlase category revenue in the first half of 2005 was comprised of the new Waterlase MD product.

Net loss was $4.3 million or $0.19 per diluted share for the first quarter ended March 31, 2005 as compared to net income of $0.6 million or $0.03 per diluted share for the same period of 2004. Net loss for the second quarter and first half ended June 30, 2005 was $6.8 million or $0.30 per diluted share and $11.1 million or $0.48 per diluted share, respectively. This compares with net income of $0.9 million or $0.03 per diluted share and $1.5 million or $0.06 per diluted share for the second quarter and first half ended June 30, 2004, respectively.

Cash flow used in operating activities for the first half of 2005 was $12.5 million compared to $0.5 million for the same period last year. A portion of the $12.5 million used in operating activities is related to the cash payment of $3.0 million for the litigation settlement of the patent infringement suit with Diodem and the $2.0 million payment for the aforementioned purchase of the SurgiLight licensing rights.

"The combination of the restatement and extended delay in filing our periodic SEC reports has been a substantial disruption to our business activities. Also, the transition to the Waterlase MD and associated component design changes has significantly affected our operating performance. These design changes, though costly, are important in order to properly serve our customers. To note, the professional service costs and other related expenses associated with the audit and Sarbanes-Oxley heavily impacted our financial performance during the first half of the year. We can now focus on moving the company toward profitability. We look forward to hosting an earnings conference call to talk about these items as well as the many positive activities underway at the Company," commented Robert E. Grant, President and CEO.

With these 10-Q filings, the Company believes that it is in compliance with all NASDAQ listing requirements; however, the "E" shall remain appended to the ticker symbol for up to 5 business days, pending final review by NASDAQ.

10/3 **Diomed Holdings, Inc.** announced that it had completed a $10 million private placement of its preferred stock. In the $10 million financing transaction, Diomed issued 4 million shares of its preferred stock at a price of $2.50 per share, exchangeable into an equal number of shares of its common stock, and warrants to purchase 1.6 million shares of its common stock at an exercise price of $2.50 per share. The $2.50 share price represents a 17% premium over the closing price of Diomed's common stock on September 30, 2005. The preferred shares provide for a dividend of 6% per annum for the first 18 months, increasing to 10% for the 19th through 24th month, and to 15% thereafter. The dividends will be suspended on a day-to-day basis whenever the market price for Diomed's common stock has exceeded $6.25 per share for the prior 30 trading days, and are payable quarterly in cash or in registered common stock, at Diomed's election. The warrants are exercisable for five years.

"We are extremely pleased with the pricing and other terms of the financing," remarked David Swank, CFO of Diomed Holdings, Inc. "We believe that this transaction demonstrates the growing confidence of the investment community in Diomed's business model and future."

"This financing enhances our ability to accelerate the growth of our business and to continue to vigorously protect our intellectual property rights under US patent law," commented James Wylie, Diomed's CEO. "We are particularly pleased with the participation of a number of premier medically-oriented institutional investors in this financing, including both new and existing investors, which we view as confirmation of the market's belief in Diomed's solid growth potential."

The Company has agreed to register shares of its common stock that underlie the preferred shares and the warrants with the Securities and Exchange Commission for resale within the next 120 days. The Company will file a Current Report on Form 8-K containing complete details of the transaction.

10/3 **Cell Robotics International, Inc**. initiated a broad pursuit of the $140 billion global market for medical devices by entering into a letter of intent to acquire **Techventors LLC**, a New Mexico LLC that is focused on developing strategic partnerships between companies in the US and China to cross-market and cross-develop state-of-the-art medical devices. Techventors is currently distributing the "Clinical Lasette" product line of Cell Robotics in China.

James Toreson, CEO of Cell Robotics, stated, "The acquisition of Techventors is a strategic initiative, which will assist the company in reaching its goal of becoming a leading global supplier of medical devices. In the short term, this acquisition will enable our company to source existing medical devices from over 9000 suppliers in China and Taiwan and bring them to market in the US. This will afford our company the ability to accelerate its revenue growth and shorten its path to profitability. In the longer term, this acquisition will afford us the opportunity to exploit the synergy between the advanced medical device research resources in the US and the low cost product development and manufacturing resources in

China. This will result in state-of-the-art medical devices, with high quality and low cost that will give us a significant strategic comparative advantage in this market." He further stated, "As a by-product of qualifying some of the 9000 medical device suppliers in China and Taiwan for the cross sourcing and cross marketing of medical device products, we expect to discover numerous acquisition candidates and to close several of them, which further shorten our company's path to profitability. We are pleased to report that we are already in such discussions with one of the acquisition targets."

Techventors LLC was founded in May 2004 by Dr. Edly Lau, its Managing Director and Dr. Feng Zhou, its CEO, with expressed goal of creating a multicultural company specializing in connecting the medical markets of China and the US. The background, expertise and education of these founders is well suited to achieve these goals along with the physical presence of the company with its offices in New Mexico, Beijing, Shanghai, and Nanjing.

Cell Robotics is currently completing its due diligence and developing a definitive agreement for this acquisition and expects to complete the acquisition in the next 30 days.

10/3 **BriteSmile, Inc.** received notice from The Nasdaq Stock Market ("Nasdaq") that, as a result of the recent appointment of John Reed to the Board of Directors, the Company was not in compliance with Nasdaq Marketplace Rule 4350 (c)(1) that requires the Company's Board of Directors to be comprised of a majority of independent directors.

As previously reported, Reed was appointed to the Company's Board of Directors on September 13, 2005. As a former CEO of the Company, Reed is not deemed to be independent under applicable Nasdaq rules. As a result of Reed's appointment, the Company's Board of Directors temporarily consisted of four independent and four non-independent directors.

On September 28, 2005, the Board of Directors accepted the resignation of Eric Montgomery, who was classified under Nasdaq rules as a non-independent director. Montgomery had no disagreements with the Company, its Board of Directors or its management in any matter relating to the Company's operations, policies or practices. The Company expresses its appreciation to Montgomery, who has been a director of the Company since 1998, for his service to the Company and the Board. Montgomery will continue as a consultant to the Company and will continue as a director of **BriteSmile Development, Inc.**, a subsidiary of BriteSmile, Inc.

As a result of Montgomery's resignation from the Board of BriteSmile, Inc., the Company's Board of Directors now consists of four independent directors and three non-independent directors and this new Board composition returns BriteSmile to compliance with Nasdaq Marketplace Rule 4350 (c)(1).

10/6 **BIOLASE Technology, Inc.** announced that it had received notice from The NASDAQ Stock Market that the Company has evidenced compliance with all requirements for

continued listing on the NASDAQ National Market and that effective at the market open on October 6, 2005, the Company's trading symbol has been restored to "BLTI."

The Company previously announced that it received notices of potential delisting due to the failure to timely file its fiscal 2004 Annual Report on Form 10-K (the "2004 Form 10-K") and its Quarterly Reports on Form 10-Q for the first and second fiscal quarters of 2005 (collectively, the "First and Second Quarter 10-Qs"). The Company filed the 2004 Form 10-K on July 19, 2005 and the First and Second Quarter 10-Qs on September 30, 2005 and is now current with respect to its required Securities and Exchange Commission filings. Accordingly, NASDAQ has closed its file on the matter.

10/6 **Milestone Scientific Inc.** announced the launch of its CoolBlue Professional Tooth Whitening system at the annual meeting of the *American Dental Association* in Philadelphia, Pennsylvania.

The CoolBlue Professional Tooth Whitening system consists of a special purpose whitening head for Milestone's CoolBlue Wand dental enhancement system and a disposable single patient-use kit containing a protective gingival barrier, whitening agents and home use maintenance supplies. The CoolBlue system requires patient exposure to only 40 seconds of LED-generated light, which produces very little heat. An additional 30 minutes of exposure to the whitening agent can, as proven by a recent independent clinical study, significantly whiten teeth in many patients by up to seven shades. The CoolBlue system eliminates the need for dentists to fabricate or purchase customized mouth trays for the whitening agent, while reducing the amount of time each patient must spend in the chair. The system is competitively priced.

One of the biggest issues with tooth whitening is maintaining the color. The CoolBlue system includes the dentist dispensed, home use, Once-A-Week kit, containing spray on whitening and accelerator rinses that are easy to use and maintain the whiteness of teeth for as long as the products are used.

"The launch of our CoolBlue Professional Whitening system will provide our sales organization with an additional product that should expand our access to dental practices," commented Stuart Wildhorn, president of Milestone Scientific Inc. "While this will create new sales opportunities for our CoolBlue dental enhancement system and generate revenues from the sale of single patient-use supply kits, the special purpose whitening head and recurring revenues from our dentist-dispensed proprietary home-use Once-A-Week rinse, it should also allow us to introduce our flagship CompuDent computer controlled anesthetic delivery systems to a broader market. The CoolBlue system should also foster international growth, as tooth whitening is becoming increasingly popular outside the US."

10/7 **AngioDynamics, Inc**. announced that the Company had become aware that it had been added to a patent infringement suit originally filed by **VNUS Medical Technologies, Inc.** in the United States District Court for the Northern District of California **against Diomed, Inc.**, by

the filing of an amended complaint alleging infringement by the AngioDynamic's VenaCure products. VenaCure is a laser system used for the treatment of severe varicose veins.

The suit involves patent numbers 6,258,084; 6,638,273; 6,752,803; and 6,769,433, all of which relates to endovascular treatment of varicose veins. AngioDynamics has not yet been served with the complaint.

"The Company has analyzed the VNUS patents, and has consulted with its outside counsel on this matter," said Eamonn Hobbs, president and CEO of AngioDynamics. "We believe that we have no liability under the asserted patents as a result of our manufacture and sale of our VenaCure products, and we intend to vigorously defend our position."

10/7 **Lumenis Ltd.** announced that its next generation laser system for dental and oral surgical applications, the OpusDuo AquaLite, will be demonstrated and released for sale at the *American Dental Association* convention in Philadelphia, Pennsylvania which began October 6, 2005. Avner Raz, Lumenis' president and CEO, stated, "The next-generation technology of OpusDuo AquaLite improves upon our previous dual-wavelength dental platforms, such as the Opus20 introduced in 2000 and the OpusDuo introduced in 2002. Our new AquaLite system incorporates extensive market research, product testing and customer feedback, with the most advanced dental laser technology. The AquaLite demonstrates our commitment to the dental market and confidence in this market's growth potential."

The new OpusDuo AquaLite is dentistry's only combination Er:YAG / CO2 dual-wavelength laser system. Its improved technology is predicated on the industry's first dual-wavelength laser and specifically designed for both hard- and soft-tissue procedures. AquaLite includes several unique and customer-defined features, such as the newly introduced illuminated contra- angle handpiece, touch screen control with pre-set operating parameters for 108 hard- and soft-tissue procedures, and several improvements that make the system simple to use. This new product launch follows Lumenis' recent and industry-leading FDA clearance for contact cutting of bone tissue.

"There is no finer system on the market for practitioners who understand laser physics and wish to perform hard- and soft-tissue laser dentistry, or oral and maxillofacial surgery," stated Dr. Robert Strauss of the Medical College of Virginia. "The AquaLite allows practitioners to see the operating field much better, ablate tissue much faster, and work without interruption -- like no other system allows. This is one of the most impressive systems I have worked with in my 20 years of laser experience."

10/11 **WaveLight Laser Technologie AG** announced that it had acquired a 12.5% interest in **Enfis Ltd.,** which was formed as a spin-off from the University of Wales in 2001 and has successfully specialized in the development of LED-based technologies with high light intensity. The company, is located in Swansea in Wales (UK), and currently has 17 staff. The British manufacturer's innovative LED systems are used for aesthetic and dermatological applications in the field of medical technology.

The purchase price of the 12.5% interest was EUR 1.6 million. The acquisition of an interest in Enfis Ltd. allows WaveLight to substantially expand its technology base in the area of aesthetic applications. In the future, for example, LED-based treatment systems could usefully complement WaveLight's tried-and-tested aesthetic lasers in the treatment of acne, wound healing, and in photodynamic therapy (PDT). These systems represent a cost-effective alternative treatment to laser applications.

"Our interest in Enfis Ltd. broadens our base of aesthetics expertise and ideally complements our aesthetics portfolio. This innovative LED technology will provide a long-term impetus for the future oriented expansion of our Aesthetics Division," said Max Reindl, CEO of WaveLight Laser Technologie AG.

10/12 **Lumenis Ltd.** announced the launch of its revolutionary new Aluma Skin Renewal System with FACES (Functional Aspiration Controlled Electrothermal Stimulation) technology at the *EADV (European Academy of Dermatology and Venereology*). The Aluma is the first system to offer predictable and virtually painless non-invasive treatment of fine lines, wrinkles and skin laxity.

"What makes this product so exciting is that unlike older technologies, our Aluma treatment is predictable and comfortable. The population is aging, and the market for effective, 'no downtime' procedures to treat wrinkles and fine lines, as well as tighten skin, is vast and largely unmet," commented Avner Raz, Lumenis president and CEO. "With the Aluma system, Lumenis is uniquely positioned to offer physicians the full continuum of treatment for their patients with sun-damaged and photoaged skin. From microdermabrasion and IPL, to Aluma Skin Renewal, as well as microablation and skin resurfacing -- Lumenis offers it all."

Aluma's FACES technology is truly a breakthrough approach to treatment. The vacuum-assisted and bipolar radio-frequency handpiece conforms to the skin to allow the energy to safely bypass the epidermis and places the dermis directly in line with the beam of energy. RF energy is deposited deep within the dermis, creating a uniform and contained zone of heating, which results in collagen contraction and renewal with little to no discomfort. A treatment typically takes only 15 minutes and patients can immediately return to work and their normal daily activities.

In a safety and efficacy study of 46 patients treated around the eyes and mouth "everyone achieved at least a 50% improvement," said study coauthor Dr. Michael Gold of Nashville, Tennessee. "Patient satisfaction was high, with over 90% of the patients satisfied." Dr. Mitchel Goldman of La Jolla, California, the study's other author added, "Treatments are very fast and require no topical anesthetics. I like the Aluma for treating the neck, and it usually takes only five minutes, as do other individual areas," continued Dr. Goldman. "Furthermore, the Aluma is effective in nearly every patient, unlike some other RF techniques that are only efficacious in certain patients. I believe the Aluma is the next generation of radio frequency treatment."

The Aluma will be launched in Europe at the *European Academy of Dermatology and Venereology (EADV)* meeting on October 12th. Launches in Japan and China / Asia Pacific will take place in November and December, respectively. FDA clearance is pending in the U.S.

10/12 John Calcagini of **CIBC World Markets** provided an update on **Syneron**: **ELOS: We Would Be Buyers Here Given Our Positive Field Checks**

We had a chance to do further due diligence with dermatologists on ELOS's VelaSmooth device for treating cellulite. The feedback was positive. We also spoke with a company that performs patient financing for cosmetic procedures and they hear good things as well.

The current consensus revenue forecast for 3Q'05 is $22.3 mm versus $15.1 mm a year ago. We believe that sales can hit or beat our $23.9 mm estimate, for a 58%+ increase on strength of VelaSmooth, Comet and Galaxy.

We also believe that there will not be any cannibalization issue of concern. We do expect that the company received orders for Galaxy (a higher-priced and -margined product) instead of Aurora for example, which is a positive type of cannibalization.

The market opportunity for treating cellulite and fat is in its infancy, in our opinion, and we believe that Syneron will continue to post superior growth as a result. Our recent analysis also indicates that the potential target market remains only 21% penetrated.

10/13 **VNUS Medical Technologies, Inc**. announced that it had asserted patent infringement claims in the United States District Court, Northern District of California, against **AngioDynamics, Inc**. and **Vascular Solutions, Inc**., respectively. AngioDynamics and Vascular Solutions market endovenous laser ablation products for use in procedures which VNUS believes infringe several of its patents. VNUS is seeking an injunction prohibiting AngioDynamics and Vascular Solutions from selling these products, in addition to monetary damages. These claims were added to the lawsuit that VNUS brought against **Diomed Holdings, Inc.** in July 2005, and are based on the same patents that are asserted against Diomed.

10/17 **Off the Record Research** issued a report on Syneron: **ELOS: VelaSmooth Draws Fans and Skeptics**

-Existing ELOS VelaSmooth users very satisfied with patient outcomes
-Nonusers cite cost, questionable efficacy and staffing needs as barriers to VelaSmooth adoption
-Two sources purchased VelaSmooth systems in 3Q05; two of 24 nonusers plan purchases for 4Q05 or 2006
-Despite high cost of system, users able to recoup costs quickly and generate profits

EXECUTIVE SUMMARY: Familiarity with Syneron Medical Ltd.'s VelaSmooth for the treatment of cellulite is relatively high, and nearly all users reported strong satisfaction with

patient outcomes. Dermatologists, plastic surgeons and medical spa aestheticians agreed there is strong market demand for cellulite treatments, and many said VelaSmooth is the best treatment option. Still, some sources remained satisfied with competing alternatives, such as **LPG Endermologie's** Endermologie, **Cynosure Inc.'s** TriActive LaserDermology, or **Sybaritic Inc.'s** Dermosonic, while others remained skeptical of all treatments aimed at reducing the appearance of cellulite.

10/17 **MedicalCV, Inc.** announced that it had received 510(k) clearance from the U.S. Food and Drug Administration to go to market with the Company's Malleable Surgical Ablation Probe for use on cardiac tissue in surgery. This second generation product provides surgeons desired flexibility in delivering laser energy in confined spaces.

Marc Flores, president and CEO of MedicalCV commented, "This second FDA clearance is a significant step for the company as we methodically work toward creating a truly stand-alone, minimally invasive procedure for the treatment of atrial fibrillation." Flores continued, "We believe our laser-based technology platform and the proven ability of management to commercialize innovative products for cardiac surgery arms the company with the potential to transform this chaotic and large atrial fibrillation market over the next twelve months."

10/19 **Cardiogenesis Corporation** announced that strong third quarter revenues of approximately $4.4 million are expected to result in operating income for the third quarter estimated to be in excess of $400,000. Strong TMR handpiece sales combined with laser sales in the third quarter resulted in an estimated 55% quarter-to-quarter increase in revenues from the 2004 third quarter and a 20% year-to-year increase in revenues from the prior year.

Chairman and CEO Michael Quinn commented, "Our success in the third quarter is the result of the progress we are making in educating the medical community on the significant and enduring patient benefits of TMR and the growing interest of surgeons in our new minimally invasive cardiovascular tools, the Robotic and Thoracoscopic PEARL delivery systems."

"We are pleased by the momentum we are gaining in the utilization of TMR by cardiothoracic surgeons in pursuit of total revascularization," Quinn added. "Our directed efforts in educating the cardiology and referring medical community are essential to continuing to fuel this growth. Our advanced minimally invasive platform for Robotic and Thoracoscopic TMR further differentiates our technology from the competition. We are preparing now for our first educational symposium on cardiac robotic applications in partnership with **Intuitive Surgical** to highlight our new capability in providing this important therapy to a larger group of patients in need."

10/20 **DUSA Pharmaceuticals, Inc.** announced the final results of the first prospective, randomized, controlled, split face clinical study using Levulan (aminolevulinic acid HCl) ("ALA") photodynamic therapy together with intense pulsed light (IPL) for the treatment of photodamaged skin. The report was published in the October 2005 issue of the prestigious *American Medical Association* journal *Archives of Dermatology*.

In the 20 patient study, led by laser expert Dr. Jeffrey Dover of Skin Care Physicians of Chestnut Hill, MA, patients received a series of three treatments three weeks apart, in which half of the patient's face was pretreated with Levulan for 45 minutes before IPL treatment, while the other half of the face was treated with the same doses of IPL alone.

After the initial three week period, patients received two additional full face IPL-alone treatments. Prior to each of these IPL-alone treatments, patients were assessed for signs of photodamage, which include global photodamage, fine lines, mottled pigmentation, tactile roughness and sallowness. After another four weeks, patients were again assessed for signs of photodamage.

Facial photoaging or photodamage is a common cosmetic problem seen in light-skinned individuals with years of significant exposure to the sun. Current treatments include photorejuvenation using laser and non-laser light sources, dermabrasion and chemical peels.

