MEDICAL/SURGICAL LASER UPDATE -- January 2001

12/15 Following **Laserscope's** announcement of a distribution deal with **McKessonHBOC**, on December 14th, **Taglich Brothers, Inc.** issued an update report on the company. Key highlights included:

* Sales from the company's Lyra laser system for hair removal on all skin types, launched in the second quarter were driving revenue growth and margin improvements. The laser, which can also be used for treating leg veins, could reach $10 million in sales in 2001.
* The McKesson deal looms large, as the latter's 500 sales representatives will market and distribute Laserscope's aesthetic lasers exclusively to the U.S. physician market.
* The company continues the development of its laser to treat BPH, currently running a clinical trial comparing the laser treatment to TURP. Final results are expected in a few months, with expected sales contribution in the second half of 2001.
* Favorable industry trends point toward continued growth in the aesthetic market, as new technologies have increased the overall effectiveness and adoption of new procedures. An aging population has further contributed to the growth in the market. And in the world of HMOs, doctors have discovered elective procedures as a source of a new income stream. This situation has led to healthy demand for lasers that are necessary to offer such services.

The report concludes that with its cost structure significantly downsized, Laserscope has turned the corner to profitability, and the research firm looks for a price target of $4.00 per share over the next 12-18 months.

12/22 **Image Sculpting International Inc. (IMAGE)** announced that following completion of the closing of its prospectus offering placed through **Northern Securities Inc.**, it had entered into an agreement with **Current Capital Corp.** to provide investor relations services. The Agreement has a term of twelve months, requiring total payments of $77,000 representing fees and anticipated expenses. Under the Agreement, IMAGE has also agreed to grant Current Capital a two-year option to acquire 660,000 common shares of IMAGE at an exercise price of $0.35 per common share, representing approximately 2% of the issued and outstanding common shares.

12/28 **BIOLASE Technology, Inc.** announced that it expected to exceed $3 million in sales for the fourth quarter. President and CEO Jeffrey Jones said sales of the new BIOLASE Waterlase dental laser for painless drilling and surgery were very strong. Sales for the fourth quarter were in excess of $3 million versus $1.8 million for the fourth quarter of 1999, and exceeded third quarter 2000 sales of $2.2 million. "In our steady progression to rapid growth, the company is happy to announce that it has achieved the milestone of break-even to slightly positive cash flow for the current quarter." BIOLASE chairman of the Board Federico Pignatelli believes the company is entering 2001 as the number-one seller of hard-tissue lasers in the world.

12/29 **BriteSmile, Inc.** announced that it had secured a lease line of credit of up to $15 million from **Excimer Vision Leasing (EVL)**. EVL leases laser vision correction equipment to ophthalmologists and is an affiliate of **LCO Investments Limited**, the company's largest shareholder. In addition to providing working capital to the company, the lease line of credit will enable the company to place up to 1,655 new BriteSmile teeth whitening devices in Associated Centers in the U.S., enhancing the company's ability to meet its strategic objective of establishing approximately 3,700 Associated Centers by year end 2001. The lease line agreement provides that EVL will immediately purchase from the company 1,345 BriteSmile 3000 teeth-whitening devices in various BriteSmile Associated Centers located in the United States for $5 million. EVL will subsequently purchase 1,655 additional devices for up to $10 million. EVL will lease all devices to the company for a term of five years. The company will pay EVL a monthly rental for each device consisting of a fixed amount (ranging from $25 to $50) plus $25 per teeth whitening procedure.

(A note of interest. LCO Investments Ltd., is owned by Anthony Pilaro, a co-founder of **Duty Free Shops**, and the co-founder of **Taunton Technologies**. He is the key person behind the purchase of **VISX** by Taunton, and also the principal behind the idea of the per procedure fee first charged by **Pillar Point Partners**, and subsequently by all of the major excimer laser companies except **Nidek**.)

12/29 **Image Sculpting international Inc. (IMAGE)**, announced that it had accepted notice from the Board of Directors of **Image Sculpting Inc. of Michigan**, that Image Inc. will no longer be pursuing the contemplated the acquisition of Image Sculpting Inc. of Michagan.

Murray Watson, chairman and CEO of IMAGE, commenting on the termination of the Agreement, stated that, "Given all of the current developments and opportunities in the industry, it is Management's opinion that this is in the best interests of IMAGE and our shareholders, and IMAGE will continue to move forward to replace this transaction with other more beneficial opportunities which are already being investigated."

IMAGE is a publicly traded company, headquartered in Toronto, Canada. Since its inception, it has conceptualized and developed the concept of integrated centers for cosmetic surgery, cosmetic laser procedures and laser vision correction, and at this time operates a comprehensive center for cosmetic surgery, cosmetic laser procedures and laser vision correction in a prestigious Toronto location. Operational data has demonstrated an overwhelming opportunity to effectively cross-market those synergies, thus extending the consumer pipeline across all these related services. It has also demonstrated the incremental value of "one-stop shopping" for these elective procedure centers. The elective procedure consumer makes a personal choice and pays cash or finances part or all of the cost from one of the number patient financing companies serving this market today.

1/2 **ESC Medical Systems Ltd.** said that, based on shipments to date, it expected to post revenues of $46 million in the fourth quarter, in line with Wall Street forecasts. ESC president and CEO Yacha Sutton said he was optimistic that the full-year results for 2000, which the company will report in February, will "meet or exceed analyst expectations". In addition he said, "We are delighted that ESC has completed a full year of double digit growth and profitability. Continued growth in sales of our core high margin proprietary IPL technology continued to accelerate our momentum through the quarter."

1/3 **MAII Holdings, Inc.**, formerly **Medical Alliance, Inc.**, announced that it had completed the sale of its medical business to **ICN Pharmaceuticals, Inc.** for cash of $14.4 million. Paul Herchman, chairman of MAII Holdings, said, "We are pleased to have completed this transaction, which substantially strengthened the company's financial position. Since August 2000, we have undertaken a process of identifying and evaluating potential opportunities. We believe that the completion of the asset sale to ICN Pharmacueticals, removing a major uncertainty, and the enhanced balance sheet consisting of approximately $29 million in cash and $2 million in liabilities, makes us an attractive candidate to parties interested in pursuing a transaction with us. The process is continuing, but there can be no assurance that we can be successful in identifying an attractive opportunity."

1/3 **Trimedyne Inc.** announced that it has entered into a co-marketing agreement with **PRI Inc.**, a subsidiary of **Medical Resources Management Inc.** PRI is a leading "turn-key" provider of lasers and other medical/surgical equipment, along with skilled operators, to hospitals and outpatient surgery centers in the western United States. Under the agreement, Trimedyne will supply its Holmium lasers to PRI. PRI will, in turn, provide the lasers, along with a skilled laser operator, to hospitals and surgery centers under service contracts on a "fee-per-case" basis. Trimedyne and PRI will share in the revenues resulting from the use of the lasers and the associated disposable and reusable fiber optic devices.

Both the recently cleared use of its lasers to perform the minimally-invasive foraminoplasty procedure, which orthopedic surgeons can now perform with an endoscope inserted through a tiny puncture in the back to treat herniated and ruptured lumbar (spinal) discs, and its use in fragmenting urinary stones in the bladder, ureter and kidney, will be featured applications for Trimedyne's holmium lasers in the "fee-per-case" marketing program offered by PRI. This will enable hospitals and outpatient surgery centers to offer these new, less invasive surgical procedures to their patients without having to make a large capital investment in the laser or employ an experienced technician to operate it. Since Medicare, prepaid health plans and private insurance companies compensate many healthcare facilities on a per case basis, this new marketing model enables hospitals and surgery centers to offset PRI's per case charges against their per case revenues from third party payors.

1/4 **The Spectranetics Corporation** announced that Tony Das, MD, of Presbyterian Hospital of Dallas, successfully used Spectranetics' new POINT 9 laser catheter, in conjunction with its Support Catheter, to open up a fully occluded right coronary artery (barely passable by a guidewire) after two prior attempts to open the vessel using balloon angioplasty had failed. Das used Spectranetics' support catheter to provide stability to the guidewire, enabling it to cross the 20 mm lesion that blocked the artery. The POINT 9 was then used to deliver laser energy that vaporized a pilot hole through the lesion, after which the vessel was ballooned and stented, creating a large enough opening to provide adequate blood flow to the heart.

Dr. Das commented: "No other device on the market could open up the artery in question. I had tried balloon angioplasty on this artery twice before, including attempts with other debulking devices, but none were able to penetrate the large lesion. Given that bypass surgery on the right coronary artery requires us to crack the chest, I asked the patient if he could withstand the chest pain a little longer until the new, smaller laser catheter became available. The procedure was a complete success. We are now planning to use the POINT 9 again on this patient to open up a totally occluded obtuse marginal branch off of the circumflex vessel."

1/5 **Candela Corporation** said it will introduce the Smoothbeam, a revolutionary new non-ablative diode laser technology for skin renewal, on January 12th at the *International Master Course on Ageing Skin (IMCAS)* in Paris, France. At IMCAS's Cutaneous Multilaser Master Workshop, Dr. Dilip Paithankar will discuss the new Smoothbeam laser in his presentation, "1.45 um Diode Laser for Non-Ablative Dermal Remodeling". Commenting on the introduction, Gerard Puorro, Candela's president and CEO, remarked: "Smoothbeam represents a whole new way to approach skin renewal. Smoothbeam will enable physicians to offer non-ablative skin renewal services to their patients at a fraction of the cost of competing laser systems."

Smoothbeam's unique LASR (Laser Assisted Skin Renewal) process offers proprietary Candela technology for collagen remodeling. Its unique wavelength heats the upper dermis, inducing a mild thermal injury. The body's natural healing response initiates collagen remodeling and the deposition of new, organized collagen. Dr. Dilip Paithankar, Senior Scientist at Candela Corporation noted: "Smoothbeam is unique in that the wavelength it offers enables one to localize thermal injury to the upper dermis which is closer to the skin's surface providing more visible results. Smoothbeam also delivers multiple cryogen sprays for effective epidermal preservation."

Smoothbeam features Candela's integrated Dynamic Cooling Device (DCD), which cools and protects the epidermis prior to, during and post laser exposure. DCD automates the delivery of cryogen to localize thermal injury to the upper dermis. No post-treatment care means that anatomic treatments around the eyes and upper lip can be given quickly and

easily with minimal downtime for patients. Weighing less than 40 pounds, Smoothbeam is a tabletop unit -- simple to use and operate, easy to transport and store.

1/8 **Trimedyne Inc.** announced that it had developed, and commenced shipping, a new line of FlexMAX optical fibers for surgical use with Holmium lasers. In addition to greater flexibility and smaller diameters than other optical fibers on the market, FlexMAX fibers are blue, enabling them to be more easily seen during surgery. In addition, Trimedyne's patented connector prevents excessive heat build-up at the connection of the optical fiber to the laser, reducing damage to the fiber and increasing its longevity. FlexMAX fibers are available with either Trimedyne's patented connector for use with its Holmium laser or a standard connector for use with other Holmium lasers.

William Schubert, CEO of Trimedyne, said: "FlexMAX fibers represent a significant improvement in surgical fiber optic technology. Hospitals and surgery centers routinely spend tens of thousands of dollars each year repairing or replacing endoscopes damaged because the optical fibers were not sufficiently flexible. The smaller diameter of our FlexMAX fibers allows surgeons to more easily access difficult regions of the body, with less risk of scope damage. We hope to capture a significant share of the estimated $100 million per year market for Holmium laser fibers."

Trimedyne also announced that it had shipped the first units of its new 30 Watt Holmium laser to customers. As with the company's 80 watt OmniPulse Holmium laser, the new 30 watt laser, dubbed the "OmniPulse Jr.", can be used in lithotripsy (the fragmentation of urinary stones) and to cut, ablate, vaporize, or coagulate tissues in a variety of surgical procedures, including the excision or vaporization of various tumors, lesions, and polyps. Schubert continued: "In these times of shrinking capital budgets, hospitals need lower cost lasers to enable them to offer patients the latest technology. We took great measures to ensure that we could deliver a reasonably priced product that meets a hospital's budgetary needs, without compromising Trimedyne's high quality standards."

Trimedyne is a leading manufacturer of medical lasers for applications in orthopedics (arthroscopy) , urology (lithotripsy), ENT surgery, gynecology, gastrointestinal surgery and general surgery.

1/8 **PhotoCure ASA** announced positive results from its first Phase III study on primary superficial basal cell carcinoma (BCC). In this study, more than 90% of the skin cancer lesions were completely cured three months after treatment with Metvix, a topical photodynamic therapy (PDT) agent. The two standard existing therapies for these lesions both have detrimental side-effects. Excision surgery can cause scarring and cryotherapy can lead to hypopigmentation. The high cure rate after Metvix PDT on these skin cancer lesions, confirms the positive results from previous phase II studies. The results from the initial response evaluation of this important phase III study, show that Metvix PDT is

equally effective as cryotherapy in removing this type of skin lesion. The study also shows that Metvix PDT gives a better cosmetic outcome than cryotherapy.

A total of 120 patients were enrolled in the study, involving 13 clinical centres in seven European countries. Professor Nicole Basset-Seguin at St Louis Hospital in Paris, the study co-ordinator, was very satisfied with the results after three months which confirm the previous clinical experience at her institution. She commented further, "The high cure rate and excellent cosmetic outcome resulting from Metvix PDT is very encouraging and if long term follow-up confirms these results, Metvix; PDT gives us a promising new treatment modality for this type of skin cancer."

President and CEO, Vidar Hansson, was also very pleased with the results and commented, "We now have positive results from Metvix PDT for treatment of primary BCC in addition to the previous published results in `high risk' BCC and pre-malignant actinic keratosis. Thus, we are on track in the documentation process for regulatory approval for all three indications. This will give more patients access to the benefits of this new treatment."

BCC accounts for approximately 80% of non-melanoma skin cancers. There are over 1.7 million cases of BCC each year in Europe, the U.S. and Australia, and the incidence of the disease has grown at 5% per annum in the last decades. BCC is a locally invasive, slowly spreading tumor arising from the basal cell layer of the epidermis. The overall metastasis rate is very low, but if the tumor is not initially adequately treated, it may become more difficult to cure. Furthermore, the location of BCC has significant influence on its behavior. The lesions that occur in the centre of the face tend to be more invasive and destructive, with greater risk of recurrence, and are more difficult to treat effectively. BCC on the nose is considered to be the location with highest risk and the most common location of recurrence. Patients with a primary BCC have a 47% chance of developing a second primary lesion within 3.5 years indicating the need for good follow-up in these patients.

PhotoCure ASA is a Norwegian listed company founded in 1993. The company is developing products for skin cancer and other skin diseases, internal cancer, gene therapy and cancer vaccines. PhotoCure has completed final registration studies (Phase III) with its first products, Metvix and Curelight for actinic keratosis (pre-cancerous skin lesion), and filed its first application for European marketing approval in May 2000. Pivotal clinical trials for basal cell carcinoma (BCC) are ongoing and an application for marketing approval for BCC unsuitable for standard therapy will be filed during the 1st quarter of 2001. PhotoCure's second pharmaceutical product, Hexvix, is currently in clinical Phase II for bladder cancer detection.

1/9 **PLC Systems Inc.** announced a strategic marketing alliance and exclusive distribution agreement with **Edwards Lifesciences Corporation** for PLC's next generation CO_2 TMR

laser technology. "This marketing alliance greatly enhances the potential for increased market penetration of our CO_2 TMR laser technology," stated Mark Tauscher, president and CEO of PLC Systems. "We are extremely pleased to have Edwards' exceptional cardiovascular sales force promote the next generation CO_2 TMR Heart Laser. This relationship provides the opportunity for cardiac surgeons to easily access PLC's CO_2 TMR laser technology for treating their severe coronary artery disease patients."

"The CO_2 TMR Heart Laser system has demonstrated excellent long-term clinical results and improved the quality of life for thousands of patients suffering from debilitating angina," said Michael Mussallem, Edwards' chairman and CEO. "In addition to being developed specifically to perform TMR, and the first to be approved by the FDA, we believe the CO_2 Heart Laser has the most positive and sustained clinical benefits of any laser system performing TMR." Under the exclusive, multi-year agreement, Edwards will distribute PLC's next generation CO_2 TMR Heart Laser system and all associated disposable components to cardiovascular clinicians and institutions throughout the United States. PLC's next generation CO_2 TMR heart laser system is substantially smaller and more mobile than the currently available system and is awaiting marketing approval from the FDA. Edwards also will market and distribute disposable components to PLC's existing U.S. customer base of premier heart centers. In conjunction with this agreement, PLC will receive a $4 million equity investment through the sale of 5.3 million shares of its common stock, at $0.75 per share, to Edwards.

Tauscher concluded, "Edwards' financial investment in PLC and commitment to CO_2 TMR reaffirms the clinical leadership position of PLC technology in the TMR laser revascularization. We believe Edwards' substantial sales and marketing resources combined with PLC's technological leadership will establish CO_2 TMR as the standard of care in laser-powered heart revascularization." Edwards, the leader in technologies and services to treat late-stage cardiovascular disease, is known for its strong working relationships with leaders in the clinical community, and for its long-standing commitment to clinical education, factors which Mussallem sees as strengthening Edwards' position for building greater interest in TMR as a therapeutic option for angina patients. "The significant peer reviewed clinical data, the recent establishment of Medicare reimbursement, and PLC's anticipated launch of a new, smaller laser configuration will encourage the adoption of TMR as a standard of care," Mussallem said. "By combining these advantages with Edwards' larger, highly focused cardiovascular organization, we will help more clinicians appreciate and embrace the therapeutic potential of CO_2 TMR." (Also, see the **PhotoMedex**/Edwards announcement below.)

1/10 **WaveLight Laser Technologie AG** has begun its course of dynamic growth in its aesthetics business division. Evidence of this was confirmed as the Erbium:YAG laser system for Skin Resurfacing and Dermabrasion quickly climbed to a favorable position in the large Russian market. At the end of its 1999-2000 business year, WaveLight Laser

Technologie had recorded worldwide sales revenues for aesthetic surgery laser systems in the amount of E2.6 million. Compared to the same period a year ago, this represents an increase of 45%. "Development in the aesthetics division demonstrates once again that our strategy of unconditional technological leadership will consistently be rewarded in the form of dynamic growth figures," said Max Reindl, CEO of WaveLight, in response to the encouraging business data.

In December 2000, WaveLight Laser was able to estblish a base among Russian specialists with an exhibition of its products at Russia's largest medical trade fair, the Zdravoochranenije. The first laser-system orders have been placed. The further recovery of the Russian economy is expected to spur the demand for innovative WaveLight laser systems. "With over 250 million inhabitants, the Russian market holds great potential for our technologically superior laser systems," said Reindl further in reference to the market prospects of WaveLight Laser in Russia.

As has been the case in its ophthalmology division since its takeover of **NWL Laser Technologie GmbH**, WaveLight has advanced to the status of a comprehensive provider in the area of laser systems for aesthetic surgery. In addition to the installation of its laser-systems, WaveLight offers its customers a broad array of services, including technical servicing, system instruction, feedback seminars and advanced training. According to Reindl, these measures serve both to intensify customer bonding and to increase the attractiveness of the WaveLight brand.

