MEDICAL/SURGICAL LASER UPDATE -- January 2000

1/4 **Henley Healthcare, Inc.** announced that the MicroLight 830 Laser PMA Application had been submitted to the FDA following the completion of the IDE Clinical Study for the treatment of carpel tunnel syndrome. The PMAA summarized and reported the data generated during the year and a half long multi-center randomized double blind Clinical Investigation. The study, which included over 180 patients, was conducted at Baylor College of Medicine, Hand Specialty Center, Houston, Texas, under the direction of Dr. David Lichtman, orthopedic surgeon and private practice physicians, Dr. Stanton Moldovan, Houston, Texas and Dr. Jack Anstandig, Cleveland, Ohio.

Carpal Tunnel Syndrome is a common painful disorder of the wrist and hand, induced by compression on the median nerve from tissue swelling, between the inelastic carpal ligament and other structures within the carpal tunnel. According to a report by the National Institute for Occupational Safety and Health, musculoskeletal disorders, including carpal tunnel syndrome, are among the most prevalent medical conditions in the U.S., affecting 7% of the population. It has been estimated that carpal tunnel and repetitive strain injuries are the nation's most costly occupational health problem, costing in excess of $20 billion a year in workers compensation.

Analysis of the patient results following the five-week laser treatment protocol and post-treatment follow-up data and clinical evaluations support the company's belief that Low Level Laser Therapy is a viable alternative treatment modality for the many individuals suffering from carpal tunnel syndrome. "We are pleased to announce the achievement of this long awaited milestone!" said Michael Barbour, president and CEO of Henley. "We believe the results validate the Laser as a breakthrough in the non-surgical treatment of carpal tunnel syndrome."

1/4 **Eclipse Surgical Technologies** announced it had submitted an application to the FDA seeking marketing clearance for Percutaneous Transluminal Myocardial Revascularization (PTMR) in the United States. PTMR is a catheter-based therapy performed by interventional cardiologists to treat patients with severe angina caused by coronary artery disease. Eclipse had previously received FDA approval to commercialize TMR, a procedure performed by cardiovascular surgeons to treat certain patients with severe angina.

"This submission to the FDA seeks to expand the TMR market to include the interventional cardiologist," said Doug Murphy-Chutorian, chairman of Eclipse. "We would like both the cardiac surgeon and the interventional cardiologist to be treating their patients with our products." Eclipse submitted twelve month data from its randomized, controlled, multicenter study comparing PTMR to continued drug therapy in patients with severe angina who had no other procedural options. "We want to congratulate our investigators and staff for completing this study," said Alan Kaganov, CEO of Eclipse.

"We believe that catheter-based products are a key addition to our product portfolio," added Dr. Kaganov."

1/5 **American Dental Technologies** announced that it had received a firm purchase order for $5.1 million from its Japanese distributor for shipments commencing January 2000 through March 2001 and a $165,000 purchase order from one of its Canadian dealers. "We are pleased that our International dealers continue to express their confidence in our products," said Ben Gallant, president and CEO. (No description was provided as to what products were included in the purchase orders.)

1/5 **ESC Medical** announced that sales for the fourth quarter 1999 were strong and exceeded the company's expectations. Yacha Sutton, president and CEO said, "We are pleased with the initial indications of the fourth quarter's results, which send a clear message that our customers believe in us and our products, and that demand is strong. Sales results are particularly encouraging since they come at a time when we have been cutting expenses during our transition and restructuring process. These results also show that our newly restructured and leaner organization is consistent with sales growth."

ESC Medical is in the process of changing its corporate name to **ESC Sharplan** in recognition of its Sharplan brand's leading reputation in the medical device marketplace.

1/5 **The Plastic Surgery Co.** an emerging, national provider of practice development services and Internet marketing solutions for the plastic surgery market, announced that it has entered into business services agreements with 25 plastic surgery practices. The practices had aggregate 1998 net revenues in excess of $33 million. These practices, which are referred to as "founding allied practices," are located in 18 major markets across the country, including Los Angeles; Denver; Orlando, FL; Miami; Atlanta; Honolulu; Kansas City, KS; Baltimore; Portland, OR; Greater New York/Westport; Hartford, CT; Raleigh, NC; Cincinnati; Oklahoma City; Philadelphia; Amarillo, TX; Austin, TX; and Houston. Together, the practices include 30 board-certified or board-eligible plastic surgeons and one surgeon certified by the Canadian Board of Plastic Surgery. Each is considered a leading practice in its market.

These business services agreements were closed simultaneously with the completion of the company's initial public offering on Dec. 10, 1999. Under the terms of the business service agreements, The Plastic Surgery Co. would generally receive the first 15% of net practice revenues for a term of 20 to 25 years, in exchange for providing a range of practice development, Internet, marketing, customer care and financing and administrative services for that same period of time. Simultaneously, with its closing of the initial public offering, the company completed these long-term business services agreements and had transferred to it, certain of the founding practices' operating assets. In exchange, the founding practices in the aggregate received consideration valued at $35.7 million, including 3 million shares of common stock based on the initial public

offering price of $8 per share, approximately $5.3 million in promissory notes and approximately $6.2 million in cash.

In commenting on the event, Dennis Condon, president and CEO of The Plastic Surgery Co. said, "We are getting off to a very strong, exciting start with the addition of these impressive founding plastic surgery practices. Collectively, they represent an extraordinary range of intellectual property in the best practices of plastic surgery today. When combined with management's extensive marketing experience in the cosmetic surgery industry and the company's emerging consumer Web site, we are uniquely qualified to expand the boundaries and the value of today's plastic surgery practice."

The Plastic Surgery Co. is a Santa Barbara, CA-based, provider of practice development and Internet marketing services for the rapidly expanding cosmetic surgery industry. The company has business service agreements with an expanding network of board-certified/eligible plastic surgeon affiliates across the United States.

1/5 In a surprise announcement, **Premier Laser Systems Inc.** announced that its board of directors elected Fredric Feldman, as chairman, replacing Colette Cozean, who had served as chairman since 1992. In electing Feldman, the board also removed Cozean as chief technology officer, a position she had held since the appointment of Michael Quinn as the company's president and CEO in November 1999. Cozean remains a director; neither Feldman nor Cozean is an employee of the company.

Colette Cozean issued a statement saying that, "Michael Quinn and certain members of the board of directors of Premier Laser Systems, have decided to change the focus of Premier Laser Systems. To accomplish this purpose, certain individuals have been removed from the company, including, but not limited to myself as Chief Technology Officer, Tom Hazen, executive vice-president of Operations, and Jeffrey Anderson, vice-president of Regulatory Affairs and Quality Assurance. The majority of the Board also believes that Mr. Feldman can assist the company in his new role as chairman to increase the company's focus on marketing and sales."

She was further quoted the following day in the *Orange County Edition of the Los Angeles Times* as saying, "The company has been lauded for the number of . . . products that have come to market," said Cozean. "Considering that, these changes are surprising." She also said that she may resign from the Board. The Times also contained comments from analyst John Doss of **Dominick & Dominick**, "Certainly, it looks like a palace coup." Industry experts say Cozean's ouster may have had more to do with a conflict between Cozean and Michael Quinn, the man she helped bring in to replace her as president and chief executive. Cozean said she was never even shown a copy of the press release announcing her removal. Quinn said he and the board acted to remove her because he and directors want to take Premier beyond research and development. "We want to become a sales and marketing-driven company rather than just an R&D incubator," he said. "We

want to broaden our reach in terms of customer base, which has been very narrow. Most important, we want to be a profitable company, which we've never been able to deliver." Quinn said a severance package has yet to be worked out with Cozean. In 1998, the last year for which documents are available, Cozean earned $165,000 and received a $100,000 bonus and options to buy 1 million shares of stock. She is the company's single biggest individual shareholder with about 4.3% of the stock, according to the company's 1999 proxy statement.

The Times went on to say, analysts had praised Cozean's ability to introduce and get federal approval for new products, but criticized her as a manager. "The company is all her founding genius. There's no question about that," said John Westergaard, chairman of **Westergaard.com Inc.**, a New York City publisher of several online financial newsletters. "But it's another thing to make it all work."

1/6 *ABC World News Tonight with Peter Jennings* featured the **Spectranetics Corporation's** proprietary laser technology for removing problem pacemaker and defibrillator leads as a medical breakthrough for many patients. The December 27, 1999, ABC News report focused on how the technology, known as the Spectranetics Laser Sheath (SLS), helps pacemaker and defibrillator patients who are at risk due to faulty or infected leads.

In the ABC News report, Dr. Bruce Wilkoff of the Cleveland Clinic explained and demonstrated the use of the system. The SLS enables a physician to remove problem leads by freeing the leads from surrounding scar tissue in a minimally invasive procedure that can last under 10 minutes. ABC News referred to the laser technology as a "vast improvement over old techniques to remove lead wires" and said it "dramatically reduces risk to patients." Commenting on the ABC News coverage, Dr. Wilkoff said, "I'm hopeful that the television report on the SLS will help inform the thousands of pacemaker and implanted defibrillator patients that these powerful extraction tools and techniques provide an excellent solution to patients whose health is, or may become, compromised by infection or problem leads." Joseph Largey, Spectranetics' president and CEO, said, "We anticipate our SLS technology and product line to have a major medical impact, since gaining FDA approval just two years ago. In the few days since the ABC News report, our company and the catheter labs we serve have received a surge of inquiries from doctors and patients alike. We expect our lead removal revenue to double within the next 18 months as a result of our ongoing training and marketing programs."

1/11 Dr. David Green, a board certified dermatologist and medical laser expert from Bethesda, Maryland, who won a defamation suit against Mitchel Goldman, M.D., of San Diego, CA, over the latter's promotion of PhotoDerm, the intense pulsed-light-source medical device manufactured by **ESC Medical Systems Ltd.**, issued a press release saying that this "victory" may be "a precursor of things to come."

ESC Medical will attempt to defend itself in Federal Court against allegations of conspiracy to defame in a libel suit brought by Dr. Green. Last year, Dr. Goldman was found guilty of defamation in California Superior Court, in a lawsuit brought by Dr. Green, who claimed he was the victim of damaging false statements by Goldman because Green reported findings that cast doubt on the safety and efficacy of PhotoDerm. Goldman, who had a financial interest in ESC, made the statements while promoting the PhotoDerm device at a national medical laser conference (ASLMS) in 1998, in which hundreds of physicians were in attendance. Green, who served as an IRB approved clinical investigator for the PhotoDerm unit, studied the device under the specifications set out by the manufacturer under a FDA approved protocol. He asserts that an undisclosed number of PhotoDerm devices have been returned by physicians, and other physicians are seeking to return their device for a refund because of its lack of efficacy and burn scars which the device has inflicted.

The Green vs. ESC trial is scheduled to be heard later this year in the U.S. District Court of Florida.

1/11 **MW Medical** announced that sales for the fourth quarter 1999 were strong and exceeded the company's expectations. Jan Wallace, chairman and president said, "We are very pleased with the initial reception and interest in our new product, the MW-2000, for cosmetic hair removal. Sales for the fourth quarter increased 1500% over Q3, 1999 showing a positive trend for the product and company. This level of sales activity for a new technology such as ours shows the strength of MW's sales network, and that customers are not satisfied with the older technologies offered by other device companies. Our sales results are particularly exciting since they're coming from a new product in a highly competitive market. MW's salesforce has been able to effectively differentiate the MW-2000 from all the other devices available to physicians for hair removal." The MW-2000 microwave technology offers a unique solution for physicians to treat more skin types and hairs colors throughout the year, capabilities even current laser and intense pulsed light modalities cannot provide.

Mitch DeShon, VP of Global Sales, stated, "MW's challenges moving forward are building and shipping our order backlog from Q4,1999 in the new quarter; building a solid clinical foundation so new users can quickly adopt the technique and technology; and bringing out new cosmetic applications for microwaves in the near future." The company currently has IRB protocol approvals for several new clinical indications treatable with microwave energy.

1/11 **QLT PhotoTherapeutics Inc.** announced that **Sanofi-Synthelabo Inc.** had notified the company of its intention to exercise its rights to convert Sanofi-Synthelabo Inc.'s Series "D" first preference shares of QLT to common shares of QLT. As a result of the notice of conversion, QLT will issue 736,138 common shares to Sanofi-Synthelabo Inc. on January 14, 2000, representing approximately 1% of the company's issued and

outstanding common shares. Sanofi-Synthelabo Inc.'s rights to convert their investment to common shares became effective on January 1, 2000. Sanofi-Synthelabo Inc. has a marketing and distribution partnership with QLT for PHOTOFRIN (porfimer sodium for injection) and other oncology products in the United States and the Caribbean.

1/13 **The Spectranetics Corporation** announced that the FDA had granted 510(k) clearance to market a new product for interventional cardiovascular therapy, the Spectranetics Support Catheter. The Spectranetics Support Catheter is designed for use in the cardiovascular system for accessing and/or crossing lesions. The primary function is to provide support to an angioplasty guidewire. The Support Catheter complements Spectranetics' array of other one-time-use products for interventional cardiovascular therapy. The company plans to begin marketing the Support Catheter during the current quarter and believes it is a high-margin product in a market estimated at 30,000 procedures annually. "The Support Catheter represents yet another high-quality product from our engineering team. Within a very short period, the team has developed the support catheter to address a unique problem," said Joseph Largey, Spectranetics' president and CEO. "Spectranetics is committed to continue to refine and build upon its line of high-quality devices for interventional therapy that help meet key medical needs." The Support Catheter and the recently approved lead locking device (LLD), unlike many of Spectranetics' products, are not excimer-laser based technologies.

1/13 **ESC Medical Systems** and **LPG Systems** of France announced that they had resolved their differences and had reached an out-of-court settlement of the pending lawsuit brought by LPG's U.S. subsidiary involving the parties' therapeutic massage equipment and systems, used for a variety of indications, including the temporary reduction in the appearance of cellulite. Yacha Sutton, president and CEO of ESC Medical Systems said, "We are delighted to be settling this lawsuit with LPG. The time and money invested in this suit have been diverting us from our primary purpose, which is to manufacture and sell high quality medical and aesthetic equipment. In addition we are very excited at the prospect of becoming a distributor of LPG products and to be selling LPG's Endermologie cellulite system through our own channels of distribution."

1/13 **BriteSmile, Inc.** announced that it had entered into an agreement for the **Pequot Funds** to invest $20 million in equity financing, subject to certain closing conditions. In consideration for the investment, the company will issue 3.3 million shares of common stock. The investment is scheduled to close during the month of January. The company recently introduced the BriteSmile process into Japan and Argentina, and has plans for further international expansion. The $20 million investment will be used for general working capital purposes, including funding for the company's expansion plans. "This substantial capital investment in BriteSmile illustrates the tremendous confidence that Pequot has in our strategic business plan," said John Reed, CEO of BriteSmile. "BriteSmile continues to build on its successful launch of BriteSmile Teeth Whitening Centers by expanding into new domestic and international markets, and providing

customers with a leading-edge teeth whitening process that is faster and more effective than other available procedures."

1/13 **Cell Robotics International** announced that **Coffin Communications Group (CCG)** had been retained to support the company's investor and media relations program. CCG, one of the country's leading investor relations firms, specializes in managing investor relations for more than 30 publicly traded companies, including **Mentor Corp.**, **STAAR Surgical**, **TROY Group** and **Microsemi Corp.**

1/13 According to *Dow Jones*, in a presentation at the Chase H&Q Healthcare Conference, **DUSA Pharmaceuticals Inc.** CEO Geoffrey Shulman said the company hopes for $50 million to $100 million in annual sales of Levulan within three years of its introduction into the market. Levulan, a light-activated compound, has received FDA approval for use in the treatment of some skin lesions (actinic keratoses). The drug should go on the market "right after" the FDA signs off on minor changes in its pre-market approval, Shulman said. That action is expected during the current quarter. The worldwide market for Levulan could eventually reach $200 million, Shulman said. DUSA, is currently putting together a pricing plan for Levulan in conjunction with Germany's **Schering AG**, its marketing partner. Pricing should be competitive with other treatments, which range in cost from $45 to $215, he said.

1/18 **Candela Corporation** announced that it had introduced the innovative, new Vbeam laser system. Vbeam represents a change to the standard of care in the treatment of cutaneous vascular lesions. Vbeam will also change the historical pricing profile in the industry, making this standard of care technology available to significantly larger numbers of office-based practitioners. Vbeam, Candela's new pulsed dye laser, has the capability to treat all cutaneous vascular lesions such as leg veins, stretch marks, psoriasis, superficial wrinkles, rosacea and facial spider veins. "The pulsed dye laser has a well documented history of safety and efficacy, making it the gold-standard laser treatment for cutaneous vascular lesions," said Roy Geronemus, MD, Director, Laser and Skin Surgery Center of NY.

Candela has responded to the industry by introducing Vbeam to the market at prices approximately 50% less than those of competitive systems. Vbeam's special introductory price of $69,500 includes a revolutionary 3-year, full-service warranty. Vbeam's full-service warranty will cover all maintenance and consumables, including dye kits and cryogen, for the first three years. "Vbeam represents a departure from established product development guidelines", stated Gerard Puorro, president and CEO. "Vbeam will once again change the paradigm by which physicians purchase lasers. Like the GentleLASEPLUS, Candela's market-leading product for hair removal, the pricing platform for Vbeam will enable private-practice physicians to gain access to laser technology that was once only used by major hospitals and large group physician practices. Many office-based physicians are under pressure to find alternative sources of

income while they have seen their reimbursement from insurance providers reduced. These physicians often see cosmetic services such as removal of facial spider veins and leg veins as an attractive supplemental cash flow alternative. Many office-based physicians are under pressure to find alternative sources of income while they have seen their reimbursement from insurance providers reduced. These physicians often see cosmetic services such as removal of facial spider veins and leg veins as an attractive supplemental cash flow alternative."

"Patients treated with the Vbeam found the treatment less painful than with existing pulsed dye lasers, and the majority of patients experienced no post-operative purpura," said Steve Ugent, MD, Assistant Professor of Dermatology, Boston University School of Medicine, and a Vbeam clinical investigator.

1/18 **Laserscope** announced that it completed a private placement of common stock providing net proceeds to the company of approximately $1.8 million. The placement to accredited investors, was managed by **Taglich Brothers, D'Amadeo, Wagner & Company, Incorporated**.

1/18 **thatlook.com** announced that it would enter the cosmetic dentistry, ophthalmic laser and lasik surgery, orthodontic and hair replacement markets by the third quarter of this year. Gerard Powell, thatlook.com's president and CEO, stated, "We plan to continue to expand our market presence in the physical enhancement markets by generating patients for our doctors via the Internet and flat media. Our new website is close to a completed redesign and will be launched in the second quarter with a continued focus on our flat media offerings which include *Cosmopolitan*, *Women's Own*, *Redbook*, *Soap Opera Digest*, *Soap Opera Update*, *Globe/National Examiner*, *Working Women*, *First for Women*, *Fit*, and *Working Mother*, and are viewed by over twenty million monthly readers. Our cosmetic surgeon participants and future physician clients will benefit by having increased exposure in a variety of advertising mediums. The mission of the company remains establishing the leadership position in the elective surgery and physical enhancement market segments by extending these services to an interested and informed consumer base."

The access to as many as 150,000 physicians in these market segments fits well into the company's business strategy of generating patient flow for its physician clients. In order to execute its expansion in the plastic surgery market and the extension into cosmetic dentistry, ophthalmic laser and lasik surgery, orthodontic and hair replacement, the company is completing its next portion of financing of more than $1 million in capital to be invested by the end of January. These monies, including the first tranche funded in September, are primarily used to expand Internet marketing, Flat media, support labor expense and finish the installation cost of our state-of-the-art dialing equipment. The company's "bricks to clicks" conversion will replace the heavy dependence on television advertising thus reducing costs dramatically. Lawrence Simon, the new chairman of the

Board, commented, "The scalability of our business model with a successful extension in the physical enhancement niche markets is extraordinary. By the end of fourth quarter, 2000, our goal is to facilitate patient flow nationwide from all these additional medical specialties to our emerging certified physician network by offering the most extensive and affordable financing options to informed consumers."

1/18 Jennifer Steinhauer, of the *New York Times*, wrote about the increased market for cosmetic surgery, in an article entitled, "Doctors Eliminate Wrinkles, and Insurer Cutbacks". Part of what she wrote included, "Until recently, doctors who specialized in so-called lifestyle medicine -- elective and largely cosmetic procedures -- were limited to rarefied corners of the medical profession. But facing declining revenues because of reimbursement cuts by managed care companies, thousands of doctors in New York and across the country are turning to cosmetic medicine to keep their practices lucrative. The reason is simple: because nearly every elective procedure intended to improve the appearance of a patient is not paid for by insurance companies, patients must pay up front, often staggering sums. Laser eye surgery, for instance, costs about $5,000. For doctors, that means no rejected bills, no paperwork and no reduced payments by managed care companies. In some practices, cosmetic procedures are supplementing basic care; in others, they are nearly replacing it." (Anyone wishing a copy of the complete article, please contact me.)

1/19 **Candela Corporation** announced that revenues for its second fiscal quarter increased 34%, and its profits for the period increased 130%, compared to the same period in the prior year. The company said that revenues for the quarter ending January 1, 2000 were $17.8 million versus $13.3 million for the same period a year earlier. For the six month period, revenues were $33.8 million versus $24.0 million, a 41% increase. Commenting on the quarter's results, Gerard Puorro, president and CEO, stated, "We continue to see solid growth across our markets. Earlier this week, we announced the launch of Vbeam, our new vascular product designed to capture expanded market share. We remain optimistic that we can continue to grow our top and bottom lines."

Simultaneous with its earnings announcement, the company also announced that its Board of Directors had approved a three-for-two stock split, payable in the form of a 50% stock dividend. All shareholders of record at the close of business on January 28, 2000 will receive one additional share for each share of common stock owned. The additional shares will be distributed to shareholders on or about February 28, 2000. Upon completion of this split, Candela will have approximately 11 million shares of common stock outstanding. Regarding the company's stock split, Puorro said, "We believe the increase in shares outstanding from this split could enhance the liquidity of Candela shares, and is beneficial to our shareholders over term."

During the accompanying teleconference with analysts, Paul Broyer, CFO, noted that domestic sales were 51% of the total, and that hair removal lasers represented about 45%

to 50% of total sales, similar to the previous quarter. Puorro also mentioned that the company was close to getting labeling for permanent hair reduction, similar to what Coherent has.

1/20 **Image Sculpting International Inc. (ISII)** announced that it had completed a $2 million private placement of units consisting of debentures and options and had completed the acquisition of **D.R. Josephson Limited** and certain assets of the Toronto cosmetic surgery practice of Dr. Martin Unger. **Northern Securities Inc.** acted as the agent in completing the private placement. Of the net proceeds, $1 million was required to complete the Josephson and Unger acquisitions, with the balance to be used for general working capital purposes.

Josephson has been in the fashion optical retail business in Canada for 65 years and operates seven retail stores in the Toronto area. Josephson is recognized as the leading up-scale retailer in this sector. The acquisition of Josephson involved the payment of $600,000 in cash, the issuance of 833,333 common shares of ISII and the issuance of a $700,000 one year secured promissory note. ISII intends to expand Josephson and to offer a more complete range of vision correction options than any other Canadian company. ISII intends to expand the offering of Josephson from its current offering of "high-end" eyeglasses and contact lenses to also include laser vision correction and laser cosmetic procedures. ISII intends to equip Josephson stores, which currently attract more than 800 shoppers per week, with marketing materials and technical specialists to promote ISII's services. ISII is also pleased to announce that Dr. Josh Josephson will continue as the CEO of Josephson and has agreed to join the Board of Directors of ISII.

The acquisition of certain assets of the cosmetic surgery practice of Dr. Unger completes ISII's "one stop shopping" concept for vision and image enhancement for its Toronto clinic. Dr. Unger will continue his cosmetic surgery practice using the ISII facilities and will continue as the Medical Director, Cosmetic Surgery for ISII. Dr. Unger has been a featured international speaker in the specialty of cosmetic surgery for over 15 years. The Unger acquisition involved the payment of $400,000 in cash and the issuance of a $400,000 secured promissory note convertible into common shares of ISII.

ISII has also entered into an agreement to retain Northern Securities as agent, to complete a public offering of common shares on a best efforts basis to raise gross proceeds of between $3 to $4 million and to qualify for distribution of the 2 million common share purchase warrants issuable in connection with the private placement completed today. The Offering will be made over Northern's Public Offering Website (www.enorthern.com).

1/21 **Premier Laser Systems** said that it had extended the expiration date of its Class B Redeemable Warrants until March 15th.

1/24 **American Dental Technologies** announced that it had received a firm purchase order for $540,000 from its Italian distributor for shipments commencing January 2000 through December 2000. (But failed, again, to say for what products.)

1/24 An article in the January 15th issue of *Optoelectronics Report*, formerly *Laser Report*, discusses the changes that have occurred over the past two years at **Spectron Laser Systems** in the UK. Founded in 1982, this developer of ruby laser technology, was acquired by **Laser Industries** in 1997. The following year, Laser Industries was acquired itself, by **ESC Medical Systems**. But with the ruby laser demand for hair removal systems dwindling, due to the rise in alexandrite lasers, Spectron turned to some of the CO_2 laser technology developed by its sister subsidiary, **Surgilase Products**, which quickly became **Spectron Lasers USA**. With both solid state and CW CO_2 laser technologies, the company was in position to move forward. In addition to CO_2 and ruby lasers, Spectron also sells the Micro Q, an ultra compact Q-switched YAG laser that operates up to 45 watts CW, or at up to 75 kHz in the Q-switched mode. The lasers are aimed at industrial applications including engraving, cutting, drilling, and welding in a range of materials.

1/24 **OneSource Services, Inc.** announced that it had signed an exclusive service agreement with **Tenet Healthcare Corporation**, to support all of Tenet's medical laser systems.

1/24 **The Plastic Surgery Co.** an emerging, national provider of practice development services and Internet marketing solutions for the cosmetic surgery market, today reported that the *American Academy of Cosmetic Surgery (AACS)* announced on Jan. 20, 2000, a "staggering" increase in cosmetic surgery this past decade. The more popular cosmetic surgical procedures, which included tummy tucks, eyelid surgery, breast augmentation, facelifts and liposuction, increased almost 500% in the aggregate to nearly 1 million procedures in 1999. The more "staggering" statistics were related to "skin rejuvenating" procedures, which fall under the nonsurgical cosmetic treatment business at The Plastic Surgery Co. According to the AACS, "nearly 1.5 million Americans opted for chemical peels, up from about 64,000 in 1990." Chemical peels, Botox procedures, fat injection treatments, laser skin resurfacings and microdermabrasions accounted for millions of nonsurgical cosmetic interventions in 1999, with many of these unavailable until the past few years. In fact, microdermabrasion, a very recent technology for skin rejuvenation, accounted for more than 400,000 procedures. At an average cost of $150 per treatment, this new procedure already represents a $60 million market.

According to the Academy's news release, "the unprecedented rise in cosmetic surgery procedures is attributed to baby boomers reaching middle age, an increase in disposable income, the booming economy, greater acceptance of cosmetic surgery as an option to enhance appearance, the increased competition in cosmetic surgery causing prices to remain relatively steady and less invasive procedures available with less downtime."

1/25 **The Spectranetics Corporation** officially launched its redesigned Web site, **www.spectranetics.com**. The new Web site, geared for physicians, hospital administrators and patients who rely on Spectranetics' technologies, is designed to provide information to these audiences in order to facilitate the understanding of the Company's products and technology.

1/25 **Coherent, Inc.** announced financial results for its fiscal first quarter ended January 1, 2000. Sales and net income were $127.2 million and $6.7 million ($.26 per share), respectively. Sales increased by $21.6 million (20.4%) and net income increased $2.4 million (56.4%), compared to the first quarter of the prior year. Strong sales growth occurred in all three business segments. Incoming orders for the quarter were $134.4 million, an increase of 21.6% from the same quarter last year. Coherent's Lambda Physik subsidiary, manufacturer of excimer lasers, booked record orders of $28.2 million. Gross profits improved across all business segments. The gross profit rate for the first quarter was 48.8% compared to 48.2% for the corresponding prior year period and 46.1% for the immediately preceding quarter. Gross profits increased primarily due to increased lithography sales, lower warranty costs, and improved efficiency variances.

Bernard Couillaud, Coherent's president and CEO commented, "In addition to our solid financial performance, the past quarter was very exciting because of the significant milestones achieved within each of our operating segments. First, we have solidified our entry into the telecom marketplace with the goal of becoming a leading vendor of DWDM optical components. This business draws directly on our existing core competencies and is an exceptional opportunity because of the large size and explosive growth potential of the telecom marketplace. Secondly, I am pleased to report that our Medical business, led by strong sales of our LightSheer hair removal system, achieved its second consecutive quarter of profitability. The anticipated second fiscal quarter FDA approval of the Opal Photoactivator laser (used for the treatment of the wet form of age-related macular degeneration) should help this trend continue."

During the accompanying teleconference, it was disclosed that the Medical Group's sales totaled $46.8 million, up from the $46 million recorded in the previous quarter, and $38.7 million for the same quarter a year ago. During the quarter, the company shipped over 200 LightSheer diode hair removal lasers, bringing the total in the field to over 1000. Sales were led by the lower cost models, but which Couillaud noted that gross margins continued strong, due to cost reductions achieve by its **Star Medical** subsidiary. Couillaud also mentioned that the company anticipated an initial market size of 600 units for its Opal photoactivator laser, during the first twelve months following marketing approval. The company also has a kit of disposables to accompany each dose of photosensitizer used in the treatment of AMD and, depending upon market acceptance of the Coherent kit versus competitors, this could develop into a nice business for the company, especially with the more than 3 treatments per year per patient anticipated for the PDT treatment.

1/26 During the annual meeting of *The International Society for Optical Engineering (SPIE), BIOS 2000*, two independent studies were presented demonstrating that YSGG lasers inhibit the development of dental caries. **Biolase Technology** is the only producer of dental lasers that utilizes YSGG technology. One study titled "Treating Occlusal Pit and Fissure Surfaces by IR Laser Irradiation," was prepared by Dr. Douglas Young, University of the Pacific and Drs. Daniel Freid and John Featherstone, University of California, San Francisco. This study showed that the YSGG laser prevented caries development better than other types of lasers and significantly better than the traditional dental drill (bur). According to the study, "Laser ablation of the pits and fissures resulted in a 50% inhibition of caries progression for both $C0_2$ and Er:YAG [lasers] and 72% caries inhibition for Er:YSGG. All laser groups were significantly superior in caries inhibition at a statistical level of $P<0.005$ compared to the control [dental drill] group. Results indicate that these lasers can not only conservatively prepare pits and fissures but, in addition, can have marked caries preventive effects."

A separate independent study, titled "Calcium Solubility of Dental Enamel following Er, Cr:YSGG Laser Irradiation," was prepared by Drs. Christian Apel, Hans-Georg Graber and Norbert Gutknecht, Clinic of Conservative Dentistry, Periodontology and Preventive Dentistry, University of Aachen, Germany. The purpose of this study was to determine if the Er, Cr:YSGG laser had the ability to reduce acid solubility of dental enamel to prevent the development of caries and decay. The study results "confirm a significantly lower calcium content in the test group exposed to radiation of 6.5 J/cm2 ($p<0.025$). Dental enamel seems to have increased acid resistance following irradiation with the Er, Cr:YSGG laser." When attacked by acids produced by bacteria, tooth enamel loses calcium which results in caries formation. This process is well documented in clinical and scientific literature. Currently, the most effective and accepted methods of decay prevention are fluoride treatments, oral hygiene and using products that seal and protect the tooth structure.

Jeffrey Jones, president and CEO of Biolase commented, "Biolase has become the market leader in hard and soft dental lasers based on our ability to provide dentists with effective systems that can painlessly cut enamel, dentin, caries and perform soft tissue procedures. The results of these two new independent studies are very important. We already have clearances from the Food and Drug Administration to use the Hydrokinetic laser to prepare teeth for sealants as a decay prevention method. In response to these new studies, Biolase is preparing applications for additional clearances to market the Millennium as a tool to prevent tooth decay. Once obtained, these additional clearances will broaden the clinical uses and further expand the market for our proprietary technology."

1/26 **Medical Alliance** announced that it anticipates better-than-expected results for the fourth quarter and year ended December 31, 1999. Preliminary results for the fourth quarter indicate earnings per share in the range of $0.05 to $0.06, for a total earnings per share,

before a nonrecurring charge related to merger termination, for calendar year 1999 of $0.10 to $0.11. The Company also announced that it anticipated earnings per share for calendar year 2000 to be in the range of $0.24 to $0.26. Final results for the fourth quarter and year ended December 31, 1999, will be announced on February 16, 2000.

The company also announced that it had retained Dallas-based **Hoak Breedlove Wesneski & Co.** to act as its financial advisor in connection with the possible sale of its medical business. Medical Alliance also announced that it intends to consider opportunities to merge with or acquire a business or businesses in high growth industries, with a focus on the Internet and technology sectors. Paul Herchman, CEO of Medical Alliance, said, "The Board of Directors has concluded that, despite the recent success of our medical business, the market continues to undervalue Medical Alliance. Thus, in order to maximize shareholder value, the Board of Directors has determined to pursue the sale of its medical business to a strategic buyer who is positioned to fully realize its market potential. Medical Alliance will then have a sufficient cash position which should be attractive to potential acquisition candidates or would be available to Medical Alliance to make acquisitions. The company will also consider any offer to purchase the entire company by a strategic partner. Medical Alliance currently has no bank debt or long-term debt and over $13 million in cash. There can be no assurance, however, that Medical Alliance will be successful in selling its medical business or that it will be able to acquire any businesses or merge with any company."

MEDICAL/SURGICAL LASER UPDATE -- February 2000

1/27 **Surgical Laser Technologies** announced its financial results for the fourth quarter and year. Net income was $62,000 (3 cents per share) on sales of $1.8 million in the fourth quarter compared to a net loss of $1.0 million (52 cents per share) on sales of $2.5 million in the fourth quarter of 1998. The fourth quarter of 1998 net loss included a non-recurring charge of $485,000 related to the company's former headquarters facility. For the year, sales were $8.0 million compared to sales in 1998 of $9.4 million. The net loss for 1999 was $1.9 million (95 cents per share) which included non-recurring charges, primarily related to the discontinuance of certain new product ventures, of $1.4 million (73 cents per share) recorded in the second quarter of 1999. Excluding the non-recurring charges, the net loss for 1999 was $443,000 (22 cents per share).

Commenting on the results, Michael Stewart, SLT's president and CEO, stated, "The results of the second half of the year indicate that we have achieved the first steps in our efforts to revitalize the company. We have returned to profitability, stabilized the business and have maintained a good cash position. Now, we must capitalize on our programs to increase revenues. Following the course of action that we have taken over the last year has put us in what we believe is a very positive position to take advantage of several market opportunities in the coming year. We will continue to drive toward capitalizing on those opportunities. Ultimately, the achievement of our goal of increasing

shareholder value will depend on our ability to place the company back on a growth path. I believe that we are identifying promising areas that would accomplish our goal and are securing the technologies and the distribution capabilities that will lead to sustainable growth. All that is required is not as yet in place, but I believe that we are continuing to make significant progress."

1/27 **Eclipse Surgical Technologies** reported results for the fourth quarter ended December 31, 1999. All prior period results are restated to include the effect of the combination of Eclipse Surgical and **CardioGenesis Corporation** on March 17, 1999. Eclipse reported worldwide product revenues of $7.6 million and a loss, excluding merger related costs in the quarter, of $3.7 million (13 cents per share). Including merger related costs of $323,000 the loss for the quarter was $4.1 million (14 cents per share). This compares favorably with fourth quarter 1998 revenues of $5.4 million and a loss of $11.4 million (42 cents per share). The increase in sales by approximately 40% in the fourth quarter of 1999 was due primarily to sales of laser systems and disposable products in the U.S. as a result of commercial approval of the Eclipse Transmyocardial Revascularization (TMR) System by the FDA in February 1999. The decrease in loss by approximately 65% in the fourth quarter of 1999 versus the fourth quarter of 1998 was due to higher sales and improved operating efficiencies achieved from the March 1999 merger between Eclipse and CardioGenesis. Total revenues for the year were $25.3 million, compared to $15.1 million in 1998. Net loss for 1999 was $28.3 million (99 cents per share), compared to a net loss of $47.8 million ($1.77 per share) for 1998.

"We are pleased to report to our shareholders a record level of quarterly revenues, and shipments for the Eclipse TMR 2000 system. Both the laser and disposable business showed strong sales growth during the quarter," said Alan Kaganov, CEO of Eclipse. The company announced earlier in the month that an application had been submitted to the FDA for marketing clearance of a PTMR product. Also, the company has received a response from the FDA to the July 1999 submission for labeling changes to its TMR product supported by data from its TMR and bypass study. The company is preparing its answer about providing additional information or modifying its labeling request.

1/27 **Image Sculpting International Inc.** announced that it had entered into a letter of intent to acquire the assets of **Vision Sculpting of Troy, LLC (VS Troy)**, a privately owned company which operates a clinic in Troy, Michigan offering laser vision correction, laser cosmetic surgery and cosmetic surgery. The letter of intent contemplates that the purchase price of $8 million will be satisfied through the delivery of $1.1 million in cash and 11.8 million common shares of ISII at a deemed issue price of CDN$0.85 per share. Completion of the acquisition will be subject to the parties entering into a definitive agreement and securing all necessary regulatory approvals.

The acquisition represents ISII's first entry into the U.S. market. VS Troy began operation in November, 1996 as a laser vision correction facility and has only recently

expanded its range of services to provide a complete array of cosmetic services, including laser hair removal, laser skin and vein treatments, skin resurfacing and traditional cosmetic surgery. For the calendar year ended December 31, 1999, the Troy Centre performed over 5,000 laser procedures. The Troy Centre is one of the most experienced centres in the mid-west, having performed over 15,000 procedures.

VS Troy also recently announced entering into several corporate group contracts, including one with **K-Mart**, to provide full laser services at preferred rates. Most recently, VS Troy signed a contract with the **Detroit Regional Chamber of Commerce** that represents 11,000 employers, translating into over 1.5 million potential patients.

1/27 Shares of **MW Medical Inc.** began trading on the Frankfurt Stock Exchange as of Jan. 14, 2000.

2/1 **Laser Photonics** announced that it had received FDA approval to market its excimer laser system to treat psoriasis. LPI's excimer laser system is the first FDA-approved laser treatment for psoriasis, the second most common skin disorder in the U.S. A clinical study led by Dr. Charles Taylor at Massachusetts General Hospital (MGH) in Boston, demonstrated that the LPI laser system is safe and effective for treating psoriasis. Introduction of the system in the U.S. is planned for March 2000. Rox Anderson, MD, Associate Professor of Dermatology, Harvard Medical School, and a colleague of Dr. Taylor at MGH said, "Excimer laser treatment of psoriasis can be much more efficient than conventional phototherapy. By avoiding exposure of healthy skin to Ultraviolet B (UVB), we can safely give the desired higher exposure doses needed for rapid clearing." Dr. Anderson has pioneered various laser treatments in dermatology, and serves on LPI's scientific advisory board.

2/1 **Spectranetics Corporation** reported its first quarterly net profit as fourth quarter core medical revenues and gross margins reached new records. The company reported an increase of 36% in core medical revenue during the quarter to a record $6.7 million, as compared to $4.9 million for the same period in 1998. The revenue increases were led by growth within the company's single-use fiber-optic catheter product lines -- coronary angioplasty and lead removal. Revenue from the sale of coronary angioplasty products and lead removal products increased 120% and 19%, respectively, as compared to the same period in the prior year. "Our fourth quarter performance demonstrates our ability to retain the business gained during the third quarter due to the recall of a competitor's atherectomy product," said Joseph Largey, president and CEO.

Placements of new laser systems increased to 14 for the quarter as compared to 10 during the same quarter of 1998. The strategic shift towards the placement of laser systems through the new Evergreen rental program continued during the quarter resulting in a 10% decline in equipment revenue. The Evergreen program is also contributing to a product mix shift away from equipment revenue and towards higher margin recurring

revenue, which consists of sales of single-use disposable catheters, rental revenue, and service revenue. During the fourth quarter, recurring revenue represented 85% of total revenue compared to 76% during the fourth quarter of 1998. "The fourteen new accounts added during the fourth quarter bring the total new laser accounts to thirty within the last six months of the year, a 50% increase from the last six months of 1998," Largey continued. "Geographically, the United States is clearly the growth driver. Our disposable catheter revenue grew 70% over the fourth quarter of 1998. Our U.S. operations were also the main contributor to our first net profit in the company's history. Europe continues to make progress with a revenue gain of 32% after adjusting for the negative impact of foreign currency fluctuations."

Core medical revenue for the year was $22.3 million, compared with $15.5 million in 1998, an increase of 44%. All product lines contributed to the growth in 1999 -- coronary angioplasty revenue increased 85%, laser equipment revenue increased 34%, lead removal increased 22%, and service revenue increased 20%. Net loss from continuing operations for the year, excluding the 1999 impact of non-recurring charges totaling $1.4 million, was $2.9 million (13 cents a share), compared to $4.1 million (22 cents per share) during the same period in 1998. Spectranetics reported 1999 net income of $5.2 million (23 cents per share) which includes the gain on sale and the income from the discontinued operations of its industrial subsidiary totaling $9.4 million (42 cents per share). For the year, the net loss was $3.3 million (17 cents per share) which includes net income from discontinued operations of $861,000 (5 cents per share).

2/1 Senior Analyst Scott Baily of **BlueStone Capital** upgraded **Coherent, Inc.** on better-that-expected first (January) fiscal quarter results.

2/2 **MW Medical Inc.** announced that the US Patent Office had issued two new patents for its microwave delivery system. The technology is currently approved by the FDA for hair removal, and is being marketed to physicians in the United States and Internationally. The patents describe the therapeutic uses of the device and features of the proprietary applicator used in the system. The company will continue to file new patents for its ongoing technological applications. The MW 2000 uses microwave energy to thermally affect the hair follicle without damaging surrounding tissue. Clinical trials in the US and Europe have proven the clinical efficacy of the system and its introduction into the cosmetic market has been very well received.

2/2 **Candela Corporation** announced that it had agreed to grant **Laser Aesthetics, Inc.**, a wholly-owned subsidiary of **New Star Lasers, Inc.**, a sublicense under the Dynamic Cooling patent licensed by Candela for use in conjunction with Laser Aesthetics' CoolTouch NS 130 laser, and Laser Aesthetics' Long Pulse YAG laser. In addition to the sublicense agreement, New Star and Laser Aesthetics have agreed to settle the litigation they had brought against Candela for alleged contractual interference between New Star and *The Regents of the University of California*. Both the sublicense agreement and the

settlement of the litigation are conditioned on a favorable outcome of the pending arbitration between Candela and The Regents of the University of California concerning the Dynamic Cooling patent. Commenting on the resolution, Gerard Puorro, Candela's president and CEO, said, "We are quite obviously delighted with this outcome and now will focus on resolving remaining issues we have concerning Dynamic Cooling with The Regents of the University of California."

2/2 **ESC Medical Systems** announced that the FDA had determined that ESC's proprietary Intense Pulsed Light (IPL) technology for hair removal can be marketed to provide "permanent hair reduction". This new claim is based on strong scientific studies with patients in multiple clinics and a carefully constructed statistical analysis. Permanent hair reduction is defined as long-term stable reduction in the number of hairs re-growing after a treatment regime. The number of re-growing hairs must be stable over a time greater than the duration of the complete growth cycle of hair follicles, which varies from 4 to 12 months, depending on the site on the body. "IPL photoepilation technology is the only treatment of its kind to demonstrate such high clearance rates for hair removal," said Neil Sadick, MD, Clinical Associate Professor of Dermatology at New York Hospital-Cornell Medical Center, and co-investigator of the study. "Unlike other laser systems, IPL therapy appears to produce a genuine destruction of hair follicles, rather than temporarily disabling them," added co-investigator Michael Gold, MD, a Cosmetic Dermatologic Surgeon in Nashville, TN.

Two separate studies were conducted to support this claim. One measured the effect of IPL hair removal after a single treatment and the second one measured the effect after two to six treatments. Results showed an average clearance rate of greater than 76% permanent hair reduction at 12 months and 84% at 24 months following the multi-treatment regimen. "The FDA determination for our IPL hair removal technology is very exciting and demonstrates the company's commitment to breakthrough research and clinical solutions to raise the standard of patient care," said Louis Scafuri, CEO of The Americas for ESC Medical Systems. "We're confident that our current and new IPL family of products will continue to drive revenue growth and keep us and our customers competitive."

2/3 **BriteSmile** announced that it was rapidly accelerating plans to offer the BriteSmile teeth whitening procedure through centers affiliated with **Orthodontic Centers of America** following the success of the OCA-BriteSmile pilot program in Tucson, Arizona. "The Tucson pilot program is generating a strong response, with 98% of consumers reporting that they are `very satisfied.' The marketplace wants effective and safe teeth whitening services and it has responded positively to the convenience and quality of the OCA-BriteSmile experience," said Dr. Gasper Lazzara, chairman and co-CEO of Orthodontic Centers of America. In this expanded venture, the BriteSmile teeth whitening process will be available at OCA centers located in 14 major metropolitan markets nationwide. The roll-out will begin February, 2000 in Atlanta and Miami, and

will be expanded nationwide through the remainder of 2000. OCA has 346 affiliated orthodontists and 537 orthodontic centers that provide treatment for over 267,000 patients in the United States, Mexico, and Japan.

2/3 **Pharmacyclics, Inc.** reported financial results for its second quarter ended December 31, 1999. The net loss for the period was $5.4 million (36 cents per share) compared to a net loss of $4.3 million (35 cents per share) in the comparable period of fiscal 1999. During the quarter, revenue was $1.2 million compared to $219,000 during the second quarter of the prior fiscal year. The revenue increase in fiscal 2000 was primarily related to the receipt of a milestone payment from Alcon for **Alcon's** continuing clinical development of Optrin (motexafin lutetium) Injection. Pharmacyclics and Alcon entered into an evaluation and license agreement in December 1997 for the commercialization of Optrin for ophthalmology indications, including age-related macular degeneration (AMD).

2/7 **Cell Robotics International** issued an update on its proprietary, breakthrough medical device designed for the 100 million diabetics worldwide. Cell Robotics entered the large market for diabetes home-use products when it initiated production, marketing, sales and shipment of the Personal Lasette in time to ship the first Personal Lasettes for Christmas. There are well over 10 million diagnosed diabetics in the U.S, approximately 4.7 million of whom must inject insulin every day to survive. The Personal Lasette eliminates the debilitating effects of needle phobia, while minimizing pain and long-term finger soreness. "We are especially pleased with customer acceptance of, and excitement about, the Personal Lasette," stated Ronald Lohrding, Cell Robotics president and CEO. "We are particularly gratified by the personal testimonials from diabetics whose lives have been improved by this device."

2/7 **BriteSmile** reported record sales for the fiscal third quarter and nine months. Contributing to this growth was the opening of ten BriteSmile Professional Teeth Whitening Centers and the expansion of the company's Associated Center dentist base across the U.S. and internationally. For the third quarter, BriteSmile reported record sales of $2.4 million. During the year-earlier period, the company had not yet introduced its Light Activated Teeth Whitening System and therefore reported no sales for the fiscal 1998 third quarter. The company's revenue growth is due to the expansion of both its Associated Center dentist base and BriteSmile Professional Teeth Whitening Centers. As of December 31, 1999, the company had ten company-owned Centers and over 250 dentists signed up to operate as Associated Centers. For the quarter, the company reported a net loss of $6.0 million (30 cents per share), related to the start-up costs associated with the increased expansion of the company's BriteSmile Professional Teeth Whitening Centers and Associated Center platform. This compares to a loss of $3.0 million (30 cents per share) for the same period last year.

For the nine month period, revenues increased nearly 840% to $4.7 million, compared with $0.5 million for the nine months last year, largely reflecting an increase in the

number of Associated Centers offering the BriteSmile teeth whitening process. The company reported a net loss of $16.4 million (87 cents per share), compared to a loss of $8.5 million ($1.04 per share), for the nine months in 1998. The increase in net loss largely reflects start-up costs associated with the increased expansion of the company's BriteSmile Teeth Whitening Centers and Associated Center platform.

2/8 **Premier Laser Systems** announced the completion of a private round of financing in which it issued $2 million of secured convertible debentures. According to the announcement by Premier CFO Robert Mahoney, "Proceeds from this transaction were used to refinance certain bridge loans and to provide additional working capital to help finance our sales and marketing efforts while we seek additional sources of financing."

2/8 **ThermoLase Corporation**, a **Thermo Electron** company, reported revenues of $4.9 million for the quarter ended January 1, 2000, compared with $9.5 million in the fiscal 1999 quarter. The net loss for the quarter was $2.6 million, compared with a net loss of $8.1 million last year. The fiscal 2000 results include $0.3 million of restructuring and unusual costs. "The previously announced merger of ThermoLase into Thermo Electron is proceeding according to the terms outlined in our December 17 news release, but we now expect that the transaction will be completed by the end of the second or early in the third calendar quarter of 2000," said Gerald Feldman, president and CEO of ThermoLase.

2/10 **Cell Robotics International** shares have been recommended in an analyst report just released by **WallStreet Research** as an excellent buy opportunity for aggressive long-term investors. WallStreet Research is a prominent research boutique led by Alan Stone, managing director of **Alan Stone & Co. LLC**. The report on Cell Robotics is available, together with additional information about WallStreet Research, at **www.WallSt-Research.com**. The report describes the company, its products, strategy and management.

2/10 **Palomar Medical Technologies** announced financial results for the year ended December 31, 1999. Revenues were $24.3 million, compared with revenues of $44.5 million for the previous year. Net income from continuing operations was $25.5 million ($2.39 per share) compared with a net loss from continuing operations of $10.0 million ($1.26 per share) for 1998. Revenues for the fourth quarter were $2.3 million as compared with revenues of $2.9 million in the preceding quarter and as compared with revenues of $14.5 million for the fourth quarter of 1998. The 1999 fourth quarter net loss from continuing operations was $5.6 million (55 cents per share) as compared with net loss from continuing operations of $2.6 million (27 cents per share) in the preceding quarter and as compared to net income of $300,000 (3 cents per share) for the fourth quarter of 1998.

Fourth quarter results include an additional $1.8 million in reserves as a result of an agreement in principle (pending court approval) between Palomar and plaintiffs in a purported class action suit Varljen v. **H.J. Meyers, Inc.** et al., pending in the United

States District Court for the Southern District of New York. The agreement has been approved by Palomar's insurance carrier, which has agreed to pay $2.6 million in cash of the $5 million settlement, of which no more than $1 million will be paid in stock. The company also reserved $2.3 million of inventory in the fourth quarter of 1999 as a result of a change in its product line. New products are expected to be introduced in the first half of 2000.

2/10 *The Associated Press* reported that doctors trying to stop a stroke in its tracks are developing some entirely new approaches that use lasers and other gadgets to blast, smash or grab blood clots lodged deep inside the brain. The technology is still in its infancy, and the first report on one of these devices -- a laser beam on the tip of skinny, flexible tube -- was made Thursday at a conference in New Orleans of the *American Stroke Association*. Now experts say at least a dozen companies are developing devices intended to physically remove or destroy these clots. The first results were reported by Dr. Wayne Clark of the **Oregon Stroke Center** in Portland, Ore. Clark tested a laser developed by **TaLIS Inc.** of Coon Rapids, Minn. The results demonstrate both the difficulties and the promise of this approach.

Clark's team so far has used the laser on five patients with strokes in the middle cerebral arteries or their branches. In two cases, the laser never reached the clot. In one case, it partially obliterated the clot, while in another it destroyed the clot. However, in the most recent case, one of the steps in the treatment poked a hole in the clogged artery, triggering bleeding in the 79-year-old woman's brain. The patient died, although it is unclear whether the laser or the stroke itself was to blame. TaLSIS's president, Charles Hadley, said the laser was developed more than a decade ago at Massachusetts General Hospital to remove red birthmarks. Because the laser's energy is absorbed only by red material, doctors looked into the possibility of using it to blast the blood clots that trigger heart attacks, but that work was eventually abandoned. The laser is threaded into the brain through a liquid-filled catheter that is one millimeter thick. Doctors use X-rays to follow its progress. To work, the laser must get within a centimeter of the clot. It takes a minute or two of laser blasting to destroy it. In theory, the artery walls should not be harmed because they are white, not red, and so will not absorb the laser energy.

At least one other company, **EndoVasix** of Belmont, Calif., is also testing a laser on stroke patients. Stephen Johnson, the chief financial officer, said the company hopes to have results by the end of the year.

2/11 **Trimedyne** announced revenues of $2.0 million for its first fiscal quarter ended Dec. 31, 1999, a 31% increase over revenues of $1.5 million for the same quarter of the prior fiscal year. The company reported a loss of $484,000 (4 cents per share) for the quarter, compared with a gain of $5.5 million (50 cents per share) for the same quarter of the prior fiscal year. However, the gain in the prior year included $6.5 million, net of legal fees and expenses, received from the settlement of the company's lawsuit against **C.R.**

Bard Inc. The above financial results include R&D costs for the Heart Revascularization System being developed by the company's 90% owned subsidiary, **Cardiodyne Inc.** of $537,000 for the current quarter of fiscal 2000 and $641,000 for the same quarter of 1999, respectively. If Cardiodyne's R&D costs and the Bard settlement are omitted, the company would have recorded net income of $53,000 (1 cent per share) for the first quarter of the current fiscal year, compared with a loss of $507,000 (5 cents per share) for the same quarter of the prior year.

2/14 **American Dental Technologies** announced that it will take a new direction for distribution of products in the United States: direct sales to its ultimate customer -- the dentist. The company expects to have 20 local sales and service centers operating by the end of this quarter, with plans to add 20 more over the next 2 years. The company will continue to sell outside the United States through its strong distributor network. "The entire management team is very excited about this new approach. Today's competitive environment of direct selling by manufacturers and internet sales requires that the company make this change. I wish to emphasize that this is not a mere change to direct selling. Instead, we will transform ourselves into a distributor of high-tech equipment with the goal of producing and selling 80% to 90% of the dentists' equipment requirements over the next 3 to 5 years. To this end, we will pursue OEM relationships and strategic alliances with other manufacturers," said Ben Gallant president and CEO.

"We believe this is a win/win scenario for both the company and the dentists," continued Gallant. "The company will now have control over its own destiny with a focused sales force, and expected improved gross margins. The dentists will enjoy lower prices and a higher level of support services from factory trained salespersons and service technicians."

2/15 **Premier Laser Systems** reported results for its fiscal third quarter and nine-month periods ended December 31, 1999. Net sales for the third quarter were $2.4 million, with the net loss declining significantly to $3.3 million (20 cents per share) compared to net sales of $3.5 million and a net loss of $12.1 million (81 cents per share) for the prior fiscal year's third quarter. According to Premier Laser president and CEO Michael Quinn, "While costs and overhead have been kept at a very low level, we experienced a decrease in sales levels for the quarter. This decrease was primarily related to the delayed introduction and manufacturing of ophthalmology products resulting from the transition of manufacturing existing product lines from the **Ophthalmic Imaging Systems** facility to Premier. In addition the manufacturing of dental and ophthalmic products introduced in August and September were delayed due to development issues."

For the first nine months of fiscal 2000, the company reported revenues of $9.1 million and a net loss of $8.4 million (54 cents per share). This compares to sales of $10.3 million and a net loss of $22.6 million ($1.52 per share) for the first nine months last year. Results for last year's first nine months included charges associated with

extraordinary accounting and professional fees in connection with shareholder litigation and financial audits.

2/15 **Biolase Technology, Inc.** announced that it will launch a new Hydrokinetic hard and soft tissue dental laser at the Chicago Dental Society Midwinter Meeting. The new product, the Millennium II, incorporates the latest technology. The company anticipates that this new Hydrokinetic laser will further strengthen its already dominant position in the growing market for lasers that cut teeth and remove decay without using anesthesia or drills. The new Millennium II (MII) laser is half the size and weight of the original Millennium and has a slender profile that will easily fit in the smallest dental operatories, common in large cities in the U.S., Asia, and Europe. In addition to its smaller size and reduced weight, the Millennium II incorporates state-of-the-art technological advances including the most advanced laser design, optics, electronics, computerization, and delivery systems.

Biolase has already obtained multiple orders for the Millennium II and will begin shipments in March 2000. Jeffrey Jones, president and CEO of Biolase, stated, "During the last year, Biolase became the world leader for hard and soft tissue dental lasers. We have developed the only systems that allow dentists to both rapidly remove enamel, dentin and decay and also cut, and effectively coagulate, soft tissues. The reduced size and elegant new design of the Millennium II will give our domestic sales force and international distributors an even greater advantage over competing products and technologies."