The investigators report that pre-treatment with Levulan during the first 3 treatments resulted in statistically significant improvement in global scores for photoaging (80% vs. 50%, p less than 0.02), mottled pigmentation (85% vs. 20%, p less than 0.0008) and fine lines (55% vs. 20% p less than 0.008).

Furthermore, the investigators concluded that "the adjunctive use of Levulan in the treatment of facial photoaging with IPL provides significantly greater improvement in global photodamage, mottled pigmentation, and fine lines than treatments with IPL alone, without a significant increase in side effects. This combination treatment enhances results of photorejuvenation and improves satisfaction."

"To our surprise, adverse effects and tolerability did not differ significantly between the IPL-only treated areas, and the areas treated with ALA plus IPL," said Dr. Jeffery S. Dover, lead investigator on the study. "The results on the ALA plus IPL side of the face were most impressive for global scores for photoaging, mottled pigmentation and fine lines, and only the ALA plus IPL treated side of the face received excellent cosmetic evaluation scores by the blinded investigators."

Robert Doman, DUSA's president and COO, stated "We are pleased to see the final results of this important independent study published in the Archives of Dermatology. DUSA hopes to corroborate and extend these results with our Phase II multi-center split-face study utilizing Levulan with each of IPL, long pulse dye laser and DUSA's BLU-U. That study is now fully accrued, with completion expected around the end of 2005/early 2006."

Dr. Dover's study, titled "Topical 5-Aminolevulinic Acid Combined With Intense Pulsed Light in the Treatment of Photoaging," was published in the October 2005 issue of the Archives of Dermatology (Volume 141: Pages 1247-1252). DUSA provided Levulan and financial support for the study.

Dr. Dover is the Director of SkinCare Physicians of Chestnut Hill and is Associate Clinical Professor of Dermatology, Section of Dermatologic Surgery and Oncology at Yale University School of Medicine. He is also an Adjunct Professor of Medicine (Dermatology) at Dartmouth Medical School. He is the founding editor of Journal Watch Dermatology, produced by the publishers of the New England Journal of Medicine and is on the editorial board of the Archives of Dermatology, Dermatologic Surgery, The Journal of the American Academy of Dermatology, and Skin and Aging.

10/21 Medical technologies group **Norwood Abbey Ltd** advised that Patent No. 98803827.7 had been granted by the Chinese Patent Office. The Patent is entitled "Laser assisted topical anesthetic composition". It contains 12 claims relating to a medical device consisting of a laser and an associated delivery module, where the laser induces a small area of skin alteration or ablation and the delivery module makes drug available to that site.

This patent derives from PCT Application No.PCT/US98/00706 with a filing date of January 14th 1998. The Patent has been granted to **Transmedica International**, an entity owned by Norwood Abbey Ltd. Patents have previously granted for this family in USA, Australia, China and Russia. Applications for grant of a patent also have been filed in Europe, Japan, Israel and Mexico to protect this technology.

The granting of the patent further strengthens Norwood's intellectual property position in the laser area.

10/24 **Candela Corporation** announced that the SFDA (State Food and Drug Administration) of China had approved Candela's GentleYAG and GentleLASE laser systems for sale throughout the People's Republic of China, including Hong Kong. Candela earlier announced an exclusive distribution agreement with **Chindex International, Inc.**, a leading independent American provider of western healthcare products and services in the People's Republic of China to market and distribute the extensive Candela product line.

Candela's president and CEO, Gerard Puorro, said: "Receiving the approvals to distribute these two superior laser systems in China is an important step to expanding the Chinese market for laser cosmetics and aesthetics."

Candela's vice president of Asia Pacific Operations, Anthony Shaw, said: "Chindex and Candela are very pleased to have completed the requirements for registration of both the variable pulse GentleYAG and the GentleLASE products with the SFDA of China. These new approvals will allow Candela to expand its operations in China and provide effective treatments for many more patients. Candela and Chindex are in the process of registering other Candela products for the China market as soon as possible in order to offer the broadest range of treatments to patients."

About Chindex International, Inc.: Chindex is an American company operating in several healthcare sectors of the Chinese marketplace, including Hong Kong. It provides representative and distribution services to a number of major multinational companies

including **Siemens AG** (ultrasound systems), and **Guidant** (interventional cardiology products including stents, balloon catheters and guide wires). Its distribution channels to the retail pharmacy industry in China have been developed through a relationship with a major multinational cosmetics manufacturer. It also provides healthcare services through the operations of its private hospital corporation in China. With over twenty-three years of experience, over 700 employees, and operations in the United States, China and Hong Kong, the Company's strategy is to expand its cross-cultural reach by providing leading edge technologies, quality products and services to Greater China's professional communities.

10/24 **Diomed Holdings, Inc**. announced the launch of its next generation DELTA laser system. The new Diomed DELTA surgical diode laser system provides a state-of-the-art solution for EndoVenous Laser Treatment (EVLT) and other surgical laser procedures with improved ease-of-use, automatic procedure setup, new fiber recognition system, enhanced patient data management capabilities, and increased reliability backed by an industry leading 3-year standard warranty.

"Our innovative DELTA laser platform will strengthen Diomed's leadership position in the field of endovenous laser treatment for varicose veins," stated James Wylie, president and CEO of Diomed Holdings, Inc. "DELTA is an extraordinary product line offering medical professionals improved functionality, extensive safety features and the most advanced laser technology in our market."

Available in 15 and 30 watt versions, the Diomed DELTA lasers will replace the current D15Plus and D30Plus line of lasers. The Diomed DELTA laser will be available for sale in North America and Europe beginning November 1, 2005. During 2006, the Diomed DELTA laser will be made available to the rest of the Diomed International distributor network.

"DELTA is the cornerstone of our EVLT business model," stated John Welch, Diomed's vice president of Marketing. "Our DELTA laser platform offers an unparalleled degree of flexibility and the potential to add a broad array of additional distinctive performance features."

Wylie added, "the DELTA laser platform joins a number of other Diomed strategic initiatives brought to the varicose vein treatment market in 2005 including our unique customer designed practice development program (MBA), CorePack, TDS Pump, and VeinViewer --- all focused on providing physicians with the tools required to build a thriving vein practice."

10/24 **Spectranetics Corporation** announced its products were used in several live case sessions at the *Transcatheter Cardiovascular Therapeutics (TCT)* convention, held October 16-21 in Washington, D.C., and attended by more than 9,000 physicians.

Among the six live case sessions featuring Spectranetics' technology, two used the new CLiRpath 2.5 Turbo catheter, and two cases demonstrated the Quick-Cross catheter.

In a live case session from the Heart Center in Leipzig, Germany, Prof. Giancarlo Biamino, M.D. Ph.D successfully treated a 10 centimeter lesion in the superficial femoral artery (SFA) with the CLiRpath 2.5 Turbo catheter. The session spotlighted the 2.5 Turbo's key improvements, including increased ablation, the "continuous on" lasing train capability and the hydrophilic coating for smoother catheter advancement. Prof. Biamino also pointed out the catheter's ability to create a channel much larger than the 2.5 millimeter size of the catheter.

A live case by Gary Ansel, M.D., at Riverside Methodist Hospital in Columbus, Ohio, also utilized the CLiRpath 2.5 Turbo to treat a case of peripheral instent restenosis (ISR), which was followed by the placement of a covered stent. Dr. Ansel noted that this technique was his preferred method for treating ISR.

In live sessions using the Quick-Cross support catheter, one by Dr. Tony Das at the Presbyterian Heart Institute in Dallas, and the other by Dr. James Joye at El Camino Hospital in Mountain View, California, complex peripheral lesions were crossed, allowing for further intervention.

During several presentations at the conference, Quick-Cross was discussed as the "device of choice" for accessing and crossing tight and tortuous lesions.

"At this year's TCT Conference there was a significant increase in laser technology as a recommended treatment for peripheral arterial disease," said John Schulte, president and CEO of Spectranetics. "It is clear our products are becoming a mainstream interventional tool for peripheral interventions, and the live case sessions and other presentations that featured our products demonstrated the advantages of laser in treating a wide range of indications, including critical limb ischemia, chronic total occlusions and thrombus-laden lesions."

10/24 **Syneron Medical Ltd.** announced the publication of clinical data on its VelaSmooth system in the *Journal of Cosmetic and Laser Therapy* (2005:7). This study, led by Dr. Tina Alster and Dr. Elizabeth Tanzi of the Washington Institute of Dermatologic Laser Surgery, found that the VelaSmooth by Syneron and its unique elos (electro-optical synergy) technology provided safe and effective treatment of cellulite to study participants. Ninety percent of the study participants had an overall clinical improvement in the appearance of their cellulite after treatment with the VelaSmooth.

The study, "Cellulite Treatment Using a Novel Combination Radiofrequency, Infrared Light, and Mechanical Tissue Manipulation Device," reveals clinical results of the VelaSmooth among 20 adult participants with various skin types and moderate bilateral tight and buttock cellulite. The clinical results of this seven-month study also documented a reduction in circumferential thigh measurements by 0.8 cm on the treatment side. Overall, this study reported a 50% improvement in cellulite appearance one month after the series of treatments.

The VelaSmooth system, powered by elos, is an effective and safe system for patients looking for a medical cellulite solution. The VelaSmooth utilizes Syneron's patented elos combined

energy technology of Bi-Polar Radio Frequency (RF) and Infrared Light, along with the two added features of negative pressure and tissue mobilization. The VelaSmooth technology combining these four components is separately patented and contributes to the VelaSmooth's success as the most effective non-surgical option to treat the appearance of cellulite.

"Our study reaffirms our belief that the VelaSmooth is the most effective treatment option to reduce the appearance of cellulite on the market today," said Tina Alster, M.D., founding director, Washington Institute of Dermatologic Laser Surgery in Washington D.C. and clinical professor of dermatology at Georgetown University. "We were also able to demonstrate the longevity of the treatment's success, as the results obtained with the use of the VelaSmooth were prolonged for several months after the series of sessions -- prompting most of the study patients to be treated on the non-treated thigh area. We believe that the right combination of technologies united in this medical device was key to the high satisfaction levels reported in this study."

Approximately 85% of women are effected by or concerned about cellulite in their bodies and will try a variety of treatment options in the attempt to minimize its appearance. Therapies currently available include topical creams, dietary supplements, massage therapies and surgery. However, the effects reported to date indicate the results of these treatments are limited and temporary. The VelaSmooth has shown it is capable of delivering high levels of improvement in the skin with lasting effects.

"We are pleased to see that a high number of women who participated in this study noticed a significant improvement in the look of their skin over an extended period," said Domenic Serafino, president of Syneron North America. "Syneron's technology offers an innovative treatment option for physicians looking to provide their patients with a safe way to successfully address their aesthetic concerns."

10/25 **Palomar Medical Technologies Inc.** announced additional funding of $888,000 and a 12 month contract extension from the **Department of the Army** to continue development of a light-based self-treatment device for Pseudofolliculitis Barbae ("PFB"). The initial $2.5 million research contract was awarded to Palomar in February 2004 and was scheduled to last for nineteen months. This program extension will allow Palomar to evaluate new technology beyond the current research phase of the program and incorporate those elements in the subsequent development of a self use device. This extension funds the program through October 2006.

PFB, commonly known as "razor bumps," is a chronic, dermatological disorder that currently afflicts over 50% of African Americans and Hispanic military personnel. The condition, caused by shaving, occurs when the hair shaft embeds itself in the skin; resulting in painful pustules and possible disfigurement if left untreated. To date, the only effective treatment is the cessation of shaving. The high incidence of this condition in the military directly impacts unit cohesion and combat readiness as soldiers are unable to comply with military grooming requirements and are not able to wear "tight fitting" gas masks and other protective equipment. The changing demographics of the US military has led to an increase of

administrative discharges attributed to PFB and has heightened the need for an alternate solution.

Commenting on the additional funding, Dr. Michael Smotrich, Palomar's Chief Technical Officer, remarked, "Palomar is strongly motivated to provide the military, and eventually the civilian community, with a self-treatment device capable of controlling PFB. This product development, based on the "hair management" technology which we have contributed to over many years, will remove an obstacle facing African Americans and Hispanics both in the service and in the private sector. This program extension will help us to provide the government a complete evaluation of current technology and will ensure an optimum solution to the PFB problem."

This contract is awarded by the Department of Defense Peer Reviewed Medical Research Program (PRMRP) of the Office of the Congressionally Directed Medical Research Programs (CDMRP) to private and public organizations having demonstrated capability in solving "Military Relevant" medical problems. This work is supported by the U.S. Army Medical Research and Material Command under Contract No. W81XWH-04-C-0069. The views, opinions, and/or findings contained in this report are those of Palomar and should not be construed as an official Department of the Army position or decision unless so designated by other documentation.

10/27 **Candela Corporation** announced the introduction of a new Pulsed Dye Laser Platform featuring three new models - the Aesthetica, the Platinum and the Perfecta. Practitioners will now be able to choose from three product configurations to treat patients looking for skin rejuvenation, removal of brown sun spots, leg and facial veins, facial redness, treatment of rosacea and much more. Customers can easily upgrade to the next version of the product to add more applications as their practices grow. With over twenty clinical applications, this new platform offers the widest range of treatment applications available on the market today.

"Our Pathways program enables our customers to choose from a wide range of technology and product configurations to match the needs of their businesses," said Gerard Puorro, president and CEO of Candela. "With the addition of our new Pulsed Dye platform, practitioners will have more choices and greater flexibility to meet their individual practice needs and expand their cosmetic treatment offerings to patients."

This new platform is a continuation of the successful Vbeam product line. The new lasers feature a sleek, new look, a simplified user interface, can be customized and are fully upgradeable. The Aesthetica provides optimal rejuvenation results for patients looking to remove both vascular (red) and pigmentation (brown) spots on the skin, while the Platinum is ideal for treating patients with a wide variety of vascular (red) lesions. For practitioners looking for one machine that does it all, the Perfecta is designed for rejuvenation, vascular and pigmented lesions.

Faster and more powerful than other pulsed dye lasers, the new Platform allows practitioners to treat stubborn skin conditions more aggressively than before. With the new "Micro-Pulse"

design, practitioners can now perform more aggressive treatments producing faster results without bruising that causes unnecessary downtime for patients.

"The Perfecta represents a significant leap forward in technology. In my opinion, it is the treatment of choice for rejuvenation of skin, removal of linear vessels without bruising, and reduction of pigmented lesions which dramatically improves the overall appearance of photodamaged skin." said Eric Bernstein, M.D., a Clinical Associate Professor of Dermatology at the University of Pennsylvania in Bryn Mawr. "With the new addition of pigmented lesion capability, practitioners can now remove brown spots on the skin with confidence that comes from the well documented safety profile of the pulsed dye laser."

The Aesthetica, Platinum and Perfecta make their debut as part of Candela's Pathways Program, featuring a choice of upgradeable technologies that provide practitioners with the flexibility to treat a wide variety of popular cosmetic skin conditions.

Aesthetica, Platinum & Perfecta feature Candela's unique "Micro-Pulse" technology which enables advanced laser pulsing capability providing improved clinical efficacy. The new "Micro-Pulse" technology enables physicians to improve treatment efficacy without causing unnecessary downtime for patients. The Aesthetica and Perfecta also offer a new pigmented handpiece enabling treatment of brown sun spots and general dyspigmentation. Pigmentation is a very popular clinical indication which is added to the already extensive range of clinical applications including: facial veins, rosacea, facial redness, leg veins, scars, stretch marks, port wine stains, hemangiomas, and warts. Our patented dynamic cooling device (DCD) is integrated into the device. The DCD is automated to emit cooling spray milliseconds before each laser pulse, which protects the upper layers of the skin from the thermal effects of the laser.

10/27 **Diomed Holdings, Inc**.announced results for the third quarter ended September 30, 2005. "Diomed posted a solid quarterly performance in what is typically the most seasonally affected quarter of the year, delivering revenues of $4.6 million, up 40% over the comparable quarter in 2004, while global EVLT revenue increased 56%," stated James Wylie, president and CEO of Diomed Holdings, Inc. "Impressively, through the first nine months of 2005, our North American EVLT revenues increased 87% over the comparable period in 2004, with North America EVLT disposable revenue increasing 96%. North America is our largest and fastest growing market for EVLT, and we anticipate continued gains as adoption rates accelerate and patient awareness continues to increase."

Revenue for the nine months ended September05 of $13.5 million increased $4.1 million, or 43%, over 2004, while global EVLT sales increased 69%. However, consolidated sequential revenue decreased $194,000 from the second quarter of 2005, due to continued softness in international revenues, coupled with traditional seasonal lows and the effects of Hurricanes Katrina and Rita.

Gross profit as a percentage of sales for the third quarter of 45% increased 5 percentage points over the third quarter of 2004. Gross profit for the nine months ended September 30,

2005 of $6.2 million was 46% of sales, an increase of 8 percentage points over the same period in 2004. Both periods reflect the impact of incremental volume as well as improvements in material costs.

Selling and marketing expenses of $2.1 million increased $295,000, or 17%, over the third quarter of 2004, but decreased 225,000, or 10%, from the second quarter of 2005. For the nine months ended September 30, 2005, selling and marketing expenses were $6.7 million, an increase of $1.8 million, or 38%, over the same period in 2004. The increase was driven by higher sales commissions resulting from the increased sales volume and increased marketing expenditures in support of our sales initiatives focused on the growing commercialization of EVLT.

General and administrative expenses of $1.8 million increased $176,000, or 11%, over the third quarter of 2004, but decreased $281,000, or 13%, from the second quarter of 2005. General and administrative expenses for the nine month period ended September 30, 2005 were $5.5 million, an increase of $954,000 over the same period in 2004. The increase during the quarter was primarily attributable to $224,000 in incremental legal fees and $106,000 in Sarbanes Oxley compliance costs offset by other administrative cost savings. Total third quarter legal costs of $718,000 included $676,000 for the continuing cost of litigation against our primary competitors.

Net loss for the third quarter of 2005 was $2.4 million compared to $2.6 million for the third quarter of 2004, and $8.8 million for the nine months ended September 30, 2005 compared to $7.0 million for the same period 2004. The expansion of Diomed's sales and marketing efforts during the year drove incremental revenue, which was offset by the increased legal costs and $1.5 million in non-cash interest expense arising from the amortization and acceleration of debt discount from the conversion of $3.3 million in debt in the first quarter 2005.

Net loss applicable to common stockholders was $3.1 million, or $0.16 per share, for Q3 2005 compared to $2.6 million, or $0.18 per share, in Q3 2004, and $9.6 million, or $0.50 per share, compared to $7.0 million, or $0.50 per share, for the same period 2004. For the third quarter of 2005 and the nine month period ended September 30, 2005, net loss applicable to common stockholders includes $763,000 in dividends accreted on preferred stock as a result of a beneficial conversion feature.

Diomed reported an ending cash and short term investment balance of $16.6 million at September 30, 2005, up from $9.8 million at June 30, 2005. Inventory increased $762,000 during the quarter in advance of the launch of the new DELTA laser platform. The company also invested $500,000 in **Luminetx Corporation** in accordance with our exclusive distribution agreement entered into on August 5, 2005. Excluding these transactions and the proceeds of the $10 million private placement of preferred stock in September, the company's net cash utilization decreased to $2.0 million for the quarter.

"Diomed continues to build market share in minimally invasive treatment of varicose veins," concluded Wylie. "We expect total laser treatments to surpass radio frequency treatments for the first time in 2006 -- an important milestone as Diomed approaches an installed EVLT base of nearly 800 systems -- more than all the other laser suppliers serving this market segment combined."

10/27 **Palomar Medical Technologies Inc.** announced financial results for the third quarter ended September 30, 2005. The Company's third quarter total revenues increased by 38 percent, product revenues increased by 44 percent, and gross profit from product sales improved by 51 percent as compared to the third quarter of 2004. Net income increased by 120 percent as compared to the same quarter in 2004. The Company also strengthened its balance sheet since the beginning of the year, including increasing its cash and investments from $25 million to $40 million.