1/10 **Cell Robotics International Inc.** announced that it had signed a three year, non-exclusive U.S. distribution agreement with **Bindley Western Industries, Inc.** Under the terms of the agreement, Indianapolis-based Bindley Western will distribute the Lasette through its 16 distribution centers in 15 states across the United States. Customers include independent drug stores, chain drug stores, supermarkets and mass retailers with their own pharmacies, hospitals, clinics, HMOs, and managed care organizations.

Ronald Lohrding, Cell Robotics president and CEO, stated: "This distribution agreement with Bindley Western provides us with immediate access to a proven and reputable sales force that can place the Lasette in a large number of pharmacies, thus making it available to a greater number of home-use customers. Additionally, over the last few months, we have made key sales staff appointments that will complement Bindley Western's efforts. We have also enhanced our ability to produce a more durable version of the Lasette, which can be used in both clinical and home-use markets. These production achievements, combined with this important distribution agreement, should allow us to capture a larger portion of the $3.7 billion glucose testing market. Moreover, the passage of the federal Needlestick Safety and Prevention Act, which mandates that health facilities employ measures to reduce or eliminate accidental needlesticks suffered by health care workers, should further enhance the penetration of the Lasette into the clinical market."

1/10 **BriteSmile, Inc.** announced that the U.S. Patent and Trademark Office had issued to BriteSmile a patent on BriteSmile's two step tooth whitening methodology. This methodology is part of BriteSmile's core tooth whitening technology, which also includes teeth whitening light devices, methods and gels, for which additional patents are now pending. The patent, U.S. No. 6,162,055, covers a two step method involving first applying a light sensitive compound to a person's teeth and then applying a whitening composition which is transparent to light. The light sensitive compound and whitening composition are then exposed to a proprietary light device. The light activates the whitening composition which acts synergistically with the light sensitive compound to efficiently whiten teeth in a safer way than other methods.

"We are very pleased to have obtained patent protection for our approach to tooth whitening which is revolutionizing the field of tooth whitening," said John Reed, CEO of BriteSmile.

1/10 **DUSA Pharmaceuticals, Inc.** updated investors at the **JP Morgan H&Q Healthcare Conference** in San Francisco. Dr. Geoffrey Shulman, DUSA's president and CEO, and Dr. Stuart Marcus, the company's VP, Scientific Affairs and CSO, discussed progress in the ongoing U.S. launch of LEVULAN Photodynamic Therapy (PDT) for the treatment of non-hyperkeratotic actinic keratoses (AKs); DUSA's aggressive expansion of its LEVULAN PDT/PD (photodetection) development program; and the company's strong financial position.

During the fourth quarter of 2000, DUSA's dermatology partner, **Schering AG**, and its U.S. affiliate, **Berlex Laboratories**, launched LEVULAN PDT in the US for the treatment of AKs of the face or scalp. DUSA announced during the presentation that physicians or institutions signed over 100 contracts during the quarter for BLU-U brand light units, which are used with the LEVULAN KERASTICK in LEVULAN PDT. BLU-U's have been leased to doctors and academic centers around the country, including some of the most prestigious academic institutions. Dr. Marcus reviewed the aggressive expansion of the company's development programs, both in dermatology and for internal indications. In describing progress in dermatology indications, he reviewed positive results of an independent investigator study from Massachusetts General Hospital using LEVULAN PDT for acne of the back. Dr. Marcus also reported that, in addition to DUSA's own ongoing study of LEVULAN PDT for moderate to severe acne vulgaris of the face, DUSA plans to initiate clinical trials using LEVULAN PDT for treatment of onychomycosis and warts during the first half of 2001.

Regarding internal indications for LEVULAN PDT, DUSA intends to initiate new company-sponsored clinical protocols for the treatment of Barrett's Esophagus and brain cancer during 2001. DUSA also will continue to support and collaborate in new investigator studies on Barrett's esophagus and restenosis inhibition. Additional

indications being considered for further development include detection and treatment of cervical dysplasia, endometrial ablation, and bladder cancer.

1/11 **The Spectranetics Corporation** announced that it had received approval from the *Therapeutic Products Programme (TPP) of Health Canada* to expand to 100 patients its study of the use of higher laser energy delivered through Spectranetics' POINT 9 mm catheters on difficult-to-treat coronary lesions. In the expanded study, coronary arteries with 80% or greater blockages and evidence of calcification, lesions that had previously failed balloon angioplasty, or chronic total occlusions traversable by a guidewire will be treated by Luc Bilodeau, MD, of the Montreal Heart Institute, Montreal, Quebec, and David Hilton, MD, of the Royal Jubilee Hospital in Victoria, British Columbia. Drs. Bilodeau and Hilton recently completed a successful pilot evaluation involving 36 patients that demonstrated increased efficacy of higher excimer parameters -- blockages were crossed 94% of the time using higher laser parameters, compared with 72% using normal laser parameters. The expanded study will provide additional data to support the successful pilot study results.

Luc Bilodeau, MD, commented: "We're delighted to have the opportunity to continue this study, which provides us a better tool to open blockages in coronary arteries that have traditionally been resistant to interventional techniques, requiring a choice between continued pain or the trauma of bypass surgery. In fact, during the hiatus between the pilot evaluation and this approval, I applied for and received approval to use higher excimer parameters in a `compassionate use' case because the patient was not suitable for surgery and no other device on the market could open the artery."

Joseph Largey, president and CEO of Spectranetics, commented: "We're excited about Spectranetics' next generation of excimer laser products that combine smaller, more maneuverable fiber optic catheters capable of reaching previously inaccessible lesions, with the availability, if necessary, of higher laser parameters. When used in the skilled hands of highly trained and experienced physicians, our products are increasingly reducing the need for bypass surgery."

1/12 Following the announcement of the strategic alliance of **Edwards Life Sciences** with **PLC Systems Inc.** (see the January 9th brief above), **PhotoMedex, Inc.** announced that it had agreed with Edwards Life Sciences Corp. to defer implementation of their strategic alliance to develop cardiovascular applications utilizing PHMD's excimer laser technology.

PHMD is currently negotiating with Edwards to amend the terms of the alliance. There is, at this time, no specific schedule for the resumption of business activities under the alliance. PhotoMedex's president and CEO Jeff O'Donnell, commented, "In 1997, PHMD chose to partner with Edwards because of the costs and ultimate uncertainty of developing and marketing laser products for treatment of cardiovascular conditions.

While we maintained the Edwards alliance for over two years, during much of that time it has not been a major part of our strategic growth plan. Thus, this deferral will have no effect on the company's anticipated operations or revenues. Under our growth plan, we have focused on accelerating our successful distribution of our XTRAC systems to leading dermatologists. The success in treating psoriasis patients reinforces the correctness of that decision. As we begin 2001, we continue to aggressively pursue the roll out of our XTRAC laser system for the treatment of psoriasis, which we believe soon will be universally recognized as the standard of care among leading dermatologists."

1/13 **Trimedyne** announced that improved revenues for the first quarter of fiscal 2001 ending Dec. 31, 2000 are the result of the company's restructuring of its sales force and redirection of its marketing strategy. Revenues of $1.9 million for the first fiscal quarter increased 71% over revenues of $1.1 million for the preceding quarter ended Sept. 30, 2000. Complete financial results for the first fiscal quarter will be released in a few weeks.

The company also reported audited financial results for the fourth fiscal quarter and fiscal year ended Sept. 30, 2000, which included the financial results of its 90% owned subsidiary, **Cardiodyne Inc.** on a consolidated basis. Revenues from continuing operations for the fiscal year were $6.1 million, a decrease of 16% from revenues of $7.3 million for the preceding year. The company's net loss from continuing operations for the current year was $4.7 million (41 cents per share), vs. net income of $2.8 million (25 cents per share) for the prior year. Prior year's net income included net proceeds of $6.5 million from the settlement of the company's lawsuit against **C.R. Bard Inc.** Revenues for the fourth quarter were $1.1 million, a decrease of 52% over revenues of $2.3 million for the same quarter of the preceding year. The decrease in revenues was attributed to the company's restructuring of its sales force and redirecting its market strategy in the fourth quarter. The company had a fourth quarter net loss from continuing operations of $1.9 million (16 cents per share) compared with a net loss of $553,000 (5 cents per share) for the prior year's fourth quarter.

William Schubert, CEO of Trimedyne, said, "This is an exciting time for Trimedyne as we shift from research and development to focusing on sales and implementing our `fee-per-case' marketing strategy. During the fourth quarter we added significant strength to management and replaced many of our sales representatives, which took our sales force out of the field for training during this quarter. We also recently introduced several new products that are designed to produce immediate sales and meet customer needs. Although this re-tooling negatively impacted our fourth quarter sales, we have already begun to see positive results, such as the 71% increase in sales in the quarter ended Dec. 31, 2000, compared to the preceding quarter. With the recent release of our smaller Omnipulse Jr. 30 watt Holmium laser, the introduction of our FlexMax line of fiber optic devices, and the implemention of our fee-per-case marketing strategy, during the quarter we shipped more than half of the total number of lasers sold in the year ended Sept. 30,

2000. We anticipate sales will continue to increase, and we will continue to reduce operating costs."

1/15 **Altus Medical** announced that it had been granted clearance by the FDA to market the CoolGlide aesthetic laser system for permanent hair reduction. This clearance, the first given to a product with CoolGlide's unique wavelength (pulsed Nd:YAG), was supported with data from a long-term clinical study. Suzanne Kilmer, MD, director of the Laser and Skin Surgery Center of Northern California and principal clinical investigator, commented, "The clinical data collected over the course of the study demonstrates that the CoolGlide is safe and effective for permanent hair reduction." She added, "This is exciting news for practitioners interested in offering their patients permanent hair reduction provided by safe, state-of-the-art laser technology."

CoolGlide provides a fast, safe and effective way to remove unwanted hair in the broadest range of skin types including tanned patients. In addition to removing unwanted hair, the system is now cleared for the treatment of a broad range of vascular lesions, including leg veins. Kevin Connors, president and CEO of Altus Medical, stated, "We are pleased with the clinical study results which were instrumental for the FDA permanent hair reduction clearance. Altus will continue to conduct sound clinical research to determine the performance of our products going forward."

1/16 **The Spectranetics Corporation** announced that doctors in six hospitals throughout the United States, Canada and Europe participated in a study of the effectiveness of Spectranetics' lead-locking device (LLD) to remove unwanted pacing and defibrillator leads, as published in the December 2000 issue of the *Journal of Interventional Cardiac Electrophysiology* (Volume 4, No. 4). The study resulted in 100% extraction success rate with no major complications, including 98% success utilizing the LLD. The LLD is a novel mechanical device that provides a significant improvement over previous products designed to assist in the removal of faulty leads by providing traction to the leads, which are typically wire spirals. The LLD is inserted into the center opening (i.e., lumen) of the lead and then a braid surrounding the LLD expands to fill and grip the entire length of the lead's inner circumference, in effect converting a spiral into a solid ``pipe," which can more easily be extracted. Other devices on the market, which merely grip the lead at the far end, provide less stability and frequently release their grip on the lead. In the study, doctors utilized Spectranetics' lead-locking device in conjunction with telescoping polymer, stainless steel or laser sheaths to remove 99 faulty leads that were embedded in fibrotic tissue in the vascular and cardiac structures of 57 patients. Using the LLD, leads were removed via the implant vein in 97/99 (98%) of the cases. The remaining two leads were successfully removed by a femoral approach, without the LLD, yielding an overall extraction success rate of 100 percent. No major complications were observed. Frank Tyers, MD, of Vancouver General Hospital, commented: "Our study demonstrated the effectiveness of Spectranetics' lead-locking device. This product is a clear improvement, since competitive locking stylets release their grasp on the lead about

one-third of the time. The LLD, used in conjunction with Spectranetics' laser sheath, provides a much more reliable and faster method of removing faulty pacemaker and defibrillator leads."

Participants in the study follow:

Charles Kennergren, MD, Sahlgrenska University Hospital, Gothenberg, Sweden
Raymond Schaerf, MD, St. Joseph's Medical Center, Burbank, CA
Duncan Sellers, MD, Memorial Hospital, Colorado Springs
Bruce Wilkoff, MD, The Cleveland Clinical Foundation, Cleveland, OH
Charles Byrd, MD, Broward General Medical Center, Ft. Lauderdale, FL
Frank Tyers, MD, Vancouver General Hospital, Vancouver, BC, Canada

1/16 In the pursuit of looking younger and enhancing appearance, Americans are turning to facial plastic surgery to nip, tuck and smooth the lines of time. A recent survey released by the *American Academy of Facial Plastic and Reconstructive Surgery (AAFPRS)* reports that facial plastic surgery procedures have increased by nearly 12% since 1997. Overall, the number one elective facial cosmetic surgical procedure performed by AAFPRS surgeons was blepharoplasty (eyelid surgery). Procedures following close behind are rhinoplasty (nose surgery) -- which has increased by 44% since 1997, facelifts, laser resurfacing and forehead lifts. Skin cancer reconstruction was the most frequently performed reconstructive procedure for men and women. The survey revealed that facial plastic surgeons responding to the survey were each performing a particularly large number of rhinoplasties. (The surgeons who responded to the survey were certified by the American Board of Facial Plastic and Reconstructive Surgery.) In fact, responding facial plastic surgeons reported performing an average of 88 rhinoplasty procedures (with and without septoplasty) in 1999. Surgeons from other specialty groups also perform this surgery, and a survey by a group of general plastic surgeons (who perform surgery of the entire body) recently indicated an average of nine-to-ten rhinoplasty procedures performed per each surgeon for that same year. The total number of facial plastic surgery procedures by all surgical specialties now approaches one-million per year. (More about the survey and the organization can be obtained at their web page: **www.facial-plastic-surgery.org**.

1/16 **PhotoCure ASA** said that it had recently completed a large scale phase III clinical trial in Australia, where more than 800 pre-cancerous skin lesions (actinic keratosis or "sun spots") caused by sun damage, in over 200 patients were studied. Photodynamic therapy was compared to the most common traditional treatment, cryotherapy (freezing). The PDT involved application of a cream, Metvix, which is activated by light (CureLight), so that the "sun spots" were selectively destroyed, leaving the normal skin to heal without scars or blemishes. Ninety-one percent of the lesions were completely cured in patients treated with Metvix PDT. In contrast, only 68% of the lesions treated with cryotherapy

were completely cured. The cosmetic outcome in the areas that were treated with Metvix PDT was much better than in the areas treated by cryotherapy. Particularly, the occurrence of hypopigmentation (white spots on the skin) was less frequent in the Metvix PDT group. In addition, a clear majority of the patients preferred Metvix PDT to other treatment options.

Dr. Peter Foley of St. Vincent's Hospital in Melbourne, who was the lead investigator for this study, said, "These results suggest that PDT is an effective, well tolerated and cosmetically acceptable therapy for a very common problem. At the very least it will provide an alternative to the currently available therapeutic options." In Australia, up to 50% of the population who are over 40 have at least one "sun spot", and most have more than one. Worldwide, it is estimated that about 20 million cases of actinic keratosis occur each year. Although the rate of transformation from "sun spot" to skin cancer is low, many skin specialists consider these lesions to be early forms of cancer which should be treated accordingly.

The company also announced that it had submitted its second marketing authorization application (MAA) for Metvix PDT for the treatment of basal cell carcinoma (BCC), a non-melanoma skin cancer. (See the January 8th brief above.) The marketing application was made to the Health Authorities in Sweden who will act as the Reference Member State in the European Mutual Recognition Procedure, leading to EU-wide approval. PhotoCure ASA submitted its first MAA for Metvix PDT for treatment of pre-cancerous skin lesions, actinic keratosis (AK) in May 2000. This second MAA, for the treatment of BCC, is the result of PhotoCure's continuous development of Metvix PDT as an efficacious and cosmetically beneficial new treatment which will provide health care professionals with a further option to treat a broader range of patients. This new documentation provides support for Metvix PDT in patients with BCC where traditional treatments carry the risk of complications and a poor cosmetic outcome ("High Risk" BCC).

"This application is a major milestone for PhotoCure and we are proud to have developed the first pharmaceutical product for this indication. We are confident that Metvix PDT will become an important treatment option for these patients allowing them to reduce the need for costly and advanced reconstructive surgery," said CEO Vidar Hansson. BCC accounts for approximately 80% of non-melanoma skin cancers. There are over 1.7 million cases of BCC each year in Europe, the U.S. and Australia, and the incidence of the disease has grown at 5% per annum in the last decades. BCC is a locally invasive, slowly spreading tumor of the basal cell layer of the epidermis. The overall metastasis rate is very low, but if the tumor is not adequately treated initially, it may become more difficult to cure. Furthermore, the location of BCC has significant influence on its prognosis. The lesions that occur in the centre of the face tend to be more invasive and destructive, with greater risk of recurrence, and are more difficult to treat effectively. BCC on the nose is considered to be the location with highest risk and the most common

location of recurrence. Patients with a primary BCC have a 47% chance of developing a second primary lesion within 3.5 years indicating the need for good follow-up in these patients.

1/17 **PhotoMedex** announced that it had signed exclusive marketing and distribution agreements with leading distributors in Italy and South Africa to market and sell its XTRAC laser for the treatment of psoriasis to dermatologists within their respective countries. The agreements provide for full service; the distributors will be responsible for marketing, sales and all maintenance requirements for the XTRAC laser system.

The company also announced that its international initiative for the marketing and sale of the XTRAC laser treatment system will be supervised by Michael Allen, vice president of International Sales, who formerly served as vice president of Sales and Marketing for the U.S. Allen will be responsible for signing up additional distributors in Europe and elsewhere. His duties will include coordinating marketing and sales for and among all distributors, and scheduling and supervising the required clinical training and ongoing technical support to be provided by the company to all medical personnel utilizing the XTRAC laser.

The company's near term expansion plans include, among others, France, Germany, Spain, Benelux, and Switzerland. At the present time, it is anticipated that agreements will be concluded with leading distributors in each of these countries by the end of March 2001, subject to the completion of negotiations and the execution of mutually satisfactory agreements. The company's president and CEO Jeff O'Donnell, commented, "After careful consideration, we believe our international distribution plan is the appropriate long term strategy, as it gives us the advantages of working through the leading dermatological laser distributors in Europe and South Africa. Our plan also gives us direct regional coordination without having to share any of the benefits with one or more major multinational distribution organizations, which in the final analysis would not add significantly more than we are capable of doing ourselves. Therefore, we believe this approach offers the greatest economic benefit for the company, and allows us to better maintain control of our destiny outside the United States. Moreover, Europe is not a homogeneous region in that some countries allow reimbursement on a fee for service basis, and others do not. We believe that in some countries we will develop relationships such as we have in the United States whereby we will place a laser system in the doctor's office for free or at minimal cost, and charge the doctor a per procedure fee. In other cases, it may make sense to sell the XTRAC system in order to build critical mass and thereby limit competition. These aforementioned reimbursement considerations, coupled with the response to our treatment system in various countries and the vigor with which the various distributors implement their marketing plans, will more than likely require us to make allocation decisions between countries, at least in the early stages of our international expansion. Since the returns to us could be significantly different depending

on the type of reimbursement offered and our resultant distribution plan, we feel very strongly that we should make those decisions alone."