2/16 The FDA approved **The Spectranetics Corporation** PMA supplement to market a new line of single use catheters for laser-based coronary angioplasty procedures. Spectranetics' new Vitesse COS (OS for "optimally spaced" fibers referring to the optical fibers which transmit the laser energy to the blockage) catheters are designed to achieve greater debulking in a blocked coronary artery than the company's earlier generation catheters. In laboratory testing, the Vitesse COS improved debulking efficiency -- the dissolving of tissue blocking an artery -- by up to 62% over what has been achieved with earlier generations of catheters. Spectranetics developed the Vitesse COS using a proprietary engineering process to bundle optical fibers in a novel way. The fibers are utilized to conduct the light pulses from the laser precisely to the tissue blockage under treatment. Joseph Largey, president and CEO, said, "During 1999 we experienced 85% sales growth in our coronary angioplasty line over 1998. Skilled physicians who are trained on our laser technology report to us that they attain outstanding debulking results. We believe that this next generation product -- the Vitesse COS -- will improve the already superior results that physicians achieve with our excimer laser coronary angioplasty technology." The company expects to release the product in the U.S. during the second quarter.

2/16 **Premier Laser Systems** announced that it had placed 54 of its 80 employees on temporary unpaid leave in order to address short term liquidity issues, and that it had hired Newport Beach, CA-based **Crossroads LLC** to assist the company in identifying and assessing strategic and financial alternatives. President and CEO Michael Quinn commented, "We believe the company has three principal assets: its experienced workforce, its intellectual property, and its products. We regret having to take this step but found it unavoidable under the circumstances. We have retained Crossroads to identify the best strategy for preserving and enhancing the value of the company for the benefit of all of our stakeholders, including our employees."

2/17 **Palomar Medical Technologies** announced that it had reached an agreement with **Laserscope, Inc.** granting it a non-exclusive 7.5% royalty bearing sublicense to the dominant patents in the field of laser hair removal. Palomar has previously granted a 7.5% sublicense to these same patents to **Coherent, Inc. Massachusetts General Hospital** has granted Palomar the exclusive royalty bearing license (with a right to sublicense) to these patents, U.S. Patent No. 5,595,568 entitled "Permanent Hair Removal Using Optical Pulses," and U.S. Patent No. 5,735,844 entitled "Hair Removal Using Optical Pulses." These patents relate to methods of properly cooling the skin through the use of a contact cooling handpiece and use of specific ranges for pulse duration, wavelength of radiation, area of radiation field, energy and other parameters to safely remove unwanted hair.

"We are pleased that Palomar has been able to advance hair removal technology in a safe and effective way. Our intellectual property portfolio is known to be among the most advanced in the industry, and we continue to explore the use of our agreement with Massachusetts General's Wellman Labs to remain the industry leader," said Palomar CEO Louis Valente. "This agreement once again confirms the interest in our technology and validates the methods we established as industry standards for safe and effective hair removal. We believe our license program can be expanded throughout the industry thereby increasing the profitability of our intellectual property portfolio. We intend to maintain our leadership position in hair removal and expand this leadership position to areas of fat reduction and acne treatment."

2/17-
2/18 **WaveLight Laser Technologies AG** announced that in the aim of expanding its direct sales of dermatological laser systems in Europe, it had acquired **NWL Laser Technologie, GmbH** from **Laserscope Surgical**. Aside from the development of direct sales networks, the acquisition serves to expand its product line in the area of dermatology. NWL will continue to operate as an independent subsidiary under its current management. NWL develops, produces, and sells laser systems for dermatology and cosmetic surgery as well as for industrial applications, especially for marking/inscribing purposes.

Laserscope, in its announcement, said that the sale, which is pending Wavelight shareholder approval expected by March 31st, will have an effective date of January 1, 2000. As part of the transaction, NWL will continue to distribute Laserscope's products in all countries covered by NWL's current distribution channels. The transaction is expected to net approximately $4.0 million to Laserscope (including intercompany balances of approximately $800,000 owed to Laserscope) but is not expected to generate a material gain or loss when reported in Laserscope's first quarter of 2000. "We are very excited to have been able to put together this synergistic arrangement with Wavelight and NWL whereby we divest a non-core business (predominantly industrial marking lasers) but retain the existing distribution of our medical products in Germany and Eastern Europe," said Eric Reuter, Laserscope president and CEO. "NWL has been and will continue to be a strong partner in our European operations and we are looking forward to working closely with them as our largest distributor going forward. This divestiture marks another successful step in our ongoing efforts to bring strength to our balance sheet, improve our cash position, and focus the company on core medical markets, products, and technologies."

2/18 **Med-Emerg International Inc. (MEII)** and **Laser Rejuvenation Clinics Ltd. (LRC)** announced that they had entered into a Definitive Purchase Agreement. MEII will, through a Take-Over Bid Circular, offer to acquire 100% of the outstanding shares of LRC for approximately 1.2 million shares of MEII and approximately an additional 400,000 common share purchase warrants exercisable at $3.00 per share for a period of three years. Howard Coren, CEO of LRC and Dr. Tom Woo, president and chairman of LRC, who together hold approximately 39% of the outstanding shares of LRC support this purchase and have agreed to tender their shares of LRC under the Offer pursuant to a Lock-Up Agreement. Carl Pahapill, president of MEII said, "We are extremely pleased to be able to broaden our medical services offered to our existing 750,000 patient network to include a broad range of cosmetic and laser procedures. Under the medical leadership of Dr. Tom Woo, co-founder and chairman of LRC, all of MEII's 30 medical facilities based in Quebec, Ontario, Manitoba, Alberta and British Columbia will provide consultations for consumers seeking cosmetic and laser services. LRC has built national brand awareness for its high quality and patient focused standard of care. By the immediate rationalization of duplicate corporate overheads between LRC and MEII, and aggressive cross marketing, LRC will immediately generate a strong positive cash flow for its operations."

2/21 **Henley Healthcare, Inc.** announced that the FDA had responded and has formally accepted the company's PMA for the MicroLight 830 Laser System. The correspondence stated that the FDA had made a threshold determination that the PMA is sufficiently complete to permit a substantive review. The MicroLight 830 Laser System is a hand-held, low-energy (non-surgical) laser primarily designed for the treatment of repetitive stress disorders such as carpal tunnel syndrome. The company has been conducting clinical trials and gathering clinical data on the laser system over the last five

years and believes that the most recently submitted clinical data provides sufficient evidence of the laser's efficacy and ability to successfully treat carpal tunnel syndrome. Michael Barbour, president and CEO of Henley, stated, "This is a true milestone in the laborious and lengthy approval process we've had to endure. The latest clinical trial data continues to enforce our opinion that the laser system is a benefit to sufferers of carpal tunnel syndrome. With marketing approval, the MicroLight 830 will not only be a health benefit but a significant cost savings to millions of persons experiencing the dreadful and painful condition."

2/22 **The Plastic Surgery Company**, an emerging, national provider of practice development services and Internet marketing solutions for the plastic surgery market, unveiled its plan to develop a national chain of medically oriented skin care clinics in a joint venture with the **Elizabeth Grady Companies**, which owns and operates the largest chain of skin care clinics in the United States. The Boston-based Elizabeth Grady Cos. had been owned by the **Gillette Corp.** Under the plan, the new clinics will offer an expanding menu of technology-driven, nonsurgical cosmetic procedures, such as laser hair removal, microdermabrasion, chemical peels, laser spider vein treatment and Botox and Collagen injections along with a comprehensive array of products and cosmetic and wellness services, such facials, deep pore cleansing, aromatherapy and massage.

"This is an extraordinary opportunity to capture the `staggering' increase in demand for skin rejuvenating procedures, which numbered in the multimillions in 1999," said Dennis Condon, president and CEO of The Plastic Surgery Co. "Through this vehicle, we are establishing a consumer pipeline between entry-level skin care services and our affiliated plastic surgery practices, with the goal of increasing demand for the entire spectrum of skin rejuvenating services and products."

In the agreement between the parties, the Elizabeth Grady Cos. will provide established and profitable operating systems and a recognized brand of skin care products to the development of these medically oriented skin care clinics, which will be linked to The Plastic Surgery Co.'s national network of affiliated board-certified plastic surgery practices. The company's affiliated plastic surgeons will provide medical supervision and oversight for the clinics. The initial plan calls for the establishment of skin care clinics in the 18 primary markets currently served by the company's affiliates.

"The medically oriented skin care clinic will allow us to capture the youngest segment of the market, which is taking by storm a proactive approach to managing their appearance," said Patricia Altavilla, executive vice president of marketing and business development for The Plastic Surgery Co. According to a recent industry report, "nearly 1.5 million Americans opted for chemical peels in 1999, up from about 64,000 in 1990." Chemical peels, Botox procedures, fat injection treatments, laser skin resurfacings and microdermabrasions accounted for millions of nonsurgical cosmetic interventions in 1999, with many of these unavailable until the past few years. In fact,

microdermabrasion, a very recent technology for skin rejuvenation, accounted for over 400,000 procedures. "At an average cost of $150 per treatment, this new procedure already represents a $60 million market. As most of these procedures are temporarily corrective, these clients represent a recurring source of revenue," concluded Altavilla.

2/22 **Laserscope** announced that it completed a private placement of subordinate convertible debentures with net proceeds to the company of approximately $2.9 million. The placement to affiliates of **Renaissance Capital Group, Inc.**, was managed by **Taglich Brothers, Inc.** On January 18, 2000 the company also completed a private placement of common stock providing net proceeds of approximately $1.8 million. The proceeds from both placements will be used for general corporate purposes.

2/23 **PLC Systems Inc.** announced financial results for the fourth quarter and year. Total revenues for the fourth quarter were $2.8 million compared with $2.5 million in the fourth quarter of 1998. The net loss for the quarter decreased by 61% to $1.3 million (6 cents per share), compared with a loss of $3.3 million (17 cents per share) in the fourth quarter of 1998. For the year, PLC reported total revenues of $11.6 million, an increase of approximately 104% from total revenues of $5.7 million in 1998. The net loss for the year was $6.6 million (32 cents per share), compared to a net loss of $16.6 million (86 cents per share) in 1998. "During 1999, PLC faced many changes, including the restructuring of the staff, and the departure of the company's CEO and its CFO. In spite of these challenges, the company was able to post positive trends for its fourth-quarter and year-end financial results," stated PLC Systems' president and CEO Mark Tauscher. "The people of PLC have worked vigorously to make The Heart Laser System the standard of care for TMR in the new millennium. PLC's Heart Laser System continues to demonstrate clinical leadership in the areas of pain relief, perfusion, long-term efficacy and tissue integrity."

2/24 **DUSA Pharmaceuticals, Inc.** reported that it had entered into a definitive agreement for the private placement of 1.5 million shares of its common stock to funds managed by **Invesco Funds Group** in Denver. The purchase price was $28.50 per share. The price represented a negotiated 5% discount to the closing price as of February 16, 2000, the date the parties agreed to proceed with the transaction. Dr. Geoffrey Shulman, DUSA's president and CEO, stated, "We are very pleased to have Invesco Funds Group as important new shareholders in DUSA. With the proceeds of this financing, DUSA will be in a strong financial position. The funds will be used by the company to expand the research and development activities for its Levulan PDT/PD technology platform, for general corporate purposes, and for possible license or acquisition of complementary drugs, devices, technologies, or businesses."

2/24 **ArthroCare Corporation** announced that the company had received FDA 510 (k) clearance to market a new type of disposable surgical device for ear, nose and throat (ENT) surgery based on technology the company developed for delicate and demanding

arthroscopic knee procedures. The new EVac surgical device is an addition to ArthroCare's Coblation-based ear, nose, and throat (ENT) surgical system. Its unique design offers precise tissue ablation with onboard coagulation and improved suction for enhanced visibility in the surgical field.

2/25 More than 8,000 microdermabrasion systems for skin treatment will be sold this year, according to aesthetic industry analyst Michael Moretti, president of **Medical Insight, Inc.** and publisher of the *Aesthetic Buyers Guide*. "Sales have doubled compared to last year, as this technology improves and gains credibility with the medical community. There are currently less than 10,000 units installed in a market that has the potential for at least 60,000 users."

Moretti recently conducted market research to determine the size and growth rate of this emerging industry. Results of this research, which will be published in a forthcoming Market Study, indicate several more years of strong sales growth. "The economic incentives for physicians, aestheticians, and salons to purchase these devices are obvious. In less than three years, microdermabrasion has become the most popular and highest volume facial rejuvenation procedure in the world. Moreover, the cost of acquiring this equipment continues to decrease due to competition and creative financial deals offered by the suppliers."

Due to the relatively low-cost of manufacturing microdermabrasion systems, some suppliers will bundle these devices with aesthetic lasers as a loss leader to increase market share. Others plan to place systems with high volume users to generate revenues from the consumable products used in each procedure. Forces behind these market expansion strategies include new players with significant financial resources. "I also expect a significant industry consolidation and the entrance of major skincare companies via acquisition in the near future," observed Moretti. "Manufacturers with second-generation technology and companies with a large installed base are prime targets for acquisition or investment." Attractive companies include: **Aesthetic Lasers**, **Aesthetic Technologies**, **DermaGenesis**, and **IntegreMed** with its new salt-based system. "IntegreMed's proprietary Salt-A-Peel Macrodermabrasion process is a good example of the design innovation that we're seeing as this industry evolves towards more user-friendly devices," said Moretti.

2/28 **Palomar Medical Technologies** announced a new generation diode laser system that is designed to remove unwanted hair from all skin types, including tanned skin. This breakthrough technology, developed in conjunction with **Massachusetts General Hospital (MGH)**, uses a combination of super long-pulse and contact cooling. Until now, treatment of dark skin (Asian, Latino, African American and other skin types) was marginally safe and/or ineffective. The Palomar SLP1000 (super long-pulse) diode laser system will be introduced at the *American Academy of Dermatology (AAD)* meeting at the

Moscone Convention Center in San Francisco, California from Saturday, March 11, 2000 through Tuesday, March 14, 2000.

The Palomar SLP1000, like Palomar's current Palomar E2000 Ruby Laser System for hair removal, uses contact cooling and other patented technology designed to ensure safe and effective treatment. The fiber delivery handpiece is lightweight for comfort and offers less fatigue for operators. The 10mm spot size is designed to deliver high-repetition pulses as it glides over the skin for rapid coverage of large areas. The Palomar SLP1000 is significantly smaller and lighter than most current systems, which is especially desirable for mobile and/or small physician offices. The system is easy to install and operation is simple. "Once again, Palomar has demonstrated its technology leadership in cosmetic laser science, and this achievement is particularly satisfying because it opens the global market to hair removal -- in fact, we believe this new technology could double the hair removal market," said Palomar's CEO and chairman Louis Valente.

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2/28 **Cell Robotics International** announced the successful completion of a non-brokered, $1 million private placement using 450,000 shares of its common stock. The investor is an experienced international technologist and manager who is the president of his own engineering company. The proceeds from this private placement will be used primarily for the manufacturing, sales and marketing efforts of the company's proprietary, leading-edge laser device, the Personal Lasette.

2/28 **ArthroCare Corp.** announced that the company is actively expanding marketing efforts for its Coblation-based spinal surgery system to specifically address selected applications in neurosurgery. The initial product set is CE marked for sale in Europe and the European introduction is scheduled to begin immediately. The United States introduction will commence once FDA 510(k) marketing clearance is received. At a joint meeting of the *American Association of Neurological Surgeons and Congress of Neurological Surgeons* on "Disorders of the Spine and Peripheral Nerves" in Palm Springs, CA, William Taylor, MD, Associate Professor of Neurosurgery at University of California, San Diego, made a presentation concerning his experience with ArthroCare's spinal surgery system and the potential application of the technology to neurosurgery. "I have been impressed with the precision and control of Coblation technology in spine surgery," said Dr. Taylor. "Based on my experience, I believe it is likely to become my preferred choice for removing solid tumors in the brain."

Approximately 250,000 surgical procedures are performed in the brain each year, and more than 110,000 metastatic brain tumors are diagnosed annually in the United States. According to the American Cancer Society, brain tumors are the second fastest growing cause of cancer death among people over age 65 and are one of the most common types

of cancer found in children. In addition, brain trauma affects another 1.5 million people each year in the United States.

2/29 **Biolase Technology** said that its TwiLite diode laser was demonstrated during a live closed-circuit TV broadcast from Northwestern University Dental School to an auditorium of dentists at the Chicago Dental Society's 135th Midwinter Meeting. The demonstration, an aesthetic tissue recontouring surgery, was performed by Peter Rinaldi, DMD, a renowned cosmetic dentist. Dr. Rinaldi's presentation, "Veneers: A Demonstration in Preparation, Design and Cementation," focused on the necessary fundamentals for properly preparing and seating cosmetic veneers. Following the surgery, Dr. Rinaldi commented, "The TwiLite worked very well and the results were fantastic. I was able to recontour the tissue without any bleeding. The advantages of using diode lasers are that the margins are very predictable, there is almost no post-operative discomfort and the tissue heals very well compared to other technologies. The diode laser is a must for any dentist performing cosmetic procedures."

Dental diode laser sales in the U.S. are projected to increase 300% in 2000 over 1999, and an additional 55% in 2001, according to a recent independent study, "U.S. Market for Dental Products 2000," prepared by the **Millennium Research Group** in Toronto, Canada. The study also projects that dental diode laser sales will continue to increase more than 20% per year through 2004. Jeffrey Jones, Biolase president and CEO, commented, "Cosmetic procedures represent a rapidly growing business for dentists, and one of the most requested procedures is veneers for the anterior teeth. According to the leading cosmetic dentists, a diode laser is clearly the most effective, and a necessary tool for tissue recontouring and `smile design.' In just a short time, Biolase has become the diode laser of choice among prominent and influential dentists, and that was the reason our laser was selected for this important demonstration."

2/29 **ESC Medical Systems** announced that the FDA had cleared its proprietary Intense Pulsed Light (IPL) technology for hair removal of skin type VI, or the darkest skin types, including black skin. Now, for the first time, black-skinned individuals have a treatment solution available to them for removing unwanted hair. ESC's IPL hair removal systems are the only devices that have been proven safe and effective on black skin. Yacha Sutton, CEO of ESC Medical said, "This represents a major breakthrough and is the second FDA clearance received for our IPL technology in less than a month. On February 2, we announced that the FDA had cleared the technology for a claim of permanent hair reduction on all body sites, which offers a significant advantage over most other hair removal methods. We are pleased to be recognized once again for our leadership in light-based technology with this gold standard product."

2/29 **Candela Corporation** announced it will introduce the new Vbeam laser system at the *58th Annual Meeting of the American Academy of Dermatology (AAD)* in San Francisco, March 10-15, 2000. Vbeam, Candela's innovative laser system, represents a new standard

of care for treating vascular lesions. It enables physicians to treat a wide variety of vascular lesions without the problematic side effects of purpura, commonly seen with earlier versions of the pulsed dye laser. Vbeam has the capability to treat leg veins, facial spider veins, rosacea, scars, warts and stretch marks as well as more advanced lesions such as debilitating port wine stains and hemangiomas.

Design and engineering advances enable Vbeam's purchase price to be a fraction of competing laser systems. The laser system comes with a revolutionary 3-year, full-service warranty that includes maintenance and consumables (dyes). Vbeam features ultra-long laser pulse duration, up to 40 times longer than current technologies, to produce a more gentle heating effect of the targeted blood vessels. This ultra-long pulse enables more uniform coagulation of the vessels, resulting in less post-operative purpura, or laser-induced bruising. Vbeam also incorporates Candela's patented Dynamic Cooling Device (DCD), which sprays the upper layers of skin with a burst of cryogen prior to the laser pulse to increase patient comfort during treatment. Vbeam received its 510 (k) approval from the FDA in February 2000.

2/29 **Pharmacyclics, Inc.** announced the start of a Phase I clinical trial of photoangioplasty with Antrin (motexafin lutetium) Injection for treatment of coronary artery disease (CAD). The first patients were treated last week at the *Carl and Edyth Lindner Center for Clinical Cardiovascular Research* in Cincinnati, Ohio. This site is one of three leading medical centers where the Phase I drug and light dose-escalation study is being conducted to evaluate the safety of treating patients with blocked coronary arteries. "We are excited about this new type of therapy for atherosclerotic disease," said principal investigator Dean Kereiakes, MD, medical director of the Lindner Center, director of research at the Ohio Heart Health Center and professor of clinical medicine at the University of Cincinnati College of Medicine. "Antrin photoangioplasty represents a new approach to treating blood vessel walls and the underlying pathophysiology of plaque formation."

In this Phase I study, Antrin is administered intravenously 18 to 24 hours before patients receive standard balloon angioplasty. Photoangioplasty is performed on the balloon-treated vessel segment before stenting to reduce the risk of vessel wall restenosis. Patients in this study will be evaluated by angiography six months after treatment. The longer-term goal of the CAD clinical program is to establish the effectiveness of Antrin photoangioplasty in treating atherosclerosis and preventing the restenosis that often occurs after traditional therapies. A randomized, controlled Phase II clinical trial of Antrin photoangioplasty is ongoing for treating peripheral arterial disease, i.e., blockages of the arteries in the lower limbs, at more than 12 U.S. medical centers.

2/29 **Coherent, Inc.** announced the **Coherent Medical Group**, a division of Coherent, Inc., had signed a multi-year research agreement with *Massachusetts General Hospital* for the development of advanced photomedicine technologies and applications. The research will be carried out at the **Wellman Laboratories** in collaboration with faculty and with the

guidance of Rox Anderson, MD, Research Director of Wellman Laboratories, a recognized expert in laser-tissue interactions and photonics. In making the announcement, Jim Taylor, president of the Coherent Medical Group said, "Coherent is proud and excited to have entered into this long-term agreement with the exceptional people at the Wellman Labs. Many of the most successful advances in photonics and medicine have their roots in the work done at Wellman. For example, the theory of selective photothermolysis, which was developed by Dr. Anderson and Dr. John Parrish at Wellman, is the basis for many new laser treatments. Several of our new products for ophthalmology also came from discoveries at Wellman by Drs. Tayyaba Hasan and Mark Latina. Wellman's success comes from a rare combination of scientific and technical expertise coupled with direct clinical experience and knowledge. We look forward to working with them on projects that we all believe will have significant clinical and commercial value, and which include both immediate and longer term opportunities."

Commenting on the agreement, Dr. Anderson said, "We are extremely pleased to have established this type of research partnership with Coherent. We have selected several projects of clinical importance and potential based on well-defined but new concepts. Coherent's long-term commitments of people, technology and resources should enable us to take full advantage of the capabilities within Wellman, while leveraging the laser and systems expertise of Coherent. In addition, they have the distribution and organization strength to quickly move new products into the marketplace, as evidenced by the recent success of the LightSheer hair removal systems which evolved out of research done at Wellman. As a result, we are optimistic about our collective abilities to make significant advances in medicine, including opportunities in dermatology and ophthalmology where Coherent has a well-recognized leadership position."

Commenting on the scope of the planned work, Dr. Anderson added, "The initial efforts are intentionally targeted. We intend the agreement to be an incubator for new ways to improve treatments and diagnoses. Wellman Labs works well with big and small device and drug companies. Among laser companies, Coherent is large, with a long established commitment and deep scientific capabilities. Our laboratory has the same character, and we are looking forward to this innovative work."

3/1 **QLT PhotoTherapeutics Inc.** reported financial results for the fourth quarter and fiscal year ended December 31, 1999. (All amounts, unless specified otherwise, are in Canadian dollars.) For the year, QLT reported a net loss of $33.8 million (55 cents per share) compared to a net loss of $23.9 million, as restated, (45 cents per share) for 1998. For the fourth quarter, the company reported a net loss of $12.1 million (19 cents per share) compared to a net loss of $7.3 million, as restated, (13 cents per share) for the same period last year. Restatement of comparative periods resulted from a change in an accounting policy under Canadian GAAP for recognizing access fees from collaborative arrangements.

"The increased loss for both the year and the quarter can be directly attributed to QLT's share of costs for the active global Visudyne (verteporfin) expanded access program and accelerated Visudyne pre-marketing activities by CIBA Vision," said Ken Galbraith, QLT's senior vice president and CFO. These costs have been recorded in the Statement of Operations as "Market Development and Other Joint Business Costs."

PHOTOFRIN sales of $3.8 million reached an all-time high in the fourth quarter, bringing total end-user sales for 1999 to $10.9 million, an increase of 24% versus the $8.8 million sold in 1998. Correspondingly, PHOTOFRIN units sold grew by 24% during 1999 as commercial laser sites increased to 149 from 121 worldwide. Royalty revenues on PHOTOFRIN sales were $2.8 million during 1999, an increase of 41% versus 1998. The difference between the growth rate in royalty revenue and unit sales was due to an increase in the effective net U.S. royalty rate.

3/1 **Premier Laser Systems, Inc.** announced that it had placed all but nine of its employees on temporary unpaid leave in order to address short term liquidity issues. Premier Laser president and CEO Michael Quinn commented, "We regret having to take this step once again, but in order to preserve the company's cash in the near-term, we believe it is the best interest of Premier to take this action at this time."

3/1 **Laserscope** reported its fourth quarter and year-end financial results for the period ended December 31, 1999. In making the announcement, Eric Reuter, Laserscope president and CEO said, "We are continuing to make steady progress in improving our financial picture. Our new programs for returning the company to profitability in 2000 are clearly on track. Our inventories are down by approximately $4 million from a year ago. Additionally, actions taken during the fourth quarter of 1999 and early 2000 will allow us to increase our net cash position by the end of the first quarter of 2000 by approximately $7 million, giving us a much stronger balance sheet and considerably lower fixed expense structure. I believe that we have progressed significantly during the last two quarters. I am very pleased with our progress and outlook for the future."

Revenues for the fourth quarter were $9.6 million compared to $13.2 million in the fourth quarter a year ago. Revenues for the quarter were lower than the immediately preceding quarter due to lower sales from NWL. The company reported a net loss for the quarter of $1.7 million (13 cents per share) compared to a net loss of $6.9 million (55 cents per share) in the fourth quarter of 1998.

Revenues for the year were $41.0 million compared to $52.7 million a year ago. The company reported a net loss for the year of $7.6 million (60 cents per share), compared to a net loss in 1998 of $9.8 million (79 cents per share).

3/2 **Pharmacyclics, Inc.** announced that it had entered into definitive purchase agreements for the sale of 820,000 shares of newly issued common stock to selected institutional

investors for $60 million. The purchase price was $73.25 per share. The shares of Common Stock have not been registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration. **Pacific Growth Equities, Inc.** served as the placement agent for this transaction.

Pharmacyclics stated that it expects to use the net proceeds of the offering for research and development activities, including clinical trials, process development and manufacturing support and for general corporate purposes, including working capital. Proceeds may also be used to acquire or invest in complementary businesses, products or technologies.

3/2 **Trimedyne** announced that the U.S. Patent and Trademark Office had allowed 41 claims of a U.S. patent application covering its new cosmetic laser. The patent, expected to issue in a few months, covers Trimedyne's new laser that is able to vaporize or cut tissue with virtually no thermal effect. Utilizing a unique engineering principle, the new laser provides unparalleled versatility in power output for selected applications. The laser will be marketed to cosmetic surgeons and dermatologists for use in their offices. Trimedyne plans to complete development of the new laser, which has already been cleared for sale by the FDA for a variety of applications in cosmetic surgery and dermatology, by the end of 2000.

3/3 **Corixa Corporation**, a Seattle research- and development-based biotechnology company and **QLT PhotoTherapeutics Inc.** announced an agreement to combine respective technologies to fight disease. In exchange for an undisclosed fee, Corixa will provide QLT with the exclusive right to use certain proprietary immunotherapeutic compounds for certain diseases, which QLT intends to evaluate in combination with photodynamic therapy in the treatment of disease. If successful, QLT's continued development using Corixa technology would call for the generation of additional product candidates by Corixa in exchange for additional licensing fees and royalties, and the potential purchase by QLT of a small amount of equity in Corixa at a premium to fair market value. Further terms and conditions of the agreement were not disclosed at this time.

"We are very excited to enter into this relationship with QLT," said Mark McDade, president and COO of Corixa. "There are a number of potential disease areas that may benefit from the combination of QLT's proprietary work in photodynamic therapy and Corixa's immunotherapy technology. In addition, this alliance further validates our acquisition strategy, as certain technologies in the acquired **Ribi** portfolio will be included in our collaboration with QLT. We hope our relationship with QLT will become the basis for a potential range of products."

"Partnership opportunities such as this represent an important part of QLT's future growth strategy," said Dr. Julia Levy, president and CEO of QLT. "The relationship with Corixa

opens up opportunities for new applications of photodynamic therapy and, moreover, is an important first step in a number of initiatives aimed at strengthening our early-stage pipeline."

3/3 **Palomar Medical Technologies** announced that it had reached an agreement with **IRIDEX Corporation**, granting it a non-exclusive 7.5% royalty bearing sublicense to the dominant patents in the field of laser hair removal. Palomar had previously granted a sublicense to these same patents to **Coherent, Inc.** and **Laserscope, Inc.**

"We are pleased that Palomar has been able to advance hair removal technology in a safe and effective way. Our intellectual property portfolio is known to be among the most advanced in the industry, as we continue to explore the use of our agreement with Massachusetts General Hospital's Wellman Laboratories to remain the industry technology leader," said Louis Valente, chairman and CEO of Palomar. "These recent agreements confirm the interest in our technology and validate the methods we established as industry standards for safe and effective hair removal. We believe our license program can continue to be expanded throughout the industry thereby increasing the profitability of our intellectual property portfolio. We intend to maintain our leadership position in hair removal and expand this leadership position to areas of fat reduction and acne treatment. We will continue to aggressively pursue any person or company that offers products that the company believes infringe on one or more of its patents or on patents licensed exclusively to the company."

Valente continued, "We are extremely pleased to work with IRIDEX and believe this technology will significantly enhance IRIDEX's recently received FDA marketing clearance for the IRIDERM Apex 800 hair removal laser. Our license program has given us the opportunity to work with other companies in our field and offer the latest breakthrough in technology to consumers worldwide."

3/6 **BIOLASE Technology** announced that it had filed a lawsuit on Feb. 29, 2000, against **Premier Laser Systems** for alleged patent infringement. Specifically, the lawsuit alleges that one or more of Premier's products that use laser with water for dental applications infringes on one or more of BIOLASE's patents. BIOLASE possesses a strong portfolio of patents for the use of laser with water. BIOLASE also holds various patents for its proprietary HydroKinetic technology. Previously, BIOLASE had prevailed in unrelated laser/water patent proceedings. In addition, BIOLASE believes that it has prior art, which it believes could impact the validity of Premier's patents.

"With this present action, we intend to rigorously protect the interests of the company and our shareholders by protecting the intellectual property of BIOLASE and the products and technology we have developed," said Jeffrey Jones, BIOLASE president and CEO. "It is our opinion that it is difficult, if not impractical, to build a system that uses water

and laser for dental hard tissue applications without infringing on the patents of BIOLASE."

3/7 **LightTouch Vein & Laser, Inc.** reported its financials for the year ending December 31, 1999. Greg Martini, CEO of LightTouch stated, "We are very pleased with our progress in 1999. In addition to building our internal corporate structure, which will enable us to expand our business operations rapidly over the next few years, we finalized the acquisition of **Tri-State Mobile Laser Services**, we experienced steady improvement in revenues in our Cincinnati center and we took the company public. LightTouch will move forward in its acquisition strategy in the first quarter of 2000."

Reported revenues for the year were $2.4 million, compared to $1.8 million in revenues in the previous year. This represented over a 30% increase. The increase was attributed to the acquisition of a mobile laser service, expansion of services such as endermologie (body contouring), therapeutic massage, tooth-whitening laser service and power peel facial treatments. Additionally, a more experienced sales staff contributed to increased sales. While sales revenues were increasing, losses from operations and net losses were fluctuating due to the focus of the company to expand with additional centers. The loss from operations decreased from approximately $640,000 in 1997, to $82,000 in 1998. However, the loss increased to $278,000 in 1999. On an annualized basis, the net loss decreased from approximately $650,000 in 1997, to $210,000 in 1998, but increased to $351,000 in 1999. The main reason for the increased loss was the acquisition of the mobile laser service. This business was acquired as a service to future acquired laser centers which allows for efficient utilization of high cost laser equipment between centers.

3/7 **ESC Medical Systems** announced that it had acquired exclusive distribution rights for a novel light based treatment of acne, manufactured by **CureLight Ltd.**, Haifa, Israel. Alan Shalita, MD, Professor of Dermatology at SUNY Downstate Medical Center in New York, and one of the lead investigators, will be presenting his findings this week at the *American Academy of Dermatology* meeting in San Francisco, CA. CureLight treatments use proprietary high-intensity light on the inflamed red postules and pimples. Initial clinical trials indicate that a series of six fifteen-minute treatments with the CureLight system can have a significant long-term impact. "These results are very encouraging and indicate that we may have developed a breakthrough technology for the treatment of acne. Existing treatment modalities all have significant drawbacks: creams are temporary solutions that work only as long as they are used, antibiotics have created bacterial resistance, and other drugs have additional aggressive side affects," said Yoram Harth, MD, founder and president of CureLight Ltd.

Yacha Sutton, CEO of ESC Medical Systems, stated: "The acquisition of the CureLight technology is a continuation of ESC's policy to build on our core businesses by adding complementary technologies and applications." In addition to the distribution rights, ESC

has purchased 10% of the company with an option to buy another 16%. ESC expects the product to be ready for market in the first quarter of 2001.

3/8 **Laserscope** announced that it will introduce a new generation of the recently launched Lyra long pulse Nd:YAG laser for vascular and hair removal applications -- the Lyra XP -- at the upcoming *American Academy of Dermatology Meeting* in San Francisco, CA. While the current Lyra system has already established itself as the premier laser for treating darker skin types and leg veins, the Lyra XP laser can now provide an even wider range of pulse energies and pulse durations. The benefit of these technological advances has been demonstrated in the treatment of larger and deeper leg vessels by allowing for faster and more effective clearance as well as in the treatment of lighter hair colors. Additionally, the expanded flexibility and higher powers enable the physician to treat a wider range of patients with different vessel sizes, skin tones and skin types. The Lyra XP will also be made available to existing Lyra customers as an upgrade.

3/8 **BIOLASE Technology** announced that its HydroKinetic hard and soft tissue dental laser was the focus of several presentations at the *7th Annual International Conference of the Academy of Laser Dentistry (ALD)*, held in Panama City, Florida. BIOLASE's HydroKinetic technology uses laser-energized water to cut human tissue without heat, vibration or trauma. "These findings presented at the ALD and other meetings are fundamental to the critical process of educating dentists around the world about the clinically superior capabilities and the pain free breakthrough of the HydroKinetic technology," commented Keith Bateman, BIOLASE vice president of global sales. He added, "This year we are aggressively stepping up our efforts to educate dentists and the public about the numerous benefits of HydroKinetic technology."

The presentations focused on the effectiveness of the Millennium HydroKinetic laser for removing enamel, dentin, and decay and the superior results completing the restoration. Findings were also presented explaining the revolutionary ability of the Millennium to painlessly perform dental procedures without anesthesia, needles or the drill.

3/9 The number of cosmetic procedures performed in a single year rose to 4.6 million in 1999, according to national statistics released today by the *American Society for Aesthetic Plastic Surgery (ASAPS)*. The 1999 total represents a 66% increase in procedures, compared to the previous year. There was a 16% increase in surgical procedures and a 98% increase in nonsurgical cosmetic procedures, in part reflecting the growing popularity of medically supervised skin care within plastic surgeons' offices.

Chemical peel was the number one procedure overall, up 114% to 841,777. Botox injections were second, rising 216% to 498,204, and laser hair removal was third, increasing 340% to 481,978. Lipoplasty (liposuction), in sixth place overall, was the most popular surgical procedure, increasing 32% from the previous year to 287,150. Breast

augmentation ranked second among surgical procedures, up 51% to 191,583. Cosmetic eyelid surgery was third, rising 1% to 183,580.

In 1999, 11% of cosmetic procedures were performed on men, compared to 10% in 1998. Baby boomers between the ages of 35 and 50 accounted for 43% of the total number of cosmetic procedures -- more than any other age group. The top three procedures for baby boomers were those that may require little or no "down time" -- chemical peels, Botox injections and collagen injections.

3/9 **Altus Medical** announced that the FDA had cleared the CoolGlide Aesthetic Laser System for use in hair removal. With this second FDA clearance for the CoolGlide, the product can be sold to licensed practitioners in the United States for use in hair removal as well as the treatment of vascular lesions. CoolGlide is the first long-pulse Nd:YAG laser cleared for hair removal. It provides a fast, safe and effective way to remove unwanted hair for the widest range of skin types. With CoolGlide, physicians can expand their existing practice or replace older, limiting technologies.

Suzanne Kilmer, MD, director of the Laser and Skin Surgery Center of Northern California said, "There are three factors that allow clinicians to effectively treat the widest range of skin types; they are longer wavelength, longer pulse width and epidermal cooling." "The CoolGlide System provides all of these features," said Kevin Connors, president and CEO of Altus Medical. "Our selection of the longest wavelength available for hair removal (1064 nm) and user selectable pulse width are supported by our impressive long term clinical data and clearance for a broad range of skin types (I-V)."

3/10 For millions of Americans, wrinkles and scars, as well as leg veins and excessive body hair, are a fact of life. While not necessarily a major health problem, these conditions can greatly affect your self-esteem and quality of life. While you may have had to accept these conditions 15 years ago, revolutionary advancements in the field of laser surgery have enabled dermatologists to safely and effectively eliminate wrinkles, scars, excessive body hair, and facial and leg veins. Speaking at the *American Academy of Dermatology's 58th Annual Meeting* in San Francisco, dermatologist Melanie Grossman, MD, clinical assistant professor of dermatology at Cornell University Medical School, New York, NY, discussed the latest laser therapies to remove wrinkles, scars, excessive body hair, and leg veins.

WRINKLES AND SCARS

Laser resurfacing is a procedure specifically designed to remove superficial and moderately deep wrinkles of the face. These wrinkles primarily include those on the upper lip, the crow's feet around the eyes, as well as shallow wrinkles on the cheeks and forehead. Laser resurfacing is also an effective treatment for moderately depressed broad scars, such as those from acne. "Newer technologies are now being developed to provide

non-invasive improvement of wrinkles," stated Dr. Grossman. "These technologies are being designed to generate new collagen production without interfering with the epidermis or the outside layer of the skin. As a result, these new technologies will improve wrinkles and scars without any post-procedure downtime and decrease the chance of pigmentary changes."

HAIR REMOVAL

Excess unwanted body hair concerns both men and women. Regardless of the cause, millions of Americans remove unwanted hair daily by a variety of temporary hair removal strategies that include shaving, waxing, chemical depilatories and tweezing. Electrolysis provides a permanent, but often tedious and slow alternative solution for hair removal. "Recent improvements in the understanding of laser skin interactions and advances in laser technology have resulted in the development of several laser-assisted hair removal strategies," Dr. Grossman remarked. "Coupled with our existing knowledge, this has given way to new and exciting possibilities into future testing and research development." Laser hair removal results will vary from patient to patient depending on skin and hair color. "While the ideal candidates for laser hair removal remain light-skinned patients with dark hair, new changes in laser technology have also allowed safe treatments in dark-skinned patients," explained Dr. Grossman. "New lasers currently under research will further improve treatments for darker pigmented skin."

LEG VEINS

Leg veins affect an estimated 80 million American adults. While even shapely legs can look less attractive with bulging blue veins or a web of red and purple veins, leg veins can pose a debilitating health problem causing fatigue, throbbing pain, a burning sensation, or restless legs. Although the exact cause of leg veins is unknown, heredity, pregnancy, hormonal changes, and prolonged standing are believed to be contributing factors. As people age, these veins become more common and often more pronounced. Until recently, lasers were used primarily for facial veins, which are small, superficial, and red. Leg veins have been difficult to treat with lasers because the skin is thicker and the blood vessels comprising the veins are deeper than elsewhere in the body. "Leg veins can be effectively treated with a variety of lasers depending on the size, diameter, and color of the particular vein," stated Dr. Grossman. "Even larger veins can now be treated thanks to the newest technologies."

3/11 **Premier Laser Systems Inc.** announced that it had filed a voluntary petition for protection and reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court in Santa Ana, California. The filing was necessitated by the company's lack of liquidity, the overhang of prior obligations and the need to seek protection from certain creditors' activities. Under the Chapter 11 proceeding, the company will seek to

maximize the value of the company and its assets for the benefit of all of its stakeholders including its creditors, customers, shareholders and employees.

Marc Ballon, writing in the *Los Angeles Times* about the Chapter 11 filing, noted that executives were preparing to sell off various company assets. Chief Executive Michael Quinn, who had joined the Irvine company three months ago to launch a recovery effort, said he has put the company on the block. "I thought I would be able to fix this thing and live happily ever after," he said. "Unfortunately, the circumstances were beyond my control." Quinn, a health industry veteran who helped steer **Imagyn Medical Technologies** in Irvine out of bankruptcy, said four companies had made offers to buy all or part of Premier Laser but that he rejected the bids as too low. Quinn said he would consider selling the entire business, Premier's dental or vision divisions separately, or the company's 75 patents and other technology. To raise cash, Premier sold the rights to ophthalmological diagnostic technology to a Florida firm (**LaserSight**) for $4 million. Part of the proceeds will go toward paying two lenders, Quinn said.

Regardless of the outcome, Quinn said he doubts Premier will continue to exist in its present form. "I think it would be in the interest of everybody involved if the name Premier floated off into the sunset," Quinn said. "It has a stigma attached to it and never lived up to its expectations." The company has lost more than $100 million since its founding in 1991 and never had a successful commercial product, Quinn said.

Premier founder Colette Cozean, who was ousted as chairwoman, has filed a lawsuit alleging that Premier failed to pay her certain benefits and salary. The bankruptcy petition lists her as one of the company's creditors. Competitor **Biolase Technology** of San Clemente recently sued Premier, alleging that several of Premier's products using lasers with water for dental procedures infringed on one or more of Biolase's patents. Premier now has six employees on the payroll, Quinn said. Two weeks ago, the company ended its relationship with turnaround specialist **Crossroads Capital Partners** in Newport Beach.

3/13 The Nasdaq Stock Market announced that trading was halted in **Premier Laser Systems, Inc.** for "additional information requested" from the company at a last price of $1.00. Trading will remain halted until Premier has fully satisfied Nasdaq's request for additional information.

3/13 **Palomar Medical Technologies, Inc.** announced a new addition to its line of cosmetic and aesthetic products. This new microdermabrasion system brings exciting advances in the explosive aesthetic skin care market. The target market for this device is the growing population of consumers that desire a healthy appearance of their skin without the recovery time required for more invasive procedures. The Radiant Peel Microdermabrasion System permits medical and aesthetic practitioners to gently remove thin layers of old or damaged skin cells. The Radiant Peel uses a high powered stream

of tiny crystals to remove unwanted tissue without damage to the underlying fresher and more healthy looking tissue to reduce or eliminate fine wrinkles, unwanted pigmentation and other superficial skin damage. The treatments are fast and painless. An average facial procedure is less than 20 minutes with no patient discomfort or healing time.

Louis Valente, chairman and CEO of Palomar commented, "We are pleased to add yet another product to our expanding line of cosmetic and aesthetic products. This new generation microdermabrasion system is designed to provide the practitioner with a cost effective and reliable product for their patients. It is the only system on the market that offers all of the key features including a clog free operation, a closed loop design that uses virgin crystals, large canister for longer operation, crystal flow for precise abrading procedures and reusable stainless steel filters."

3/13 **Laserscope** announced that the it had received FDA marketing approved for its innovative Lyra Laser System for hair removal on patients with the full range of skin tones from Fitzpatrick Types I-VI. The system was cleared in late August 1999 for various dermatological applications including the treatment of vascular lesions, including leg veins. Compact and portable, the Lyra Laser System is the first system designed to remove hair from darker skin types as well as light, making it the most versatile product available. In contrast, systems based upon less advanced technologies are best suited to patients with light skin tones and dark hair only. To the company's knowledge, the Lyra is the only laser currently FDA approved for treatment of the full range of Fitzpatrick skin types.

3/13 **ESC Medical Systems** announced that it had introduced two new Intense Pulsed Light (IPL) systems: one for hair removal and one for the new non-ablative skin rejuvenation procedure known as Photorejuvenation at the recent AAD meeting in San Francisco. The two systems represent a new generation of IPL technology and are compact, user friendly and ergonomically superior to any devices currently on the market. The IPL Quantum SR (Photorejuvenation) establishes ESC as the pioneer of the new Type I Photorejuvenation procedure. The IPL Quantum SR (Photorejuvenation) and IPL Quantum HR (hair removal) were introduced at the meeting to enthusiastic acclaim by dermatologists. The new IPL Quantum series stimulated record high levels of traffic to the ESC exhibit booth with record high orders taken on the show floor.

"The overwhelming response to these products during the meeting confirms that ESC Medical has strengthened its market leadership position with these introductions," said Louis Scafuri, CEO of ESC Americas. "This shows that ESC has listened to the market and continues to deliver innovative, cost-effective technology that satisfies the needs of patients today."

The new IPL Quantum series uses ESC Medical's proprietary and patented intense pulsed light technology. Recent breakthroughs allow the company to offer customers

state-of-the-art performance at a lower price in systems of smaller size. Additionally, the IPL Quantum series is designed for ease of use -- a significant advantage to the growing number of high-volume aesthetic procedure offices around the world. The new lower prices are also expected to speed market acceptance and penetration and maximize ESC's competitive position.

The IPL Quantum SR is a revolutionary device dedicated to Photorejuvenation, perhaps the fastest growing aesthetic procedure in the United States. Millions of people suffer from benign vascular and pigmented lesions such as rosacea, flushing and sun damage often related to aged skin. The new IPL Quantum SR procedure is a unique non-invasive treatment with "no down time," meaning patients can return to work and all activities immediately following treatment. Since the entire face rather than a small problem area, is treated each time, the patient acquires a gradual, natural, pleasingly youthful rejuvenated look. ESC Medical's IPL technology is the only technology currently performing Type I Photorejuvenation, a procedure that has been shown to improve these conditions by as much as 75% in fewer than five short treatments. IPL Quantum SR is also the only Photorejuvenation device capable of treating multiple colors of skin spots.

3/15 **LightTouch Vein & Laser, Inc.** announced it had signed an agreement with **Mark Mitchell Consulting, LLC.**, a New York based marketing and business development consulting firm. Greg Martini, president of LightTouch stated, "Mitchell Consulting's primary role is to develop and implement a dynamic program to accelerate the acquisition of cosmetic laser surgery practices and the geographic expansion of our modular centers business model. LightTouch is experiencing very solid consumer response to our centers marketing and sales programs and menu of services. We believe that now is an opportune time to advance our practice purchase timetable and nationwide expansion plans. We are pleased to have the expertise and experience of Mark Mitchell Consulting to assist us in this exciting new initiative."

3/15 **Eclipse Surgical Technologies** announced that it had completed the review of its regulatory strategy regarding the use of transmyocardial revascularization (TMR) with coronary artery bypass grafting (CABG). The company has decided that it will not pursue any wording changes to its already approved TMR labeling in order to address this use. TMR and CABG are each presently utilized to treat separate regions of the heart. Eclipse concluded that its present FDA approved labeling is adequate and that the physician can best decide how to use the laser system within the approved labeling.

Dr. Keith Allen cardiothoracic surgeon at St. Vincent's Hospital and the Indiana Heart Institute in Indianapolis said, "The surgical management of cardiovascular disease often requires the simultaneous application of two or more procedures. Examples of this would be when CABG is performed with another procedure, such as valve replacement, coronary artery endarterectomy or ventricular aneurysm resection. During the course of a CABG procedure, a surgeon may encounter a viable myocardial territory, which is

supplied by a coronary artery which cannot be bypassed. The surgeon may elect to perform TMR according to the approved indication in those areas refractory to standard therapy."

3/21 **Laser Photonics, Inc.** announced completion of a private financing through the sale of shares of Common Stock. The company offered the shares to a syndicate of institutional investors, including **Pequot Scout Fund, LP (Pequot Capital Management, Inc.)**, **DCF Capital**, **Narragansett Capital Partners, LP**, **Anvers, LP**, and **Special Situation Fund**. **ING Barings**, an international corporate and investment bank and part of **ING Group**, and one of the largest integrated financial service organizations in the world acted as placement agent. The company intends to use the $15.5 million proceeds from this financing to accelerate the commercialization of its recently approved psoriasis therapy.

Jeff O'Donnell, president and CEO stated, "We have made substantial progress over the last few months in positioning LPI for a successful commercial launch of its recently FDA approved proprietary excimer laser system for the treatment of psoriasis. We believe the recent addition of several experienced industry professionals to our senior management team and board of directors, coupled with the completion of this financing with several highly regarded institutional investors, provides LPI with the necessary resources to become a leading medical device company."

3/21 **LightTouch Vein & Laser, Inc.** announced the grand opening of its Northern Kentucky cosmetic laser center in Florence, Kentucky. The company, through LightTouch Vein & Laser, Inc., its wholly-owned subsidiary, provides aesthetic laser and cosmetic surgery services in the Cincinnati, Ohio, and the Northern Kentucky area.

3/22 **ArthroCare Corporation** announced it had received 510(k) clearance from the FDA to market the company's Coblation-based cosmetic surgery system for skin resurfacing for the treatment of wrinkles. In related news, the company also announced that the United States Patent Office had issued a new patent with claims that are broadly directed to the use of radio frequency energy for skin resurfacing for the treatment of wrinkles. This recently issued patent complements ArthroCare's existing patent portfolio, which covers, among other things, Coblation technology and its use for cosmetic surgery.

3/23 **Trimedyne Inc.** announced the U.S. Patent and Trademark Office had allowed (agreed to grant) 36 claims of a U.S. patent application (formerly, the company had claimed 41 claims allowed (?)) covering its new cosmetic laser. With the patent issued in December 1999 and the patent application allowed by the U.S. Patent Office which was announced earlier this month, this new patent will complete Trimedyne's "fence" around the new laser's technology. The new Patent is expected to issue in a few months.

3/23 **DUSA Pharmaceuticals** reported that it had closed the previously announced private placement transaction with funds managed by **INVESCO Funds Group, Inc.** of Denver.

DUSA issued 1,500,000 new shares of its common stock at a purchase price of $28.50 per share. INVESCO now holds approximately 14.8% of DUSA's common stock.

MEDICAL/SURGICAL LASER UPDATE -- April 2000

3/9 A news release that I missed from **Dornier Surgical Products** announced that they had entered into an agreement under which Long Beach, California based **OMP (Obagi Medical Products, Inc.)** will serve as the exclusive sales agent for Dornier's cosmetic laser products in the United States. OMP's sales team will represent Dornier's products in the direct-to-physician Dermatology and Cosmetic Surgery markets. Dornier also announced that it had launched its new 940 nm Diode Laser featuring PowerBar Diode Technology, especially designed for vascular tumors and lesions as well as hair removal, once FDA clearance is granted for the latter.

"OMP provides Dornier with a business model that allows us to go to market with a "physician-mediated skin health" company. No other laser distribution channel is able to meet such a wide variety of needs for our customers. OMP's thorough service after the sale will be a great benefit to our customers," said Walter Payerl, president of Dornier Surgical. Phil Rose, president and CEO of OMP added that, "OMP is proud to add Dornier's laser technology to OMP's portfolio of products and services for physician mediated skin health. We look forward to being able to work with our physician audience in this exciting new area of skin health delivery."

Dornier Surgical Products is part of the worldwide **Dornier MedTech Group**, owned by **Singapore Technologies** and **Daimler Chrysler**.

3/24 **MW Medical** announced the successful introduction of its MW 2000 microwave delivery system at the recent American Academy of Dermatology meeting in San Francisco. Unlike other hair removal system available today, the MW 2000 uses microwave energy to destroy hair follicles without damaging surrounding tissue -- and because microwave energy is not absorbed by pigment in the skin, it can be safely used on individuals of all skin types and hair colors. This gives physicians the opportunity to treat patients that would not normally be candidates for hair removal procedures. "The company is pleased with the positive response we received at the AAD meeting. Although we respect the position of these older technologies, it was gratifying that physicians and consumers are receptive to new ideas and technologies," said Jan Wallace, CEO of MW Medical.

The MW 2000 system uses short, controlled pulses of microwave energy to selectively heat the target structures in the body, either hair follicles or vascular structures. (Although, questions have been raised as to its effectiveness -- see my ASLMS writeup accompanying this report, and the company's 10K in the 4/17 brief below.)

3/27 **ESC Medical Systems** announced that it had settled the long-standing litigation between **Reliant Technologies, Inc.** and ESC subsidiaries **Laser Industries, Ltd.** and **Sharplan Lasers, Inc.** The suit represented the most significant litigation risk facing the company. Under the terms of the settlement, ESC Medical will pay Reliant the sum of $7.5 million and issue 100,000 stock options. Yacha Sutton, president and CEO of ESC Medical Systems stated, "This is a major accomplishment for ESC Medical. Coming on the heels of the **LPG** settlement, this represents a giant step forward in enhancing the risk profile of ESC Medical stock. While ESC Medical believed in the merits of its case, the prohibitive expense and diversion of management attention which would have been required during our currently successful turnaround efforts convinced us that it would be best to settle at this time."

The litigation began in September 1995 when Laser and Sharplan filed suit against Reliant for patent infringement arising from Reliant's introduction of a new laser resurfacing (scanning) product. Reliant counterclaimed for antitrust and other violations and asserted that the patent was invalid. The Northern District of California held the Laser Industrie/Sharplan patent invalid on summary judgment. Thereafter the court set a trial date for April 2000 to consider whether filing and pursuing the suit constituted an antitrust violation. Laser Industries and Sharplan had appealed this to the Federal Circuit Court of Appeals in Washington, D.C. The Federal Circuit appeal was withdrawn as part of the settlement. The terms of the settlement will be reflected in ESC Medical's 1999 year-end figures.

The company also reported that it planned to report strong operating results for the quarter ended December 31, 1999. Fourth quarter sales will be reported at approximately $40 million, reflecting over 30% growth compared to the previous quarter. Operating profit will be approximately $1 million, excluding non-recurring charges. Other expenses were related mostly to lawsuit settlements and restructuring charges. These results represent the first major indication of a return to profitability. Yacha Sutton, CEO of ESC Medical Systems commented, "We are delighted with these results. Quarter to quarter growth of 33% is very strong, even while considering the traditional seasonal strength of Q2 and Q4, compared to Q1 and Q3. The results confirm that we are well on the way back to profitability. We are also pleased with the resolution of two major lawsuits, LPG and Reliant, which have been demanding significant management attention. With these settlements, the management team can now turn its undivided attention back to growth. In addition, our continuing legal expenses should be significantly lower as a consequence of these settlements."

The above-cited quarterly results do not reflect additional cost savings not realized during the quarter, which have since been implemented. These cost savings should be fully reflected in the operating results of Q2 2000. Other expenses, consisting mostly of settlement charges and legal fees related to the LPG and Reliant settlements, will amount to approximately $19 million. Restructuring charges will be under $4 million, consistent

with management's announcement in the November 11, 1999 press release. ESC plans to file its results for fiscal year 1999 on Form 10K on March 30, 2000.

Reliant, in its statement, said it had agreed to accept a substantial cash settlement, and would also be paid to consult with Laser Industries/Sharplan and its parent ESC Medical Systems over a three-year period. Michael Black, president and CEO of Reliant, stated, "Despite the tremendous amount of time invested in completing this litigation, Reliant has continued to assess the surgical laser market needs, and developed appropriate products. As a result, Reliant is poised to rapidly bring to a much broader market the current core of its medical laser instrumentation, and in addition, to further develop new advanced laser systems, which will allow diagnosis and treatment in multiple medical specialty areas to be performed via real time telecommunication links, both terrestrial and space based."

3/27 **DUSA Pharmaceuticals, Inc.** reported that on March 20 it had filed a PMA Supplement with the FDA for the commercial version of its BLU-U brand light source. This supplement follows FDA approval of the company's Levulan Kerastick 20% topical solution with Photodynamic Therapy (PDT) for Actinic Keratoses (AKs) of the face and scalp and the clinical trial version of the BLU-U in December, 1999. A spokesperson for the company said, "While we believe the modifications we are making to our device do not affect its performance and FDA review should take approximately two to three months, FDA regulations give the agency up to six months to review a supplement. The agency also will inspect our Wilmington, Massachusetts facility before giving its approval. The FDA also may choose to reinspect our third-party manufacturer."

DUSA's dermatology marketing partner, **Schering AG**, and its wholly-owned US affiliate, **Berlex Laboratories**, will launch the Levulan Kerastick and the BLU-U in the U.S. shortly after FDA approval of the PMA supplement. Launch is currently planned for the second quarter of this year.

3/28 **PLC Systems** announced it had raised gross proceeds of $5.4 million through the sale of approximately 2.7 million shares of its common stock to two institutional investors. "Over the past month interest in PLC has increased and we were able to avail ourselves of this opportunity to quickly and efficiently raise capital utilizing our 'shelf' registration," said James Thomasch, CFO of PLC. "The proceeds from this financing will be utilized to increase PLC's sales staff and marketing initiatives, as well as for other working capital purposes," stated PLC Systems' president and CEO Mark Tauscher.