Revenues for the quarter ended September 30, 2005 were $19.3 million, up from $13.9 million in the third quarter of 2004. Product revenues increased to $16.7 million from $11.6 million in the third quarter of 2005 as compared to the third quarter of 2004. Gross profit from product sales increased to $11.5 million (69 percent of product revenues), up from $7.6 million (66 percent of product revenues) in the year-earlier quarter. The Company reported net income of $4.6 million, or $0.24 per diluted share, for the third quarter of this year, versus net income of $2.1 million, or $0.12 per diluted share, for the third quarter of last year.

Revenues for the nine months ended September 30, 2005, were $54.5 million, up from $38.0 million for the nine months ended September 30, 2004. Product revenues increased to $46.8 million from $31.9 million in the first nine months of 2005 as compared to the first nine months of 2004. Gross profit from product sales increased to $31.8 million (68 percent of product revenues), up from $20.7 million (65 percent of product revenues) in the year-earlier period. The Company reported net income of $12.1 million, or $0.64 per diluted share for the nine months ended September 30, 2005, versus net income of $5.3 million, or $0.30 per diluted share for the nine months ended September 30, 2004.

CEO Joseph Caruso commented, "We are pleased to report another strong quarter with a substantial increase in profitability, and we are especially encouraged by our continued revenue growth led by our flagship Lux product lines. Our projects with **Gillette**, **Johnson and Johnson** and the government are progressing as planned and we continued to strengthen our balance sheet by substantially increasing our cash and investments over the last nine months. We anticipate this trend to continue as we concentrate on increasing distribution both domestically and internationally. We are also pleased with the balance we have been able to maintain between short term financial performance and long term strategic goals. It is important that we maintain our strategy of investing the necessary resources in research and development and intellectual property protection to maintain our technology leadership position as we advance our technology toward the consumer market with our partners."

10/27 **PLC Systems Inc.** announced financial results for the three and nine months ended September 30, 2005. Third quarter total revenues were $1.9 million, which is an increase of

18 percent compared with $1.6 million in the third quarter of 2004. The net loss for the third quarter of 2005 was $397,000, or $.01 per share, which is a decrease of nine percent when compared to the net loss of $436,000, or $.01 per share, in the third quarter of 2004.

Total revenues for the nine months ended September 30, 2005 were $5.8 million, an increase of 10 percent when compared to total revenues of $5,311,000 for the nine months ended September 30, 2004. The net loss for the nine months ended September 30, 2005 was $871,000, or $.03 per share, a decrease of 16 percent when compared to the net loss of $1.0 million, or $.03 per share, for the nine months ended September 30, 2004.

"We are pleased to report an 18 percent increase in our third quarter revenues," stated Mark Tauscher, president and CEO of PLC Systems. "Our cash position combined with our steady TMR financial performance has enabled PLC to invest in research and development projects that we believe will grow PLC beyond its TMR product offering. These investments are expected to provide PLC with expanded revenue opportunities and increased shareholder value in the long-term."

During the third quarter of 2005, four next-generation CO2 Heart Lasers 2 (HL2) were shipped to United States hospitals through **Edwards Lifesciences Corporation**, PLC's exclusive U.S. sales and marketing partner. All four HL2 shipments were new lasers. In addition to these shipments, PLC shipped one HL1 laser to an international hospital.

PLC ended the third quarter of 2005 with 180 CO2 Heart Lasers located at heart centers throughout the U.S., comprised of 136 HL2 customers and 44 HL1 customers. As of September 30, 2005, PLC's U.S. laser base (HL1 and HL2) had increased by six percent during the preceding twelve months, including an 11 percent increase in the U.S. HL2 installed base.

During the third quarter of 2005, Edwards delivered 513 disposable kits to United States hospitals. In the third quarter of 2004, a total of 539 disposable kits were shipped by Edwards to United States hospitals. A total of 1,518 disposable kits were delivered domestically by Edwards during the first nine months of 2005, a seven percent increase compared to 1,423 disposable kits delivered in the first nine months of 2004.

In addition, Edwards continued its Optiwave 980 System marketing trial throughout the third quarter. Clinical experience with the Optiwave 980 laser and handpieces is expected to help shape future launch plans. As a result of the ongoing marketing trial, PLC did not ship any Optiwave 980 lasers to Edwards during the third quarter of 2005. Prior to the third quarter of 2005, PLC had shipped 74 Optiwave 980 lasers to Edwards. PLC does not expect to ship any additional Optiwave 980 lasers during the fourth quarter of 2005.

10/27 **Spectranetics Corporation** reported financial results for the third quarter and nine months ended September 30, 2005. Revenue was a record $11.2 million in the third quarter of 2005, up 26% compared with $8.9 million in the third quarter of 2004. Revenue growth was driven primarily by strength in Spectranetics' atherectomy product sales, which increased 49%

compared with the third quarter of 2004. For the third quarter of 2005, disposable product revenue rose 32% to $8.7 million, laser revenue rose 20% to $1.2 million, and service and other revenue was essentially unchanged at $1.3 million compared with the third quarter of 2004.

The worldwide installed base of lasers increased to 464 laser systems as of September 30, 2005 (351 in the United States) with a record net increase for the quarter of 18 units as compared with the installed base as of June 30, 2005.

Gross margin for the quarter was 76%, unchanged from a year ago. Operating expenses in the third quarter increased 27% to $8.1 million; the increase primarily related to ongoing field sales force expansion, physician training and product development initiatives. Third quarter operating expenses also include an additional provision of $280,000 resulting from the arbitrator's preliminary ruling associated with the Edwards Lifesciences Corporation arbitration proceedings, which represents the Company's best estimate of royalties due in addition to amounts previously accrued within the financial statements. The license agreement underlying this dispute expires on November 15, 2005, after which no further royalties are due to Edwards Lifesciences pursuant to the agreement.

For the third quarter of 2005, net income was $506,000, or $0.02 per diluted share, compared with net income of $479,000, or $0.02 per diluted share during the third quarter of 2004. Pre-tax net income for the current quarter was $623,000 versus pre-tax net income of $500,000 last year, an increase of 25%.

"We are very pleased with the continued strength of our atherectomy product sales, as disposable product revenue and new laser installations both reached record levels in the third quarter. Also, our 2.5 CliRpath Turbo catheter was introduced in late August, and we are already receiving very positive responses from physicians regarding its ability to create larger lumens," said John Schulte, president and CEO. "We believe there is a growing awareness of the effectiveness of laser atherectomy for treating peripheral arterial disease (PAD), which combined with the continued development of our product line, will expand the market opportunity. Consequently, we are accelerating our investment in product development, clinical research, and marketing and sales during the coming quarters, which we believe will enhance our competitive position."

Year-to-Date Financial Results: Revenue for the first nine months of 2005 rose 22% to $30.9 million from $25.4 million for the comparable period in 2004. Year-to-date 2005 disposable product revenue was $23.8 million, up 26%, and laser revenue was $3.1 million, up 23% from the first nine months of 2004. Service and other revenue of $4.0 million was essentially unchanged compared with last year.

Gross margin for the first nine months of 2005 was 76% compared with 75% in the first nine months of 2004. Operating expenses in the first nine months increased 24% to $22.4 million; the increase primarily related to ongoing field sales force expansion, physician training and product development initiatives. Year-to-date 2005 operating expenses also include $280,000

resulting from the arbitrator's preliminary ruling associated with the Edwards Lifesciences arbitration proceedings.

Net income for the first nine months of 2005 totaled $823,000, or $0.03 per diluted share, compared with net income of $1.0 million, or $0.04 per diluted share, in the comparable period last year. Pre-tax net income for the nine months ended September 30, 2005 was $1.4 million, up 30% compared with pre-tax net income of $1.1 during the first nine months of 2004.

Cash, cash equivalents and current and non-current investment securities totaled $16.8 million as of September 30, 2005, compared with $16.1 million as of June 30, 2005.

Company Updates 2005 Financial Guidance - Spectranetics today updated previously stated 2005 financial guidance as follows:

Revenue is estimated to be within the range of $42 million to $43 million, compared with previous guidance of $41 million to $43 million. The updated guidance takes into consideration the following key factors:

1. Growth in the existing peripheral atherectomy product line, driven by the recently launched 2.5 CLiRpath Turbo catheter, which received FDA clearance in August 2005;

2. Continued growth in new laser placements, driven by interest in our peripheral atherectomy products. The Company now expects 60 to 70 net new laser placements in 2005, up from previous guidance of 50 to 60 net new laser placements;

3. Continued expansion of the field sales organization; Spectranetics now expects the total number of field sales employees to be in the range of 50 to 55 by the end of 2005, compared with a previous forecast of 50.

Net income guidance is unchanged and is anticipated to be within the range of $1.0 million to $1.5 million, and gross margin as a percentage of sales is expected to be in the mid-seventies. Pre-tax net income is expected to be in the range of $1.7 million to $2.6 million.

In assessing the Company's financial guidance, Spectranetics' management considered many factors and assumptions including, but not limited to, current and projected sales trend data; status, timing and progression of the Company's product development projects; current and projected spending levels to support sales, marketing, development and administrative activities; and other risk factors discussed in Spectranetics' publicly filed documents.

Outlook for 2006: While Spectranetics is planning to provide 2006 guidance when announcing fourth quarter results, currently anticipated for February 2006, the Company has the following expectations for next year:

* The revenue growth rate in 2006 will exceed that of 2005.
* The number of net laser placements in 2006 will exceed the number of net placements in 2005.
* The Company will accelerate the expansion of the field sales force to address increased opportunities within the peripheral market.
* The number of clinical trials and training initiatives focused on PAD will be expanded significantly in 2006 compared with the 2005.
* Product development activities will also accelerate compared with 2005 levels.

10/27 **Syneron Medical Ltd.** announced that **NEW DAY**, a major chain in Greece consisting of 17 aesthetic centers, has signed a contract with Syneron's exclusive distributor in Greece, **PARPAS HELLAS SA**, for the supply of 50 Comet and Pitanga systems to equip their clinics throughout Greece. The 50 new Syneron systems will replace **Lumenis** equipment currently at the clinics and will perform hair removal, photofacial and skin tightening treatments.

Hans Edel, Managing Director **Syneron GmbH**, commented that, "We view growth of medical and aesthetic spa chains and clinics worldwide as one of the most significant marketing developments in our sector. We are, therefore, very pleased that like major U.S. chains, a major chain of clinics in Europe has evaluated Syneron platforms alongside other equipment in the market and has decided that the Syneron equipment provides them with the highest level of safety and efficacy. Their decision to equip their clinics exclusively with Syneron products once again demonstrates the competitive advantage of the elos technology and will further raise awareness of Syneron's wide portfolio of medical aesthetic platforms."

10/28 **DUSA Pharmaceuticals, Inc.** reported the presentation of an independent investigator study in which complete clearance of facial acne was observed in 14/14 patients (100%) treated with the combination of Levulan (aminolevulinic acid HCl, ALA) and long pulsed, pulsed dye laser for photodynamic therapy (PDT) for recalcitrant inflammatory acne vulgaris of the face. The independent investigator study, conducted by Macrene Alexiades-Armenakas, M.D., Ph.D, an instructor of clinical medicine at Yale University School of Medicine, was presented by the author on October 27th, 2005 at the *American Society for Dermatological Surgery* Annual Meeting in Atlanta, GA.

The prospective, controlled pilot study was carried out to examine the safety and efficacy of PDT using topical Levulan activated by LPDL (V-Beam, 595 nm) energy in patients with acne (acne vulgaris) of the face. Nineteen consecutive patients with recalcitrant comedonal, inflammatory, and/or mild to severe cystic acne were accrued to the study. All had failed conventional therapy, including oral antibiotics, topical treatments, hormonal therapy, laser procedures (without Levulan), and/or oral isotretinoin (Accutane). Fifteen patients were treated with Levulan PDT. Four patients served as controls. All were continued on their pre-existing topical medications.

The treatments were administered by applying Levulan to the entire face for a 45 minute drug incubation, followed by a single pass of the LPDL with dynamic cooling spray. Treatments

were repeated every four weeks until the acne was eliminated. A mean of three treatments was required to achieve complete clearance. Patients treated with conventional therapy served as control groups. Patients were followed monthly for up to 13 months. Complete skin clearing was maintained for a mean follow-up time of 6.4 months (range 1-13).

In the LPDL-only control group (n equals 2), clearing of acne did not occur after three to four treatments. In the oral antibiotics, oral contraceptives and topicals control group (n equals 2) elimination of acne was not achieved after six to 10 months of treatment. LPDL-mediated PDT treatments were well tolerated. The most consistent side effect was minimal redness (erythema) lasting one to two days. A reduction in the redness seen in erythematous acne scars was also reported.

Dr. Alexiades stated: "Necessity is the mother of invention, and there has been a dire need for safe and effective therapy for the clearance of acne. Now that isotretinoin is coming under strict regulation as of December 31, 2005, an alternative to isotretinoin is critical. For teenaged and adult patients with recalcitrant comedonal, inflammatory, or cystic acne of various degrees of severity, Levulan PDT activated by LPDL may offer a safe and effective alternative to isotretinoin or other therapies, with minimal side effects. Cosmetically well accepted, LPDL PDT is also the first topical modality to achieve complete clearance with long-term follow-up as compared to controls."

Bob Doman, president and COO, stated "We are extremely impressed with the results of Dr. Alexiades-Armenakas' study involving 19 patients. The unusually high acne clearance rate of 100% prompts us, at DUSA, to consider adding this light source to our clinical development program in moderate to severe acne."

Acne, which is the most common reason patients visit dermatologists in the United States, is thought to be caused by multiple factors including increased oil output by sebaceous glands, growth of P acnes, and local inflammation. Previous independent studies have reported that topical Levulan PDT inhibits multiple pathogenetic factors of acne.

Dr. Alexiades-Armenakas full paper, entitled "Safety and efficacy of long-pulsed, pulsed dye laser-mediated photodynamic therapy in patients with mild to severe comedonal, inflammatory, or cystic acne", will be published in the November issue of the *Journal of Drugs and Dermatology*.

Medical/Surgical Laser Update - November 2005

11/1 **Candela Corporation** announced that its first fiscal quarter revenues grew 25% over the same quarter a year earlier. The Company reported revenues of $28.1 million for the quarter versus $22.4 million last year, but significantly down from the previous quarter’s $38.6 million. Net income for the quarter was $3,017,000 or $0.13 per share versus $2,846,000 or $0.12 per share a year earlier.

Candela also announced that its Board of Directors has authorized a share repurchase program of up to 10% of the Company's outstanding shares over the next 24 months.

Gerard Puorro, Candela's president and CEO, said: "We are pleased with the results in what is traditionally our slowest quarter. During the quarter, we received new SFDA (State Food and Drug Administration) approvals in China, and last week at the opening of the *American Society of Dermatologic Surgery (ASDS)* Annual Meeting in Atlanta, we launched a news pulsed dye platform that was well received." Puorro added: "The year is off to a good start and we remain optimistic with our opportunities in these markets."

11/1 **Spectranetics Corporation** announced it had received 510(k) clearance from the Food and Drug Administration for incorporating 80 Hz lasing capability into the Company's entire CLiRpath product line. This added feature will allow physicians to increase the laser repetition rate (laser pulses per second) up to 80 Hz for more efficient ablation of arterial blockages. Currently only the smallest CLiRpath catheter (0.9mm) has the capability of lasing at 80 Hz, while all other CLiRpath catheters (1.4mm - 2.5mm) have a maximum lasing parameter of 40 Hz.

“Our testing indicates that doubling the repetition rate to 80 Hz results in more efficient ablation, especially in tougher lesions that often contain fibrotic or calcified tissue. Since the 80 Hz feature increases the speed at which tissue is ablated, we believe it will lead to faster procedure times," stated John Schulte, Spectranetics president and CEO. "Our smallest laser catheter, which is 0.9mm in diameter, already incorporates 80 Hz capability and has demonstrated its usefulness in crossing calcified and balloon-resistant lesions in the setting of the coronary arteries. A peer-reviewed article published last year that examined our 0.9mm X-80 catheter for the treatment of highly complex, calcified, and balloon-resistant coronary lesions showed a 92% crossing success rate with this catheter. Given this high success rate in this challenging lesion subset, we believe that incorporating 80 Hz capability into our larger CLiRpath catheters will yield similarly positive results in the treatment of peripheral vascular disease."

"We plan to immediately begin production of CLiRpath catheters with all three recently cleared enhancements (continuous lasing, hydrophilic coating, and 80 Hz), with a limited product launch in this quarter and a full launch in January," added Schulte. "I am particularly pleased with the fast FDA response, which came within 35 days of our 510(k) submission. I am encouraged as this will allow our sales team a full 12 months of sales exposure next year with our new CLiRpath Turbo product line."

11/1 **Cutera, Inc.** reported financial results for the third fiscal quarter ended September 30, 2005. Key financial highlights for third quarter 2005, compared with third quarter 2004, are as follows:

-- Revenue increased by 49% from $12.7 million to $19.0 million
-- Operating margins improved from 9% to 25%
-- Earnings per diluted share climbed from $0.07 to $0.27

-- Cash generated by operations improved from $2.8 million to $6.3 million

Third quarter 2005 revenue was $19.0 million, representing a 49% increase from $12.7 million in revenue recorded in the third quarter of 2004. Net income for the third quarter of 2005 was $3.8 million, or $0.27 per diluted share, compared to net income of $877,000, or $0.07 per diluted share, reported in the same period last year. Cash generated by operations in the third quarter of 2005 was $6.3 million, compared with cash from operations of $2.8 million generated in the third quarter of 2004.

The Company's revenue for the nine months ended September 30, 2005 was $51.7 million, a 41% increase from $36.5 million in revenue recorded in the same period last year. Net income for the first nine months of 2005 was $8.0 million, or $0.58 per diluted share, compared to net income of $1.7 million, or $0.14 per diluted share, reported in the same period last year. Cash generated by operations in the first nine months of 2005 was $12.8 million, compared with cash from operations of $5.3 million generated in the first nine months of 2004.

Kevin Connors, Cutera's president and CEO, said, "We are pleased with our strong revenue growth, which we believe is outpacing the healthy growth in our sector. We are also experiencing significantly improved profitability due to the leveraging of our business model. Demand for our multi-application CoolGlide Xeo system, the Titan application, and the Solera platform, remains strong as customers continue to acquire our systems and upgrades to address the increasing consumer demand for non-invasive aesthetic procedures.

We remain committed to aggressively investing in our business to help us continue outpacing our industry's rapid growth rate. Specifically, we are focused on the following key initiatives, which are yielding measurable returns as proven by our third quarter results: (i) worldwide sales force expansion; (ii) new aesthetic applications and product introductions; and, (iii) marketing to the broad and expanding market of physicians outside of the traditional dermatology and plastic surgery physician specialties, including the emerging medi-spa market. The medi-spa market is comprised of physicians who offer aesthetic treatments in a spa environment."

Connors concluded, "In addition to the significant achievements of growing revenue and improved profitability, our balance sheet strengthened further in the third quarter of 2005, as we generated $6.3 million of cash from operations and ended that quarter with $82.2 million in cash and marketable securities - with no debt. This strong financial position, together with the fast paced growth of our Company, strategically positions Cutera as a leading global provider of light-based aesthetic systems."

Guidance: Management believes that for the fourth quarter of 2005, revenue will be approximately $22.0 million with earnings per diluted share of approximately $0.29. For full year 2005, management is raising revenue guidance to approximately $73.6 million, from $70 million. In addition, management is raising its earnings per diluted share

guidance for the full year 2005 to $0.87, from $0.62. The projected increase in earnings per diluted share is primarily attributable to better than expected third quarter 2005 results and a strong outlook for the fourth quarter 2005.

11/2 **Spectranetics Corporation** announced that its strategic partner **Elana BV** had obtained Communautes Europeennes (CE) mark registration for its laser-assisted neurovascular surgery technique that incorporates a Spectranetics excimer laser and a laser catheter manufactured by Spectranetics.