1/17 **BIOLASE Technology, Inc.** announced that unaudited sales for the fourth quarter of fiscal 2000 were $3.7 million, up 105% over last year's fourth quarter sales of $1.8 million. Sales for the fourth quarter were 68% above those of the third quarter of 2000. "The company also achieved substantial positive cash flow from operations for the first time in its history," said BIOLASE chairman, Federico Pignatelli, "which, in turn, confirms the validity of BIOLASE'S business model. BIOLASE is seeing constant increased acceptance of its new Waterlase and diode technologies in the multi-billion dollar dental device market. I am very proud of what the company has achieved and I commend the president and CEO, Jeffrey Jones and our staff. In two years BIOLASE has grown from $1.4 million in annual sales to $9.7 million. Not only did the company grow dramatically, in spite of the many challenges posed by introducing a new revolutionary technology, but did so by asserting itself as the world leader in laser dentistry. We are very confident that 2001 will be another year of strong growth for BIOLASE and the medical laser industry as a whole. In particular, the dental laser market is expected to be the strongest growth segment in medical lasers."

1/17 **Candela Corporation** announced that it's wholly owned Japanese subsidiary **Candela KK** will launch its new Smoothbeam diode laser at a special symposium on January 28, at Tokyo's Hotel Kokusai Kanko. The symposium is to introduce the breakthrough Smoothbeam skin renewal laser, whose unique 1450 nm diode-based technology leads to smoother skin and fewer wrinkles, to an elite group of several hundred Japanese physicians, spa practitioners and clinicians. The chief presenter will be David Goldberg, MD, Chief of Dermatologic Surgery at the New Jersey Medical School and Director of **Skin Laser and Surgery Specialists of New York and New Jersey**. Also making presentations will be Dr. Toshitatsu Nogita, Director of the Tokyo Yaese Clinic; Dr. Atsuko Mizuno, Director of the **Skin Clinic Daikanyama**; and Dr. Satoshi Nomura, a plastic and reconstruction surgeon affiliated with Tokyo Keisatsu Hospital.

Dr. Goldberg commented about the Smoothbeam, "This new laser uses a unique combination of optimum wavelength and skin cooling protection to take skin renewal to new levels of efficacy, safety, comfort and ease of use. In addition, the laser is being offered at a price that makes it affordable to all sizes of practice."

1/18 **The Spectranetics Corporation** announced that it had established a long-term distribution relationship with **KRAUTH Medical KG GmbH & Co.** effective January 1, 2001. Under the agreement, KRAUTH will have the exclusive right to sell and promote Spectranetics' product line throughout Germany, and Spectranetics will disband its German sales organization and restructure its European business operations, reducing annual overhead costs by more than $1 million. European sales activities outside of Germany are

unaffected, and **Spectranetics BV**, headquartered in the Netherlands, continues to be the company's European headquarters.

Stefan Widensohler, KRAUTH CEO, commented: "We are pleased to add Spectranetics to the broad and respected group of KRAUTH cardiovascular suppliers. The use of excimer energy to clear blockages in the cardiovascular system -- both in the heart and in the legs -- is an important and growing market in Germany, as it is in the United States. We intend to build this business in Germany for the benefit of patients, customers and our two companies -- KRAUTH and Spectranetics." Joseph Largey, president and CEO of Spectranetics, commented: "KRAUTH is clearly the premier distributor for medical products in Germany. By teaming up with KRAUTH, Spectranetics can focus its efforts on the U.S. market, while utilizing KRAUTH's 40-person cardiovascular sales force to penetrate the German market, which is becoming increasingly difficult to penetrate due to ever-increasing budget pressures and reimbursement regulations. Germany is an important market for Spectranetics, with the most highly developed market in the world for the use of lasers to open leg arteries. In fact, about half of our completed cases for the PELA study, to garner FDA approval to market excimer technology for use in the upper leg, have been performed in Germany. Similarly, we expect a large percentage of cases to be done in Germany from our upcoming LACI Phase 2 study, which is necessary to get FDA approval to market the laser in the United States for angioplasty in the lower leg. Germany also offers good potential for the coronary angioplasty and lead removal businesses, with a population nearly 30% the size of the United States."

1/22 **Trimedyne** announced that it had received clearance from the FDA to market its Holmium lasers for the treatment of enlarged prostates in men, a medical condition affecting an estimated 50% of men over age 55, technically referred to as benign prostatic hyperplasia or BPH. BPH is one of the most common medical ailments in the United States. Approximately 300,000 American men undergo a surgical or other procedure to treat BPH each year at an estimated cost to Medicare of more than $2 billion annually.

Included in the clinical data which Trimedyne supplied to the FDA was a study by Henry Krahn, MD, chief of urology of Concordia Hospital in Winnipeg, Canada, in which Krahn used Trimedyne's 80-watt Holmium laser to treat 70 men with BPH. After the laser procedure, their symptom level, using the American Urology Association's symptom scoring method, was reduced from an average of 23 to 9.6, a decrease of 58.5%, and their maximum urine flow rate increased from an average of 7.8 ml per second to 20 ml per second, an increase of 256%. A majority of the men were treated on an outpatient basis, with practically no bleeding. These results are comparable to those seen in published studies on the conventional surgical procedure to treat BPH, which is much more costly, may require a hospital bed stay of several days and can entail significant bleeding, other complications and a long recuperation period. Krahn stated, "We have now treated more than 1,000 men with BPH with Trimedyne's Holmium laser,

and their satisfaction with the procedure is so high and complications so rare that we no longer offer the conventional Trans-Urethral Resection of the Prostate (TURP) procedure for BPH in our institution."

Trimedyne CEO William Schubert commented: "Holmium lasers have now been used to treat BPH in several thousand patients worldwide with excellent multi-year results. The standard of care for treating BPH has historically been a TURP surgical procedure, in which a wire loop is heated with RF (radiofrequency) energy and used to carve away pieces of the prostate. The TURP procedure, while effective, can require several days of hospitalization and may be accompanied by complications such as infections, prolonged bleeding, blood transfusions, incontinence, impotence, extended burning sensation during urination and other problems, as well as the risk of death. The Holmium laser procedure minimizes many of these complications, while providing comparable outcomes at significantly lower cost."

1/23 **Axcan Pharma Inc.** announced the adoption by its Board of Directors of a Shareholder Protection Rights Plan. The Plan is similar to plans adopted by a number of public companies and is intended to protect shareholders from unfair or coercive take-over strategies, including the acquisition of control through a take-over bid that does not treat all shareholders equally or fairly. In making the announcement, Axcan said it is not aware of any pending or threatened take-over bid for its shares.

1/23 **Coherent, Inc.** announced financial results for its first fiscal quarter ended December 30, 2000. Bookings and sales were $188.4 million and $154.5 million, respectively, representing a 40% and 21% increase from the same quarter last year. The order backlog of $207.7 million as of December 30, 2000 was at a record high and was 91% higher than a year ago. Current quarter net income represented a new quarterly high when compared to previous quarters, excluding any non-operating gains. Net income for the current quarter was $12.2 million (43 cents per share) including a $0.2 million (1 cent per share) cumulative effect from a change in accounting for derivatives (SFAS 133). This compares to net income of $6.7 million (26 cents per share) in the corresponding prior year period, an increase of $5.6 million (83%).

The **Lambda Physik** segment booked orders for a record $40.8 million including $20.5 million in excimer lasers for the DUV lithography marketplace. This compares to $28.3 million, including $13.1 million in lasers for lithography, booked in the same quarter last year. The Lambda Physik segment recorded record sales of $11.6 million in excimer lasers for DUV lithography in the current quarter, compared to $7.8 million in the same quarter last year. The Electro-Optics segment booked a record $103.9 million of new orders in the current quarter. This compares to $65.6 million booked in the same quarter last year. The Electro-Optics segment recorded record sales of $78.3 million in the current quarter, compared to $59.5 million in the same quarter last year.

Dr. Bernard Couillaud, Coherent's president and CEO stated, "We are extremely pleased with our financial performance, and the substantial progress we have made in a number of key areas. In November, we acquired **Crystal Associates, Inc.** of East Hanover, New Jersey. Crystal Associates manufactures exotic crystals, which are utilized in a wide variety of photonics applications. This is an important addition to the company, as crystals are an enabling media for current and future generations of photonics devices, especially lasers. This should enable Coherent to accelerate deliveries into several key sectors including FreD lasers for fiber Bragg manufacturing and Avia lasers for advanced packaging and interconnect markets.

For the fiscal year ending September 29, 2001, Coherent expects to achieve a sales growth rate in the range of 17-23%, compared to 21% in fiscal 2000.

Medical Group sales during the quarter were $47.3 million, up 1% from the $46.8 million in last year's same quarter, but down 9% from the $52 million in the preceding quarter. During the accompanying teleconference, Bernard Couillaud, president and CEO noted that the SLT treatment for glaucoma had been refiled with the FDA in December, and the company had high expectations of obtaining marketing clearance shortly.

1/23 **Candela Corporation** reported results for its fiscal second quarter ending December 30, 2000. The company said revenues for the quarter were $14.7 million compared to $17.8 million for the same quarter one year earlier, and up from the $13.1 million from the preceding quarter. Net income for the quarter was $848,000 (8 cents per share) compared to net income of $3.2 million (30 cents per share) for the same quarter last year. Commenting on the quarter, Gerard Puorro, Candela's president and CEO commented: "All of our geographic areas returned to their expected growth rate except for those markets served by our distribution partner **Physician Sales & Service, Inc. (PS&S)**, where we saw a cessation of orders. PS&S is rebounding from some significant internal disruption. Over the last several days and weeks we have had several positive discussions and are hopeful that together we will see this portion of our business rebound."

During the accompanying teleconference with analysts, Puorro discussed the PS&S problem candidly. Apparently, the company was having intense internal problems, and didn't order any lasers during the quarter, whereas they had been ordering a significant number of systems over the previous 8-9 quarters, such that their business represented 14%-18% of the company's revenues. Candela has been in serious talks with PS&S's management, and if the problems cannot be resolved, Candela will either find another distributor, or put its own sales force in place to maintain the business with general practice physicians previously serviced by PS&S. The company's CFO provided a breakdown of revenue sources: hair removal products representing 40%; vascular lasers 20%; pigmented lasers 10%;, service about 10%; and skin care the remaining 7%-8%. Sixty percent of the business is from outside of the U.S.

The following day, the company announced it had received FDA marketing approval for a laser system to treat psoriasis. (A source within the company confirmed that this is a pulsed dye laser.) Candela is still conducting on-going clinical trials and expect to begin marketing the system during this summer. Gerard Puorro, commented: "Following acne, psoriasis is the second most common skin disorder in the United States. The market is underserved by current treatments. We are excited to be able to play a role in such a market. While we won't market this device before summer, we are announcing this now to clarify the timing of our entry."

1/24 **Emergent Group Inc.**, a New York-based merchant banking firm, announced that it has reached an agreement to acquire **Medical Resources Management Inc. (MRM)**, the leading provider of medical equipment and technical services to health-care facilities in the Western United States. The transaction will take the form of a common stock swap, whereby 0.37 shares of Emergent Group will be exchanged for each share of MRM. MRM will operate as a wholly owned subsidiary of Emergent Group. Medical Resources Management provides medical equipment solutions in the areas of laser surgery, cryosurgery, brachytherapy and other capital-intensive medical technologies to health-care facilities and physicians. Emergent Group is a banking firm with a portfolio of significant equity interests in early-stage medical and information technology companies. Emergent is developing an operating business by using its investment expertise to assist emerging medical technology companies rapidly distribute their products through MRM's widespread health services channels.

1/24 **The Plastic Surgery Company**, which owns and/or manages a national network of cosmetic surgery centers, announced that its recent acquisition of the Ft. Lauderdale-based **Florida Center for Cosmetic Surgery** which has annual revenues of approximately $8 million, was quickly offering proven concepts that can be incorporated into the company's established network of Cosmetic Surgery Centers. The company plans to use The Florida Center as the prototype and flagship center for its next generation model, wholly owned Personal Image Centers in which cosmetic surgery, cosmetic laser procedures and physician-directed skin care are all offered in one site at a comprehensive center. The company has been pursuing this strategy through the conversion of selected affiliate practices, the acquisition of existing centers in attractive retail markets and an expanding offering of physician-directed skin care and cosmetic laser treatments in each of its founding network of cosmetic surgery centers.

1/29 **Cell Robotics International** announced that it has received a Notice of Allowance from the U.S. Patent and Trademark Office regarding the grant of a patent covering the automatically advancing disposable lens shield cartridge sold with the company's FDA-cleared Lasette, a diabetes management product. The home-use disposable provides a shield for the laser lens from the vapor created after each use of the Lasette. The company's single-use disposable shield, for clinical-use was previously granted patent

coverage in 1999. "The patent covers the automatically advancing lens shield cartridge, which is essential to the operation of the Lasette, assuring the diabetic patient that the laser lens is clean and allowing for more consistent results. This cartridge further facilitates the utility of the Lasette since it can be used 120 times before needing replacement. For a person with diabetes who tests four times a day it would last approximately one month," said Ronald Lohrding, Cell Robotics president and CEO.

1/29 **Theratechnologies** announced that the first patient had been enrolled in the clinical trial of its ex vivo photodynamic (PDT) cell therapy system, Theralux, for non-Hodgkin's lymphoma (NHL) at Maisonneuve-Rosemont Hospital. Theralux is a non invasive "ex vivo" process designed for the treatment of cancers affecting bone marrow. This is the second clinical validation using Theratechnologies' cell therapy system, which was classified as a medical device in Canada. The objective of the trial, involving 28 patients, is to determine safety and efficacy of Theralux in purging cancerous cells in patients with non-Hodgkin's lymphoma. Preclinical studies conducted in NHL cell samples have shown Theralux's capacity to eradicate cancerous cells, while preserving an adequate proportion of healthy stem cells to allow engraftment. Preparations are underway to extend the NHL trial to other medical centres in Canada.

Theratechnologies is also conducting another clinical trial for chronic myeloid leukemia at Maisonneuve-Rosemont Hospital. Both trials are under the direction of lead clinical investigator, Dr. Denis-Claude Roy, a well-known hematologist. Theratechnologies' Theralux process consists of destroying cancerous cells using a light source and photosensitizing agent. The process is conducted "ex vivo" (outside the body), causing no side effects or toxicity. Once the blood sample has been purged of the diseased cells, it is reinfused into the patient who meanwhile has undergone chemotherapy treatments.

Non-Hodgkin's lymphoma is one of several cancers originating in the lymphatic system. It occurs when a lymphocyte, a white blood cell, undergoes a malignant change and begins to multiply, eventually crowding out healthy cells and creating tumors which enlarge lymph nodes. According to statistics, some 250,000 people develop non-Hodgkin's lymphoma every year in the US, while some 25,000 die of this disease annually. An added characteristic of the Theralux process is its ability to inhibit, in certain cases, immunoreactivity. Last year, Theratechnologies launched preclinical studies at Maisonneuve-Rosemont Hospital in Montreal and Duke University Medical Centre in South Carolina, to evaluate Theralux's potential in the treatment of graft-versus-host disease (GvHD), a life- threatening condition observed following allogeneic transplantations (from a donor).

Theratechnologies is a Canadian biopharmaceutical company engaged in the development of therapeutic peptides and cell therapy. One of its lead products is the ThGRF 1-44 peptide, a growth hormone-releasing factor analogue, which may offer a solution in the treatment of muscle wasting, hip fractures and sleep disorders.

MEDICAL/SURGICAL LASER UPDATE -- February 2001

1/30 After announcing a strategic relationship with **Edwards Lifesciences Corporation** earlier in the month (see the January 9th brief in last month's newsletter), **PLC Systems** announced that the company had received FDA approval to market the next-generation CO_2 TMR Heart Laser 2 system. Building on the strong clinical performance of PLC's first-generation TMR laser, the next-generation CO_2 TMR Heart Laser has greater mobility due to its significantly smaller size.

"We are pleased to introduce our next-generation CO_2 heart laser to the cardiac marketplace," said PLC Systems' president and CEO Mark Tauscher. "There are several advantages to the latest CO_2 TMR Heart Laser. For example, it is easy to move and is less than half the weight of our first-generation laser. One person can move our new laser easily from surgical suite to surgical suite, which increases the laser availability to every cardiac surgeon in the hospital. In addition, the smaller size and mobility of the new heart laser will allow surgical teams to decide intra-operatively to use the laser for treating areas of the myocardium not addressed by bypass surgery."

1/31 **BIOLASE Technology, Inc.** announced it had received clearance to market its Twilite diode laser system for laser whitening of teeth from the FDA. The Twilite is the first 810 nm diode laser, the standard for dental diode lasers, to be granted FDA clearances for teeth whitening. BIOLASE will sell the Twilite with a proprietary consumable whitening gel called LazerSmile. The company said that LazerSmile has significant advantages over other existing technologies, including speed and ease of use. BIOLASE expects this FDA clearance will dramatically increase sales of its Twilite diode laser. Marketing promotions will begin in March 2001.

The rapidly expanding market for cosmetic teeth whitening is estimated to be $1 billion. Much of the growth of all types of cosmetic and other elective procedures, such as cosmetic dental laser surgery, is due to the desire of aging baby boomers to look younger and better. The LazerSmile laser whitening system is faster, can be performed as an in-office procedure and is more convenient for patients than conventional take-home systems. With this new FDA clearance, BIOLASE's Twilite laser will now be marketed as a true multi-purpose system that will allow dentists to perform fast, effective teeth whitening in addition to the numerous soft tissue and periodontal pocket procedures that it is currently used for.

Since initial shipments in mid-2000, BIOLASE's Twilite laser has quickly become recognized by top clinicians and cosmetic courses as the leading dental laser for cosmetic, soft tissue and hygiene procedures. The Twilite gives cosmetic dentists, general dentists and specialists a state-of-the-art tool to perform a wide range of soft tissue procedures with dramatically reduced post-operative discomfort and trauma than traditional methods. Jeffrey Jones, BIOLASE president and CEO, commented, "This

important clearance for whitening synergistically complements our current sales and marketing activities for both our Waterlase hard and soft tissue laser and the Twilite. It strengthens our position as the leader in innovative dental laser technology and gives us the ability to provide dentists with a complete spectrum of lasers for dentistry...The Twilite is extremely fast being able to complete one section in only 15 seconds and a complete mouth in less than two minutes. One of the most popular competitive light activated whitening products currently in the market requires about one hour to do a complete mouth."

2/2 **Surgical Laser Technologies, Inc.** announced its financial results for the fourth quarter and for the year 2000. Net sales were $2.6 million for the quarter, an increase of $753,000, or 42%, over the fourth quarter 1999 net sales of $1.8 million. Net income for the quarter was $51,000 (2 cents per share) compared to $62,000 (3 cents per share) in the fourth quarter of 1999. Operating income increased to $42,000 from the 1999 fourth quarter operating income of $19,000.