3/28 **Candela Corporation** announced that it had engaged **Ernst & Young LLP** as its independent accountant, to succeed **PricewaterhouseCoopers LLP**. Candela's Form 8-K filing made today with the SEC announcing the change in its accountants also stated that Candela and its predecessor audit firm, PricewaterhouseCoopers LLP, had not had any disagreement on any matter of accounting principles or practices, or financial statement

disclosure. PricewaterhouseCoopers LLP filed a letter with Candela's 8-K filing stating that it agrees with the statements concerning PricewaterhouseCoopers LLP contained in the Form 8-K.

3/29 **DRAXIS Health Inc.** announced that it had filed a New Drug Submission with the *Therapeutic Products Programme of the Canadian Health Protection Branch* in respect of Levulan 20% topical solution with Photodynamic Therapy (PDT) for the treatment of Actinic Keratoses (precancerous skin lesions) of the face and scalp. DRAXIS Health holds the exclusive Canadian rights to Levulan PDT and Photodetection (PD) through **DUSA Pharmaceuticals Inc.** under patents licensed from **PARTEQ Research and Development Innovations**, Kingston, Ontario. Martin Barkin, DRAXIS Health's president and CEO, stated, "Levulan PDT/PD is one of the leading agents in the exciting, emerging area of photodynamic therapy and photodetection. It holds considerable promise in a number of therapeutic and detection applications and has the potential to become the first standardized, physicent (?) of Actinic Keratoses. We look forward to expanding our pharmaceutical portfolio to include this novel treatment."

Schering AG of Germany was granted the marketing and distribution rights to the Levulan Kerastick with PDT for Actinic Keratoses and for other dermatology indications which DUSA and Schering AG may co-develop. The agreement with Schering covers all jurisdictions, other than Canada.

3/30 **ESC Medical Systems** announced that, based on products shipped to date, it expects sales for the quarter ended March 31, 2000 to significantly exceed those reported in the corresponding quarter in 1999. ESC Medical also filed its annual results for the year ended December 31, 1999, confirming the run-rate operating profit previously announced. Dr. Jacob Frenkel, chairman of ESC Medical, noted, "I am delighted the company has turned the corner and is resuming profitable growth. Management and all the employees are to be congratulated." Yacha Sutton, president and CEO of ESC Medical, said, "The first quarter has been quite strong considering its traditional seasonality. Per our original plan, about all the costs savings will be fully reflected in Q2 results. The underlying strength of demand for our products and the exceptional effort by all of our employees has made the ambitious turnaround plan we laid out in September a reality." For 1999, the company had revenues of $142.2 million and a net loss of $140.8 million ($5.48 per share).

3/30 **BIOLASE Technology, Inc.** reported record financial results for the fourth quarter and fiscal year. For the 12 month period, the company reported record sales of $7.0 million, an increase of $5.5 million, or 378%, compared with $1.5 million for fiscal 1998. The net loss for the year, inclusive of $1.1 million in non-recurring charges, of which $1.1 were non-cash related, was $4.9 million (28 cents per share) compared with a net loss for fiscal 1998 of $10.3 million (69 cents per share). The 1999 non-recurring charges included costs associated with a severance agreement with the company's former president, a

consulting agreement, a write-off of assets related to product development and a provision for the company's reacquiring of distribution rights in Germany from its previous distributor. Operations in 1998 included a non-recurring cash charge of $5.1 million, representing a write-off of purchased research and development costs related to an acquisition of certain undeveloped technology. Without these non-recurring charges, the net loss for 1999, and 1998, would have been $3.7 million (21 cents per share), and $5.2 million (35 cents per share), respectively.

For the first quarter, sales rose 105% to $1.8 million, an increase of $920,322 over the $878,888 reported for the corresponding period in 1998. The net loss for the three-month period was $2.0 million (11 cents per share) compared with a net loss of $1.6 million (10 cents per share), for the comparable quarter of 1998. The net loss for the 1999 fourth quarter included non-recurring, non-cash charges of $862,413, representing the previously mentioned write-off of product development assets and the provision for reacquiring certain distribution rights. Excluding these charges, the net loss for the quarter would have been $1.1 million (7 cents per share). The company attributed the significant improvement in sales for the fiscal year and fourth quarter to the successful transition from a primarily R&D company to the initial phases of a sales and marketing organization. BIOLASE's 1999 sales and marketing activities started the process of educating dentists about the financial and clinical benefits of BIOLASE's products. These activities also initiated awareness of the general public regarding the superior patient care and painless dentistry provided by BIOLASE's products.

Jeffrey Jones, president and CEO, said, "The past year proved a pivotal one for BIOLASE, not only evidenced by the rise in sales but in many operational and strategic accomplishments. Overall, we successfully made the critical transition from research & development of our primary technologies to production, sales & marketing. During 1999, we initiated the design and completed the development of two major new products, the Millennium II and the Twilite diode. As of the date of this press release, both products have begun shipping. We currently have a significant backlog of orders for the Millennium II and the Twilite...We are aggressively entering the next phase of marketing and sales, dramatically ramping up our activities and staff in these areas. Our sales and marketing strategy is focusing on the increasing public demand for painless procedures and the need for dental practices to implement innovative marketing. Launching the new year, our HydroKinetic technology and products have been the subject of numerous academies, accredited societies and respected clinical publications. We are establishing more relationships while strengthening existing ones with key doctors and educational institutions."

The company also reported that subsequent to its fiscal year-end, it had received a capital infusion of about $4 million composed of approximately $2.5 million in net proceeds received from a private placement of restricted common stock to institutional investors and about $1.5 million in proceeds from the exercise of certain stock purchase warrants

and stock options. Jones commented, "This capital infusion reflects the confidence that the investment community has in the company's future. We intend to use the proceeds to enhance our sales and marketing efforts for both the Millennium and Twilite lasers to take full advantage of the many exciting opportunities that the market place offers to us."

The company's 10K, released on April 14th discussed the acquisition and disposition of **Laser Skin Toner, Inc. (LSTI)**. The company acquired substantially all of the assets of Laser Skin Toner related primarily to a proprietary in-process laser-based technology being developed by LSTI for non invasive laser treatment in the field of aesthetic skin rejuvenation, including all intellectual property rights consisting of patents, patent applications, a trademark application and certain know-how on July 2, 1998. At the time of the acquisition, the intellectual property embodying this developmental effort represented substantially all of LSTI's assets, and the developmental efforts did not appear applicable to any alternative use. At the time of acquisition, the company intended to proceed with those additional research and development efforts needed to bring the product to market and to fund the costs from working capital. In anticipation of and then in response to the clearance it received in October 1998 from the FDA to market its Millennium tissue cutting system for dental hard tissue applications, the company shortly after acquiring the LSTI technology, decided to focus its limited resources on the marketing of its Millennium system, including a build-up of inventory and expansion of sales staff. The company, though, did continue the clinical trials related to the LSTI technology.

The company has since determined that it is in the best interests of its stockholders to continue its focus on the marketing and further enhancement of products embodying its HydroKinetic technology, including its Millennium system, and not to further develop the LSTI technology. In December 1999, the company transferred the LSTI technology and all associated assets in exchange for the undertaking of the **transferee** to pay to the company a royalty based on future sale of products covered by patents on the LSTI technology. The company's receipt of any royalty payments beyond a nominal amount of required minimum royalties is wholly dependent upon the **transferee's** successful development and commercialization of the LSTI technology, and no assurances can be given that the LSTI technology will be successfully developed and commercialized or that the company will receive any meaningful royalty payments relating to the LSTI technology.

In March 2000, the company entered into an arrangement with the former shareholders of LSTI, which by then had liquidated, pursuant to which:

- The former shareholders of LSTI, as successors-in-interest to LSTI, agreed to return to the company for cancellation 525,000 of the 1.4 million shares of Company Common Stock issued and delivered in 1998 as consideration for the assets of LSTI, subject to the

company's performance of certain ministerial acts relating to the shares of Company Common Stock retained by the former shareholders of LSTI;

- The company canceled 182,880 shares of Company Common Stock that had been issued and placed in escrow for possible delivery to LSTI, or its successors, based upon the future performance of the business to be based on the LSTI technology; and

- The company and the former shareholders of LSTI exchanged general releases, including the release of all claims, if any, relating to the company's acquisition of the assets of LSTI.

No identification is given in the 10K to whom the technology was transferred, but it is our assumption that the original developers, Dr. Frank O'Donnell and Dr. Terry Fuller, have re-acquired their technology. No confirmation of this has been obtained from BioLase or Drs. O'Donnell and Fuller.

3/31 **Cell Robotics International** announced financial results for the year, with revenues of $1.4 million compared to revenues of $1.4 million in fiscal 1998. The net loss for 1999 was $1.9 million, compared to a net loss in 1998 of $1.8 million. In 1999, with much of the company focused on product development of the Personal Lasette, the company's other products continued to maintain constant revenues. These products include the IVF Workstation, which is designed to boost pregnancy success rates for patients undergoing In-Vitro Fertilization, and the Cell Robotics Workstation, an innovative scientific research instrument that uses laser light to transform a microscope from a viewing device into a tool for physically manipulating and dissecting living cells in microspace.

Cell Robotics International is the only company offering an FDA-cleared alternative to the steel lancet or needle, the Lasette to enable diabetics to sample their blood as the first step in testing glucose levels to determine proper insulin dosing. According to the company, the potential market is enormous. If Cell Robotics sold a Personal Lasette and a year's supply of disposables to only 1% of the U.S. insulin-injecting diabetic population of 4.7 million people, this would yield revenues of $55 million. If Cell Robotics achieved U.S. market penetration of 5% to 10%, the market size would be between $276 million and $552 million. By making a conservative assumption that the U.S. represents 40% of the world diabetic market, then at penetration rates of 1%, 5% and 10%, the world market would be $137 million, $687 million and $1.3 billion respectively.

The company also reported that additional private insurance companies have agreed to pay for the Personal Lasette for their subscribers on an individual basis. Also, Medicare has agreed to pay for a child's Lasette through an exception process. With the Lasette, anecdotal evidence strongly suggests that diabetic patients will test their glucose levels more often, keeping their blood sugar under better control and thus reducing the costly

and life-threatening side effects of diabetes. The Personal Lasette retails for $995 and the disposables are $15 per month.

Sales of the Personal Lasette began in mid-December of 1999 with limited production. To be responsive to customer needs with this new, sophisticated laser product, some adjustments have been made to the product while limited production continued. These adjustments have essentially been completed and Cell Robotics is now ready for implementing an aggressive marketing and sales campaign. By the end of May, full-page color advertising will be in journals read by over 1,300,000 diabetics, a targeted mailing will be sent to 50,000 people with diabetes and the company will have demonstrated the Personal Lasette to attendees of the Juvenile Diabetes Foundation meeting in Washington, D.C.

3/31 **Laser Corp.** announced its results of operations for the fiscal year, with revenues of $3.9 million as compared to revenues of $3.3 million for the same period in 1998, an increase of 16%. The company recognized a net loss for the period of $1.2 million (79 cents per share), as compared to a net loss of $1.7 million ($1.57 per share) for the same period in 1998. Joyce Wickham, president and CEO of the company, commented, "Despite the losses that we suffered in 1999, we are pleased with the progress that we have made as we continue our transition to a medical products company. In 1999, medical product sales were approximately 25% of the company's revenues. In 1998, only 5% of our revenues came from medical product sales. We believe that this trend will continue and look forward to the anticipated FDA clearance of the Dodick Laser PhotoLysis System so we can market this product in the United States."

3/31 **Dental/Medical Diagnostic Systems** announced financial results for its fourth quarter and fiscal year. Net revenues for the fourth quarter increased 27% to a record $10.6 million, compared with $8.3 million for the fourth quarter of the previous year. The company reported a net loss of $6 million (93 cents per share) vs. a net profit of $1.1 million (21 cents per share), for the same period in 1998.

For the year, revenues increased nearly 100% to $38.2 million, vs. $19.2 million for fiscal 1998. The company reported a net loss for the year of $6.7 million ($1.15 per share), vs. a net loss of $1.8 million (35 cents per share) for the previous year. The large increase in sales during the 1999 fourth quarter and year resulted primarily from the introduction of the Apollo 95E and related consumables, which were initially introduced in Europe during the first quarter of 1998 and in the United States during the third quarter of 1998. "We were pleased to see the strong contribution to sales made by our Apollo 95E and Apollo Elite device for rapid curing of dental composites, especially in our international markets," said Robert Gurevitch, chairman and CEO of the company.

4/3 **Palomar Medical Technologies** announced that an agreement had been signed with **M&M Co., Ltd./Mutoh Company (Mutoh)**, a leading distributor in Japan. Under the

agreement, Mutoh agrees to exclusively support the Palomar SLP1000 (super long-pulse) diode laser system for hair removal throughout Japan. Mutoh will be responsible for customer service, maintaining a vigorous program of education and communication, display and demonstration, and assisting physicians with order placement. Mutoh has been the exclusive distributor for the Palomar RD-1200 Q-switched Ruby Laser System for the treatment of age spots and tattoos since 1989.

"We are pleased to enhance our partnership with Mutoh so we can combine our resources to distribute and service the Palomar SLP1000 in Japan," said Palomar's CEO and chairman Louis Valente. "As both companies have been working together closely for a number of years, we are confident in Mutoh's relationship with physicians in Japan and Mutoh's ability to represent Palomar and its products." Nobuyuki Tao, president of Mutoh, said "We are pleased to announce the signing of the agreement with Palomar and excited to support the Palomar SLP1000. We wanted to enter the dramatically fast-growing laser hair removal market with a world-class product. This agreement accomplishes that objective, and we are now fully prepared to use all of our resources to establish and maintain the worldwide leadership position. The addition of the Palomar SLP1000 to the Palomar RD-1200 gives us a unique opportunity to assist the physician to obtain a complete state-of-the-art line of cosmetic laser systems, backed by Mutoh's renowned service organization."

Dan Valente noted that Palomar had a major presence at the American Academy of Dermatology (AAD), the world's largest dermatology meeting, which was held in San Francisco last month. "We experienced exceptional interest in our products from members of the medical community. Palomar received a number of orders for the Palomar E2000 Ruby Laser System for hair removal and hundreds of inquiries regarding the Palomar SLP1000, currently pending 510(k) clearance from the FDA." The Palomar SLP1000, like Palomar's current Palomar E2000, uses contact cooling and other patented technology designed to ensure safe and effective treatment. The fiber delivery handpiece is lightweight for comfort and offers less fatigue for operators. The 10 mm spot size is designed to deliver high-repetition pulses as it glides over the skin for rapid coverage of large areas. The Palomar SLP1000 is significantly smaller and lighter than most current systems, which is especially desirable for mobile and/or small physician offices. The system is easy to install and operation is simple.

4/3 **WaveLight Laser Technologie AG** announced that it had completed its acquisition of **NWL Lasertechnologie GmbH**. Max Reindl, WaveLight's CEO, said, "We are going to decisively expand our position in the area of dermatological laser systems in Europe." Despite the acquisition, the NWL Lasertechnologie GmbH's successful German management will continue to run the company as an independent subsidiary.

In light of the projected annual growth in market volume of more than 20% in the area of dermatological laser systems and more than 25% in the area of industrial laser

systems, WaveLight's acquisition of NWL has been evaluated by market experts in the technology sector as an assurance of considerable near- and long-term (beyond 2001-2002) profit potential. Reindl further asserted that NWL's technology transfer and business potential in the area of industrial lasers coupled with WaveLight's expertise will also open new and excellent business prospects in the area of industrial lasers. Given synergistic effects assuring dynamism and growth and a commitment to the development of industrial laser systems, WaveLight Laser Technologie AG expects a significant across-the-board increase in sales in the coming years.

4/3 **BIOLASE Technology, Inc.** announced that its Millennium Hydrokinetic dental laser was featured on a television news magazine story on Pain-Free Dentistry on MSNBC's "Weekend Magazine with Stone Phillips" on April 1-2, 2000. The segment focused on the fears that many people have about visiting the dentist. It began with the comment, "It's right up there at the top of the of things most of us hate -- going to the dentist. If it's not the sound of the drill that gives you the chills, maybe it's the needle. With an estimated 100 million cavities getting drilled, and filled, every year, you'd think dentists would come up with a better -- less painful -- way. Well, maybe someone has."

4/3 **BriteSmile, Inc.** said its shares will begin trading on the Nasdaq under the ticker symbol BSML on Friday, April 7, 2000. BriteSmile's shares are moving to the NASDAQ from the American Stock Exchange, where they will continue to trade under the symbol BWT through Thursday, April 6, 2000.

4/11 **Trimedyne** announced it had completed a private placement of 612,168 shares of common stock to four institutional and private investors at a price of $3.32 per share for a total of $2.1 million. The investors received warrants to purchase an aggregate of 321,085 shares of common stock at a price of $4.88 per share. This transaction brings Trimedyne's total cash reserves to approximately $6.3 million as of March 31, 2000, with no outstanding debt.

4/11 **Laserscope** announced that the sale of its NWL subsidiary to Wavelight Laser Technologie AG was approved by Wavelight shareholders on March 31, 2000.

4/13 **Eclipse Surgical Technologies** reported results for the first quarter with worldwide product revenues of approximately $5.7 million and a loss of $4.4 million (15 cents per share). This compared favorably with first quarter 1999 with revenues of $4.5 million and a loss of $8.3 million (30 cents per share), excluding $6.9 million of merger related costs. The loss for the first quarter of 1999, including merger related costs, was $15.2 million (55 cents per share). "We are reporting a 27% increase in sales compared with the corresponding quarter one year ago and a reduction in the net loss by almost 50%," said Alan Kaganov, CEO of Eclipse. "We continue to be encouraged by the growing number of hospitals using our surgical laser system and purchasing our disposable products."

The increase in sales in the first quarter of 2000 compared to the first quarter of 1999 was due primarily to the commercial approval of the Eclipse Transmyocardial Revascularization (TMR) System by the FDA in February 1999 for certain uses by cardiovascular surgeons. The loss, exclusive of merger related costs, was reduced nearly in half in the first quarter of 2000 versus the first quarter of 1999. This decrease in loss was due to higher sales and improved operating efficiencies. The company announced on January 4, 2000 that in December 1999 an application had been submitted to the FDA for marketing clearance of its percutaneous TMR (PTMR) product. The FDA has accepted this submission for filing.

4/14 **LightTouch Vein and Laser** announced its third LightTouch Cosmetic Laser Surgery Center in the U.S. The new center, located in Charleston, South Carolina, was acquired through the acquisition of the cosmetic laser surgery practice of Harley Freiberger, M.D. Dr. Freiberger, will serve as medical director.

4/14 According to **Laserscope**, celebrities such as Fidel Castro and others may be covering up or not shaving in order to avoid the pain, chronic infections and discolored skin associated with the common condition known as "shaving bumps" or pseudofolliculitis barbae (PFB). The good news is that this condition can now be treated with a longer-wavelength laser just approved last month by the FDA. Called the Lyra Laser System (a long-pulsed Nd:YAG), it is the first laser approved to treat unwanted hair on all skin types. Until now, dark-skinned individuals could not use popular laser procedures to remove that hair, as those lasers could remove only dark hair from light skin. According to the National Institutes of Health, more than 12 million African-American men suffer from PFB. Women also can have PFB in the bikini area, underarms, legs and other shaved areas.

4/15 According to an article in *Optoelectronics Report* (formerly Laser Report), the Japanese optoelectronics industry is showing strong growth, as reported by **The Optoelectronic Industry and Technology Development Association**. Among the sectors covered, the market for medical lasers grew 17.2% because of the increased use of lasers in ophthalmology and dentistry. Across the entire laser manufacturing sector, total growth was approximately 44.7%, reaching about $200 million.

4/17 Because of rumors circulating at the recent ASLMS meeting, I pulled the 10KSB filed by **MW Medical**. A few of the highlights are shown below:

"Over the past several months the company has been faced with a number of problems in bringing its new product to market. In addition, to the more traditional difficulties of generating sales, the company's vice president of marketing and national sales manager resigned in January and the company discovered that a number of the sales it thought had been made had not actually occurred. Following this, the company has been actively

involved in hiring and training new sales executives and personnel, but the process has been slow and costly.

Management believes that these difficulties will be overcome and that the company will recover with new marketing and support personnel by the end of the second quarter."

"Despite initial efforts, the company's sales efforts have not met management's expectations. Management now believes that there will be a period of at least six months before it will be able to generate enough sales to offset operating and other expenses. Moreover, the company continues to deal with a number of issues regarding the use and operation of the MW 2000 by physicians and their staff which suggests that there will be at least this same amount of time before initial operational problems will be resolved. In the meantime, management expects the return of a number of machines and continual internal evaluation of such things as warning labels and operating instructions."

These statements are on top of comments made at the ASLMS questioning the efficacy of the device in removing unwanted hair.

4/17 **PLC Systems** announced it had launched two additional expanded physician training programs. The TMR certification courses are being held at **The Texas Heart Institute** in Houston, Texas and **The Heart Center at Providence** in Seattle, Washington. These sites are an addition to the company's flagship-training course: PLC's Center of Excellence at **Rush-Presbyterian St. Luke's** in Chicago, Illinois. "We are very pleased that these world-class medical institutions believe in the clinical benefits of CO2 TMR," stated PLC Systems' president and CEO Mark Tauscher. "We anticipate the combination of these courses will attract surgeons from all over the world."

4/18 **BIOLASE Technology** announced that it had been granted an additional patent, No. 5,968,037, from the U.S. Patent Office for its HydroKinetic laser technology, further extending the company's already-dominant position in the laser-with-water market. The patent applies to technology already incorporated into the company's Millennium surgical cutting system, as well as two new systems for HydroKinetic cutting. The first system enables a user, via a control device, to adjust the size of the water particles being outputted in order to control the thickness, or resolution, of a cut. The user can also adjust the spatial distribution of the water particles to control the depth of the cut as well. The additional claims expand coverage with variable control of resolution, enhanced control of depth and the delivery system.

4/19 **Spectranetics** reported financial results today for the first quarter, with revenues totaled $6.7 million, an increase of 64% over the $4.1 million reported in the same quarter last year. Revenue growth was driven by a 93% increase in lead removal sales, a 32% increase in laser coronary angioplasty revenue, and a 229% increase in equipment

revenue. The net loss from continuing operations was $894,000 (4 cents per share) compared to $1.4 million (7 cents per share) during the same quarter last year.

"We are very pleased with the robust revenue growth achieved during the first quarter, historically our weakest quarter of the year," said Joseph Largey, president and CEO. "We doubled the number of field sales representatives in 1999 and are beginning to see the benefits of a more aggressive sales effort. We placed 15 lasers during the first quarter, up from 3 lasers placed in the same quarter last year and significantly higher than anticipated. Our strong growth in lead removal sales reflects our success in combining the Spectranetics Laser Sheath with the newly released Lead Locking Device. The two devices combined create an unrivaled system for removing damaged or infected pacemaker or defibrillator leads and have been well received by the market. While we are pleased with the 32% increase in laser coronary angioplasty revenue, we experienced a slowdown in our growth rate during the quarter due to the February announcement of our newest ELCA catheter -- the Vitesse COS. Initial shipments to customers will begin during the second quarter of 2000. We believe that our investment in marketing and sales, new product introductions and 45 new laser placements in the last nine months will be catalysts for continued growth as we progress toward sustained profitability over the remainder of the year."

4/19 **Candela Corporation** announced that it had posted record revenues and profits for its third fiscal quarter ended April 1, 2000. For the quarter, the company reported net profits of $3.7 million (30 cents per share) on revenues of $19.2 million. For the same period a year earlier, the company had profits of $1.9 million (21 cents per share) on revenues of $15.8 million.

For the nine month period, the company reported net profits of $9.6 million (82 cents per share) on revenues of $53.0 million. For the same period a year earlier, the company reported profits of $4.2 million (48 cents per share) on revenues of $39.9 million. Commenting on the results, Gerard Puorro, president and CEO, stated, "Not only was this a quarter of record revenues and profits, but of total orders as well. The market response to our new product offering, Vbeam, has exceeded even our own expectations, and we are gratified with such a response."

During the accompanying conference call, Puorro noted that GentleLase continued to represent approximately 50% of revenues, but that orders for Vbeam were very strong, representing close to 10% of total sales. In addition, at the AAD and ASLMS, the company found that by bundling the two products, with the extended three-year warranty covering both, led to increased sales of GentleLase to about a third of those interested in Vbeam. He also mentioned that the company recently celebrated the shipment of its 1000th GentleLase.

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4/25 Following release of **Candela Corporations'** financial results (see the April 19th brief in last month's newsletter), Scott Baily of **Bluestone Capital** issued a research note on the company. He reiterated his 1-1 (both intermediate and long-term) rating on the company and said that his revenue targets of $77.5 million for fiscal 2000 and $86 million for fiscal 2001 remain unchanged.

4/25 **American Dental Technologies** announced that the United States Patent and Trademark Office had issued U.S. Patent No. 6,019,605 entitled "Method for Treating Periodontal Disease". This patent is directed to a method for treating periodontal disease in the periodontal pocket by lasing bacteria contained within the dental pocket and then debriding soft tissue and plaque from the pocket.

4/26 **Trimedyne Inc.** announced its 90% owned subsidiary, **Cardiodyne Inc.**, had begun testing its proprietary angiogenic composition, a "cocktail" of growth factors and other agents to stimulate the growth of new blood vessels in the hearts of animals (pigs). The study is being conducted at the Texas Heart Institute at St. Luke's Episcopal Hospital in Houston under the direction of Drs. O.H. Frazier, Kamuran Kadipasaoglu and David Engler. The purpose of the study is to determine if injections of Cardiodyne's angiogenic composition are able to restore blood flow and regional function to hearts in which a major coronary artery has been gradually occluded. A U.S. patent application on Cardiodyne's new angiogenic composition is pending.

4/26 **Spectranetics** reported that a comprehensive outside review of Medicare Part B (physician) payments for cardiac lead removal found that rates in 2000 were increased 22%-39% over 1999. The company retained **JR Associates**, a consulting firm in Reseda, California, to conduct the study. In addition to substantial increases in 2000, the review found that Medicare physician payments for cardiac lead removal are projected to increase in 2001 and 2002. The increases are the net result of recent changes in the Health Care Financing Administration's Physician's Medicare Fee Schedule, including modifications to the national Relative Value Units which are used to set payments, and revisions to the American Medical Association's Current Procedural Terminology (CPT) codes for lead extraction.

4/26 **PLC Systems** announced financial results for the first quarter with total revenues of $1.7 million compared with $2.8 million in the first quarter of 1999. The net loss for the quarter was $2.2 million (10 cents per share) compared with a first quarter of 1999 net loss of $2.2 million (11 cents per share). "The first quarter results reflect PLC's increased emphasis on a procedural based business model, which is designed to provide a recurring revenue stream that can offer long-term benefits," stated Mark Tauscher, president and CEO. "The current healthcare business climate is one that is avoiding capital-intensive commitment. This move to a procedural based model is perfectly aligned with our strategy of training physicians and educating patients. We believe targeting these key audiences can provide an increase in the utilization of The Heart Laser System. I am

pleased to report a 39% increase in kit shipments compared to the fourth quarter of 1999 kit shipments."

During the first quarter of 2000, PLC shipped eight lasers and 411 disposable kits to customers, which compares to five lasers and 295 kits in the fourth quarter of 1999 as well as five lasers and 217 kits in the first quarter of 1999. Tauscher continued, "In February, PLC began implementing its corporate strategy, which has demonstrated positive results very quickly. Therefore, it is essential to continue to foster the development of these initiatives that we started in the quarter. More specifically, we believe that the additional physician training programs coupled with innovative patient outreach programs such as the live TMR webcast will assist PLC in promoting the utilization of The Heart Laser System."

5/1 **QLT PhotoTherapeutics Inc.** announced the proposed sale of worldwide rights to PHOTOFRIN (porfimer sodium) to **Axcan Pharma** in a deal worth up to $60 million (CDN). QLT will be required to pay a portion of this consideration relating to the reacquisition of certain marketing and distribution rights. Under terms of the deal, QLT will transfer to Axcan the worldwide development, manufacturing, and marketing rights to PHOTOFRIN in exchange for an initial net cash payment of $2.5 million, a $4 million deferred payment, approximately 1.2 million common shares of Axcan and $13.5 million in preferred shares of Axcan which are redeemable within 12 months in cash or additional common shares of Axcan. In addition, QLT is entitled to future milestone payments of up to $20 million (CDN), payable in cash or preferred shares, based on future events. "After an extensive strategic review of the PHOTOFRIN business, we believe that this proposed transaction with Axcan is the best alternative to meet our objectives and expand the potential for the product," said QLT president and CEO, Dr. Julia Levy. "With a dedicated gastroenterology sales force in North America, Axcan is well positioned to support the existing business and capitalize on additional opportunities for PHOTOFRIN, especially in the treatment of Barrett's esophagus. QLT will continue to benefit from the future success of PHOTOFRIN through its equity investment in Axcan and expected future milestone payments. With the completion of the transaction, we will focus our resources on the successful launch and market expansion of Visudyne (verteporfin) and other products in our research and development pipeline."

5/2 **The Plastic Surgery Company**, an emerging national provider of practice development services and Internet marketing solutions for the plastic surgery market, reported financial results for its first quarter. The company reported net income of $365,297 (8 cents per share) on total net revenues of $7.6 million, of which $1.3 million were in service fees. Service fees represent revenues earned by the company for development, marketing and Internet services provided to the 25 plastic surgery centers under service agreements. The service fees equal approximately 15% of each plastic surgery center's patient revenues received during the period. Under these agreements, the company also recognizes revenues equal to certain operating expenses of the practices, which are also

booked as company expenses in the same period. As this is the company's first full quarter of operations, there are no comparable results for first quarter 1999. At the end of the first quarter 2000, the company was under service agreements with a total of 25 plastic surgery centers, staffed with 30 board certified or board eligible plastic surgeons. The company also has letters of intent with another six plastic surgery centers that produced 1999 annual patient revenues of approximately $12,500,000.

5/2 **Spectranetics** reported that the FDA had granted an expansion of the company's Peripheral Excimer Laser Angioplasty (PELA) clinical trial sites, increasing the allowable number of sites in the United States from 10 to 20. The PELA trial is a multi-national, randomized trial that compares excimer laser treatment and balloon therapy with balloon therapy alone in patients with a total blockage of at least 10 centimeters in the superficial femoral artery of the leg. With the FDA-approved expansion, the study includes 250 patients randomized at 20 sites in the United States and additional sites in Europe. A reference group of 125 non-randomized patients treated with surgery or medication will be followed at 5 separate sites.

5/2 **Cell Robotics International, Inc.** announced that *The WallStreet Transcript (TWST)* had published an interview with the company's president and CEO, Dr. Ronald Lohrding. In the interview, Lohrding discussed several key areas, including the Lasette, Cell Robotics' laser finger perforator, which allows diabetics to sample their blood in a nearly painless way, reducing soreness, and eliminating the needle phobia problem for diabetics. Commenting on future market opportunities during the interview, Lohrding stated, "Clearly, the single biggest market opportunity is in the personal laser finger perforator, which we call the Personal Lasette. We believe that this segment represents a multi-billion dollar market opportunity. Therefore, it's just a matter of accomplishing a small penetration rate to allow Cell Robotics to become a sizable company."

5/3 **Palomar Medical Technologies** announced that first quarter revenues were $2.8 million, compared with revenues of $13.5 million for the first quarter last year. The decrease was principally attributable to revenues from Palomar's **Star Medical Technologies, Inc.** subsidiary that were included in the first quarter 1999. Star was sold on April 27, 1999 for $65 million in cash. Net loss for the first quarter was $3.0 million, (30 cents per share) compared with net income of $469,000 (4 cents per share) for the same quarter last year.

Dan Valente, chairman and CEO of Palomar, commented "We are extremely pleased with our product development since we sold our Star subsidiary last year. We were able to quickly develop the next generation diode laser that substantially reduces the size and cost of ownership for doctors around the world. We introduced the system at the *American Academy of Dermatology meeting (AAD)* in March with great success. We are clearly positioned to take advantage of the growing multi-billion dollar cosmetic laser market with new and exciting products. We are on target to execute and continue our

strategic plan during 2000 and beyond with a strong balance sheet and the best laser hair removal technology in the industry."

5/4 **Medical Alliance** announced results for the first quarter. Paul Herchman, CEO of Medical Alliance said, "We are very pleased with our strong first quarter performance and our sustained momentum, which is built upon our unique and expanding platform. We have successfully prepared our consultative field representatives to meet the needs of our physician customers by offering them access to the latest technology either through a mobile services model or the sale of selected products for permanent placement in their offices. On a daily basis, we are enhancing our reputation among our physician customers for offering total patient solutions, quality service and rapid response."

For the quarter, revenues were $4.8 million compared with revenues of $4.1 million for the year ago period. The company had earnings, before nonrecurring charges related to the proposed sale of the medical business, of $364,000 (6 cents per share) compared with earnings of $43,000 (1 cent per share) in the prior year period. Including the nonrecurring charges, net income for the quarter was $280,000 (5 cents per share).

5/4 **ThermoLase**, a **Thermo Electron** company, reported revenues of $4.8 million for the quarter ended April 1, 2000, compared with $9.8 million in the fiscal 1999 quarter. The net loss for the quarter was $2.9 million, compared with a net loss of $7.0 million last year. The decrease in revenues resulted primarily from the sale of the company's spas in June 1999.

5/4 **Radiancy, Inc.** announced that it had received marketing clearance from the FDA for its SpaTouch PhotoEpilation System -- a new pulsed light hair removal device that takes this laser/light application a giant step forward. The innovative SpaTouch unit will sell for well below $20,000, about one-third the price of competitive products. No other laser/light hair removal product is currently known to be available at this affordable price, which promises to significantly expand the aesthetic surgery market. "Our goal was to achieve a price point for a truly affordable system that will allow a much larger segment of the market to participate in the hair removal business," said Eitan Nahum, president and CEO of Radiancy. (And the former president of **Sharplan**.) "There is a huge unmet need in the marketplace for this type of product, with medical professionals and consumers seeking a simple and cost-effective solution." The company also received the CE mark for the European market. SpaTouch uses proprietary technology to achieve a high-yield light energy utilization. This technological advance allowed Radiancy researchers to successfully miniaturize the unit and its consumable light source, resulting in a portable, compact tabletop system that weighs only 12 pounds. Its ease of use and ergonomic design complement SpaTouch's clinical efficacy.

Established in 1998, Radiancy is devoted to the development of unique medical and aesthetic products employing proprietary, innovative light technology. Dr. Zion Azar and

Pini Shalev, leading research scientists experienced in the development of medical lasers and non-linear optical systems, have developed the technology. Radiancy's R&D is based in the Rehovot Science Park in Israel where its team works in close cooperation with medical practitioners in a variety of specialties.

5/4 **BIOLASE Technology** reported its financial results for the first quarter. It also announced the commencement of shipments of the HydroKinetic Millennium II Hard and Soft Tissue laser and the Twilite diode cosmetic laser. Due to the product transition, sales for the quarter totaled $1.5 million compared to $1.8 million reported for the comparable period in 1999. The net loss for the quarter, including the costs associated with the new product introductions, was $1.0 million (6 cents per share) compared to a net loss of $669,856 (4 cents per share) for the comparable period in 1999.

The first quarter was an important transition period from the old product line to the production and shipment of a new generation of products: the Millennium II and the Twilite dental laser systems. During the transition, BIOLASE was affected negatively by having to discount the older product to rid itself of inventory. Initial shipments of the Millennium II and Twilite began at the end of the reporting period and are increasing rapidly in the current quarter. During the first quarter, the Millennium II was demonstrated at several key dental meetings including the Chicago Mid-Winter, the *Academy of Laser Dentistry* and the Hinman meeting in Atlanta. Acceptance of the Millennium II at these meetings, and in BIOLASE-sponsored courses, resulted in a very substantial backlog of orders. The Twilite diode laser was also shown at important dental meetings during the period and was demonstrated and used at several cosmetic dentistry courses around the U.S. The Twilite quickly became recognized as the soft tissue laser of choice for the most prominent cosmetic dentists. The company currently has a significant backlog of orders for the Twilite and expects it to contribute substantially to sales for the second quarter and for the remainder of 2000.

5/4 **Spectranetics** announced that a federal district court in Virginia issued an order granting a permanent injunction against **White Star Holdings, Ltd.** This order follows previous court decisions finding that Spectranetics is the valid holder of a patent license entitling the company to develop, manufacture, market, and distribute its CVX-300 excimer laser system. The previous decisions also determined that White Star had no rights in the license or the licensed patents. The permanent injunction prevents White Star Holdings, Ltd. from, among other things, terminating the company's patent license agreement, contacting the company's customers for any purpose related to the patents or license agreement, and instituting any legal proceedings regarding the patents or the license agreement against the company, its customers or any third party.

5/4 **Laserscope** reported its first quarter financial results. Revenues for the quarter were $8.6 million compared to $11.9 million in revenues in the first quarter a year ago. Revenues included NWL revenues of approximately $2.0 million. The company reported a net loss

of $352,000 (2 cents per share) for the quarter, compared to a net loss of $639,000 (5 cents per share) in the first quarter of 1999. In making the announcement, Eric Reuter, Laserscope president and CEO said, "The exciting news, as indicated by our operating results and substantially improved balance sheet, is that we have made major strides over the past three quarters in streamlining our operations and consistently improving our overall financial performance. Our revenues this quarter, although disappointing when compared to the same quarter last year without NWL, are lower in part due to our conscious and concerted efforts to reduce our domestic and international sales focus on low margin, low volume products. Additionally, the FDA clearance for our Lyra, came too late in the quarter for us to fully benefit from its marketing launch in the U.S. for hair removal. We are very much looking forward to the coming quarters when the full benefit of the Lyra clearance will be realized.

5/4 **Pharmacyclics** reported financial results for its fiscal third quarter ended March 31, 2000. The net loss for the period was $7.3 millon (47 cents per share) compared to a net loss of $5.2 million (42 cents per share) in the comparable period of fiscal 1999. The increased net loss was primarily the result of research and development costs associated with greater clinical trial activity in fiscal 2000. Pharmacyclics has four drugs in clinical trials. XCYTRIN, a radiation enhancer, is in a multicenter international pivotal Phase III trial for the treatment of brain metastases; LUTRIN, a photosensitizer, is in a Phase IIb trial for the treatment of breast cancer; ANTRIN, a photosensitizer for photoangioplasty, is in a Phase II trial for the treatment of peripheral arterial disease and in a Phase I trial for the treatment of coronary artery disease; and OPTRIN, a photosensitizer for the photodynamic treatment of age-related macular degeneration, is in a Phase II trial.

5/8 **Cell Robotics** announced that on May 1, 2000, it successfully completed a $2 million private placement selling 500,000 shares of its common stock to **Paulson Investment Company** of Portland, Ore. The company reached agreement on a term sheet, to sell the shares of restricted common stock at a less than 20% discount to the market price. This transaction is contingent upon shareholders authorizing additional shares at the May 19 annual shareholders meeting. A 5% placement fee will be paid to a third party after the close of the transaction. The proceeds from this private placement will be used primarily for the manufacturing, sales and marketing efforts of the company's proprietary, leading-edge laser device, the Personal Lasette.

5/8 **ESC Medical Systems Ltd.** announced a net profit for the first quarter, marking its return to net profitability and its second consecutive quarter of operating profitability. Sales for the quarter were $36.0 million, operating profit was $2.1 million, net income was $1.2 million (5 cents per share), compared to $31.3 million in sales, $41.6 million operating loss, $40.7 million net loss ($1.58 per share) for the 1st quarter of 1999. Excluding a gain of $300,000 from the purchase of debt and a charge of $800,000 from losses due to fluctuations in currency, net income was $1.7 million (7 cents per share) for the current first quarter.

Yacha Sutton, president and CEO stated, "We are very proud to have returned to profitability so soon after initiating the turn-around plan, especially during the traditionally weak first quarter. This marks an important milestone on the Company's road to superior operating performance. Demand continues to be strong and we expect the second quarter to continue the positive trend reflected in our first quarter results. We are very optimistic about the growth potential of our existing products and markets, as well as those now being developed. The management team is continuing to work on improving our cost structure, and believes that operating margins can be further improved as we continue to grow sales through innovative new technologies and products."

5/8 **Surgical Laser Technologies, Inc.** announced that it had entered into a definitive agreement to acquire **Surgical Innovations and Services, Inc. (SIS)**, a closely held Alabama corporation that provides contract laser and other surgical services to hospitals and surgery centers in the southeastern United States. Under the agreement, the SIS shareholders will receive 350,000 shares of SLT common stock and $300,000 in cash. Closing is expected to occur on or before May 31, 2000 and is subject to certain customary closing conditions.

SIS had 1999 revenues of $2.7 million, reflecting growth of 27% from the prior year, with pre-tax income of $130,000. In addition to the potential for continued revenue growth, SLT believes that the integration of its capabilities into the SIS operations is expected to provide cost reduction opportunities in several areas. SLT will continue the SIS business through a new wholly-owned subsidiary that will operate under the SIS name. Robert Crutchfield, SIS' president, will remain as president of the SIS subsidiary and will become vice president, business planning for SLT. In addition, James Lee Stafford, a director and shareholder of SIS, will be nominated for election as a director of SLT at the 2000 Annual Meeting of Stockholders. Commenting on the acquisition, Michael Stewart, SLT's president and CEO stated, "The SIS business will add significantly, in several areas, to our growth strategy. SIS' contract services approach to providing laser and other surgical services has become well accepted by its customers and has the potential of being applied on a broader geographic basis. The ability of SIS to incorporate new technologies into its service delivery model, including vertically integrating SLT's laser technology, will provide a basis for expanding, cost-effectively, the surgical options available to its customers. In addition, SIS' surgical technician workforce, which interacts with the customer base on a daily basis, can potentially provide a distribution channel for all of SLT's products, including our newly introduced disposable products, Bi-Frazier and ClearEss II."

5/8 **Laser Photonics** announced that its common stock had been approved for listing on the Nasdaq SmallCap market under the new symbol PHMD, effective Wednesday, May 10, 2000. The company also plans to change its corporate name, pursuant to a resolution passed by the Board of Directors, from Laser Photonics, Inc. to **PhotoMedex, Inc.**, effective upon shareholder ratification at its upcoming Shareholder Meeting anticipated

to be held in June 2000. Further, the company has relocated its corporate headquarters to Radnor, Pa. from Carlsbad, Ca. The company also announced the sale of all of the assets related to the Orlando, Fl. and Wilmington, Mass. business operations, both of which produced non-excimer laser products and were not related to the company's current business strategy of focusing on proprietary excimer laser and fiber optic systems for medical applications.

5/9 **American Dental Technologies** announced that it had received an additional firm purchase order for $585,000 from its Italian distributor for shipments of lasers through December 2000. "This order is reflective of demand for the company's hi-tech lasers," said Ben Gallant, president and CEO. "As previously stated, recent clinical studies indicate lasers are very effective in the treatment of periodontal disease which is being linked to some systemic diseases."

5/10 **DUSA Pharmaceuticals** reported that the net loss for the first quarter was $1.2 million (10 cents per share), compared to $1.0 million (10 cents per share) for the same period last year. During the quarter DUSA completed a private placement of 1.5 million shares of its common stock, raising gross proceeds of $42.8 million. At quarter's end, the company had cash and U.S. Government securities totaling $67.5 million.

5/11 **BriteSmile** announced that a suit had been filed against it in the Supreme Court of the State of New York in Erie County by **Natural White, Inc.** and its affiliated corporations. Also named as a defendant in the action is Eric Montgomery, a director of BriteSmile and the principal owner of **IDEX Dental Services**. BriteSmile has removed the case to the United States District Court for the Western District of New York and based upon counsel's opinion rejects all claims alleged by the plaintiff. IDEX had licensed certain dental products and technology to Natural White for use outside the professional field. Through Montgomery, BriteSmile was granted a separate license to use tooth whitening products and technology in the professional field. The complaint filed by Natural White alleges that the defendants misappropriated proprietary rights and trade secrets of Natural White, that they interfered with the contract between IDEX and Natural White, and that they have been unjustly enriched as a result of this conduct. The Complaint asserts compensatory damages in excess of $6 million, and also seeks punitive damages and a permanent injunction enjoining BriteSmile from using the IDEX technology licensed to Natural White. Based upon the opinion of counsel, BriteSmile believes that the suit will be dismissed against BriteSmile.

5/11 **Donner Corp. International** issued a Speculative Buy Recommendation and initiated coverage on **PLC Medical Systems, Inc.** Donner said "the revolutionary new surgical procedure developed by PLC Medical Systems, known as CO_2 transmyocardial revascularization, offers a completely new medical treatment option for patients with severe coronary artery disease. PLC developed the world's first, FDA-approved TMR device, a high-powered laser known as The Heart Laser System, allowing doctors to

perform TMR in the safest manner possible. It's estimated that more than 80,000 patients annually in the U.S., who cannot be treated for severe heart disease by conventional means such as bypass surgery or angioplasty, are candidates for TMR." Medicare reimbursement for the procedure began in July 1999 and some private insurance plans have begun reimbursing health care providers for TMR.

5/11 **Ci-Tec, Ltd.**, a wholly-owned subsidiary of **MGB Technologies, Inc.**, announced that its patented LumaCare LC-051 non-coherent light source had been selected by the **University of Pennsylvania Medical Center (UPMC)** for photodynamic therapy (PDT) lung cancer research. The LumaCare LC-051 is to be used as a light source for in vitro PDT studies on lung cancer cells. Further details about the experimental phase and test protocol were not disclosed.

The LumaCare lamps have been designed for use in clinical and research environments and overcome the limitations of traditional PDT therapy lasers in several ways:
-- Produce non-coherent light within any specific bandwidth in the 350-800 nm range, which is suitable for most PDT therapy treatments
-- Feature the greatest range of outputs with the simplest of controls
-- Achieve clinical functionality while requiring minimal training of clinical staff
-- Require little maintenance and no re-calibrations
-- Offers a compact size and easy portability between treatment rooms

The LumaCare LC-051 Model is a low cost alternative to a laser, with a retail price ranging from $15,000 to $25,000 per unit. The LC-051 lamp also eliminates the cost of laser technicians and a special facility, thereby lowering overall operating costs. The ability of the LumaCare Model LC-051 lamp to function as an external or internal PDT activation light source offers the researcher complete medical protocol flexibility. In addition, the LC-051 can also be used in non-PDT light activated medical treatments.

5/12 **Surgical Laser Technologies, Inc.** announced its financial results for the first quarter, with net income of $87,000 (4 cents per share), on sales of $1.8 million, compared to a net loss of $277,000 (14 cents per share) on sales of $2.3 million in the first quarter of 1999. Operating income for the quarter was $39,000 as compared to an operating loss in the first quarter of 1999 of $308,000. Commenting on the results, Michael Stewart, president and CEO, stated, "While we are pleased to report our third consecutive quarter of increasing profitability, our focus remains on growing the revenues and rebuilding the company. Our continuing internal development efforts, coupled with our efforts to source additional products through strategic alliances, will be significantly enhanced by the recently announced agreement to acquire **Surgical Innovations & Services, Inc. (SIS)**, a contract services company covering the southeastern United States. In addition to the potential for SIS to contribute to the sales and profitability of SLT, the SIS surgical service capability should provide the combined company with an additional platform for

growth of the surgical services business and a significantly enhanced distribution capability for the existing and future product offerings of SLT."

5/12 **Trimedyne** announced revenues of $1.5 million for its second fiscal quarter ended March 31, 2000, compared with revenues of $2.1 million for the same quarter of the prior year. The decrease in revenues resulted from a delay in commencing sales and shipments of the company's new, lower-cost 30 Watt OmniPulse Jr. holmium laser. Sales and shipments of the new laser are expected to commence in July. The company's net loss for the second quarter decreased 32% to $765,000 (7 cents per share) compared with a net loss of $1.1 million (10 cents per share) for the same period last year. The reduction in net loss was primarily attributed to the company's tight control of costs and a decrease in the development expense of the Angiogenic Injection and Laser TMR System for the company's 90 percent-owned subsidiary, **Cardiodyne Inc.**

For the six months period, Trimedyne reported a net loss of $1.2 million (11 cents per share) on revenues of $3.5 million, compared with net income of $4.4 million on revenues of $3.6 million in the same period of the prior year. Included in the results for the prior year was $6.5 million, after legal fees and costs, received from **C.R. Bard Inc.** from the settlement of the company's lawsuit against Bard in December 1998. Omitting the effect of the settlement, the company's operating loss for the prior year six-month period would have been $2.1 million (20 cents per share).

Shane Traveller, president and COO, stated: "Even though our year-to-date sales are roughly equivalent to sales for the same period last year, we are disappointed with our second-quarter revenues. The market release of our new OmniPulse Jr 30 Watt holmium laser in mid-summer is expected to bolster sales in the last half of our fiscal year. We believe that the demand for our Holmium Lasers will grow in the coming months as we received a very favorable response from physicians at the *American Urology Association* meeting in Atlanta in early May. We are continuing to focus on improving sales through strategic partnerships and aggressive marketing programs. We are also committed to developing new products that can reshape current medical therapy, such as Cardiodyne's Injection and Laser TMR System for treating severe coronary artery disease, as well as several new surgical laser devices for use in neurosurgery, gynecology urology, gastrointestinal surgery and other applications."

5/15 **American Dental Technologies** reported that revenues in the first quarter of 2000 decreased 23% to $4.7 million compared to $6.1 million in the first quarter of 1999. Pre-tax loss for the quarter was $1.1 million compared to pre-tax income of $304,576 in the first quarter of 1999. Of the loss before taxes, $446,248 was attributable to non-cash expenses of depreciation and amortization and approximately $200,000 was attributable to a non-recurring charge for scrapped parts. Net loss after taxes for the quarter was $745,980 (10 cents per share) compared to after-tax income of $128,676 (2 cents per share) in the first quarter of 1999. "The loss for the first quarter reflects the negative

impact of a decline in North American revenues (23% from 1999 first quarter) and a decline in gross margins (9% from 1999 first quarter), which led the company to change its method of distribution in the United States in the first quarter of 2000," said Ben Gallant, president and CEO. "We expect to see improvement in North American revenues and gross margins as sales and service centers are opened in the United States. As of this date, the company has twelve sales and service centers operational out of its planned twenty for this year, and expects to have all twenty operational sometime in the third quarter. While there will be a lag from the opening of a sales and service center until the company recognizes increased revenues and gross margins, the results so far are encouraging with revenues for April, 2000 slightly above April, 1999. The company continues to maintain a sound balance sheet with a current ratio of 9:1. Though we cannot make any assurances, we believe that the new business plan will return the company to profitability this year."

5/16 **PhotoMedex**, formerly **Laser Photonics**, announced the financial results for its first quarter. The net loss from continuing operations for the quarter was $2.8 million (20 cents per share). Included in this net loss is approximately $0.9 million (6 cents per share) related to a non-recurring non-cash charge associated with the acceleration of vesting of certain options granted to key advisory board members and management. Additionally, the net loss from continuing operations includes $0.2 million (2 cents per share) relating to non-cash charges for the issuance of stock options for professional fees. Net loss for the quarter was $3.1 million (23 cents per share) compared to a net loss of $2.5 million (25 cents per share) in the comparable period last year.

Jeff O'Donnell, president and CEO stated, "The results for the first quarter were in line with our previous expectations. I am very pleased and gratified with the progress we have made during the first quarter in anticipation of the commercial launch of our FDA approved excimer laser system. Some of the key initiatives which have recently been accomplished include the strengthening of our senior management team and Board of Directors, the completion of a $15.5 million financing with several highly regarded institutional investors and the successful sale of the non-excimer laser business operations, which allowed us to totally concentrate on our current business strategy of focusing on proprietary excimer laser and fiber optic systems for medical applications. Finally, the recent listing of the common shares on Nasdaq is an important recognition of all of the recent accomplishments, and will be extremely important going forward in helping our management team grow the company and build shareholder value."

5/15 **Cell Robotics International** announced financial results for the first quarter, reporting revenues of $220,554, compared with revenues of $516,156 in the comparable 1999 quarter. The net loss was $719,293 (8 cents per share) compared with a net loss in the first quarter of 1999 of $936,817 (14 cents per share). During the first quarter, Cell Robotics' primary goal was to focus its efforts on certain design and production issues related to the Personal Lasette. The company now believes it has satisfactorily addressed

all remaining concerns, which has enabled it to pursue full-scale production of the upgraded Personal Lasette.

Commenting on the first quarter, Dr. Ronald Lohrding, president and CEO, stated, "We were somewhat disappointed with first-quarter revenues; however, we did achieve our focused goal of correcting design and production concerns related to the Lasette. With these issues behind us, we are now in a position to turn loose our marketing and sales staff to aggressively pursue new orders. Furthermore, the company is entering the second quarter with a backlog of more than $250,000 in sales orders, including both Professional and Personal Lasette devices and Cell Robotics Workstations. What has been most encouraging to me personally during the quarter is the validation that we continue to receive from our customers and their excitement about the Personal Lasette. For example, a middle-aged diabetes patient who had originally purchased the Professional Lasette traded it in for the new Personal Lasette and commented that he was delighted with the professional version, but liked the Personal Lasette even better because of its small size and because he felt even less pain."

5/19 **The Spectranetics Corporation** reported that a new study found that the company's Lead Locking Device resulted in total removal of damaged or infected cardiac leads in 99% of patients. Frank Tyers, MD of Vancouver General Hospital, Vancouver, B.C., Canada and Charles Kennergren, MD of the Sahlgrenska University Hospital, Goteborg, Sweden were the study principals. Dr. Tyers presented the findings at the *North American Society of Pacing and Electrophysiology* conference, in Washington, D.C. In the study, the LLD was used to help extract 92 cardiac leads from 51 patients over an eight-month period in 1999. The LLD locked firmly and did not slip, even inside teflon-coated lead openings. The device provided a stable platform for various sheaths used to dissect the lead, including the Spectranetics Laser Sheath (SLS). The SLS, which transmits excimer laser energy to free the lead from surrounding tissue, was required for 79% of cases in the study. "The effectiveness of lead removal has improved over the last decade with the addition of a number of new techniques and devices," Dr. Tyers said. "In spite of these advances, however, the lack of a stable traction platform has remained a major limiting factor to lead removal. As the study concluded, the new LLD successfully addressed this problem. In addition, the LLD has three sizes and is simpler to use than other devices." "The study results clearly demonstrate the benefits of using the LLD for both the patient and the physician," said Joseph Largey, CEO of Spectranetics.

5/22 **BriteSmile** announced record revenues for the fourth quarter and the fiscal year ended April 1, 2000. The company's revenues increased 1,371% to a record $8.04 million for the fiscal year, compared to $550,000 for the previous fiscal year end. The strong revenues were fueled by the expansion of the company's business platform, which has resulted in the opening of 14 Professional Teeth Whitening Centers in nine major U.S. cities and the establishment of over 490 Associated Center locations (combined domestic and international), of which 235 were operational as of April 1, 2000. Of the total

revenues for the year, $5.8 million is attributable to the Professional Teeth Whitening Centers, compared to $50,000 for the previous fiscal year end, and $2.0 million was attributable to the Associated Centers, compared to zero revenues for the previous fiscal year end.

During the current fiscal year, the company raised $42.3 million by the sale of Common Stock. The net loss for the fiscal year was $23.5 million ($1.18 per share) compared to a net loss of $11.8 million ($1.13 per share) in the previous fiscal year. The loss was primarily attributable to the start-up and marketing costs associated with the company's expanded rollout.

"The strong revenue growth demonstrates the growing demand for the proprietary BriteSmile technology and the success of our distribution network," said John Reed, CEO of BriteSmile. "We were particularly pleased with the fourth quarter results: the number of procedures performed grew 134% compared to the third quarter." The rollout has resulted in more than 21,000 procedures performed in the fiscal year, with more than half of those procedures performed in the fourth quarter. Procedures increased 22,698% from 95 procedures performed in the previous fiscal year.

The company will continue to aggressively execute its business strategy and is planning on opening 6 additional Centers in New York, Chicago, Phoenix, Seattle, Dallas, and San Francisco by November 1, 2000, and opening (combined domestic and international) approximately 1,500 additional Associated Centers over the next twelve months.

5/22 **Laserscope** announced that the PMA application for its Photodynamic Therapy (PDT) Laser Systems had been determined to be approvable by the FDA as part of **Scotia Pharmaceuticals Ltd.'s** NDA for Foscan. Scotia is currently seeking FDA approval for the PDT treatment of head and neck cancer using Foscan and Laserscope's PDT Laser Systems, among others. Currently, FDA is reviewing the final labeling for the Laserscope Series 600 Dye Modules and the Series 700 and 800 KTP/532 and KTP/YAG Surgical Lasers. Final FDA approval will not be granted until the Center for Drug Evaluation and Research (CDER) approves the NDA for this indication.