"The ELANA technique has the potential to assist many patients at risk for stroke where few or no treatment alternatives exist," said John Schulte, Spectranetics' president and CEO. "We are delighted with the approval received by Elana BV to begin marketing in Europe, and look forward to supporting their efforts to educate physicians about the potential benefits of this surgical technique."

ELANA (Excimer Laser-Assisted Non-occlusive Anastomosis) is the only known technique that enables surgeons to create a vascular bypass without occluding the recipient vessel, allowing continued blood supply during the procedure. To make the connection for the bypass graft (anastomosis), a platinum implant is attached to the outside wall of the recipient vessel. The end of the bypass graft then is stitched to the wall of the recipient vessel, using the implant as a guide. Next a laser catheter is inserted through the bypass graft to the wall of the recipient vessel, and laser ablation is used to create a hole in the artery wall; the laser catheter removes the disc, enabling blood flow to the recipient vessel.

The ELANA clinical research was performed at four European sites and involved more than 300 cases. Additional clinics are expected to be added soon. The ELANA technique will be commercialized by Elana BV (www.elana.com) and has been used for patients with a giant aneurysm or a skull base tumor and insufficient collateral circulation.

Spectranetics and Elana BV, a private company based in The Netherlands, announced their development agreements in October 2004. The agreements provide for Spectranetics to supply laser systems and to develop and supply laser catheters. A cross-licensing arrangement of certain of each company's intellectual property rights also is a part of the agreements.

11/3 **Laserscope** reported revenues of $30.4 million for its third quarter ended September 30, 2005, a 26% increase from $24.2 million in the third quarter of 2004. The increase in revenues was primarily attributable to continued strong year-over-year growth in sales of the Company's line of GreenLight products used for the Photoselective Vaporization of the Prostate ("PVP") procedure, offset by a slight decline in the Company's aesthetics business. Third quarter 2005 operating income grew 19% to $5.4 million, from $4.5 million in the third quarter of 2004. Third quarter 2005 net income was $6.3 million, or $0.28 per fully-diluted share, an increase from net income of $4.4 million, or $0.19 per fully-diluted share, in the same quarter last year.

Gross margins in the third quarter of 2005 were down slightly to 59% compared to approximately 60% in the third quarter of 2004 and 61% in the second quarter of 2005. Year-over-year gross margin fluctuations were the result of the higher mix of lower margin international sales of both our GreenLight and aesthetic products as a percentage of overall revenues offset by a higher percentage of overall sales being from higher margin GreenLight products worldwide.

Selling, general and administrative ("SG&A") expenses declined as a percentage of revenues compared to the third quarter of 2004. SG&A expenses were $10.5 million, or 35% of revenues, in the third quarter of 2005, compared to $8.8 million, or 36% of revenues, in the third quarter of 2004. The absolute increase in SG&A expenses resulted primarily from increases in marketing and sales costs to support higher sales.

As a result of analysis of business prospects for 2006, the Company determined that it is more likely than not that future profitability will be sufficient to realize deferred income tax assets. In accordance with FAS 109 and related literature the Company released valuation allowances against its deferred income tax assets. The effective income tax rate was approximately negative 16% in the third quarter of 2005 and is expected to be positive 12% in the fourth quarter of 2005. The effective income tax rate for 2006 is currently anticipated to be in the range of 39% to 40%.

The Company strengthened its balance sheet during the third quarter of 2005. At September 30, 2005, Laserscope had no bank borrowings and a cash position of $29.1 million, up significantly from $16.0 million at December 31, 2004. Inventories increased predominantly to support our GreenLight product line. Day Sales Outstanding ("DSOs") were relatively constant in the U.S. and increased somewhat for international sales.

Nine-Month Results: For the nine months ended September 30, 2005, the Company reported revenues of $92.1 million compared to $64.3 million for the nine months ended September 30, 2004, a 43% year-over-year increase. Operating income in the first nine months of 2005 was $18.4 million, compared to $9.8 million in the prior-year period, an 87% year-over-year increase. For the nine months ended September 30, 2005, Laserscope reported net income rose 74% to $16.6 million, or $0.73 per fully-diluted share, compared to $9.6 million, or $0.42 per fully-diluted share, in the same period last year.

Urology Business Update: "In the last quarter, we continued our trend of strong year-over-year growth, increased our penetration of international markets and advanced our goal of making the PVP procedure using our GreenLight products as the worldwide standard for treating BPH, while absorbing the impact of a confluence of adverse factors in the U.S. urology market. International demand for the PVP procedure using the GreenLight laser system continued to grow in the third quarter of 2005, as we posted another quarterly increase in shipments of GreenLight delivery devices overseas on a sequential quarter-over-quarter and year-over-year basis," said Eric Reuter, Laserscope President and CEO. "U.S. revenues from GreenLight delivery devices grew strongly year-over-year, although we did experience an unexpected slowdown in U.S. PVP

utilization during the third quarter, resulting in a sequential decrease in U.S. sales of GreenLight delivery devices on a quarter-over-quarter basis. We believe several factors contributed to this decline including a seasonal slowdown in elective procedures during the summer months, a temporary disruption in large areas of the southern United States due to the hurricanes and subsequent relief efforts, the potential that reimbursement for the PVP procedure may be reduced substantially from the current temporary rate which caused some customers to delay or cancel purchases and competitive product offerings."

Reimbursement Update: "Yesterday, the Centers for Medicare and Medicaid Services ("CMS") announced the final rule for the Outpatient Prospective Payment System ("OPPS") for 2006," Reuter commented. "Although we disagree with the decision by CMS, we had anticipated the possibility of this ruling and, accordingly, our current 2006 guidance contemplates the new OPPS reimbursement rate applicable to PVP in 2006 of approximately $2,500 per procedure, on a national average basis. CMS is expected to announce the final rule for the Fee Schedule (physician payment) for 2006 in the near future, and we will reserve public comment on that final rule until after its release."

Aesthetics Business Update: "This was a disappointing quarter for our aesthetics business," said Reuter. "Aesthetics revenues fell slightly on a sequential and year-over-year basis due in large part to a precipitous decline in revenues generated through our distribution relationship with McKesson during the transition to our new U.S. distribution partner, Henry Schein. Given the large opportunity in the market for aesthetic products and procedures, we plan to utilize our new distribution relationship with Henry Schein and augment our internal resources in order to re-dedicate and re-focus the organization on growth. We believe our aesthetic product portfolio remains attractive and that our recently released Solis product will help our aesthetic business rebound in the fourth quarter and in 2006."

Full Year 2005 Guidance: Based on the nine-month results in 2005, the management of Laserscope has revised its full-year 2005 guidance as follows:

- 2005 revenues are expected to be in the range of $125 million to $130 million, up 33% to 38% over 2004.
- Reported pre-tax earnings are expected to be in the range of $25.5 to $26.5 million, up 63% to 69% over 2004.
- Net income is expected to be in the range of $0.97 to $1.02 per fully-diluted share, at our effective tax rate of approximately 12% for 2005. For 2006, Laserscope expects our effective tax rate will be 39-40%.

Full Year 2006 Guidance: The management of Laserscope has additionally outlined preliminary 2006 guidance as follows:

- 2006 Revenues and Earnings are expected to grow between 20% and 25% assuming a full income tax rate of 39-40% is applied to pre-tax income for both 2006 and 2005. This

earnings outlook specifically does not include the impact on the Company of stock-based compensation expenses required under FAS 123R.

11/3 **Syneron Medical Ltd.** reported results for the third quarter and first nine months of 2005, as well as management changes for the next phase of its corporate growth strategy. Revenue for the third quarter of 2005 rose 68% to $25 million, compared to $14.9 million reported in the third quarter of 2004. The VelaSmooth played a significant role in the growth of North American sales. Also contributing to the strong rise in sales was the active promotion of bundled sales in the U.S. during the third quarter of 2005, which contributed to a 40-50% increase in the average transaction size. North America accounted for 66% of total sales from July to September.

Operating expenses rose 27.6% during the third quarter of 2005 to $8.3 million, compared to $6.5 million a year ago. The limited rise in operating expenses reflects the leveraged effect of the sharp rise in sales, given the efficiencies of Syneron's cost structure, as well as lower marketing and sales costs in the third quarter of 2005.

Third quarter operating income doubled to $13.6 million, from $6.7 million in the third quarter of 2004. Operating margins rose to 54% in the third quarter, compared to 45% in the third quarter last year. Third quarter 2005 net income rose to $14.6 million, compared to $7.3 million net income reported in Q3 2004. The net income margin rose from 49% in Q3 2004 to 58% in Q3 2005. Earnings per diluted share were $0.53 in Q3 2005, compared with $0.29 in Q3 2004.

Revenue for the nine months to September 30, 2005 rose 57.6% to $63.7 million, compared to $40.4 million reported in the first nine months of 2004. Operating expenses for the first nine months of 2005 on a pro forma basis (excluding expenses for the secondary offering and the **Thermage** settlement) were $24.5 million, compared to $17.5 million recorded in the same period in 2004. Nine-month operating income grew 68.2% on a pro forma basis to $30.8 million, from $18.3 million in the first nine months of 2004. Nine-month net income was $32.5 million pro forma, compared to the $19.1 million net income reported in the same period the previous year. On a US GAAP basis, including the costs of the Thermage settlement and secondary offering, operating expenses for the first nine months of 2005 were $28 million, operating income for the nine months was $27.3 million, with net income of $29 million. Earnings per diluted share, on a pro forma basis for the first nine months of 2005, were $1.18, while on a GAAP basis, earnings per diluted share were $1.05.

Commenting on the results, Moshe Mizrahy, CEO, said, "The results for the third quarter clearly reflect the success of our efforts to create the most competitive and diversified product portfolio for use by medical aesthetic professionals. At the most basic level, our success derives from the competitive advantage of the elos technology which enables us to produce the safest, most effective equipment in the industry, as discussed in some 40 peer-reviewed articles, with maximum manufacturing efficiencies. At a higher level, our success also reflects the achievements of individuals and groups within Syneron, such as

the sales and marketing management which developed and implemented marketing strategies that capitalize on the competitive advantages of Syneron's broad product portfolio."
Syneron is raising revenue guidance for 2005 to $91-92 million from $84-85 million.

Syneron's financial position remains strong. In the third quarter, Syneron generated cash of $13.5 million from operations and $2.6 million from exercise of options and interest, for a total cash position on September 30, 2005 of $118.5 million, with no debt. Shareholders' equity was $125.7 million at the end of the third quarter.

Management Changes: Looking forward to the next phase of its strategic corporate development, Syneron is today announcing changes in its senior management. The changes include the transition of responsibility as Chief Executive from Moshe Mizrahy, who has been instrumental in the rapid growth of Syneron since its inception and for Syneron's highly successful first year as a public company, to David Schlachet, currently CFO of Syneron, and the appointment of Shimon Eckhouse as active chairman.

Commenting on the management transition, Shimon Eckhouse said, "Moshe Mizrahy's skills with managing early-stage companies and developing Syneron's markets have been instrumental in achieving worldwide market recognition of the competitive advantages of our elos technology and Syneron's wide portfolio of medical aesthetic platforms. Looking to the next phase of Syneron's strategic development, David Schlachet brings broad senior managerial experience and extensive experience in implementing M&A strategies, having served as the chairman and CEO of several large publicly traded companies, as well as specific experience in the medical technology sector having been a managing partner of an Israeli venture fund specializing in medical devices and biotechnology and as Vice President of the Weizmann Institute of Science in Israel."

John Calcagnini of **CIBC World Markets** provided his take on Syneron’s third quarter results: **ELOS: 3Q05 EPS $0.53 versus $0.37 Consensus and $0.29 A Year Ago**

ELOS reported 3Q05 EPS of $0.53 versus $0.29 a year ago, an increase of 83% and well above the $0.37 consensus. Our estimate was $0.38. Strength was pretty much across the board. Revenues increased 68% to $25 mm, exceeding the $22 mm consensus and our high-end estimate of $23.8 mm. We believe that Vela Smooth sales in N. America were very strong, as expected, in the vicinity of 100 units. We get more detail on this from the company later.

Gross margin was 87.7% versus 87.1% a year ago and this was 220 bps above our expectation. GM benefited from a higher N. American sales mix (sales direct and gets retail prices). SG&A was just 27.5% of sales versus 37.8% a year ago. This SG&A ratio was well below the 36% we expected. Operating profit doubled to $13.6 mm versus a year ago. We will review our model after the earnings call.

The company has raised guidance for 2005 to $91-$92 mm from $84-$85 mm. On a separate matter, the company announced that Moshe Mizrahy will be replaced by David Schlachet, but will remain on the board. The transition was mutual. Moshe's experience is in start-ups and the company now plans to move to the next phase of its corporate lifecycle where they will focus on business development and M&A activity.

We reiterate our SO rating and would be buying the stock here.

Following the conference call with analysts, John provided this update: **ELOS - Reports Revenue and EPS Upside for Third Quarter; Raising Price Target**

* We reiterate our SO rating on ELOS and are raising our PT to $62 from $52 to reflect a material increase in our EPS ests. for '05 and '06. Our new PT is based on a P/E multiple of 26X times our 2006 EPS est. of $2.39. This multiple is based on the cosmetic laser peer group avg. 2006 P/E multiple.

* We are increasing our '05 and '06 EPS ests. to $1.76 and $2.39, respectively, from $1.51 and $2.02. We are also increasing our rev. ests. to $95.2 mm and $137.4 mm, respectively, from $92 mm and $132 mm, previously. Mgmt raised '05 rev. guidance to $91-92 mm from $84-85 mm.

* ELOS reported 3Q05 EPS of $0.53 vs. $0.29 a year ago, an increase of 83%. Revenues increased 68% to $25 mm, exceeding the $22 mm consensus. These were above our revenue and EPS estimates of $23.8 mm and $0.38.

* Gross margin was 87.7% vs. 86.8% in the preceding quarter. This margin expansion reflects the successful launch of Vela Smooth for the treatment of cellulite and higher margins achieved when selling direct in N. America.

11/3 **El.En. SpA** reported that on November 2nd , 2005 **Cynosure Inc**, based in Westford, Massachusetts, had filed with SEC the Amendment No. 1 to Cynosure's Registration Statement on Form S-1.

The leader of the offer is **Citigroup**, co-leaders are **UBS Investment Bank**, **Jeffries & Company** and **Needham & Company**.

The registration statement discloses the details of the offer: there will be 5,000,000 shares offered, of which 4,000,000 newly issued by Cynosure and 1,000,000 sold by El.En. Group. Following the offering El.En. will hold 38% of Cynosure shares, retaining control due to the dual class shares structure outlined within the S1. Moreover, the offering includes an over allotment option granted to the underwriters (“greenshoe”) for 750,000 more shares to be issued by the Company.

The S1 also reports the expected IPO pricing of the share, in the range of $12 and $14. At the present time it is not possible to forecast the IPO timing. The S1 also reports

Cynosure financials as of September 30, 2005, which show a 36% growth of revenue, up to 40.12 millions of dollars, EBIT at 2.9 millions, up 157%, while net profit is down at 1.6 millions from the 4.5 of the first nine months of 2004, where the benefit of a 3 millions gain on sale of assets with no taxes, due to the losses carry over, was included.

The financials reflect the expectations, showing a small improvement. The financials will be included in the consolidated financials report of the El.En. Group which is due to release after the BOD scheduled on November 14, 2005.

11/3 **Cardiogenesis Corporation** announced results for its third quarter ended September 30, 2005. The Company reported that revenues in the third quarter of 2005 were $4.4 million compared to $2.8 million in the same period in 2004, an increase of 55%. Revenues in the 2005 third quarter were fueled by a 14% increase in handpiece unit sales and a significant increase in laser revenue. The Company reported that 833 handpieces were shipped worldwide in the third quarter, the second highest quarterly handpiece sales performance in the last three years. For the first nine months of 2005, revenues increased by 20% to $12.3 million, from revenues of $10.3 million in the same period last year. This revenue increase through the first nine months of 2005 is fueled by 19% unit handpiece growth.

Chairman and CEO Michael Quinn commented on the third quarter results, "Our 20% growth in revenue through the first nine months of the year is built upon the foundation of increased utilization of TMR. We are encouraged by our progress in developing the TMR market, as reflected in our disposable unit growth. Review of our performance in the first nine months shows that our sales growth is resulting from our expanding the awareness and acceptance of TMR in the medical community as well as by increasing market share. Our Advanced TMR Platform, including the SolarGen 2100s console and Robotic and Thoracoscopic PEARL delivery systems are defining the future of TMR."

"Revenues of $4.4 million for the quarter represents the third highest quarterly revenue performance during the past 4 years," Quinn stated. "We are currently on a trajectory to achieve significant growth for the year in unit handpiece sales for the first time since 2000. Our efforts at developing the awareness and acceptance of TMR in the medical community are beginning to pay off. The combination of the long term data with our Ho:YAG system published in the *Annals of Thoracic Surgery* in 2004 combined with our Advanced TMR Platform is generating increased interest and adoption of TMR in the cardiothoracic community."

Sales, general and administrative expenses for the third quarter of 2005 were flat as compared to the prior year period. Sales, general and administrative expenses for the first nine months increased approximately 29% from the prior year period to $10.8 million. The increase was primarily due to the sales and marketing expansion which occurred at the beginning of 2005, as well as the marketing expenses directly related to the initial clinical introduction of the Company's new minimally invasive product line.

Research and development costs for the third quarter of 2005 decreased by 33% as compared to the prior year quarter and increased by 17% for the first nine months of 2005 from the prior year period. The increase resulted from costs incurred for the development and study costs for the new minimally invasive TMR handpieces and the Company's investment in important research initiatives.

Quinn described the development focus for the company related to the Advanced TMR Platform. "In response to the consistent request from leading clinicians around the world, we are developing advanced tools for the delivery of angiogenic therapeutics in and around the TMR channels," Quinn stated. "The published research from Duke and Columbia highlights the benefits of our proprietary Ho:YAG system in creating a stimulated zone of tissue around the TMR channels. The Ho:YAG thermoacoustic energy wave, as delivered through our proprietary fiberoptic delivery systems, penetrates the tissue surrounding the channel and initiates the body's own angiogenic response to provide neovascularization to the targeted ischemic area. The result, as published in research from Columbia and Duke, is a significantly greater amount of neovascularization around the TMR channels produced by the Cardiogenesis TMR system compared to other wavelengths and modalities."

"As the application of angiogenic therapeutics for the treatment of advanced heart disease advances to clinical practice, there is growing experience combining these materials with TMR. Our goal is to provide advanced tools to deliver angiogenic therapeutics into the Ho:YAG stimulated field of tissue surrounding the TMR channels, thereby multiplying the therapeutic effect to the patient," concluded Quinn.

In August, the Company initiated a restructuring effort to significantly reduce the expense base and cash requirements to support the TMR business. The effects of these changes significantly reduced third quarter operating expenses. Sales, general and administrative expenses for the third quarter decreased by 36% over the previous quarter and research and development expenses for the third quarter decreased by 49% over the previous quarter.

"In the third quarter, we achieved significant progress operationally," Quinn commented. "We increased our total revenue by 55% in the third quarter over the prior year quarter while restructuring the company in order to significantly reduce the expense base for our TMR business. We have made significant progress in reducing our expense base and have implemented a vigilant cost containment effort. The effect of these actions during the quarter produced operating income of almost half a million dollars. This is a big step in the right direction from the previous quarter and represents an improvement in operating income of $1.5 million."

Quinn added, "We are focused on strengthening the company financially. This includes an effort to prevent the ongoing oversupply of our Company's stock on the market as a result of the convertible note financing that we completed back in October 2004. If our operating results continue on the upward trend that we anticipate, we are committed to

using our current cash funds, instead of issuing more stock, towards paying back the principal on the note."

The Company generated income from operations of $462,000 and net income of $807,000 for the third quarter of 2005 and a loss from operations of $2.3 million and a net loss of $2.9 million for the first nine months of 2005. The net loss includes non-operating, non-cash interest and other charges primarily resulting from the valuation of warrants and derivatives related to the convertible debt financing completed in October 2004.