For the year 2000, net sales were $8.9 million, an increase of $978,000, or 12%, from 1999 net sales of $7.9 million. Net income for the year was $241,000 (11 cents per share) compared to a net loss of $1.9 million (95 cents per share) in 1999. The 1999 net loss included non-recurring charges 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: "We made a great deal of progress in 2000. The most important objective that we had entering the year was to develop avenues for revenue growth. Our product development activities have resulted in several products that we believe will begin to contribute to revenues in 2001. In addition, our acquisition of **Surgical Innovations & Services, Inc.** in June of 2000 provided immediate revenue impact and the potential for further growth through the expansion of its contract service offerings to include additional laser and non-laser product offerings and through geographic expansion. Over one-third of total sales in the fourth quarter of 2000 were derived from the SIS operation, which now includes the per-case rental operations of SLT's Laser OnCall program."

2/6 **The Spectranetics Corporation** reported that revenue in the fourth quarter of 2000 was $7.1 million, up 6% from $6.7 million in the fourth quarter a year ago. The company reported a net loss for the quarter of $2.2 million (9 cents per share) compared with net income of $24,000, or zero cents per share, in the fourth quarter of 1999. Fourth quarter results included $1.2 million for the restructuring of the company's European operations and $0.2 million for taxes on a discontinued operation. Excluding those charges, the company lost $0.8 million (3 cents per share).

Joseph Largey, president and CEO, commented: "Fourth quarter revenue set a record for the company, surpassing the $7 million mark for the first time. Importantly, U.S. revenue was up 16% compared with the fourth quarter of 1999. Exceptional growth from our ClearRS line of products for the removal of faulty pacemaker and defibrillator leads, as well as a strong launch of our new POINT 9 family of small and flexible angioplasty catheters, fueled sales growth. This strength was offset somewhat by a decline in laser placements compared with the prior year. Spectranetics' gross margin percentage for the quarter was strong at 71%, compared with 69% a year ago, due to continued manufacturing productivity enhancements and sales growth of disposable products, which command higher gross margins than excimer laser systems. Operating expenses reflected growth in our sales and marketing organization, higher R&D expenses, and increased royalties."

The company placed eight new excimer laser systems during the quarter, down from 14 in the year-ago quarter. As a result, laser revenues, which fluctuate markedly from quarter to quarter, were down 18% to $1.0 million. Revenue from disposable products was up 10%, consisting of a 36% increase in sales of lead removal devices and a 1% increase in coronary angioplasty catheters.

For the year, revenue increased 21% to $26.9 million compared with $22.3 million in the prior year. Excluding the negative impact of foreign currency fluctuations, revenue increased 23%. Compared with the prior year, disposables were up 27% to $18.9 million, due to a 63% increase in lead removal products and a 16% increase in coronary angioplasty products. Service revenues were up 22% and excimer laser system revenues were down 3% compared with the prior year. The loss from continuing operations for the year was $8.5 million (37 cents per share) compared with a loss of $4.2 million (19 cents per share) in 1999. Both years had reorganization reserves and litigation costs. Excluding these charges from both years, the loss in 2000 was $3.7 million (16 cents per share) compared with $2.9 million (13 cents per share) in the prior year.

In June of 1999, the company sold its former industrial subsidiary, **Polymicro Technologies, Inc.** In 1999, income from Polymicro's operations and a gain on its sale amounted to $9.4 million. In 2000, Spectranetics recorded a $0.2 million tax expense on the Polymicro sale. As a result, net income for 1999 was $5.2 million (23 cents per share) compared with a loss of $8.7 million (37 cents per share) in 2000.

The company also said that it was taking significant steps to simplify its focus on key revenue drivers, improve operating efficiency, and expedite the timeline for promising new clinical applications. Joseph Largey commented: "Our 2001 business plan reflects our commitment to growth via increased investment to accelerate our primary clinical trials. We now expect our PELA trial, which involves use of laser energy to treat blockages in the upper leg, to complete enrollment by the end of 2001. Our LACI trial, which deals with blockages at or below the knee, just received FDA approval to begin

Phase 2 -- the final phase of the trial. We plan to keep LACI on a fast track, completing enrollment within 12-15 months. Our LARS trial, which involves the use of laser angioplasty to clear re-stenosed stents, is benefiting from recent FDA approvals for radiation therapy within stents, which have instructions that require the use of debulking devices prior to the use of radiation. The excimer laser is among the debulking devices specifically mentioned in these radiation therapy instructions. Spectranetics' commitment to bringing new applications of excimer technology to the market as soon as possible remains steadfast -- in order to raise the standard of care for the patient, lower the patient's and provider's costs, and benefit Spectranetics' shareholders. We are also strengthening our marketing plans in order to continue capitalizing on Spectranetics' superior technology. For example, Spectranetics is initiating a program, built around our PMA-approved indications, to market coronary angioplasty products for clogged thrombus- laden saphenous vein grafts, emphasizing the ability of excimer energy to dissolve thrombus, ablate underlying plaque, and avoid complications such as myocardial infarction and distal embolization. We will also build upon the strength enjoyed last year in the CLeaRS product line for removal of faulty cardiac pacing and defibrillator leads, and the successful introduction of the POINT 9 family of small and flexible cardiac catheters."

2/6 **BIOLASE Technology, Inc.** announced it had expanded the market potential for its Twilite diode laser by selling, through a distributor, to the veterinarian market. BIOLASE has appointed **Veterinarians Management Services**, dba **Summit Hill Laboratories**, as its North American distributor for veterinarian sales of the Twilite laser. Summit Hill Laboratories has entered an initial commitment for 60 lasers. BIOLASE has received prepayment for the first five Twilite lasers and shipments will begin immediately.

Summit Hill Laboratories, a privately held company, has been selling pharmaceuticals, dental, surgical and anesthesia equipment to the veterinarian market for 35 years. Summit Hill sells its products through 25 veterinarian distributors who have over 800 field sales people and 800 telemarketers. "While lasers are relatively new to the veterinary market, with less than an estimated 1,000 units sold to date, we project the total market for veterinary lasers to be about $200 million over the next 5-10 years," stated Charles Rahner, Summit Hill president. Rahner continued, "The market for veterinarian high-tech equipment is growing. This is driven by the fact that veterinarians are becoming more and more sophisticated and consumers are demanding better care for their animals. With growing public knowledge of the improved clinical advantages of lasers, an increasing number of people are asking veterinarians for laser treatments." Jeffrey Jones, BIOLASE president and CEO, commented, "This expansion into the veterinarian market is the first of several new markets that BIOLASE is considering for our existing and future products. While our main market for the Twilite is in dentistry, incremental sales to the veterinarian market will increase our revenue, help lower cost of goods on the Twilite and is another step towards our goals of high growth and profitability."

2/6 **Palomar Medical Technologies, Inc.** announced financial results for the fourth quarter and year-ended December 31, 2000. Chairman and CEO, Louis (Dan) Valente commented: "We are pleased with our accomplishments in 2000. In less than fifteen months after the sale of our **Star Medical Technologies, Inc.** subsidiary to **Coherent**, we were able to begin 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 including tan skin. Super long-pulse technology, pioneered by Palomar, allows us to develop advanced products at substantially less cost than that of previous technologies. This technology has set a new industry standard. Palomar, the leader in technology innovation, expects to see our advanced research and market development activities pay off in 2001 in the form of several new product introductions. We have expanded our sales force by adding an experienced cosmetic laser direct sales team covering all the major markets in the United States and signing on several international distributors. We will continue to expand our direct sales team and international partners in the coming year."

"We also expanded our license agreement program by signing up additional companies in 2000 with non-exclusive 7.5% royalty-bearing sublicenses 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. These agreements continue to 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 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."

For the year, revenues were $13.2 million, compared with revenues of $24.3 million for last year. The decrease in revenues is principally attributable to the loss of revenues from Star that were included in the year ended 1999. Star was sold on April 27, 1999 for $65 million in cash. Net loss for the year was $9.6 million (97 cents per share) as compared with a net loss of $22.0 million, not including the gain from the sale of Star, for 1999. Gross margin was $2.6 million, or 20% of revenues, as compared to $8.7 million, or 36% of revenues for the previous year. The decrease in gross margin was principally attributable to the loss of revenues from Star that were included in the year ended 1999.

For the fourth quarter, revenues were $3.7 million, compared with revenues of $2.4 million for the fourth quarter of 1999. The increase was attributable to the introduction of the Palomar SLP1000. Net loss for the quarter was $3.2 million (31 cents per share) as compared with net loss of $5.6 million (56 cents per share) for the fourth quarter of 1999. Net loss for the quarter includes an unanticipated charge of $700,000 reducing the gain previously recognized from the sale of Star and represents a 1.5% adjustment to the gain recognized on the sale of Star. Revenues for the quarter were lower than

expectations primarily due to a shortfall in sales in Japan. Japan instituted a new regulation in October 2000 that prohibits the sale and use of hair removal lasers to the non-physician market. Spas and salons in Japan were expected to be approximately 30% of fourth quarter 2000 revenues. This new regulation is expected to continue to impact revenues at approximately the same percentage throughout 2001.

2/7 **Eclipse Surgical Technologies** reported that for the fourth quarter ended December 31, 2000, its worldwide revenues were $4.9 million, with a net loss of $3.2 million (10 cents per share). The sales for the quarter were primarily from disposables used with the company's proprietary lasers, which are now being placed in surgical settings and largely charged on a per-procedure, or per-disposable basis rather than as a large capital equipment purchase. For the year-earlier period, while the company was still primarily operating on an older revenue model based more heavily on the sale of lasers themselves, revenues were $7.6 million, with a net loss of $4.1 million (including merger costs of $300,000) (14 cents per share).

Of the total fourth quarter sales, lasers were $800,000 compared to $4.5 million for the fourth quarter of 1999. Disposable and other product sales were $4.1 million for the versus $3.1 million for the fourth quarter of 1999, reflecting increased shipments of disposables and higher disposable sales prices under the company's per-procedure business model.

For the year, worldwide revenues were $22.2 million with a net loss of $14.6 million (48 cents per share), versus revenues of $25.3 million with a net loss of $28.3 million (99 cents per share) for the previous year.

Michael Quinn, who joined Eclipse as its president and CEO in mid-October 2000 commented, "We are moving aggressively to transition Eclipse from a company that is solely focused on its innovative technologies to a company that is marketing and sales driven and committed to a balanced approach to growth and profitability. We strongly believe that, over time, by focusing on the needs of the cardiovascular market and emphasizing the per-procedure revenue model we will achieve a broader base and position the company to reach its goals more quickly. A key part of our strategy going forward is to not only continue to increase the number of laser placements, but to significantly enhance the utilization of those lasers. Our per-procedure business model is helping introduce our TMR (transmyocardial revascularization) lasers to more locations and more surgeons and interventional cardiologists worldwide. It does make year-to-year comparisons difficult in this transitional year, but the important comparison between the end of 1999 and the end of 2000 is the number of sites that use the laser. At the end of 1999, there were 157 sites in the United States using Eclipse lasers for TMR and by the end of 2000, the number of U.S. sites had risen to 249, an increase of 59%. The company believes its share of the TMR market is in excess of 77%. The number one job facing us now is to position the company to increase sales and achieve profitability."

2/7 **Cell Robotics International** announced that it had received a $1 million loan from its Board of Directors, at a rate of 10%, to build inventory and to increase the marketing and sales effort of the company's FDA-cleared Lasette in the U.S. As part of the loan, the Directors received a total of 150,000 warrants in proportion to their participation.

"We believe this infusion of capital from our Board of Directors who have committed their personal capital is a strong confirmation of their support for the future of Cell Robotics and the true potential of our product," stated Ronald Lohrding, Cell Robotics board chairman, president and CEO. "Our Board of Directors is fully committed to our efforts in providing the diabetes marketplace with a tool that can help manage each patient's condition in a more efficient and thus in the long term, a more cost effective manner."

2/7 **Miravant Medical Technologies** announced that it was presenting results of its Intracoronary PhotoPoint photodynamic therapy at the *Cardiovascular Radiation Therapy V and Restenosis Forum*, in Washington D.C. The PhotoPoint procedure is designed to address the most critical complication of coronary angioplasty: the re-narrowing (restenosis) of arteries following balloon angioplasty, which can lead to recurrence of severe symptoms and myocardial infarction. Data from these preclinical studies suggest that PhotoPoint therapy may aid in prevention and treatment of restenosis by inhibiting the aggressive overgrowth of cells that block arteries.

"The development of restenosis following angioplasty is thought to be a natural tissue response to the injury caused by stretching an artery with a balloon catheter," stated Ron Waksman, MD, Washington Hospital Center, Washington D.C. "We investigated the PhotoPoint procedure in advanced coronary restenosis models. The treatment showed pronounced decreases in restenosis by reducing or entirely preventing cell overgrowth. I am enthusiastic that our results may support the future clinical investigation of the procedure to treat this proliferative vascular disease."

2/8 **Pharmacyclics** reported financial results for its fiscal second quarter ended December 31, 2000. The net loss for the period was $7.9 million (49 cents per share) compared to a net loss of $5.4 million (36 cents per share) in the comparable period of fiscal 2000. 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 three 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.

2/12 **DUSA Pharmaceuticals, Inc.** reported that independent investigators in the United Kingdom had initiated a new study using DUSA's LEVULAN (aminolevulinic acid HCl) photodynamic therapy (PDT) following balloon angioplasty, in the treatment of narrowed or blocked superficial femoral arteries (SFAs). The goal of this randomized, controlled study is to confirm earlier positive pilot trial results and determine whether adjunctive LEVULAN PDT treatment can prevent or reduce restenosis (recurrent blockage) compared to the standard angioplasty-alone technique. DUSA is providing LEVULAN and financial support for this study.

DUSA had previously reported the results of a pilot study by the same investigators that included 7 patients with a total of 8 lesions. All patients had previously undergone conventional angioplasty, but had suffered symptomatic restenosis or blockage at the angioplasty sites between 2 and 6 months after the initial treatment. In the pilot study, prior to receiving another angioplasty, each patient received 60 mg/kg body weight of LEVULAN orally, 5 to 7 hours before the procedure. The second angioplasty was then carried out normally, but was followed by exposure of the site to a red laser light of 635nm wavelength, delivered through a transparent angioplasty balloon with a fiber optic diffuser. With SFA stenosis, patients often have pain in their legs after walking a short distance. In the pilot study, all patients became asymptomatic after the procedure and remained asymptomatic during the entire 6-month follow-up period. When examined in a follow-up x-ray type procedure 6 months later, all treated arteries remained open. In 3 cases there was no radiological evidence of restenosis; 3 had 25% restenosis and 2 had 40% restenosis. There were no reported complications of the procedure. The investigators concluded that LEVULAN PDT following angioplasty "is safe and may reduce restenosis following angioplasty".

2/11-
2/12 According to *Reuters*, **ESC Medical** has agreed to acquire the medical laser division of California-based optical firm **Coherent Inc.** for $120 million, the *Maariv* daily reported on Sunday. The newspaper said the deal will be split between cash and a stock swap and noted ESC's revenues would rise to $300 million a year from $130 million. If the deal goes through, Maariv said ESC would be among the world's largest companies in the medical laser industry. ESC declined to comment on the report, although a company spokeswoman said it was negotiating with several entities. "ESC's strategy is to grow through acquisition of new technologies, whether we purchase them from other companies or develop them in-house," she said. "ESC is involved in active negotiations with several companies at this time to acquire the companies or their technologies."

The following day, *The Jerusalem Post* carried an article by Sharon Berger on the possible acquisition. In it, the author said that ESC Medical refused to comment on reports in the previous day's newspaper, but that analysts said the deal, which had been rumored for some time, was likely to cost at least three times more than the $120 million quoted in Maariv. "As a public company, we have an obligation to report major news to

all our shareholders through press releases," said Lynn Golumbic, director of corporate communications at the Nasdaq-traded company. "When we have something to report, we will do so." Kobby Finkelstein, head of research at **Moritz & Tuchler Ltd.**, said that the deal is likely to be valued at $400 million - $500 million, rather than $120 million, but speculated that the difference could be in a share swap. He explained that Coherent's (medical) laser division is a small part of the company's overall operations, which has a market capitalization of $1.2 billion. Finkelstein said the division is about equal to ESC's entire operation, which has a current market capitalization of just over $400 million. He noted that each company currently has about 25% market share.

The article went on to note some of the past history of ESC. "ESC has had a number of smaller mergers as well as major mergers with the U.S. company **Luxar** in 1997 and Israeli company **Laser Industries** in 1998. Finkelstein said that ESC has not managed to exploit the opportunities from previous mergers, but he is confident that a merger with Nasdaq-traded Coherent would be different, primarily because of "the company's strong, experienced management."

In 1999, the company, which had almost a 50% market share, went through a major crisis, as its position as dominant market leader was undercut by companies such as Coherent and Nasdaq-traded **Candela Corp.** It came close to a Chapter 11 filing and had losses of $140 million. After a fierce battle for control, the new management has helped turn the company around. It is currently expecting $46 million in revenues and $0.20 earnings per share for the fourth quarter of 2000."

"If ESC merges with its main competitor, Coherent, it will create a much less competitive environment, particularly in the U.S.," said Finkelstein. He believes there will be great synergy as a result of the merger, including further cutbacks in the workforce, primarily in the U.S. "In the last year, ESC has already scaled back its workforce by 100-200 people to make the company more efficient," he added.

He strongly believes that ESC is well situated to benefit from growth in the medical laser market because of its unique product line, which includes not just laser technology but also intense pulse light which is cheaper than laser and can be used on colored skin without leaving marks, as well as its marketing strategy which includes sales not only to medical professionals but also to beauty salons. He expects that ESC will be able to increase its earnings per share threefold by selling hair removal units to beauty salons at a substantial discount, combined with pay per usage fee.

In addition he noted that ESC had a number of innovative products in the pipeline which are "potentially worth hundreds of millions of dollars," such as acne cures and ear infection cures for children, which should be launched this year. "Only about 3% of women worldwide use laser treatment for hair removal, even if this number grows to only 10% it will be a huge boost for the industry and ESC," predicted Finkelstein.

Following the publication of the two newspaper articles above, the two companies finally broke their silence and issued a joint press release, basically confirming they were in discussions, but that nothing definitive had yet been decided. They expected to be in a position to provide details about a possible transaction later in the week, once a definitive agreement had been signed. (My sources within both companies all said, in effect, they could not talk on the record until a deal had been struck.)

2/12 **PhotoMedex, Inc.** announced that it had submitted an application for 510 (k) clearance with the FDA to commercially market its XTRAC laser system for the treatment of vitiligo. Vitiligo is a skin disease that, according to the *National Vitiligo Foundation (NVF)*, afflicts approximately 1-2% of Americans (2-4 million). The disease causes the loss of pigmentation; patients' cells are destroyed and the pigment can no longer be produced, which results in the development of white spots of various sizes and in various locations. The spots occur when pigment cells are destroyed and the pigment can no longer be produced. The NVF further reports that PUVA, the mainstay of treatment for vitiligo patients, can cost $6,000 or more per patient. This figure is based on 120 treatments over an eighteen-month period and 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.