5/23 Through its acquisition of **NWL Laser Technologie GmbH** in February 2000, **WaveLight Laser Technologie AG**, whose shares are traded on the Neuer Markt in Germany, has attained the status of a comprehensive supplier of dermatological laser systems. As reported by the company, WaveLight now covers all medical and lifestyle-oriented laser applications in the area of dermatology. In the area of dermatology, treatment with the use of lasers has come to include a broad range of applications, from vascular surgery to a host of lifestyle-oriented cosmetic surgeries. Although it has already reached record levels, the market volume for dermatological and aesthetic lasers continues to increase steadily. Independent studies carried out in the United States show that the patient

demand for dermatological treatments continues to increase. Enormous growth potential is predicted especially for the European and Asian markets.

In the dermatology segment, WaveLight has until now focused on the two areas Skin Resurfacing, involving scar removal and the smoothing of wrinkles with the use of the erbium laser, and Hair Removal, involving the removal of hair (and tattoos) with the use of the ruby laser. Through its acquisition of NWL Laser, WaveLight has completed its product line with the inclusion of the KTP laser for the treatment of pigmentation and blood vessel related skin changes. This addition provides WaveLight with a suitable laser system for the most various of dermatological applications. In short, the Erlangen-based laser manufacturer now covers the entire treatment spectrum in the area of dermatology.

5/23 **Palomar Medical Technologies** announced that it had received clearance from the FDA to sell and market the Palomar SLP1000 (super long-pulse) diode laser system to remove unwanted hair from all skin types, including tanned skin. Until recently, treatment of dark skin (Asian, Latino, African American and other skin types) was marginally safe and/or ineffective. The Palomar SLP1000 also received clearance for treating vascular and pigmented lesions, facial, spider and leg veins and other dermatological conditions.

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5/30 **Cell Robotics International** announced that it had successfully secured $2 million in equity financing through the sale of 500,000 shares (at a price of $4.00 per share) of its unregistered common stock to **Paulson Investment Company**. The company has agreed to file a registration statement for these shares in the near future. This transaction, which was previously announced on May 8, 2000, was contingent upon shareholders authorizing additional common stock at the May 19 annual meeting of shareholders. At that meeting, the shareholders approved an increase in the company's authorized common stock, thus authorizing completion of the transaction.

5/30 **American Dental Technologies, Inc.** announced at its annual shareholder's meeting, that its shareholders had approved the proposal to change the company's name to **American Medical Technologies, Inc.**

5/31 **ESC Medical Systems** said that it expects to continue on a path to profitability. Speaking at the company's annual shareholder meeting in New York, Dr. Jacob Frenkel, chairman of the board said, "There are very few instances where the fruits of restructuring have been so rapidly realized." The focus of this year's meeting was on the progress made in turning around the company operationally and financially. In his remarks, Yacha Sutton, president and CEO, stated that the return to profitability in the first quarter is indicative of ESC's expectations for increasing profitability from now on. Sutton also stressed that the promises made by the new board and management team when they were installed in mid 1999 have been kept. These include: focus on profitability and shareholder value,

institution of proper corporate governance and management infrastructure, re-focusing on ESC's core businesses, and improved customer satisfaction.

Sutton said, "In 2000, ESC will expand upon its inherent strengths in aesthetic and medical products, which will remain our core businesses. We are beginning deliveries of the new Intense Pulsed Light Quantum series, which was introduced this spring and we have seen heavy demand already. Looking forward, we expect the following business drivers to generate additional revenues:

-- Continued expansion of light-based hair removal through penetration of new market niches;
-- Treatment of ear infections with OtoLam as an alternative to the use of antibiotics and tubes;
-- Dental laser procedures, specifically, laser drilling and teeth whitening;
-- Veterinary procedures using AccuVet to address this rapidly growing market; and
-- Treatment of excessive menstrual bleeding with the GyneLase system."

To summarize the meeting, Dr. Frenkel added, "In a very short period, ESC Medical has re-energized its workforce, displayed new technical capabilities and has made significant strides in improving customer satisfaction. In addition, it is filling the R&D pipeline with exciting new products and expanding into new markets, which will contribute to the company's overall growth, profitability and shareholder value."

6/1 **Candela Corporation** reported that the GentleLASE system received clearance from the FDA to claim that it achieves "permanent hair reduction". Gerard Puorro, Candela's president and CEO, said, "The FDA clearance represents a significant milestone for GentleLASE in the rapidly growing cosmetic laser market. We are pleased that doctors can now advertise these impressive findings when they talk to patients who demand permanent hair reduction with the most advanced technology. The long-term clinical study began almost two years ago. The clinical data have been accepted for publication and will soon be published in a prestigious dermatological journal. We will continue to sponsor long-term clinical studies like this to demonstrate the superiority of Candela's technology and maintain our commitment to providing innovative, breakthrough products such as our recently introduced Vbeam laser for the treatment of vascular lesions."

6/7 **Eclipse Surgical Technologies** announced that it had filed a shelf registration statement with the SEC covering an aggregate of 4.0 million shares of its common stock. The registration statement has not yet become effective, and the securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective.

6/8 **Asclepion-Meditec AG** announced that it had received marketing approval from the FDA, for its "MeDioStar" diode laser system, which was recently presented at the AAD in San Francisco. The MeDioStar laser will be launched into the rapidly growing

cosmetic hair removal market. ”This gives us the opportunity to tap into the potential offered by the world's largest market, the USA,” said Bernhard Seitz, Asclepion’s CEO. The American Society for Aesthetic Plastic Surgery (ASAPS) is predicting three figure growth for this market. Accordingly, the demand for laser-based cosmetic hair removal is rising sharply. The new MeDioStar makes use of the very latest high-power diode technology which considerably accelerates treatment. In addition, an intelligent cooling system ensures that the procedure itself is virtually pain-free. Seitz believes that the device is so packed with new technical features "that it represents a genuine innovation for the new millennium." "The MeDioStar is extremely simple to operate by applying it gently to the skin and triggering the laser using the handset."

6/8 **Laserscope** said that researchers from the **Mayo Clinic** reported in the *Journal of Urology* (vol. 163, 1730-1733, June 2000) that they have achieved remarkably positive two year follow-up clinical results in treating benign prostatic hyperplasia (BPH) with Laserscope's prototype ultra-high power KTP/532 Laser System and sterile disposable fiber optic delivery devices. The Mayo Clinic researchers, led by Reza Malek, MD, said that the Laserscope system may significantly reduce many of the more problematic side effects that handicap the most common surgical procedure, Transurethral Resection of the Prostate (TURP), and earlier laser surgery methods for obstruction caused by BPH.

A year ago, Mayo Clinic researchers reported that patients were catheter-free in less than 24 hours and reported a high degree of satisfaction with the procedure. Dr. Malek, who is professor of urology at the Mayo Clinic Medical School, said that complications were minimal. "At follow-up of three months, six months, one year, and two years, none of the patients developed incontinence, there were no instances of newly developed impotence and blood loss was minimal in those few patients in whom it was even discernible. Additionally, mean AUA scores improvement ranged from 75% (at 3 months) to 82%(at 2 years)." He went on to say, "All lasers are not created equal. While they all have thermal effects, the way they affect tissue can be as different as day and night. The Laserscope high-power KTP/532 system is a vaporizing laser that penetrates only 2 mm. That is just enough to give near-perfect hemostasis."

About 95% of patients treated with the laser were highly satisfied at the one-year mark, said Dr. Malek, while the remaining 5% were satisfied. "That was something that in my 30 years of experience was unprecedented. I have never seen a group of patients who have had a significant operation who were so consistently satisfied." "This proprietary technology could represent a revolutionary way to address this condition," said Eric Reuter, Laserscope president and CEO. "The most exciting aspects of this treatment method appear to be that patients are so satisfied with the immediate post-operative and long term results, that there are so few reported side effects and that it is a minimally invasive and relatively easy to learn procedure. From a cost perspective, under managed care, hospital administrations are constantly looking for ways to adequately treat patients at a lower overall health-care cost while maintaining profit margins. Unfortunately, the

reality is that this does not always mean that patients get the best care. We believe that our solution can be shown to make economic sense by reducing the overall cost of the treatment and may also result in patient outcomes and satisfaction rates that are very compelling." Reuter added, "It has been our experience in our market research thus far that in addition to the new patients diagnosed each year, there are also many patients who have been prescribed drugs for several years to treat this condition that are not satisfied with the results. They would like to have the obstruction cleared surgically but are worried about the side effects of TURP. This High Power KTP treatment option may offer them a quick, outpatient solution that gives them symptomatic relief with few side effects."

Laserscope said the prototype system being used by the Mayo Clinic researchers has been cleared by the FDA and was developed specifically in response to physician requests for a higher power laser that would work quickly in the presence of water. The system developed by Laserscope engineers is approximately 20 watts more powerful than currently available commercial systems and is expected to be available for sale in mid-2001.

6/9 **Axcan Pharma Inc.** announced that it had completed the acquisition from **QLT Inc.**, formerly **QLT PhotoTherapeutics Inc.**, of worldwide rights to PHOTOFRIN, the first drug to be approved in any jurisdiction as a photodynamic therapy for the treatment of certain cancers. This transaction was the object of a previous press release dated May 1st. Axcan also confirmed that it obtained Hart-Scott-Rodino clearance for the United States, which will allow it to immediately assume worldwide responsibility for the marketing efforts for PHOTOFRIN, except for Japan where **Wyeth-Ayerst Laboratories** will continue to have the exclusive right to market and distribute the product.

As previously announced, the transaction between Axcan and QLT involved a stock subscription agreement under which QLT paid CDN $19.3 million, or CDN $15.00 per share, for 1.283 million shares of Axcan common stock, which brings the total number of shares of Axcan issued and outstanding to 27.775 million. The transaction also involves an asset purchase agreement under which QLT sold, licensed or sub-licensed to Axcan all its rights to PHOTOFRIN in exchange for shares and cash. At closing, Axcan paid CDN $21.75 million cash to QLT and issued 13.5 million Series A preferred shares. A further payment of CDN $4.0 million will be made by Axcan in cash or through the issuance of common shares, or a combination thereof, at Axcan's option, upon the earlier of the date of receipt of certain regulatory approvals for PHOTOFRIN or the fourth anniversary of the transaction. Axcan will make further payments of up to CDN $20.0 million as milestone payments, contingent upon the approval of PHOTOFRIN for certain indications.

"This acquisition adds a proven efficacious product to our existing range of products that treat gastrointestinal disorders and diseases. It will allow us to enter the new and growing

field of photodynamic therapy," commented Patrick McLean, vice president, Sales and Marketing of Axcan. "Our plan is to target our efforts not only to oncologists, but also to gastroenterologists, since they have the ability to treat the obstructive tumors for which PHOTOFRIN is approved to date. More importantly, these specialists will be the key to diagnosing and treating pre-cancerous conditions in the future," he concluded.

Concurrent with the completion of the sale, QLT paid approximately 45% of this consideration to **Sanofi-Synthelabo Inc.** in respect of the U.S. marketing rights to PHOTOFRIN in a similar combination of Axcan common shares, Axcan preferred shares, and cash.

6/13 **PLC Systems** announced the launch of its new electronic education program through the company's website -- **www.plcmed.com** or **www.bloodlinelaser.com**. PLC's website is a cutting-edge, innovative site focused on physician training and patient education. This initiative is in response to the recent trends of patients and family members utilizing the Internet to research and discover new, innovative medical treatments. In conjunction with the website launch, PLC also announced the creation of a TMR patient club -- *The Hole in the Wall Gang*. The company created this patient club as a forum for TMR patients to share their experiences. PLC is offering The Hole in the Wall Gang t-shirts to patients that provide a brief summary of their TMR experience.

6/13 **LightTouch Vein and Laser Inc.** announced its fourth **LightTouch Cosmetic Laser Surgery Center** in the U.S. The new center, located in Lexington, Kentucky was acquired through the merger of the cosmetic laser surgery and dermatology practice of John Buker, MD and **LightTouch Vein & Laser of Lexington, Inc**., a wholly owned subsidiary of LightTouch Vein & Laser, Inc.

6/14 **Surgical Laser Technologies, Inc.** announced that its acquisition of **Surgical Innovations & Services, Inc.** was consummated on June 1st. Michael Stewart, SLT's president and CEO, stated, "We have already begun framing plans to expand SIS's contract services both geographically and through product line extension in existing territories. Through the assimilation of the operations of both companies, we are focused on maximizing the potential of SIS to contribute to the sales growth and profitability of SLT."

6/15 **DUSA Pharmaceuticals** held its Annual Meeting at the company's new Wilmington, Mass. headquarters. Dr. Geoffrey Shulman, president and CEO, and the rest of the management team, reviewed the accomplishments of the past year, and updated shareholders on the outlook for the remainder of this year. Dr. Shulman stated, "1999 was a year of tremendous achievement for DUSA. In December, following a multi-year clinical trial development program, the company received FDA approval for the Levulan (aminolevulinic acid HCl, ALA) Kerastick 20% topical solution PDT. The treatment is indicated for non-hyperkeratotic Actinic Keratoses (AKs) of the face and scalp. The clinical trial version of the BLU-U brand light source was also approved. The other key

milestone for '99 was the signing in November of a worldwide dermatology marketing, development and supply agreement with **Schering AG** of Germany, to market Levulan PDT for dermatology indications, and to jointly develop additional indications. With Schering AG's strong commitment to dermatology, and excellent worldwide marketing capabilities, DUSA feels that Schering AG is an ideal dermatology partner. The financial terms reflected the late stage of Levulan PDT development, with DUSA due to receive a total of $30 million in upfront and launch-related payments, a significant share of ongoing revenues, and ongoing support for dermatology R&D. Subsequently, in March 2000, the company further solidified its financial position, completing a private placement with net proceeds of over $40 million, leaving DUSA, at the end of Q1 2000, with cash and US government securities totaling nearly $68 million."

"Also in March, DUSA filed a PMA Supplement with the FDA for the commercial version of the BLU-U, intended to demonstrate that the light delivery characteristics of the commercial units are equivalent to the clinical trials units. An inspection of DUSA's Wilmington facilities, where the BLU-U was designed, is also expected as part of the review. Although initial indications from the FDA led DUSA to expect that an approval could happen by sometime in June, the inspection of our Wilmington facilities has still not occurred, so a June approval now appears unlikely. However, we have recently been informed that the Supplement should be reviewed shortly and that an inspection is being scheduled. Commercial production of the Kerastick and the BLU-U has begun, in order to build inventory while the PMA Supplement is under review."

Dr. Shulman continued, "The achievements of recent months position DUSA for rapid growth in 2 main areas. Firstly, **Berlex Laboratories, Inc.**, Schering AG's wholly-owned US affiliate, has assembled an excellent marketing team and direct sales force for the product launch. As an innovative new treatment for this common pre-cancerous skin disorder, with excellent healing and cosmetic results, it has already generated considerable interest among dermatologists, and DUSA management believes that it will become an important part of the AK therapeutic armamentarium. Schering AG is also planning to file for approval in Europe, Latin America, Australia, and other selected territories. Secondly, with DUSA's increased personnel and financial resources, he company has been preparing for a major expansion in its Levulan PDT and photodetection (PD) development program. DUSA and Schering AG are jointly developing Levulan PDT for additional dermatology indications, with initial efforts focused on 3 common skin disorders: acne, warts and onychomycosis (nail fungus). For acne, Phase II blue and red light drug dose-ranging studies are expected to begin during Q3 '00, while Phase I/II studies on warts and nail fungus are expected to begin during Q4 '00. For each of these disorders, anecdotal human clinical data from independent investigator reports suggests significant improvement after ALA PDT. We believe that Levulan PDT/PD also has great potential for a variety of internal indications. DUSA has completed a Phase I/II study on hospital-based bladder cancer photodetection, and is now working on a development plan to optimize the procedure. Investigator studies in other

DUSA-supported internal indications that are expected to begin during the second half of the year include Levulan PDT for the prevention of restenosis after angioplasty, and the treatment of pre-cancerous Barrett's esophagus. Other indications being considered for future studies include the detection and/or treatment of CIN (pre-cancer of the cervix), and as a guide to resection and/or treatment for brain cancer. For all of these indications, there is also independent human data suggesting efficacy after ALA PDT/PD."

6/16 **Asclepion-Meditec** announced that it had concluded a cooperative agreement with **U.S. Medical Inc.** based in Denver, which took effect on June 13th. U.S. Medical has roughly 30 full-time sales employees in the U.S. and is amongst the best positioned of the distributors not linked to a specific laser producer. The agreement stipulates that U.S. Medical will receive the rights for distribution of the Aesthetic business unit's lasers in the United States. This includes the MeDioStar, Asclepion's new aesthetic product, recently approved by the FDA. Other systems to be marketed include those for wrinkle removal, hair removal, hair transplantation and for the treatment of vascular changes and pigment disorders.

According to Bernhard Seitz, chairman of Asclepion's Management Board, this agreement represents an important milestone in the strategic plans for the company. "In the future, with U.S. Medical on board and our stronger sales presence, we will be able to better tap into the potential of the largest single market in the world, the U.S., with our broad portfolio of aesthetic lasers. "U.S. Medical specializes in the distribution of medical investment goods. In the next six months the intention is to extend the existing sales network significantly. The number of directly employed sales staff will increase from 30 to 50."

6/20 **Cell Robotics International** announced that its Personal Lasette will be available from **RPS Pharmacy**, a national mail service pharmacy provider specializing in meeting the needs of older persons. Cell Robotics will continue to sell the Lasette directly and to seek additional channels of distribution. Commenting on the announcement, Travis Lee, Cell Robotics' vice president for Sales and Marketing stated, "With our production of the Personal Lasette increasing we can now increase our sales and marketing activity. Over 18% of people over 65 years old have diabetes, and this arrangement provides strong reach within that important demographic group."

6/23 An article about the use of **PhotoMedex's** 308 nm excimer laser for the treatment of psoriasis was published in the May issue of *Archives of Dermatology (Arch Dermatol* 2000 May;136(5):619-24), entitled, "308-nm excimer laser for the treatment of psoriasis: a dose-response study", by Asawanonda, Anderson, Chang, and Taylor of the **Department of Dermatology, Massachusetts General Hospital, Harvard Medical School**, Boston. The article describes the dose-response relationship of excimer laser-generated 308-nm UV-B radiation for treating psoriasis. The researchers found that those patients treated with high

doses of excimer laser pulses remained in remission after four months. They concluded that, "With 308-nm UV-B radiation generated by an excimer laser, it is possible to clear psoriasis with as little as 1 treatment with moderately long remission. In contrast to traditional phototherapy techniques, this handheld excimer laser UV-B therapy is selectively directed toward lesional skin, thus sparing the surrounding normal skin from unnecessary radiation exposure. Treatment of other inflammatory diseases and limited psoriasis seems reasonable to pursue with this modality."

MEDICAL/SURGICAL LASER UPDATE -- July 2000

6/6 **Scotia Holdings PLC** said the FDA had extended the review period for the company's new Foscan cancer drug by three months to October. The company said that, in response to a request from the FDA for additional data, it had provided an update on patients in the Phase III trials of the photodynamic cancer drug that shows significantly better results. It said the update shows the complete tumor response rate amongst patients in the trial has significantly improved from 11% in the original submission to 16% in the revised submission. A Scotia spokesman said the delay was not connected with a recent controversy over a paper in the *British Medical Journal*, which claimed that patients using the drug had suffered significant skin burns. Scotia chief executive Robert Dow said that, though the FDA will need more time to evaluate the drug, "The new data increases our confidence in the significant clinical benefit of Foscan."

As for the controversy over a paper in the British Medical Journal, the company issued a further defence of its Foscan cancer drug in its long running argument with a team of researchers over whether the drug causes skin burns in patients. The company dismissed new claims in a letter to the prestigious British journal by the researchers that their findings may have been caused by a new formulation of the drug. The company pointed out that no other patients using the new formulation had any problems with burns. The disagreement started with the publication last month of an article in the BMJ which said that six out of 14 patients treated with the drug suffered skin burns. Scotia has said its drug is better than rival photodynamic therapies because it requires patients to stay out of direct sunlight for a much shorter time.

Scotia initially said the researchers may have failed to inject the drug properly, causing some to leak into the skin and making the area around the injection site over-sensitive to sunlight. The BMJ later admitted that some of its peer-review procedures had been omitted prior to publication of the article. Scotia said that Foscan was originally available in a powder that had to be dissolved in water, but has more recently had a solvent added so that it can be administered as a ready-mixed fluid. It said in all other studies around the world, a total of 100 patients have been given the new formulation and no patients at all have suffered any injuries like those described in the original BMJ article. It added that this figure is more in line with trial results from the original formulation of the drug

-- where only 2.3% of 957 volunteers and patients suffered mild to moderate burns -- than it is with the 43% figure in the BMJ article.

6/28 An article about the use of Photomedx's UV excimer for the treatment of psoriasis appeared in the *Archives of Dermatology 2000*. The article, written by researchers at the *Department of Dermatology, Massachusetts General Hospital, Harvard Medical School*, Boston, is entitled, "308-nm excimer laser for the treatment of psoriasis: a dose-response study." The program involved giving excimer laser-generated 308-nm UV-B radiation to each of 4 plaques on 13 patients, each plaque received 1, 2, 4, and 20 treatments, respectively. Untreated areas within each plaque served as controls. Within each plaque, 8 doses based on multiples of a predetermined minimal erythema dose (MED) were tested in distinct sites. The multiples were 0.5 and 1 (low dose); 2, 3, 4, and 6 (medium dose); and 8 and 16 (high dose). At every treatment, the dose for each site remained fixed at the same MED multiple. A psoriasis severity index score was determined for each area before, every 2 weeks during, and 2 and 4 months after treatment.

The results indicated that treatment with high fluences produced significantly better results than that with medium and low fluences at weeks 4, 6, 8, and 10 ($P<.05$). At 4 months' follow-up, all sites that received low or medium fluences had recurrences, whereas those that underwent a single treatment at 8 and 16 MED multiples remained in remission. The authors concluded that, with 308-nm UV-B radiation generated by an excimer laser, it is possible to clear psoriasis with as little as 1 treatment with moderately long remission. In contrast to traditional phototherapy techniques, this handheld excimer laser UV-B therapy is selectively directed toward lesional skin, thus sparing the surrounding normal skin from unnecessary radiation exposure. Treatment of other inflammatory diseases and limited psoriasis seems reasonable to pursue with this modality.

6/28 **ICN Pharmaceuticals, Inc.**, a research-based global pharmaceuticals company, said it was expanding its dermatological franchise with the acquisition of laser-based skin care technology for non-ablative wrinkle removal through the use of laser technology that minimizes the effects on the skin commonly associated with chemical treatments. By its nature, non-ablative treatment does not disturb the skin. This expansion has been accomplished with the acquisition of **SLS Biophile Ltd.** of Swansea, Wales, and its patented laser-based non-ablative wrinkle reduction technology.

SLS Biophile (formerly a part of **Mehl Biophile**), pioneered development of N-Lite (Light Initiated Tissue Enhancement) technology as an alternative to harsh chemical treatment of the skin to combat the effects of aging. The "zero side effects" therapy reduces damage to the skin from aging and improves its appearance. With this acquisition, ICN acquires an innovative company that is on the leading edge of skin care technology. "This new technology helps ICN improve it's market position in the field of dermatology", said ICN Pharmaceuticals chairman and CEO Milan Panic. He added,

"This acquisition allows us to build a product platform for dermatology and at the same time helps us explore treatment of other conditions that may be suitable for photodynamic therapy, where light and drugs can work in combination."

The SLS Biophile N-Lite laser treatment has been in use in Europe since early 2000 and the company has initiated the FDA approval process in the United States. Terms of the purchase were not announced by ICN.

6/29 **The Spectranetics Corporation** reported that Phase 1 enrollment is now complete for the company's Laser Angioplasty for Critical Ischemia (LACI) trial. The LACI feasibility study, approved by the FDA, involved four enrolling sites in the U.S. and 25 patients. The purpose of the study is to evaluate the use of excimer laser technology to treat limb-threatening vascular blockages below the knee. Now that enrollment is complete, the company will gather the clinical results and submit Phase 1 data to the FDA along with a request for expansion to Phase 2.

"We are pleased that the LACI study is progressing as planned, and remain confident that our investment in this trial will ultimately benefit patients, physicians and the company," said Joseph Largey, CEO of Spectranetics. "An estimated 150,000 amputations are performed annually on patients in the United States and Europe suffering from vascular disease in the lower legs. For many patients, we believe laser angioplasty represents a compelling alternative to current treatments."

6/30 **BriteSmile, Inc.** announced that it had sold, in a private placement, its 5% Convertible Subordinated Notes due June 29, 2005 in the aggregate principal amount of $15.6 million to nine investors including: **Pequot Private Equity Fund II, L.P.**; **Pequot Partners Fund, L.P.**; **Pequot International Fund, Inc.**; **CapEx, L.P.**; **Pacific Mezzanine Fund**; **Gasper Lazzara, Jr.**; **John Reed**; **LCO Investments Limited**; and **Andrew McKelvey**. The $15.6 million investment will be used for general working capital purposes, including funding for the company's expansion plans.

7/5 **Cynosure, Inc.** announced the first installation of the PhotoGenica V-Star, the first pulsed dye laser capable of treating the full range of vascular conditions in the therapeutic to cosmetic spectrum. The first V-Star laser has been installed in the office of Jay Burns, MD of the **Epicenter** in Dallas, Texas and the **University of Texas Southwest Medical Center** in Dallas.

According to the company, the PhotoGenica V-Star is the only laser on the market that offers physicians gold standard treatment parameters for therapeutic applications along with extended pulse capability for cosmetic treatments. Treatment options with the PhotoGenica V-Star include the full array of vascular applications, including treatment for unwanted leg and facial veins, port-wine birthmarks, scars, stretch marks, rosacea and other vascular anomalies. The laser is the latest generation of the venerable PhotoGenica

V pulsed dye laser, which was introduced in 1992. Both lasers re-defined and expanded pulsed dye vascular laser treatment options, and because of the aggressive pricing at their introductions, made this new technology accessible to the majority of physicians.

Dr. Burns, who has begun working with the laser, commented on the opportunity to treat unwanted veins without purpura, "We are very excited to be working with the V- Star," he said. "The prospect of treating facial telangiectasia without purpura is revolutionary." "The V-Star goes beyond traditional pulsed dye lasers with the addition of the 20-ms and 40-ms pulsewidths. This opens the door to all of the popular cosmetic applications with reduced or no purpura," said Robert Giegerich, Cynosure vice-president of Sales and Marketing. "And we have introduced the laser at a price point that is 20% lower than the prevailing price of vascular lasers. This is an obvious choice for the physicians and a giant achievement for Cynosure."

7/5 **Henley Healthcare** announced they had received a response from the FDA on the company's PMA for Low Level Laser Treatment for Carpal Tunnel Syndrome. The FDA asked the company to provide additional clarification on some of its statistical analysis and patient follow-up data. "We are pleased to receive a response from FDA on our two year study of non-invasive laser therapy for the treatment of carpal tunnel syndrome. We will quickly respond to their questions and remain optimistic that the FDA will grant approval in the near future," said Mike Barbour, president and CEO of Henley Healthcare.

Carpal tunnel syndrome is a condition in which swelling or inflammation of the tendons leading to the thumb and first three fingers of the hand results in pain and motor difficulties and can cause injury to the median nerve. The nerve and tendons are contained in a tunnel-like structure called the carpal retinaculum in the wrist area. Workers who perform repetitive motions with their arms and hands, such as at a keyboard or on an assembly line, commonly suffer the condition. In late stages of the syndrome, the hands can become wracked with pain, the fingers can become numb, and the patient is unable to work. The MicroLight 830 uses a non-thermal, low-energy wavelength of 830 nm that can reach deep into tissues without destroying them, as "hot" or high-energy lasers do, according to the company. The noninvasive light energy promotes photobiostimulation, a process in animal cells analogous to photosynthesis in plants. The light sets into motion a series of chemical reactions that results in an increase in the cellular metabolism rate, which in turn speeds up cell repair and stimulation of the immune, lymphatic and vascular systems. This results in reduced pain, inflammation, swelling and healing time.

According to Barbour, the company's PMA includes data from clinical studies of 200 patients treated at Baylor University. In addition, the company touts a 1996 study involving 23 patients with 30 hands affected by carpal tunnel syndrome. After treatment with the MicroLight Laser, complete relief of symptoms was achieved in 77% of the

cases studied by Dr. Michael Weintraub of Phelps Memorial Hospital in Briarcliff Manor, N.Y. Another study using the MicroLight 830 involved **General Motors** workers with carpal tunnel syndrome. The research team found that the laser treatment was beneficial in relieving symptoms, restoring grip strength, and allowing workers to return to the job. (I attended the press conference held at the end of this study and can attest to the results reported, which were written up in the September 1994 issue of *Medical Laser Report*. At that time, I was told by a GM plant manager that thousands of assembly line workers complaining of early-stage CTS were treated with the laser and a back-to-work success rate of 85% to 90% was obtained.)

Henley originally submitted a PMA application for the device in 1995 (based on the GM study), and amended and resubmitted it in 1996, but the FDA did not approve it for treating carpal tunnel syndrome at that time. The company continued to conduct clinical trials to generate data to support the new PMA application, which was filed last January. The FDA alerted the company in February that the PMA application was accepted for further review. Barbour said he expects Henley to answer to the FDA's questions "with no problem" and to file the information with the agency in two to three weeks.

7/5 **Miravant Medical Technologies** announced at the *13th International Congress on Photobiology* in San Francisco, that it had achieved positive results to date in preclinical studies of its PhotoPoint treatment for the prevention of restenosis. Restenosis is the renarrowing of an artery that commonly occurs after balloon angioplasty for obstructive coronary artery disease. PhotoPoint photodynamic therapy uses light-activated drugs to target and destroy diseased cells and blood vessels. Jeffrey Walker, MD, Miravant vice president of medical research, presented recent studies using new PhotoPoint photosensitizing drugs together with Miravant's intravascular light catheters.

In peripheral and coronary vessel restenosis models, the drug/light treatment demonstrated an ability to inhibit cellular proliferation in artery walls after vascular injury. Dr. Walker stated, "These are encouraging preliminary results, suggesting that PhotoPoint may be safe and useful in preventing restenosis following angioplasty."

7/6 **American Dental Technologies** announced that it had filed a lawsuit against **Henry Schein, Inc.** The lawsuit was filed in the District Court, Nueces County, Texas to recover $294,000 of past due receivables plus interest and costs of collection.

7/7 **PLC Medical Systems** announced that the company held the first Northeast-region CO_2 TMR training program at the **Brigham & Women's Hospital** in Boston, Massachusetts. Twenty-seven surgeons attended the full-day medical educational program. The Brigham & Women's Hospital is one of the original 12 CO_2 TMR clinical sites for PLC Systems. Dr. Sary Aranki, an Associate Professor of the Harvard Medical School and director of the TMR training seminar, provided an overview of the TMR clinical experiences at the Brigham & Women's Hospital and performed a live TMR procedure for the attendees.

7/10 **PhotoMedex, Inc.** announced that it and its subsidiaries, **Laser Analytics, Inc.** and **Acculase, Inc.**, have sued **SurgiLight, Inc. (SRGL)** in Orange County, Florida for misappropriation and use of trade secrets and other confidential information. The lawsuit, filed on June 20, 2000, alleges that a former employee of **Laser Photonics, Inc.** (now PhotoMedex) improperly disclosed trade secrets and confidential information to SurgiLight both before and after the termination of his employment by Laser Photonics. The lawsuit further alleges SurgiLight used Laser Photonics' trade secrets and confidential information to develop an excimer laser for the treatment of psoriasis, and to prepare and submit an application for approval of the laser to the FDA. The lawsuit, which is in its early stages, seeks unspecified monetary damages and other relief against SurgiLight and the former employee, who is an executive officer and board director for SurgiLight.

Surgilight quickly responded, saying that the claims were false. The company believes there is no basis for the suit and the allegations are completely without merit. It intends to vigorously challenge the claims brought by PhotoMedex. The company has hired a prominent law firm in Orlando to vigorously challenge the claims against it and one of its employees. The company claims that it did not receive any confidential information regarding the development of an Ultraviolet laser for the treatment of psoriasis and any allegations to the contrary were simply untrue. According to Robert Clements, the company's legal counsel, "After reviewing the claims brought against the company and one of its employees, I feel these claims are completely false and have no merit. The technology developed by the company was developed and shipped for clinical testing long before the employee in question was hired. In fact, the technology developed by PhotoMedex was designed and developed in California and there was no information at all regarding the AL 7000 (the PhotoMedex laser) in the Orlando facility where the employee in question was located." According to the supplier of the company's UV laser source, **GAM Lasers, Inc.**, Orlando, Fla., the company's EX-308 excimer is a commercially available, state-of-the-art laser system made by GAM Lasers.

7/14 **Miravant Medical Technologies** announced that its Board of Directors had adopted a Shareholders' Rights Plan. Under the Plan, Miravant will issue a dividend of one right for each share of its common stock held after the close of business on July 31, 2000. The Plan is designed to assure stockholders fair value in the event of a future unsolicited business combination or similar transaction involving the company. This Plan was not adopted in response to any attempt to acquire the company, and Miravant is not aware of any such efforts.

7/14 *TheStreet.com* published an article on the web entitled, "Razing Hair, Raising Shares: A Look at `Aesthetic Technology' Stocks". Author John Rubino commented on a "new generation of `aesthetic technologies', including lasers that zap unwanted hair, wrinkles and such, if not permanently, at least for a beach season or two."

"As you might have guessed...the killer application is hair removal. New lasers are quicker and less painful than old-style electrolysis (which involves sticking an electrified needle in each individual hair follicle). As a result, the potential market is huge. "Everybody's got hair, right?" says Scott Baily, analyst with **Bluestone Capital Partners**. "Women have multiple areas -- armpits, bikini hair, facial." But men, mostly of the furry-backed variety, make up about 25% of laser hair-removal patients."

Rubino goes on to note that an even larger market might be for soon-to-be-introduced lasers that promise a quick, simple treatment for wrinkles, the so-called "non-ablative" systems, where the top layer of skin is not effected. As Scott Baily said, "It'll be a lunchtime procedure, where an hour later you look better." Baily rates two of the companies involved as "strong buys", **Coherent** and **Candela**. "Coherent is bigger, with a broad, higher-priced line of lasers that it sells to medical and scientific markets. Revenue is growing at a 20% annual rate, margins are widening, and as this was written, the stock was up more than 8 points (or 10%), implying that something might be cooking here." (Actually, it was because of Coherent's efforts in the telecommunications area.)

"Candela has a solid niche in the lower end of the market. Its GentleLASE, at $69,500 (vs. as much as $135,000 for a top-of-the line Coherent laser), has been undercutting the competition for years. In June, it got FDA clearance to be marketed as a "permanent" hair-removal system. Sales and earnings were up big in the latest quarter, while Candela's stock is down about a third from its recent high."

Other companies mentioned included **ESC Medical**, **Brite Smile**, and **Plastic Surgery company**. It was noted that ESC was recovering from a year of financial and management turmoil, and had turned a modest profit in its latest quarter; Brite Smile was an operator of laser tooth-whitening centers, with 20 centers up and running (along with several hundred associate centers), in which Baily questioned "whether the business model really works"; and Plastic Surgery company, a practice management company specializing in plastic surgery centers. Baily noted that, as a development-stage-dot.com, it had a tough near-term road to hoe. He went on to say that in a year or two, several companies plan to introduce lasers that will be able to cure acne (however, not mentioning psoriasis), and that improved designs of current lasers will do an even better job with removal of hair and wrinkles. The author concluded, "All things considered, it's a very pretty picture (for the aesthetic laser business)."

7/17 **ThermoLase Corporation** announced that it had set Monday, August 14, 2000, as the date for shareholders to vote on the proposal to merge the company with **Thermo Electron Corporation**. On Friday, July 14, 2000, Thermo Electron and ThermoLase received clearance from the SEC of the proxy materials related to the merger. The special meeting will be held at 11 AM, at Thermo Electron's corporate office.

7/17 **Cynosure, Inc.** announced that its Apogee line of hair removal lasers had received clearance from the FDA for "permanent hair reduction." Data collected from two clinical sites demonstrates an average hair reduction of 76% after 14.7 months post last laser treatment. These results follow three to five laser treatments. Follow-up visits showing continued hair removal were in the 14-month range. Physicians use this information to help patients set expectations at the beginning of treatment. Suzanne Kilmer, MD, Director of the **Laser & Skin Surgery Center** in Sacramento, CA, said, "Our patients are delighted with the results we get with Cynosure's Apogee laser. The laser provides excellent hair reduction with minimal discomfort. The data from this study allows us to provide encouraging information about long-term results."

Cynosure's hair removal lasers include the recently-introduced Apogee 6200 and Apogee 9300. Each of these lasers includes Cynosure's pioneering technology called Thermokinetic Selectivity, which facilitates treatment for patients of all skin types. This is particularly significant because of the fact that most laser hair removal systems cannot treat darker skin types, while the American population is increasingly comprised of people with darker skin. The Apogee 6200 and Apogee 9300 helps physicians reduce treatment time during hair removal because of its larger spot sizes (10mm, 12.5mm, 15mm) and faster repetition. The Apogee 9300, designed primarily for larger practices and clinics dedicated to hair removal, is distinguished as the most powerful hair removal laser on the market, with repetition rates as high as 5 Hertz, offering greater coverage per square inch.

7/17 *The Wall Street Transcript* published an in-depth interview with Louis Valente, CEO of **Palomar Medical Technologies** in which he talked at length about the company's future. In the interview, Valente gave an overview of his company, "We are manufacturers and distributors of lasers and products for the cosmetic market. Our markets are very large and currently the plastic surgeons, dermatological personnel and the doctors are our customers." He explains, "This market is in excess of $1 billion. The market is expanding ever so fast. The plastic surgeons and the dermatologists were the market. Now with the managed health care, many doctors who feel as though they're being restrained from getting a fair fee for their services are also buying these products. The product is a Class Two medical device approved by the FDA, and it must be sold to physicians. So we're now selling to general practitioners, OB-GYNs, and a lot of other doctors and dentists who are interested in expanding their practices to include cosmetic treatments."

Looking forward, Valente stated, "We are following up with other products like new tattoo removal technology, lasers for leg veins treatment, microdermabrasion, etc. We are also developing products for acne removal and things of that nature. There's a big Asian market to treat certain skin disorders. We have a Ruby laser that we are shipping to Asia for that purpose. We will remain in the cosmetic field. Some products have applications in the medical community, but we'd like to keep our focus in the cosmetic market."

(I downloaded the entire seven page interview, if anyone wishes to have a copy [or the electronic file]).

7/17 **Cell Robotics International, Inc.** announced that it had received European Certification (CE Mark) for the Personal Lasette. This allows Cell Robotics to immediately sell Lasettes in all countries recognizing either the CE or FDA standard. With the CE Mark in place, the first European distributor to be announced is **Nutech International Ltd.**, which specializes in sales and marketing within the United Kingdom of medical instruments of high quality that carry the CE Mark and have FDA clearance. Nutech is an approved supplier to the U.K. health service and the U.K. Ministry of Defense. The second international distributor is **Ming-Mei Technology Company, Ltd.** of Taiwan. Ming-Mei has 40 sales people to sell both medical and other products in Taiwan. Ming-Mei will sell the Lasette in cooperation with major diabetic centers and through service clubs with TV promotions.

7/18 **Eclipse Surgical Technologies, Inc.** reported financial results for the second quarter with worldwide product sales of $6.6 million, compared with $7.2 million in the second quarter of 1999 and $5.7 million in the first quarter of 2000. Sales of disposable products were up significantly to $3.3 million in the United States, as compared to $0.7 million in the same quarter last year, reflecting the increased use of the company's transmyocardial revascularization (TMR) technology by surgeons. This increase was due primarily to the continued successful implementation of the company's new sales strategy in the U.S. that began in late 1999, which focuses efforts on increasing the number of cases performed at each surgical center. In addition, the company reported that it had reduced its operating expenses, net loss, and net loss per share to $7.3 million and $3.3 million (11 cents per share), from $8.7 million and $4.2 million (15 cents per share) in the same quarter last year.

"We believe we are beginning to realize the benefits of our new sales organization, sales strategy and improved operating efficiency," said Alan Kaganov, Eclipse's CEO. "We are staffed in 24 territories with an installed base of more than 200 lasers. We trained more than 125 physicians in the quarter. Our focus is to bring the substantial benefits of TMR to more patients with advanced coronary artery disease and to significantly increase usage of our disposable systems."

Some comments from the accompanying conference call: the sales pipeline is "very big today", with veiled hints that PTMR will be approved soon; new docs are being trained at a high rate (143 in Q2), with expectations to train 160 in Q3, and 500 docs currently trained (trained docs are much more quickly turned into users); disposable sales up from 899 units in Q1 to 1132 in Q2 (this does not include units shipped with new lasers); 75% to 80% of procedures are adjunct to CABG; 4 lasers were converted from TMR leases to sales; 30 new lasers shipped, of which 1 was international and 29 domestic (19 TMR leases, 7 direct sales, 1 was exchanged for an older machine, 2 ?); the installed sites

increased from 182 in Q1 to 211 in Q2 (up 15%); and finally, the company is preparing to launch PTMR upon final FDA approval.

7/19 **Laserscope** reported revenues for the second quarter were $9.3 million compared to $9.6 million in the second quarter a year ago. Net income was $303,000 (2 cents per share) compared to a loss of $4.0 million (31 cents per share) for the same quarter in 1999. Year to date revenues were $17.9 million compared to $21.4 million in the first half of 1999. Revenues in 1999 included NWL revenues of approximately $1.7 million for the second quarter and $3.7 million, for the first half. Laserscope divested NWL as of January 1, 2000 but retained NWL as an independent distributor in Germany. Laserscope reported essentially break even results, with a loss of $49,000 compared to a net loss in 1999 of $4.6 million (37 cents per share).

"We are encouraged about reporting our first quarter of profitability since 1997. The results are the reward of the hard work and dedication of our employees and exemplify our commitment to turning the company around and creating value for our shareholders," said Eric Reuter, Laserscope president and CEO. "Last July we told you that our primary short-term goal was to achieve profitability. Having now achieved this milestone, we look forward to continued success from acceptance of our recently approved Lyra and from other products yet to be commercialized. Particularly satisfying," continued Reuter, "is the fact that our revenues in the second quarter of 2000, were 18% higher than comparable revenues (adjusted for the sale of NWL) during the same quarter in 1999."

7/19 **Spectranetics** reported financial results for the second quarter with revenues of $6.8 million, an increase of 38% over the $4.9 million reported in the same quarter last year. Excluding the negative impact of foreign currency fluctuations, revenue increased 40% compared to the same quarter last year. Disposable device sales grew by 64% in the quarter compared to the same period last year. Within the disposable device category, coronary angioplasty and lead removal grew by 79% and 82%, respectively. Service revenue increased by 22% and laser equipment revenue declined by 18% over the second quarter of 1999.

The net loss from continuing operations for the quarter was $977,000 (4 cents per share) compared with a net loss from continuing operations of $1.2 million (5 cents per share) in the second quarter last year, excluding one-time adjustments.

For the six months period, revenue increased 50% to $13.5 million, compared with $9.0 million in the same period last year. Excluding the negative impact of foreign currency fluctuations, revenue increased 52% compared with the first half of last year. Disposable device sales increased 56% compared with the first half of 1999. Coronary angioplasty sales were up 56% and lead removal sales increased 90%. The net loss from continuing operations was $1.2 million (8 cents per share), compared with a net loss from continuing

operations of $2.6 million (12 cents per share) in the first half last year, excluding one-time adjustments.

"We are pleased with the growth in disposable device sales during the quarter," said Joseph Largey, CEO. "Disposable coronary angioplasty sales increased 40% compared with the first quarter of 2000, as we began the product rollout for the Vitesse Cos, our latest generation catheter. This new device has been well received by the market, and we expect sales to remain brisk as we expand the base of existing customers using the product. Lead removal sales remained robust in the second quarter, the result of our continued success in marketing the Spectranetics Laser Sheath and Lead Locking Device as an unrivaled system for removing damaged cardiac leads. We placed 9 lasers during the second quarter, compared with 4 in the same quarter of last year and 15 in the first quarter of this year. In the first half of this year, we completed 24 laser placements, up from 7 in the first half of 1999. We expect continuing quarterly variations in the number of laser placements, which may be significant in certain quarters. Year-to-date, 68% of our revenue has been generated by disposable devices, and we expect that number to increase going forward. Our primary objective is to increase disposable sales in each account, and in so doing increase recurring revenue, reduce the impact of less predictable equipment sales and improve gross margins. In the last half of 2000, we anticipate that our revenue growth rate will slow, in part the result of an increased revenue base in the last half of 1999. We are lowering our 2000 estimate of total revenue growth to 30-35%, versus the 35-40% previously anticipated. We believe the full benefit of the investments we have made to support the company's growth, such as the increase in marketing and sales personnel, will take longer to attain than originally expected."

7/19 According to *Datamonitor*, **Axcan Pharma** announced that Photofrin the photodynamic therapy it recently acquired from **QLT Inc.**, had been approved by the *Medical Products Agency* of Sweden for the palliative treatment of obstructive esophageal cancer as well as for the palliative treatment of obstructing endobronchial non small cell lung cancer. Photofrin has also been approved by the Italian and Irish Health authorities for similar indications. These new approvals bring to 11 the number of European countries in which Photofrin can now be marketed, including France, Finland, Germany, the Netherlands, Portugal and the UK. As a palliative treatment in patients with advanced esophageal or lung cancer, photodynamic therapy offers symptomatic relief and an improved quality of life by debulking large, obstructing tumors and by eliminating blood vessels which feed the tumor. Worldwide, lung cancer is the leading cause of death and in the past few years has surpassed breast cancer as the leading cause of death in women. Unfortunately, more than half of all patients are inoperable at the time of diagnosis, so most patients will require palliative care.

"These additional approvals reflect Axcan's determination to penetrate key international markets, and establish photodynamic therapy as a viable treatment option in oncology around the world," commented Patrick McLean, Axcan's vice president and general

manager in charge of European operations. "With Photofrin we hope to significantly expand our sales in Europe, one of the world's three most important markets."

In addition to the already approved indications, Axcan is conducting a Phase III study of the effectiveness of Photofrin in the treatment of high grade dysplasia associated with Barrett's esophagus, a condition that results from chronic heartburn.

7/19 **Dusa Pharmaceuticals** announced that its common stock had been added to the Russell 2000 and Russell 3000 indexes. The Russell 3000 measures the performance of the 3,000 largest U.S. companies, based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. The Russell 2000 measures the performance of the 2,000 smallest companies, approximately 8% of the total market capitalization, in the Russell 3000 index. The indexes are considered to be objective benchmarks for the U.S. stock market.

7/20 **Axcan Pharma** announced that its subsidiary **Axcan (Ireland) Ltd.** had agreed to the terms of a sub-license agreement with **Grupo Ferrer Internacional, S.A.**, a Spanish company based in Barcelona, for the distribution of PHOTOFRIN in Spain, Portugal, Greece as well as in all Central and South American countries. Under the terms of the proposed agreement expected to be executed in October 2000, Grupo Ferrer will assume responsibility for completing the registration of PHOTOFRIN in all countries that are part of its exclusive territory. Axcan will also benefit from a right of first refusal granted for a five-year period with respect to the distribution of a gastro-intestinal product developed or acquired by Grupo Ferrer in Canada and the United States. Other terms were not disclosed.

"We are extremely happy to work with Grupo Ferrer, a company with impeccable credentials and a strong knowledge of both the fields of gastroentrology and oncology," commented Leon Gosselin, president and CEO of Axcan Pharma. "Our combined respective expertise will allow us to rapidly increase penetration of PHOTOFRIN in these European countries and in Central and South America."

7/20 **JGM Associates** has released a new report on the dental laser business, "Dental Applications of Advanced Lasers -- 2000". The 186-page report is a comprehensive guide to new developments in dental laser technology, products and accessories. The report, selling for $85, is available by going to JGM's website: **www.jgma-inc.com**. A detailed table of contents is available on the website.

7/24 Alex Zisson and his associates at **Chase H&Q** have initiated coverage of **Axcan Pharma**, the company that purchased rights to Photofrin from **QLT, Inc.** The analysts have initiated coverage with a "buy" recommendation, stating that it is a "strong emerging pharma play at a great price!" Some of their comments about the company and the Photofrin part of the business:

● H&Q initiated coverage because the company has the infrastructure in place to become a leading emerging pharma player in the North American gastrointestinal field...aided by its recent offering and Nasdaq listing, versus its previous sole listing on the Toronto Exchange.

● The company specializes in the field of gastroenterology, with products and/or R&D projects in the typical GI areas, including Photofrin for Barrett's esophagus in trial.

● Photofrin is used for the treatment of esophageal and lung cancers, as well as certain other types of cancerous conditions. Sales in 1999 were about $7.4 million (about 37,000 vials at a cost of approximately $2000 per vial). The analysts believe that sales will grow into the $10 million to $25 million range (for traditional oncology applications), as Axcan's sales force begins active promotion and ongoing placements of a new laser, which should cost perhaps 75% less that the previous generation $250,000 systems. (There are about 80 such lasers in place to date.) The Barrett's esophagus indication (now in Phase III trials) could add an additional $25 to $50 million in sales, following approval.

● The analysts believe that Axcan management struck a creative deal to acquire the worldwide (excluding Japan) rights to Photofrin. Since gastroenterologists, not oncologists, perform the endoscopy procedure to identify Barrett's, the company's strong GI presence in the U.S. and Canada is reasonably leveraged in the acquisition.

● Photofrin is currently approved in the U.S., Canada, and 11 European countries and is partnered with **American Home Products** for Japan, for lung and esophageal cancer applications. Axcan just announced a collaboration with **Grupo Ferrer** for the distribution rights in Spain, Portugal, Greece, and all Central and South American countries. (See the 7/20 brief above.) H&Q expects Axcan to sign other European partners later this year. They expect Photofrin to generate approximately 80% gross margins after accounting for the cost of goods and some secondary royalty payments that the company inherited from QLT.

7/25 **ESC Medical Systems Ltd.** announced that it had launched a major new mass market expansion initiative to commercialize its proprietary Intense Pulsed Light (IPL) technology systems to beauty salons, cosmeticians, electrologists and other professionals who provide hair removal services to consumers. The AcuLight Photocosmetic Program is intended to provide efficacious, accessible and affordable light-based hair removal treatments. Company research indicates that women spend over $10 billion outside the home on hair removal. To lead this major initiative, ESC Medical has appointed Asif Adil as executive vice president, Business Operations. Adil has been with **McKinsey & Company, Inc.**, for the past 12 years, of which he has been a partner for six years. At McKinsey, he was a leader of the North American Healthcare and Consumer Sectors. In

addition to responsibility for ESC's direct-to-consumer initiative, he will lead ESC's business operations in North America and the U.K.

ESC's revenue model for this market is intended to spur usage among hair removal practitioners by reducing their entry price and enhancing practitioner training. Customers will pay ESC an upfront fee and a per usage fee for the systems, and will receive extensive training and systems and marketing support, including physician supervision. ESC's superior IPL technology is significantly less expensive than competing laser products. Adil commented, "After completing the McKinsey project on commercializing hair removal through the beauty channel and having gone through a thorough familiarization process with ESC during its impressive turnaround, I realized that this is an exceptional company. Hair removal is one of several ESC technologies which have immense potential. I am excited about the opportunity to lead a new business venture already enjoying market leadership which has a potential untapped market measurable in the billions of dollars."

"This new initiative is part of our continued strategy to position ESC as the market leader in aesthetics," commented Yacha Sutton, CEO and president of ESC Medical. "We are now putting our systems into the single largest market for hair removal services. Currently, 10% of the female population in the U.S. utilizes professional hair removal services, yet only 3% has undergone laser or intense light treatment. We believe this is a major market opportunity with tremendous growth potential in other beauty enhancing applications." "ESC is rapidly moving into the next stage of its growth program," said Professor Jacob Frenkel, chairman of ESC Medical. "Our return to run rate profitability and strong sales results provide a solid platform for accelerating business growth, which in turn requires even more outstanding leadership. We are delighted that an executive of Adil's caliber is joining ESC, and we look forward to benefiting from his vision and expertise as we progress in our mission to establish the leadership position in this field."

7/25 **Palomar Medical Technologies** announced financial results for the second quarter. Louis (Dan) Valente, chairman and CEO, commented, "We are extremely pleased with our product development since we sold our **Star** subsidiary last year. At the end of the second quarter, we started building backlog, selling and shipping the Palomar SLP1000 (super long-pulse) diode laser hair removal system. We are clearly positioned to take advantage of the growing multi-billion dollar cosmetic laser market with new and exciting products. We are on target to execute and continue our strategic plan during 2000 and beyond with a strong balance sheet and the most advanced technology in the cosmetic laser industry."

For the second quarter, revenues were $2.6 million, compared with revenues of $5.5 million for the second quarter of 1999. The decrease is principally attributable to the loss of revenues from Palomar's **Star Medical Technologies, Inc. (Star)** subsidiary that were included in the second quarter 1999. Star was sold on April 27, 1999 for $65 million in cash. Net loss for the second quarter was $683,000 (8 cents per share) as compared with

net income of $32.8 million ($2.98 per share) for the second quarter last year. As a result of the introduction of the Palomar SLP1000, the company determined that certain products would be phased out. Excluding non-recurring write-offs of $597,000 of inventory and $746,000 of the remaining goodwill and fixed assets relating to past generation products, pro forma net income was $660,000 for the second quarter. Excluding a gain of $3.1 million from the release of amounts held in escrow related to the sale of Star, the company would have recorded a net loss of $2.5 million. The net income of $32.8 million was largely attributable to a $47.1 million gain from the sale of Star in that quarter.

For the six-month period, revenues were $5.4 million, compared to $5.5 million for 1999. The loss for the period was $3.6 million (44 cents per share), compared to a loss gain of $33.7 million ($2.99 per share) for 1999.

7/26 **PLC Systems** announced financial results for the second quarter and six months. Second quarter total revenues rose 106% to $3.6 million compared with $1.7 million in the first quarter of 2000, and to second quarter 1999 revenues of $3.5 million. The net loss for the quarter was $882,000 (4 cents per share), down 60% from the first quarter net loss of $2.2 million (10 cents per share), and 48% percent below the second quarter of 1999 net loss of $1.7 million (8 cents per share). "We are very pleased with our second quarter performance," stated Mark Tauscher, president and CEO. "Improved revenues combined with increased operating efficiencies enabled PLC to post a dramatically reduced net loss for the second quarter. Our increased emphasis of creating relationships with hospitals and surgeons to ensure a tailored CO_2 TMR sale, lease or placement program specific to the customer's needs has enabled us to increase our base of installed lasers. I believe this larger laser base will assist us in driving procedure volumes in future quarters."

During the second quarter, PLC delivered five new lasers and four redeployed lasers for a total of nine lasers to new U.S. customers and shipped 366 disposable kits to domestic and international accounts. PLC shipped 316 domestic kits, an increase of 22% over first quarter domestic shipments of 258 kits, and an increase of 36% over second quarter of 1999 domestic shipments of 233. This compares to first quarter shipments of eight lasers (seven U.S. and one international) and 411 disposable kits (258 U.S. and 153 international). Tauscher continued, "To a large extent, the U.S. TMR market continues to be our main focus and the key driver to PLC's results. Today, this market has in place two crucial components, FDA approval and Medicare reimbursement, which I believe are necessary for an economically viable business model. I believe PLC's strategy to focus on physician training and patient education has positively stimulated growth in domestic TMR procedures."

7/26 **ESC Medical Systems Ltd.** announced that net income for the second quarter was $6.4 million on revenues of $42.5 million. Operating income, excluding Other Operating Income stemming from the sale of assets, was $6.3 million, or 15% of revenues.

Commenting on ESC's second quarter performance, Dr. Jacob Frenkel, chairman said, "The dramatic increase in operating margins is evidence of ESC's transition from a turnaround situation to a profitable growth business -- this is directly related to the success we've had in executing the restructuring effort. We expect to see continued growth in demand for ESC's products. This will accelerate the increase in earnings as the company capitalizes on its significant operating leverage."

Yacha Sutton, president and CEO, commented, "Demand for our products during the first half of 2000 was stronger than anticipated by our manufacturing plan, creating a backlog. Our management team is staying sharply focused on the business and in identifying and pursuing new opportunities. We are expanding into new markets with our proven technologies to take advantage of new growth opportunities. Just yesterday, we announced the launch of a major new market expansion initiative to commercialize our proprietary Intense Pulsed Light (IPL) technology and market it as the AcuLight Photocosmetic Program to beauty salons, cosmeticians, electrologists and other professionals who provide hair removal services. We are continuing to invest in the future through our ongoing R&D effort and through a variety of investments in start-up ventures, including our dental unit."

Revenues for the quarter were $42.5 million, operating profit was $7.7 million, net income was $6.4 million (25 cents per share), compared to $40.4 million in sales, $22.7 million in operating loss, $24.8 million in net loss (98 cents per share) for the same quarter of 1999. Excluding Other Operating Income from the sale of assets, a net gain of $0.3 million stemming from unconsolidated affiliates, and an approximate negative contribution of $0.8 million from ESC's start-up dental unit, net income was $5.4 million (22 cents per share).