Quinn stated, "We are very encouraged by our results in the third quarter. We demonstrated the ability to support revenue growth while reducing our expense base, thereby producing significant operating profit. We are committed to bringing new and innovative, angiogenic technology to the marketplace. With the exciting new minimally invasive cardiovascular tools added to our market basket, the Robotic and Thoracoscopic delivery systems, we are leading the way to the future of TMR. We are also making significant progress in educating the medical community on the significant and enduring patient benefits of TMR which has led to the increased adoption of the technology that we are seeing today."

During the third quarter of 2005, the Company shipped 9 lasers and worldwide disposable shipments were 833 units. This compares to the shipment of 5 lasers and worldwide disposable shipments of 731 units in the third quarter of 2004.

11/3 **PhotoMedex, Inc.** announced the results of its operations for the quarter ended September 30, 2005. Revenues for the third quarter ended September 30, 2005 were $7,623,838, an increase of 71.1 % over the same period last year. Included in this amount is $2,928,681 from operations of its wholly-owned subsidiary ProCyte Corporation or ProCyte, a company acquired by PhotoMedex on March 18, 2005. This compares to revenues for the third quarter ended September 30, 2004 of $4,455,396 which reflects no revenues from ProCyte.

The net loss for the quarter ended September 30, 2005 was $1,349,900, or $(0.03) per diluted share. The net loss for the quarter ended September 30, 2004 was $1,155,809, or $(0.03) per diluted share.

Revenues for the nine months ended September 30, 2005 were $20,662,340, an increase of 61.4 % over the same period last year. Included in this amount is $7,074,196 from ProCyte. This compares to revenues for the nine months ended September 30, 2004 of $12,803,760 which reflect no revenues from ProCyte.

The net loss for the nine months ended September 30, 2005 was $3,138,663, or $(0.07) per diluted share. The net loss for the nine months ended September 30, 2004 was $3,726,052, or $(0.10) per diluted share.

As of September 30, 2005, the Company had cash and cash equivalents of $5,383,952.

Jeffrey O'Donnell, PhotoMedex CEO and president, commented, "Once again, we were cash-flow positive from operations in the quarter, which continues to demonstrate the progress we are making. With the addition of United Healthcare reimbursing for the XTRAC, some geographies now have a critical mass of covered lives and significant reimbursement levels. We have therefore initiated regional direct-to-consumer awareness programs to ramp procedures in these geographic areas. We are optimistic about the result this will have on utilization of the XTRAC in accounts in these areas."

11/4 **DUSA Pharmaceuticals, Inc.** reported its corporate highlights and financial results for the third quarter ended September 30, 2005.

Corporate Highlights: Levulan Kerastick sales to end-users totaled 20,286 and 69,162 for the three and nine month periods ended September 30, 2005, respectively, including 17,766 and 59,172, respectively, in the United States, and 2,520 and 9,990, respectively, sold by Coherent-AMT, our Canadian marketing and distribution partner. This represents an increase in total sales from 20,196 and 50,160 Kerastick units sold in the three and nine month periods ended September 30, 2004, respectively, including 18,870 and 46,926, respectively, in the United States and 1,326 and 3,234, respectively, sold in Canada.

The net number of BLU-U units placed in doctors' offices during the quarter was 98, consisting of 76 in the United States and 22 in Canada. As of the end of Q3 2005, there were 1,215 units in doctor's offices, consisting of 1,037 in the United States and 178 in Canada, as compared with 914 units in doctors' offices at December 31, 2004, consisting of 813 in the U.S. and 101 in Canada.

At quarter-end, the sales team consisted of 28 employees, including 24 sales representatives and 4 regional managers. As announced previously, during the quarter, the Company eliminated 14 staff positions, representing 16% of the workforce, to align headcount more closely with management's assessment of its resource requirements at this time. These workforce reductions were made across all headquarters functions of the Company. As a result of these actions, the Company recorded a restructuring charge of approximately $150,000, and expects that future operating costs will be reduced by approximately $1.4 million on an annualized basis.

During the quarter, DUSA continued with its Phase II clinical trials on Levulan PDT in the treatment of photodamaged skin and acne, reporting full accrual in both trials as of late September, 2005. Both trials are expected to be completed around year-end 2005/early 2006. We also continued the discovery phase of our lawsuit against the New England Compounding Pharmacy, alleging violations of United States patent law.

Subsequent to the end of the quarter, DUSA reported the publication and/or presentation of two important independent investigator studies related to the two dermatology conditions currently under clinical development by the Company. One was a DUSA supported study published in Archives of Dermatology comparing Levulan with intense pulsed light (IPL) vs. IPL alone, for the treatment of photo-damaged skin, reporting that

Levulan combined with IPL resulted in statistically significant improvement (vs. IPL alone) in global photo-aging, mottled pigmentation, and fine lines. The other was an oral presentation by Dr. Macrene Alexiades of New York at the recent annual meeting of the *American Society of Dermatologic Surgery*, demonstrating complete clearance in 14 out of 14 patients with recalcitrant acne of the face using Levulan combined with long pulse dye laser in combination with topical therapy.

Bob Doman, DUSA's president and COO, stated "Overall, we are pleased with our Q3 performance. U.S. Kerastick unit sales increased over the prior quarter ended June 30, 2005, despite seasonal factors; our therapy continued to get increasing recognition among dermatologists; and our clinical trials continued to progress on schedule. As we continue to put the doctor inventory issues behind us, we look forward to the growing interest in our therapy leading to increased market penetration, especially with the higher reimbursement for our therapy announced for 2006, along with expected further legal progress against physicians and/or pharmacies that infringe, or induce infringement, of our patent rights by the use of compounded ALA for PDT."

Financial Highlights: For the three months ended September 30, 2005, DUSA's net loss was ($3,608,000), or ($0.21) per common share, compared to a loss of ($2,975,000), or ($0.18) per common share for the comparable 2004 period. This increase in our year over year loss is primarily due to lower margins on the sales of our products; as well as higher general and administrative expenses, offset, in part, by lower research and development expenses.

Revenues for the three months ended September 30, 2005 were $2,392,000, compared to $2,011,000 in 2004.

The increase in 2005 Kerastick revenues was driven mainly by an increase in our average net selling price, which increased to $89.02 during the current quarter from $74.20 for the comparable 2004 period. Third quarter 2005 end-user Levulan Kerastick net sales to physicians totaled 20,286 Kerastick units, versus 20,196 in the third quarter of 2004. The increase in 2005 BLU-U revenues was also driven by an increase in our average selling price, which increased to $6,915 during the current quarter from $4,972 for the comparable 2004 period. There were 82 units sold during the third quarter of 2005 versus 103 units in the comparable 2004 period. The decrease in BLU-U units sold is due primarily to the implementation of a more focused sales strategy aimed at increasing Kerastick sales volumes in existing accounts, as well as a decrease in our BLU-U discount programs.

Total product gross margins for the three months ended September 30, 2005 were $1,085,000 or 45% as compared to $1,292,000 or 64% for the comparable 2004 period. Kerastick margins decreased on a pure dollar value basis to $990,000 in the second quarter of 2005 from $1,195,000 in the comparable 2004 period, and on a percentage basis to 55% from 80%. This decrease in margin percentage is due to favorable manufacturing variances experienced during the quarter ended September 30, 2004 attributable to

elevated Kerastick production during the quarter. Our long-term goal is to achieve much higher gross margins on Kerastick sales which will be significantly dependent on increased volume. BLU-U gross margins were ($233,000) or (12%) for the current quarter versus $355,000 or 20% in 2004. The erosion on margin is directly attributable to the fact that in 2005 we sold newly purchased units with an associated production cost, whereas during the comparable 2004 period, we sold units which had a zero net book value due to inventory impairment charges recorded during 2002 following termination of an agreement with a marketing partner. The margin erosion is somewhat offset by an increase in the overall selling price per unit and a decrease in other BLU-U product costs. Our short-term strategy is to approach break-even on device sales in an effort to drive Kerastick sales volumes. However, our longer term goal is to move towards a reasonable profit margin on all device sales.

Total operating costs for the three months ended September 30, 2005 were $5,033,000 as compared to $4,618,000 in 2004. Research and development costs for the third quarter of 2005 decreased to $1,414,000 from $1,585,000 in the third quarter of 2004, as we continue to move forward with our Phase II clinical trials for use of Levulan PDT in photodamaged skin and moderate to severe acne vulgaris.

Marketing and sales costs decreased to $1,804,000 in the second quarter of 2005 as compared to $1,835,000 for the second quarter of 2004. The decrease is mainly due to lower spending on tradeshows and outside consultants, offset in part by increased personnel-related costs as a result of expanding our sales force from 23 employees at September 30, 2004 to 28 employees at September 30, 2005, including sales management.

General and administrative costs increased to $1,664,000 in Q3 2005 as compared to $1,198,000 for Q3 2004. This increase is mainly attributable to increased legal and other professional fees; as well as increased general corporate expenses, including increased personnel related costs, as our business has expanded.

As of September 30, 2005, total cash, cash equivalents, and United States government securities, including long-term instruments, were $35,407,000, compared to $49,292,000 at the end of 2004. This decrease is primarily attributable to the funding of our operational expenses, most notably our marketing and sales and research and development efforts in support of our current and future products.

11/4 **MedicalCV, Inc.** announced that it had been invited to present at the prestigious Virtual OR online teaching session to be held on Saturday, November 5, 2005. MedicalCV is a cardiovascular surgery company focused on developing a truly minimally invasive procedure (closed chest, beating heart) for the treatment of atrial fibrillation by utilizing a platform of laser-based technology for cardiac tissue ablation in surgery.

Marc Gerdisch, MD, Assistant Professor of Cardiac Surgery at Loyola University in Chicago, Illinois, and Director of Cardiac Surgery at Central DuPage Hospital in Winfield, Illinois, will be presenting "Laser Ablation using the MedicalCV ATRILAZE.

Dr. Gerdisch is a recognized pioneer in the surgical treatment of atrial fibrillation, with extensive experience in the advancement of minimally invasive technologies. In 2004, Dr. Gerdisch was the first surgeon in Illinois to perform a minimally invasive coronary artery bypass surgery utilizing robotic technology. He joined the Company's Scientific Advisory Board in July 2005. "The use of coherent, focused laser technology through a 400 micron fiber - the technology of MedicalCV - provides the potential for a truly closed-chest, beating-heart treatment of atrial fibrillation," said Dr. Gerdisch.

AF is an irregular heart rhythm that compromises the heart's ability to pump blood. Abnormal electrical signals begin in the atria, or upper chambers, causing the heart to contract erratically. As a result, blood may pool in the atria forming clots that can travel to the brain and cause strokes. A common treatment is the creation of lesions via ablation technologies to interrupt or block the abnormal electrical signals.

11/4 **BriteSmile Development, Inc. ("BDI")**, a wholly owned subsidiary of **BriteSmile, Inc.** filed on October 28, 2005, a patent infringement suit against competitor, **Discus Dental, Inc. ("Discus")** in federal court in California. The suit alleges that Discus' Zoom! 2 tooth whitening system infringes a patent issued to BDI on October 25, 2005, because it employs a high pH pre- treatment prior to contacting teeth with a hydrogen peroxide composition.

BriteSmile and Discus have been involved in patent litigation since 2002 over patents directed to novel tooth whitening technology owned by BriteSmile and BDI. The new suit alleges that, as a result of that litigation, Discus attempted to reformulate its tooth whitening products to avoid infringement -- including launching the Zoom! 2 Chairside Whitening System. The new suit alleges that, despite the reformulation, the Zoom! 2 system infringes the newly issued BDI patent.

11/8 **BriteSmile, Inc.** released results for the third quarter ended September 24, 2005. Total revenue for the third quarter was $9.8 million, or 18% below the third quarter of 2004. The net loss was $(4.5) million or $(0.42) per share in the third quarter, compared with $(2.5) million or $(0.24) per share in the third quarter of 2004. Earnings before interest, tax, depreciation, and amortization (EBITDA) was a loss of $(3.1) million in the third quarter 2005. This compares to an EBITDA loss of $(0.6) million in the third quarter of last year. Information regarding a reconciliation of EBITDA, which is a non-GAAP financial measure, to net loss, the most comparable GAAP measure, follows.

Other key results for the third quarter were:

-- Center whitening fees of $4.2 million were 4% below last year.
-- Associated Center whitening fees of $4.2 million were 26% lower than the third quarter of 2004.
-- Product sales and other revenue of $1.4 million were 24% below last year.
-- A new BriteSmile whitening center opened in August, at Tysons Galleria in McLean, Virginia.

-- In October 2005, we closed our Boca Raton center.

"Revenue and EBITDA performance continued to be disappointing in the third quarter," said Julian Feneley, BriteSmile's president. "As a result, we are taking additional expense reduction and other working capital actions to help conserve cash, and are continuing to pursue marketing tactics that optimize our advertising spend."

11/8 **Candela Corporation** announced that it has signed an exclusive long-term agreement with **Ideal Image** to supply the laser hair removal franchise with its GentleLASE and GentleYAG lasers. Specializing in laser hair removal, Ideal Image has over 30 franchises throughout the United States and Australia. The agreement calls for the placement of 300 lasers in new clinics over the next two years. Last year, over 1.4 million Americans received a laser hair removal treatment and, as an increasing number of Americans are turning to lasers to remove unwanted hair, Ideal Image seeks to open even more franchises featuring Candela's premier lasers for hair removal.

"We are proud that after an extensive vendor evaluation process, the GentleLASE and GentleYAG have become the lasers of choice for the hair removal specialists at Ideal Image," said Gerard Puorro, Candela's president and CEO. "We believe that Ideal Image's experience and reputation for excellence in the laser hair removal industry is a perfect match for Candela's leading products."

"Ideal Image is a rapidly expanding world class organization specializing in bringing hair removal solutions to our guests nationwide," said Dean Akers, CEO at Ideal Image. "Our business is highly dependent upon patient satisfaction. Ideal Image performed multiple vendor technology comparisons, and chose the Candela GentleLASE as the preferred technology for comfortable, fast and efficacious hair removal. We are happy to have formed this partnership with Candela, another world class organization and look forward to a mutually beneficial, long-term relationship."

The GentleLASE and GentleYAG work by transforming laser energy into heat, which destroys the hair follicle leaving the surrounding skin unaffected. Depending on the size of the treatment area, a session could last from 10 minutes to an hour. Prices for the treatment will vary, but laser therapy is expected to be less costly since it may require fewer treatments compared to drug and topical skin creams, which a patient can be expected to use for years.

In addition to manufacturing the industry's leading lasers for hair removal, Candela also provides the highest quality technical and service support for practitioners. Whether it's marketing, technical, clinical or financial support that practitioners require, Candela has a team ready to meet those needs.

"One of the key factors we considered when deciding which lasers to use in our centers was customer support," said John B. Okkerse, Jr., Ph.D., COO at Ideal Image. "As Ideal

Image continues to grow, we feel confident that the quality products, service and support that Candela provides will help us achieve our long-term goals."

11/8 John Calcagnini of CIBC World Markets reported on **Syneron's** presentation at the CIBC Heath Care Conference: **ELOS: Update From Health Care Conference**

The global market for cosmetic lasers remains very underpenetrated. The potential user base has expanded from what traditionally was 45,000 derms/plastics to 495,000 today with 150,000 spas now in the target market and 300,000 "other physician specialties." In other words, the number of potential buyers has increased ten-fold.

There is now a $650 million new market for cosmetic lasers, which is growing 80%-85% annually. Aesthetic procedure volume is expected (WW) to grow from 40 million in 2004 to 60 million in 2006.

Rich pipeline of new products coming:

Body shaping and contouring, including development of a non-invasive liposuction device for fat removal in addition to velasmooth.

A dental laser product for soft and hard tissue applications

Home use laser products for hair removal and skin tightening.

11/8 **Lumenis Ltd.** announced preliminary and unaudited financial results for the third quarter and nine months ended September 30, 2005.

Third Quarter Results: Revenues in the third quarter rose to $72.8 million compared with $71.6 million in the prior quarter and $63.2 million in the third quarter last year.

Gross profit in the third quarter increased to $33.2 million, or 46% of revenues, compared with $32.0 million, or 45% of revenues, in the second quarter of 2005 and $31.0 million, or 49% of revenues, in the third quarter of 2004.

Operating expenses in the third quarter were $30.1 million, or 41% of revenues, compared with $29.4 million, or 41% of revenues, in the second quarter of 2005 and $28.5 million, or 45% of revenues, in the third quarter of 2004.

Operating income in the third quarter was $3.1 million compared with $2.6 million in the second quarter of 2005 and $2.5 million in the third quarter of 2004. Net loss in the third quarter narrowed to $1.8 million, or $0.05 per share, compared with a net loss of $3.1 million, or $0.08 per share, in the second quarter of 2005 and a net loss of $2.0 million, or $0.05 per share, in the third quarter of 2004.

Commenting on the results, Avner Raz, Lumenis' president and CEO said, "This is the second consecutive quarter of year-over- year revenue growth. What is particularly encouraging is the sequential growth in revenues as traditionally our business has been seasonally weaker in the third quarter. Our strategic focus on delivering superior technology and innovative products should enable us to continue to drive revenue growth and market share gains.

"Our Q3 results demonstrate execution on all of our 2005 objectives and offer additional evidence that we have moved squarely into a growth phase in each of our major markets worldwide. While we still have a lot of hard work ahead of us operationally, I am encouraged by the progress made and by the commitment of our dedicated employees towards meeting these challenges. As we move towards 2006, the new, leading edge products that we have just introduced and the excitement they have generated in the marketplace combined with the steady progress we are making in improving our business model, give us confidence that we are on the right track to delivering sustainable and profitable growth."

Revenue Breakdown

Third quarter sales by geographic region were as follows ($ in millions):

	Q3/05	Q3/04
Americas	$34.8	$30.7
Europe	$14.9	$12.5
Asia and Japan	$23.1	$20.1

Third quarter sales by product line were as follows ($ in millions):

	Q3/05	Q3/04
Aesthetic	$25.0	$19.2
Surgical	$16.1	$13.6
Ophthalmic	$16.0	$13.2
Dental	$ 1.5	$ 1.1
Service/Other	$14.2	$16.1

Net cash flow from operating activities was $681 thousand in the third quarter of 2005 compared with a negative $208 thousand in the second quarter of 2005 and a net positive cash flow from operating activities of $3.3 million in the third quarter of 2004. At September 30, 2005, the Company had $14.4 million of cash and cash equivalents and unused borrowing capacity under its committed lines of credit of an additional $17.9 million. Total bank debt at quarter-end was $192 million compared with $190 million at

June 30, 2005. Based on the preliminary and unaudited results for the period, the Company is in compliance with its covenants under its bank agreements.

Nine Months Results: Revenues for the first nine months of 2005 were $209.1 million compared with $199.9 million in the same period last year.

Gross profit for the first nine months of 2005 was $92.0 million compared with $98.7 million for the first nine months of 2004.

Operating income for the first nine months of 2005 was $3.8 million compared with $8.5 million for the same period last year.

Net loss for the first nine months of 2005 was $10.7 million, or $0.29 per share, compared with a net loss of $5.7 million, or $0.15 per share, for the same period in 2004.

Net cash flow from operating activities for the first nine months of 2005 was negative $4.8 million compared with a positive net cash flow from operating activities of $12.7 million for the same period last year.

As reported in the first quarter earnings release, upon review of the Company's prior practices concerning the recognition of royalty income, it was determined that the income statement classification of royalty and certain other income should more appropriately be as components of operating income or loss, rather than other income. The financial statements for the quarterly and nine month periods ended September 30, 2005 and September 30, 2004 contained in this release reflect this classification. Additionally, as previously reported, with respect to royalty income, the review indicated that certain royalty income previously reflected in the results for the quarter ended March 31, 2004 which was paid at the time of the settlement of certain claims should, more appropriately, be recognized over a longer period of time. The financial statements for the quarter and nine month period ended September 30, 2004 contained herein have been appropriately adjusted.

In addition, Lumenis was served with a claim in the UK with regard to the purchase in 2003 by **GSI,** a UK company, of all of the assets of **Spectron**, a wholly owned UK subsidiary of Lumenis. GSI are claiming several million pounds in damages for breach of contract and misrepresentations and for indemnification of claims brought against GSI by third parties. The Company has engaged UK counsel and will vigorously defend against this claim.