The company's president and CEO Jeff O'Donnell, commented, "The FDA filing for vitiligo reflects our commitment to expand the treatment capabilities of our XTRAC system to other skin diseases. We believe the preliminary clinical indications we have received to date support our hope for a timely approval, which approval would allow our doctors to begin offering an efficacious treatment to a patient population that up to now has had few options and is largely under served."

2/13 **Laserscope** reported its financial results for the quarter and year ended December 31, 2000. Revenues for the quarter were $8.2 million compared to pro forma revenues of $8.9 million in the fourth quarter a year ago. Year-to-date revenues were $35.4 million compared to pro forma revenues of $35.1 million in 1999. Pro forma revenues for 1999 exclude **NWL** revenues of approximately $0.7 million for the fourth quarter and $5.9 million for the year. Laserscope divested NWL as of January 1, 2000 but retained NWL as an independent distributor in Germany.

The company reported a net loss of $270,000 (2 cents per share) for the quarter. The results for the same quarter in 1999 were a loss of $1.7 million (13 cents per share). For

the year, Laserscope reported net income of $186,000 (1 cent per share) compared to a net loss in 1999 of $7.6 million (60 cents per share).

Commenting on the report, Eric Reuter, Laserscope president and CEO said, "We are pleased with the full year results due to the fact that this will be our first year of profitability since 1993, and, on essentially the same (proforma) revenue base, we improved the profitability of the company by almost $8 million from 1999 levels. However, we are very disappointed that our recent quarterly revenues were below the same quarter in 1999 without the revenue contribution of our NWL subsidiary. The lack of growth was primarily due to less than satisfactory results in our domestic and French markets. We believe that there continue to be opportunities in these regions as well as the rest of the world. In the domestic market in particular, we remain optimistic about the potential that our new exclusive Agreement with **McKesson/HBOC's Medical Group** brings us. Their 500 sales representatives currently have relationships with and call on most, if not all, physicians' offices in the continental United States. This gives us a large opportunity to bring the message and exciting vision of how the Lyra and other Laserscope aesthetic lasers can be used to increase the revenue and cash flow of these physicians' practices. We will be focusing a strong effort toward launching our aesthetic products into this new distribution channel and expect to see increased domestic sales beginning in the second half of this year."

2/13 **Somnus Medical Technologies, Inc.** said that according to a study published in January's issue of *Laryngoscope*, the use of temperature-controlled radiofrequency energy (TCRF) demonstrated significant improvement in the severity and frequency of nasal obstruction with minimal complications as compared to laser turbinate reduction.

This study was conducted by Chae-Seo Rhee, MD, from the Department of Otolaryngology-Head and Neck Surgery, Seoul National University College of Medicine, Seoul, Korea. The objective of the study was to evaluate nasal function after treatment with temperature controlled radiofrequency or the laser using subjective symptom scores and objective mucosal function tests. In this study, 24 patients with nasal obstruction due to inferior turbinate hypertrophy were enrolled, 16 patients were treated with TCRF, and 8 patients were treated using a laser. Outcome measures were subjective assessment of nasal obstruction and frequency by the patient, as well as by objective functional tests; acoustic rhinometry, rhinomanometry, butanol threshold test, saccharine test, and ciliary beat frequency. Significant subjective improvement of nasal symptoms began 2-3 days after the TCRF treatment and 8 weeks after the laser treatment. Objective nasal function tests for nasal volume, nasal resistance and olfaction were significantly improved at 8 weeks following either the TCRF or laser procedure. Only the TCRF treated group had preservation of mucociliary function after their treatment as measured by the saccharine transit time or ciliary beat frequency test. No crusting, dryness or edema were reported in the TCRF treated group where as all subjects treated with the laser had edema and crusting which subsided 4 weeks after the laser procedure.

This study supports that TCRF reduces nasal obstruction and may help to preserve the function of the mucosa with minimal complications compared to the laser procedure. "Dr. Rhee's work supports the initial studies performed at Stanford, the Veterans Administration Hospital (Palo Alto) and Vanderbilt University, demonstrating the effectiveness of temperature-controlled radiofrequency in treating nasal obstruction, but this study also supports the importance of helping to preserve the turbinate mucosa which is important for warming, humidifying and cleansing inhaled air, as well as preserving the nasal defense mechanism against infective particles such as bacteria and viruses," said John Schulte, president and CEO of Somnus Medical Technologies.

2/14 **PhotoCure ASA** reported that the last year had been a landmark year for the company, as it made excellent progress in all areas of its business.

Highlights include:
* Metvix PDT -- PhotoCure's global development program for its lead PDT (photodynamic therapy) agent Metvix has advanced significantly over the last twelve months with two European Market Authorization Applications (MAAs) being made. The first filing for the treatment of actinic keratosis (AK) took place in May 2000. The second MAA for "High Risk" basal cell carcinoma (BCC) was submitted in January 2001.
* Hexvix PD -- A Phase II clinical trial evaluating Hexvix PD's (photodiagnosis) ability to enhance the detection of bladder cancer was started in 4th quarter 2000
* Photochemical Internalization -- PhotoCure has established a new subsidiary **PCI Biotech AS** and has recruited an experienced management team to maximize the potential of this novel technology.
* Oslo Listing -- An IPO on the Oslo Stock Exchange in May 2000 was accompanied by a share issue, which raised NOK 356.5 million.
* Solid Financial Position -- Liquid funds totalled NOK 399.7 million and shareholders equity totalled NOK 357.4 million as at 31st December 2000. The company's operating deficit in 2000 was as budgeted and amounted to NOK 66.8 million.

2/14 **BriteSmile** announced that the *California State Dental Board* had certified the company's training program for continuing education credit. All California dental professionals must complete a certain number of continuing education credits each year. With this state certification, BriteSmile dentists and other licensed dental professionals who complete the rigorous training necessary for performing the BriteSmile procedure will receive continuing education credit. "This certification by the State of California is important recognition of the high standards BriteSmile holds itself to," said Linda Oubre, BriteSmile COO. "This certification exemplifies the growing support BriteSmile is receiving from across the dental community."

2/14 **Laserscope** announced that it had received clearance from the FDA to market it's Lyra long pulse Nd:YAG laser system for the treatment of Pseudo Folliculitis, an inflammation or superficial infection of the hair follicle. It is often the result of injury or

damage to the hair follicle caused by shaving or friction from clothing. Pseudofolliculitis barbae (PFB), commonly referred to as "shaving bumps", "razor bumps" or "ingrown hairs", is a condition occurring primarily in men and women of African or Middle Eastern descent. PFB is caused as the hair, often in the beard area, grows into and under the adjacent skin and forms a small curled mass, or aggregation of cells, within the skin. Aggravated by shaving, the skin can become chronically inflamed and sometimes infected. In some cases, the constant aggravation can be quite painful and can result in scarring and discoloration of the skin. The problem has an incidence estimated from 20-60% in African American men and is of particular concern in the military services.

"We are very excited to be the first and only company to have been granted marketing clearance by the FDA for the treatment of PFB," said Eric Reuter, Laserscope president and CEO. "We believe our clinical results are unmatched by any other technology or treatment modality currently available and having FDA clearance to market for this indication adds another potent application to this multi-specialty laser system. Since there are no other known effective ways to address this condition, we believe that many people who suffer from it will seek treatment when they are made aware that it is available. We are working with our existing and new customers to market their practices and bring awareness to this potentially large and untapped pool of patients."

2/14 **PLC Systems** announced that the U.S. District Court for the District of Massachusetts had issued final approval of the settlement of the securities class action litigation against the company. (See the original settlement announcement in the December 6th brief in the December 2000 newsletter.) Under the terms of the settlement agreement, the plaintiff class members and their attorneys will receive a total of $1.5 million. PLC Systems' insurance carriers will fund the entire $1.5 million settlement. "We are pleased that this matter is fully and finally resolved," said Mark Tauscher, president and CEO of PLC Systems. "As we have previously said, PLC's insurance carriers will cover the entire cost of the settlement. Therefore, we do not expect this resolution to affect PLC's financial operations."

2/15 **Trimedyne** announced revenues of $1.9 million for its first fiscal quarter ended Dec. 31, 2000, a 71% increase over revenues of $1.1 million in the immediately prior quarter. The company incurred a first quarter net loss of $1.1 million (9 cents per share) compared with a net loss of $484,000 (4 cents per share) on revenues of $2.0 million for the prior year's first quarter. As of Dec. 31st, the company had cash and marketable securities of $1.9 million and working capital of $8.1 million. In January 2001, the company ceased funding **Cardiodyne's** (its 90% owned subsidiary) development efforts.
William Schubert, CEO of Trimedyne, stated: "During the first quarter, Trimedyne began operating as a sales and marketing company, in contrast to its earlier being primarily a research and development enterprise. We began shipping our new, less expensive Omnipulse Jr. 30 Watt Holmium laser in December and completed several exclusive co-marketing agreements to expand our new `fee-per-case' revenue strategy. We also

introduced a new line of low-cost, reusable arthroscopy devices, and a new family of advanced FlexMax fiber optic devices for use in urology and other specialties. Also during the quarter, we received FDA clearance for our holmium laser systems and associated fiber-optic devices for use in foraminoplasty procedures for the treatment of herniated or ruptured lumbar discs, as well as FDA clearance for our holmium laser systems and associated fiber-optic devices for treating enlarged prostates (benign prostate hyperplasia or BPH), a condition affecting 50% of men over age 55. We are enthusiastic about the progress we are making and the future of Trimedyne."

2/16 **Image Sculpting International Inc.** announced that it had signed a letter of intent with the Principals of Image Laser Care Centers to acquire the operating assets of their two clinics located in Toronto and Niagara Falls, Ontario, and their call center in Toronto, Ontario, as well as their interests in clinics in Quebec and Florida. In anticipation of the closing of this transaction, their Toronto clinic has been closed, with the procedural volumes being transferred to the Image Sculpting clinic at 129 Yorkville Avenue in Toronto, Ontario. This acquisition transaction, concurrent with a transaction to acquire inventory for the retail optical operations of Josephsons, will be financed through the issuance of a one year, 10% Promissory Note in the amount of $200,000, and 1,350,000 common shares issued at $0.1875 per share.

2/20 According to *Medical Industry Today*, a laser threaded into the blood vessels of the brain to blast away blood clots has been shown to be safe as a new treatment for stroke. The recently completed study involved 26 patients with severe stroke and demonstrated that the device, called the Endovascular Photo-Acoustic Recanalization (EPAR) laser system, was safe and produced no major complications. A multicenter trial to evaluate the laser system's efficacy will begin soon, said Dr. Helmi Lutsep of the Oregon Stroke Center in Portland. Ore. Lutsep reported the findings of the safety study last week at the *26th International Stroke Conference of the American Heart Association*, meeting in Ft. Lauderdale, Fla.

The device by **ENDOVASIX CORP.** works by delivering laser energy into the blood clot in the brain to create an acoustic wave, which then dissolves the clot that is occluding the blood vessel and blocking the flow of blood. The laser is delivered to the site of the clot through a catheter that is guided through the vasculature to the occlusion. Currently, physicians use thrombolytic drugs, such as tissue plasminogen activator (tPA), to attempt to dissolve stroke-causing blood clots to limit the brain damage caused by the lack of blood. "The biggest advantage to the laser is speed," Lutsep said. "The EPAR laser was able to dissolve blood clots in as little as 1.5 minutes. Thrombolytic drugs take at least half an hour to a couple of hours to be effective." Further, some stroke patients -- those who are taking blood-thinning medication or who have had recent surgery -- cannot be given tPA or other thrombolytic medication because of potential complications.
The EPAR system was originally created by the **Lawrence Livermore National Laboratory** in Livermore, Calif. In the safety study, the patients had National Institutes

of Health Stroke Scale (NIHSS) scores ranging from 12 to 40 (maximum rating on the scale is 42). Those whose strokes were in the anterior portion of the brain were treated within six hours, and those with posterior circulation clots were treated within 24 hours. Thirty days after their strokes, 12 of the patients had died. During three procedures, the blood vessel was perforated "but it resolved itself right away, it just healed right up," Lutsep said. Compared to blockages in the heart's blood vessels, occlusions in the brain can be more easily treated by laser because the blockages are usually caused by emboli created elsewhere in the body and have traveled to the brain. We have an advantage since this is not "hard calcified plaque" as is found in the cardiovascular system of people with atherosclerosis.

About 750,000 people in the United States suffer a stroke each year, as previously reported by Medical Industry Today. About 85% of all strokes are ischemic, resulting from the blockage of a blood vessel in the brain, while the remainder are hemorrhagic, caused by the breakage of a blood vessel.

In addition to Endovasix, one other company also is developing a laser for use in treating ischemic stroke. As reported by Medical Industry Today, **LATIS INC.** is evaluating a laser that was developed more than a decade ago to remove red birthmarks. Because the laser is absorbed only by red material, it is being explored as a device for use on blood clots.

Lutsep said she is optimistic that lasers can bring new, faster treatment to stroke victims. The procedure will have to be done at a hospital where there is angiographic equipment so that the blockage can be visualized and located, she noted. "Patients will need to be at centers with angiographic capabilities, so not every community hospital could offer this," she told Medical Industry Today. "But if you can get to a center that can do this, lasers could become a preferred form of treatment for stroke."

2/20 **MW Medical** said that it had completed the treatment phase of its IRB clinical trial on its large aperture hair removal applicator. This trial was designed to test the safety and efficacy of the new device. The treatment phase of the trial was completed in an IRB approved site in California. The data is being submitted to the FDA in support of a 510(k) filing, which is expected to result in our obtaining clearance to begin marketing this new accessory.

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 Tyler Brown, MW Medical COO. "In addition to the larger treatment window, 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 efficiency for greater efficacy. The handle design makes the applicator more comfortable for the user, especially during large area procedures."

2/20 **PhotoMedex** announced the financial results for its fourth quarter ended December 31, 2000. Revenue for the quarter was $339,500. Revenue for the year was $1.2 million, which includes revenue from discontinued operations of $189,000. In the comparable periods for 1999, all revenues were from discontinued operations and equaled $302,000 for the three months, and $1.2 million for the year, respectively. The net loss for the quarter was $4.3 million (24 cents per share). Included in this loss was approximately $308,000 (2 cents per share) related to non-recurring, non-cash charges associated with the vesting of certain options granted to key advisory board members and other outside consultants. Also included in this loss was approximately $140,000 (1 cent per share) related to a non-recurring charge associated with the write-down of the company's TMR laser inventories.

The net loss for the year was $13.4 million (85 cents per share) compared with a net loss for 1999 of $9.9 million (89 cents per share). Included in the net loss for each year were losses from discontinued operations of $646,542 (4 cents per share) in 2000 and $1.9 million (17 cents per share) in 1999.

At the end of the fourth quarter, there were 71 XTRAC laser systems in the field, including 4 internationally, and 6 beta sites. Jeff O'Donnell, president and CEO, commented, "We look forward to increased market awareness to both the patient and doctor community in 2001. At the upcoming *Academy of Dermatology Conference* in Washington, D.C., March 2-5, we anticipate several leading dermatologists to speak about the superior clinical effectiveness of our XTRAC laser therapy, and the unique business arrangement we offer to psoriasis treating physicians. Involving broad direct-to-consumer marketing programs, we expect to continue to expand the geographical presence of the XTRAC laser system, both domestically and internationally, in 2001. In addition, we are diligently pursuing the pathway to insurance re-imbursement for XTRAC laser therapy services, and see the opportunity for an accelerated ramp-up of patient enrollment as a result of these efforts."

2/20 According to a report just released by the *American Academy of Cosmetic Surgery (AACS)*, liposuction was the most popular cosmetic surgery in the year 2000 with 672,793 procedures performed -- up more than 12% from 1999 figures. Liposuction has increased almost ten-fold over the past decade with 71,632 liposuction surgeries performed in 1990. Following liposuction, the most popular surgeries are eyelid surgery (blepharoplasty) with 465,177 procedures, 288,044 breast augmentation procedures and facelift surgery coming in fourth with 244,370 procedures performed in the year 2000.

Other highlights of the study -- which tracks not only cosmetic surgeries but also a host of other cosmetic procedures -- include:

-- Minimally invasive skin procedures such as light chemical peels and Botox injections -- often called "lunch-time procedures" -- showed the largest increase from 1999 to 2000. The number of Botox procedures rose about 17%. Rising from 623,588 procedures in 1999 to 730,787 in 2000. Glycolic peels increased 22% over the last year from 1,161,337 to 1,413,598 procedures in 2000.
-- Surgeons' fees rose only an average of 5 percent from 1990 to 2000.
-- Only three procedures declined from 1999 to 2000: laser skin resurfacing, fat injections and rhinoplasty (nose surgery).
-- While most procedures increased dramatically between 1990 and 2000, the growth of rhinoplasty was comparatively moderate, not even doubling. Surgeons say this is due to a growing acceptance of "ethnicity" in noses and more diversity in beauty role models.

AACS experts say the dramatic rise of cosmetic procedures over the last decade and over the last year can be attributed to:

-- Affordability -- very little rise in cost
-- Strong economy resulting in increased discretionary spending
-- Baby Boomer generation reaching middle age
-- Development and advancement of non-invasive mid "lunch-time" procedures

The complete 2000 AACS study can be obtained by calling 312.981.6769 or accessing the Media Center at the AACS web site at **www.cosmeticsurgery.org**.

2/21 **PLC Systems Inc.** announced results for the fourth quarter and year ended December 31, 2000. "During the past three months, the PLC team has put into place the pieces that will contribute to the future success of positioning CO_2 TMR as a standard of care in heart revascularization," stated Mark Tauscher, president and CEO. "Our CO_2 technology is well documented as the clinical leader in surgical TMR. To date, the challenges for PLC have been related to the growth rate of the customer laser base and the utilization of each laser. We believe that the strength of the **Edwards** partnership combined with the more mobile next- generation CO_2 Heart Laser 2 specifically address these challenges."

Revenues for the fourth quarter totaled $2.4 million compared to revenues of $2.8 million for the fourth quarter of 1999. The decrease is attributed to a slight decline in capital equipment revenue. During the fourth quarter, PLC was focused on transitioning the commercial launch of PLC's next-generation CO_2 Heart Laser 2 and finalizing the strategic partnership with Edwards Lifesciences. Net loss for the quarter, which included a one-time charge of $2.1 million, was $3.0 million (13 cents per share). The one-time charge covers the estimated costs of writing down inventory and capital equipment as a result of PLC's product transition to the new CO_2 Heart Laser 2. Excluding the one-time

charge, the net loss for the fourth quarter was $911,000 (4 cents per share), versus $1.3 million (6 cents per share) for the fourth quarter in 1999. Revenues for the year were $10.2 million compared to $11.6 million for the prior year. Net loss for the year, which includes the one-time charge of $2.1 million, was $7.4 million (32 cents per share). Excluding the one-time charge, the net loss for 2000 was $5.3 million (23 cents per share), compared to a net loss of $6.6 million (32 cents per share) in 1999.