7/26 **BIOLASE Technology, Inc.** announced record sales for both the three and six-month periods. Sales for the quarter increased 61% to $2.3 million from the $1.4 million reported for the same period in 1999, and were 48% higher than the first quarter of 2000. The company reported year-to-date sales of $3.8 million, an increase of 19%, from its previous record performance of $3.2 million reported for the comparable period in 1999. The net loss for the quarter improved to $887,776 (4 cents per share) from a net loss of $1.2 million (7 cents per share) for the same period in 1999, and improved 14% over the first quarter of 2000 net loss. The net loss for the six months period was $1.9 million (10 cents per share) compared to a net loss of $1.9 million (11 cents per share) in 1999.

The increase in sales for the three and six-month periods compared to the same periods in 1999 were due principally to the company's increased marketing and the new product introductions for WaterLase (the new name for the Millennium II) and the TwiLite dental diode laser system. The primary thrust of the sales increase took place during the final month of the second quarter, in June, due to shipments of the new products.

Jeffrey Jones, president and CEO of BIOLASE commented, "We are proud to be leading a revolution in dentistry. BIOLASE is dramatically improving dental care, and the quality of life, for your family, my family and others around the world. We are realizing the initial fruits of our expanded marketing and sales efforts. Dentists across the U.S. and around the world are beginning to understand the important clinical, patient comfort and marketing benefits of our WaterLase technology. Indeed, based on an independent study, we're seeing a more than 90% approval rating from dentists who are using the WaterLase, which far exceeds industry averages for this type of technology. The TwiLite, the ultimate dental diode laser system, has quickly become the tool of choice for soft tissue procedures for leading cosmetic dentists. The TwiLite has obtained very high recognition in respected cosmetic dentistry courses."

"In late 1998, BIOLASE only had a handful of customers. In a very short time, our user base has grown to several hundred dentists that are now spreading the WaterLase breakthrough by teaching their colleagues how they can elevate the standard of care they are providing to their patients. This is being accomplished through in-office courses, regional seminars, lectures at dental meetings and by publishing articles in dental journals. These leading dentists are also obtaining exposure in their communities through print and television media coverage of this revolutionary technology and, most importantly, by satisfied patients. WaterLase trainers are located throughout the U.S., Canada, Europe, the Middle East, Mexico, Brazil and the Pacific Rim including Japan, Korea, Taiwan and Australia. As we begin the third quarter of 2000, BIOLASE is well positioned to accelerate our sales growth. We have two of the most advanced medical lasers in the world, a growing sales force, evolving marketing, advanced clinical training for WaterLase users and an aggressive consumer oriented marketing and PR that will be launched during the third quarter. The potential market for dental lasers is enormous. There are approximately 140,000 dentists in the U.S. and another 400,000 prospective dental laser customers around the world. If only 6% of dentists purchase a hard tissue laser, this would result in over $1 billion in sales."

7/26 **BriteSmile, Inc.** announced record sales of $4.3 million for the first fiscal quarter, an increase of 395% over the $0.9 million in sales for the first quarter in the previous fiscal year. The strong sales for the quarter were fueled by the dramatic increase in the number of BriteSmile procedures performed, 15,219 compared with the 2,028 procedures performed for the same quarter in the last fiscal year. "The dramatic growth in sales and the corresponding number of procedures performed is strong validation of the BriteSmile distribution strategy," said John Reed, CEO. "With the growing reach BriteSmile will have through its additional Centers and Associated Centers, we expect these numbers are only going to continue to increase."

BriteSmile currently has 14 Professional Teeth Whitening Centers in nine major U.S. cities open and operating, along with 711 Associated Centers, of which 532 were in operation as of July 1, 2000. The company is in the process of completing 6 additional

Centers. Centers in New York, NY; Chicago, IL and Phoenix, AZ are scheduled to open in August 2000. Centers in Seattle, WA; Dallas, TX and San Francisco, CA, are expected to be open by March 31, 2001.

BriteSmile now has established 711 Associated Centers. This compares with only 14 Associated Centers in operation at this same time last year. During the current quarter, the company placed into operation 297 new Associated Centers, of which 75 were new international locations. At July 1, 2000, there were 161 Associated Centers in the process of being placed into operation, of which 16 were international locations. Of the 711 Associated Centers, 596 are the in the United States, with the remaining 115 located in Japan, Singapore, Germany, Argentina, Switzerland, Italy, France, Holland, Netherlands and Belgium. The company has plans to open approximately 1,500 additional Associated Centers over the next 12 months (combined domestic and international).

7/26 According to *Dow Jones Newswires*, **Coherent Inc.** reduced its pending common stock offering to 1.5 million shares from 3 million shares, as reported in a filing with the SEC. The company originally filed to sell the 3 million shares, plus 450,000 shares to cover any overallotments, on June 14. At the time, Coherent expected to receive proceeds of about $172.9 million. Coherent now expects to receive proceeds of about $91.8 million, or $105.7 million if the 225,000-share overallotment is exercised in full. Proceeds will be used to invest in businesses, technologies or products, to fund operations and for working capital.

7/27 **Eclipse Surgical Technologies** announced that the company was expanding its TMR training program. In combination with its already established regional TMR certification courses, Eclipse will now begin offering an on-site training program in hospitals where the Eclipse TMR 2000 laser system is installed and at least one cardiothoracic surgeon is certified and experienced with TMR. Currently, the regional TMR certification courses are held in six centers: New York Presbyterian Medical Center; St. Vincent's Hospital, Indianapolis; Abbott-Northwestern, Minneapolis; Medical City Hospital, Dallas; Methodist Hospital, Memphis; and Sutter Memorial Hospital, Sacramento.

"The demand by cardiovascular surgeons to be trained in TMR," said Alan L. Kaganov, CEO of Eclipse Surgical, "suggested that we implement additional means for training. Utilization of on-site training will accelerate the number of physicians trained at sites that have already adopted TMR as a therapy for patients with advanced coronary artery disease." Phillip Schoettle, MD, the course director at Eclipse's regional training center in Memphis, added, "Over the last year, our program has been quite effective in teaching other surgical teams to successfully apply TMR in their practices. As we essentially `train the trainers,' for the new on-site program, our collective clinical experience with this promising technology should increase and broaden in a more timely and efficient manner. It will also expand its availability to more patients suffering from advanced coronary artery disease."

7/27 **Coherent, Inc.** announced financial results for its third fiscal quarter ended July 1, 2000. Sales and net income for the quarter were $149.4 million and $9.9 million (36 cents per share), respectively. Sales increased 30% and net income increased 75%, compared to the prior year's third quarter proforma results, which are exclusive of the $16.0 million pretax or $10.7 million after tax (45 cents per share) charge for in-process research and development associated with the **Star Medical** acquisition. Incoming orders for the quarter were $180.7 million, representing a new record for the company and an increase of 51% from the same quarter last year.

Sales and net income for the nine month period were $413.3 million and $25.0 million (93 cents per share), respectively. Sales increased 23% and net income increased 63%, compared to the prior year proforma results which were exclusive of the aforementioned $10.7 million after tax charge which occurred in the prior year period. Improved earnings resulted from higher sales volumes and improved gross profit percentages. During the quarter bookings increased across all business segments over the same prior fiscal year period as Electro-Optical bookings rose 49% to $87.0 million, Medical bookings grew 36% to $59.1 million and Lambda bookings rose almost 92% to $34.6 million.

The Medical segments improvement was driven by higher sales and a better mix of product sales, primarily the Opal Photoactivator to treat the wet form of age-related macular degeneration, and the LightSheer hair removal products. Bernard Couillaud, Coherent's president and CEO commented, "I am very encouraged by the operational performances achieved and progress made. First, on April 13, 2000, we received the long awaited FDA approval allowing the sale of our Opal Photoactivator. The market demand of this product was anticipated by our Medical segment and we were able to ship almost $13.0 million of the product during the quarter. During the quarter, we also received orders for approximately 200 LightSheer hair removal systems, thus sustaining the excellent market performance of this product line."

During the accompanying teleconference, Couillaud commented that the **Medical Products Group** achieved sales of $55.4 million during the quarter (which was up from the $50.6 million in the previous quarter). The $13 million in Opal sales represented better than 300 units sold (probably close to 325 of the approximately 500 in place in the U.S. -- the remainder being units from **Humphrey Zeiss**), while orders were taken for about 200 LightSheers, some of which remain on backorder as the company tries to fill the demand. The average ASPs paid for the LightSheers was in the mid-$80s, suggesting the success of the higher-end XC model products. Couillaud believes that the laser hair removal market may now be mature and flat, as almost all doctors who want to get involved have done so. The only major market remaining is the cosmetologist segment -- which **ESC's** recent announcement addresses.

As for the AMD market, he believes that at least 1200 lasers will be sold in the first year of marketing following the April approval, so that with about 500 lasers in place, another

600-700 remain to be sold through next Spring, and then the demand will taper off to about 600 per year. Commenting on the **WaveLight** marketing agreement, Couillaud expects to do quite well with that product, anticipating $20 million to $30 million in sales over the next 3-4 years. At an average sales price of about $400,000, that represents between 50 to 75 units.

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7/7 **Asclepion-Meditec AG** announced that it had extended its existing long-term co-operation agreement with **Kaltenbach & Voigt GmbH & Co. ("KaVo")** for a further six years. The agreement foresees that KaVo will purchase a minimum number of Asclepion dental lasers and to market and distribute these worldwide under the name KaVo-KEY laser. Furthermore, it is planned that there will be a close co-operation between both companies in the fields of the development and production of the lasers. KaVo-KEY lasers are used in various areas of dentistry. These include the low-pain treatment of dental caries, endodontics, surgery in the mouth, and periodontology.

"This agreement ensures the continuation of the excellent co-operation to date between KaVo and Asclepion," stated Bernhard Seitz, CEO of Asclepion. Seitz is convinced that Asclepion will succeed in securing the future potential of an important part of the its dental laser business in the long term due to the co-operation with a partner as excellently positioned as KaVo.

7/31 According to *The Wall Street Journal*, **Bristol-Myers Squibb** announced the approval by the FDA of the first-of-its-kind prescription cream that removes unwanted facial hair. The cream, called Vaniqa, slows the growth of female facial hair by blocking the enzyme that stimulates growth. The cream has to applied twice-a-day, and is expected to be used to remove facial beards and mustaches of women with excess hair growth so thick that it requires shaving similar to men. Dermatologists also believe that the cream will be popular with some women with less noticeable hair as an alternative to tedious tweezing, waxing, electrolysis, and laser hair removal. It could also be used under the arms, on legs and for bikini line hair removal. Vaniqa is being developed in partnership with razor maker **Gillette**, which has a track record in marketing campaigns designed around hair removal. In addition to dermatologists, the drug will also be aggressively marketed to general and family practitioners. Bristol-Myers is also seeking regulatory approval in Europe and Latin America. The drug should be on store shelves in about six weeks.

8/1 **Medical Alliance** announced that it had retained **Stonegate Securities** to act as its financial advisor in exploring opportunities such as the possible sale of the non-medical portion of the company, including its cash and corporate shell. Earlier this year, the company announced that it was seeking buyers for the medical portion of the business, with the engagement of **Hoak Breedlove Wesneski & Co.**

8/1 **The Spectranetics Corporation** announced that the FDA had approved the company's PreMarket Approval Supplement to market the EXTREME .9 mm, a new disposable catheter for use in excimer laser coronary angioplasty procedures. The EXTREME .9 mm catheter is designed to safely remove blockages in smaller, hard-to-reach coronary vessels. The product is compatible with standard angioplasty equipment, and the over-the-wire design allows the physician to maintain the guidewire's position during complex procedures. "We are pleased to have received the FDA's approval to market the EXTREME .9 mm sooner than anticipated," said Joseph Largey, CEO of Spectranetics. "We believe this product will give physicians a significant new tool for treating complex blockages. The EXTREME .9 mm has the potential to be an important part of our portfolio of disposable catheter devices. We anticipate a limited product release of the EXTREME .9 mm in the next 30-60 days, followed by a full product launch in conjunction with the annual Transcatheter Therapeutics (TCT) meeting this October."

8/2 **Surgical Laser Technologies** announced financial results for the second quarter and first six months of 2000. Sales for the quarter were $2.0 million compared to sales in the second quarter of 1999 of $2 million. Net income was $42,000 (2 cents per share) compared to a net loss in the second quarter of 1999 of $1.7 million (87 cents per share). The net loss in the second quarter of 1999 included non-recurring charges of $1.4 million (73 cents per share).

For the first six months of 2000, net income was $129,000 (6 cents per share), on sales of $3.9 million, compared to a net loss of $2.0 million ($1.01 per share) in the first six months of 1999, on sales of $4.2 million. The first six months of 1999 net loss included the above-mentioned non-recurring charges. SLT's financial results for the second quarter and six months include the June results for **Surgical Innovations & Services, Inc.**, which was acquired on June 1, 2000. Commenting on the results, Michael Stewart, SLT's president and CEO, stated, "The addition of the SIS business in the second quarter broadens our customer offerings and enhances our sales organization in the southeastern United States. Our challenge now is to seek to maximize the organizations' capabilities and then ultimately to expand our coverage with the addition of complementary products and services. While we concentrate our activities on increasing the company's sales, we are pleased to report our fourth consecutive profitable quarter. The assimilation of the SIS operations into SLT's infrastructure, we believe, may provide additional opportunities to reduce costs and enhance profitability."

8/3 **Trimedyne** announced revenues of $1.6 million for its third fiscal quarter ended June 30, 2000, a 15% increase over revenues of $1.4 million for the same quarter of the prior year. The company's net loss for the third quarter was $997,000 (9 cents per share), compared with the prior year third quarter operating loss of $1.1 million (10 cents per share). Product development costs during the current quarter were $923,000, of which $365,000 was incurred in the development of the new Angiogenic Injection and Laser TMR System for the company's 90% owned subsidiary, **Cardiodyne Inc.**

For the nine month period, Trimedyne reported a net loss of $2.2 million (20 cents per share), on revenues of $5.1 million, compared with a net loss of $3.2 million (29 cents per share), before an extraordinary item, on revenues of $5.0 million, in the prior year. Including extraordinary income of $6.5 million, after legal fees and costs, received in December 1998 from the settlement of the company's lawsuit against **C.R. Bard Inc.**, the company's net profit for the nine-month period of the prior year was $3.3 million (30 cents per share). Shane Traveller, president of Trimedyne, said, "We are continuing to reduce operating expenses and have stabilized our operations over the past year. We are committed to increasing sales and returning the company to profitability. In the next few months we plan to announce an aggressive new operating strategy, which will include the introduction of new product lines and a revision of our sales and marketing plan. These changes make us confident in Trimedyne's future."

8/3 **PhotoMedex** announced that it had shipped four XTRAC excimer laser systems for the treatment of psoriasis to dermatologists in the New England area, commencing phase two of the planned national roll-out of its laser system. It was intended during this phase to target leading dermatologists in heavily concentrated demographic areas as potential partners, and based on inquiries and responses to date from an intensive screening program, it is expected that the production of systems and level of shipments will steadily increase in the current and subsequent quarters. Since FDA approval of PhotoMedex' system in January 2000, there have been six beta test sites established in the second quarter 2000 with leading dermatologists throughout the United States to assess the effectiveness, at the practice level, of the treatment protocols used in the clinical trials, and to monitor the performance and reliability of the XTRAC system in the field. Under this beta test program, approximately 150 patients are targeted for treatment, many of which are nearing completion of their treatments. This is in addition to many patients who have been treated and cleared of their psoriasis outside of our most recent beta-protocol. As reported previously, the company plans to release the critical components of these patient outcomes upon completion of all the treatments, which is expected to occur sometime around the end of the third quarter.

Commenting on the initiation of phase two commercial shipments, president and CEO Jeff O'Donnell said, "While the full phase one beta testing is not yet complete, we are encouraged and pleased by the preliminary treatment results that we have been furnished, and by the performance of the six units that we have in the field; consequently, we believe it is prudent and timely to initiate the second phase of our launch immediately. We believe our XTRAC laser phototherapy system represents a major technological breakthrough for psoriasis sufferers, a disfiguring skin condition which affects an estimated 7 million Americans. Knowing our system has been demonstrated to be safe and effective, and knowing that it promises to give to many afflicted Americans the first true relief that they have ever had, adds a very positive element to the company's overall mission. In a very short period of time, the level of inquiries from patients and doctors has grown dramatically, and we confidently believe that awareness will continue to

expand as dermatologists become more aware of this new treatment option, and psoriasis patients realize that they have a new effective treatment alternative."

On August 9th, the company held a conference call for analysts, to answer their questions about the launch of the psoriasis laser. In his prepared statements, O'Donnell mentioned that the company now had 11 lasers in the field, six in addition to the original 5 beta sites. The company was still in the testing stage, making sure that technicians knew how to use the lasers, prior to full out commercial launch. He also noted that the current plan was to place the lasers on consignment, for an upfront fee of between $7500 to $15,000, which would include that much worth of key cards, so that the doctor would not be out of pocket in using the laser. The company intends to collect $500 for each treatment protocol, which might take 4-6 10 minute treatments twice a week over two to three weeks to clearance. PhotoMedex expects that it would take between 115 to 135 laser placements to obtain breakeven, and that patients crawl out of the woodwork when they hear that a treatment that works is available. The doctor charges between $1000 to $1200 for the course of treatments, and this is not out of line with UVB treatments which cost about the same, but which take 30-40 sessions to reach remission -- which can last for about 2-4 months, compared to some patients staying clear of psoriasis for six months and a year and a half with laser treatment.

Speaking at *Academy 2000*, the *American Academy of Dermatology's* summer scientific meeting in Nashville, dermatologist James Spencer, MD, Director, Dermatologic Surgery, **Mount Sinai Medical Center**, New York, NY, discussed the promising results of the new laser therapy[1] for the treatment of psoriasis and vitiligo. More than 2% of Americans have psoriasis, a chronic and often painful skin disease that can be difficult to heal. This non-contagious disease, in which skin cells reproduce much faster than normal, causes round, reddish skin patches with silvery scales to develop on the scalp, knees, elbows, hands, and feet. When severe, most of a person's body may be affected, and painful cracks sometimes develop among the patches.

While there is no cure for psoriasis, there are a number of treatments that help to control this condition, including ultraviolet light B (UVB) phototherapy. Although this synthetic light therapy can induce long remissions in some patients, patients usually need three full body treatments a week for 10 weeks before a significant response is seen. New research in the field of laser therapy has resulted in the successful testing of the excimer laser for the treatment of psoriasis. Since this laser delivers more concentrated UVB light than normal light, it often has a greater effect on the treated area. "Research indicates that the excimer laser may shorten the number of exposures necessary to clear limited areas of psoriasis," stated Dr. Spencer. "Not only is this a great convenience to the patient, it also reduces their total exposure to UV radiation which causes skin cancer. In addition, only

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[1] Apparently, according to a SurgiLight news release, using that company's excimer laser. (See the 8/15 brief below.)

specific areas of the body are treated with the laser, again reducing the harmful side effects of UV radiation."

The laser also appears to be useful in the treatment of vitiligo, a disease in which patients have a complete loss of pigment in localized areas of the skin. These areas, often around the mouth and eyes, become completely white. As a result, vitiligo can be cosmetically disfiguring, especially for dark skinned people. In addition, the depigmented skin is sun sensitive, and therefore, subject to sunburns and skin cancer. Traditionally, vitiligo patients have been exposed to synthetic ultraviolet A (UVA) light in attempt to stimulate repigmentation. While a minimum of 100 treatments, given two to three times a week over many months, is necessary before any response is seen, less than 50% of the patients have a positive response to this therapy. Although UVB light is better than UVA at stimulating a change in the pigment of normal skin, synthetic UVB light has been completely ineffective in treating vitiligo due to its shallow skin penetration. While UVA is not very effective at inducing a change in the color of the skin, it penetrates deeper into the vitiligo skin than UVB where it can reach the pigment producing cells.

"Preliminary research has demonstrated that the excimer laser can address both of these issues," explained Dr. Spencer. "Not only does the excimer laser deliver UVB light which stimulates the pigment producing cells, this laser's deep penetration enables the light to reach any surviving pigment producing cells in the vitiliginous area."

8/7 **Spectranetics** reported that **MemorialCare** and **Long Beach Memorial Heart Institute** hosted a seminar on laser interventional therapy, the first of its kind in the world. The conference took place on July 13-14, 2000, and was attended by over 100 cardiologists, cardiovascular clinical staff and administrators. Support for the program was provided by Spectranetics, **Medtronic, Inc.** and **COR Therapeutics, Inc.** Led by world-renowned interventional cardiologists, the conference focused on the role of laser technology for angioplasty, debulking stents, myocardial infarction, cardiac lead removal, peripheral vascular diseases, and research aimed at potential thrombolytic applications.

8/7 **Axcan Pharma** and **Diomed Inc.** announced that following FDA clearance of a new laser developed by Diomed, they had signed a five-year exclusive development and supply agreement. According to the terms of the agreement, Diomed will supply Axcan with 630 nm PDT diode lasers and optical delivery fibers for use in photodynamic therapy (PDT) in conjunction with the photosensitising drug PHOTOFRIN, which Axcan acquired from **QLT Inc.** in May 2000. The FDA clearance of the Diomed laser is the first approval of a diode laser for use with PHOTOFRIN in PDT. Pursuant to the terms of the Purchase and Sale Agreement entered into between Axcan and QLT, as a result of the FDA clearance, Axcan will pay QLT a milestone payment of $5 million to be paid in cash.

"I am very pleased to have signed this agreement with Diomed. The new compact laser is the key to developing PHOTOFRIN photodynamic therapy as an alternative treatment

for certain cancers," commented Leon Gosselin, president and CEO of Axcan. Commenting on the FDA clearance of the DIOMED 630 PDT laser, Thomas Dougherty, PhD, of the **Roswell Park Medical Center** in Buffalo, NY, said, "Approval of the diode laser for use with Photofrin should greatly increase the availability of PDT to the patient population that can potentially benefit from it. This relatively simple technology is a marked improvement over the existing pumped dye laser systems since the diode lasers are relatively inexpensive and capable of use in all the currently approved and pending indications. They are reliable and require only low maintenance, and are portable in that they do not have high power or water cooling requirements and thus can be simply plugged into a wall socket, for use in outpatient settings including perhaps the doctor's office."

8/7 **Trimedyne** announced it had entered into a joint marketing agreement with **Surgical Innovations and Services Inc. (SIS)**, an Alabama-based company specializing in providing turnkey, contract surgical services to hospitals and outpatient surgical centers in the southeastern United States. Under the agreement, Trimedyne will provide lasers to SIS, which SIS will rent, together with a skilled laser technician, on a "fee per case" basis to contracted hospitals and surgical centers. Trimedyne and SIS will share the revenues resulting from such rentals. Shane Traveller, president and CEO of Trimedyne, stated, "We are pleased to take this next business step with SIS, which has been a valued Trimedyne customer for several years. Providing our lasers to hospitals and surgery centers on a `fee per case' rental basis gives them access to our equipment without having to bear the large capital cost of a laser and the cost of a technician to operate it. This arrangement with SIS should increase our revenues and improve our margins by our participating in the fees generated from each laser use."

SIS president, Robert Crutchfield, stated, "Our business has successfully grown through our featuring Trimedyne's holmium lasers. Our customers consider Trimedyne lasers and disposable devices to be the best tools for performing a variety of surgical procedures. The power, precision and reliability of the Trimedyne product line makes it ideally suited for our industry."

8/7 **Cell Robotics International** announced that it had reached distribution agreements with four additional distributors, including three U.S. and one international, for the Lasette product line. Terry Hamilton, national sales director for Cell Robotics, stated, "Building strong distribution channels will make purchasing the Personal Lasette convenient and easy for the customer. This network, combined with our strong advertising efforts, will provide the necessary combination for meaningful sales growth."

The four new Lasette distributors are: **Diabetic Promotions**, located in Willowick, Ohio; **Advantage Health Service**, Willow Grove, Pa.; **Jackson Medical Inc.**, based in Temple, Texas; and the newly added international distributor, **Jiwon Medical Co. Ltd.**, based in Korea.

8/8 **Spectranetics** announced that it had received the CE Mark in Europe to market the Vitesse .9 mm, a new disposable catheter for use in excimer laser coronary angioplasty procedures. The Vitesse .9 mm catheter is designed to safely remove blockages in small, hard-to-reach coronary vessels. The product is compatible with standard angioplasty equipment, and the "rapid exchange" feature of the Vitesse design allows the physician to change products quickly during a procedure if necessary. The Vitesse .9 mm is an alternative to the company's EXTREME .9 mm catheter, which has been approved for use in the United States and Europe.

8/8 Joanne Wuencsh of **ING Barings** issued an initial report on **PhotoMedex**. She believes the company is "positioned for growth and has a clear advantage. This is based on two things: the market opportunity for its XTRAC excimer laser for psoriasis, and the marketing agreement with **Edwards Lifescience** for use of its excimer laser in TMR, still in clinical study.

In her model, she assumed that the company would ship 65 psoriasis lasers in 2000, for a 2% market penetration, treating about 1100 patients per laser, and bring in about $2.7 million in revenues. In 2001, the number of laser placements jumps by 385 for a total of 450 in place, a 14% penetration, and treating about 700 patients per laser for revenues of $37.6 million. She expects an additional 965 lasers to be placed in 2002, bringing the total in use to 1415 (a 44% pentration of the potential market), each treating an average of 420 patients, for revenues of $90 million. A very ambitious plan.

8/8 **American Medical Technologies, Inc.** reported that its net income for the second quarter increased 275% to $138,117 (2 cents per share) over net income of $36, 870 (1 cent per share) for the second quarter of 1999. Revenues for the second quarter of 2000 declined 12% to $5.5 million from $6.3 million in the same period in 1999.

For the six month period, the company had revenues of $10.2 million compared to $12.4 million for the same period in 1999. This decrease in revenues was primarily due to a $1.6 million decline in North American sales during January and February 2000 prior to the initial implementation of the new business model on February 14, 2000. For the six-month period, loss before taxes was $834,864 compared to income before taxes of $472,728 for the same period in 1999. The difference for the six-month period was primarily attributable to the aforementioned declining revenues prior to the initial adoption of the new business model and to $600,000 of non-recurring license fee income received in the first half of 1999.

"I am exceptionally pleased that we reported a profit for the first full quarter of operations under our new business model which exceeded our expectations," said Ben Gallant, chairman and CEO. "As of July 24, 2000, the company had thirteen sales and service centers operational out of its planned 20 for this year. Management is strongly encouraged that the implementation of the new business model has already produced

favorable results for the company. Several trends from the first quarter of 2000 to the second quarter of 2000 reflect the positive impact of the change. North American revenues increased 22% to $2.8 million in the second quarter compared to $2.2 million in the first quarter. On a company-wide basis, gross profit margins increased to 57% in the second quarter from 42% in the first quarter. Finally, the company's income from operations in the second quarter improved by $1.3 million from a loss of $993,706 in the first quarter to an income of $274,058 for the second quarter on a revenue increase of $789,772."

The company is also currently in discussions with several companies to add several products through OEM/strategic relationships. In the second quarter, the company entered into a 3 year OEM contract to manufacture a laser for the ophthalmology field and an OEM contract to manufacture a private label ultrasonic scaler for use by veterinarians. In addition, the company announced its plans to introduce a new line of ultrasonic scalers and inserts along with a prophylaxis air polisher for the dental field in the fourth quarter of 2000.

8/9 **PhotoMedex** announced financial results for its second quarter. Revenue for the quarter and six months was $570,000, representing sales of TMR excimer lasers to **Edwards Life Sciences**, the company's joint venture partner, in connection with their ongoing clinical trials for the TMR cardiovascular treatment. In the comparable periods last year all revenues were from discontinued operations and amounted to $334,000 for the 3 months, and $587,000 for the six month period of 1999. The loss from continuing operations for the second quarter was $2.6 million (17 cents per share). Included in this loss is approximately $300,000 (2 cents per share) related to a non-recurring non-cash charge associated with the vesting of certain options granted to key advisory board members and other outside consultants. This compared to a loss of $1.5 million (15 cents per share for the second quarter of 1999.

The net loss for the six months was $6.0 million (42 cents per share), compared with a six month loss for 1999 of $4.4 million (45 cents per share). The net loss for the current six months reflects the increased costs associated with preparations for the commercial launch of the XTRAC excimer laser for the treatment of psoriasis.

(For more on the early stages of the XTRAC launch, see the 8/3 brief above.)

8/10 **Miravant** announced financial results for the second quarter. Revenues for the quarter decreased to $1.6 million from $6.0 million for the same period in 1999. The net loss for the quarter was $5.8 million (32 cents per share), compared to a net loss of $4.9 million (27 cents per share) for the same period last year. Revenue comparisons reflect a decrease in reimbursements for clinical trial costs received from Miravant's corporate partner, **Pharmacia Corporation**. As the Phase III clinical studies for age-related macular degeneration (AMD) near completion, Miravant's costs and reimbursements are

decreasing as Pharmacia directly assumes more of the late-stage responsibilities for this program.

During the quarter, at the May 2000 meeting of the *Association for Research in Vision and Ophthalmology (ARVO)*, Miravant and Pharmacia presented baseline demographic data from their Phase III AMD clinical trials using the PhotoPoint drug SnET2. Patients in this Phase III trial were fully enrolled in December 1999, and are currently being followed for safety and efficacy evaluation. Miravant also presented positive results of preclinical studies on the prevention of restenosis (the re-narrowing of an artery after angioplasty) with a proprietary new PhotoPoint drug now in development. The results were presented in July at the 13th *International Congress on Photobiology*.

8/10 **Cell Robotics International** announced that it had received a license from the Therapeutic Products Division of Health Canada to sell the Personal Lasette throughout Canada. "The granting of this license opens up the Canadian market for the Lasette. The company has already experienced a considerable amount of interest from both potential customers and distributors. This is another significant step toward generating worldwide marketing and sales coverage," said Travis Lee, vice president for Sales and Marketing.

8/10 **Axcan Pharma** announced results for its third quarter ended June 30, 2000, indicating an increase of 214% in revenues and earnings of $0.11 per share compared to $0.03 per share for the corresponding period in 1999. All amounts are in US dollars. "This quarter has been extremely encouraging," said Leon Gosselin, Axcan's president and CEO. "We have listed our shares on Nasdaq, succeeded in concluding important new financing, acquired a promising new product, PHOTOFRIN, and have put in place the management structure necessary to assure future growth."

Total revenues for the third quarter amounted to $22 million compared to $7 million for the same period last year. This increase was primarily due to the acquisition of **Axcan Scandipharm Inc.** and the acquisition of the 50% interest in **Axcan Schwarz, LLC** that Axcan did not already own. For the first nine months of fiscal 2000, revenues amounted to $63.5 million compared to $19.8 million for the first nine months of the previous fiscal year. Much of Axcan's recent sales growth is derived from sales in the United States. Revenue from US sales of Axcan's products was $50.9 million for the first nine months compared to $8.7 million for the same period last year.

On June 9th, Axcan concluded the acquisition of PHOTOFRIN from **QLT Inc.** PHOTOFRIN is the first drug approved in any jurisdiction as a photodynamic therapy for the treatment of certain cancers. Terms of the transaction included a cash payment of CDN$2.5 million and the issuance of 1.3 million common shares of Axcan Pharma at CDN$15.00 each, as well as milestone payments, contingent on future product and treatment approvals. Currently approved indications include the treatment of esophageal, bladder and non-small lung cancers. Axcan believes that PHOTOFRIN may also be

extremely useful in the treatment of dysplasia and metaplasia associated with Barrett's esophagus, a condition that results from prolonged heartburn and is often a precursor of cancer. Axcan recently completed the enrolment of 260 patients for a pivotal phase III study for this indication.

8/11 **DUSA Pharmaceuticals** announced its second quarter corporate highlights and financial results. It also announced that the FDA had completed its inspections of DUSA's manufacturing facilities, as part of the review of the company's PMA Supplement for the commercial version of its BLU-U brand light source.

The net loss for the quarter was $1.4 million (11 cents per share), compared to $1.4 million (13 cents per share) for the same period last year. At June 30, 2000, the company had cash and United States Government securities totaling $63.4 million and shareholders' equity of $56.8 million compared to $11.2 million and $11.3 million respectively, at June 30, 1999.

During the second quarter, DUSA continued preparations for the upcoming U.S. launch of the Levulan (aminolevulinic acid HCl) Kerastick 20% Topical Solution, with Photodynamic Therapy (PDT) for the treatment of non-hyperkeratotic actinic keratoses (AKs) of the face or scalp. This included the completion of pre-production manufacturing activities for the Levulan Kerastick and the BLU-U, and the commencement of inventory build-up. As part of the PMA Supplement review of the commercial version of the BLU-U, the FDA inspected DUSA's facility in Wilmington, MA. and verbally reported no violations. **National Biological Corporation (NBC)**, the manufacturer of the BLU-U, has also been re-inspected without any violations being reported at the time of the inspection. DUSA believes that the FDA is now nearing completion of the review process. Meanwhile, **Schering AG**, Germany, and its U.S. affiliate, **Berlex Laboratories, Inc.**, have established their new business unit, **Berlex Dermatology**, with over 40 people dedicated exclusively to this specialty. Berlex Dermatology has been actively participating in dermatology conferences such as the recently completed *American Academy of Dermatology* summer meeting in Nashville, TN. As AKs (sun-induced, precancerous skin lesions) are one of the most common conditions seen by dermatologists in the U.S., the introduction of an innovative new approach to treatment, with demonstrated rapid healing and excellent cosmetic results, has already elicited strong interest from physicians.

DUSA and Schering AG are also jointly developing Levulan PDT for additional dermatology indications, with initial efforts focused on 3 common skin disorders: acne, warts and onychomycosis (nail fungus). Development plans and budgets for these indications are now being finalized, with studies on each expected to begin during the remainder of 2000. For each of these disorders, anecdotal human clinical data from independent investigator reports suggests significant improvement after aminolevulinic acid (ALA) PDT. In the non-dermatology area, we are considering various approaches

to further development of bladder cancer detection and other internal indications. We expect independent investigator studies involving Levulan PDT for use in restenosis following angioplasty and Barrett's esophagus to begin later this year. DUSA may develop certain other internal indications through corporate studies, through investigator-sponsored clinical studies and/or in partnership with other companies. For all of these indications, there is also independent human data suggesting efficacy after ALA PDT.

8/11 **Laser Corp.** announced results for the second quarter. Revenues for the quarter were $809,994 as compared to $920,325 for the same period in 1999. The net loss for the period was $321,919 (20 cents per share) as compared to a net loss of $430,013 (31 cents per share) in 1999, an improvement of $10,094, or 25%. Revenues for the first six months of 2000, were $1.4 million as compared to $1.9 million for the same period in 1999. The net loss for the six month period was $510,229 (32 cents per share) as compared to a net loss of $714,786 (51 cents per share) for the same period in 1999, an improvement of $204,557, or 29%. Joyce Wickham, president and CEO, commented that with the recently obtained FDA clearance to market the Dodick Laser PhotoLysis System in the United States, the company is now commencing the delivery of this system and expects that sales of the Dodick PhotoLysis will increase revenues in the third quarter and provide significant future sales growth.

8/14 **Cell Robotics International** announced financial results for the second quarter. The company reported second-quarter revenues of $263,162 compared with revenues of $600,624 in the comparable 1999 quarter. The net loss was $812,403 (9 cents per share) compared with a net loss in the second quarter of 1999 of $429,207 (6 cents per share). For the six-month period, the company reported revenues of $483,716 compared with revenues of $1.1 million in the comparable period during 1999. The six-month net loss was $1.5 million (17 cents per share), compared with a net loss in the same period of 1999 of $1.4 million (19 cents per share).

The sales decline for both the three and six month periods was due to the strategic decision the company made in 1999 to focus its efforts on the general diabetic market and its award-winning Lasette. This decision required the company to change its emphasis from the sales of scientific instrumentation products and laser-based medical products marketed to the professional medical community to laser-based medical products marketed to the general public. The market on which the company is focusing is significant.

"We estimate that at only 1% penetration of the U.S. diabetic market, the Lasette would bring us annual revenues of $55 million. Equivalent global penetration would be worth $137 million. These figures have driven our decision to focus our resources on ramping up production, augmenting our staff and bolstering our marketing efforts in connection with these exciting products," said Ronald Lohrding, the company's president and CEO.

8/14 **ESC Medical Systems, Ltd.** announced that the FDA had approved the launch of Phase III human clinical studies for ESC's GyneLase Diode Laser System for the treatment of excessive menstrual bleeding (menorrhagia). The company intends to initiate trials during the fourth quarter and expects to market GyneLase in approximately 18 months, subject to final FDA approval. The company estimates the addressable market to be about $3 billion. ESC believes GyneLase has the potential to become the new standard of care for menorrhagia, replacing hysterectomies and other less effective procedures.

Menorrhagia is a debilitating condition that affects over 20% of menstruating women, who may suffer from fatigue, mental strain, cramping, anemia and nausea, impacting their daily activities and quality of life. Approximately 30% of the 600,000 hysterectomies performed in the U.S. are performed to treat menorrhagia. GyneLase is a second-generation global endometrial ablation light-based system that uses a minimally invasive procedure known as ELITT (Endometrial Laser Intrauterine Thermal Therapy). The system consists of a small portable tabletop laser and disposable applicator. GyneLase has already received regulatory approvals in major markets outside the U.S., including Europe. Although marketing efforts have not begun, over 500 ELITT procedures were performed during the past six months outside the U.S.

Approvals followed a multi-center study outside the U.S., led by Prof. Donnez from Belgium, with 195 patients treated. The derived clinical data showed that the ELITT procedure had over a 95% success rate and is three times more likely to result in the cessation of menstrual bleeding compared to other global endometrial ablation systems. Yacha Sutton, president and CEO of ESC Medical, commented, "GyneLase is a major addition to ESC's growing product portfolio with the potential to capture a significant share of a large and growing market. GyneLase addresses a clear medical need and complements our expanding product portfolio that focuses on improving women's quality of life."

8/14 **Medical Alliance** announced results for the second quarter and six months ended June 30, 2000. Paul Herchman, CEO of Medical Alliance, said, "We are pleased with our strong quarterly performance and the positive trends we've sustained during the first half of this year. Our medical business continues to demonstrate its value in the healthcare marketplace. Nevertheless, we are continuing our efforts to maximize shareholder value. Those efforts include the engagement of **Hoak Breedlove Wesneski & Co.** in January 2000 to act as financial advisor in connection with the possible sale of the company's medical business and the more recent announcement of the engagement of **Stonegate Securities, Inc.** to advise us in connection with the possible sale of the remainder of the company. We believe that these initiatives are in the best interest of our shareholders, but there is no assurance that the company will be successful in selling either its medical business or the remainder of the company."

For the second quarter, revenues increased 22% to $5.1 million compared with revenues of $4.2 million for the year ago period. The company had earnings, before nonrecurring charges related to the proposed sale of the medical business, of $397,000 (6 cents per share), compared with earnings for the prior year second quarter, before a charge related to a merger termination, of $183,000 (3 cents per share). Including the nonrecurring charges in both periods, net income for the quarter was $353,000 (6 cents per share), while the net loss for the quarter was $667,000 (11 cents per share).

For the six months period, revenues increased 20% to $10.0 million compared with $8.3 million in the previous year. Earnings, before the aforementioned charge, for the first half of 2000 were $766,000 (12 cents per share), compared with earnings, before the merger termination charge, in the first half of 1999, of $226,000 (4 cents per share). Including the nonrecurring charges in both periods, earnings for the six months were $637,000 (10 cents per share), compared with a net loss for the six months of $624,000, (10 cents per share).

During the quarter, the company performed 7,532 medical surgical procedures and 14,367 aesthetic elective procedures. For the half year, the totals were 14,639 and 27,669 respectively. This compared to 14,596 surgical and 25,619 aesthetic procedures in the comparable period in 1999.

8/14 **Candela Corporation** announced that it had settled all litigation surrounding its Dynamic Cooling Technology. The company said that all parties involved had agreed to exchange full and general releases of all claims. Under the settlement, Candela improved its rights to Dynamic Cooling Technology in the fields of use applicable to the company's products. Going forward the company and the **Regents of the University of California** have agreed to a modified royalty calculation for the technology. Also under the agreement, **New Star Lasers (aka COOLTOUCH)** will be licensed for procedures related to the removal of telangiectasia and skin rejuvenation, as well as for use in procedures utilizing a long pulse Nd:YAG laser. Any royalties emanating from the New Star licensing will be split evenly between Candela and the Regents of the University of California. Gerard Puorro, president and CEO of Candela said, "We are delighted to complete this settlement and remove any uncertainty as to our retention of this technology. We are especially pleased that we will be able to reaffirm our technological partnership with Beckman Laser Institute at the University of California."

8/15 **BIOLASE Technology, Inc.** announced that it had signed a two-year distribution agreement with **IBC Industrie-Beratungs & Communication GmbH** of Munich, Germany. The terms of the agreement call for approximately $5.4 million in BIOLASE revenue over the duration of the contract, with more than $2.0 million expected over the first 12 months. Jeffrey Jones, president and CEO of BIOLASE, commented, "This agreement brings us new and immediate incremental sales, since our 1999 and year-to-date 2000 sales growth has been accomplished without the benefit of any

revenues from Germany. IBC is an ideal partner for BIOLASE, given their 15-year track record in the dental and medical laser industries, including sales of several hundred CO_2 lasers for one manufacturer. They have a solid sales force and strong, established relationships with many of the key dental clinicians and academic leaders in the field. Further, Germany is a key country in the European Union, with the largest population, more than 50,000 dentists and a reputation for delivering the best in healthcare technology to their citizens. In fact, the German market holds even greater potential, since a substantial amount of BIOLASE product and clinical research was conducted in that country."

Jones continued, "International sales of the Waterlase and TwiLite are expected to be half of our anticipated revenue growth. We now have leading clinicians in most major geographical areas of the world who have strong conviction about the patient and clinical benefits of our systems. For example, more than 40 units have been sold in Italy. Dr. Giuseppe Iaria in Brescia has commented, `I have excellent results with my patients using the Waterlase, and in most cases I do not need to use anesthesia. It is also a very good laser for soft tissue surgery. The Waterlase has a great future in Italy as well as in the rest of Europe.'"

8/15 **Spectranetics** announced that it had received FDA approval to market the Vitesse 0.9 mm rapid exchange disposable catheter throughout the United States. This catheter is used in coronary angioplasty procedures to deliver excimer laser energy to vaporize plaque that is limiting blood flow within coronary arteries as small as 1.5 mm in diameter. This approval augments the Spectranetics excimer laser coronary angioplasty (ELCA) product line by providing another small (0.9 mm) catheter. Spectranetics' ELCA product line now has catheters that facilitate various interventional techniques to vaporize plaque in most commonly treated sizes of coronary arteries. Furthermore, the Spectranetics ELCA products are the only ones in the market that vaporize plaque, rather than loosening it from, or compressing it against, artery walls. The new POINT NINE family of small excimer laser coronary angioplasty catheters includes the Vitesse 0.9 mm catheter and the EXTREME 0.9 mm catheter, and both have received regulatory clearance for marketing in both the United States and Europe.

8/15 **SurgiLight** announced that it had received FDA clearance to market the EX-308 excimer laser for the treatment of psoriasis. The EX-308 is the second excimer laser to receive FDA clearance in the U.S. for the phototherapy treatment of psoriasis. A summary of the clinical results for the EX-308 were recently reported at the *American Academy of Dermatology* in Nashville, TN, by James Spencer, MD, Director, Dermatologic Surgery, Mount Sinai, New York. "Research indicates that the excimer laser may shorten the number of exposures necessary to clear limited areas of psoriasis," stated Dr. Spencer. "Not only is this a great convenience to the patient, it also reduces their total exposure to ultraviolet radiation which causes skin cancer. In addition, only specific areas of the

body are treated with the laser, again reducing the harmful side effects of ultraviolet radiation.

Although the cause of psoriasis is not completely understood, it is the second most common skin disorder in the United States. *The National Psoriasis Foundation (NPS)* estimates that psoriasis affects more than 6 million Americans and between 150,000 and 260,000 new cases are diagnosed each year. There are numerous other ways to treat psoriasis, however, the clinical results vary widely and they tend to be lengthy and too often the patient is dissatisfied with the results. Phototherapy treatment using the EX-308 to date has provided promising results and the phototherapy treatment routine appears to have dramatically reduced the number of sessions and the exposure to ultraviolet light.

JT Lin, president and CEO of SurgiLight, commented, "This is our first FDA clearance and we are proud of our staff and the clinicians that worked so hard on this project and look forward to treating patients that suffer from this skin disorder. The results we have received thus far have been very encouraging and we intend to continue our research to further enhance the clinical results of the EX-308 and we are looking to expand the scope of our technology to include more applications. We intend to begin marketing the EX-308 throughout the U.S. soon and worldwide through our Joint Venture."

"We are very excited that we can offer an alternative treatment for the millions of people that are afflicted with this type of skin disorder," stated Timothy Shea, executive vice president and COO of the company. "We have recently shipped an EX-308 to Duke University Medical Center to continue our research on other related skin disorders. Claude Burton, MD, Associate Professor of Dermatology and Director of the Laser Clinic at Duke will begin using the EX-308 on psoriasis as well as investigating new uses for this technology. Having someone as experienced with the use of lasers like Dr. Burton and a facility like Duke working with us to expand our capabilities is exciting and we look forward to expanding our capabilities and further enhance our technology."

8/16 **Coherent, Inc.** announced that **Boots The Chemists plc (Boots)**, the United Kingdom's leading retailer of health and beauty products, with over 5 billion pounds sterling in total corporate sales and over 1,400 stores ranging from small community pharmacies to city center department stores, will begin in Autumn 2000 offering laser hair removal services exclusively with the Coherent LightSheer family of products. An initial seven locations throughout the U.K. will be the test sites, and if successful, up to an additional 200 stores will be added sometime within the next few years. Coherent was chosen as Boots' supplier after evaluating all the available technologies for hair removal as well as the proven support services. Zoe Morgan, Director of Marketing for Boots The Chemists said, "The long-term effectiveness of laser hair removal will allow us to offer our customers the satisfaction that they expect from Boots. Boots will use the state of the art LightSheer laser technology, operated by trained and qualified medical professionals, to offer this highly effective treatment for unwanted hair."

Jim Taylor, president of **Coherent Medical Group**, stated, "The agreement with Boots shows the continued success of the Coherent LightSheer family of hair removal products. As market leaders, both Boots and Coherent have developed businesses that provide superior value to their customers. We are delighted about the prospect that Boots will expand the availability of laser hair removal services in the U.K. using the latest in LightSheer technology."

8/16 **MW Medical's** MW 2000 microwave device was featured in the *Journal of Cutaneous Laser Therapy*, (March 2000, Vol. 2, No. 1). The article, "Microwave Delivery System for Lower Leg Telangiectasia", reports the results of a clinical study treating telangiectasia by Dr. Nicholas Lowe. The study objective, conducted under Investigational Review Board (IRB) control, was to ascertain the effectiveness of the MW 2000 pulsed microwave system as an alternative to devices and procedures which may prove ineffective or which may induce side effects in some patients.

"We are certainly pleased that our device appears safe, effective and that the results were publishable. It proves the concept and technology works in this clinical indication and that the market continues to seek alternatives to the current treatment options," said Tyler Brown, MW Medical's COO. "This study enabled us to gather critical clinical data and system performance information to refine our development efforts." The clinical results also highlighted a fundamental difference between the pulsed microwave technology and the light based systems -- no light-induced side effects. The study noted `of particular encouragement is the lack of purpura and the very low incidence of color change.' With light-based devices hyper and hypo-pigmentation, the darkening or lightening of tissues in response to stimulation by light energies, is a common side effect of the procedure. Dr. Lowe's research team found `no cases of hyper or hypo-pigmentation'.

8/16 **Candela Corporation** announced that its fourth quarter ending July 1, 2000 set all time company records for both revenues and profit. For the quarter, the company reported revenues of $22.3 million compared to $18.7 million one year ago, an increase of 20%. For the full fiscal year, the company posted revenues of $75.4 million versus $58.6 million a year earlier, an increase of 29%. Net income for the quarter was $4.9 million (40 cents per share). A year earlier, the company posted a quarterly profit of $3.3 million (33 cents per share). Net income for the full fiscal year was $14.6 million ($1.19 per share). In the previous fiscal year the company had profits of $7.5 million (82 cents per share). Income before tax increased 65% over the comparable quarter one year earlier and 85% for the full fiscal year.

Commenting on the quarter, Gerard Puorro, president and CEO stated, "Thanks to the continued strength of the GentleLASE, our superior hair removal device, and substantial orders for the Vbeam, our new solid entry for vascular treatments, we booked in excess of 350 units for the quarter. As announced two days ago, we settled all outstanding litigation and arbitration surrounding our Dynamic Cooling Technology. We have now

strung together ten consecutive quarters of top and bottom line growth. We expect to launch additional new products in the coming months that will extend this growth pattern to further enhance shareholder value."

During the accompanying teleconference with analysts, Puorro noted the company was expanding its production capacity by doubling the space, and would introduce a new product with a significant market potential next February, with another new product coming six months after that. Even when probed by the analysts, Puorro refused to give further details. For the quarter and year, sales outside of the U.S. made up 50% of orders, with sales in Brazil progressing and an announcement for China coming soon. The breakdown of yearly sales by segments were: pigmented lasers - 10%; vascular lesion lasers - 20%; hair removal lasers - 45%; skin rejuvenation lasers 2-3%; service -15%; and spas and other accounting for the remaining 7-8%. In comparison to Coherent's CEO, who, during its conference call said that the market for hair laser sales was flattening out, Puorro believes that outside of the dermatology and plastics surgeons, or core market, there was still plenty of potential. One interesting note on the settlement of the DCD license, under the new agreement, if New Star Laser is sold or acquired, the sublicense reverts back to Candela, and the company no longer has to sublicense the technology to anyone else. Commenting on the new Rx cream for hair removal from Bristol-Meyer, Puorro noted that it was a prescription item, had to used twice a day, and only worked while it was being used, in other words did not provide permanent hair removal. He also commented on Coherent's recent deal with Boots (see brief above). He noted that Candela dropped out of the bidding when he realized that Boots was like a CVS, and he doubted that most women would go to a "drugstore" to get their hair removed.

Following the teleconference, Scott Baily of **BlueStone Capital** issued an update report. In it he noted the following highlights of the conference call:

● CLZR is currently nearing the completion of expanding its manufacturing capacity at its Wayland, Massachusetts headquarters. The expansion is expected to be complete by late September or October and will double its manufacturing capability to $200 million in annual revenue, up from the current capacity of $100 million. Management also made it a point to say that this capacity is based on only one shift.

● Management announced that it expects to launch two new products for two new applications in the current fiscal year. The first new product launch is projected for February (including shipments) and the second in the fourth fiscal quarter of 2001. As we mentioned in a research note in early July, we believe that CLZR is currently developing two new products that will address new procedures for the aesthetic market, a nonablative skin rejuvenation product – which we believe is a diode product – and a new laser for psoriasis. We expect FDA approvals during calendar 2000, with possible new product announcements later this fall or early next year. Because these two new

products are for new applications that CLZR has not previously address, the potential revenue growth from the products could provide upside to our estimates.

- In terms of marketing and distribution, three developments of note include:

  1) CLZR expects to announce in the next few weeks an expanded and extended agreement with their strategic marketing partner, PSSI World, Inc. Since CLZR is currently about halfway through its original three-year contract term, it is obvious that both parties appear to be pleased with the results thus far. Although PSSI is nearing a possible merger with Fisher Scientific International, CLZR met a couple of weeks ago with PSSI management, and it indicated that the merger would have little, if any, effect on their working relationship;

  2) CLZR plans to open a third office in Japan, the location of which is still undecided. The office is expected to be opened in late September or October; and

  3) CLZR expects to sign its first distribution agreement for the People's Republic of China in the next few weeks. The contract is anticipated to be a three-year agreement and has minimum revenue quotas for both the first and second year, with the third year left open at this point.

- Management addressed its recent settlement agreement with the Regents of the University of California and with New Star Lasers (a.k.a. COOLTOUCH). As previously announced, CLZR and all parties agreed to exchange full and general releases of all claims. CLZR will prepay the remaining annual exclusivity fees to the University of California for the remainder of the patent (15 years remaining), and amortize the prepayment over the next 15 years. Significantly, CLZR is no longer required to sub-license the Dynamic Cooling Technology to anyone else besides New Star Lasers. Also as part of the settlement, CLZR agreed to a modified royalty calculation for the technology with the Regents of the University of California. CLZR did, however, improve its rights to the Dynamic Cooling Technology in the fields of use that apply to company's products. Moreover, CLZR and the Regents further agreed to license New Star Lasers for procedures related to the removal of telangiectisia and skin rejuvenation, as well as for use in using a long pulse ND YAG laser. While in the future CLZR and the Regents of the University of California have agreed to split evenly any royalties that come from the New Star Licensing, we believe that the modified agreement could affect the company's gross margins slightly, (at most 2%-3%) depending on the business mix.

- For fiscal 2000, the breakdown of sales by product line was as follows: hair removal: 45% (about $34 million); vascular: 20% ($15 million); pigmented: 10% ($7.5 million); skin rejuvenation: 2%-3% ($1.5-$2.3 million); spa and other: 7%-8% ($5.3-$6.0 million); and service: 15% ($11.3 million). The geographic sales breakdown in fiscal 2000 was stable with international revenues accounting for about 50% and domestic revenues also

accounting for approximately 50%. Also, fiscal 2000 sales from the PSSI relationship rose to about 14% of sales, or a little over $10 million. As a side note, we point out that CLZR's spa business – there is only one operating location in Boston -- generated about $3.5 million in revenue in fiscal 2000, but contributed little in earnings. We would not be surprised to see the company divest this business in fiscal 2001, which would free up management time and other corporate resources to run the more profitable core business of designing, manufacturing, and marketing aesthetic lasers.

8/17 **PLC Systems Inc.** announced that the *American Heart Association (AHA)* had accepted an abstract for oral presentation titled, "Sustained Angina Relief Five Years after Transmyocardial Revascularization with a CO_2 Laser". Dr. Keith Horvath, assistant professor of surgery at Northwestern University Medical School, Chicago, IL will present the five year angina relief results at the *73rd Scientific Sessions of the AHA* to be held in New Orleans, LA on November 13-15, 2000. Dr. Horvath stated, "The data that will be presented will definitively show that angina relief demonstrated at one year follow-up is maintained for more than five years. It is my understanding, to date, that the CO_2 technology is the only TMR laser that has reported and published long term results."

"These long-term results confirm our belief that the CO2 Heart Laser provides a superior technology for TMR," stated Mark Tauscher, president and CEO of PLC Systems. "Reporting the five year angina relief data represents a clinical milestone, which validates the long term therapeutic benefits of CO_2 TMR. We believe that the excellent clinical benefits of CO_2 TMR were recognized when HCFA issued Medicare Reimbursement for TMR in 1999, which allows Medicare patients nationally the opportunity to receive the TMR revascularization option. Our current customer base continues to recognize the significant patient outcomes of CO_2 TMR and I expect these positive outcomes will assist in potential hospitals acquiring PLC's unique CO_2 TMR technology. Our current customer base continues to recognize the significant patient outcomes of CO_2 TMR and I expect these positive outcomes will assist in potential hospitals acquiring PLC's unique CO_2 TMR technology."

8/17 **LightTouch Vein and Laser, Inc.** announced that it had signed a merger agreement with **Vanishing Point, Inc.**, a privately-held Delaware corporation. The merger establishes LightTouch as one of the leading providers of advanced cosmetic treatments in the United States. In addition to adding six established treatment centers and a proprietary line of corrective skin care products, LightTouch will gain an extremely talented and experienced management team, and will add significant depth and expertise to its Board of Directors. "This merger allows for the continuation of LightTouch's Practice Acquisition Strategy while also accelerating a roll-out of new products and services in branded LightTouch/Vanishing Point Clinics," said Gregory Martini, LightTouch CEO. "We expect to retain our position as a leader in cosmetic laser services, while also leading and energizing the market with innovative skin care product and service development.

The combined entity plans to brand its products under the Vanishing Point name and aggressively grow its clinic base throughout the country."

8/17 **Eclipse Surgical Technologies** announced that it had received a commitment for up to $20 million in common stock equity financing from **Acqua Wellington North American Equities Fund, Ltd.** There were no commissions, warrants or other direct costs payable in connection with the financing other than a small discount to prevailing market prices. The total amount of Acqua Wellington's future investment in Eclipse over the next 15 months is dependent, in part, on Eclipse's stock price, with Eclipse controlling the amount and timing of stock sold. This commitment was entered into pursuant to an effective shelf registration statement previously filed by Eclipse with the Securities and Exchange Commission covering the sale of up to four million shares of its Common Stock. Net proceeds will be used to provide working capital and for general corporate purposes.