As previously reported, a report prepared for the Audit Committee with respect to the Company's internal investigation had concluded, with respect to certain identified transactions in 2001, 2002 and 2003, that the Company's revenue recognition actions were inappropriate. The aggregate effect of the Company's accounting for the transactions identified in the report, as set forth in the Company's press release of May 3, 2004, was to cause revenues in 2001 and 2002 to be overstated, and revenues in 2003 to be

understated. As indicated earlier, the financial statements contained in this release do not reflect any adjustments relating to the results of the Audit Committee investigation which were previously reported.

In addition, Lumenis received a notice from the Israel tax authority assessing income taxes for the years 2000 and 2001. The assessment is primarily based on an attempt to disallow the exemption available for the Company's Approved Enterprise, which would then subject its income to the full tax rate, and, in addition, tax on an alleged deemed dividend from earnings under its Approved Enterprise program. The Company has received indications that the tax authority would agree to settle the matter for less than 25 million New Israeli Shekels. Lumenis believes the entire assessment to be in error and that no tax is due and will vigorously defend itself in the Israeli courts and under applicable tax treaties as necessary.

In addition, as previously reported, the Audit Committee anticipates that a restatement of previously reported financial results may be appropriate, but intends to defer making a final decision pending completion of the audit by the Company's independent accountants, **BDO Ziv Haft**. A restatement, which reflects the results of the investigation as well as any other adjustments identified during the restatement, audit or review processes, may affect the information reported in this release.

11/9 **BIOLASE Technology, Inc.** announced financial results for the three month and nine month periods ended September 30, 2005. Net revenue for the third quarter ended September 30, 2005 was $11.7 million as compared to net revenue of $12.3 million for the same period of 2004. Net revenue for the nine months ended September 30, 2005 was $43.0 million. This compares to net revenue of $41.6 million for the nine months ended September 30, 2004.

Gross margin during the third quarter of 2005 was 46% as compared to 58% for the same period in 2004. Gross margin was primarily impacted by higher production costs, costs of component design changes associated with quality improvements, and the costs of customer training. Training negatively impacted the gross margin for the third quarter of 2005 by 2%, compared to the impact on gross margin in the third quarter of 2004 of 3%. In addition, as compared to the third quarter of 2004, the Company has increased the costs of its fixed manufacturing infrastructure, including quality control, materials management and other support activities. The Company also increased its reserve for excess and obsolete inventory by approximately $0.3 million during the third quarter of 2005 for unusable raw materials resulting from the aforementioned design changes.

Operating expenses were $10.5 million for the third quarter of 2005 as compared to $9.3 million for the third quarter of 2004.

Sales and marketing expense was $6.1 million or 52% of net revenue for the third quarter of 2005 as compared to $5.7 million or 46% of net revenue for the same period last year. The increase in sales and marketing in the third quarter of 2005 is related to trade show

and seminar activities, higher personnel costs and overall infrastructure support costs related to the sales and marketing functions. These increases were partially offset by reductions in advertising and promotions. While some of the Company's sales and marketing expenses are fixed, most are discretionary expenditures aimed at furthering market penetration and costs to support the education and training of potential customers. Additionally, as a result of the realignment of domestic sales geographies and commission structures earlier this year, the Company has experienced some involuntary and voluntary attrition in the sales organization, which have impacted product sales as new representatives that have recently joined the Company ramp up to a full state of productivity. At the end of the third quarter of 2005, the Company had 35 direct sales staff in North America and seven direct sales staff in Europe.

General and administrative expense was $3.3 million or 28% of net revenue for the third quarter of 2005 as compared to $2.5 million or 21% of net revenue for the same period in 2004. Increases in general and administrative expense in the third quarter of 2005 are related to professional fees totaling approximately $0.4 million associated with the audit of 2004 and the restated financial statements, and costs of approximately $0.1 million related to compliance with the Sarbanes-Oxley Act, which included professional fees as well as temporary labor. Additionally, in the third quarter of 2005, the Company's administrative costs increased approximately $0.6 million over the same period last year due to infrastructure expansions to finance, information technology and human resources, both in response to the Company's growth as well as to meet the ongoing compliance requirements related to the Sarbanes-Oxley Act. These increases were partially offset by a decrease in legal fees of $0.4 million related to the settlement of the lawsuit with **Diodem.**

Engineering and development expense was $1.2 million or 10% of net revenue for the third quarter of 2005 as compared to $1.0 million or 9% of net revenue for the same period last year. Increases in engineering and development expense are due primarily to higher employee costs, patent fees and overall infrastructure support costs.

Net revenue from the Company's principal product category, the Waterlase system, comprised approximately 78% of net revenue for the third quarter of 2005. This compares with Waterlase revenue of 80% for the third quarter of 2004. Approximately 90% of the Waterlase category revenue in the third quarter of 2005 was comprised of the Waterlase MD product.

Net loss was $5.2 million or $0.23 per diluted share for the third quarter ended September 30, 2005 as compared to net loss of $1.1 million or $0.05 per diluted share for the same period of 2004. Net loss for the nine months ended September 30, 2005 was $16.3 million or $0.71 per diluted share. This compares with net income of $0.3 million or $0.01 per diluted share nine months ended September 30, 2004.

Cash flow used in operating activities for the third quarter was $5.6 million as compared with $0.4 million in the same quarter last year. Cash flow used in operating activities for

the nine months ended September 30, 2005 was $18.1 million compared to $0.9 million for the same period last year. A portion of the $18.1 million used in operating activities is related to the cash payment of $3.0 million for the litigation settlement of the patent infringement suit with Diodem and the $2.0 million payment for the purchase of the **SurgiLight** licensing rights.

"We have now sold approximately 4,000 Waterlase systems around the world. We are confident in the continued and long-term adoption of our technology. At this time, we are committed to turning the Company around through diligent focus on cash flow generation and a return to profitability. As part of this endeavor, we are implementing several cost containment measures in an effort to realign the Company's expenditures with its current revenue profile. Some of these measures include both hard and soft cost savings initiatives, addressing all functional areas of the Company," commented Robert Grant, president and CEO.

11/14 **Cardiogenesis Corporation** announced that it had received CE MARK (Conformite Europeenne) approval for the commercial sale of the PEARL Minimally Invasive TMR delivery systems in European Union member countries. The PEARL Robotic 5.0 and Thoracoscopic 8.0 delivery systems are designed to reduce the morbidity and recovery time for patients, while providing the same improved long term survival and enduring angina benefit achieved with the standard Cardiogenesis Ho:YAG surgical system.

"We are very pleased to provide physicians and patients with Cardiogenesis' Advanced PEARL delivery systems," said Michael Quinn, chairman and CEO. "Physicians will now be able to offer the impressive clinical benefits of TMR to patients, with reduced surgical incisions and a more rapid recovery. We believe that this minimally invasive surgical platform offers the opportunity to relaunch sole therapy surgical TMR in Europe with the leaders in advanced cardiothoracic techniques. Patients throughout Europe now have access to our advanced surgical and percutaneous devices and techniques, which have been proven to decrease morbidity rates compared to the traditional open surgical techniques."

Quinn noted that Cardiogenesis has been busy during 2005 in initiating distribution contracts throughout the European Union countries. "We have representation now covering the majority of the European Union, with more to be added this quarter. We have already received interest from leading minimally invasive skilled surgeons throughout Europe to implement our MIS instrumentation for TMR into their practice. Our European distribution partners are prepared to immediately implement our expanded MIS product offering for TMR in their respective territories."

Quinn went on to say, "Our progress in developing business outside the United Sates is the result of our ongoing regulatory and sales efforts in targeted international markets. By bringing our advanced tools and techniques to these developing markets, we are demonstrating our commitment to developing these significant opportunities with our distribution partners and providing the most advanced tools to their physicians and

patients. Europe and the surrounding regions represents an important growth opportunity and we are committed to providing our laser myocardial revascularization therapy to patients in need around the world."

Gary Allen, M.D., the Principal Investigator for the PEARL 8.0 Thoracoscopic Study in the U.S. stated, "These advanced minimally invasive tools for TMR, are necessary additions to the cardiothoracic surgeons' armamentarium in achieving total revascularization. The Ho:YAG fiber optic platform is the only commercially available TMR system which allows for true port access laser revascularization. Patient outcomes have been superior compared to historical experiences, with many patients returning to home within 48 hours of surgery. Compared to other minimally invasive cardiac operations, port access TMR has a shorter learning curve, less contraindications, and requires fewer hospital resources. The substantially less invasive surgical profile has rapidly led to increased patient and physician acceptance, and will likely replace traditional "open" procedures as the standard of care for sole therapy TMR."

The minimally invasive PEARL delivery systems are currently under investigation in the United States. Cardiogenesis is currently enrolling patients in a small safety and feasibility trial in support of the FDA approval process. The Company expects to complete enrollment in the study during the first quarter of 2006.

11/14 The Board of Directors of **El.En. SpA** met and released the quarterly financial report as of September, 30, 2005, drafted according the international accounting standards IAS/IFRS.

In the first nine months of year 2005 consolidated revenues reached 81 millions of euro, up more than 22% with respect to the nine months of year 2004. With a relevant increase, EBIT (up 64%) is 6,1 millions of euro with a 7,6% impact on revenue (was 5,7% in the first nine months of 2004). Also the third quarter was positive, with revenues at 30 millions of euro (up almost 40% on the 21 millions of Q3, 2004) and a strong increase in income form operations up to 2,9 millions, almost 10% on revenues, from the 1,4 millions of Q3, 2004. Gross Margin as of September 30, 2005 is 44 millions of euro, up 21% ; for the quarter the growth is 29%.

EBITDA for the nine months is 8,7 millions of euro (up 21%) matching the revenues increase of the Group; for the quarter EBITDA is 3,9 millions of euro, up 70% on the 2,3 millions of Q3, 2004. Income before taxes as of September, 30 2005 is equal to 6,1 millions of euro; for the first nine months of 2004 it had been 6,9 millions, including the gain on the sale of **Sona International** accounted for by **Cynosure Inc.** For the quarter income before taxes is 2,8 millions of euro with respect to the 1,5 millions of Q3, 2004.

As of September 30, 2005 the Net Financial Position stays positive for over 7 millions of euro, basically unchanged from June 2005.

11/14 **Miravant Medical Technologies** announced consolidated financial results for the third quarter ended September 30, 2005. The net loss for the quarter was $3.5 million or ($0.09) per share, compared to a net loss of $3.4 million, or ($0.10) per share, for the same period in 2004. The net loss for the nine months ended September 30, 2005, was $12.1 million or ($0.32) per share, compared to a net loss of $12.6 million or ($0.40) per share for the same period in 2004.

The Company had cash and cash equivalents of $3.9 million at September 30, 2005. The Company may also have the ability to borrow under its March 2005 $15.0 million convertible line of credit, subject to certain conditions and restrictions, including the discretionary approval of the lender which may limit our borrowing availability especially given the current financial condition and current stock price of the Company.

"After many months of preparation, we are excited to have commenced our Phase III confirmatory clinical trial for PHOTREX for the treatment of wet age-related macular degeneration (AMD). This is a major accomplishment for any company and we thank all those that have worked so tirelessly to move this program forward to what we hope will be its final stage," stated Robert Sutcliffe, Miravant's chairman. "We hope to have full enrollment in this trial by mid-year 2006 with a primary efficacy analysis at 12 months (one year after initial treatment), at which time the Company expects to amend its previously filed New Drug Application (NDA) to seek marketing approval."

On July 8, 2005, the Company announced that its board of directors had accepted the resignation of Gary Kledzik, Ph.D., as CEO, chairman and director. The Company's board of directors named director Robert Sutcliffe as Miravant's new, non-executive chairman, and announced the appointment of an interim executive committee consisting of Robert Sutcliffe and director Rani Aliahmad to coordinate management functions, identify CEO candidates and recommend initiatives to increase productivity and leverage Miravant's development programs.

The Company confirmed that patient enrollment in the confirmatory Phase III clinical trial of PHOTEX for treating wet AMD is underway. This multi-center, placebo controlled study is a confirmatory trial designed to fulfill the requirements for additional clinical data as outlined in an "approvable" letter received from the FDA following its review of the Company's NDA submission.

Miravant has contracted with **Kendle**, a leading global full-service clinical research organization, to provide clinical development and trial management services for this trial, which is being conducted at approximately 50 investigational sites in the United Kingdom, Central and Eastern Europe. This randomized, placebo-controlled trial, reviewed by the U.S. Food and Drug Administration under a Special Protocol Assessment (SPA), includes a range of patients with both the classic and occult forms of wet AMD.

11/15 **Diomed Holdings, Inc.** and **Duke University Medical Center (DUMC)**, a leading non-profit educational, research and health care institution announced today the formation

of a Center of Excellence in the field of venous and arterial disease. The initial focus of the collaboration will be in the field of superficial venous disease with particular emphasis on Diomed's patented EndoVenous Laser Treatment for varicose veins (EVLT).

Under the terms of the three year agreement, Diomed will fund and support a broad array of programs that include basic and advanced training for physicians involved in the diagnosis and comprehensive treatment of venous disease, education for primary care and other referring physicians and activities designed to build patient awareness. Medical programs will include both CME and non-CME courses, while patient education will be delivered via various media and web-based platforms. Diomed and DUMC also plan to collaborate on a number of clinical research projects that will advance the practice of vein and vascular disease management.

"We expect our collaboration with Duke University Medical Center to set a new standard in venous disease education," stated James Wylie, president and CEO of Diomed Holdings. "We are particularly pleased to partner with such a prestigious medical institution as Duke. Duke's strong commitment to research, education and achievement of excellence makes it an ideal partner for Diomed."

"Diomed is a leader in the field of endovascular laser treatment of superficial venous disease and varicose veins," commented Dr. Cynthia Shortell, Chief, Division of Vascular Surgery at Duke Medical Center. "As one of the premier medical centers in the United States, we want to be on the leading edge of advancements in this field. This collaboration is a good match with our strategic objectives."

The understanding of superficial venous disease in terms of diagnosis, treatment and impact on a patient's quality of life has advanced significantly over the last decade. Diomed and DUMC have been at the forefront of these changes and now, in collaboration, will look to further advance this rapidly growing medical specialty.

In closing, John Welch, vice president of North American Marketing for Diomed indicated, "Our partnership with DUMC adds a new dimension to Diomed's physician training program.

Our partnership and alliance with DUMC emphasizes our commitment to physician and patient education and brings our activities in this area to a new level."

11/17 **BIOLASE Technology, Inc**. announced the preliminary results of the voting at its 2005 annual meeting of stockholders. The Company reported that a quorum was present at the meeting, representing approximately 84% of shares outstanding. Stockholders voted to re-elect all five BIOLASE nominees, Federico Pignatelli, Robert Anderton, George d'Arbeloff, Robert Grant and Jeffrey Jones to the BIOLASE Board of Directors. All five board members were elected by approximately 97% of votes cast, according to a preliminary ballot count.

BIOLASE stockholders also approved an amendment to the 2002 Stock Incentive Plan to reserve an additional 950,000 shares of common stock, increasing the number of shares of common stock reserved under the plan from 4,000,000 to 4,950,000. This proposal to amend the 2002 Stock Incentive Plan was approved by approximately 76% of votes cast, according to a preliminary ballot count. BIOLASE stockholders also ratified the selection of BDO Seidman LLP as the Company's independent auditors for the fiscal year ending December 31, 2005 as well as ratified the Indemnification Agreement entered into between the Company and its directors and officers.

Following the formal proceedings, Robert Grant, president and CEO, presented an overview of the Company's business and answered questions from attending stockholders.

11/21 **BriteSmile, Inc.** announced that the Company had entered into a binding Letter of Intent with **Dental Spas, LLC ("Dental Spas")** for the sale of the Company's business consisting of its BriteSmile Teeth Whitening Centers (the "Centers Business"). Dental Spas will have the right to operate BriteSmile branded centers worldwide and, in addition, the world-wide distribution rights in the retail field to BriteSmile's after-care retail products including but not limited to the BriteSmile-To-Go whitening pen.

Dental Spas has agreed to pay $20,000,000 in cash for the Centers Business plus assume approximately $1,500,000 in Center Business debt. The proceeds will be used to repay debt and for working capital.

The Company is also in discussions concerning a possible sale of its Associated Center business, wherein teeth whitening procedures are performed by more than 5,000 independent dentists (Associated Centers) located in the United States and in more than 75 countries worldwide. There can be no assurances that such discussions will lead to a definitive agreement of any kind.

11/21 Dyke Hendrickson, writing in *Mass High Tech* on a new laser-based startup: **House party: Laser tech startup's sale strategy mirrors Tupperware's**

A bootstrapped Wakefield (Massachusetts) company recently made its first major sale as it attempts to push its laser technology into the growing marketplace known as "wrinkle eradication." Now **SemiNex Corp.**, which has developed prototypes for a more efficient consumer laser treatment, is focusing its business plan to partner with vendors who would then "sell" the services much the way marketing teams created Tupperware parties and "Botox Happy Hours."

A motivated individual will invite friends and family to the house and demonstrate the SemiNex technology that removes wrinkles. Those convinced of its effectiveness can get a treatment right in the living room. Later, that consumer can host her own event. "The work itself is done by a technologist, not a full physician," said Bean. "This approach has worked with Botox, and we feel that we have a better technology because the tools are

more effective." Bean declined to name his new customer, but the target that his company is aiming at is one famously served by Botox.

Botox injection to eradicate wrinkles is the fastest-growing cosmetic procedure in health care, according to industry statistics. Close to 2 million people received injections each year, according to data by the U.S. Food and Drug Administration.

SemiNex technology calls for "laser removal" rather than injections. And company officials say they have a technology to provide "better performance and laser efficiency while drastically reducing the laser size and power consumption." Company officials say approval from the FDA is not required. SemiNex would be entering a crowded market, as more than a dozen companies are involved in medical laser systems to eradicate wrinkles, tattoos and unwanted hair.

"We're designed to be the Intel inside the box," said David Bean, president of the 2-year-old company. "Our technology will be used by vendors, who will deal with consumers. This is a large field that will get larger. It's where computers were in the late '70s. The industry is going to explode."

Locally, several companies are generating significant revenue in laser-treatment technologies. **Candela Corp.**, based in Wayland, has annual revenue of about $110 million, according to public documents. **Cynosure Inc.**, a private company with headquarters in Chelmsford, has annual sales of between $20 million and $49 million, according to figures in a database developed by Mass High Tech. **Palomar Medical Technologies Inc.**, in Burlington, also sells medical lasers appropriate to hair and wrinkle removal. It has annual revenue of about $70 million.

Microsulis Ltd. is a tissue ablation (removal) company from the United Kingdom that has opened U.S. operations in Waltham. Chief Operating Officer Nicholas Johnston said the company might look at wrinkle removal, but right now the company is focusing on women's reproductive health issues. National players include **Lumenis**, **Laserscope** and **Iridex**.

The fact that so many companies are making money in the field suggests a growing opportunity. "With the aging of the U.S. society, there certainly will be a growing older population with discretionary funds to spend on wrinkle removal treatments," said Dr. Michael Miller, a physician who runs a consulting firm in Cambridge. "A marketplace will be more competitive as more treatments are developed."

SemiNex officials say the technology component that will distinguish them is that they will provide "high-power semiconductor lasers with six times the power and half the cost of conventional semiconductor lasers." Investors in addition to Bean include Donald Freeman, a former chief executive at Davol Inc. and HydroCision; and Dan Pulver, the company's principal scientist.

11/21 **DUSA Pharmaceuticals, Inc.** announced that it had filed lawsuits against physicians in California, Florida, and Tennessee to prevent their continued use of versions of its Levulan brand of aminolevulinic acid HCl (ALA) produced by compounding pharmacies, for use in the company's patented photodynamic therapy (PDT) treatment for actinic keratosis, basal cell carcinoma, acne and other dermatological conditions.