During the fourth quarter, PLC shipped four new lasers and one redeployed laser for a total of five lasers to new customers, and shipped 413 disposable kits to domestic and international accounts. Tauscher concluded, "The new PLC management team made significant achievements throughout its first year together. The financial and organizational commitment made by Edwards is an endorsement of TMR in general and more specifically PLC's position within the TMR market. We recognize that the next 12 months will be a pivotal period for the company. It is essential that together PLC and Edwards drive procedural volume and expand our market share by increasing our installed base. We have created a formidable combination that capitalizes on each partner's strengths - PLC's proven CO_2 technology and Edwards' strong sales presence in the cardio-vascular market. I am confident in our ability to successfully capitalize on the opportunity that is in front of us."

2/22 At its annual shareholders' meeting, **Axcan Pharma Inc.'s** president and CEO, Leon Gosselin, confirmed the company's progress and its intention of maintaining and reinforcing its position as one of the leading North American companies in the field of gastrointestinal products. The company also released its results for the first quarter of fiscal 2001, ended December 31, 2000, indicating that the results showed continued strong revenues and earnings. "Axcan's revenues rose 133% last year while net income more than quadrupled. We are now well positioned to capitalize on our leadership position in North America in the field of gastroenterology," said Gosselin. "We have a solid core portfolio of products on which our revenues are based and a strong marketing presence in both Canada and the United States. We also have talented and experienced scientific and operational teams capable of bringing product candidates through the regulatory stage to market. Unlike many other specialty pharmaceutical companies, Axcan also has a diversified pipeline of product candidates that are close to market".

For the fiscal first quarter, revenue (all amounts in U.S. dollars) was $24.4 million, compared to $25.3 million for the corresponding period of the preceding year. Revenue dropped marginally in this quarter compared to the first quarter of fiscal 2000 ended December 31, 1999, reflecting the unusual and increased stocking of products by some wholesalers in anticipation of the Y2K problem. However, for the three months ended December 31, 2000, sales of PHOTOFRIN, a product acquired by Axcan in June of 2000, compensated partly for the effect of Y2K concerns of the previous year.

2/23 **PhotoMedex** announced that **Cigna Healthcare** would begin processing and paying claims submitted by patients or their doctors for treatments of mild to moderate psoriasis utilizing the PhotoMedex XTRAC laser system. Cigna Healthcare, one of the leading healthcare insurers in the United States, covers more than 14.3 million people in its managed care and indemnity programs, with plans in all fifty states. The company's president and CEO Jeff O'Donnell, commented, "The PhotoMedex XTRAC system has demonstrated clinical outcomes superior to any medical device or pharmaceutical treatment available today. It is our belief that private insurance reimbursement is the final step in establishing XTRAC laser therapy as the `standard of care' for mild to moderate psoriasis patients in the United States. This decision by Cigna is an important milestone in the achievement of that goal."

2/26 **Palomar Medical Technologies** announced that it had received clearance from the FDA to sell and market the Palomar Q-YAG 5 laser system for tattoo and pigmented lesion removal. According to the company, the Palomar Q-YAG 5 is more compact and affordable than any other high-power laser system for tattoo and pigmented lesion removal. It will be introduced at the *American Academy of Dermatology (AAD)* meeting in Washington, DC from Saturday, March 3, 2001 through Tuesday, March 6, 2001.

The Q-YAG 5 is a state-of-the-art, Q-switched, frequency-doubled Nd:YAG laser, that allows users to switch between a 1064 nm single-wavelength beam and a 1064/532 nm mixed-wavelength beam. The combination of wavelengths allows users to treat a full spectrum of colors and inks, and the system's design lowers costs and allows broader use of the instrument. The single 1064 nm wavelength is ideal for treating darker tattoo inks and dermal pigmented lesions, such as Nevi of Ota. The mixed 1064/532 nm wavelength is better suited for brighter colors and epidermal pigmented lesions, such as solar lentigines. In addition, the mixed wavelength permits brighter/more superficial and deeper/darker target areas to be treated simultaneously. The Q-YAG 5 incorporates the laser into the hand piece making it smaller and lighter than current systems, which is especially desirable for mobile and/or small physician offices. The system is simple to install and operate. These attributes reduce the cost of the system and eliminate costly optics and service problems that are common with other high power Q-switched lasers.

Louis (Dan) Valente, chairman and CEO of Palomar, commented, "With the ever-increasing presence of tattoos, we believe the tattoo removal market will increase dramatically over the next few years. The Q-YAG 5 will be able to meet this additional market demand. This low cost platform adds another dimension to Palomar and can be tailored to additional exciting products in the future. The simplicity of this system in its operation opens its applications to a wider band of users to include; Dermatologists, General Practice Physicians, Cosmetic or Aesthetic Physicians, Doctor Supervised Spas and Aesthetic Salons just to name a few."

2/26 **ESC Medical Systems Ltd.** announced that it had signed a definitive purchase agreement with **Coherent, Inc.** to acquire the operations of **Coherent Medical Group (CMG)**, its medical products division, for cash, notes, and stock plus an earnout of up to $25 million. In consideration for the sale, Coherent will receive $100 million in cash, 5.4 million shares of ESC common stock (representing approximately 16.5% of the ESC shares outstanding following the transaction), $12.9 million in an 18-month 5% subordinated promissory note and up to an additional $25 million based on future performance of Coherent's ophthalmic business, if revenues exceed $400 million over the four-year period.

The total consideration, excluding the earn-out, is valued at approximately $203 million. The shares issued will be entitled to registration commencing thirty months after closing. At closing, Bernard Couillaud, CEO of Coherent, Inc., will be appointed to ESC's Board of Directors. In addition, following the closing, Coherent, Inc. will continue to supply parts and components and provide, on a transitional basis, on-going technical and operational support. ESC has also executed commitment letters with two leading Israeli banks to finance the transaction. ESC will be provided with up to $242 million in financing to consist of a $100 million six-year term loan to fund the cash portion of the transaction, a $50 million revolver to fund ongoing working capital needs, and draw down rights of up to $92 million to refinance the outstanding subordinated convertible notes upon maturity. The draw down rights are subject to certain operational and indebtedness milestones.

Following closing of the transaction and subject to shareholder approval, ESC will change its name to **Lumenis**, derived from lumen, Latin for light. Post transaction, ESC will be a global leader in the design, manufacture and marketing of light-based medical solutions. Combined sales for the two businesses in year 2000 were approximately $360 million with a focus on aesthetics (approx. $180 million), ophthalmics (approx. $70 million), surgical (approx. $60 million), and service (approx. $50 million). On a pro forma basis (assuming the transaction had been consummated on January 1, 2001 and assuming full synergies had been achieved), ESC estimates that the transaction would be over $0.60 accretive to cash EPS in 2001.

"We are pleased to join forces with CMG with its stellar reputation in the medical community. We believe that combining its high quality products and unparalleled customer service with ESC's strong record of product innovation will accelerate the profitable growth of the new company and delight our customers," said Prof. Jacob Frenkel, chairman of ESC. "We are excited about the opportunities that this transaction will create for our customers, shareholders and employees," said Yacha Sutton, president and CEO of ESC. "CMG's products and distribution assets are highly complementary to ESC. In combination with our own, they will create critical mass across our various markets to better enable us to maximize our innovative R&D pipeline quickly on a global basis." Bernard Couillaud, CEO of Coherent, Inc., commented, "We are very pleased to

enter into this agreement with ESC Medical. I have been impressed with the actions of ESC's management team over the past eighteen months. The creation of a strong and independent medical business benefits Coherent's employees, customers and stockholders. This combination enables our medical group to grow and prosper, while providing us with an opportunity to participate in its future growth. As a result of this transaction, our customers will have a greater choice of products and services and our employees better job opportunities. The transaction furthers Coherent's strategic opportunities that we have in our telecommunications, semiconductor and electro-optics markets. My decision to accept a seat on ESC's board of directors is a statement of my confidence in the combined management team's ability to effectively manage Lumenis going forward, and my commitment to making the transaction a success for our stockholders, customers and employees."

Sutton will continue as CEO, Louis Scafuri will remain the COO and Sagi Genger will continue as CFO. Jim Taylor, president of CMG, and Robert Grove, president of **Coherent Star**, will also play significant roles in the combined company.

Sutton told *Reuters*, "I think clearly if we are able to execute this acquisition in the manner we believe we can, the potential for the stock is tremendously higher. If you think about doubling last year's EPS, then you can think about doubling the stock price." Sutton said the acquisition was very attractive for ESC, noting the price was slightly less than one times sales. "This division was valued by some investment bankers at more than double what we are paying." He went on to say that Coherent's products complemented ESC's, noting the California company was a pioneer in medical lasers. And, of Coherent Medical Group's $206 million in sales in 2000, about 35% was from ophthalmics, an area new to ESC and one with strong growth potential. (Actually, back in the late 1980s, ESC's Sharplan Division did sell ophthalmic YAG lasers for a short time, before exiting that business.) Sutton went on to say that a pure stock deal would not have been attractive to Coherent. "Coherent in essence did not want to continue with the medical group. They wanted to become a pure play in the telecom market and they needed cash because of the significant cash outlays."

Integration teams are being created to capture best practices of both organizations to maximize customer benefits and achieve the acquisition synergy objectives. These teams will be working during the 60-day post-signing transitional period under the leadership of COO Lou Scafuri and will be composed of key managers from both organizations. The overall objective is to create a rapid and smooth transition that achieves the acquisition goals of strengthening customer relationships, opening new opportunities for employees, and generating superior returns for shareholders. Consummation of the transaction is subject to customary conditions, including approval from regulatory authorities.

MEDICAL/SURGICAL LASER UPDATE -- March 2001

2/28 **Palomar Medical Technologies** announced the introduction of the Palomar EsteLux system designed to remove unwanted hair quickly and safely at a very low cost, targeting a broader market than previous systems. The Palomar EsteLux system, which will be demonstrated at the American Academy of Dermatology (AAD) meeting at the Washington Convention Center in Washington, DC, is a light-based hair removal system with a fast coverage rate, long pulsewidth and SpectruMax filtering provides outstanding features at a low price. The Palomar EsteLux combines the latest flashlamp technology with simple, streamlined engineering. It is intended to be both effective and economical. The combination of long-pulse technology and SpectruMax filtering is intended to provide better results at the same power level as other systems. The system features a high pulse rate and a large spot size that makes the system extremely effective when treating large areas such as legs and backs. Users can treat more customers in less time, maximizing their return on investment. The system is smaller and lighter than current systems, which is especially desirable for mobile and/or small physician offices. The simplicity of this system in its operation opens its applications to a wider band of worldwide users to include; Dermatologists, General Practice Physicians, Cosmetic or Aesthetic Physicians, Doctor Supervised Spas and Aesthetic Salons just to name a few. The ease and simplicity of this system to both install and operate continues Palomar's commitment to innovation, and maintains their position as an industry and technology leader.

Louis (Dan) Valente, chairman and CEO of Palomar, commented: "Once again, Palomar has demonstrated its technology leadership in cosmetic device based science. The Palomar EsteLux joins a long tradition of excellence in research and development. This low cost platform adds another dimension to Palomar and can be tailored to additional exciting products in the future. The EsteLux is a perfect compliment to our Palomar SLP1000".

2/28 According to a new report published by **Medical Insight Inc.**, Skin Rejuvenation is the fastest growing segment of the overall aesthetic treatment market at this time. "We conservatively estimate that the current worldwide installed base of over 3,000 skin rejuvenation systems will nearly double this year, generating 2001 sales of over $140 million," said report author and medical industry analyst Michael Moretti. During the forecast period of this study, sales are expected to total almost $700 million. "In terms of procedures, we estimate that approximately 1 million treatments will be performed with these devices this year, producing $1.2 billion in revenues for providers," added Moretti. "Procedures are forecast to grow to approximately 3.8 million in 2003."

"Skin rejuvenation technology represents the greatest business development opportunity for both manufacturers and aesthetic practices at this time -- rivaling the light-based hair removal market which continues to produce tremendous revenues after five years of impressive growth and technology development," according to Moretti. As defined in the scope of this report, the Skin Rejuvenation Technology market currently consists of about

10 suppliers. This list is expanding quickly as manufacturers of many types of devices see the opportunity to exploit this profitable business development area. Several of the current manufacturers have essentially relabeled existing laser systems and redirected their marketing efforts towards skin rejuvenation. "We estimate that there will be 20 suppliers within the next year, due to manufacturing capacity, low barriers to entry and an enticing market," said Moretti. Public companies participating in the Skin Rejuvenation Technology Market include: **Asclepion**; **Candela Corp.**; **Coherent Medical**; **ESC/Sharplan**; **ICN Medical Alliance**; **Laserscope**; **McGhan Medical**; and **Palomar Medical**. To obtain a copy of Medical Insight's Skin Rejuvenation Technology Market Study, contact Assistant Editor, Katie Davis at **KDavis@MiiNews.com**, or call 949/830-5409.

3/1 **BIOLASE TECHNOLOGY, INC.** announced a 105% increase in sales, a 231% increase in gross profit with gross margins growing from 38% to 61% and a 68% decrease in net loss for its fourth quarter of operations ended December 31, 2000 compared with the same period in 1999. The company continued strong growth with record sales of $3.7 million and $9.7 million for its fourth quarter and fiscal year ended December 31, 2000, respectively, compared to sales of $1.8 million and $7.0 million for the 1999 fourth quarter and fiscal year. The company's net loss decreased in the fourth quarter to $643,391 (3 cents per share) from the $2.0 million (11 cents per share) reported for the same period in 1999. The company also generated positive cash flow from operations in excess of $600,000 during the fourth quarter of 2000.

The increase in sales for the fourth quarter and fiscal year 2000 over the same periods in 1999 were a direct result of the marketing by the company coupled with the progression from the original Millennium to the introduction of the new and more technically advanced Waterlase and Twilite laser systems, both launched in quantity during the third quarter of 2000.

Jeffrey Jones, BIOLASE CEO and president, commented, "These record results reflect the beginnings of a growing demand for our dental laser technology. The dental laser market today is where the ophthalmic, medical and cosmetic laser markets were in the early nineties. Lasers are commonplace for today's ophthalmologists, dermatologists and cosmetic surgeons. It is the common belief by dentists using the Waterlase, that this technology will be routinely used in dentistry in a few short years. The difference is, with 540,000 dentists in the developed countries, a mere 3% market penetration would result in more than half a billion dollars in sales at our current average sales price. It is very important to consider that the potential dental market is by far larger than all other medical laser markets combined. During the past two years, BIOLASE has made significant and continuing progress. We have moved from being a minor player in the embryonic new dental laser market in 1998 to the respected position of the world leader in this promising and rapidly expanding market."

Jones continued, "In addition to increasing sales, our innovative product development has resulted in sharp cost reductions while improving the product. Our R&D efforts to further reduce production costs while improving our laser products will continue. It has taken a lot of hard work, but as the public is becoming increasingly aware of the superior clinical benefits of the Waterlase patented technology, we will see more and more dentists purchasing the system to offer their patients a higher standard of care and pain free procedures. Our clinical directors, Ioana Rizoiu, and William Vitale, DMD, have recently developed expanded applications for the product to perform root canal, periodontal, cosmetic and whitening treatments. These new expansions of our existing products into the endodontic and cosmetic markets dramatically expand the market for products.

During 2000 and Q1 of 2001, BIOLASE received important new patents and FDA clearances, strengthening our product portfolio. We are recognizing and pursuing additional markets for our existing technologies as evidenced by our recent entrance into the veterinarian market. We are properly allocating our resources by having our distributor provide all of the sales force and marketing expenses for this new market."

3/2 **PhotoMedex, Inc.** announced that it had received FDA approval to market the XTRAC laser system to treat vitiligo. The XTRAC laser system is the first FDA-approved excimer laser system to treat vitiligo, a skin disease that, according to the National Vitiligo Foundation, afflicts approximately 1-2% of Americans (2-4 million). The disease causes losses of pigmentation in which patients develop white spots in the skin that vary in size and location. The spots occur when pigment cells, or melanocytes, are destroyed and the pigment melanin can no longer be produced. Up until now, there has been no known cure or effective treatment for vitiligo. The company believes that, based on clinical trials conducted to date, that the XTRAC laser system can effectively re-pigment a patient's skin, essentially eradicating the white spots that had developed as a result of vitilgo, and restoring the patient's skin to the same condition that existed prior to the onset of the disease.

3/5 In an effort to solicit investigators for the LACI Phase 2 registry (laser angioplasty for critical limb ischemia), the **Spectranetics Corporation** announced that peripheral laser angioplasty was highlighted at the *14th Annual International Congress on Endovascular Interventions* in Phoenix, Arizona, in mid February. Three live case demonstrations utilizing excimer laser angioplasty to clear occluded arteries in the legs, and preliminary results of the LACI Phase 1 registry, were presented by Dr. med. Giancarlo Biamino of the *Center for Cardiology Angiology and Vascular Intervention* in Hamburg, Germany. In addition, two major abstracts were presented on the use of excimer technology for the treatment of peripheral vascular disease.

Edward Diethrich, MD, founder of the *Arizona Heart Institute* and congress chairman, commented: "The live case demonstrations and abstracts presented at the meeting are representative of the superior results we can expect from the excimer laser for clearing

occlusions in leg arteries. We had tried using laser technology ten years ago, but our early expectations were not met. Improved technology combined with new techniques refined by Professor Biamino and his colleagues have allowed the laser to become a wonderfully effective tool for peripheral angioplasty. It could save hundreds of thousands of people from constant leg pain or amputation."

Joseph Largey, president and CEO of Spectranetics, commented: "The 14th Annual International Congress on Endovascular Interventions was a watershed event for Spectranetics because we're finally overcoming some prior misconceptions about laser technology based on long-ago experience. While Spectranetics does not market its products for use in the legs in the United States, the data presented at the meeting is very important for us as we solicit investigators to help us complete our LACI Phase 2 registry. The FDA recently approved LACI Phase 2, which is testing the safety and efficacy of the use of angioplasty in the lower leg. We are extremely pleased that the early data from our peripheral angioplasty trials has been so compelling. We expect our final clinical studies to reveal equally convincing data that will lead to FDA approval to commercialize the laser for peripheral applications in early 2003."

3/5 **PhotoCure ASA** said that it had recently completed a phase III clinical trial in the USA with Metvix, where more than 400 pre-cancerous skin lesions caused by sun damage (actinic keratosis (AK) or "sun spots") were treated. The photodynamic therapy (PDT) involves application of a cream, Metvix, which is activated by red light (CureLight), so that the pre-cancerous sun spots are selectively destroyed, leaving the normal skin to heal without scars or blemishes. The study showed that Metvix PDT completely removed 88% of the lesions. The cosmetic outcome in the areas that were treated with Metvix PDT was judged excellent by the investigators in 91% of the patients. In addition, a clear majority (73%) of the patients preferred Metvix PDT to other treatment options.

"These results in AK confirm positive results shown previously in phase III studies with Metvix in Europe and Australia. With the results from this US phase III study, PhotoCure's clinical program for global registration of Metvix for pre-cancerous AK is completed," said Vidar Hansson, CEO of PhotoCure.