8/18 **The Plastic Surgery Company**, an emerging, national provider of practice development services and Internet marketing solutions for the cosmetic medicine market, announced that one of its largest affiliates and director, Dr. W. Grant Stevens will be featuring his novel "laser bra" breast lift procedure on NBC Television's national news magazine, EXTRA, on Aug. 22, 2000. The "Laser Bra" procedure was developed by Dr. Stevens in 1996. Through the use of a CO_2 laser, the patient's own tissue is used to create a "bra" which is secured to the chest wall. The Stevens LIFT (or laser-assisted internal fabrication technique) uses this "bra" to hold the breast tissue up and in place internally. The procedure helps lengthen the results of mastopexy (breast lift), breast reduction/lift and breast augmentation/lift surgery. This procedure helps to eliminate some of the disadvantages of more traditional breast lift procedures, such as "fallout", where the lower half of the breast continues to distend after a reduction or lift, or the infection/rejection associated with the implantation of mesh. The procedure typically takes the same two hours as traditional breast lifts, and in many cases post-operative discomfort has been reduced. There are no age restrictions for the procedure; the patient must be in good general health. The Laser Bra can be combined with either a breast reduction or breast augmentation, the latter involving a breast implant.

8/21 **Nidek, Inc.** announced that the FDA had granted 510(k) clearance for the EpiStar Diode Laser System for hair removal, and the treatment of vascular and pigmented skin lesions. Nidek's EpiStar Diode Laser System is a state-of-the-art portable, multi-functional system, which features a unique thermo-electric cooling system, a proprietary Nidek design that runs electronically. The system cools the skin to 5°C, protecting the area from thermal exposure and minimizing patient discomfort, ensuring increased patient satisfaction. It utilizes an 810-nanometer infrared diode laser to treat a 2 to 5 mm area in a random scanning pattern, allowing for complete homogeneity and protection of the epidermis.

"We are pleased that the 510(k) clearance of the EpiStar allows us to provide doctors with additional treatment therapies for patients in their practices," stated Hiroshi Okada, vice president and General Manager of Nidek, Inc. "The EpiStar is another way that Nidek aids a physician in ensuring the quality care of patients. Nidek is dedicated to developing cutting-edge surgical equipment and advancing the field of medicine."

8/23 **Cell Robotics** announced that it had received its first order of 60 Personal Lasettes from Chinese distributor **C.A. Continentals Inc. (CAC)**. C.A. Continentals, with headquarters in Beijing, has received approval from the Chinese regulatory authorities to distribute the Lasette in China. The company distributes medical products with partnership companies and has more than 60 offices located throughout China. This network consists of both state-owned and private distributors, covering every province in China.

8/23 **BriteSmile, Inc.** announced that the suit filed in Buffalo, New York against the company and Eric Montgomery, a Director of BriteSmile and the principal owner of **IDEX Dental Services**, by **Natural White** and its affiliated corporations, has been dismissed with prejudice in accordance with a Settlement Agreement signed by all parties.

BriteSmile incurred no cost as a result of the settlement. In April, Natural White filed a complaint alleging that the defendants, which included BriteSmile, misappropriated proprietary rights and trade secrets of Natural White, interfered with the contract between IDEX and Natural White, and were unjustly enriched as a result of this conduct. The complaint sought compensatory damages in excess of $6 million, punitive damages and a permanent injunction enjoining BriteSmile from using the IDEX technology licensed to Natural White. Under the settlement agreement, Natural White purchased from IDEX a worldwide, royalty free, fully paid up exclusive license covering the tooth whitening products and technology it is currently using to manufacture and sell its products outside the professional field. In order to facilitate Natural White's purchase of its license from IDEX, BriteSmile made a secured loan to Natural White covering a portion of the purchase price. Furthermore, Natural White specifically acknowledge in the Settlement Agreement that BriteSmile's Teeth Whitening Centers and Associated Centers are in the professional field and do not infringe Natural White's license and that Natural White is prohibited from selling the licensed products in the professional field.

8/24 **Pharmacyclics, Inc.** reported financial results for its fourth quarter and fiscal year ended June 30, 2000. For the quarter, the company reported a net loss of $7.3 million (46 cents per share) compared to a net loss of $5.8 million (46 cents per share), in the comparable period of fiscal 1999. For fiscal 2000, the company reported a net loss of $23.6 million ($1.60 per share) compared to a net loss of $19.2 million ($1.55 per share) for fiscal 1999. The increased net loss was primarily the result of greater research and development costs associated with the company's many clinical development programs.

Pharmacyclics has four drugs in advanced stage clinical trials: Xcytrin (motexafin gadolinium) Injection, a radiation enhancer with a unique mechanism of action, which is being evaluated in a pivotal multicenter international Phase III trial for the treatment of brain metastases; Lutrin (motexafin lutetium) Injection, a photosensitizer, is in a Phase IIb trial for the treatment of advanced refractory breast cancer; Antrin (motexafin lutetium) Injection photoangioplasty, is in a Phase II trial for the treatment of peripheral arterial disease and in a Phase I trial for the treatment of coronary artery disease; and Optrin (motexafin lutetium) Injection, is in an ongoing Phase II trial for the treatment of age-related macular degeneration, which is being conducted by **Alcon Laboratories**, Pharmacyclics' commercial development partner.

As of June 30, 2000, the company had cash, cash equivalents and investments totaling $178.2 million compared to $50.0 million at June 30, 1999. The increase resulted from the sale of 2,645,000 shares of common stock in September and October 1999 at $38.75 per share that resulted in net cash proceeds of approximately $96.1 million and the sale of 820,000 shares of common stock in March 2000 at $73.25 per share that resulted in net cash proceeds of approximately $57.6 million.

MEDICAL/SURGICAL LASER UPDATE -- September 2000

8/28 **Eclipse Surgical** announced that the company had entered into a three-year vendor agreement with **HealthTrust Purchasing Group (HPG)**. Under the terms of the agreement, HPG's participating members may purchase TMR laser products, supplies and services from Eclipse Surgical. HealthTrust Purchasing Group is one of the nation's leading healthcare group purchasing organizations (GPO) with a current membership in excess of 500 facilities including **Columbia/HCA Healthcare Corporation**, **Triad Hospitals, Inc.**, and **LifePoint Hospitals, Inc.**, and contracting volume totaling more than $3.3 billion.

"This preferred vendor status with HPG highlights the Eclipse technology and market leadership for TMR. Achieving this agreement with Health Trust will directly support our goal of accelerating the TMR 2000 system acquisition process with member hospitals," said Rich Lanigan, Eclipse's vice president of Sales and Marketing. "As Eclipse strives to establish TMR as a standard of care, this type of strategic partnership with major hospital contracting groups is an important component of our sales and marketing strategy."

8/29 **Henley Healthcare** announced that shareholders approved all four matters submitted at the annual shareholders meeting held August 29, 2000. Shareholders approved changing the company's name to **ePainRx Inc.**, increasing the number of shares of authorized capital stock from 22.5 million to 60 million, eliminating the limitation imposed by NASDAQ for the issuance of common stock from the exercise of warrants and/or conversion on Series D Preferred stock, and the election of seven directors. (See the

Henley brief in the "people" section for the names of the new directors and the announcement of the resignation of CEO Michael Barbour.)

8/30 **PhotoMedex** announced that it had reached an agreement with the minority shareholders of **Acculase, Inc.** to acquire all the remaining shares, representing 23.9 % of Acculase, in exchange for 300,000 common shares of PhotoMedex. Upon closing of the transaction, Acculase, Inc. will be a 100% owned subsidiary of PhotoMedex. Commenting on the transaction, PhotoMedex president and CEO Jeff O'Donnell, said, "We are pleased to have reached this agreement with the minority shareholders of Acculase, and now will continue to focus on advancing the initiatives of our beta sites and the roll-out of our Phase 2 commercial launch of the XTRAC laser system for the treatment of psoriasis, utilizing the key technology and patents developed at Acculase."

Dr. Jeffrey Levatter, former CEO and major stockholder of Acculase, Inc., stated "As a participant in the development of the excimer laser technology at Acculase, including overseeing the securing of the key patents protecting this important body of intellectual property, I feel particularly qualified to assess the strategic importance of this technology to PhotoMedex. It is my opinion that the patents already issued to Acculase that protect key components of the company's excimer laser technology are so broad and comprehensive, in particular the rare gas halogen patent which I authored, that it would make it extremely difficult for others to produce a commercially reliable excimer laser without in some way circumventing or infringing on these patents, assuming a license had not been granted. It is because of this broad protected intellectual property position, that I am very optimistic about the future commercialization prospects for PhotoMedex, and obviously pleased to exchange my shares in Acculase for shares in PhotoMedex."

9/1 **Axcan Pharma** announced that the company had been added to the Toronto Stock Exchance TSE 300 Composite Index. "This addition to the TSE 300 is a tremendous recognition of Axcan's progress over the past few years," commented Leon Gosselin, president and CEO. "This places us among Canada's leading companies and will definitely increase investor awareness."

9/5 **Axcan Pharma** announced that the data from its phase III clinical trial on PHOTOFRIN in the treatment of high grade dysplasia associated with Barrett's esophagus, was excellent. Results were presented at the **6th World Congress of the International Organization for Statistical Studies on Diseases of the Esophagus (OESO)** held in Paris, France, under the patronage of UNESCO. This Phase III trial was conducted in the United States, Canada, and Europe. This partially blinded, controlled, randomized, parallel group, multicenter phase III study enrolled 208 patients with biopsy-proven high-grade dysplasia (HGD). The main purpose of this study was to assess the efficacy of PDT with PHOTOFRIN in conjunction with omeprazole in producing complete ablation of HGD as compared to a control group of patients receiving omeprazole alone.

The results at six months showed that HGD was eliminated in 72% of the patients who received PHOTOFRIN and PDT, but only in 31% of the patients who received omeprazole alone. Moreover, this PDT PHOTOFRIN therapeutic effect was sustained up to two years in 70% of responders, whilst no therapeutic effect was observed after three months in the omeprazole responders. More importantly, only 10% of patients treated with PHOTOFRIN progressed from HGD to esophageal cancer, compared to 19% of patients who received omeprazole alone. The incidence of progression to cancer is thus reduced by 47% by the PHOTOFRIN and PDT treatment modality.

"Axcan is extremely happy with these excellent results since it is now clear that PHOTOFRIN has the potential to help many patients with this insidious condition. We clearly demonstrated that Photofrin can be used as a means of prevention of esophageal cancer, once dysplasia or metaplasia is diagnosed in patients suffering from gastroesophageal reflux disease. Not only is it likely to substantially improve upon the risks and costs of eventual esophagectomy, but it could also allow effective treatment for early as well as later stages of disease progression," stated Dr. Franois Martin, senior vice president, Scientific Affairs of Axcan. "We will endeavour to file a supplementary new drug submission in the first half of fiscal 2001, once our study results have been completely analysed," he concluded.

9/5 **LightTouch Vein and Laser, Inc.** announced that it had closed its previously signed merger agreement with **Vanishing Point, Inc.**, a privately-held Delaware corporation. The merger establishes LightTouch as one of the leading providers of advanced cosmetic treatments in the United States. In addition to adding six established treatment centers and a proprietary line of corrective skin care products, LightTouch gains an extremely talented and experienced management team, while adding significant depth and expertise to its Board of Directors. "This merger allows for the continuation of LightTouch's Practice Acquisition Strategy while also accelerating a roll-out of new products and services in branded LightTouch/Vanishing Point Clinics," said Gregory Martini, LightTouch CEO. "We expect to retain our position as a leader in cosmetic laser services, while also leading and energizing the market with innovative skin care product and service development. The combined entity plans to brand its products under the Vanishing Point name and aggressively grow its clinic base throughout the country."

9/6 **Henley Healthcare** announced the company had submitted its response to the FDA's request for additional clarification on the clinical data submitted with the Premarket Approval Application for the MicroLight 830 Low Level Laser (LLLT).

9/6 **Blatchford Solutions**, America's premier dental practice management organization, and **BriteSmile Inc.** announced a strategic alliance, which will offer the BriteSmile Teeth Whitening System to both Blatchford Solutions' network of more than 960 cosmetic dentists and generally across the dental industry in the United States and Canada. Blatchford Solutions works with America's foremost cosmetic dentists to assist them in

offering the latest in cosmetic dentistry techniques and practices, as well as enhancing the overall profitability of their dental practices. "Our alliance with Blatchford Solutions will give BriteSmile access to a new network of America's most active and prestigious cosmetic dentists. Geographically diverse, this partnership will dramatically grow BriteSmile's reach," said John Reed, BriteSmile CEO.

9/6 **ICN Pharmaceuticals, Inc.** said it had received approval from the FDA to market the first laser technology to safely remove wrinkles without damaging the skin's surface. ICN's non-ablative laser technology has been shown in clinical studies to benefit patients in a range of age groups with various degrees of wrinkle severity. In clinical trials the procedure required no anesthesia, and was typically completed in 20 minutes with no reported discomfort by patients. Professor Peter Bjerring of the University Hospital Aarhus, Denmark, lead author of a study recently published in the *Journal of Cutaneous Laser Therapy*, stated, "Our biochemical and clinical studies have conclusively shown that N-Lite can significantly increase the natural collagen production rate, thereby improving skin tone and reducing wrinkles without the side effects of traditional laser therapy."

The patented technology was developed by **ICN Photonics Ltd.**, a recently acquired subsidiary based in Wales, UK. This company was previously called **SLS Biophile Ltd.**, (formerly a part of **Mehl Biophile**). The device is approved for marketing in Europe and was launched at the Royal College of Physicians, London, earlier this year.

9/6 Scott Baily of **BlueStone Capital** issued a research report on **Coherent, Inc.**, calling the company "more than just lasers". He called the company an industry leader, with a strong foothold in commercial, medical, industrial and scientific lasers. He emphasized the new areas of development, including optical telecommunications, DUV lithography, semiconductor and related manufacturing, as well the treatment of AMD and hair removal in the medical field.

9/7 **Scotia Holdings PLC** issued an interim report of results for the first half of the year. Included in the highlights were the following:

- Significantly updated Foscan database submitted to the FDA in June, showing an improved complete tumor response rate;
- Widespread peer review of updated Foscan data at a series of international medical symposia, including long term data showing the durability of the tumor response with Foscan;
- Clinical development of Foscan initiated in four additional indications of cancers of the pancreas, prostate, bone and skin;
- Clinical development programs for Scotia's next generation PDT product, bacteriochlorin, initiated in the treatment of primary liver cancer and metastatic liver cancer;

- Exclusive agreement signed with **Techniclone Corporation** to expand Scotia's intellectual property rights in PDT; and,
- Completion of an institutional placing in January 2000 to raise £11.2 million to provide additional working capital to maintain momentum on key projects.

Dr. Robert Dow, Chief Executive of Scotia, said: "During the course of 2000, Scotia has taken a number of important steps to enhance the company's long term prospects. In particular, the updated Foscan data continues to encourage us and we await with interest the outcome of our filing with the FDA which is due shortly. Scotia's many other projects, each of which we believe is capable of creating substantial value for our shareholders, also continue to make good progress."

9/7 **Coherent, Inc.** announced the formation of two newly created Groups, **Coherent Photonics Group (CPG)** and **Coherent Telecom-Actives Group (CTAG)**. The Coherent Photonics Group merges the operations of Coherent's **Auburn Group** (Auburn, CA), **Laser Group** (Santa Clara, CA) and **Semiconductor Group** (Santa Clara, CA) under the direction of John Ambroseo, executive vice president of Coherent, Inc. Vacating his position as head of the Semiconductor Group, Vittorio Fossati, executive vice president of Coherent, Inc., will head up the Coherent Telecom-Actives Group. Reporting to Dr. Fossati, the **Tampere** operation in Finland will provide the epitaxial wafer growth for the Photonics and the Telecom-Actives Groups. CTAG's charter includes the introduction to the marketplace of Coherent's Optically Pumped Semiconductor (OPS) devices and the development and acquisition of new technologies and products to broaden its offerings available to customers in active telecom devices.

9/11 According to **Medical Data International, Inc.**, **Altus Medical** announced that it had gained CE Mark approval for its CoolGlide aesthetic laser system, a long pulse Nd:YAG laser for removing unwanted hair and treating vascular lesions in a range of skin types. In anticipation of receiving CE Mark approval, the company had established a network of European distributors to market the CoolGlide system and future products throughout the European Community.

9/13 **BriteSmile Inc.** released new independent clinical research conducted by the Boston-based **Forsyth Institute** demonstrating both the safety and efficacy of the BriteSmile procedure. The clinical study found an average whitening effect of 8.34 shade change increments and no unexpected side effects. In articulating the results of the study, the Forsyth Institute found that the combination of the proprietary BriteSmile light and proprietary BriteSmile gel resulted in a significant increment in tooth whitening not achieved by either peroxide or light alone. "The imprimatur of the Forsyth Institute confirming our own experience and research is important validation of the results seen everyday by the more than 900 dentists who use the BriteSmile Professional Teeth Whitening System and our more than 50,000 satisfied customers," said John Reed, BriteSmile CEO.

In its clinical study, the Forsyth Institute also found that 97% of the patients who experienced the proprietary BriteSmile procedure said that the treatment moderately or greatly increased the whiteness of their teeth. Of those participants who only had the peroxide treatment alone, only 39% noticed the same degree of whitening. "The science proves it and patients can see it," said Reed.

The company also announced the opening of its flagship teeth whitening spa located in New York City on 57th Street. The New York location joins a prestigious list of 16 other BriteSmile Professional Teeth Whitening Centers, which are located across the United States -- from Boston to Honolulu. In addition to the dentist-run BriteSmile Professional Teeth Whitening Centers, BriteSmile is also offered by more than 900 dentists worldwide in their individual offices. "The New York opening is a big feather in the BriteSmile cap. New York is the international center of style, cosmetic trends and new technologies. With the New York opening, BriteSmile's footprint is greatly expanded," said John Reed.

9/14 **ESC Medical Systems Ltd.** announced that its **Galil Medical** subsidiary and the **University of California at Los Angeles (UCLA)** had initiated a five-year multi-center study on the long-term efficacy of Galil's second generation SeedNet system for treating prostate cancer. A recent study using Galil's first generation hyper-cooling technology has shown a cancer-free rate above 95% one-year after follow-up of prostate cancer patients. Galil Medical has developed a non-radioactive form of seed-based minimally invasive tumor ablation for use in a number of highly critical cancers. SeedNet, Galil's operation planning, targeting and real-time monitoring product for minimally invasive prostate cancer treatment, is an advanced hypercooling technique, which has already received FDA approval and is considered the most accurate high-resolution product of its kind in the market. This technology is designed to replace radioactive seed technology (brachytherapy), a $250 million market in the United States in 1999.

9/18 **ICN Pharmaceuticals, Inc.** announced that it had signed a definitive agreement to purchase the medical business assets, including the laser sales, marketing and distribution system, of **Medical Alliance, Inc.** With this acquisition ICN obtains an existing laser sales, marketing and distribution network to quickly, efficiently and effectively move its new N-lite laser treatment for wrinkle removal into the offices of dermatologists and plastic surgeons nationwide. ICN recently received FDA approval to market the laser technology (see the 9/6 brief above) that safely removes wrinkles (from the peri-orbital area) without damaging the skin's surface. ICN now will compete in all three areas serving dermatologists and plastic surgeons: prescription products, doctor-dispensed cosmeceuticals, and laser treatment.

"This agreement with Medical Alliance expands our marketing, sales and distribution force to get non-ablative laser technology to physicians and their patients," said Milan Panic, chairman and CEO of ICN. "We believe the aging population will be attracted to this technology. It's a perfect fit for our expanding dermatology business." Paul

Herchman, CEO of Medical Alliance, Inc., commented, "The management of Medical Alliance is pleased to have the opportunity to become a part of ICN Pharmaceuticals. We believe that our track record with leading dermatologists and plastic surgeons will enhance early adoption of ICN's new, non-ablative wrinkle removal technology." The closing of the $14.4 million transaction is subject to certain conditions precedent, including approval by Medical Alliance's shareholders.

Herchman went on to state, "In January, the company announced that its Board of Directors had determined that, in order to maximize shareholder value, the company should pursue the sale of its medical business to a strategic buyer positioned to fully realize the company's market potential. Medical Alliance retained the services of **Hoak Breedlove Wesneski and Co.**, who contacted more than 80 qualified parties. As a result of this process, the company engaged in discussions with various interested parties of whom ICN Pharmaceuticals was the successful bidder and whose offer we felt was best for shareholders. Upon the closing of the transaction, the company will not have an operating business, but will have approximately $27 million in cash, after payment of transaction expenses, and $2 million of liabilities. We also announced in August of this year that we had engaged Dallas-based **Stonegate Securities, Inc.** to act as our financial advisor in exploring opportunities available to the company such as the sale of the company's cash and corporate shell. The company is currently in discussion with various interested parties. We believe that these initiatives are in the best interest of our shareholders, but there is no assurance that the company will be successful in this effort."

9/19 **ESC Medical Systems Ltd.** announced that its **Surface Technology** subsidiary had signed a joint research and development agreement with **GM-UMI Technology & Research**, a **General Motors Company** subsidiary, to develop more cost- and energy-efficient parts for various engines. Under the agreement, General Motors and/or GM-UMI have been granted an option to purchase a minority interest in Surface Technologies, which holds the world wide patent rights to a new technology called Micro Texturing, a laser based process that significantly reduces friction between moving parts in physical contact with one another. Surface Technology has found that pumps undergoing the Micro Texturing process experience 55% lower friction, use 25% less energy and last 200% longer then pumps not processed.

ESC owns 15% of Surface Technologies.

9/20 **DUSA Pharmaceuticals** reported that it had received an `approvable' letter from the FDA for the commercial version of its BLU-U brand light source. The company is now awaiting receipt of the final FDA approval letter, which is expected at any time. The `approvable' letter states that final approval is dependent only upon the FDA finding that DUSA's facilities, and those of its' BLU-U manufacturer, meet all current Good Manufacturing Practices. As previously announced, the FDA completed its inspections of these facilities in August, and reported no deficiencies to DUSA.

9/21 **Cell Robotics International** announced that recent manufacturing improvements have resulted in a Personal Lasette which may be used in both home and clinical environments. The only adaptation required is a different disposable for clinical applications. The recent improvements have resulted in a Lasette that is more robust and will withstand the heavy usage requirements of the clinical setting.

Dr. Ronald Lohrding, president and CEO of Cell Robotics, stated, "Having spent time in the last few weeks with both medical professionals and diabetic patients, it is clear to me that most of the information regarding new technology that is provided to diabetic patients is coming from physicians and diabetic nurse educators. The ability to use the improved Personal Lasette in the clinical setting will show patients the advantages over the steel lancet and will help encourage them to purchase it for their home use. At one-half the price of our original clinical model, the device's lower cost and smaller size will encourage hospitals to purchase it. Now the Lasette should also be affordable for individual physicians and small clinics. Clearly, the home-use market is larger than the clinical market. However, developing the clinical market helps introduce, demonstrate and validate the product for the home-use market."

9/21 **Coherent, Inc.** announced that its majority owned subsidiary, **Lambda Physik AG**, began trading today under the stock symbol LPX on the Neuer Markt of the Frankfurt Stock Exchange. The underwriting was led by **UBS Warburg** with **Commerzbank AG** and **Bank Vontobel AG** acting as co-leads, and the **Sparkasse Gottingen**, Germany acting as selling agent. Total shares sold in the offering consisted of 3.3 million new shares and 640,000 shares (including over-allotment option) sold by the minority owner of Lambda Physik AG, Dr. Dirk Basting, chairman of its Management Board and CEO. Coherent did not sell any shares into the offering and its ownership position after the offering stands at 60.4% of shares outstanding.

9/22 **Blatchford Solutions** announced that their new strategic alliance -- only one week old -- had already delivered 61 new dentists to the **BriteSmile** network. The companies had previously announced a partnership to offer the BriteSmile Teeth Whitening System to both Blatchford Solutions' network of more than 960 cosmetic dentists and generally across the dental industry in the United States and Canada. In addition to placing the proprietary BriteSmile teeth whitening technology with dentists, Blatchford Solutions is also working with signed dentists to develop marketing strategies that will maximize the number of procedures performed.

Since the partnership was announced Blatchford and BriteSmile have teamed up at meetings in Honolulu, Seattle and at the California Dental Association Meeting in San Francisco to make presentations to eighty-six dental practices, sixty-one of which have signed up to join the program.

9/22 **Orient-Express Hotels' Africa Collection**, in conjunction with **Surgeon & Safari**, has introduced a personalized rejuvenation program, including either surgical or non-surgical procedures, with recuperation packages at the company's Westcliff Hotel in Johannesburg and Mount Nelson in Cape Town. Established to provide a personalized program of cosmetic surgery in complete privacy, Surgeon & Safari combines recuperation packages featuring pampering health and beauty treatments with opulent surroundings. Guests have the option of embarking on an exciting safari following their treatment as well at Orient-Express' Gametrackers camps in Botswana. According to Surgeon & Safari founder and director Lorraine Melvill, "We chose to partner with Orient-Express because of the elegant locations of the hotels, the Westcliff's proximity to local surgeons and clinics, and each property's discreet layout and sense of privacy." "South African surgeons are among the best in the world," said Nick Seewer, managing director for Orient-Express' Africa Collection. "Given our favorable exchange rate, cosmetic surgery can cost less than a fifth of what it is in the U.S., making it an attractive option for our affluent guests." Surgeon & Safari works with leading plastic surgeons, notably Johannesburg-based Dr. Saul Braun, who performs cosmetic, plastic and reconstructive surgical procedures, under secure, technologically advanced conditions at a private clinic in Johannesburg.

MEDICAL/SURGICAL LASER UPDATE -- October 2000

9/25 **The Plastic Surgery Company** announced that it had signed a letter of intent with **Image Sculpting International, Inc.** to develop combined "one stop retail centers" for the elective procedures of cosmetic surgery, cosmetic lasers and laser vision correction. Through a joint venture, the companies will create an integrated program for the delivery of the three fastest growing retail medicine services, all in convenient retail venues with evening and weekend hours available. In 1999 alone, elective choices in these three markets resulted in over 5 million procedures. These procedures rank among the most sought after anti-aging solutions among the baby boomer generation. By combining the offering of all three services, **The IMAGE Centers** will target similar demographics and capture synergies in marketing and delivery of procedures while establishing retail locations under a singular brand.

The first IMAGE Center will capitalize on one of The Plastic Surgery company's largest cosmetic surgery centers with a well-established patient base and a long established history of quality cosmetic surgery. In this joint venture, The Plastic Surgery Company, which has a network of 24 cosmetic surgery centers across the United States, and Image Sculpting International are negotiating for additional space in Marina Del Rey, Calif. Image Sculpting will be contributing their operations expertise for such an integrated center as well as access to a network of Lasik surgeons already practicing in the Los Angeles area. The targeted new center space is a ground floor location which borders major cross-town thoroughfares where drive by traffic and branded signage will be maximized. Under the terms of the proposed Joint Venture Agreement, each company

will be offering the other an initial board seat. The companies, on a combined basis, anticipate having access to broader capital markets for future development. Image Sculpting is in the process of completing a $7 million equity financing with proceeds targeted for the development of new centers.

9/26 Based on a news release from **Ultra Cure Ltd.** of Israel, the future of skincare will be based on the therapeutic ultrasound techniques developed by the company. Ultra Cure Ltd. develops therapeutic ultrasound methods and devices, for cosmetic and medical applications, based on its unique proprietary technology, which incorporates advantages of ultrasound (mechanical waves) over laser (electro-magnetic wave) and other treatment techniques. Currently, the company emphasizes superficial-tissue treatments, including skin resurfacing, in particular peeling, and hair removal (annual global-market demands of $3.5 and $4.5 billion respectively). R&D goals are focused on cosmetic disorders, such as noticeable vascular disorders. Superficial skin disorders will quantitatively increase with time, subsequent to significant deterioration of atmospheric conditions combined with aging problems due to extended life expectancies. Concurrently, an increased standard of living, leisure time and health-care awareness, will motivate individuals to spend considerable money in this direction.

The company's long-term R&D:

-- Transdermal delivery of compounds
-- Treatment of pathological or undesired, deeply located tissues by non-invasive manipulations.

Estimated market size include more than one million procedures of skin resurfacing which have been performed in the U.S. during 1997 -- annual global market of over $3 billion. Estimated global demand for permanent epilation exceeded $4 billion in 1997. Both applications have an expected annual growth rate of 5-10%. Full Market potential include salons (550,000 sites worldwide), clinics (40,000) and consumers. Assuming 10% penetration after 5 years of just the top tier salons, the potential is $220 million. Ultra Cure's platform technology is comprised of twelve patent applications -- Hair removal, Skin peeling, Transdermal delivery, Blood vessel elimination.

The final treatment device will be both portable and computerized, to be used for peeling and hair removal (the company's leading short term products) by dermatologists, plastic surgeons, and aestheticians and aestheticians in medical centers, private clinics or cosmetic institutes. Medical devices will be designed for use by physicians. Transdermal delivery devices will be designated for either medical center applications or home personal use. The company was founded in 1997 and has developed several procedures, concepts of devices, established its intellectual property and completed its market study.

9/26 **Asclepion-Meditec AG** announced that it had received approval from the FDA for the new product generation of its Multipulse CO_2 laser. The new Multipulse, a laser for the cosmetic applications growth market, signifies an important step towards completing Asclepion's product range. "Together with our top product MeDioStar, the system can now be marketed in the United States by our successful partner **U.S. Medical**," said Asclepion's CEO Bernhard Seitz. He regards the FDA approval as a further successful step towards expansion on the world's largest single market for medical lasers, the USA. Thanks to its wide-ranging functionality, the Multipulse has many applications and can, therefore be used in the areas aesthetics, gynecology, ear-nose-throat, dermatology, ophthalmology (eyelid surgery) and urology. According to a recent estimate by **Spectrum Consulting** and the *American Academy of Cosmetic Surgery (AACS)* the market volume of eyelid surgery in the USA amounts to about $500 million. As a result of intensive research, the new Multipulse product generation is characterized by a number of improved features. In comparison with its predecessor and many other devices with a similar technology, the system is more compact, more powerful and - like MeDioStar - suitable for mobile use.

9/27 **ESC Medical Systems** announced the introduction of the AcuBlade laser system, a revolutionary laser providing robotic capabilities for microsurgery. This new generation in laser systems combines a computerized laser scanning system with an operating microscope to enable physicians to provide highly uniform incisions with reduced operating time and significant precision and safety enhancements. For example, use of the AcuBlade system for vocal cord surgery accelerates healing time and diminishes the occurrence of complications. Professor Marc Remacle, a leading larynx specialist and Professor of Medicine at Mont Godinne Hospital in Yvoir, Belgium, presented the results of clinical studies conducted with AcuBlade at the *American Academy of OtoLaryngology (AAO)* in Washington, D.C. He said: "AcuBlade represents a leap forward in the treatment of vocal cord diseases, including nodules, polyps and cysts. The precise linear incision capabilities and shaped cutting introduced with AcuBlade enable us to successfully treat these ailments without injuring the vocal ligaments, which cause major changes in a person's voice. Our clinical work shows close to a 50% reduction of operating time with dramatic simplification of the procedure."

"We are very excited about the entry of ESC Medical into robotics laser surgery," commented Yacha Sutton, president and CEO of ESC Medical. "AcuBlade is yet another example of our innovative spirit and ability to bring to market technologies which complement market needs and our own resources. The ENT market is our most important surgical specialty, and we are committed to continuing our long tradition of leadership and innovation in this area. We are also proud to have been able to design the product as an upgrade to the many thousands of Sharplan CO_2 lasers installed in hospitals worldwide, continuing our policy of providing customer growth paths. Based on the enthusiastic reception AcuBlade is receiving at the AAO, we expect this to become the treatment modality of choice around the world. We also expect to be able to apply robotic

microsurgery technology to other applications, including aesthetic surgery. Upgrades of this kind to our surgical installed base, represent a potential high margin revenue growth area in this traditionally stable market."

9/27 **Berlex Laboratories, Inc.** and **DUSA Pharmaceuticals, Inc.** announced that the FDA had granted approval of the commercial BLU-U Blue Light Photodynamic Therapy Illuminator, used exclusively in the LEVULAN Photodynamic Therapy (PDT) System for treatment of non-hyperkeratotic actinic keratoses (AKs) of the face or scalp. The LEVULAN PDT System is the first to utilize light activated drugs to treat these common skin lesions. Distribution of the LEVULAN PDT System will begin immediately. The active ingredient in the LEVULAN PDT System is aminolevulinic acid (ALA). This new photodynamic therapy system for treating AKs is the first to deliver ALA topically; the solution is applied directly to the lesion, followed by exposure to the BLU-U. Approximately 40% of squamous cell carcinomas, the second leading cause of skin cancer deaths in the United States, begin as actinic keratoses. Actinic keratoses are the third most frequent reason for visiting a dermatologist. AKs appear on the skin as rough, scaly, discolored patches and are most often seen on the face and scalp.

9/27 **SurgiLight Inc.** announced that it had exercised its option to acquire an additional 55% ownership of **Advanced Medical Laser Service, Inc. (AMLSI)**, Florida-based cosmetic mobile laser centers. This is the second acquisition by the company this week, followed by the Agreement to acquire the Ophthalmic Laser Division of **Premier Laser Systems**.

After this acquisition, AMLSI will become a wholly owned subsidiary of the company. A total of 26,000 shares of restricted common stock of the company will be issued to the shareholders of AMLSI. The acquisition of AMLSI and the Ophthalmic Laser division of Premier Laser Systems are part of the company's strategic acquisition plan. 55% of AMLSI (formerly **Advanced Marketing Technologies, Inc., AMTI**) was spun-off by the company at the end of December, 1999. Currently AMLSI operates three mobile centers in Florida and due to rapid growth and demand, plans to expand to cover a larger portion of the southeastern U.S.

JT Lin, president and CEO commented, "We are excited about the buy back of AMLSI which will allow the company to explore the new mobile market for its EX-308 system which has recently received FDA clearance for the treatment of psoriasis." The company is also negotiating a joint venture for the manufacturing and co-marketing of the EX-308 systems in US and internationally.

10/2 **ESC Medical Systems Ltd.** announced that, based on shipments to date, it expects to report third quarter revenues of approximately $37 million, 23% more than the same quarter last year. Yacha Sutton, president and CEO commented: "I am pleased that our sales have continued to grow through our traditionally weak third quarter. We continue to experience strong demand for our products and are optimistic about results."

10/3 **PhotoMedex, Inc.** announced the completion of enrollment in its Beta-Site Clinical Study Program, which commenced in July 2000 and was conducted by five leading dermatologists and their staffs throughout the United States. Over 100 patients were treated under this program, and the preliminary results validated the company's prior belief that a standardized treatment protocol could be developed, very closely paralleling the initial clinical study, that would enable practicing dermatologists to aggressively and successfully treat psoriasis patients using the company's patented XTRAC laser therapy. Based upon the consistent clinical outcomes, the company decided to reduce the patient population in this clinical study to 125 patients.

A summary of the preliminary results indicated:

-- Approximately 80% of the patients treated were 75% improved in 9 treatments or less;
-- An average of approximately 5.6 treatments were required to achieve the 75% improvement;
-- Some patients have been cleared in 1 treatment;
-- Patients have been successfully treated that had psoriasis in the hinged areas (knees and elbows). These areas have been the most difficult for other alternative therapies to demonstrate any kind of remedial impact.

Commenting on the Study Program results, Dr. Rox Anderson, Associate Professor of Dermatology at the Harvard Medical School and Chairman of PhotoMedex's Scientific Advisory Board, said, "These preliminary beta test results are very encouraging, because they confirm that the excellent results from previous studies can be obtained in an office practice setting, and in many more patients. It is likely that we can improve this treatment even more, but these results already show that the PhotoMedex XTRAC UV Laser is far more efficient than conventional phototherapy for psoriasis. For most people who suffer with this common skin disease, the XTRAC UV Laser offers an exciting new treatment option." Jeff O'Donnell, president and CEO of PhotoMedex, stated, "The beta-site results validate our belief that our XTRAC laser therapy treatment is a genuine breakthrough for psoriasis sufferers, and will provide positive results in as little as one treatment. We share in Dr. Anderson's enthusiasm and believe that the XTRAC treatment protocol has the potential to become the standard of care, and we are aggressively pursuing all avenues to insure that it becomes a reality. Spurring us along are the continued heart-warming testimonials received from treated patients, who have given us first-hand accounts of the significant positive changes that the treatment has made in their lives, including lowering the time spent in actual treatments to as little as 5 minutes, or one treatment, compared to alternative therapies that might require 30 to 40 treatments and consume many hours and weeks of a patient's life."

The company said that it had shipped 21 commercial systems in the third quarter, in addition to the 5 systems used at its beta sites.

10/3 **BIOLASE Technology, Inc.** announced that it had been granted U.S. Patent No. 6,086,367, solidifying the company's already substantial laser technology patent position. The essence of the new patent clarifies and broadens the scope of the company's proprietary foundation in the use of lasers with water in dentistry. It is the latest in a family of related BIOLASE patents and it brings together and strengthens various previous claims under one umbrella. Specifically, the patent broadly covers the use of any "suitable laser" with water for cutting all types of dental hard tissue, including enamel, dentin, cementum, bone and dental root material. The combination of broad claim coverage and early priority dates of December 1988 (foreign) and January 1989 (U.S.) constitute a dominant position for BIOLASE in the dental laser industry.

10/3 **PLC Systems Inc.** announced that the company held a Northwest-region CO_2 TMR training program on October 2nd at the Providence St. Vincent Medical Center in Portland, Oregon. The full-day medical educational program included a bio- skills training laboratory and a live TMR surgery. Dr. Anthony Furnary, Assistant Professor of Surgery at Oregon Health Science University and Director of the TMR training seminar, provided an overview of TMR clinical experiences at the Providence St. Vincent Medical Center. Dr. Furnary performed a live TMR procedure that provided an interactive surgical training for the attending surgeons. Dr. Kamuran Kadipasaoglu, from The Texas Heart Institute in Houston, Texas, also participated in the seminar. Dr. Kadipasaoglu discussed the key benefits of CO_2 TMR procedure versus other laser modalities. "I believe that PLC's focus on regionalized training programs has dramatically increased the seminar attendance," stated PLC Systems' president and CEO, Mark Tauscher. "Going forward, we plan to continue to implement programs that educate physicians of the market differentiating features of PLC's CO_2 TMR technology."

10/4 **Trimedyne Inc.** announced that its subsidiary, **Cardiodyne Inc.**, received favorable results from a study in pigs utilizing its subsidiary's proprietary angiogenic composition, a "cocktail" of growth factors and other substances. Angiogenic growth factors cause new blood vessels to form, a process called angiogenesis. The study was conducted by the Texas Heart Institute at St. Luke's Hospital in Houston, under the direction of Howard Frazier, MD, Kamuran Kadipasaoglu, Ph.D. and David Engler, Ph.D. Marvin Loeb, chairman of Trimedyne said: "The angiogenic cocktail developed by our 90% owned subsidiary, Cardiodyne, either injected alone or in combination with laser transmyocardial revascularization or `TMR,' was able to normalize heart wall function in pigs which had one coronary artery gradually blocked by a surgically implanted device over a period of six weeks. In effect, the injection of our angiogenic cocktail grew vessels and created a natural bypass around the blockage. The heart wall function of the pigs who received injections of saline (salt water) remained severely impaired or became worse. While these results are extremely favorable, the number of pigs in each group was too small to permit the differences to reach statistical significance."

10/4 *The Savvy Analyst* issued a review of **Candela Corporation**, basically stating that Candela is in a strong position since it produces the type of cosmetic lasers that are in high demand. It also noted that Candela had found new markets to penetrate, and as a result, its growth has a good chance of exceeding that of its industry. One of the positives noted is the distribution agreement with **PSS**, that gives PSS exclusive rights to distribute Candela's lasers to its distribution base of approximately 100,000 practitioners.

10/5 **PhotoMedex, Inc.** announced that its web site, **www.photomedex.com**, had been revised and up-dated to include sections specifically tailored to provide key information that will aid and assist prospective psoriasis patients and practicing dermatologists to make a more informed judgement as to the desirability and current availability of the company's XTRAC laser therapy treatment. When launched in July 2000, the initial focus was on providing broad corporate and medical information to the general public, the dermatology profession, and the targeted patient population, particularly focusing on elevating the overall awareness of PhotoMedex, its XTRAC laser therapy treatment, and its business and financial profile. With the incorporation of the new sections and enhanced links, the web site is now positioned to more directly support the commercial rollout of the XTRAC laser therapy system. Prospective patients can now access the National Psoriasis Foundation web site to supplement the extensive medical and general information currently available at the company's site. A new link called Doctor Finder lists all 28 dermatologists currently offering treatment and provides a quick and easy way to locate them. From a dermatologist's perspective, the new, expanded web site provides material information necessary to fully explain the company's XTRAC laser therapy treatment to the practicing dermatologist, and makes it easy to determine if the dermatologist is a viable candidate to incorporate the company's system within the dermatologist's practice. For a dermatologist already using the XTRAC treatment system, there are new links that show the marketing support materials available that will help the dermatologist develop and protect his or her marketplace.

The expanded web site also includes more information and links for investors and shareholders in the investor relation's section of the web site. The company also announced that its common stock would begin trading on the Nasdaq National Market System on October 5, 2000. Jeff O'Donnell, commented, "We believe the move the Nasdaq National Market System will benefit the company because it will allow us to reach a wider range of investment and merchant banks in addition to money managers and individual investors, and we look forward to communicating our growth strategy to a much wider audience."

10/6 **Cell Robotics International Inc.** praised the passage of House Bill 5178, known as the Needlestick Safety and Prevention Act, by the House of Representatives. The bill, which passed by a unanimous vote, requires changes in bloodborne pathogens standards in effect under the Occupational Safety and Health Act of 1970 (OSHA) to mandate health facilities to employ measures to reduce or eliminate accidental needlesticks suffered by

health care workers. The Needlestick Safety and Prevention Act has been framed to help protect health care workers from the occupational hazard of accidental needlesticks and resultant exposure to such bloodborne diseases as HIV and hepatitis. The Act requires more consistent documentation of all needlestick injuries and calls for workers who provide direct patient care to participate in the evaluation of needlestick prevention strategies in the workplace. Cell Robotics' award-winning Lasette is a miniature laser finger perforator, slightly larger than a cell phone, that uses a burst of laser light to extract a small blood sample, allowing diabetics to test blood glucose levels with minimal pain, no lingering soreness and less residual bleeding.

10/9 **PLC Systems Inc.** announced the issuance of a new patent that protects technology critical to the effectiveness of its CO_2 Heart Laser System. The U.S. Patent Office issued U.S. Patent No. 6,113,587, entitled "Handpiece for a Medical Laser System," on September 5, 2000. The handpiece patent describes how its unique configuration, which is easily cradled in the surgeon's hand, provides surgical access to all areas of the heart that are not amenable to bypass. Robert Rudko, PLC's Chief Scientific Officer and founder, stated, "The contact tip of the handpiece is designed to contour to the heart wall, which lessens the chance of arrhythmias. In addition, the right angle handpiece fits into the surgical cavity allowing quick and easy access to the backside of the heart with a single laser firing. These are significant improvements over catheter-based handpieces that have a cutting trocar tip and require a manual fiber advancement to control the 6 to 8 laser fires needed for a lower energy laser to create a single channel in the wall of the heart."

10/10 **ESC Medical Systems Ltd.** announced that it had launched ClearLight, a high-intensity light based treatment for acne. ClearLight uses a UV-free, high intensity narrow band blue light system to destroy acne bacteria and reduce its ability to proliferate. The results of a three center clinical trial on patients with mild to moderate acne on the face or back indicate an average reduction of about 70% in acne lesion count after one month and eight treatments. There was no substantial recurrence of acne lesions during the follow-up period of up to two months. In addition, the appearance of white heads and black heads were greatly reduced.

"ClearLight represents an exciting highly effective new treatment alternative for acne," said Dr. Darell Rigel, Clinical Professor of Dermatology at New York University Medical School and former president of the *American Academy of Dermatology*. "Initial studies have demonstrated that inflammatory lesions are reduced by close to 70% in one month, a clearance rate achieved by conventional topical medications and oral antibiotics following a 12-week treatment regimen. The high intensity light also has a strong preventative action. By destroying the acne bacteria faster than the rate of bacterial growth, re-growth of the acne is hindered. In addition, ClearLight is pain free with no side effects, and suitable for treating all body areas, including the sensitive beard area, which is often aggravated by shaving. I expect this to become the new standard of choice

for acne patients." Yacha Sutton, CEO and president of ESC Medical, said: "We expect ClearLight to quickly become one of ESC's leading products and one which will dramatically change the way acne is treated. The overwhelming majority of visits to dermatologists are acne related. In the U.S. alone, at any one time, 17 million people are under treatment for acne and over $1 billion is spent annually on anti-acne products."

10/10 **BIOLASE Technology, Inc.** announced that at the end of third quarter 2000, it had completed the transition from the original Millennium I product to its new, more advanced and patent-protected Waterlase Hard and Soft Tissue Dental Laser. The Waterlase systems are now shipping and have been installed across the U.S. and in several international locations. The Waterlase has been very well accepted by clinicians and continues to dominate the large potential hard tissue dental laser market. Jeffrey Jones, BIOLASE president and CEO, commented, "This was a delicate transition to implement. We were promoting and marketing the Waterlase while we still had to sell off the inventory of the older Millennium systems. We have now successfully depleted the entire inventory of Millenniums."

The worldwide dental market consists of 550,000 prospective dentists in the economically developed nations. Penetration over the next few years of only 5% of this huge medical community would represent a market of approximately $1 billion. "We already have sold systems in 21 countries through international dealers. We also have recruited a very strong and aggressive domestic sales force consisting of 20 people. The remainder of the current fiscal year will show strong growth, with the fourth quarter expected to result in another new record. But even more so, we are extremely optimistic about growth, profitability and market penetration in the coming year because of the strong infrastructure established during the current year and the new and broadest range of products the company has ever experienced," concluded Jones.

10/11 Three leading analysts and top management from eleven firms examined the outlook for Anti-Aging & Longevity Investing in a special issue from *The Wall Street Transcript*. Among the analysts interviewed was Scott Baily, Vice President, of **BlueStone Capital Partners**. According to Baily, "**Coherent Inc.** is the industry leader in all of the segments that they target. Coherent pioneered the development and use of lasers in ophthalmology in 1970. Since then the company has been a market leader, and today, the company addresses all three of the main market segments.

In the dental sector, I follow **BioLase Technology**, which I think is currently the technological leader worldwide for hard tissue dental procedures because of its flagship product, Waterlase, which uses a revolutionary technology that combines both laser energy and a water spray, which is known as the HydroKinetic process. The Waterlase system basically works by having the laser energy transfer directly to water particles kinetic energy that accelerates the water, which causes it to burst into small pieces, thereby creating a powerful laser system that effectively targets and cuts hard tissue.

What I think is so impressive about the BioLases's technology is that by using the Waterlase system, these dental procedures can be done painlessly and 98% of the time use no anesthesia. Obviously, we think the outlook for BioLase is quite promising."

Baily also highlighted **Candela**, "Candela is not only a technology and market leader in the hair removal market, but they are also a leader in the vascular market. This past March, Candela introduced a new product, the Vbeam, that addresses the vascular market, and they are having great success with it. The Vbeam treats the widest range of vascular lesions such as facial spider veins, scars, stretch marks, and port wine stains. The primary competitive advantages of the Vbeam is less pain and no redness (purpura) for patients, and a lower price point for the physician. It sells for about $79,500 versus the competition that can easily top $100,000."

10/12 **Eclipse Surgical Technologies** reported financial results for the third quarter. Worldwide product sales were $5.0 million, compared with $6.1 million in the third quarter of 1999. Of this total, laser sales were $1.4 million compared to $4.2 million for the third quarter of 1999. Disposable product sales were $3.6 million versus $1.9 million for the third quarter of 1999. Net loss was $3.7 million (12 cents per share), versus a loss of $4.9 million (17 cents per share) for the comparable quarter of 1999. "Our revenue for the third quarter of 2000 was lower than we expected," said Alan Kaganov, Eclipse's CEO. "Since late 1999 we have been shifting our business model from an emphasis on sales of capital equipment to an emphasis on sales of disposable units. We believe that this business strategy is a key to the long-term success in the surgical market."

10/16 **Asclepion-Meditec AG** announced it had taken up an option to increase its stake in its strategic Partner **Denfotex**, raising its stake from 15% to nearly 25%. The purchase price corresponded to the initial shareholding and the parties agreed not to disclose further details. Asclepion and Denfotex are jointly developing the patented SaveDent procedure which can be used to treat caries and root canal inflammation in a pain-free and substance-saving process. SaveDent, which is to be launched in 2001, is based on special agents which are activated by laser light (a PDT-type process). The treatment involves the re-transformation of carious dental material into hard, bite-strength substance without the need to remove large amounts of dental substance, as is the case with conventional methods. The treatment can be pain-free and minimal-invasive. Asclepion-Meditec's CEO Bernhard Seitz said, "The promising development of the project has encouraged us to exercise our option. By supplying lasers and fibre materials we are major partners in the future SaveDent business. By increasing our stake in Denfotex we will be able to benefit to a greater extent from the additional sales potential and further strengthen our strategic co-operation."

10/17 **PhotoMedex Inc.** announced that Dr. Christine Dierickx, a leading academician and practicing dermatologist in Brussels, Belgium, had opened the first beta site center in Europe to treat psoriasis patients using the company's XTRAC laser system. Dr. Dierickx

presented the Photomedex U.S. beta site preliminary results and patient findings to the *European Society of Lasers in Dermatology*, a sub-group of *The European Academy of Dermatology and Venereology*, in Geneva, Switzerland, on Oct. 13th. The European Academy is the European counterpart to the *American Academy of Dermatology* and is made up of leading academic and practicing dermatologists.

Jeff O'Donnell, president and CEO of PhotoMedex, stated, "We were pleased to have a demonstration booth at the European Society meeting, to accommodate the significant interest created by Dr. Dierickx' presentation. Her strong credentials in Europe as a leading academician and practicing dermatologist, and her endorsement of our treatment system, will serve us well as we expand our marketplace to the European continent. As we continue our commercial roll-out, having leading opinion-makers like Dr. Rox Anderson in the United States and Dr. Christine Dierickx in Europe assisting and supporting our efforts will be invaluable to achieving our goal of becoming the worldwide treatment of choice among leading dermatologists."

Commenting on the preliminary results from the U.S. Study Program and her own preliminary patient outcomes since becoming a European beta site, Dr. Dierickx said, "Our initial treatments in the U.S. have so far been very positive, as presented to the Academy. We have patients that have cleared in as little as one treatment, with the average on the order of 5-6 treatments. We also have been pleased with the high level of patient satisfaction with the procedure, which we believe will lead to a better and more dedicated level of treatment compliance than with other treatment options. The XTRAC system produces a very efficient form of UV 308-nm wavelength light, and is a very compelling new treatment option for long-suffering psoriasis patients."

10/17 **Palomar Medical Technologies** announced that it had selected **Allen & Caron Inc.** as its corporate, investor, and media relations firm. Palomar chairman and CEO Louis (Dan) Valente commented, "Now that the company has divested its non-core businesses, Palomar is endeavoring to lead the cosmetic laser industry into a new era in which hair removal and other laser cosmetic procedures become as commonplace as other spa services. As we continue to expand the placement of our products and build this market, we will call on Allen & Caron's professional experience to assist us in better positioning the company in the investment community, as well as to expand our visibility in both the investment community and the media."

10/17 **Dental/Medical Diagnostic Systems** announced it will begin shipping its new curing device, Apollo e.Light, in November 2000. The prior announced launch date of late September 2000 was delayed as the company did not receive parts that met set specification requirements. The new Apollo e.Light offers significant technological advancements over the company's successful Apollo product series. The Apollo e.Light contains an array of Light Emitting Diodes (LEDs) that provides a fast and effective solution for curing composite fillings in teeth. Additionally, the new Apollo e.Light cures

composite materials faster than most curing lights available in the dental marketplace by providing six-second curing (per layer) versus the 40 seconds (per layer) that is typical for curing a filling using existing systems.

10/17-
10/18 **Spectranetics** reported results for the third quarter, with revenues of $6.4 million, down 4% from $6.6 million in the prior year's third quarter. The company recorded a net loss of $990,000 (4 cents per share) compared with a loss of $325,000 (1 cent per share) in the third quarter of 1999. Joseph Largey, president and CEO, commented: "We're disappointed with these results. Despite very strong market reception in the limited release in the United States of our new POINT 9 family of catheters, angioplasty catheter sales were down compared with the prior year, which was unusually strong as a result of a competitor's product recall. The shortfall in revenues was due to weak international results, heightened competition for angioplasty devices worldwide and lower equipment revenues. Although we exceeded our placement target and placed 16 new lasers during the quarter, bringing the total number of lasers placed to 206 in the United States and 304 worldwide, equipment revenue declined due to fewer outright sales. Because a higher percentage of Spectranetics' revenues was attributable to higher-margin catheter sales versus lower margin equipment sales, gross margin improved 5 points to 71% in the quarter. Despite lower revenues, gross margin dollars were ahead of last year's level. The increased loss compared with last year was primarily due to higher SG&A expenses, including a continued high level of legal expenses.

"Our largest short-term opportunity continues to be the coronary angioplasty business in the United States. We are working to accelerate the introduction of successful new products, such as our new POINT 9 catheters. We are fine-tuning our selling efforts to focus on the largest cardiology centers in the United States, where our penetration rate is now only 13%. We're also working to increase utilization of our lasers. We believe the key to increased utilization is to maintain a strong presence at hospitals to ensure that laser debulking is considered in appropriate cases. We continue to place sales support and training personnel at hospitals where a sufficiently large number of procedures are performed. Internationally, we are continuing to evaluate our distribution strategy worldwide, and expect changes in the near term. We also plan to introduce new products specifically targeted to the international markets in the first quarter of 2001."

For the quarter, revenues totaled $6.4 million, down 4% from $6.6 million in the prior year's comparable quarter. Excluding the negative impact of foreign currency fluctuations, revenue decreased 2% from the prior year. Laser revenues, which fluctuate markedly from quarter to quarter, were down 46% to $0.8 million. During the quarter, nine units were initially placed on, or converted to, the company's Evergreen Rental program, bringing the total number of units on the Evergreen program to 37. Revenue from disposables was up 6%, consisting of a 49% increase in sales of lead removal devices and a 7% decline in coronary angioplasty catheters, which suffered from

increased competitive pressures. Service revenues were up 25% compared with the prior year. Gross margin reached a record level of 71%, compared with 66% in the third quarter a year ago. The increase was due to a shift in sales mix toward higher margin disposables and away from lower margin laser equipment sales. Operating expenses increased 12% to $5.7 million in the quarter, compared with $5.1 million in the third quarter a year ago. The increase reflects higher sales and marketing expenses, investments in administrative costs as the company continues to strengthen its management team, and a continued high level of legal expenses.

For the nine month period, revenue increased 27% to $19.8 million compared with $15.7 million in the prior year. Excluding the negative impact of foreign currency fluctuations, revenue increased 29%. Compared with the prior year, disposables were up 35% to $13.8 million, due to a 75% increase in lead removal products and a 24% increase in coronary angioplasty catheters. Service revenues were up 23%. Laser equipment revenues were up 3%. The loss from continuing operations was $2.9 million (12 cents per share) about equal to $2.9 million (13 cents per share) in the first nine months of 1999, excluding a nonrecurring litigation and reorganization reserve recorded in the prior year.

The company also announced that it had placed its 200th laser in the U.S., at the Arizona Heart Hospital in Phoenix. Edward Diethrich, MD, medical director of the Arizona Heart Hospital and founder of the Arizona Heart Institute, commented: "We're delighted to be able to offer our patients this state-of-the-art ability at Arizona Heart Hospital. The laser method of atherectomy is more easily tolerated than competing methods for debulking clogged arteries in the heart. And Spectranetics' pacemaker lead removal system significantly improves clinical success rates for the procedure, while replacing open-chest surgery with a minimally invasive technique. We're also anxious to be able to offer laser treatments in the future for applications currently approved in Europe and in clinical trials in the United States -- to clear obstructed arteries in the legs and to clear plaque from implanted stents."

The following day, the company announced that it had formally launched its new POINT 9 family of catheters at the Transcatheter Cardiovascular Therapeutics (TCT) conference in Washington, DC. Since last August, when the company received FDA approval to market its smallest catheters throughout the United States, Spectranetics has limited its worldwide distribution. Twenty-four sites are participating in a registry of the first 100 procedures using the POINT 9 angioplasty catheter. Given the excellent performance of the POINT 9 catheters during the limited distribution, the company is now launching the POINT 9 family of angioplasty catheters worldwide. The POINT NINE catheters, with a diameter of only 0.9 mm, are smaller than any other debulking device on the market today. Given their small diameter and high maneuverability, they are particularly suitable in three cases:

1) to vaporize plaque in arteries as small as 1.5 mm in diameter, which have typically been too small to be accessed with other debulking devices on the market;
2) to create pilot holes in larger arteries that are occluded to the point that they are only passable by a wire; and
3) to reopen arteries in which an angioplasty balloon failed to expand.