The suits allege that ALA obtained from sources other than DUSA Pharmaceuticals is being used by physicians for patient treatments that are covered under patents exclusively licensed by DUSA, resulting in direct infringement of these patent(s). Additionally, some doctors are also being sued for misuse of DUSA's trademarks and for violations of the Lanham Act for using the Levulan brand name on their web sites and promotional materials, but performing patient treatments with ALA obtained from other sources.

"DUSA has worked diligently to develop and obtain U.S. Food and Drug Administration (FDA) marketing approval for Levulan," said Robert Doman, DUSA's president and COO. "As an FDA approved manufacturer of drugs and medical devices, DUSA must meet the FDA's high standards for safety, efficacy, potency, stability, and purity for our products. Unlike compounded ALA, which has not been approved for marketing by the FDA, our products have undergone years of extensive and expensive clinical testing and evaluation to reach the dermatology marketplace. Our state-of-the-art manufacturing facility has also been built and maintained to FDA standards."

In 2004 and in early 2005, DUSA sued two compounding pharmacies, **The Cosmetic Pharmacy** of Tucson, AZ, and the **New England Compounding Center** in Framingham, MA, for violations of U.S. patent law. The Cosmetic Pharmacy presented no defense against the suit so a default judgment was entered by the court in DUSA's favor. The court also took the unusual step of awarding attorney fees to DUSA. The suit against the New England Compounding Center is still pending. The lawsuits allege that these compounding pharmacies were promoting their compounded ALA for use in DUSA's patented therapies and were therefore inducing physicians to infringe DUSA's patents.

Doman continued, "Use of compounded ALA for our patented therapies is a violation of DUSA's intellectual property rights. Because DUSA's patents cover uses of ALA, compounding pharmacies are putting physicians at legal risk by offering it for sale and encouraging its use. While we will continue to value and protect the longstanding relationships that we have made with the dermatology community and with our loyal doctors who use DUSA's proprietary Levulan, as a business, DUSA must protect its investment in its products and enforce its intellectual property rights against those physicians who use compounded ALA."

11/23 **PhotoMedex, Inc.** announced that **Highmark Blue Cross and Blue Shield**, the largest insurance company in Pennsylvania, based on membership, and one of the largest health insurers in the United States, had adopted a medical policy covering medically necessary treatment of mild to moderate psoriasis using the PhotoMedex XTRAC laser system. Highmark provides fully-insured and self-funded health products to over 4.1 million

members in Pennsylvania covering 29 counties in Western PA., where they insure more than 60% of the insured population and 21 counties in Central PA., covering more than 20% of the insured population in those counties.

Jeffrey O'Donnell, CEO of PhotoMedex, said, "We are very pleased to be able to announce this latest policy adoption for the XTRAC system treatment of mild-to-moderate psoriasis. The adoption of this policy by Highmark, coupled with the impending release of the already adopted policy by Independence Blue Cross and Blue Shield covering Southeastern Pennsylvania, will make XTRAC treatments available to a significant population within the state of Pennsylvania."

Michael Stewart, COO of PhotoMedex, who heads the reimbursement efforts at the Company, said, "After expansion of the installed base within Pennsylvania in the coming quarters, marketing efforts similar to those currently being conducted in New York, Ohio and Maryland will be initiated. Overall, coverage policies are now in effect covering approximately 77% of the insured population in the United States and we are continuing our efforts to make the XTRAC treatment available to patients under all insurance plans."

Medical/Surgical Update - December 2005

11/28 **BIOLASE Technology, Inc.** reported on the *World Clinical Laser Institute's (WCLI)* symposiums. The World Clinical Laser Institute recently held two symposiums on November 11th - 13th at the Ceylan Intercontinental Hotel in Istanbul, Turkey and Fairmont Le Chateau Frontenac Hotel in Quebec City, Canada. The mission of the institute is to provide advanced clinical laser education for dental professionals as well as training to current customers on how they can maximize the clinical, marketing and financial benefits of BIOLASE products. The WCLI is open to newcomers to the field of laser dentistry and general practitioners investigating the purchase of a laser.

Over 200 dentists attended the three-day event in Istanbul, traveling from over 28 countries around the globe. In Quebec City, more than 140 dentists attended the three-day event, including approximately 90 prospective customers. The symposiums offered a broad range of hands-on clinical training and educational seminar programs. Some of the topics covered included a presentation by Professor Andreas Moritz from Vienna, Austria, who discussed the evolution of lasers in dentistry and how Waterlase technology will evolve to be a standard of care due to its greater patient comfort and improved clinical outcomes. The symposiums provided a variety of essential support services to practicing laser dentists, including ongoing education, after-sale support and an excellent platform for current and future customers to fully investigate laser technology.

The company also announced the establishment of *BIOLASE University*, the Company's certification training and advanced education program for practicing laser dentists. BIOLASE University courses have been tailored to optimize the learning process and help dentists transition to practicing laser dentistry. The new program will enable purchasing dentists to experience a state-of-the-art, hands-on training certification course from

manufacturer-trained instructors -- teaching the skills and techniques necessary to be successful with Waterlase technology.

As part of the BIOLASE University mandate, both current and new customers attend the Company's Certification Training Course (CTC), which includes seven fundamental procedures that can be easily implemented into the dental practice. These procedures include: Laser Treatment for Class I Cavity Prep, Class V Cavity Prep, Frenectomy / Fiberotomy, Aphthous Ulcers, Gingivectomy, Endo Decontamination, Single Fractured Tooth, and Hard & Soft Tissue Crown Lengthening. To provide "best practices" training experience, the Company has unified the various laser techniques on these procedures into a standardized curriculum. The curriculum topics range from formal hands-on training and laser physics to laser tip selection / maintenance and buttonology. "The seven fundamental procedures is a tremendous concept that will allow dentists to return to their practices following Certification Training and treat patients with confidence," commented Dr. James Jesse, a BIOLASE instructor from Colton, CA.

The training staff consists of an experienced team of laser dentists that will be conducting BIOLASE University courses at hi-tech dental training facilities, like the IDEA Center in San Francisco, CA. The training courses can accommodate up to 20 students and feature the latest Waterlase MD laser systems. Most courses are scheduled for a two-day session over a weekend stay. "The IDEA Center is a state-of-the-art training facility which is the best possible way to teach dentists one-on-one how to practice laser dentistry. No question the level of education is better than a hotel environment," commented Dr. Mark Colonna, a BIOLASE instructor from Whitefish, MT. "At these unique training facilities we can meet the needs of today's marketplace."

Additionally, the Company has established the Master Laser Course (MLC) to address the customer demands for advanced training in laser dentistry. The curriculum topics range from laser-assisted periodontics, laser-assisted endodontics and laser-assisted cosmetic dentistry to laser-assisted implant dentistry and laser-assisted pediatric dentistry. These courses will promote an ongoing learning experience for practicing laser dentists.

The first BIOLASE University course will be held at the IDEA Center in San Francisco, CA on January 6 -7, 2006. Course dates and registration will be announced shortly at the Company's new web site www.biolaseuniversity.com.

11/30 **BIOLASE Technology, Inc.** announced that the Company and its Waterlase technology were featured in New York's *Newsday* newspaper in a November 29, 2005, article titled "Here's the New Drill" by Ellen Mitchell appearing on pages B10-11. The article features two Waterlase dentists in the New York area, namely Dr. Salvatore Tangredi and Dr. Ron Kaminer, and how the technology has dramatically changed their patients' dental experience through reduced pain, bleeding and the need for novocaine.

The article notes, "I asked people on a scale of 1 to 10 if they feel any pain and usually they'll say from nothing to a 3. I would say that 80% of those I used to give novocaine to

don't get it anymore," said Dr. Tangredi of Huntington, New York. "In most cases the patient leaves with no pain or sensitivity and, of course, without that bothersome numb face."

Additionally, the article mentions why the dentists from New York purchased the technology for their practice. "Now we have a tool that can make a little hole in the tooth to expose the decay, to trim off the tissue. And, it does it without causing bleeding; it seals off the nerves and sets up a lot more healing," said Dr. Tangredi. Dr. Ron Kaminer of Hewlett/Oceanside, New York commented, "The procedure was created to provide patients with a more comfortable alternative to traditional dentistry." The article notes that Dr. Kaminer installed the system in his offices more than five years ago and he teaches the procedure to other dentists.

The article also touches on the affordability of incorporating this hi-tech equipment into a dentist's practice. Dr. Tangredi commented the laser "paid for itself already" by opening up new procedures for him. According to the article, Dr. Tangredi now does dental surgeries, which he did not do previously. "Originally I didn't want to deal with the post-op, the bleeding and all the variables, but with the laser there's very little bleeding, no sutures and people don't complain," said Dr. Tangredi. "I can do fillings in different parts of the mouth at one visit, because there is little or no novocaine," said Dr. Kaminer. The article makes the point that the dentist is more productive and the patient comes in for fewer visits.

11/30 **Lumenis Ltd.** announced that it had signed a purchase agreement with **Corporacion Dermoestetica**, the largest medical aesthetic organization in Europe, for the sale of 50 IPL Quantum systems. "The commercial relationship and professional cooperation between Lumenis and Corporacion Dermoestetica started many years ago. This latest purchase is one more in a series that have strengthened both companies in the European market," commented Amnon Harari, vice president of European Sales and Service. "To maintain their leadership position as the most advanced medical aesthetic organization in Europe, Corporacion Dermoestetica strives to continually improve their treatment alternatives by investing in the most up-to-date technology. As the world market leader in medical lasers and light-based technology, Lumenis offers precisely what Corporacion Dermoestetica needs."

Jose Maria Suescun, the president of Corporacion Dermoestetica, said, "We have chosen Lumenis because of our existing working relationship, as well as its industry expertise and innovative technology. The decision to invest in 50 additional IPL Quantum systems is based on our own positive experience with this "work horse" and field-proven system. As the market leader in European medical aesthetic clinics, it is only natural that we turn to the global market leader in this technology to equip us as we continue to upgrade and expand to meet the growing needs in our European market. We are extremely confident in Lumenis technologies."

With the installation of these 50 new IPL Quantum units, Corporacion Dermoestetica will have over 200 Lumenis laser systems installed in their clinics throughout Europe. Some of the new systems are intended to replace older Lumenis systems as well as replace competitor systems used by Corporacion Dermoestetica. Additional units will be installed in new clinics expected to open in the coming months.

About Corporacion Dermoestetica: Corporacion Dermoestetica is a leading medical aesthetic organization founded in Spain in 1979, to offer a complete range of services and specialties within the aesthetic sector. Currently, with 90 wholly-owned clinics throughout Spain, Portugal, Italy and the United Kingdom, the company continues to expand to meet the needs in the European market. Corporacion Dermoestetica, currently the most advanced medical aesthetic organization in Europe, strives to continually improve its treatment alternatives by investing in the most up-to-date technology. For more information about Corporacion Dermoestetica and its services, log onto http://www.corporaciondermoestetica.com

12/1 The December issue of *Medical Laser Report* included the following article about the initial public offering of **Cynosure** by **El.En**.:

The initial public offering of Cynosure (Westford, MA), previously announced in August, is expected to take place the first week of December. Trading under the symbol "CYNO", shares are being offered at $12-$14 each by lead underwriters **Citigroup and UBS Investment Bank**. Cynosure expects to see $46 million in net proceeds from the offering, or $55 million if underwriters choose to exercise all their options.

The company plans to use $17 million to expand its sales, marketing and distribution capabilities. An additional $5 million will go toward research and development.

Following the IPO, the Italian firm El.En., which bought a majority of Cynosure's stock in 2002, will still own 38% of the company's share.

Cynosure was founded in 1991 and currently has nearly 5000 laser systems in place worldwide, primarily for use in the cosmetic and dermatology fields. It is one of the few laser manufacturers using alexandrite and pulsed-YAG technology, and reportedly has seen sales of its alexandrite lasers for hair removal take off in the past year.

In fact, under the direction of chairman, president, and CEO Michael Davin — who co-founded rival **Cutera,** but joined Cynosure in 2003 — the company reported a profit last year after three straight years of losses. Revenues for the first nine months of this year are about $40 million, equaling the total for all of 2004. In addition, operating income has more than doubled from 2004 to $2.9 million.

12/9 **El.En. SpA** reported that **Cynosure, Inc.** announced the pricing of its initial public offering of 5,000,000 shares of its Class A common stock at a price to the public of $15.00 per share. Of the 5,000,000 shares being sold in the offering, 4,000,000 shares are being sold

by Cynosure and 1,000,000 shares are being sold by the Group. In addition, Cynosure has granted to its underwriters a 30-day overallotment option to purchase up to an additional 750,000 shares. Cynosure's Class A common stock is expected to begin trading on the Nasdaq National Market today, under the symbol "CYNO."

The sole book-running underwriter for Cynosure's offering is **Citigroup Global Markets Inc. UBS Securities LLC**, **Jefferies & Company, Inc.** and **Needham & Company, LLC** are acting as comanagers. A copy of the final prospectus relating to this offering may be obtained by contacting Citigroup Corporate and Investment Banking, Brooklyn Army Terminal, 140 58th Street, 8th Floor, Brooklyn, NY 11220 (tel: 718-765-6732; fax: 718-765-6734).

Cynosure, Inc. develops and markets aesthetic treatment systems that are used by physicians and other practitioners to perform non-invasive procedures to remove hair, treat vascular lesions, rejuvenate skin through the treatment of shallow vascular and pigmented lesions and temporarily reduce the appearance of cellulite. Cynosure's products incorporate a broad range of laser and other light-based energy sources, including Alexandrite, pulse dye, Nd:Yag and diode lasers, as well as intense pulsed light. Cynosure was founded in 1991.

12/12 **Syneron Medical Ltd.** announced that the results of a two-center study found Syneron's Polaris WR effectively decreases the appearance of wrinkles and improves skin texture. In the article to be published this week in the *Dermatologic Surgery Journal* (2005:31), Dr. Neil Sadick of the Weill Medical College of Cornell University, who is on the research board for Syneron, and Dr. Mario Trelles of the Instituto Medico Vilafortuny in Spain, conducted a study of 23 adult patients (20 female and 3 male) aged 38 to 68, classified with grade II to IV wrinkling. At the conclusion of the treatment period, all of the patients recorded a clear improvement in skin smoothness and texture, and an improvement in the appearance of wrinkles.

The Polaris WR, powered by the unique elos (electro-optical synergy) technology, combines 900nm diode laser energy simultaneously with bipolar RF current. The synergetic combination of these two energies enables the system to use less optical energy density resulting in a safer and more effective technology for the treatment of wrinkles than other light or laser-based systems.

"The positive results witnessed by our study patients are proof that the unique combination of RF and diode laser technology significantly decreases the appearance of wrinkles," said Neil Sadick, M.D., department of dermatology, Weill Medical College of Cornell University, and founding director, Sadick Aesthetic Surgery & Dermatology in New York. "The histology assessment from the punch biopsies conducted on four patients showed an overall improvement throughout the skin by increasing epidermal thickness and creating more compact collagen fibers."

A similar peer-reviewed study published in the same journal earlier this year was cited within this clinical paper whereby Drs. Alster and Doshi also observed measurable improvement in both facial wrinkles and skin laxity with the Polaris WR.

"We are delighted to see such positive results and high patient satisfaction in yet another clinical study," said Domenic Serafino, president of Syneron North America. "The Polaris WR has proven to be a strong market leader, and the results published in this study further confirm its long-term effectiveness. We truly believe that the unique combination of technologies found in the Polaris WR and all our elos systems brings a very appealing treatment option for physicians and patients alike."

12/13 **Palomar Medical Technologies Inc**. announced that the U.S. District Court for the District of Massachusetts issued several rulings in Palomar's favor in connection with an ongoing patent infringement lawsuit filed by Palomar and the **Massachusetts General Hospital ("MGH")** against **Cutera, Inc.** In this lawsuit, Palomar and MGH accuse Cutera's CoolGlide family of products of infringing U.S. Patent No. 5,735,844 (the '844 patent). Yesterday, the Court denied Cutera Inc.'s requests for summary judgment of invalidity and non-infringement. The next step in the lawsuit is a jury trial, and Palomar will ask the Court to set a trial date at a January 12, 2006 scheduling hearing. If Palomar prevails at trial, Cutera may be ordered to pay millions in damages for past sales and ordered to stop selling infringing products. Palomar does not plan on licensing Cutera going forward. Palomar also alleges that Cutera's activities constitute willful infringement of the '844 patent. If Palomar prevailed on such a claim, Cutera could be forced to pay up to triple the amount of the original damages assessment.

In the summary judgment ruling, the District Court denied Cutera's request for summary judgment that the '844 patent is invalid over prior art, namely articles by Kuhns and Ohshiro. Also in the summary judgment ruling, the District Court denied Cutera's request for summary judgment that Cutera's products do not infringe the '844 patent. The Court held that Cutera was attempting to read limitations into the patent claims that did not exist.

Patricia Davis, Palomar's General Counsel and a registered patent attorney, commented, "It is important to note that the Court rejected Cutera's invalidity arguments and held that Cutera's references, namely articles by Kuhns and Ohshiro, do not anticipate the asserted claims of the '844 patent. At the same time, the Court also rejected Cutera's urging to limit the patent's true scope with regard to infringement. We continue to believe in the strength of our infringement position against Cutera."

CEO Joseph Caruso commented, "We are very pleased with the Court's ruling, and we are looking forward to having a trial as soon as possible. We have always believed in the strength of the '844 patent as well as its corresponding patent family members, and we will continue to aggressively enforce all of our patents."

A copy of the Court's ruling is available at: http://pacer.mad.uscourts.gov/recentopinions.html.

In addition to the summary judgment ruling, the Court also denied a Cutera discovery motion and a motion by Cutera to re-open claim construction on the claim term "applicator."

In addition to the lawsuit described above, on April 7, 2005, Palomar and MGH filed a second lawsuit against Cutera in the same Court accusing Cutera's new pulsed light products for hair removal, including the ProWave 770, of infringing both the '844 patent and related U.S. Patent No. 5,595,568 (the '568 patent). This lawsuit is in its early stages and is progressing.

12/13 John Calcagnini of **CIBC World Markets** issued an update on **Syneron**: **ELOS: Selling Seems Irrational On Hype of the Day**

Syneron shares are weak today following comments from a media figure (Jim Cramer) last night advising investors to take profits in Syneron and buy shares of another cosmetic laser company (Cynosure).

ELOS is also weak on news that Palomar (PMTI-NR) has won a favorable court ruling in a hair removal patent infringement case against Cutera (CUTR-NR) that has led some to suggest Palomar could go after Syneron as well. Syneron tells us that they have not been served with a lawsuit.

We would note that Palomar had a chance to sue Syneron in the past and chose not to after sending the company a letter asking for a royalty. We spoke to ELOS and they tell us that they employ a different mechanism of cooling the skin when performing hair removal. Syneron management has said that their attorneys believe that they do not infringe Palomar.

We would note that Syneron could actually benefit if Cutera or other companies that Palomar sues are enjoined from selling hair removal products. We believe that the weakness in ELOS shares today is unjustified. We also believe that the Velasmooth device for treating cellulite continues to see a healthy sales ramp in the marketplace.

12/13 **Cutera, Inc.** announced that it will ask the court to set an early trial date at a January 12, 2006 conference in its patent infringement action with Palomar Medical Technology, Inc. The U.S. District Court, District of Massachusetts issued a ruling yesterday on Cutera's summary judgment motion, paving the way for Cutera to present its defenses of non-infringement and invalidity at a jury trial. The judge, concluding that there were still material facts in dispute between the parties, has deferred resolution of these issues to a jury.

In its lawsuit, Palomar is alleging that Cutera's laser-based hair-removal products infringe three of the thirty-two claims of U.S. Patent No. 5,735,844. Cutera believes that its products do not infringe those patent claims, and that that entire patent should be invalidated.

Kevin Connors, Cutera's CEO and president, commented, "We have the broadest range of product offerings in this industry, spanning multiple applications and several different technology platforms -- including different platforms for hair-removal solutions. For almost four years, Palomar has been attempting to disrupt our sales of laser-based hair-removal products. We are eager to get our story in front of a jury, and remain confident in a positive outcome."