3/5 **U.S. Medical, Inc.** announced that it had finalized an agreement to purchase select assets of **Derma Genesis**, headquartered in Laguna Hills, California. Founded in 1997, Derma Genesis is best known for its medical microdermabrasion units, which are marketed under its corporate name. Its product line includes a variety of microdermabrasion models. To date, Derma Genesis has garnered more than 35% of the physician-based microdermabrasion market. The microdermabrasion procedure is the fastest growing segment of the aesthetic treatment market in the United States. It is a non-invasive, anti-aging facial rejuvenation treatment, which is becoming increasingly popular with the aging "baby boomer" generation. The procedure has been shown to be highly effective in modifying the skin texture of individuals who receive the procedure.

According to Scott Carson, founder and chief sales officer of U.S. Medical, "This agreement is a significant achievement for U.S. Medical in advancing our Aesthetic Medicine line of business. We now have a greater variety of the very best aesthetic products available to the physician today." Michael Oakes, vice president, Cosmetic Medicine for U.S. Medical, added, "This agreement with Derma Genesis positions U.S. Medical perfectly: to capture the fastest growing segment of aesthetic medicine. Our goal is to become the one-stop equipment provider for aesthetic-based practices. The aesthetic market continues to grow by leaps and bounds with more than 10,000 `baby boomers' turning 50 every day. Now, U.S. Medical offers a full complement of the very best equipment for the aesthetic medicine industry."

3/6 **Coherent, Inc.** announced that the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 with respect to its previously announced agreement to sell the operations of its Medical Group to **ESC Medical Systems Ltd.** expired on March 2, 2001. The parties expect to close promptly following receipt of the financing and the satisfaction of other customary conditions. As previously announced, ESC has received commitment letters from two leading Israeli banks to provide financing for the transaction.

3/6 According to *Medical Industry Today*, a new minimally invasive therapy that uses a laser to treat varicose leg veins is simpler and less expensive than surgery, according to new research. "This is very cutting edge, and in 180 patients treated worldwide so far, the short-term results have been outstanding. We have yet to have a complication," Dr. Robert Min, director of *Cornell Vascular* and assistant professor or radiology at *Weill Medical College of Cornell University*, New York, said in a statement. Min presented his research at the *26th Annual Scientific Meeting of the Society of Cardiovascular & Interventional Radiology* in San Antonio.

Varicose veins are caused by an incompetent saphenous vein, which is the main vein that runs the length of the inner leg. Varicose veins occur when valves in the saphenous vein become weakened allowing blood to flow backward or pool. This causes the branch vessels of the vein, which are closer to the skin's surface, to become enlarged and appear twisted and rope-like. The condition is traditionally treated via surgical ligation, or removal, of the saphenous vein, or by using ultrasound-guided sclerotherapy, which involves injecting an irritant into the saphenous vein to cause it to close up. However, surgical ligation fails about one in 10 times and requires general anesthesia and up to two weeks recovery. With sclerotherapy, about 50% of the time, the saphenous vein reopens and symptoms return within a few years.

Min helped to develop the EndoVenous Laser Treatment (EVLT), which uses a diode laser developed by **DIOMED** (Andover, MA) that operates at 810 nm to seal off the saphenous vein. "With this procedure, we are treating the vessel from within rather than going through the skin," Min told Medical Industry Today. During the procedure,

ultrasound is used to locate the saphenous vein. Local anesthesia is then given at the site to be treated. Through a small incision near the knee, a small catheter, followed by a laser fiber is inserted into the saphenous vein. The laser fiber is threaded through the vein to the groin. The laser energy is then delivered, which heats and seals the vein. The procedure takes about 30 minutes and requires only local anesthesia. Following the procedure, the patient is then required to wear support stockings during the day for one week. In some cases, the branch veins will shrink after the saphenous vein is sealed shut. Other patients require a few sclerotherapy treatments to eradicate the branch veins. "Other lasers have been used to treat spider veins on the face and legs, but this is the first time laser energy has been used inside the vein to heat the source of the problem and close it off," said Min. In a study involving 90 patients, 89 experienced no recurrence of the problem at six-month follow-up. In one patient, the vein reopened two months following treatment. "Even when you remove the vein with surgery, there is a 10% recurrence," Min said. "We have only had one recurrence so far, although, we'll need a few years of follow up before we'll know what the true recurrence rate is."

The treatment costs about $2,000 -- about three times less than surgery -- and is covered by some insurance companies, according to Min. Varicose veins affect one out of two people age 50 or older, and about 15% of men and 25% of women overall, according to statistics from the physicians' group. Pregnant women and women with a family history of varicose veins are at highest risk of developing the condition.

3/5 **Altus Medical** introduced the CoolGlide Excel Laser system at the *American Academy of Dermatology* meeting being held in Washington DC. The technically advanced laser system provides a safe and effective way to remove unwanted hair and treat a broad range of vascular lesions. By adopting the new CoolGlide Excel system, practitioners can expand and participate in the fast growing markets for hair removal, treatment of leg veins and treatment of facial vessels.

Kevin Connors, CEO and president of Altus Medical commented, "Market acceptance of our first product, the CoolGlide has been quite positive. We have also received feedback from both researchers and customers that they were having good success treating certain types of leg veins. Based on this feedback, we set out to develop a product that would maintain the capabilities of the original CoolGlide system yet also provide treatment for a full range of vascular lesions from fine facial vessels to leg veins." Arielle Kauvar, MD, a well-respected Dermatologist from the **Laser and Skin Surgery Center of New York** said, "We have seen promising results with the new CoolGlide Excel. We can now treat fine facial vessels as well as spider leg veins with excellent results." She added, "These results, combined with the proven hair removal capabilities makes this an extremely versatile system."

The CoolGlide and CoolGlide Excel are the latest generation of aesthetic lasers. Both systems utilize high power long pulse Nd:YAG technology, both can treat all skin types

including tanned patients and both are cleared by the FDA to claim permanent hair reduction. The original CoolGlide handpiece featured a fixed 10 mm spot size, ideal for hair removal and the treatment of larger reticular leg veins. The new Excel handpiece design incorporates four spot sizes: 3, 5, 7, and 10 mm that provides the expanded capabilities for the treatment of vascular lesions. Integrated contact cooling on both products maximizes epidermal protection.

3/8 **PLC Systems** announced that the company received CE Mark approval for its next-generation CO_2 Heart Laser 2. The CE Mark allows PLC to begin marketing the smaller, more mobile TMR laser throughout the European Union and other countries that base regulatory clearance on the European CE Mark. To address the worldwide TMR opportunity, PLC is introducing a stratified pricing structure and will continue to market and sell its first-generation heart laser. "The international TMR market is a great opportunity and we are excited to introduce our next-generation CO_2 Heart Laser 2 to cardiac surgeons on a worldwide basis," said PLC Systems' president and CEO Mark Tauscher. "We believe the potential for the international TMR market is approximately 35,000 to 70,000 patients per year, which is based on an adoption rate of 10% to 20% of the total number of coronary artery bypasses performed each year. As a result of the CO_2 Heart Laser 2 introduction, PLC pricing structure addresses the needs of different market segments and economic models. The first-generation heart laser will now be marketed to small volume or capital constrained heart center accounts that could not previously afford a heart laser."

3/9 **American Medical Technologies** reported that revenues during the year ended December 31, 2000 decreased 21% to $19.9 million compared to $25.0 million for 1999. The pre-tax loss for 2000 was $13.7 million compared to pre-tax income of $1.0 million for 1999. The net loss for 2000 was $18.4 million ($2.53 per share) compared to net income of $391,606 (5 cents per share) in 1999. Included in the net loss for 2000 were non-recurring and non-cash charges of approximately $17 million related to goodwill impairment, obsolete and demonstration inventory, and deferred taxes.

"I want to emphasize that most of the loss for 2000 is attributable to non-cash and non-recurring charges," said Ben Gallant, CEO and chairman. "When these charges are excluded, the majority of the company's remaining loss was incurred in the first quarter of 2000 when we were still operating under our old business model. The company continues to maintain a strong financial position with a current ratio of 4.8 to 1. During 2000, the company reduced its bank debt by $2.7 million and its trade payables by over $680,000. Management believes these one-time non-cash charges will reduce future operating expenses by up to $1.4 million annually. I am pleased with the progress in the implementation of the new business model. During 2000, we opened 17 sales and service centers in the United States. We have in-place the infrastructure to support a substantial increase in United States sales. During 2001, we will be concentrating on increasing our United States sales force and will be allocating additional resources to that effort. The

company is continuing to actively seek strategic/OEM relationships and to add new products. We introduced 2 new products and 2 new OEM product lines at the Chicago Mid-Winter Dental Meeting in late February. I believe that the actions taken in 2000 have positioned the company for a return to profitability in 2001."

The company also announced that it had repurchased 286,750 shares of its common stock during 2000 and that, in February of 2001, the Board of Directors authorized spending an additional $1 million to buy back company shares. In approving the additional repurchases, the Board noted, among other factors, that the company's shares are currently trading at less than the company's book value per share. Finally, the company reports that the Board has approved a two-year extension to Gallant's employment contract. With the extension, he is expected to remain as the company's CEO and chairman through July 31, 2003.

3/12 **ESC Medical Systems Ltd.** announced results for the quarter and year ending December 31, 2000. Net revenue for the fourth quarter 2000 was $46.0 million compared to $40.1 million in the same quarter last year. Operating income was $7.1 million (22 cents per share) or 15% of revenues, net income was $5.7 million (20 cents per share). In the fourth quarter of 1999, ESC reported a net loss. Excluding a $1.0 million loss from ESC's start-up dental unit, **OpusDent**, and $0.7 million loss from the new aculight program, ESC's fully diluted EPS was 26 cents per share.

For fiscal year 2000, net revenue was $161.6 million compared to $142.2 million in 1999. Operating income was $22.3 million (68 cents per share) or 14% of revenues, net income was $17.3 million (61 cents per share). For full year 1999, ESC reported an operating and net loss of $140.2 million and $140.8 million respectively.

Yacha Sutton, president and CEO commented: "We are delighted that ESC is rounding out a full year of growth and profitability. Strength in our key target markets has accelerated our momentum and we expect it to continue in the first quarter and moving forward. The acquisition of **Coherent Medical Group** positions ESC as the global leader in the design, manufacture and marketing of light-based medical solutions. In combination, our products and distribution assets create critical mass across our businesses, better leveraging our distribution assets. We are pleased to have received U.S. anti-trust clearance and remain on track to close the transaction in approximately six weeks."

Reuters reported Sutton said that with the acquisition of Coherent's Medical Group, revenues should double to $300 million in 2001. At the same time he indicated that the acquisition would not impact the company's bottom line in the near term. "This year, assuming we close in the second quarter, we will pick up $100 million in sales." ESC expects $200 million in revenues from Coherent Medical Group for the full year.

3/14 **Cell Robotics International** announced that it had signed a non-exclusive U.S. distribution agreement with **Home Test Medical**, an operating unit of **Quality Assured Services, Inc.** Home Test Medical is a nationwide, consumer oriented business unit that markets and sells home self-test diagnostic products via direct mail and Internet marketing. Michael Visnich, president and founder of Quality Assured Services, said, "We are very excited to complement our complete `home test' diagnostic product line with Cell Robotics' Lasette, which is featured on the front page of our website, **www.hometestmed.com**. With individuals wanting to take more responsibility for their health care, we sell many `home test' diagnostics products that require blood tests. These tests include cholesterol and ProTime for heart patients on Coumadin, but glucose testing for the control of diabetes is still the most frequent test. We are assured our diabetic customers will find the Lasette extremely beneficial in their daily blood testing because there are no needles, it is less painful than traditional steel lancets and does not cause lingering soreness. As a result, we hope more patients will be encouraged to improve their health by testing their blood glucose levels regularly, thus managing their diabetes more effectively. Improved management may greatly minimize the serious long-term complications of diabetes such as blindness, amputation of limbs, kidney failure, heart attacks, or strokes."

3/15 **BriteSmile** announced record results for the year ending December 30, 2000. (BriteSmile has changed its reporting period to a calendar year basis; therefore, this release compares the full 12-month calendar year 2000 versus calendar year 1999.) Net revenue for the 12-month calendar year ended December 30, 2000 increased by 293% to $20.1 million compared to revenue of $5.1 million in calendar year 1999. For the full year 2000, the total number of BriteSmile whitening procedures performed increased by 530% over calendar 1999 to 65,750 procedures versus 10,440 in calendar 1999. The increase in procedures and revenue was due to the rapid expansion of the number of BriteSmile Associated Centers and the ongoing success of the company's sales and marketing programs, including the highly successful infomercial hosted by Alan Thicke that began to air on October 20, 2000. As of December 30, 2000, there were 1,155 active Associated Centers, 175 of which were in international markets, versus a total 83 Associated Centers in operation at the end of calendar 1999. In addition, as of December 30, 2000, there were 430 additional Associated Centers in the process of commencing operations. The company currently anticipates signing an additional 200 Associated Centers per month through the end of calendar 2001, projecting an increase in its total number of Associated Centers to over 3,700 by year-end 2001.

For the calendar year, the company reported a net loss of $51.1 million, including one-time non-cash charges of $15.2 million. This compares with a loss of $19.6 million in calendar year 1999. The loss per share was $2.11 versus $1.07 per share in 1999. The $15.2 million in one-time charges consisted of a $7.1 million charge relating to the sale/leaseback of teeth whitening devices uses at Associated Centers, a $6.0 million

charge as a result of the conversion of $19.2 million of debt into 4,690,880 shares of company common stock, and a $2.1 million charge related to center closings.

John Reed, CEO of BriteSmile commented, "This was a record year for us in terms of revenue and whitening procedures. We are providing dentists and patients with the immediacy and efficacy they have been seeking in a teeth-whitening system. As a result, we ended calendar 2000 on a high note in December, our best month ever, with over 11,000 procedures."

3/15 **PhotoCure ASA** announced that it had submitted a marketing authorization application to the Australian authorities for Metvix PDT (Photodynamic Therapy) for the treatment of `high risk' basal cell carcinoma (BCC), and actinic keratosis (AK). This marketing application follows applications filed in Sweden as the first step in a European approval procedure for the same indications.

Actinic keratoses, also called `sun spots' are the most frequent pre-malignant skin condition. Up to 50% of the population in Australia above 40 years of age have at least one AK. Worldwide, it is estimated that about 20 million cases of AK occur each year. Because AKs may progress to squamous cell carcinoma, which is an aggressive, even life-threatening type of skin cancer, it is important to treat AK's effectively. About two million new cases of BCC occur worldwide every year making this the most common form of cancer among Caucasians. BCC is a type of skin cancer which rarely metastasizes, but which spreads slowly just below the skin surface. If it is left without adequate treatment it may become very difficult to treat. The most difficult, ``high risk" BCC lesions are those which are located in the mid-face, or which have become very large, so that the patients are at high risk of complications and poor cosmetic outcome due to the complex surgical procedures that are required to treat these lesions.

Metvix PDT is an innovative skin cancer treatment which combines the local application of a cream (Metvix) followed by activation of the drug through illumination with a red light (Curelight). Metvix PDT kills the cancer cells selectively and leaves the normal skin intact, thereby leaving the healed skin without scars or blemishes. Australia is the country in the world where these sun induced skin diseases occur most frequently.

3/16 **Palomar Medical Technologies** announced that it had received clearance from the FDA to sell and market the Palomar EsteLux system, a light-based system for hair removal. (See the 2/28 brief above for full details about this light-based hair removal system.)

The Palomar EsteLux system, the recently announced Palomar Q-YAG 5 laser system for tattoo and pigmented lesion removal and the Palomar SLP1000 laser system for hair removal and vascular lesions were demonstrated last week at the *American Academy of Dermatology (AAD)* meeting at the Washington Convention Center in Washington, DC.

3/16 **DUSA Pharmaceuticals** announced its corporate highlights and audited financial results for the year ended December 31, 2000, including progress on third-party payer reimbursement for LEVULAN PDT.

DUSA achieved a number of major milestones during 2000, positioning the company for accelerating growth during 2001 and beyond. The most important milestone was the fourth quarter US market launch of DUSA's first products, the LEVULAN Kerastick and the BLU-U brand light source, for the Photodynamic Therapy (PDT) treatment of non-hyperkeratotic actinic keratoses (AKs) of the face or scalp. **Berlex Laboratories, Inc.**, the US affiliate of DUSA's worldwide dermatology partner, **Schering AG**, Germany, launched LEVULAN in the US following the late-September FDA approval of DUSA's BLU-U commercial light source. As previously announced in January 2001, by year-end 2000, contracts for over 100 BLU-U units had been signed, and Kerastick sales had begun across the country. Clinical feedback from doctors and patients using the system has been positive, and at the recent meeting of the *American Academy of Dermatology* in Washington, D.C., there was a great deal of interest in our products, both at the Berlex booth, and at the scientific presentations. Nonetheless, we have also stated that we believe that the establishment of third-party payer reimbursement policies by insurance companies and government agencies will be essential before widespread adoption of the therapy will occur. At year-end, no payment policies had been established, but since then, considerable progress has been made. Currently, Medicare carriers servicing approximately 1/3 of the states are providing some type of coverage, and many others are actively considering their policies. In addition, the AMA has recommended a national CPT code for LEVULAN Photodynamic Therapy, which is scheduled for inclusion in the 2002 CPT book, subject to further review, modification, and pricing. While award of a CPT code does not guarantee third-party payment, it is an indication of professional acceptance of the procedure and will greatly facilitate submission of claims for the providers who use the product. Overall, we are encouraged by the momentum that is building for successful reimbursement of LEVULAN PDT in the United States.

Also during 2000, DUSA moved forward with its LEVULAN PDT development pipeline in a variety of indications. In dermatology, in co-operation with Schering AG, DUSA started a Phase I/II feasibility study in the treatment of acne, and expects to start similar studies in onychomycosis (nail fungus) and warts in the coming months. DUSA is also continuing its Phase IV program, including dermal allergenicity and long-term AK follow-up testing. For internal indications, DUSA is currently supporting an investigator study in the prevention of restenosis, has agreed to support an investigator study in the treatment of Barrett's esophagus, and expects to start a DUSA corporate trial on Barrett's later this year. DUSA is also working on a development program in the treatment of brain cancer, and is considering further development of various other dermatology and internal indications.

The net loss for 2000 was $6.5 million (49 cents per share) compared to $5.5 million (50 cents per share) in 1999. Research and development costs were $8.2 million as compared to $4.2 million in 1999. This comprised 69% and 70% of total expenses in 2000 and 1999, respectively. The increase of $4 million in 2000 was mainly due to manufacturing development expenses, reflecting increased personnel costs and pre-production activities. Other operating expenses increased to $2.6 million from $1.8 million, primarily due to the hiring of additional staff, including key management personnel in technical and operations functions. Interest and other income in 2000 increased to $3.2 million from $574,098 in 1999, reflecting the receipt of $15 million from Schering AG during the fourth quarter of 1999, and net proceeds of approximately $40.7 million received from a private placement in March 2000.

3/19 **Miravant Medical Technologies** announced that preclinical results of its intravascular PhotoPoint photodynamic therapy for atherosclerosis would be presented this week at the *American College of Cardiology* meeting in Orlando, FL. The study, which was conducted in atherosclerosis models at the University of Virginia, indicated that the PhotoPoint drug selectively localized in atherosclerotic plaques. Subsequent intravascular light treatment caused a site-specific reduction in plaque cells.