10/18 The birth of a baby is an exciting and joyful time for a family filled with hopes and dreams for the future. Parents anticipate that their child will grow up to be a confident and successful adult. Yet, the presence of a birthmark may not only compromise a child's outward appearance, but also his or her self-esteem for years to come. "Birthmarks can affect both the physical and emotional development of a child," stated dermatologist Robin Ashinoff, MD, Assistant Professor, Department of Dermatology, New York University Medical Center, New York, speaking today at the *American Academy of Dermatology's Derm Update 2000*. "Yet, new laser treatments are available today that can significantly improve a child's quality of life. The teasing and staring that children with birthmarks often endure makes them self-conscious and may cause them to withdraw from social contact. After I have treated a child with a birthmark, the parents always tell me what a positive influence I have had on their child's life. Lasers have truly revolutionized the treatment of these disfiguring skin conditions."

Port-wine stains are red, pink, or purple discolorations which are found most often on an infant's face, neck, arms, or legs. Present at birth, the exact cause of these lesions is unknown. Port-wine stains occur in almost 1% of newborns, affecting an equal number of boys and girls. The size of the lesion increases as the child grows. In time, the affected skin may thicken and nodules may form on the surface and bleed. Untreated, port-wine stains will last a lifetime. "The pulsed dye laser was developed specifically to treat port-wine stains in children," stated Dr. Ashinoff. "One of the advantages of treating a child's port-wine stain as early as possible is that an infant's lesion and its blood vessels are smaller. In addition, early treatment dramatically improves a child's self-esteem." Babies as young as several weeks of age can be effectively treated with the pulsed dye laser.

10/18 Six-month interim results from the Direct Myocardial Revascularization (DMR) in Regeneration of Endomyocardial Channels (DIRECT) Trial were to be presented tomorrow (Thursday, Oct. 19, 2000) during a scientific session of the Transcatheter Cardiovascular Therapeutics (TCT) meeting in Washington, D.C. The clinical study was funded by a grant from **Biosense Webster, Inc.**, a **Johnson & Johnson** company.

Preliminary analysis of the data showed that patients who received this laser-based therapy (percutaneous transmyocardial revascularization or PTMR) did not experience a statistically significant increase in exercise times or a decrease in the frequency and severity of angina vs. the control group of patients who were treated medically. An improvement across all study groups may suggest a possible placebo effect. Participants

in the DIRECT trial share a serious medical dilemma similar to a growing number of patients with severe symptomatic coronary artery disease -- they have no further treatment options. Despite maximal medical (drug) therapy, these patients continue to have severe, debilitating chest pains and are not eligible for bypass surgery or for percutaneous transluminal angioplasty (PTCA).

Until now, the benefits of laser revascularization have been somewhat controversial. While some patients reported an improvement in symptoms following the procedure, no therapeutic mechanism for reducing anginal symptoms and improving exercise ability has been convincingly demonstrated. Direct myocardial revascularization (DMR) was studied in the DIRECT trial as a potential new treatment option for this group of patients. DMR is a catheter-based therapeutic procedure employing a laser to create channels in the heart muscle to theoretically promote cardiac perfusion. The DIRECT study was the first randomized, multi-center, blinded trial powered to establish the definitive therapeutic value of direct myocardial revascularization. Approximately 300 patients in 20 centers across the United States were enrolled. Martin Leon, MD, chairman, Cardiology Research Foundation, Lenox Hill Hospital, New York, and the principal investigator in the DIRECT trial said, "While we are disappointed with the six-month follow-up results of the DIRECT trial, we believe we have an obligation to both the scientific community as well as to patients with inoperable coronary artery disease and chronic, refractory angina, to objectively report the data derived from our study. A preliminary analysis of six-month evaluations following DMR treatment indicated that patients in the study did not demonstrate increased functional ability as measured by standardized treadmill exercise testing or show any improvement in angina class under a scale designed by the Canadian Cardiovascular Society vs. the patient group treated medically," Dr. Leon said. "Additionally, the laser treated group indicated a slightly increased risk of adverse events in the first 30 days after treatment, however at 6 months all study arms had similar event rates."

Enrollment and treatment of patients in DMR clinical studies and DMR cases worldwide have been stopped while the data undergoes continued review and analysis. The FDA has been advised of these preliminary results and is in agreement with this decision.

The following day, *The Wall Street Journal* reported on the results of the study conducted by Dr. Leon, using an experimental laser device under development by **Johnson & Johnson's BioSense Webster's** PTMR system, stating that the study proved no better than the placebo arm of the study. According to results presented, the PTMR holes failed to provide any benefit in a study of patients with severe heart disease. In the new trial, more than 40% of the patients receiving the placebo procedure improved two classes on the four class angina scale. According to Dr. Leon, "That's huge, and it was a more significant improvement than reported by the patients given the (laser) treatment." J&J said it was disappointed, but expects to develop other applications for new heart-mapping technology that was used in conjunction with the laser.

10/19 **PhotoMedex** announced that it was conducting clinical trials at *Massachusetts General Hospital (MGH)*, utilizing its patented XTRAC laser system, to determine the efficacy of its system for the treatment of vitiligo and lichen planus. Dr. Charles Taylor, who led the psoriasis clinical trials at MGH in collaboration with Dr. Rox Anderson, is the lead investigator for these trials. The clinical trials involve approximately 18 patients for vitiligo and 10 patients for lichen planus, and are currently expected to last approximately several months. At the conclusion of the studies, an evaluation will be made of the patient outcomes to determine whether to discontinue or extend the studies, or whether to proceed as expeditiously as possible for FDA approval.

According to the National Vitiligo Foundation (NVF), approximately 1-2% of Americans (2-4 million) are affected by vitiligo. Vitiligo is a skin disease causing the loss of pigmentation in which patients develop white spots in the skin that vary in size and location. The spots occur when pigment cells are destroyed and the pigment can no longer be produced. The NVF further reports, the mainstay of treatment for vitiligo patients, PUVA, can cost close to $6,000 or more per patient. This figure is based on 1-1 1/2 years of treatment, or 120 treatments. The cost includes medication, office visits, light therapy, lab tests and eye exams that are necessary because of the possible damage to the eyes as a result of the light therapy. This figure does not include the patient's loss of work time, or travel expense to obtain treatments. Most insurance companies do not cover the cost of treatment; therefore, many patients are unable to receive proper care for the disease. As a result, some patients have lost their jobs or are unable to obtain work due to their cosmetic disfigurement, especially if the work involves interaction with the general public.

According to the American Academy of Dermatology, lichen planus affects approximately 1% of the general population. It is an inflammatory disease that strikes primarily the skin and mucous membranes. Oral lichen planus typically appears as patches of fine white lines and dots on the tongue, gums, and inside the cheeks. Severe oral lichen planus can cause painful sores and ulcers in the mouth. There is no known cure for oral lichen planus.

The company also announced the commencement of a consumer awareness marketing and advertising campaign in the Boston Metropolitan area designed to make psoriasis sufferers in the area who are dissatisfied with their current treatment aware of the company's XTRAC laser treatment, and the location of dermatologists currently offering the treatment. The company is primarily focusing the program on the print media, which has already begun, and advertising on local radio stations, which will start in the ensuing weeks. The company started the commercial launch of the XTRAC system in the Boston area.

10/19 **Laserscope** reported net income of $505,000 (3 cents per share) for the third quarter, compared with a loss of $1.3 million (10 cents per share) for the same quarter last year.

Year to date, Laserscope reported net income of $456,000 (3 cents per share) compared to a year-to-date net loss in 1999 of $5.9 million (47 cents per share). Revenues for the quarter were $9.3 million compared to pro forma revenues of $8.5 million in the third quarter a year ago. Year-to-date, revenues were $27.2 million compared to pro forma revenues of $26.2 million in the first nine months of 1999. Pro forma revenues for 1999 exclude NWL revenues of approximately $1.4 million for the third quarter and $5.1 million for the first nine months. Laserscope divested NWL as of January 1, 2000 but retained NWL as an independent distributor in Germany.

Commenting on the report, Eric Reuter, Laserscope president and CEO said, "We are very pleased to report our second succeeding quarter of profitability since 1997. The achievement of our short-term goals is due to continued improvement in virtually every major phase of our business. We have maintained a strong product and market focus and continue to maintain diligent cost, inventory, and expense management. Our gross profit margins have exceeded 50% for the first time in four years. In addition, our revenues for the third quarter of 2000 were 9% higher than pro forma (excluding NWL) revenues for the same quarter in 1999. This is due primarily to greater market adoption of our Lyra laser. We believe that the Lyra is an exceptional product for the aesthetic market because it was designed specifically for both hair removal as well as for treating leg veins, two of the highest volume aesthetic procedures. We expect continued near-term acceptance of the Lyra and look forward to future opportunities from other products we have in development."

10/24 **Candela Corporation** reported results for the third quarter. Revenues were $13.1 million compared to $16.0 million for the same quarter last year. Net income was $169,000 (2 cents per share) compared to net income of $2,714,000 (40 cents per share) for the same quarter last year. Commenting on the quarter, Gerard Puorro, president and CEO said, "While the September quarter is traditionally and seasonally the slowest quarter for Candela and for the industry as a whole, overall we were disappointed with our results for the period. We have carefully reviewed the results and are confident we will return to our growth path in the December quarter and the second half of fiscal 2001, rounding out another solid fiscal year for Candela." He further commented, "Because we believe our shares are presently undervalued in the market place, we expect that we may soon resume company repurchases of our stock." He added, "I am happy to report that Paul Broyer has returned to Candela in his role as CFO. Paul, who had been a significant contributor in Candela's recent success, will again be called upon to help in the return to growth."

10/24 **Palomar Medical Technologies** announced financial results for the third quarter. Chairman and CEO Louis (Dan) Valente, of Palomar, commented, "We were able to accomplish three major milestones this quarter. Product revenues more than doubled from $1.5 million to $3.1 million, gross margin increased from 1% to 30%, and net loss was cut in half when compared to the second quarter, excluding a non-recurring gain of

$3.1 million in the second quarter. This was made possible through the successful launch and the initial sales and shipments of the Palomar SLP1000 (super long-pulse) diode laser system for hair removal and cosmetic treatment of spider veins. This breakthrough super long-pulse technology provides safe and effective hair removal and cosmetic vascular treatments for all skin types, from very fair to very dark complexions. Our new ISO 9001 certified facility continues to ramp up production of the SLP1000 and has production capacity for new products as they come out of research and development. We are clearly positioned to take advantage of the growing cosmetic laser market and we are on target to execute and continue our strategic plan with a strong balance sheet and the most advanced technology in the cosmetic laser industry."

For the third quarter, revenues were $4.0 million, compared with revenues of $2.9 million for the third quarter last year. The increase was attributable to the introduction and first full quarter of sales of the Palomar SLP1000. Net loss for the quarter was $2.1 million (22 cents per share) as compared with net loss of $2.6 million (27 cents per share) for last year's third quarter. Gross margin was $1.2 million, or 30% of revenues, as compared to $0.4 million, or 14% of revenues for the third quarter last year.

10/24 **ESC Medical Systems Ltd.** announced operating results for the third quarter. Net revenue for the quarter were $37.1 million, 23% more than the same quarter last year. Operating income was $5.3 million, or 14.3% of revenues, net income was $4.0 million (16 cents per share). Excluding a one-time charge of $0.4 million in litigation settlement expenses and ESC's dental unit's loss of about $0.6 million, the company's earnings per basic share were about $0.20. Yacha Sutton, president and CEO commented, "We are delighted by our relative strength through our traditionally slow third quarter. We are particularly pleased by the continued expansion in gross margins and its implications for profitability moving forward."

10/24 **Surgical Laser Technologies** announced its financial results for the third quarter and nine months of 2000. Sales for the quarter were $2.5 million compared to sales in the third quarter of 1999 of $1.9 million. Net income was $61,000 (3 cents per share) compared to net income in the third quarter of 1999 of $47,000 (2 cents per share). Operating income increased to $71,000 in the quarter, from $4,000 in the third quarter of 1999.

For the nine month period, net income was $190,000 (9 cents per share) on sales of $6.4 million, compared to a net loss of $1.9 million (98 cents per share) in the nine months of 1999, on sales of $6.1 million. Operating income for the nine months was $125,000 compared to an operating loss for the nine months of 1999 of $2.1 million. The results for the nine months of 1999 included non-recurring charges recorded in the second quarter of 1999, amounting to $1.4 million. Excluding the non-recurring charges, the operating loss for the nine months of 1999 was $622,000 and the net loss was $505,000. SLT's financial results for the third quarter 2000 include the results for **Surgical**

Innovations & Services, Inc.(SIS), which was acquired on June 1, 2000. The first nine months of 2000 include the SIS results since the date of the acquisition.

Commenting on the results, Michael Stewart, SLT's president and CEO, stated, "We are very pleased with SLT's recent accomplishments. We have maintained profitable operations for five consecutive quarters, improving operating income in the first nine months of 2000 by $747,000 over the first nine months of 1999, after excluding the effect of non-recurring charges in 1999. As a result of the strategic acquisition of SIS, we have increased revenues in the third quarter of 2000 by 31% over the third quarter of 1999 revenues. And most importantly, our ongoing product development activities, including those aimed at vertically integrating our product offerings in the SIS contract services business, provide a platform for continued growth."

10/24 **IHD, Inc.** announced the introduction of the NEOS-ENDO Delta, a reusable, endoscopic surgical laser fiber. This unique product couples the flexibility of a bare, optical fiber with the surgical precision of contact laser surgery using a permanently affixed, coated glass “delta” tip. The delta tip design has two distinct features: 1) an angled edge surface allows for incising and, 2) a flat surface for coagulating vascular areas. The NEOS-ENDO Delta complements IHD’s core product line of contact laser surgical instruments and accessories.

The NEOS-ENDO Delta, developed with Cincinnati-area surgeons, allows the surgeon to perform endoscopic surgical procedures with the precision and benefits of contact laser surgery. The permanently affixed, coated glass delta tip delivers thermal laser energy in a well-controlled manner. The surgeon makes an incision by moving the angled edge of the tip along the surface to be cut. Coagulation is achieved by laying the flat surface of the tip on bleeding vessels and then firing the laser. This is significant in that blood loss is minimized during surgery thus promoting a faster healing time for the patient. When compared to bare fiber laser delivery systems, contact laser surgery provides improved incision, excision, coagulation and vaporization of a variety of soft tissues.

10/25 **PLC Systems** announced financial results for the third quarter and nine month period. Third quarter revenues were $2.5 million compared with $2.5 million in the third quarter of 1999. On similar revenue, the net loss for the quarter was $1.3 million (6 cents per share), 6% lower than the net loss of $1.4 million (7 cents per share) in the third quarter of 1999, as the company continued its efforts to manage expenses. The reduced net loss combined with improvements in operating cash flow enabled the company to reduce its cash burn to $453,000 in the third quarter. The company ended the third quarter with cash and cash equivalents totaling approximately $7.0 million.

"Overall, third quarter results were in line with expectations," stated Mark Tauscher, president and CEO. "We are pleased to report our third consecutive quarter of increased laser shipments. Throughout the quarter, PLC continued to move forward with outreach

programs focused on patient education and surgeon training. In fact, in the first three quarters of 2000, PLC has trained more than 100 cardiac surgeons to perform TMR using PLC's heart laser. We believe this procedural based strategy has increased and will continue to assist in improving the adoption of the TMR procedure."

During the third quarter, PLC delivered eight new lasers and two redeployed lasers for a total of ten lasers to new customers and shipped 416 disposable kits to domestic and international accounts. This is an improvement over the third quarter of 1999 shipments of nine lasers and 308 disposable kits.

Last week, PLC attended and participated in the Transcatheter Cardiovascular Therapeutics Conference (TCT) in Washington, D.C. During a scientific session of the TCT meeting, presenters announced discouraging preliminary data from their clinical work in percutaneous myocardial revascularization (PTMR). (See the October 18th brief above.) These presenters indicated that their preliminary analysis, which was based on six-month data, showed that patients who received this type of laser-based therapy did not experience a statistically significant increase in exercise times or a decrease in the frequency and severity of angina compared to the control group of patients, which suggested a placebo effect. It is important to note the differences that exist between the experimental PTMR and the FDA approved surgical TMR. A cardiac surgeon performs the surgical-based TMR procedure through a small incision in the chest and a complete channel is created from the outside of the heart into the ventricle. In contrast, a cardiologist performs PTMR in a catheter-based procedure and drills channels or divots only partially into the inside of the heart muscle.

Commenting on the PTMR results, Dr. Keith Horvath, assistant professor of surgery at Northwestern University Medical School in Chicago, Illinois, stated, "The preliminary results based on six month data presented at the TCT was related to a PTMR trial. I believe that drawing any conclusions about TMR from PTMR data is inappropriate. In particular, I believe that significant differences exist between TMR and PTMR with respect to methodology, approach and laser energy sources. PLC's CO_2 Heart Laser is the only TMR laser that has reported and published perfusion and long-term angina relief results." Tauscher commented, "All laser revascularization techniques are not equivalent. This particular PTMR trial did not use a CO_2 laser to perform the catheter-based procedure. PLC Systems currently markets and manufactures the only FDA approved carbon dioxide heart laser that performs the surgical TMR procedure, which creates a channel completely through the wall of the heart muscle. Our CO_2 Heart Laser was specifically designed to perform TMR in the safest, most effective manner possible."

Dr. Robert March, assistant professor of surgery and director of cardiovascular research at Rush Medical College in Chicago, Illinois, stated, "The PTMR trial data presented at the TCT suggests a placebo effect in the treatment of angina at six months. The sustained angina relief seen at three years with the PLC CO_2 laser and the prolonged angina relief

seen in our patients at five year follow-up is unlikely to be a sustained placebo effect. We believe the data presented at the TCT is an opportunity to clearly distinguish the TMR and PMR procedures. We are presenting five year sustained angina relief data at the American Heart Association's annual meeting in New Orleans on November 15, 2000. This long- term data firmly positions PLC as the clinical leader in TMR. To date, the CO_2 technology is the only TMR laser that has reported and published long-term angina relief results. We are very proud to present the long-term data and we intend to leverage this opportunity to provide a competitive distinction in the TMR marketplace."

10/27 **Eclipse Surgical Technologies** supported by a number of prominent surgeons and cardiologists, also challenged the generalized conclusions related to a recent single study that questioned the benefits derived from an innovative and FDA-approved form of laser heart surgery. (See the brief above.) The laser surgery, called Transmyocardial Revascularization (TMR), has already been used to successfully relieve severe chest pains, called angina, in 12,000 patients around the nation, said Pat Whitlow, MD, Director of Interventional Cardiology at the Cleveland Clinic.

"Strikingly positive" effects of the surgical procedure were also reported in a scientific paper delivered last week in Washington, D.C. at the TransCatheter Therapeutic Conference by Keith Allen, MD, a cardiothoracic surgeon at St. Vincent's Hospital in Indianapolis. "Thousands of people in all parts of this country are today enjoying the benefits of TMR," Dr. Whitlow said. "Their quality of life has vastly improved and many have been able to return to work. The generalizations regarding this FDA-approved procedure disseminated to the press regarding this study are simply not consistent with what we have seen and heard from our patients." The procedure based on Eclipse technology uses a laser to drill tiny holes in the heart muscles of patients suffering from severe heart disease, relieving them from pain. In question are recently reported generalizations suggesting these patients only perceive a psychological effect called a placebo from the surgery. Those conclusions were announced in newspaper and wire service reports last week by Dr. Martin B. Leon of New York, based on preliminary clinical results from a study conducted with a different device and procedure. "The preliminary clinical results reported by Dr. Leon were based on an excellent clinical study design for the device being evaluated," Dr. Whitlow said. "I agree that the benefit observed in 30% of the patients in that study was likely related to placebo effect. However, I must disagree strongly with generalizations that extend the study conclusions to cover TMR and Percutaneous Transluminal Myocardial Revascularization (PTMR), which are different techniques using different devices. The study results achieved with the Eclipse PTMR system also show a significant clinical benefit in treated patients at 12 months," he said.

When one-third of the total patients in Dr. Leon's study, who were only told they were receiving a procedure that might help them -- but actually got nothing -- experienced the same positive effects, he declared the result a "profound placebo effect", according to

press reports. Generalizing the results and conclusions from this single study unfairly disparages all types of laser heart surgery, physicians Whitlow and Allen said. "Placebo effect does not account for the long term clinical benefit achieved in the Eclipse procedure," said Dr. Allen. Dr. Allen's paper, reporting the positive effects of the Eclipse procedures, was based on five independent consecutive and randomized studies -- recently published in prominent medical journals -- conducted at more than 50 major medical centers around the nation.

"Based on Dr. Allen's study, and the FDA-sanctioned clinical trials performed on more than 1500 patients, Eclipse remains confident that its procedure produces positive outcomes for long-suffering heart patients," said Michael Quinn, president and CEO of Eclipse. "Our devices, procedures and outcomes are significantly different than those noted by Dr. Leon," Quinn said. "More than 12,000 patients have received our procedure and hundreds of doctors believe in and regularly perform it."

MEDICAL/SURGICAL LASER UPDATE -- November 2000

10/30 More followup from the controversial report of the **J&J BioSense** DMR/PTMR study reported in last month's newsletter -- see the October 18th brief. *The Wall Street Journal* reported that Dr. Martin Leon's comments about finding no difference between the treatment arm and the placebo arm has provoked an outcry from doctors who are using lasers, primarily for TMR, and from the two companies selling the lasers. More than 12,000 patients have undergone the TMR treatment. Proponents say their quality of life has vastly improved and their relief from angina pain is measurable. Both **PLC Medical Systems** and **Eclipse Surgical Technologies** disputed Dr. Leon's views, saying that their systems were significantly different than the J&J system used in his trial. Both companies planned to report long-term studies with their devices at this week's American Heart Association meeting.

10/30 **American Medical Technologies** reported income from operations of $11,918 for the third quarter of 2000 as opposed to a loss of $512,203 for the third quarter of 1999. Revenues for the quarter were $4.6 million compared to revenues of $4.6 million for the third quarter of 1999. The net loss for the quarter was $247,908 (3 cents per share) compared to a net loss of $49,889 (1 cent per share) for the same period in 1999. The difference between the third quarter 2000 operating profit and the net loss was primarily attributable to a non-cash charge for income taxes. The results for the third quarter of 1999 also included approximately $600,000 of non-recurring other income.

For the nine-month period, the loss was $707,732, compared to a loss of $504,995 for the same period in 1999. The increased loss was attributable to a loss from operations of $993,706 incurred in the first quarter of 2000 during the initial adoption of the new business model. Since the first quarter of 2000, the company has reported income from operations in each successive quarter. Net loss for the nine-month period was $855,772

(12 cents per share), compared to net income of $115,657 or (2 cents per share) for the same period in 1999. The difference in results for the nine months is primarily attributable to approximately $1.2 million of non-recurring license fees and other income received in 1999.

10/30 **BriteSmile** announced record revenues for the second quarter. Net revenue for the quarter increased 252% to $5.2 million compared to $1.5 million in the prior year period. The increase was due to the company's continued successful execution of its strategic growth plan, including a substantial increase in the number of BriteSmile procedures performed, and solid growth in the number of BriteSmile Associated Centers established. BriteSmile performed 15,856 procedures in the second quarter compared to 3,525 in the prior year's period, and has performed 31,075 procedures for the first six months of fiscal 2001 compared to 5,553 procedures in the prior year period. The company also benefitted from increased sales of related oral care products, including toothpaste and Sonicare toothbrushes reflecting its expanded initiatives in this area. Net revenue for the six months increased 305% to $9.5 million compared to $2.3 million in the year ago period.

John Reed, CEO of BriteSmile commented, "This was another impressive quarter for BriteSmile as we continued to execute our strategic growth plan. BriteSmile now has established 1,013 Associated Centers, of which 884 were in operation as of September 30, 2000. This compares to only 29 Associated Centers in operation at the same time last year. During the second quarter, the company opened 3 new Professional Teeth Whitening Centers, bringing the total to 17."

For the quarter, the company reported a net loss of $10.0 million (42 cents per share) compared to a loss of $6.9 million (37 cents per share) in the year ago period. The loss was related to the continued expanded rollout of the company's Professional Teeth Whitening Centers and Associated Centers. Reed commented, "While we continue to rapidly rollout our network of Associated Centers we are also diligently managing all costs associated with our infrastructure. We have and continue to implement cost saving initiatives totaling more than $3.8 million over the next 12 months. These cost savings will be achieved in the areas of Center operations, procedure kit production and legal and consulting fees, as well as leveraging our marketing spend more effectively by utilizing smaller media-specific agencies, thereby reducing agency fees."

10/31 **Asclepion-Meditec AG** announced that it had signed a definitive agreement to acquire a major stake in the medical equipment distributor **U.S. Medical, Inc.** The purchase agreement will give Asclepion a 10.6% share in the Denver, Colorado-based company as well as s seat on its Board of Directors. Warrants were also granted to Asclepion for an additional 80,000 shares. Both parties agreed not to disclose the financial terms of the transaction. "The participation in U.S. Medical represents a key element of Asclepion's expansion strategy in the US-market as well as the achievement of a major milestone stated in our IPO", said Bernhard Seitz, CEO of Asclepion-Meditec AG. Seitz further

commented, "U.S. Medical has exceeded our sales goals established for the first 3.5 months within our last business year by more than 300% and thus attained sales of some US$ 2.4 million (DM 5.2 million) with Asclepion in the final quarter of the past business year, and we look forward to a deepened partnership."

Scott Carson, founder, president and COO of U.S. Medical, Inc., said of the deal: "We are extremely pleased with the investment by Asclepion. We are happy to have one of the premier manufacturers of medical lasers in the world as a major strategic partner, and based on the quality of the products and the relationship, we are confident of maintaining this exceptional sales volume." With 30 full-time sales employees, U.S. Medical is the largest manufacturer-independent distribution company of medical equipment, a market with a volume of approx. US$ 50 billion which is served by more than 10,000 distributors and manufacturers. In the coming twelve months the company plans to increase its sales force from 50 to 100 and thus further enhance its position. The planned strong growth of U.S. Medical is based on a unique business model for the medical equipment sector. Increased sales efficacy is to be achieved through centralization at one location and a fully-integrated software system developed to meet the needs of the market, and which controls all the business transactions, from procurement through to customer relationship management. This model also takes into account the extensive experience gathered by U.S. Medical in the past in trading with second-hand medical equipment. The business model is supported by an Internet platform which is about to be launched and which offers customers transparent procurement opportunities, and in particular in the area of low-value goods. The bundling of complete equipment packages, as well as the offer of financing services and the re-purchase of second-hand equipment rounds off the concept.

Two days later both companies said that they had concluded the agreement. According to CEO of Asclepion, Bernhard Seitz, the agreement had a total value of US$ 4 million: "Through the acquisition of the shares in U.S. Medical," says Seitz, " we are securing an important strategic distribution channel and will achieve a rapid and sustained improvement in our position on the American market.

10/31 San Diego-based **COSMOS Medical Technology, Inc.**, announced that it had received FDA clearance to market two new lasers, the Athos hair removal laser system and the Viridis laser system for spider veins from Paris-based **Quantel Medical**. The Athos laser is a new breed hair removal laser systems that has evolved out of the European community's experience over the past three years. "Although many hair removal lasers have been effective in removing hair, many patients have experienced skin discoloration problems and pain. By developing the optimal laser parameters, the Athos long-pulsed YAG laser, has had excellent results in all skin types, even tanned skin, with no adverse side effects and virtually painless to the patient," stated John Clark, chairman of COSMOS.

In a recent study by renowned dermatologist Nathalie Fournier of France, the Athos system provided hair reduction of up to 60% on a single treatment. "Athos has become an essential complement to my practice," stated Dr. Fournier. "My patients are delighted with the results." The second cleared laser, the Viridis, is a new generation of pulsed lasers for spider veins and unwanted blemishes. Using a newly patented technology called Multipulse, incorporated into both lasers, a train of pulsed laser light can effectively reach deep into targeted areas to selectively treat unwanted veins without harming healthy tissue and with less discomfort to the patient. "We are very excited to be representing Quantel's new products in the Western Hemisphere. With 30 years of laser engineering expertise, Quantel has earned a reputation for quality and ingenuity not only in Europe but also in the global market place," said Douglas Greif, president of COSMOS Medical Technology.

10/31 **BIOLASE Technology** announced results of operations for the three and nine-month periods ended September 30, 2000, and record-breaking sales for its fourth quarter based on early quarter-to-date shipments. During the third quarter, BIOLASE heavily invested in sales and marketing efforts which are already generating strong early fourth quarter returns. Sales for the third quarter increased $174,344, or 9%, to $2.2 million from $2.0 million reported for the comparable period in 1999. For the nine-month period, sales increased $767,938, or 15%, to $6 million from the $5.2 million reported for the same period in 1999. Gross profit for the three months improved to $1.0 million, or 46% of sales, from $816,002, or 41% of sales. The improvement in the gross margin was due principally to the increased sales allowing for a greater absorption of fixed manufacturing costs combined with engineering advancements.

For the nine-month period, gross profit increased to $2.6 million, or 43% of sales, compared to $2.2 million, or 42% of sales, for the same period in 1999. The year-to-date improvement in 2000 would have resulted in higher margins had they not been affected by reduced selling prices of the company's first-generation HydroKinetic product, the Millennium, that has now been replaced by the new higher-margin Waterlase.

The net loss was $1.2 million (6 cents per share), for the third quarter compared to a net loss of $873,479 (5 cents per share) for the same period in 1999. The net loss was $3.1 million (16 cents per share) for the nine months compared to a net loss of $2.8 million (16 cents per share), for the comparable period in 1999.

Jeffrey Jones, BIOLASE president and CEO, commented, "Even though our third quarter and nine-month results showed a continuation of growth and increased revenue, they have been greatly affected by the transition from the older product line to the highly improved and very successful Waterlase and TwiLite systems. Our fourth quarter is off to a very strong start as we are already seeing the payback for our investment in sales and marketing. We believe this is the opportune time to invest heavily in high-impact, aggressive sales and marketing efforts, concurrent with the strengthening of foundational

areas like manufacturing and the proprietary position of our technology. The company is already experiencing a strong fourth quarter from the outset, seeing accelerating market acceptance of the Waterlase and TwiLite dental lasers. The fourth quarter for BIOLASE is expected to result in a very substantial new record over any previous quarter with a bottom line approaching break-even. Our investment in building a very strong and aggressive domestic sales force of over 20 people has already been leveraged into signed orders. The record number of purchase orders at the four-day *American Dental Association* annual session in October, resulting in approximately $1 million in sales orders, demonstrates the recognition we are seeing throughout a broad cross-section of dentists. The company finally is nearing a critical mass in the acceptance and use of HydroKinetic hard and soft tissue lasers in dentistry. As demonstrated by strong acceptance by the dental community at the ADA, we believe the Waterlase technology is well on its way to becoming a new standard of dental care."

10/31 **QLT Inc.** announced positive results for its phase II study using photodynamic therapy with verteporfin to treat non-melanoma skin cancer, the most common form of skin cancer in the United States. The study involved 54 patients with a total of 421 tumors who were randomized to one of three different light doses. The highest light dose was found to be the most effective, with 98% of the assessed tumors showing a complete clinical response 6 months after initial treatment. Ninety-two of the 94 tumors biopsied from this group were confirmed to be tumor-free pathologically.

The open-label trial, which took place at two U.S. and two Canadian centers, was conducted to determine preliminary safety and efficacy of QLT's verteporfin at three different light doses on patients with non-melanoma skin cancer with multiple lesions. Patients were treated with verteporfin and then followed for six months, with the option of retreatment at three months if a complete clinical response was not achieved after the initial treatment. "Many of our resources at QLT have been focused on the ongoing expansion of Visudyne therapy and our breakthrough ophthalmology program. This promising skin cancer study clearly shows our company's ability to concurrently and effectively advance our other core programs which focus on cancer, cardiovascular disease and immune disorders," said Dr. Julia Levy, president and CEO of QLT.

Clinical investigators and patients were asked to assess their level of satisfaction with the treatment during the study. Both patients and physicians report an equally high degree of acceptance. "These results are extremely exciting," said Dr. Harvey Lui, Chairman and Associate Professor, Division of Dermatology, University of British Columbia and one of the investigators in the trial. "All of the standard treatments for non-melanoma skin cancer result in some degree of scarring. Besides obtaining a very high tumor response rate, the cosmetic outcome of the therapy appeared to be better than what we have seen with other therapies."

11/1 **The Spectranetics Corporation** announced that it and **Baxter Healthcare Corporation** (and its spin-off company, **Edwards LifeSciences LLC**) had reached a settlement in the patent infringement lawsuit that Baxter had filed against Spectranetics. Under the settlement agreement, Baxter and Spectranetics each released all claims and counterclaims against each other, and Spectranetics entered into a license agreement with Baxter for use of its patents (one of which was the Blum UV patent, sublicensed from **LaserSight**) in the United States and abroad until the expiration of the last patent on November 15, 2005. Under the settlement, Spectranetics agreed to pay Baxter a royalty on specific product revenue through the life of the various patents. In addition, Spectranetics will record an income statement charge of approximately $4 million in the third quarter of 2000 to reflect the cost of past and current-year royalties through September 30, 2000, and legal fees related to this suit, offset by the return of 15 laser systems from Baxter for refurbishment and resale, and the release of Spectranetics' prior obligation to provide TMR probes to Baxter or **United States Surgical Corporation**, a division of **Tyco International**. The cash payments for past royalties will be spread over three years.

Joseph Largey, president and CEO of Spectranetics, commented: "We're pleased to put this case behind us and once again focus management's full attention on building our business. Importantly, given the relatively small ongoing royalty payment averaging about 3.2% of revenue, we are confident that this settlement preserves the superior earnings potential of the corporation. In addition to covering the three patents involved in this suit, the settlement eliminates exposure to patent litigation from Edwards regarding patents it owns or controls in the United States or overseas related to use of the laser energy in the cardiovascular system, with the exception of TMR and PTMR, which are experimental procedures that we previously chose not to pursue." Paul Samek, Spectranetics' CFO added, "After paying the initial installment of current and prior-year royalties, we expect to end this year with more than $10 million of cash and investments."

11/1 **ICN Pharmaceuticals, Inc.** announced that its innovative NLite laser for wrinkle reduction was now available in 42 states in the U.S. More than 500 U.S. physicians have received specific training on the new laser, which was distributed for ICN by **Medical Alliance, Inc.** The NLite laser is a new approach to wrinkle reduction that uses yellow light to stimulate the body's own collagen layer to reduce wrinkles and fine lines gradually. It is the thinning of the collagen layer due to aging or the effects of the sun that causes wrinkles and fine lines. In clinical trials, patients experienced a visible reduction in wrinkles beginning about 30 days after treatment. Improvements continued up to 90 days. Treatment with the NLite laser resulted in no side effects, and patients reported no pain during the procedure.

"The real improvement that this laser brings my patients is the fact that the procedure is painless, requiring no anesthesia or follow-up care," said Nita Patel, MD, a leading

cosmetic dermatologist in Marina Del Rey, California. "I can perform the procedure in about 20 minutes. The patient can return to work or resume his or her daily routine with no discomfort and no one the wiser." Mark Taylor, executive vice president, ICN Pharmaceuticals North American Division, said, "Because there is no lengthy recovery period as there is with other procedures, we believe this laser will make it possible for many more individuals, both men and women, to take advantage of laser wrinkle reduction. Because the effects are gradual, we think that men, who are sometimes hesitant to let people know they are undergoing cosmetic procedures, will choose NLite. Some patients may elect to repeat the procedure once or twice, but we believe that many will be satisfied with the results from only one treatment."

The NLite laser was developed by Professor Marc Clement and Mike Kiernan, PhD, of **ICN Photonics LTD**, a newly acquired division of ICN Pharmaceuticals, Inc. It has been available in the United Kingdom and Europe since early 2000 and received approval for marketing from the FDA in August, 2000.

11/1 **Coherent, Inc.** announced financial results for its fourth fiscal quarter. Sales were $155.0 million, an increase of $23.3 million (18%) compared to sales in the fourth quarter of the prior year. Net income for the quarter was $43.7 million ($1.53 per share) including a $32.3 million ($1.13 per share) after tax gain as a result of an increase in the value of Coherent's 60.4% ownership interest in **Lambda Physik AG** following its initial public offering. Pro forma net income of $11.4 million (excluding the Lambda gain) represented a 56% increase ($4.1 million) compared to net income in the fourth quarter of the prior year. The current quarter sales and pro forma net income were 4% and 15%, respectively, higher than those in the immediate preceding quarter's results. Incoming orders for the quarter were $165.6 million, an increase of 17% over the same quarter last year.

For the fiscal year, bookings and sales were $640.5 million and $568.3 million, respectively, representing a 33% and 21% increase from last year. Net income for the year was $68.6 million ($2.51 per share) including the Lambda gain. Pro forma net income for the year was $36.3 million ($1.33 per share) which represented a 61% increase over the prior year's pro forma net income of $22.6 million ($0.92 per share). The prior year's pro forma net income excludes the $10.7 million after tax (44 cents per share) charge for in-process research and development associated with the **Star Medical** acquisition.

During the quarter, bookings and sales increased across all business segments compared to the fourth quarter of last year. Electro-Optics bookings and sales rose 31% and 20%, Medical bookings and sales grew 1% and 13%, and Lambda Physik bookings and sales rose 11% and 22%, respectively. Also, fiscal year 2000 bookings and sales increased across all business segments over the prior fiscal year. Electro-Optics bookings and sales rose 33% and 16%, Medical bookings and sales grew 22% and 26%, and Lambda Physik bookings and sales rose 54% and 28%, respectively. (Based on last year's fourth quarter's

revenues, we have estimated that the 13% sales increase in the medical segment amounted to revenues of $52 million during this quarter, down from the $55.5 million recorded in the company's previous quarter.)

11/1 New horizons in dermatologic surgery, ranging from research breakthroughs and innovative technologies to advances in cosmetic skin treatments, headlined the 27th Annual Clinical and Scientific Meeting of the *American Society for Dermatologic Surgery (ASDS)*, held in Denver, Colorado. The scientific program featured original research reports, mini-symposia, in-depth focus seminars and abstract forums in laser technology, skin rejuvenation, chemical peels, dermabrasion, vein treatment, facial reconstruction, liposuction, hair restoration, skin cancer and more. Invited guests lectured on cosmetic laser eyelid surgery, new aspects of melanoma oncology and facial rejuvenation. Capping off the educational agenda were clinical poster exhibits and technical exhibits displaying products and services specific to the field.

Highlights of this year's scientific program included:
-- The "A to Z" of Wrinkle Fillers
-- The Bottom Line on High-Tech Leg Vein Treatments
-- Laser Treatment Advances for Ethnic and Black Skin, and
-- The Onset of Menses Following Liposuction

The program also included the clinical results of two independent hair removal studies conducted by Melanie Grossman MD, a world renowned New York dermatologist. "Until now, tanned patients were denied treatment due to the increased risk of undesirable side effects such as pigmentary changes and blistering," said Dr. Grossman. "The result of this study suggests that these patients may now be treated safely and effectively with the CoolGlide system." The objective of these prospective, controlled studies were to determine the safety and efficacy of the **Altus Medical** CoolGlide aesthetic laser for the removal of unwanted hair in suntanned patients. Enrollment for the initial study was 20 subjects, all tanned. Each subject received a single treatment on three test areas and were followed at intervals of 1, 3 and 6 months to evaluate skin response and hair counts. This study indicated that hair reduction equal to that achieved with non-tanned patients could be achieved without the undesirable side effects normally associated with the treatment of tan patients. These safety results were further confirmed in the second study in which larger areas were treated on 38 tanned subjects and followed for 1 month.

Kevin Connors, president and CEO of Altus Medical, developer and manufacturer of the CoolGlide commented, "We are pleased with results of the study and recognize that CoolGlide is the only product with scientific data supporting both safe and effective treatment of tanned patients. In addition, those practitioners currently performing laser hair removal can now treat patients they would have otherwise turned away."

11/2 **Pharmacyclics** reported financial results for its first quarter ended September 30, 2000. The net loss for the period was $8.2 million (51 cents per share) compared to a net loss of $3.6 million (29 cents per share) in the comparable period of fiscal 2000. The net loss for the quarter was reduced by a credit to research and development expenses of $3.5 million associated with the termination of the company's manufacturing development and supply agreement with **Celanese, Ltd.** The increased net loss was primarily the result of greater research and development costs associated with the company's many clinical development programs.

Among the four drugs Pharmacyclics has in advanced stage clinical trials are: Lutrin (motexafin lutetium) Injection, a photosensitizer, which is in a Phase IIb trial for the treatment of advanced refractory breast cancer; Antrin (motexafin lutetium) Injection photoangioplasty, in a Phase II trial for the treatment of peripheral arterial disease and in a Phase I trial for the treatment of coronary artery disease (see the November 14th brief below); and Optrin (motexafin lutetium) Injection, in an ongoing Phase II trial for the treatment of age-related macular degeneration, which is being conducted by **Alcon**, Pharmacyclics' commercial development partner.

11/2 **The Plastic Surgery Company** announced that it is making a strategic shift to "company-owned cosmetic surgery centers" for certain current cosmetic surgery centers and nearly all future acquisitions. The original business model was based on providing development services to cosmetic surgery practices through long-term practice services agreements. Under these agreements, the affiliating physicians continue to be responsible for the day-to-day management of the practices, including operations, finance and human resources. In contrast, as a "company-owned center" The Plastic Surgery Company will have all of these responsibilities, which conversely provides for a greater degree of control over increasing consumer demand and the total patient experience as well as the business and finance practices of these cosmetic surgery centers. In addition, ownership brings with it the right to make all investment decisions.

11/6 The quarterly publication, *Anti-Aging and Cosmetic Surgery Magazine*, celebrated its mission of separating fact from fiction in the ever-changing field of cosmetic surgery through its interviews and presence on two new cosmetic surgery television specials, currently airing on *E! Entertainment Television* and *The Discovery Channel*. "Cosmetic surgery is a topic that generates a great deal of public interest, so our magazine responds to the heightened public demand by providing a more factual, in-depth evaluation of various procedures not found in other magazines," explained Jennifer Barnes, Director of Operations of the U.S. version of Anti-Aging and Cosmetic Surgery Magazine. "Cosmetic surgery has not only found its place in mainstream medicine, but also in the mainstream television and print media." Since the launch of its premier issue in October of 1999, Anti-Aging and Cosmetic Surgery Magazine has covered a wide variety of hot button issues and breakthrough techniques in cosmetic surgery with input from the nation's finest surgeons, covering topics such as liposuction, breast surgery, cosmetic

lasers, hair replacement, and new surgical modifications. Published by **Gadfly Media**, an independent media company in Sydney, Australia, Anti-Aging and Cosmetic Surgery Magazine continues to grow through subscriptions and advertising revenue and recently released its fourth installment, the winter 2000 issue.

11/6 **MW Medical** said that it continues to make significant progress developing and promoting its microwave deliver system for cosmetic procedures. The system is cleared for hair removal below the neck, but has IRB approved clinical studies underway to demonstrate efficacy on facial hair and spider vein reduction. These multi-center studies build on the clinical data collected under two previous studies for hair removal safety and efficacy. The microwave systems being used in these new studies incorporate design improvements and new capabilities expected to significantly enhance clinical performance. The system RF amplifier now provides multiple pulses of energy. This modification appears to improve target heating while enhancing tissue cooling and reducing potential tissue damage at higher energy settings. The systems also use a cooling design to increase control of the coolant spray while improving consistency and reliability of the applicator itself. These design changes, pulsed microwave capability and the modified cooling system, enable higher energy usage with significantly improved patient comfort and reduced potential damage to superficial tissues. In addition to the patient safety factors, these changes should increase procedure efficacy and the company expects the new clinical trials to verify these expectations. The company will announce the efficacy and system parameters in the near future.

11/7 **PhotoMedex** announced its financial results for the third quarter. Revenue from continuing operations for the quarter was $59,000. Revenue from continuing operations for the first nine months was $629,000. Revenue from discontinued operations was $189,000 for the nine month period. In the comparable periods for 1999, all revenues were from discontinued operations and equaled $226,000 for the third quarter, and $907,000 for the nine months, respectively. The net loss for the third quarter was $3.1 million (19 cents per share) compared to a net loss of $2.6 million (22 cents per share) in the comparable period last year. The third quarter of 1999 included losses from discontinued operations of $672,000 (6 cents per share). The net loss for the first nine months was $9.1 million (60 cents per share) compared with a net loss of $7.0 million (67 cents per share) last year. Included in the net loss for the first nine months of each year was losses from discontinued operations of $647,000 (4 cents per share) in 2000 and $1.3 million (12 cents per share), in 1999. Jeff O'Donnell, president and CEO of PhotoMedex, stated, "We achieved numerous important milestones in the third quarter: the commencement of our commercial launch of the XTRAC laser after a rigorous beta-site testing program; the initial introduction of our regional consumer awareness program; the initial trading of the company's common stock on the Nasdaq; the purchase of the minority interest in our **Acculase** subsidiary; the beginning of the global awareness of our XTRAC laser therapy for psoriasis by our participation in October in the Geneva, Switzerland *Convention for Dermatology Lasers* and in August at the Nashville *ADA*

convention; the commencement at Massachusetts General Hospital of clinical studies for the use of our XTRAC laser for other skin disorders; the completion of enrollment of our beta-site clinical studies; the substantial upgrade of our web site including the addition of the doctor locator section; and the addition to our distinguished Scientific Advisory Board of more key opinion leaders in the dermatological community. With the improvements the company continues to make in its equipment reliability, we are now confident to move beyond the heretofore very controlled initial commercial launch to a much broader national and international audience, and concomitantly expand our sales force and supporting infrastructure."

11/7 **Henley Healthcare** announced that in response to the FDA/OC request for manufacturing data and documentation, its **Henley International** division submitted the Quality System Plan and Manufacturing Documentation Supplement to its Premarket Approval Application for the MicroLight 830 Low Level Laser (LLLT). This Supplement demonstrates the company's capability to manufacture the MicroLight 830 Laser in accordance with the FDA's Quality System (QS)/GMP regulations. "This response completes all requests from the FDA to date. We believe the FDA's final review for market clearance and commercial distribution of the MicroLight 830 Laser System is getting closer," stated Jim Sturgeon, president -- Henley International and COO of Henley Healthcare.

11/9 **Laser Rejuvenation Clinics Ltd.**, of Calgary, Alberta, announced that it had closed the private placement previously announced on September 11, 2000 with gross proceeds realized of $280,000. Three insiders of LRC purchased $150,000 of the units. The Corporation plans to use the funds to improve the company's working capital position to ensure solid growth over the ensuing months.

11/9 **Axcan Pharma** announced its results for the year ended September 30, 2000. Revenue for fiscal 2000 was $87.5 million, an increase of 133% over 1999 revenue of $37.5 million. Net earnings from continuing operations were $4.9 million (18 cents per share) for fiscal 2000, more than quadruple earnings of $999,000 (6 cents per share) a year earlier. For the fourth quarter, Axcan reported revenue of $24.7 million compared to $18.3 million for the same quarter the previous year, an increase of 35%. Net earnings for the quarter amounted to $2.4 million (7 cents per share) compared to $941,000 (5 cents per share) for the same period last year. Revenue for fiscal 2000 reflected a full year of sales of **Axcan Scandipharm**, acquired in August, 1999, as well as 100% of **URSO** sales following the purchase of Axcan's 50% interest in **Axcan/Schwarz** in November,1999. Revenue for fiscal 1999 includes two months' sales of Axcan Scandipharm at the end of the fiscal year.

"Sales have been very healthy in both Canada and the United States this year, and we are very encouraged by the increase in net earnings as well," stated Leon Gosselin, Axcan's president and CEO. "Our earnings reflect the fact that synergies resulting from our

operations in both markets have allowed us to contain our expenses at a level significantly below the percentage of increase in sales. At the same time, our net earnings also increased due to the very large proportion of our sales made in the United States."

One of the most significant developments in the expansion of Axcan's pipeline in fiscal 2000, was the acquisition of worldwide rights (except for Japan) to PHOTOFRIN from **QLT Inc.** of Vancouver. PHOTOFRIN is the first drug to be approved in any jurisdiction as a photodynamic therapy for the treatment of certain cancers. Photodynamic therapy is a medical procedure that uses light-activated drugs to treat various diseases. PHOTOFRIN has shown great promise in the treatment of esophageal cancer and endobronchial cancer and is being investigated as a treatment for high grade dysplasia associated with Barrett's esophagus, a relatively common condition that results from prolonged acid reflux (heartburn). Near the end of the fourth quarter Axcan announced good results from its Phase III clinical trial on PHOTOFRIN in the treatment of high grade dysplasia associated with Barrett's esophagus. The trial demonstrated that Photofrin can be highly effective in treating this disease and can be used as well as a means of prevention of esophageal cancer.

11/10 **Miravant Medical Technologies** announced financial results for the third quarter. Revenues, interest and other income for the quarter decreased to $1.2 million from $2.6 million for the same period in 1999. The net loss for the quarter was $6.1 million (33 cents per share) compared to a net loss of $5.4 million (30 cents per share) for the same period last year. The company has cash, marketable securities and receivables of $24.9 million. Revenue comparisons reflect a decrease in reimbursements for clinical trial costs received from Miravant's corporate partner, **Pharmacia Corporation**, which has an exclusive, worldwide, royalty-bearing license for SnET2 in ophthalmology. As the phase III clinical studies for "wet" age-related macular degeneration (AMD) progress, Miravant's costs and reimbursements are decreasing as Pharmacia directly assumes more of the late-stage responsibilities for this program. Miravant and Pharmacia are currently conducting phase III clinical trials of PhotoPoint SnET2 for the treatment of wet AMD -- a leading cause of blindness, characterized by the growth of small, abnormal blood vessels beneath the retina, with an estimated 400,000 new patients each year in the United States and Europe. The more than 900 patients enrolled in these two-year studies are being followed for safety and efficacy evaluation and will reach one-year follow-up in December 2000. Results of a planned analysis of one-year patient data may be available during the first half of 2001. Pharmacia has assumed control of the clinical and regulatory aspects of SnET2 in ophthalmology and will also assume responsibility for the manufacturing scale-up of SnET2 to commercial levels.

During the quarter Miravant continued its progress in the application of PhotoPoint photodynamic therapy for cardiovascular disease. The company now has several drug candidates showing potential in advanced preclinical models for prevention and treatment of angioplasty-related restenosis, vascular graft intimal hyperplasia and atherosclerosis.

At the 13th *International Congress on Photobiology* in San Francisco, the company presented preclinical data on the prevention of restenosis -- the renarrowing of an artery that commonly occurs after balloon angioplasty for obstructive coronary artery disease. The study suggests that the PhotoPoint procedure could potentially reduce the incidence of restenosis following balloon angioplasty. The company will present additional results at the *American Heart Association* meeting in New Orleans. (See the November 14th brief below.)

Miravant has also progressed its preclinical programs in skin disease and cancer. The company has developed a topical formulation to deliver a new PhotoPoint drug through the skin, and expects to pursue certain clinical applications in dermatology. In cancer the company is studying the ability of PhotoPoint therapy to destroy abnormal blood vessels, as demonstrated in the eye in previous AMD studies. Miravant is pursuing this tumor research with several new drug candidates, and is also investigating the combination of PhotoPoint therapy and anti-angiogenic compounds. An active chemistry research program that has produced and screened several hundred new drug molecules supports these development programs.

11/13 **Candela Corporation** announced that it had amended its Stockholder Rights Plan effective November 9, 2000. Candela's Rights Plan, originally approved in September of 1992, is designed to deter coercive or unfair takeover tactics and to prevent an acquirer from gaining control of the company without offering a fair price to all of the company's stockholders. Under the Rights Plan, each share of Common Stock is deemed to have attached to it a purchase right initially entitling the holder to purchase from the company one share of Common Stock at an initial exercise price of $48.00 per share. Such purchase rights become exercisable for additional shares of Candela Common Stock upon the occurrence of a Triggering Event as defined in the Rights Plan. The Rights Plan was amended principally to adjust the threshold for becoming an Acquiring Person under the Rights Plan from 25% to 30% of the company's outstanding Common Stock, and to make certain other technical modifications.

11/14 **DUSA Pharmaceuticals** announced its third quarter corporate highlights and financial results, along with an update on the LEVULAN PDT product launch. As previously reported, late in the third quarter, DUSA achieved its most important milestone to date, with the United States commercial launch of its first products, the LEVULAN (aminolevulinic acid HCl) KERASTICK 20% Topical Solution with Photodynamic Therapy (PDT) for the treatment of non-hyperkeratotic actinic keratoses (AKs) of the face or scalp using the company's BLU-U brand light source. The launch, by **Berlex Laboratories, Inc.**, the U.S. affiliate of DUSA's dermatology marketing partner, **Schering AG** of Germany, occurred almost immediately following receipt of FDA approval for DUSA's PMA Supplement, covering the commercial version of the BLU-U. Although the late September FDA approval date meant that no patients were actually treated during the third quarter, the company is pleased to report that subsequently, BLU-Us have been

installed in dermatologist's offices throughout the country, KERASTICK's are being sold, and patients are being treated with LEVULAN PDT. While it is still early in the launch cycle, DUSA is encouraged by the feedback it has been receiving from the initial patient treatment sessions. The company has contracted with **GE Medical's** nationwide field force to install the BLU-U in doctor's offices and with **International Leasing Corp.** to arrange for lease financing of the units to doctors. DUSA continues to build inventories of BLU-Us and KERASTICK's while keeping pace with the initial orders.

DUSA and Schering AG are jointly developing LEVULAN PDT for additional dermatology indications, with initial efforts focused on 3 common skin disorders: acne, warts and onychomycosis (nail fungus). In each of these indications, DUSA has the benefit of company-developed and/or independent human data, indicating potential clinical safety and/or efficacy. During the fourth quarter, an acne drug dose-ranging study with red light is expected to commence, as well as a fluorokinetic clinical study on nail fungus to test the fluorescence of ALA in affected nails. DUSA's first clinical study on warts is expected to start during early 2001. The company has already started one of the two Phase IV studies requested by the FDA. In the internal indication area, DUSA's scientific personnel have been taking an increasingly supportive and involved role in certain DUSA-supported investigator studies, such as those involving LEVULAN PDT for use in the prevention of restenosis following angioplasty, and the treatment of pre-cancerous Barrett's esophagus. We expect to support independent investigator studies for both of these indications beginning within the next few months, and plan to begin an additional DUSA-sponsored study on Barrett's next year. Development of LEVULAN PD for bladder cancer photodetection, and photodetection of other internal cancers is continuing. However, following our initial bladder cancer photodetection study, a survey of urologists showed that they would prefer to have this developed as an office screening procedure, rather than a hospital-based procedure. A new device has been developed by Richard Wolf and DUSA will be evaluating this device. The next human clinical trial is awaiting evaluation of the device and consideration of a new formulation.

The net loss for the three-month period ended September 30, 2000 was $1.6 million (12 cents per share) compared to $1.2 million (11 cents per share) for the same period last year. At September 30, 2000, the company had cash and U.S. Government securities totaling $61.8 million and shareholders' equity of $56.3 million, compared to $11 million and $10.9 million respectively, at September 30, 1999.

11/14 **Photogen Technologies Inc.** announced that senior scientist Craig Dees, PhD, would discuss pre-clinical research demonstrating how the company's potential cancer therapeutic, a compound Photogen calls PH-10, and laser light or low-level radiation can selectively destroy localized, solid tumors, at **The Conference of Research Workers in Animal Diseases (CRWAD)** in Chicago. Dees will present data showing that PH-10, when given orally to mice with tumors, is sufficiently bioavailable and selective to allow for treatment of the tumor without damage to surrounding tissue. Following the

application of laser light, Dees' research further demonstrated complete remission of tumors in 10 out of 14 mice that had been given PH-10 orally. Mice that had PH-10 injected into the tumors demonstrated complete remission in 6 out of 8 mice with renal adenocarcinoma (kidney) tumors and complete remission in all mice with MCF-7 (breast cancer) tumors. Findings suggest that, in general, the targeted drug and light treatment (PDT) may stimulate the immune system into fighting cancer and preventing metastasis or reoccurrence of cancer. New tumors did not develop in mice whose cancers had been previously treated with PH-10 and laser light. Demonstrating that PH-10 can be used as a radiosensitizer, Dees will also present a case study of a dog whose late-stage radiation-resistant sinus cancer was treated using PH-10. Following treatment, extensive tumor necrosis was observed and to date the tumor has not reoccurred. "Dr. Dees' pre-clinical research is evidence of the tremendous potential PH-10 has to treat cancer with minimal side effects," said Taffy Williams, president and CEO of Photogen. "PH-10 has the potential to greatly reduce total radiation exposure and side effects many patients endure. We will continue to explore the possibility that tumors treated with PH-10 could work like an autologous vaccine."