12/14 Appearing on *The Motley Fool*, Stephen Simpson wrote about the **Palomar Medical Technology/Cutera** patent battle: **An Ugly Battle in Aesthetics**

It's tough to say that Palomar Medical Tech (Nasdaq: PMTI - News) gets no respect when it trades for nine times sales, more than 14 times book, and almost 41 times trailing earnings, and has risen more than 75% in the last year. But I'm tempted to make that very case, since rival Cutera (Nasdaq: CUTR - News) is also richly valued yet has a rather small short position relative to Palomar.

In what may constitute a more meaningful "dis," Palomar believes that Cutera is infringing on some of its intellectual property. As you may imagine, Cutera disagrees, and the legal fight is now under way. Palomar scored an early blow yesterday, though, as a court denied a motion from Cutera to invalidate the patent in question. As a result, Cutera fell 27% and Palomar rose about 3%.

I find that discrepancy interesting, actually. It would seem that nobody has really acknowledged that Cutera could be in some real trouble here. Not only might more of the company's revenue be at risk than management has suggested, but there's also the potential liability of triple damages to Palomar. Putting a nice cherry atop all of this, Palomar has already said it has no intention of licensing the IP in question to Cutera.

Making matters more interesting, the risk here is disproportionate. If Cutera loses, it's got a big problem: It can't sell products incorporating the infringing technology, and it'll have to pay those damages. But if Palomar loses, what's the harm? It might not be able to file subsequent patent infringement suits, but it's already doing OK in competing with many of the allegedly infringing products.

Better yet for Palomar supporters, the company boasts some serious R&D and a leadership position in light-based aesthetic technologies. And while projects with **Johnson & Johnson** (NYSE: JNJ - News) and **Gillette** (now part of **Procter & Gamble** (NYSE: PG - News)) for home-use devices might be long shots, they're at least no worse than lottery tickets -- potentially very large payoffs with minimal risks.

I'm not a patent lawyer, so I wouldn't dream of making any claims as to the legitimacy of Palomar's case or Cutera's defense. I will say, though, that every once in a while you find these sorts of asymmetrical risk stories where the worst seems to be assumed for one player while the other gets something of a pass. Should events keep moving in Palomar's

favor, I think that represents a real upside for this fast-growing, albeit very pricey, little aesthetics specialist.

12/14 **Cynosure, Inc.** announced the completion of its initial public offering of 5,000,000 shares of its Class A common stock. Of the 5,000,000 shares sold in the offering, 4,000,000 shares were sold by Cynosure and 1,000,000 shares were sold by a wholly owned subsidiary of **El.En. S.p.A.**, Cynosure's largest stockholder. In addition, the underwriters of Cynosure's initial public offering exercised their over-allotment option in full and purchased an additional 750,000 shares of Class A common stock from Cynosure. All of the shares were sold to the public at an initial public offering price of $15 per share.

Cynosure received net proceeds from the offering, including net proceeds from the exercise of the underwriters' over-allotment option, of approximately $64.2 million after payment of underwriting discounts and commissions and estimated offering expenses. Cynosure did not receive any proceeds from the sale of the shares by the selling stockholder.

12/15 With regard to the annual meeting (scheduled for December 28, 2005 at its headquarters in Montgomeryville, Pa). and the proxy that had been distributed, Jeffrey O'Donnell, president and CEO of **PhotoMedex, Inc.**, said, "I believe the recent depressed level of the stock price does not represent the true value of the Company. To that end, I have agreed that if my stock options described in the current proxy are granted as approved by the shareholders, the strike price will be at or above $2.50 per stock option. My goal is to be aligned with the shareholders. I believe that the true value of the Company will be realized when the XTRAC can be marketed in a fully reimbursed environment and I look forward to that occurring in 2006."

O'Donnell continued, "With regard to reimbursement, I think it is important for the Company to provide periodic, relevant data to its shareholders to measure the impact of reimbursement on our domestic dermatology business. PhotoMedex has previously stressed the importance of insurance reimbursement for domestically performed procedures involving the XTRAC laser. We are pleased at the recent developments whereby nearly full insurance reimbursement has been established in a number of geographic regions. Once full reimbursement has been achieved for a region, procedures have increased and are expected to continue to increase. The Company is pleased to announce that, starting with the results for the fourth quarter of 2005, expected to be released March 2, 2006, the Company will publish in tabular format specific comparative results for each region that has achieved full reimbursement."

In addition, O'Donnell said, "A PhotoMedex board seat will be filled in 2006 by a candidate appointed by the independent members of the PhotoMedex board of directors. The PhotoMedex Nominations and Corporate Governance Committee will recommend several candidates for consideration and will seek input on the proposed candidates from a group of shareholders as to the contributions that the respective candidates would make to the PhotoMedex board and overall corporate governance."

12/15 **El.En. SpA** reported that **Cynosure, Inc.** announced the completion of its initial public offering. In addition, the underwriters of Cynosure's initial public offering exercised their over-allotment option in full and purchased an additional 750,000 shares of Class A common stock from Cynosure. All of the shares were sold to the public at an initial public offering price of $15 per share. As an effect of the transaction, the percentage of ownership by El.En. is down to 34,5%, from 38%.

The sole book-running underwriter for the offering was Citigroup **Global Markets Inc. UBS Securities LLC**, **Jefferies & Company, Inc.** and **Needham & Company, LLC** acted as co-managers.

El.En., an Italian company, is the parent of a high-.tech industrial group operating in the optoelectronics sector. Based on proprietary technology and multidisciplinary know-how, the El.En Group manufactures laser sources (gas, semiconductor, solid-state and liquid) and innovative laser systems for medical and industrial applications. The El.En. Group is the laser market leader in Italy and among the top operators in Europe. It designs, manufactures and sells worldwide:

- Medical laser equipment used in dermatology, cosmetics, physiotherapy, dentistry and gynecology;
- Industrial laser systems for applications ranging from cutting, marking and welding metals, wood, plastic and glass to decorating leather and textiles and restoring/conserving artwork;
- Laser systems for scientific research

EL.EN has been listed on the Star (MTAX) of Borsa Italiana. Its market floatation is approximately 23% and its market capitalization amounts to €140 million.

12/19 **Candela Corporation** announced that it had commenced shipment of its new Pulsed Dye Laser (PDL) Platform. The new Platform is a continuation of the successful Vbeam product line and features three new models - the Aesthetica, the Platinum, and the Perfecta. The new models have also received European CE certification and will now be in the hands of practitioners worldwide.

"As Candela celebrates its 35th anniversary this year, we continue to set the industry standard by offering customers a wide range of technology and product configurations which meet their business needs," said Gerard Puorro, president and CEO of Candela. "With the shipment of our new PDL Platform, Candela continues its long-term reputation for technology innovation, customer service and support."

Eric Bernstein, M.D., a Clinical Associate Professor of Dermatology at the University of Pennsylvania in Bryn Mawr commented, "The Vbeam is great for my business because all of my patients have something that the new PDL Platform can treat. Patients can get rid of brown spots, facial redness, facial and leg veins or undergo full-face rejuvenation with virtually no down time while seeing results in one to two treatments," Dr. Bernstein

continued, "In addition, the new Vbeam offers a level of safety that I don't believe is possible with other devices."

Introduced at the *American Society for Dermatologic Surgery (ASDS)* Annual Meeting on October 27th, the new lasers feature a sleek, new look and a simplified user interface. In addition, the lasers can be customized and are fully upgradeable. The Aesthetica provides optimal rejuvenation results for patients looking to remove both vascular (red) and pigmentation (brown) spots on the skin, while the Platinum is ideal for treating patients with a wide variety of vascular (red) lesions. For practitioners looking for one machine that does it all, the Perfecta is designed for rejuvenation, vascular and pigmented lesions.

The new Platform allows practitioners to treat stubborn skin conditions more aggressively than before. With the new "Micro-Pulse" design, practitioners can now perform more aggressive treatments which produce faster results without unnecessary downtime for patients.

The Aesthetica, Platinum and Perfecta make their debut as part of Candela's Pathways Program, featuring a choice of upgradeable technologies that provide practitioners with the flexibility to treat a wide variety of popular cosmetic skin conditions.

Aesthetica, Platinum & Perfecta feature Candela's unique "Micro-Pulse" technology which enables advanced laser pulsing capability providing improved clinical efficacy. The new "Micro-Pulse" technology enables physicians to improve treatment efficacy without causing unnecessary downtime for patients. The Aesthetica and Perfecta also offer a new pigmented handpiece enabling treatment of brown sun spots and general dyspigmentation which was previously not possible with PDL technology. Pigmentation is a very popular clinical indication which is added to the already extensive range of clinical applications including: facial veins, rosacea, facial redness, leg veins, scars, stretch marks, port wine stains, hemangiomas, and warts. Our patented dynamic cooling device (DCD) is integrated into the device. The DCD is automated to emit a cooling spray milliseconds before each laser pulse, which protects the upper layers of the skin from the thermal effects of the laser.

12/19 James Ritchie, writing in the *Cincinnati Business Courier* about the use of TMR: **Hospitals doling out pain relief, Laser treatment eases heart pain, brings revenue into system**

Warren Murrell was at the emergency room or in the hospital with chest pain 30 days out of 40 during one stretch this year. Doctors had done what they could for his coronary artery disease; he'd had bypass surgery in March 2003 and had a stent put in five months later. Though the procedures might have extended Murrell's life, they weren't enough to make it enjoyable. He remained incapacitated with chronic angina -- pain and discomfort caused by lack of oxygen to the heart muscle. "I didn't know what a full paycheck was," he said.

He finally found relief in October with a procedure, transmyocardial revascularization, or TMR, that involved burning holes in his heart with a laser. He said his pain has been reduced by 80 to 90 percent. Doctors at several Greater Cincinnati hospitals are finding that the treatment is effective for patients with pain that can't be relieved, or can't be helped enough, by bypass surgery or angioplasty and that doesn't respond to medication.

And it provides the institutions a revenue opportunity with patients who might have dropped out of the health care system or become a drain on it. In eligible cases, the coronary artery disease causing the angina is often too diffuse for the earlier-line treatments to be appropriate, or the patient is too sick for them. Surgeons frequently perform TMR, which is approved by the U.S. Food and Drug Administration, along with a bypass when some of the disease is amenable to bypass and some is not.

"The maximum of procedures and the maximum of medicines still are not helping their heart pain enough," cardiothoracic surgeon Dr. John Robinson said of patients eligible for the laser treatment. He recently performed the 25th TMR procedure at Good Samaritan Hospital using a carbon dioxide laser bought in 2003 from **Edwards Lifesciences**. The hospital used $300,000 from the Good Samaritans' Gala, an event put on annually by spouses and friends of the hospital's physicians. Russell Pollard, the 46-year-old patient, underwent the procedure in conjunction with bypass surgery, as the large majority of TMR patients at Good Samaritan have.

"He is doing well and has no angina at all," Robinson said. It's hard to separate the effects of TMR from those of bypass surgery when they are performed together, Robinson said.

Bethesda North Hospital also has had a carbon dioxide laser since 2003. Christ Hospital has had a holmium: yttrium-aluminum-garnet (YAG) laser since late summer, and Mercy Fairfield Hospital has had one since 2003. Scientists have not determined exactly how TMR, in which between 10 and 40 channels are seared into the heart muscle of the left ventricle, works. Leading theories are that the 1-millimeter channels stimulate the growth of small new blood vessels within the heart, increasing blood flow and oxygen delivery, or that the procedure reduces pain by impairing nerves.

Medicare and major insurers reimburse the procedure, said Joe Kelley, spokesman for TriHealth, parent organization of Good Samaritan and Bethesda North. According to Society of Thoracic Surgeons guidelines, research indicates that TMR can reduce angina symptoms when used either alone or with bypass surgery, but "there is no statistically conclusive evidence" that it can prolong a patient's life.

"With proper patient selection and observance of appropriate surgical technique, TMR provides very gratifying symptomatic improvement to desperately ill patients who otherwise would be crippled by unrelenting angina pectoris," according to the guidelines. Estimates are that about 6.5 million people in the United States suffer from angina, according to the American Heart Association. According to **Cardiogenesis**, which makes the holmium laser, more than 30,000 TMR procedures have been performed since 1999.

For Murrell, 55, the procedure meant a return to normal functioning. He's back on the job at Foxtail Foods, a division of Perkins, making liquid food products. "It really seems to have worked," he said. Dr. Geoffrey Answini, the cardiothoracic surgeon who performed Murrell's procedure at Christ Hospital, said he's done about 10 of the procedures since the hospital obtained a TMR laser in late summer. He's generally performed TMR as a sole therapy, apart from bypass surgery.

With the holmium: YAG laser, it requires only a 2-inch incision below the left breast and takes about 90 minutes. Recovery time is two to three weeks. According to the American Heart Association, studies suggest that "the angina of 80-90 percent of patients who've had this procedure has significantly improved (at least 50 percent) through one year after surgery."

"There's still limited follow-up data as to how long this procedure might last, however," according to the AHA. Now, Answini said, "(patients) have a very viable option." "It's so gratifying doing these procedures and having these people come back and say, 'Doc, I have my life back,'" Answini said. He said he expects high demand for TMR over the next year or so because a high number of patients needing relief from their pain are learning of the option. "I don't think anyone really realized the extent of people who are out there with chronic angina," he said.

Henry Blaufeld, northern region manager for Cardiogenesis, said sole-therapy TMR can be good business for health care institutions by "capturing a new patient and revenue stream." "Sole-therapy TMR can be a profitable proposition for a hospital," he said. "And this is a patient they otherwise would not have seen." Frequently a patient with chronic, intractable angina "basically leaves the health care system," Blaufeld said, "and the only time the hospital sees this patient is when they show up at the ER."

Hospitals historically do not turn a profit on emergency room visits. Answini, he said, "is making Christ Hospital money on the front end and saving them money on the back end" as well by keeping patients out of the ER.

12/20 **PhotoMedex, Inc.** announced that it had settled the outstanding litigation it brought against **Edwards Lifesciences Corporation**, **Edwards Lifesciences LLC** and **Baxter Healthcare Corporation**. PhotoMedex brought the action in January 2004 in the Superior Court of California for Orange County. Trial in the action was scheduled for January 2006. The action concerned an agreement between Edwards and PhotoMedex for the development and marketing of an excimer laser for use in TMR, or transmyocardial revascularization, as has been reported in various filings made by PhotoMedex in the past.

Jeffrey F. O'Donnell, president and CEO of PhotoMedex, commented on the settlement. "We are pleased to have concluded this matter with Edwards on terms negotiated and mutually acceptable to the parties. While certain details of the settlement are subject to confidentiality restrictions, we can say that the settlement provides some working capital to the Company that will be useful for our domestic marketing program for the XTRAC

excimer laser. The settlement also frees up management time for continuing to build our dermatology and surgical businesses."

According to *bizjournals.com*, the litigation concerned a deal between Edwards of Irvine, Calif., and PhotoMedex for the development and marketing of an excimer laser for use in TMR, or transmyocardial revascularization. The procedure, designed to relieve severe angina or chest pain, involves a laser used to create small channels in the heart muscle, improving blood flow.

PhotoMedex alleged Edwards -- and Baxter of Deerfield, Ill,, Edwards' former parent corporation -- breached agreements to develop and commercialize PhotoMedex's patented technology. The lawsuit also alleged Edwards improperly granted to a competitor certain rights to the heart-related proprietary technology which belongs to PhotoMedex under the agreements and which PhotoMedex had acquired "at Baxter's insistence for $4 million." The lawsuit sought the return of $4 million plus costs and interest.

A trial was scheduled for January 2006. Terms of the settlement were not disclosed.

12/21 **Diomed, Inc.**, a subsidiary of **Diomed Holdings, Inc.** announced that it had filed its Motion for Summary Judgment in its patent infringement case against competitors **AngioDynamics, Inc.** and **Vascular Solutions, Inc.** In January 2004, Diomed commenced legal action in the United States Federal District Court for the District of Massachusetts against AngioDynamics, seeking injunctive relief and damages for infringement of Diomed's pioneering United States Patent Number 6,398,777 which covers the endovascular laser treatment of varicose veins. Diomed acquired exclusive rights to the patent from the five inventors of the procedure in September 2003. Diomed initiated similar actions against Vascular Solutions and two other competitors later in 2004. At Diomed's request, the AngioDynamics and Vascular Solutions cases were consolidated for pretrial purposes.

Summary judgment is the phase of the case in which the parties may ask the judge to consider whether certain issues can be resolved by the court as a matter of law without the need for trial, while other issues may be presented to a jury at trial. All parties are scheduled to file summary judgment motions this week. Responsive papers are expected to be filed by January 23, 2006 and further replies are expected to be filed by February 6, 2006. The judge in the case is likely to schedule a hearing sometime in early 2006 before issuing his decision on the motions filed. Depending on the results of the hearing, a trial would be expected to be held later in the year.

"Diomed is pleased that this case has advanced to the stage at which the judge will have the opportunity to review and consider the extensive evidence, including expert reports, which we believe clearly establish that the defendants have copied our patented method and are infringing our valuable intellectual property rights," stated James A. Wylie, President and Chief Executive Officer of Diomed Holdings, Inc "We look forward to seeing these cases to their just conclusion."

The Company declined further comment on the pending action.

12/21 **Candela Corporation** announced the FDA clearance of a new "flexible" intense pulsed light system. The Ellipse Flex IPL system was developed in close cooperation with leading skin researchers and dermatologists. The new Ellipse Flex treats a wide range of cosmetic conditions quickly and comfortably including facial rejuvenation, vascular lesions, facial veins, acne, age spots and diffuse redness.

"Adding the Flex IPL system to our product line demonstrates our commitment to continue to offer the widest range of laser and light based products and technology solutions to our customers," said Gerard Puorro, president and CEO of Candela. "The Flex IPL system will enable us to continue our expansion into new markets with one of the most advanced IPL systems available today."

The Ellipse Flex features a unique Programmable Pulse Mode, which enables the clinician to design the output pulse of the device to fit almost any clinical situation presented. This allows the user to customize the treatment settings to each specific patient, enabling a more personalized treatment session.

"With the Ellipse Flex system, I have control of every output parameter," said Dr. Michael Drosner, Dermatologist, Cutaris Center, Munich, Germany. "Thanks to the unique Programmable Pulse Mode, I am able to fine tune treatment settings to a degree not possible with other IPL systems. This allows me to create a treatment profile that is specific for each patient. The patient's profile is easily saved for the patient's next visit, making each treatment experience consistent."

As with all Ellipse IPL systems, the Flex also features the patented Dual-Mode Filtering technology which removes potentially harmful "water absorbing" wavelengths from the output spectrum device. With other intense pulsed light technology, water absorbing wavelengths are absorbed everywhere in the skin creating a non-specific thermal injury, which can lead to an increased risk of side-effects. Dual Mode Filtering ensures only the wavelengths required to perform effective treatment are delivered to the skin, offering a safe, effective and lasting solution.

The new Ellipse Flex IPL system makes its debut as part of Candela's Pathways Program, featuring upgradeable technologies which provide practitioners with the flexibility to treat many patients with a variety of skin conditions.

12/21 **PhotoMedex, Inc**. announced that **Independence Blue Cross and Blue Shield**, the second largest insurance company in Pennsylvania based on membership and one of the largest health insurers in the United States, has published a medical policy covering medically necessary treatment of mild to moderate psoriasis using the PhotoMedex XTRAC laser system. Independence Blue Cross and its subsidiaries are the Philadelphia region's largest health insurers with more than 2.7 million members locally, and 3.5 million members overall. The published policy can be accessed at **www.ibx.com**.

Jeffrey O'Donnell, president and CEO of PhotoMedex, said, "I am pleased that Independence Blue Cross has published this positive payment policy. PhotoMedex has its headquarters in this region and we are pleased to now be able to provide the XTRAC laser treatments for psoriasis to the local patient population on a covered basis. We will begin partnering with dermatologists throughout Pennsylvania and, once a reasonable number of lasers are installed, we will begin direct-to-consumer advertising to alert psoriasis patients seeking care where care will be available."