11/14 **Miravant Medical Technologies** announced at the *American Heart Association* meeting in New Orleans, that it had achieved positive results in preclinical studies of its PhotoPoint therapy for both the prevention of restenosis and the treatment of restenotic lesions arising from interventional procedures such as angioplasty and stenting. Restenosis -- the renarrowing of an artery after balloon angioplasty for obstructive coronary artery disease -- commonly occurs when lesions develop in the artery wall during the healing process. PhotoPoint photodynamic therapy is being investigated to selectively target problem cells in blood vessels using light-activated drugs.

Miravant presented results of two preclinical studies representing broad potential applications for PhotoPoint therapy in the management of restenosis. Both studies used a proprietary new PhotoPoint drug in combination with non-thermal light in restenosis models. The first study employed the treatment to inhibit cellular proliferation in artery walls after vascular injury. The results suggest that the PhotoPoint procedure could be used as an adjunct to angioplasty to reduce the incidence of restenosis. In the second study, the therapy was applied to existing restenotic lesions, which were induced by balloon catheter injury to artery walls. The results suggest that the PhotoPoint treatment could be potentially useful in re-opening arteries by depleting cells in established restenotic lesions. Miravant has several drug candidates that are showing potential in advanced preclinical models for prevention and treatment of angioplasty-related restenosis, vascular graft intimal hyperplasia and atherosclerosis. The company has developed guidewire-compatible endovascular light catheters to be used in combination with its novel drugs.

11/14 **Pharmacyclics, Inc.** announced that preliminary results of its ongoing Phase I clinical trial of photoangioplasty with Antrin (motexafin lutetium) Injection indicated that the

treatment was well tolerated in patients with coronary artery disease (CAD). The results were presented at the 73rd Scientific Sessions of the **American Heart Association (AHA)**. "These early results indicate that Antrin photoangioplasty appears to be well tolerated in CAD patients and can be performed easily in the catheter lab setting," said principal investigator Dean Kereiakes, MD, medical director of the Carl and Edyth Lindner Center, director of research at the Ohio Heart Health Center and professor of clinical medicine at the University of Cincinnati College of Medicine. This site is one of six medical centers in the United States at which the Phase I study is being conducted. "Our experience so far indicates that this novel investigational treatment may also have promising clinical activity."

In this Phase I drug and light dose escalation study designed to evaluate the safety of this experimental therapy in treating patients with blocked coronary arteries, Antrin was administered intravenously 18 to 24 hours before patients received standard balloon angioplasty. Photoangioplasty was performed on the balloon-treated vessel segment before stenting to reduce the risk of vessel wall restenosis (or renarrowing). Thirty-nine patients received the drug. In 35 of those patients, the drug was subsequently activated by light delivered to the site of the angioplasty by an optical fiber. Three patients who received the drug did not qualify for light illumination according to the study protocol and one patient did not receive illumination due to a drug-related rash. No major angiographic or biochemical adverse effects or abnormalities were observed and no dose-limiting toxicities were noted. No instances of emergent coronary artery bypass, death, stroke, myocardial infarction or target lesion revascularization were seen in patients who received both complete drug infusion and endovascular illumination and activation of drug. In the 30-day follow-up period, there were no instances of stent thrombosis. The most frequently reported side effects were rash and reversible mild tingling in the hands and feet, some of which lasted days to weeks, but did not require clinical intervention. The Phase I study will enroll a total of about 50 to 75 patients, who will be evaluated by angiography six months after treatment. The longer-term goal of the CAD clinical program is to establish the safety and effectiveness of Antrin photoangioplasty in treating atherosclerosis and preventing the restenosis that often occurs after traditional therapies such as balloon angioplasty and stenting.

The company also announced that data from a completed Phase I study of Antrin photoangioplasty for the treatment of peripheral arterial disease (PAD, i.e., blockages of the arteries in the lower extremities) were published in this week's issue of the AHA journal, *Circulation*. The authors of this paper concluded that Antrin photoangioplasty is safe and well tolerated in this study population and that preliminary efficacy data suggest that the approach holds promise as an alternative intervention for flow-limiting atherosclerosis. They also concluded that further controlled trials are clearly warranted.

Pharmacyclics is currently conducting a multi-center, controlled, randomized Phase II trial in patients with PAD evaluating Antrin photoangioplasty as a primary treatment of

atherosclerosis and for prevention of restenosis after balloon angioplasty. The endpoints of the study are measurable improvement in angiograms and other clinical parameters assessed 180 days after treatment.

11/14 **ArthroCare Corporation** announced that the results of a multi-center, prospective clinical study on the use of Coblation technology in cosmetic surgery has been published in the November issue of *Archives of Dermatology*. The article details data from a multi-center clinical study for the treatment of Class I, II and III wrinkles. The article reports significant reduction in the appearance of wrinkles of all three classes, with the greatest improvement for patients with the most severe wrinkles at baseline, when treated with the Coblation process. The article also reports healing was rapid, pain was minimal, and untoward effects were relatively few and short-lived. In addition, in the article, researchers conclude Coblation technology is an effective treatment for skin resurfacing, with a less severe recovery process than similar procedures performed with carbon dioxide or coagulating erbium:YAG lasers. "All evaluators participating in the study determined a positive improvement in wrinkles treated with the Coblation method of skin resurfacing," said David Leffell, MD, director of Dermatology at Yale University School of Medicine and co-author of the article. "Both patient and physician participants were very satisfied with the results of the procedure; with the improved appearance of treated sites and with the minimal pain and rapid healing experienced by patients. I believe Coblation technology offers a safe and effective process of skin resurfacing for the treatment of wrinkle reduction."

Coblation technology is ArthroCare's patented technique for controlled ablation of soft-tissue through a low-temperature molecular dissociation process. The 95 patient, multi-center clinical study was performed at University of California at San Francisco, University of Minnesota, Tulane University and Yale University, and included a six-month follow up. The study was the basis for the FDA clearance for the company to label Coblation-based cosmetic surgery products for skin resurfacing, including the treatment of wrinkles. The Coblation-based cosmetic surgery system is the first radio-frequency based-technology to receive FDA clearance for skin resurfacing and the treatment of wrinkles, and is sold in Canada by **Canderm Pharma, Inc.** under the brand name Visage, and in the rest of the world by **Inamed Corporation/McGhan** under the brand names Refinity and Coblation.

11/14 **Laser Corp.**announced results for the third quarter. Revenues for the quarter were $1.4 million as compared to $1.2 million for the same period in 1999, which resulted in net income for the period of $16,175 (1 cent per share) as compared to a net loss of $130,325 (9 cents per share) in 1999. For the first nine months of 2000, revenues were $2.8 million as compared to $3.0 million for the same period in 1999, which resulted in a net loss of $494,054 (30 cents per share) as compared to a net loss $845,110 (59 cents per share) for the same period in 1999. Joyce Wichkam, president and CEO, commented, "This quarter's results represents a significant turnaround in the company's financial

performance. The growing demand for the company's medical products, particularly the Dodick Laser PhotoLysis System, coupled with price increases on OEM products and management's careful monitoring of costs and expenses, enable the company to report its first profitable quarter in several years. Our momentum is just beginning and with a growing sales organization and facility improvements that enable the company to provide rapid delivery of medical products and disposable accessories to the physician, we anticipate that financial results will continue to improve."

11/14 **Medical Alliance** announced results for the third quarter and nine months ended September 30, 2000. Paul Herchman, CEO said, "The third quarter of 2000 was a continuation of our strong performance in the second quarter. This strong performance is being fueled by the increasing awareness by physicians, payors and patients that our unique platform provides them with access to the latest technology on an as-needed basis and at an affordable price. Our model is providing a winning solution for everyone involved."

For the third quarter, revenues increased 15% to $4.6 million compared with revenues of $4.0 million for the year ago period. The company had earnings, before nonrecurring charges related to the proposed sale of the medical business, of $211,000 (3 cents per share) compared with earnings for the prior year third quarter of $94,000 (2 cents per share). Including nonrecurring charges, net income for the quarter was $75,000 (1 cent per share). For the nine month period, revenues increased 18% to $14.6 million compared with $12.4 million in the previous year. Earnings, before charges, for the nine months were $977,000 (15 cents per share) compared with earnings, before a nonrecurring charge related to a merger termination, in the same period of 1999, of $320,000 (5 cents per share). Including charges in both periods, earnings for the nine months were $712,000 (11 cents per share) compared with a net loss of $530,000 (9 cents per share). In closing, Herchman added, "During the third quarter, we announced that we had signed a definitive agreement with **ICN Pharmaceuticals, Inc.** whereby ICN would purchase the medical business assets of Medical Alliance. That transaction is proceeding as expected, and we expect to close the transaction by year-end, pending approval of Medical Alliance's shareholders at our annual meeting in December. Upon the closing of the transaction, the company will not have an operating business, but will have approximately $26 million in cash, after payment of transaction expenses, and $1 million of liabilities. We also announced in August of this year that we had engaged Dallas-based **Stonegate Securities, Inc.** to act as our financial advisor in exploring opportunities available to the company such as the sale of the company's cash and corporate shell. The company is currently in discussion with various interested parties. We believe that these initiatives are in the best interest of our shareholders, but there is no assurance that the company will be successful in this effort."

During the quarter, the company performed 7,377 medical surgical procedures, and 12,489 aesthetic elective procedures.

11/14 Results from a multi-center, long-term study on the efficacy of transmyocardial revascularization (TMR) using a carbon dioxide (CO_2) heart laser were presented at the *American Heart Association's* Scientific Sessions 2000 in New Orleans, LA. Dr. Keith Horvath of Northwestern University Medical Center provided a presentation entitled "Sustained Angina Relief Five Years After Transmyocardial Revascularization with a CO_2 Laser". The data demonstrated that the CO_2 TMR procedure, developed by **PLC Systems Inc.**, provided patients angina relief for five years.

The first multi-center, long-term study on the efficacy of TMR with a CO_2 Heart Laser demonstrated that the procedure provides significant long-term angina relief beyond five years. Angina classifications were prospectively collected from eight clinical sites, which included 78 patients up to seven years after TMR. Their median age was 61 years at the time of treatment. Preoperatively, 66% had unstable angina, 73% had suffered at least one myocardial infarction, 93% had undergone at least one coronary artery bypass graph, 42% had at least one angioplasty, 74% were in angina class IV and 26% were in class III. Their average pre-TMR angina class was 3.7. One year after CO_2 TMR, the average angina class was recorded at 1.5. At 4.6 years, the average angina class remained virtually unchanged at 1.6. Seventeen percent of the patients had no angina after five years and 64% were in class I or II. A decrease of at least two angina classes was considered significant. By this criterion, 68% of the patients had successful long-term angina relief. Dr. Keith Horvath stated, "The significance of the study has a global impact on TMR. The findings establish CO_2 TMR as a revascularization technique that achieves long-term angina relief for patients. Also, the long-term data validates the use of CO_2 TMR for the surgical community as a standard of care when treating patients with diffuse vessel disease, which is currently an obstacle when treating severe angina patients."

The company told *The Boston Globe* that it hoped the five-year data would boost its depressed stock price and help overcome criticism that heart lasers are not effective. "We're hoping that having five-year longevity data will increase acceptance of the heart laser and increase our revenues and get Wall Street's attention," said Mark Tauscher, the company's president and CEO. Referring to the negative story out of the TCT meeting (concerning **J&J's Webster Biosense** DMR study -- see the October 18th brief in last month's newsletter, and the followup dated October 30th above), Tauscher maintained that Martin Leon's study was based on an experimental laser from Johnson & Johnson, while PLC's CO_2 laser zapped deeper holes with far less surrounding tissue damage. Since approval, the company has installed 132 lasers in hospitals worldwide, and physicians have performed more than 5000 heart laser procedures, which can cost a patient about $26,000.

11/15 **Cell Robotics International Inc.** announced financial results for the third quarter. The company reported revenues of $282,662 compared with revenues of $264,476 in the comparable 1999 quarter. The net loss was $2.6 million (27 cents per share) compared with a net loss in the second quarter of 1999 of $455,249 (6 cents per share). For the

nine-month period, the company reported revenues of $766,378 compared with revenues of $1.4 million in the comparable period during 1999. The nine-month net loss was $4.1 million (45 cents per share) compared with a net loss in the same period of 1999 of $1.8 million (24 cents per share). The increased loss in 2000 over 1999 for both the three and nine-month periods was primarily due to non-cash charges.

The sales decline for the nine months reflected the strategic decision the company made in 1999 to focus its efforts on the general diabetic market and its award-winning Lasette. The market on which the company is focusing is significant. According to the American Diabetes Association, there are 15.7 million people in the United States with diabetes, nearly 6% of the population, with 10.3 million officially diagnosed and approximately 4.7 million who are required to test their blood glucose levels several times a day. "We estimate that an only 1% penetration of the U.S. diabetic market yields a $55 million market. An equivalent 1% global penetration would be worth $137 million. These figures have driven our decision to focus our resources on ramping up production, augmenting our staff and bolstering our marketing efforts in connection with these exciting products," said Ronald Lohrding, the company's president and CEO. Lohrding further commented, "So while our financial results temporarily reflect the downside of re-focusing our company on the Lasette, we are confident that we are laying the foundation for long-term growth in an enormous, global market where we have something truly unique and life-enhancing to offer to millions of people."

11/16 Using a catheter to deliver laser therapy and medication for chest pain associated with heart disease is more effective than medication alone, according to a study published in the November, 2000 issue of the *Lancet*. Researchers from several medical centers, including Chicago's Rush-Presbyterian-St. Luke's Medical Center, tested percutaneous transmyocardial laser revascularization (PTMR) (using the **Eclipse Surgical Technologies'** holmium:YAG laser) to determine if it, in combination with medication, was more effective than medication such as calcium channel blockers for treating chest pain. Candidates for PTMR have severe chest pain and could not receive angioplasty or bypass surgery. During the procedure, a cardiologist makes a small puncture near the patient's groin and threads a catheter from the femoral artery into the heart's left ventricle. The holmium:YAG laser rests at the end of the catheter. Using fluoroscopy -- a monitoring device used to show the exact location of the end of the catheter -- the physician positions the catheter near the target heart region. Laser energy is used to make a varying number of channels approximately one-quarter of an inch deep in the heart muscle. The laser is timed to fire at the end of the systolic phase of the heart's contraction when the heart wall is thickest.

Dr. Gary Schaer, director of the Cardiac Catheterization Laboratories at Rush-Presbyterian-St. Luke's Medical Center, said PTMR stimulates the growth of new blood vessels, which increases circulation and blood flow into the heart and relieve the pain of angina. The Lancet study included 221 subjects with severe chest pain from 13

centers -- 100 subjects were randomly assigned to receive PTMR with a holmium:YAG laser and continued medication while 111 received medication alone. Baseline evaluation included angina class, exercise tolerance, Seattle Angina Questionnaire (SAQ), and a stress test. Subjects were re-evaluated at three, six, and 12 months after randomization, including blinded angina assessment after 12 months. After 12 months in the study, patients who received the PTMR and medication showed an 89-second improvement (without chest pain) over their baseline treadmill test compared to only 12 seconds for the medication-only group. More than a third (34%) of the PTMR patient group also reported their chest pain decreased from severe categories to more moderate while only 13% of the medication-only group said their chest pain improved. Total one-year mortality was 7.3% with PTMR group compared to 2.7% with medication-only group. "Although there is speculation about the mechanism of action, this investigation suggests that PTMR provides clinical benefits for patients who are not candidates for angioplasty or bypass surgery and who could not get relief from their chest pain using medications," said Dr. Jeffrey Snell, associate director of interventional cardiology at Rush.

11/20 **American Dental Technologies**, a division of **American Medical Technologies, Inc.** announced that it was developing an erbium:Yag laser for cavity preparations and other dental procedures. "The development of our new Cavi-Lase 250 is consistent with our continuous and on-going search for high tech products which provide painless and patient friendly dentistry," said Ben Gallant, chairman and CEO. "We expect to begin shipments of the Cavi-Lase 250 in the first quarter of 2001 at a price which allows dentists to profitably incorporate an Erbium Yag laser into their practice. We have been closely following this technology and believe it has come of age."

American Dental Technologies is the owner of the basic patents for the use of Erbium Yag lasers in dentistry. It previously granted licenses under its patents to **Continuum Electro-Optics, Inc.** and **ESC Medical Systems, Ltd.**

11/20 **Dental/Medical Diagnostic Systems Inc.** announced that **Hakusui Trading Co. Ltd.** of Japan had placed a purchase order valued at approximately $4.0 million for its Apollo e light and Wavelight e products based upon its new patented, Light Emitting Diode (LED) high speed curing technology. Hakusui is one of Japan's largest distributors of dental supplies and equipment and is already a large international customer of DMDS. Hakusui has agreed to purchase the Apollo e light and Wavelight e units over the period December 2000 to December 2001. DMDS expects to start shipping this new product by the end of November 2000.

This wireless, fast curing light is based on a whole new and extremely efficient light source, namely Light Emitting Diode, or LED. To achieve sufficient power output for polymerization, DMDS developed a unique, patented lens system enabling the LED technology to produce faster curing. The main anticipated benefits of the new LED technology are the long and constant life span, the absence of any heat and the potential

for future upgrades of the unit by means of the Internet. Dental/Medical Diagnostic Systems' CEO Bob Gurevitch stated, "We are extremely excited about this order from Hakusui Trading Co., for our new, patented LED high-speed curing technology. Hakusui is a major distributor and market leader in Japan. We continue to be encouraged by the response of market leaders to our new curing technology."

The following day, the company announced that it had entered into an agreement to acquire **Chrysalis Dental** in exchange for 550,000 shares of the company's common stock. Chrysalis Dental manufactures and supplies Dental/Medical Diagnostic Systems with its Forever White and Apollo Secret patented tooth-whitening formulations. "This acquisition will provide us with more control and flexibility in sourcing, pricing and marketing our `best of breed' tooth whitening products," said DMDS's CEO Bob Gurevitch. "The results of our Forever White product launch are so encouraging that we see strategic merit in bringing our supplier in-house, to achieve vertical integration and enhance shareholder value. This acquisition will provide DMDS with the flexibility to put this unique product into different channels of distribution as opposed to only direct response. It will also enable DMDS to develop new whitening products and substantially reduce the cost of our existing tooth-whitening products. The cost reductions that will be realized through this acquisition will provide DMDS with the necessary margins to explore all avenues including joint ventures and private labeling relationships with all interested parties."

Chrysalis Dental was formed five years ago by two practicing dentists and a bio-chemical engineer, to develop innovative in-office whitening products that required no gingival protection. With the expansion and growth of their company and utilizing their combined expertise, Chrysalis Dental next developed a home-whitening product, which DMDS has marketed with encouraging results under the brand Forever White.

11/21 **Eclipse Surgical Technologies** announced that the results of a 13-site, randomized clinical trial showing the benefits of its newest laser heart procedure were published for the first time in a peer-reviewed journal, the current edition of *The Lancet* (see the November 16th brief above). The trial, which assessed the safety and efficacy of the minimally-invasive procedure over a 12-month period, showed that it can substantially relieve chest pain and improve the quality of life for selected patients with coronary disease. The procedure, called Percutaneous Transmyocardial Revascularization (PTMR), is a catheter-based therapy for patients with severe chest pain, called angina, for which bypass surgery or angioplasty are not possible. Stephen Oesterle, MD of Massachusetts General Hospital in Boston led the medical investigative team that did the PTMR study. "The results of this study suggest that this palliative procedure provides clinical benefits in the defined population of patients," wrote the authors of the study in their concluding remarks.

A total of 221 patients with ischaemia (inadequate blood flow to the heart caused by blocked blood vessels, a common cause of angina) took part in the trial, called a Potential Angina Class Improvement for Intramyocardial Channels (PACIFIC) study. Ninety-two of the patients, selected at random, were given the PTMR procedure and then given an exercise tolerance test 12 months later. Their test results were substantially better than the results of the other group, who were given regular medical treatment for 12 months but no PTMR. A total of 34% percent of those patients who had the PTMR procedure also experienced a significant lessening in angina, compared to only 13% of the other group. "We are more encouraged than ever, based on the results of this study," Michael Quinn, chairman and CEO of Eclipse. "For these people, who are severely ill and suffering from debilitating chest pain every day, this procedure can vastly improve their quality of life. We are determined to do everything we can do to provide this procedure to these needy patients around the world."

One of the major benefits of the PTMR procedure developed by Eclipse is that it can be performed under a local anesthesia and is less invasive than other laser heart procedures already approved by the FDA, which require a general anesthesia and are performed through a surgical incision.

MEDICAL/SURGICAL LASER UPDATE -- December 2000

11/27 According to medical laser analyst Michael Moretti, non-ophthalmic PDT markets collectively rival the high-growth rate ophthalmic segment, according to a new report published by **Medical Insight, Inc.** "Our conservative estimates of drug sales reveal over $700 million of revenues (during the five year forecast period) related to drugs that are currently under commercial development," said Moretti. "Related sales of diode lasers used in these treatments are estimated at more than 2,500 systems generating over $170 million. In addition, the disposable fiberoptic light delivery devices used in PDT procedures will produce more than $80 million in revenues for this developing industry. Thus, the total market for PDT drugs and devices during this forecast period is estimated at close to $1 billion."

Although there are six major PDT drug development companies discussed in the report, the supply of lasers and fibers is limited to only three manufacturers: **Diomed Inc.**, **Coherent Medical**, and **Laserscope**. (Apparently, he has left out **Zeiss Humphrey** and **CeramOptics**.) Of these three suppliers, only the privately held Diomed manufactures the diode laser systems (along with CeramOptics) which will be used in the majority of future non-ophthalmic PDT treatments. "Currently, we estimate that Diomed has installed approximately 100 diode lasers for PDT, and has pending orders for another 200 units," said Moretti. Diomed also exclusively supplies fiber delivery devices, via patent licensing and supply arrangements with PDT companies, including Axcan.

Public companies participating in the PhotoDynamic Therapy Market include: **Axcan Pharma**; **DUSA**; Coherent Medical; Laserscope; **Mirivant**; **Pharmacyclics**; and **QLT**. To obtain a copy of *The PhotoDynamic Therapy Market Study*, contact Michael Moretti at: **Morettim@aol.com**.

11/27 **DUSA Pharmaceuticals** reported the initiation of its new Phase I/II clinical trial using the company's LEVULAN Photodynamic Therapy (PDT) in the treatment of acne vulgaris. Acne is the most commonly treated skin disease in the United States and Canada, with millions of patient visits per year afflicting primarily teenagers and young adults. The study will be conducted at two clinical trial sites, involving a minimum of 50 patients with moderate to severe acne vulgaris of the face. The trial is designed to test the safety and effectiveness of varying LEVULAN PDT drug concentrations with red light in the treatment of acne. The goal is to take advantage of LEVULAN's preferential uptake by sebaceous glands and P acnes, in order to achieve successful clearing of acne lesions, while attaining an acceptable side effect profile.

DUSA is collaborating with **Schering AG Germany** and its U.S. subsidiary, **Berlex Laboratories, Inc.**, on the development of this important dermatological indication. Schering AG obtained exclusive worldwide marketing and distribution rights (excluding Canada) for the LEVULAN PDT System for dermatology indications.

11/27 **Trimedyne** announced it received clearance from the FDA to market its Holmium laser and associated proprietary fiber optic devices for use in foraminoplasty procedures. A foraminoplasty is performed to treat lower back and leg pain caused by a herniated or ruptured lumbar disc. An estimated 20 million people in the United States suffer from lower back pain, and 80% to 90% of adults experience lower back pain at some time in their lives. Lower back pain is the second most common cause of visits to physicians and the second most frequent cause of lost work days, after the common cold. The treatment of lower back pain costs approximately $60 billion per year in the United States. Trimedyne is the first company to receive FDA clearance to market a laser for use in this procedure. Foraminoplasty involves the use of Holmium laser energy through an endoscope to create an opening through the foramen into the epidural space (through which the nerves of the spinal column extend), by vaporizing a small amount of non-load bearing bone in the spine. Through this opening, surgeons can better visualize the nerves in the spinal column and access the spine to repair ruptured or herniated discs. The procedure is commonly referred to as an Endoscopic Laser Foraminoplasty or ELF procedure.

Data submitted to the FDA included the results of clinical studies by David Casper MD of Oklahoma City and Martin Knight MD of Manchester, England, both internationally recognized for their pioneering use of the endoscopic laser foraminoplasty procedure. Dr. Casper, who earlier performed approximately 2,000 laser disc decompression procedures and 500 endoscopic laser disc decompression procedures, has performed approximately

200 endoscopic laser foraminoplasty procedures with Trimedyne's Holmium lasers and proprietary side-firing laser needles. He stated that the laser foraminoplasty procedure "provides a safe and efficacious alternative to traditional invasive (surgical) procedures with fewer complications and comparable surgical outcomes."

Dr. Knight, who earlier performed 1,850 laser disc decompression procedures and 173 endoscopic laser disc decompression procedures, has performed 1,250 endoscopic laser foraminoplasty procedures with Trimedyne's Holmium lasers and proprietary side firing laser needles. He reported that patients who had no prior spinal surgery had a success rate (excellent, good or at least 50% improvement in pain and performance) of nearly 80%.

11/27 As reported by *The Associated Press*, an experimental technology that uses lasers to heat and shrink uterine fibroids is showing promise in helping women avoid hysterectomies or other surgery, doctors reported. About three out of four women of reproductive age will develop fibroids, which are non-cancerous tumors. They are among the most common reasons for hysterectomies, or surgical removal of the uterus. But surgeons sometimes try to remove just the fibroid and leave the uterus intact. Laser ablation, which also is being tried in treating other tumors -- including cancers of the liver, kidney and lung -- is among the latest treatments that preserve the uterus.

"Basically, we're using laser fibers to heat up and liquefy the fibrous tissue," said radiologist Dr. Wladyslaw Gedroyc of St. Mary's Hospital in London, who studied the technique in 40 women and presented the findings Monday at a meeting of the *Radiological Society of North America*. The technique successfully shrank fibroids in 35 of the women. At a six-month follow-up, fibroids had shrunk an average of 37 percent. All the women reported improvement in symptoms, including less abdominal pain and lighter menstrual periods. Because the treatment targets only the fibroid, Gedroyc said it does not appear to affect fertility, but research is continuing to determine if patients can go on to have children.

Fibroids are bundles of muscle fiber and connective tissue that typically grow inside the uterus or uterine wall. Tiny ones generally cause no symptoms, but fibroids can become cantaloupe-sized and may cause severe abdominal and back pain, heavy menstrual bleeding, frequent urination and infertility. The female hormone estrogen promotes their growth; fibroids tend to shrink and disappear after menopause.

Gedroyc's patients had fibroids ranging from about 4 to 8 inches in diameter. The technique involves inserting four skinny needles into the abdomen and guiding them to the fibroid with magnetic resonance imaging, which allows the doctor to pinpoint where to apply the heat. Laser fibers are then inserted through the needles into the fibroid, where they are heated to over 140 degrees to kill fibroid cells. Shrinkage continues until about six months after treatment, said co-researcher Dr. Penny Law. The procedure,

performed under light sedation, takes about two hours, and patients can go home four hours later, Gedroyc said.

11/30 **Trimedyne** announced it was commencing the marketing of a revolutionary new line of reusable, low-cost fiber optic devices for removal and shrinkage of tissue in minimally invasive, outpatient procedures in arthroscopy (repair of damage in joints). Trimedyne developed these low-cost devices to expand the use of its Holmium lasers in the orthopedic field by reducing their cost per case substantially below that of competing technologies. Trimedyne's Holmium lasers, which emit extremely short, powerful pulses of light energy, are able to vaporize cells without thermally damaging adjoining tissue, which is why they are called "cold" lasers. The Holmium laser's short depth of penetration in tissue (only 0.4mm) makes it the most precise tool available to surgeons.

Trimedyne's new arthroscopy devices can be sterilized and reused up to 50 or more times, bringing their cost down to $10 to $20 per case, compared with shavers (rotating burrs) made by a number of orthopedic companies which cost $70 or more, as well as radiofrequency (RF) wands which cost more than $150 each and are not as precise or non-thermal as Trimedyne's laser devices. Trimedyne has hundreds of its Holmium lasers installed in hospitals and surgery centers in the United States and many foreign countries. In addition to equipping its new, low-cost devices with connectors that fit its Holmium lasers, Trimedyne is equipping these devices with connectors that fit Holmium lasers made by others.

Marvin P. Loeb, chairman of Trimedyne, said, "Insurance companies and managed care organizations in the United States and overseas are looking for technologies which can reduce the cost per case in widely used applications such as arthroscopy (approximately 1.2 million procedures per year in the U.S.). Hospitals in most countries outside the United States simply cannot afford to buy a Holmium laser and also pay high prices for disposable fiber optic laser delivery devices. Our new, low-cost devices will enable hospitals to amortize the cost of the laser over a reasonable number of cases, while providing excellent results to their patients and an overall lower cost per case than any other technology."

The following day, Trimedyne announced it had acquired **Mobile Surgical Technologies Inc. (MST)**, a Dallas-based company which provides lasers and other high technology equipment and a complete range of surgical services to hospitals and outpatient surgery centers on a service contract basis. Trimedyne acquired 100% of the outstanding common stock of Mobile Surgical Technologies in exchange for 500,000 shares of Trimedyne common stock, valued at $1 million. Trimedyne further announced that is had appointed William Schubert, former president of MST, as Trimedyne's CEO and vice chairman.

Shane Traveller, president and COO of Trimedyne, stated, "Acquiring MST will provide us with a strong distribution outlet for our products. MST's fee-per-case model gives

hospitals, surgery centers and physicians access to high technology equipment without having to bear the large capital cost of a purchase. Most importantly, instead of just selling lasers, we believe that renting them on a fee-per-case basis will increase our revenues and margins by participating in the fees generated from each laser surgical procedure."

11/30 **Image Sculpting International Inc.** announced that revenue for the third quarter ended September 30, 2000 was $1.6 million, for a total of $4.9 million for the nine months, up 689% from the comparative nine months ended September 30, 1999. The net operating loss for the quarter was $831,436 (5 cents per share), up from prior quarters, included charges for interest, depreciation and amortization of $323,684, and unusual, one-time charges which occurred as a result of preparing and issuing the final prospectus, such as professional and other fees, totaling an additional $340,166.

During the third quarter, IMAGE announced the successful filing of a final prospectus relating to the issue of a maximum of 20 million shares and a minimum of 13.75 million shares, and the qualification of other securities of ISII, filed by the Corporation under the Securities Act of each of the Provinces of Alberta, Ontario, British Columbia, Manitoba, Saskatchewan and Nova Scotia. Since the end of the third quarter, IMAGE has completed the sale of the minimum offering. The company also announced their intent to expand the concept of the "one-stop" image centres, through a joint venture initiative with **The Plastic Surgery company**, of California.

Murray Watson, chairman and CEO, commented on the third quarter, saying, "The filing of our prospectus offering is a significant step forward in the development of IMAGE, as it provides non-debt, equity capital for internal growth and stability, while allowing the company to project its "one-stop" image for expansion into new markets, such as our joint venture initiatives with external partners."

12/4 **Dental/Medical Diagnostic Systems** announced that during November, DMDS shipped the first production units of its Apollo e light product, based upon its new, patented, Light Emitting Diode (LED) high-speed curing technology. This wireless, heat-free light is based on a whole new and extremely efficient light source, namely Light Emitting Diodes, or LEDs. Various authorities worldwide have already mentioned LEDs to be the ultimate light source for activating light-cured materials in the future. To achieve sufficient power output for polymerization, DMDS developed a unique, patented lens system enabling the LED technology to produce faster curing. The main anticipated benefits of the new LED technology are the long and constant life span, the absence of heat and the potential for future upgrades of the unit by means of the Internet.

Dental/Medical Diagnostic Systems' CEO, Bob Gurevitch, stated, "We are extremely pleased that we have completed this first shipment of our Apollo e product. Early

response to the new device has been very positive. We look forward to a long, successful life for this product."

12/4 *The Wall Street Transcript* published an in-depth interview with Mark Tauscher, CEO of **PLC Medical Systems** in which he talked at length about the company's future.

Tauscher gave an overview of the company. "PLC is a high tech medical company. We specialize in one product, a high-powered carbon dioxide (CO_2) laser that is used in a medical procedure called transmyocardial revascularization or TMR. This medical procedure is used, either as a sole therapy, or in combination with a bypass surgical procedure, and it helps revascularize the heart, which actually brings new blood supply to areas of the heart that have been injured during an ischemic event, for example a heart attack. Worldwide, there are about 600,000 bypass surgeries done annually. If we look just at the U.S., there's about 300,000 to 400,000 bypass surgeries done annually. So that is the size of the market. In addition to that there's about 80,000-100,000 patients who are not bypassable. When you add those to the pool, in a conservative estimate, just in the US, you have 400-500,000 people who potentially could benefit from the therapy."

Looking forward, Tauscher stated, "Organic growth is our first focus. As a small medical company you've got to be able to prove to the market, to your customers, and to your investors, that there is a business model out there that makes sense. Partnerships are something that we always think about. Small companies always have the problem of being able to put enough feet on the street, enough salespeople, and partnerships in those arenas can assist us."

12/5 **Eclipse Surgical Technologies** announced that it had taken steps to reduce operating costs including the elimination of a number of nonessential job positions, resulting in an overall reduction of 37 employees and consultants. According to the announcement by recently appointed Eclipse chairman and CEO Michael Quinn, these reductions combined with other measures such as curtailing bonuses and canceling certain dispensable research projects are expected to generate annualized cost savings of more than $3 million. "One of my main goals since joining the company in late October," Quinn said, "has been to do what's needed to position the company to increase sales and achieve profitability. We are in the process of implementing a number of programs to increase sales of our market leading TMR products, and I am encouraged by the recent upsurge in interest in TMR products and technology. At the same time, we also launched a program to continually examine all elements of the company's cost structure and to institute a number of ongoing cost containment measures as needed."

"It is clear that our operating cost structure needed to be changed to properly reflect our go forward business strategies and revenue plan and that a number of job positions in the company's organization were not essential to our future success. We also determined that some important jobs could be better performed by more qualified replacements. While

the decisions involved in implementing these and other changes have been difficult, they were necessary and strategically important. The company is now pursuing a sales and marketing driven growth strategy and moving away from its previous technology incubator focus. We are committed to building a lean and effective organization that will help provide us the shortest possible path to revenue growth and profitability and enhancing shareholder value."

The staff reductions will result in charges in the current quarter for one-time severance costs of approximately $200,000. Of the 37 employees and consultants included in the staff reductions, 34 were in the U.S., all but two of who worked at the company's headquarters in Sunnyvale, and three were in Europe.

12/6 **BIOLASE Technology, Inc.** announced that Q4 sales are continuing at a record rate and the company had received renewal of its line of credit. BIOLASE renewed the $2.5 million line of credit with the U.S. subsidiary of **UBS Corporation**. "We are very pleased to have received a renewal of our line of credit from this prominent international bank. It clearly reflects confidence in the company's future," said Jeffrey Jones, president and CEO of BIOLASE. "It is an exciting time for BIOLASE. We are seeing strong and growing market acceptance from both patients and the dental community for our laser systems. Sales during the current fourth quarter are the strongest the company has ever experienced. We expect to deliver the best quarter in the company's history."

12/6 **PLC Systems Inc.** announced that a final settlement hearing will be held in the United States District Court for the District of Massachusetts on February 7, 2001 to review a proposed settlement related to the securities class action litigation against the company. The principal financial terms of the proposed settlement agreement call for payment to the plaintiffs, for the benefit of the class, of a total of $1.5 million. PLC Systems' insurance carriers will fund the entire $1.5 million settlement.

"While we continue to believe that the claims made in this lawsuit are without merit, we view the settlement of the case to be in our stockholders' best interest," said Mark Tauscher, president and CEO of PLC Systems. "Because PLC's insurance carriers will cover the entire cost of the settlement, we do not expect this resolution to affect PLC's financial operations. With this issue behind us, we can avoid the distraction and potential cost of ongoing litigation and more fully focus on executing our strategic plan."

12/7 **BriteSmile** announced that its principal shareholder, **LCO Investments Limited**, had provided a bridge loan of $5 million. The loan was to fund operating expenses and other costs associated with the company's rollout of domestic and international Associated Centers. The loan will have a term of one year and be convertible into shares of the company's common stock at the option of LCO or the company in connection with an equity offering of at least $15 million, or at any time at the option of LCO at a price of $5.00 per share.

The company also announced that it had entered into negotiations to obtain a lease line of credit of up to $15 million. The lease line of credit would enable the company to place up to approximately 2,500 BriteSmile tooth whitening devices in new Associated Centers in the U.S. and internationally, enhancing the company's ability to meet its strategic objective of establishing approximately 3,700 Associated Centers by year end 2001. The closing of the lease line is subject to negotiation of final terms and documentation between the company and a lessor. John Reed, CEO of BriteSmile, said, "The continuing support of LCO Investments Limited is greatly appreciated. The bridge financing allows the company to continue with our aggressive rollout of Associated Centers in the United States and internationally. Further, when the lease line of credit is in place, the company will be able to finance the equipment costs of the roll-out without relying on equity dollars."

12/7 **Laser Rejuvenation Clinics Ltd.** released its first quarter financial results. While the revenue of $850,000 was significantly lower than that recorded one year ago for the same period, the company did produce positive cash flow of $52,000. This was achieved with an operating loss of $117,000 after depreciation of $169,000. The comparative loss recorded for the 1st quarter ending September 30, 1999 was $259,000.

Dr. Tom Woo, president and chairman stated, "While the decrease in revenue was somewhat disappointing, I do believe this is the first quarter LRC recorded positive cash flow since it became a public entity." The above results are even more encouraging considering that the Vancouver Clinic was not sold until early October, 2000. Thus, second quarter results without Vancouver's losses of approximately $40,000 per month, should be most favorable.

Ed Belanger, CEO added, "Management truly believes that, with the sale of the Vancouver location, together with the injection of $280,000 from a private placement, the company has turned the corner." LRC will now focus on value added acquisitions to improve the company's cash flow.

12/7 **PLC Systems Inc.** and the **Arizona Heart Institute and Hospital**, a world-renowned medical center dedicated exclusively to the advanced treatment of cardiovascular disease, announced the launch of their CO_2 TMR surgical treatment program. On Monday, December 4, Dr. Edward Diethrich, Founder and Medical Director of the Arizona Heart Institute and Hospital, performed CO_2 TMR operatively on three patients. He reported that the patients were on the road to recovery. Dr. Diethrich, a cardiac surgeon, used the laser to create approximately 20 to 40 channels to allow oxygen-rich blood to reach previously deprived areas of the patients' heart. A recent presentation at the American Heart Association meeting in November announced results demonstrating that the CO_2 TMR procedure provides sustained angina relief to patients beyond five years.

"The Arizona Heart Institute and Hospital's mission is to pursue new technology that will benefit cardiac patients. We believe that the CO_2 TMR laser technology is a beneficial treatment option for patients who suffer from severe coronary artery disease," stated Dr. Diethrich. "Also, it is our responsibility to provide information to the community on the benefits of innovative cardiac care. Utilizing communication tools, such as the Internet, we believe we are able to reach and inform a much larger audience."

12/11 **Eclipse Surgical Technologies** announced that it had recently been granted a major U.S. patent with broad claims covering the use of radiofrequency (RF) energy for performing transmyocardial revascularization. RF methods employ high frequency voltage to cut or ablate tissue. The patent, U.S. No. 6,156,031, titled, "Transmyocardial Revascularization Using Radiofrequency Energy," was issued by the United States Patent Office on December 5, and covers the fundamental process for using an RF energy emitter to form revascularization channels in the heart wall. Surgeons and cardiologists trained to perform transmyocardial revascularization have long considered RF a promising technique for the procedure. With this new patent, Eclipse now has approximately 75 issued U.S. patents, primarily directed to transmyocardial revascularization, and a number of key patents pending.

12/11 **DUSA Pharmaceuticals, Inc.** reported that independent investigators at the University of Sheffield, UK, have published the results of the first randomized clinical study using LEVULAN (aminolevulinic acid HCl) Photodynamic Therapy (PDT) to treat dysplastic (precancerous) Barrett's esophagus in 36 subjects. Barrett's esophagus (BE) is an acquired condition affecting up to 700,000 patients in the United States, in which the normal esophageal lining is replaced by an abnormal lining that can then become dysplastic. As dysplasia progresses from low-grade to high-grade, the risk of esophageal cancer greatly increases, such that patients with confirmed high-grade dysplasia often undergo major surgery to remove the affected portion of the esophagus. Current medical treatment of BE includes lifelong anti-reflux therapy with drugs called proton pump inhibitors. The role of anti-reflux surgery is also being evaluated. There is currently no approved therapy proven to halt or reverse BE, or to slow its progression to esophageal cancer.

In this double blind, placebo controlled study, patients with low-grade dysplastic BE, on chronic medical (drug) therapy, were randomized to receive oral LEVULAN (30 mg/kg) or placebo. Four hours later, up to 6 cm of BE in each patient was treated with green laser light (514 nm) via an endoscope, to a total light dose of 60 J/cm^2. Follow up endoscopy and biopsy procedures were performed at 1, 6, 12, and 24 months following the PDT treatment. A response was seen in 16/18 (89%) patients in the LEVULAN group, with a median decrease in area of BE averaging 30% (range = 0-60%). In the placebo group, a median area decrease of 0% was seen (range 0-10%). In the LEVULAN PDT group, all the areas that responded remained normal over the entire 24-month follow-up period, and no dysplasia was observed in treated areas where BE was still present. In the placebo

group, persistent low-grade dysplasia was found in 12/18 (67%) patients followed for 24 months.

The investigators indicated that the only consistent side effect of LEVULAN PDT seen in all treated patients was some degree of chest pain during light treatment, but analgesia was required in only 3/18 (17%). One patient developed a mild rash after exposure to sunlight on the day after treatment. None of the patients developed strictures or complained of difficulty swallowing during the course of the study. No laboratory abnormalities were reported. This is the first prospective, randomized double-blind, placebo-controlled trial of LEVULAN PDT for Barrett's esophagus reported in the literature. This study corroborates and extends results published from other smaller, uncontrolled clinical studies. DUSA continues to support this indication, and a new LEVULAN dose-ranging protocol is about to be initiated by the same investigators, using a 635 nm diode laser provided by DUSA Pharmaceuticals, Inc.

12/12 **MW Medical** announced that it had completed the treatment phase of its IRB clinical trial on the large aperture hair removal applicator. The trial was designed to test the safety and efficacy of the new device. The treatment phase of the trial was completed at an IRB approved site in California. The company was particularly pleased with the patient satisfaction during the trial. "This new applicator significantly improves patient comfort, even at higher energy levels. We expect this to have a very positive affect on the clinical efficacy of the MW 2000 system," stated Jan Wallace, MW Medical CEO. In addition to the larger aperture, this new applicator's design includes an improved energy distribution profile, increased efficiency and a new handle design. Utilizing a proprietary method of modifying the RF energy pulse, the new design provides a more effective energy distribution for complete coverage of the target follicles. The new applicator also uses an improved impedance matching technology. This technology improves energy transmission for greater efficacy. The handle design makes the applicator more comfortable for the user, especially during large area procedures.

12/14 **The Spectranetics Corporation** announced that Drs. Tcheng and O'Shea of Duke University Medical Center, in conjunction with staff at Spectranetics, published an article in the November 2000 *Journal of Invasive Cardiology* (Volume 12, No. 11) that details a study of the effects of excimer laser energy on stainless steel stents. The study concluded that "under model conditions typical of clinical use, excimer laser treatment does not alter stainless steel stent endurance or liberate clinically significant material from the stent". This laboratory test complements the LARS (laser angioplasty for restenosed stents) randomized FDA clinical trial currently under way.

In the controlled study, five different types of stainless steel stents were subjected to laser energy, followed by endurance testing of at least 400 million simulated heartbeats (the equivalent of 10 years of repetitive motion). Particulates and ions generated during lasing were also measured. The study concluded that excimer laser light, delivered through a

fiber-optic catheter, interacts with stent struts only when the catheter tip is in direct contact with the stent, which is not expected in typical clinical usage. If the catheter tip does touch the stent, etching of the stent surface with the generation of microgram-range doses of iron ions (but no particulates) could be expected. Importantly, exposure to the excimer laser energy did not alter the endurance of the stents.

James Tcheng, MD, of Duke Medical Center, commented: "We're delighted to have our study of the effects of laser energy on stainless steel stents published in this respected journal. The study clearly demonstrates that laser energy does not impair the structural integrity of a stainless steel stent, nor does it result in the creation of any potentially problematic substances."

12/14 **Laserscope** announced that it had signed a five-year agreement with **McKessonHBOC Medical Group** for the exclusive distribution rights for Laserscope's core aesthetic laser products in the United States. McKessonHBOC Medical Group is a division of **McKessonHBOC**. Based in Richmond, VA, the Medical Group is the only nationwide, multi-market medical/surgical supplier and is the leading medical/surgical supplier to physicians, clinics, long-term care and home care. The Medical Group's Primary Care Division supports a sales force of more than 500 representatives throughout the United States.

In commenting on the agreement, Eric Reuter, Laserscope's president and CEO, said, "We are proud and pleased to have been chosen by McKessonHBOC Medical Group as their exclusive supplier of aesthetic lasers to the US physician office market. This agreement is a substantial step forward for us in establishing the Laserscope aesthetic laser product line as the standard of care for the treatment of leg veins, vascular lesions, and hair removal on all skin types. We are confident that this agreement will give us direct access to a substantially larger pool of customers, will dramatically improve our distribution in the United States, and will make this technology more accessible for physicians in specialties outside of our traditional focus. Our intent is to utilize our existing direct sales force as product and technical experts to support McKessonHBOC's sales team."

The agreement is effective immediately. The products will be introduced and launched regionally beginning January 2001. A national rollout will begin in the second quarter of 2001.

12/14 **Dental/Medical Diagnostic Systems Inc.** announced that although it had experienced significant operating losses in the current and prior years, it does not believe that there have been any material developments not disclosed in its report of third quarter operating results that will impact its ability to continue as a going concern. A going-concern risk factor has been included in its public securities filings due to the recurring operating losses, current strain on cash flow, $4.2 million obligation to its former preferred

stockholders and its forbearance agreement with **Imperial Bank** which expires on December 29, 2000. While certain circumstances warranted a risk factor in current SEC filings, the company continues to transact business and address each of the items. It is working to reduce operating losses and have drastically reduced overhead and operating costs.

In regards to its future, Bob Gurevitch, CEO, stated, "Although we have not received material revenues as yet, we are extremely pleased with the market acceptance of our new technology, the Apollo e light, both with our domestic customer base and our international distributors. As previously disclosed, our recent orders from both **Hakusui** and **GC Dental** display this strong acceptance. Additionally, we continue to expand our Forever White marketing, and have successfully completed the acquisition of the product's manufacturer, Chrysalis Dental, which will allow us to significantly reduce the costs involved with future production of this product."

12/14 **ESC Medical Systems, Ltd.** announced that **OpusDent Ltd.**, its wholly owned dental subsidiary, had received FDA clearance to market the Opus 20 dental laser in the U.S. Opus 20, the only dental system of its kind, combines two lasers, a CO_2 and an erbium in one system, and can be used for a wide variety of dental procedures. The most exciting of these is virtually painless drilling which requires little to no anesthesia. Opus 20 combines a CO_2 laser, a well established tool in oral surgery, with an erbium laser for hard tissue applications, including cavity preparation and enamel etching. Opus 20 offers a virtually painless, noise-free, and vibration-free alternative to the conventional dental drill. This feature is expected to attract patients who are averse to anesthesia and drilling.

"This FDA clearance is a significant step forward for OpusDent," said Yacha Sutton, president and CEO of ESC Medical Systems. "Opus 20 joins the Novapulse superpulsing CO_2 laser and Opus 10 portable diode laser to complete OpusDent's FDA-cleared product portfolio and paves the way for immediate penetration of the U.S. market. With 1-1.5 million dental chairs worldwide, there is significant opportunity for product replacement sales as the advantages of laser procedures continue to drive patient needs. We believe that OpusDent is uniquely poised to capture this market."

OpusDent was recently established as a separate subsidiary of ESC Medical to enable the company to better concentrate its efforts in this market niche. During the year, it has established a distribution network in Europe, Asia and South America. During 2001, sales operations are expected to be established in the U.S. "With more than 2,000 dental systems installed worldwide, we are already the largest dental laser company," continued Sutton. "Opus 20 is a major new offering which has been received enthusiastically by the dental community. It is a versatile, full function system which will enable dentists to expand their practices and provide faster, more hygienic, premium service to their patients."

12/15 **Candela Corporation** announced that its Board of Directors had authorized an extension of its open market stock repurchase program that will enable Candela to purchase up to an additional 500,000 shares of its common stock. All such purchases will be transacted on The Nasdaq Stock Market at prevailing open market prices and will be paid for with general corporate funds. These shares are in addition to the 750,000 shares that were repurchased by the company under a program authorized on December 15, 1999.

12/18 *The Wall Street Transcript* published an in-depth interview with Taffy Williams, CEO of **Photogen Technologies**, in which he talked at length about the company's future.

According to Williams, "Photogen is focused on cancer therapy and diagnosis. We are developing technology in three areas: photodynamic therapy, diagnostic imaging of the lymph nodes to detect cancer, and products utilizing multi-photon lasers. We are preparing to enter Phase II clinical studies of N1177, the lymph node diagnostic, and we expect also to commence Phase I clinical studies in two areas for PH-10 in the coming year. Our intention is to maintain sole or shared marketing rights in the U.S. for our pharmaceutical agents. That said, we see great benefit in reducing the risk in the company by sharing development costs and risks with partners in exchange for their receiving international rights. Certain niche areas can be serviced with a small sales group and we feel that retaining U.S. rights would help the company build greater value. Our PH-10 cancer therapy fits well here. We could market it with a small dedicated sales force in the U.S. and partner it overseas. For the psoriasis indication, we may look for a partner when we approach the end of Phase II."

Looking forward, Williams stated, "Over the next year we hope to have anything from one to three clinical trials initiated -- one Phase II study and possibly two Phase I studies. Our ability to initiate these programs will serve as a partial measure of the company's ability to move technology from the bench to the bedside."

12/19 **The Plastic Surgery Co.** announced that it had received a $1.5 million five-year Loan Facility from **Pacific Mezzanine Fund** to be used to support the company's transition into its next generation business model: wholly-owned "Personal Image Centers." These company-owned Centers are expected to provide a broad range of physician-based image enhancing services, including cosmetic surgery, cosmetic laser procedures and laser vision correction, with the specific services and products being tailored to elective care markets. The rollout of the Centers will be two-pronged: 1) the conversion of certain of its current affiliate practices to "Personal Image Centers", in which the affiliating surgeon will operate as an independent contractor; and 2) the acquisition of new cosmetic surgery centers in attractive markets. Additionally, the company may acquire or enter into strategic partnerships with complementary cosmetic services to extend the Centers' menu of services. The company has successfully completed the first affiliate conversion and is in discussions with potential acquisitions.

12/19 **MW Medical** said it had began shipment of its new higher power hair removal system. The MW 2000 system is now capable of safely delivering 30 Joules of energy per treatment pulse. The system is cleared for hair removal below the neck, but has IRB approved clinical studies underway to demonstrate efficacy on facial hair and spider vein reduction. Using a modified coolant system and a new proprietary impedance matching technology in its applicator, the new model has significantly improved patient comfort over the earlier model. This improvement allows users to increase the energy delivered for increased efficacy without superficial tissue damage. When used in conjunction with the company's new large aperture applicator, the MW 2000 system will deliver the higher energy pulses across the entire aperture for improved energy transmission and greater efficacy.

The new systems will also utilize an RF amplifier emitting multiple pulse trains of energy. This modification appears to improve target structure (hair follicle or vein) heating while enhancing tissue cooling. This reduces potential tissue damage at higher energy settings. In addition to the patient safety factors, these changes may increase procedure efficacy and the company expects the new clinical trials to verify these expectations. The company's approved clinical study sites have been upgraded with these new systems and existing customers will receive the upgrade at no charge. The company will announce the efficacy and system parameters in the near future.

12/20 **The Spectranetics Corporation** announced that Luc Bilodeau, MD, of the Montreal Heart Institute, Montreal, Quebec, and David Hilton, MD, of the Royal Jubilee Hospital in Victoria, BC, had jointly completed a successful pilot evaluation of the use of higher laser energy delivered through Spectranetics POINT 9 mm catheters to open blockages in coronary arteries that were previously untreatable via laser angioplasty. The study showed a statistically significant increase in the ability to open the arteries to blood flow without an increase in complications. The X80 Study involved 36 patients at the two Canadian hospitals who had high-grade lesions (i.e. greater than or equal to 80% blockages) with evidence of calcification, chronic total occlusions traversable by a guidewire, or high-grade lesions that had previously failed balloon angioplasty. The study procedure was to attempt treatment initially using excimer laser coronary angioplasty (ELCA) at normal laser parameters of 60 fluence, 40 hertz (60/40). If necessary, the laser parameters were raised to 60/80, and then to 80/80. After laser treatment, the arteries were ballooned and stented.

Blockages were crossed in 26 of the 36 patients (72%) using normal laser parameters, and 34 of the 36 (94%) using higher laser parameters. David Hilton, MD, commented: "We're excited about the increased effectiveness of higher laser parameters. Many of the patients in this study were likely candidates for coronary bypass surgery if the laser treatment were not available. With the higher laser parameters, we were able to spare them from the trauma of surgery." Joseph Largey, president and CEO of Spectranetics, commented: "Availability of higher laser parameters significantly increases the success

rate for laser angioplasty on blockages that were previously untreatable by interventional means. We intend to submit the results of this Canadian study to the FDA with the hopes of receiving approval to market the higher laser parameters in the United States as a supplement to our prior authorization. If successful, we expect to be able to offer higher laser parameters in the United States in about 12 months."

12/20 **SurgiLight** announced that it had signed a Letter of Intent with **A & A Medical, Inc.** (Alpharetta, Ga.) to manufacture the EX-308 excimer laser for the treatment of psoriasis. The EX-308 excimer laser is the second laser of its type to receive FDA clearance for the treatment of psoriasis. It has been estimated that more than two percent of Americans suffer from this chronic skin disorder which is often painful and can be difficult to treat and heal. JT Lin, president and CEO commented: "We have been working diligently to find the appropriate company to develop a strategic alliance with to manufacture the EX-308 and we are delighted to have signed this Letter of Intent with A & A Medical. The EX-308 is the first system we have received FDA clearance for, and this manufacturing Agreement is the first step to getting the product to the market. We are continuing our search to find the appropriate professional sales and marketing company for the EX-308 to represent us here in the US and throughout the world.

12/21 **DUSA Pharmaceuticals, Inc.** reported that it had received $15 million from **Schering AG** in milestone and other payments, based upon the parties' Marketing, Development and Supply Agreement of November 1999. The payments consist of a $7 million milestone, and $8 million as an unrestricted research grant for use by DUSA at its discretion. These are the final payments related to DUSA's initial products, the LEVULAN KERASTICK 20% topical solution, and the BLU-U and light device, for the treatment of non-hyperkeratotic actinic keratoses (AKs) of the face or scalp. On an on-going basis, DUSA will receive royalties and supply fees from Schering AG based upon the sales levels of the KERASTICK. DUSA retains responsibility for BLU-U leasing/renting to physicians, manufacturing, installation and maintenance, including all revenues and costs associated with these activities.

Dr. Geoffrey Shulman, DUSA's President and CEO, stated, "With the recent product launch well underway, and approximately $75 million of cash and U.S. Government securities now on hand, DUSA is well-positioned to move forward aggressively on the development of our core LEVULAN PDT and Photodetection (PD) technology platform. In dermatology, this will be in partnership with Schering AG, while for internal indications, DUSA will work independently or with corporate partners. DUSA may also consider licensing and/or acquiring complementary products and/or businesses."

12/26 **Donner Corp. International**, a broker/dealer specializing in investment banking and headquartered in Santa Ana, Calif., today reiterated its Speculative Buy Recommendation on **PLC Medical Systems, Inc.** "TMR is a completely new medical treatment option for patients who suffer from severe coronary artery disease," Donner said. "Eighty thousand

patients each year who suffer from severe coronary artery disease but cannot be treated with conventional coronary revascularization techniques such as bypass surgery or angioplasty are candidates for TMR. TMR can significantly reduce angina symptoms, create bloodlines to areas of the heart that cannot be reached by bypass or angioplasty, and has been clinically proven to show long-term pain relief." It cited a *New England Journal of Medicine* report saying TMR has shown a significantly better outcome with respect to improvement in angina, survival free of cardiac events, and freedom from cardiac-related rehospitalization. "We believe PLC's stock is undervalued considering the proven superiority of the Heart Laser System over competing laser systems, the growing number of people who will become candidates for TMR treatments using the Heart Laser System, and increasing industry acceptance of TMR and the Heart Laser(TM) System," Donner concluded.