3/19 **Eclipse Surgical Technologies** announced that promising data from a randomized double-blinded independent assessment study of the company's minimally-invasive laser heart procedure, Percutaneous Transmyocardial Revascularization (PTMR), for treating advanced cardiovascular disease were presented at the annual *American College of Cardiology (ACC)* conference in Orlando, FL. The BELIEF (Blinded Evaluation of Laser PTMR Intervention Electively For angina pectoris) study, conducted by Dr. Jan Erik Nordrehaug, the chair of the Department of Heart Disease at University Hospital of Bergen, Norway and a member of the advisory committee of the Norwegian Ministry of Health, showed by independent assessment that patients who underwent the innovative catheter-based procedure were at least three times more likely to experience substantial relief from crippling chest pain called angina than those who received a sham procedure.

The preliminary results of the randomized, double-blinded study measured and compared the reductions in chest pain between the two groups after six months. Dr. Nordrehaug said, "The BELIEF study using the Eclipse Axcis PTMR system was designed to isolate the `placebo effect' component of functional benefit previously reported in PTMR and TMR publications. We were able to perform the PTMR procedure so that both the patient and physician were blinded as to whether or not laser energy was actually delivered." He added that "the results of the BELIEF study convinced me that this procedure does indeed relieve angina and eliminates concern that 'placebo effect' is a primary source of persistent symptomatic relief. My patients treated with the laser showed significant improvement, which, I believe, is great news for the thousands of people around the world who suffer from this debilitating pain."

3/19 The number of cosmetic procedures performed last year rose to 5.7 million, according to national statistics released today by the **American Society for Aesthetic Plastic Surgery (ASAPS)**. That represents a 25% increase since 1999 and a 173% jump since 1997. The five most popular surgical procedures were lipoplasty, up 113% since 1997 and totaling 376,633 procedures in 2000; eyelid surgery, up 33% since 1997 to 212,133 procedures; breast augmentation, up 101% since 1997 to 203,310 procedures; rhinoplasty, down 1% since 1997 (but up 32% compared to 1999) to 135,795 procedures; and facelift, up 4% since 1997 to 102,842 procedures.

There was a 23% increase in the number of procedures performed on men last year. Men still account for only 11% of the total number of procedures, unchanged from 1999. The ASAPS statistics are based on surveys to nearly 8000 physicians nationwide, and project combined totals of three specialties -- plastic surgery, dermatology and otolaryngology. ASAPS members, who represent only a portion of the physicians surveyed, are board-certified plastic surgeons specializing in cosmetic surgery of the face and the entire body. Among all surgical specialists, ASAPS members generally perform the highest volume and widest range of cosmetic procedures.

The new statistics include some surprises. For example, the number of procedures performed on teens under 18 was down 34%, even though rhinoplasties -- or `nose jobs,' a traditional choice for teens -- have made a comeback (up 32% from the previous year). The biggest upsurge in numbers comes from nonsurgical Botox injections. As an aid in helping to eliminate wrinkles and frown lines, over one million (1,096,611) Botox injections were performed last year. This represents an increase of 120% from 1999 and a rise of almost 1600% since 1997.

Other nonsurgical procedures scoring high in popularity last year were: chemical peel, with 630,194 procedures (up 31% since 1997); microdermabrasion, with 610,705 procedures (up 113% since 1999, the first year in which statistics for this new skin polishing procedure were gathered); and collagen injections, with 592,195 procedures (up 71% since 1997). "These increases in the number of cosmetic procedures continues a well-established trend," said ASAPS president Daniel Morello, MD. "The public has a growing awareness of the surgical procedures available to them, their safety and, in addition, the many nonsurgical procedures that often are a prelude to having more extensive cosmetic surgery."

While demand for surgical and nonsurgical cosmetic procedures was up, the ASAPS statistics show that surgeons' fees remained essentially the same, making cosmetic procedures more affordable for more people.

3/20 **American Medical Technologies** announced its intentions to use up to $1 million to purchase its stock on the open market. "In view of the fact that the current price of its stock is less than its book value, the Board of Directors has authorized management to

spend up to $1 million to repurchase shares of the common stock of the company in open market transactions," announced Ben Gallant, CEO. "The company intends to aggressively acquire shares at such times and prices as the company deems appropriate. This authorization replaces our prior repurchase program under which the company acquired 379,850 shares of its common stock.

3/22 **Laserscope** announced preliminary results from an ongoing clinical study being conducted to evaluate its new high power, 80 watt, KTP/532 laser system and sterile disposable fiber optic delivery devices for the minimally invasive treatment of Benign Prostatic Hyperplasia (BPH). In this pilot study, conducted at Oakwood Annapolis Medical Center in Wayne, MI, 10 patients with severe bladder outlet obstruction caused by BPH were treated using the new laser system. All patients were treated in a 30 minute outpatient procedure with no complications or adverse events. After 1 month, the initial follow-ups indicate that all patients have experienced significant reductions in symptom scores, and dramatic improvement in their quality of life and urodynamic evaluations. In fact, the early results are comparable, if not superior, to data collected from the gold standard treatment of transurethral resection of the prostate (TURP) during the same follow-up time period but with no reported side effects. Forty percent (40%) of the patients that were treated with the laser did not require catheterization, while the remaining 60% of patients had less than 24 hours of catheterization. All 10 patients were able to continue with normal daily activity within 2-3 days after treatment. In addition to the impressive preliminary clinical data, a hospital cost analysis conducted at Oakwood hospital demonstrated the KTP laser procedure to be significantly more cost effective than traditional TURP surgical procedures.

Dr. Mahmood Hai, the clinical investigator conducting this most recent study, called the results "truly remarkable." He also added, "Our observation over a 1-month period indicates that this new 80 watt KTP laser vaporization prostatectomy is safe and effective for quickly relieving bladder outlet obstruction with virtually no postoperative complications, a high rate of patient satisfaction, and, so far, excellent urodynamic results." Further, Dr. Hai stated, "This laser system appears to offer the clinician a revolutionary way to treat this disease in that it combines both the immediate symptom relief that is usually only possible by performing invasive procedures such as transurethral resection of the prostate (TURP) with faster operative times and the minimal side effects seen with less efficacious treatments. The fact that such a high percentage of the patients were catheter-free on the day of the procedure is quite extraordinary. Although this is a relatively small sample of patients and more studies are necessary to confirm these results in a wider patient population, I believe that this treatment system has a very promising future. If the short- and medium-term follow-up results confirm the earlier Mayo Clinic results in terms of long term efficacy, and I see no reason why they shouldn't, this solution may replace TURP as the `gold standard' yet be more safe and effective."

In commenting on the results of the most recent study from Oakwood Annapolis Medical Center, Eric Reuter, Laserscope president and CEO said, "This study indicates dramatic results in all facets of the treatment for this disease. The patients experienced virtually complete symptomatic relief immediately post-operative, there were no reported side effects, the catheterization times, if a catheter was required at all, were under 24 hours, and the operative times were significantly improved from those experienced during the Mayo Clinic study. The mean operative time was less than 16 minutes. From a financial perspective, less time required in the OR and in follow-up visits due to complications or poor patient satisfaction means more profitability for the hospital and surgeon. The market and demand for minimally invasive solutions to treat BPH is growing worldwide as the male population ages. In 1999, over 8 million men were diagnosed with the disease in the United States, and nearly 1.8 million of these men were treated in some way. Since `watchful waiting' and drug therapy are only effective for a certain percentage of patients requiring treatment, the need still exists for a solution that offers patients immediate and complete relief but does not carry significant risks or side effects. Additionally, many patients who are currently taking drugs are not satisfied with the symptom relief, cannot live comfortably with the drug side effects, or are simply uneasy about having a surgical procedure done. This indicates that in addition to a growing market of new diagnoses, there may also be a growing backlog of patients who are dissatisfied with their existing treatment solutions and are looking for safe, effective, and complete ways to treat their symptoms. The ideal solution for the patient is complete symptomatic relief, no complications, and long term efficacy. These most recent clinical results indicate that we have established our new system as a top contender for meeting this need."

3/22 **BIOLASE Technology, Inc.** announced that it was experiencing strong sales growth for the first quarter of 2001. BIOLASE expects sales to increase at least 75% for the first quarter compared to the same period in 2000. BIOLASE also commented that its does not know of any reason for the weakness in its stock price. Jeffrey Jones, BIOLASE president and CEO, commented, "We are extremely pleased to continue experiencing such strong sales growth. Our new products, the Waterlase and Twilite dental lasers, are being very well received by the market. We are seeing a significant increase in closure rates compared to a year and even six months ago. We expect to have another outstanding year in 2001. We also believe that the current economic slowdown will not negatively affect our overall growth since the dental community is now positively embracing the need to our painless laser technology. Patients will continue to seek out the best dental care, even in a weak economy." Jones concluded, "We are very enthusiastic about our business and look forward to several years of very strong sales growth for our company as we continue our aggressive and deeper penetration of the dental market."

3/23 **PhotoMedex, Inc.** announced that it had entered into definitive purchase agreements for the sale of 1.23 million shares of newly issued Common Stock to selected institutional and other accredited investors for $6.15 million. The purchase price was $5.00 per share. The transaction is expected to close on March 27, 2001. **Pacific Growth Equities, Inc.**

served as the placement agent for this transaction. The company intends to use the net proceeds from this private placement for working capital and general corporate purposes.

3/26 **Miravant Medical Technologies** announced consolidated financial results for the fourth quarter and the year ended December 31, 2000. Revenues and interest and other income for the fourth quarter decreased to $1.2 million from $4.2 million for the same period in 1999. The net loss for the quarter before a non-cash write-down of an investment in an affiliate was $5.7 million (31 cents per share) compared to a net loss of $5.9 million (33 cents per share) for the same period in 1999. After the write-down, the net loss for the quarter was $9.2 million (50 cents per share).

Revenues and interest and other income for the year were $6.0 million compared to $15.8 million for the same period in 1999. The company reported a net loss for 2000 of $22.5 million ($1.23 per share) before the write-down, compared to a net loss of $22.3 million ($1.25 per share) for the same period in 1999. The company reported a 2000 net loss of $26.0 million ($1.42 per share) after the write-down. The company has cash and marketable securities of $20.8 million.

Revenue comparisons reflect a decrease in reimbursements received from Miravant's corporate partner, **Pharmacia Corporation** for clinical trial costs. Pharmacia has an exclusive, worldwide, royalty-bearing license for the drug SnET2 in ophthalmology. As the phase III clinical trials for `wet' age-related macular degeneration (AMD) progressed, Miravant's costs and reimbursements decreased as Pharmacia directly assumed more of the late-stage responsibilities for the program. Gary Kledzik, chairman and CEO, stated, "Miravant's most significant milestone in year 2000 was achieving one-year follow-up on all patients in the PhotoPoint phase III clinical trials for AMD. This represents our first commercial product opportunity, and we are looking forward to completing the clinical trials with our partner Pharmacia in December 2001. I am also proud that Miravant achieved a number of advanced preclinical milestones in our new drug and device pipeline. We presented positive results at key medical conferences, particularly in the cardiovascular area and our scientific teams have made excellent overall progress." Goals for 2001 include:

* Complete two-year phase III AMD clinical trials with partner Pharmacia in December 2001; final data analysis and planned NDA (New Drug Application) submission in 2002;
* File a dermatology IND with FDA and conduct a phase I clinical trial during the second half of the year;
* Continue an aggressive preclinical cardiovascular program (angioplasty-related restenosis, vascular graft intimal hyperplasia and/or atherosclerosis) in collaboration with leading interventional cardiologists, and develop clinical strategies for these programs; and
* Pursue collaborative co-development partnership(s) in targeted disease indications.

The company also reported that preclinical results of its PhotoPoint therapy for treating solid tumors were presented at the annual meeting of the **American Association for Cancer Research (AACR)** in New Orleans. Preclinical results indicated that the PhotoPoint treatment, mediated by a novel proprietary photosensitive drug, selectively destroys the tumor neovasculature while minimally affecting surrounding normal blood vessels. The presented studies were conducted in preclinical tumor models at the Edwin L. Steele Laboratory at **Massachusetts General Hospital**, Boston. The studies investigated the effects of the PhotoPoint treatment on tumor neovasculature, the new vascular networks that are essential to the growth and sustenance of all solid tumors. Additional studies are in progress to further define the selective vascular effects of PhotoPoint therapy and to evaluate its efficacy in tumor eradication.

MEDICAL/SURGICAL LASER UPDATE -- April 2001

3/27 **ESC Medical Systems** announced that it had signed an exclusive agreement with **Karl Storz GmbH & Co.** of Tuttlingen, Germany, for worldwide distribution of ESC's GyneLase laser. GyneLase, a portable, table top diode laser used in conjunction with disposable applicators, is designed to treat menorrhagia or excessive menstrual bleeding. The terms of the agreement with Storz, which goes into effect on April 1, include a minimum purchase of over $50 million worth of lasers and disposables during the next 4 years. Karl Storz is a worldwide leader in the manufacture and marketing of modern endoscopic and surgical equipment for Gynecology and other clinical specialties. It has earned a sterling reputation over many years for innovative, high quality products with reliable service and support provided through its worldwide network of 25 direct offices and over 120 distributors.

Menorrhagia affects an estimated 20% of menstruating women. Symptoms include fatigue, mental strain, cramping, anemia and nausea, hampering normal daily activities and quality of life. GyneLase is designed to provide an alternative to a hysterectomy for the treatment of menorrhagia. It is estimated that 20% of the 600,000 hysterectomies performed annually in the U.S. are menorrhagia-related and can be replaced with GyneLase. In the Western world almost 6.5 million women suffer from menorrhagia, yielding a market size estimated to be over $1 billion.

GyneLase uses a minimally invasive procedure known as ELITT (Endometrial Laser Intrauterine Thermal Therapy), to treat the tissue in the uterine wall (endometrium) which causes menstrual bleeding. Pioneered by Prof. J. Donnez of Universite Catholique de Louvain in Brussels, Belgium, the procedure takes 7 minutes, without need for general anesthesia or a hospital stay. By comparison, a hysterectomy requires several days of hospitalization and another few weeks of home recovery.

Yacha Sutton, president and CEO of ESC commented, "We are very pleased to partner with a world recognized leader such as Karl Storz GmbH. They have a well-established

reputation for pioneering quality products and service in the surgical marketplace and are a major player in the field of gynecology. This agreement enables both companies to maximize complementary distribution and product assets. We are particularly satisfied because this agreement represents significant progress with one of our potentially very high impact recurring revenue start-up projects." Helmut Wehrstein, head of Worldwide Product Management for Karl Storz, said, "We are very excited about the market potential for GyneLase. It has generated significant interest and enthusiasm at medical conferences where it has been displayed. The combination of ESC's innovative laser technology with our extensive marketing and sales capabilities should enable us to capture significant market share of this large and growing market. We are confident that GyneLase will become the new standard of care for menorrhagia."

4/27 **American Medical Technologies** said that it would present its Futura 5.0 to the international dental community at the world's largest dental show in Cologne, Germany this week. The Futura 5.0 is a complete high-tech dental unit which is the only unit in the world to incorporate the following five technologies into one portable unit:

1. Diode laser for soft tissue management
2. Air abrasion for cavity preparation
3. High speed plasma arc curing light
4. Electric handpiece with proprietary torque control for dental implants
5. Pneumatic handpiece

All of the technologies of the Futura 5.0 tie together in an advanced microcomputer controlled system with a touch sensitive LCD panel. Six programmable preset controls are available for each operative technology -- the electric handpiece, the laser, and the air abrasion system. In addition, the Futura 5.0 offers a self-contained compressor with "bonding air" from molecular sieve air treatment technology -- for the purest, driest air in dentistry. A three-way syringe delivers the air and on-board water. With its own self-contained air and water, a dentist can simply plug it in and start to work without the necessity of expensive plumbing for the dental office.

"I am pleased to add this exciting product to our high-tech equipment line," said Ben Gallant, president and CEO, "This is another step in our goal of continuing to increase our product offerings to our international distributors and dentists."

4/27 **PLC Systems Inc.** announced that on March 12, 2001, Dr. Stephen Boyce, Director of Heart Transplant and Circulatory Assist Device Programs at The Washington Hospital Center performed the first TMR surgery using PLC's next-generation CO_2 Heart Laser 2. Dr. Boyce performed TMR on a 57 year-old man from West Virginia with complicated coronary artery disease. Dr. Boyce stated, "Having performed the first TMR surgery with the next-generation CO_2 Heart Laser 2, I am pleased to report that the patient treated with the laser tolerated the procedure well and was discharged home four

days later, following an uneventful post-operative course. He is currently two weeks post-op and remains angina free at home. Based on my five-year experience of performing TMR with the CO_2 heart lasers, the CO_2 Heart Laser 2 appears to demonstrate the same clinical performance of the first generation laser. The current modifications of the next-generation laser provide improved versatility in surgical technique and mobility within the OR."

4/2 **Laser Corporation** announced improved year-over-year results of operations for the fiscal year ended Dec. 31, 2000. Revenues for the fiscal year were $4.1 million, up 6% from the prior year revenues of $3.9 million. The company narrowed losses 30% to $808,158 (50 cents per share) in 2000 as compared to a net loss of $1.2 million (79 cents per share) in 1999. Joyce Wickham, president and CEO of the company, commented, "The company showed significant progress in 2000 towards its goal of remaking itself into a renowned medical products company. The transition has not been painless, but we are now beginning to see measurable success. During the year 2000, medical product sales increased 63% over 1999, representing approximately 39% of the company's total sales in 2000, compared to 25% of sales in 1999. Most of the company's total sales growth and improved results can be attributed to the FDA clearance of the Dodick Laser PhotoLysis System for cataract removal received in June 2000. We have just completed the first training courses to introduce and educate surgeons to the PhotoLysis system, which proved to be very successful. Additional courses are scheduled throughout the year and a new marketing and advertising campaign has just been launched. We believe that medical sales will continue to grow during 2001 as the new sales force begins to penetrate the market."

4/2 **The Plastic Surgery Co.**, which owns and/or operates cosmetic surgery and cosmetic laser centers in key U.S. markets, reported the financial results for the fourth quarter and year ended Dec. 31, 2000. For the fourth quarter, the company reported a net loss of $300,391 (7 cents per share), on total net revenues of $7.2 million. For the full year, the company reported net income of $620,193 (13 cents per share), on revenues of $29.6 million. Calendar year 2000 is the company's first full year of operations, and there are no comparable operating results for 1999.

The company currently owns and/or operates 24 centers located throughout the United States and has recently launched a national branding strategy in selected facilities under the name Personal Image Centers. The brand is intended to exemplify the "one-stop-shop" approach in this unique and rapidly growing elective procedure segment of health care. With headquarters in Santa Barbara, the company completed its initial public offering on Dec. 10, 1999.

The Center's menu of available procedures are all pre-paid by the patient in cash or financed through one of the many patient-financing companies that cater to this market. In this elective surgery market, the company avoids third-party pay reimbursement

issues, insurance billing and long-term collection problems, all of which negatively impact "traditional" health care. The services offered in many of the company's Centers include:

Cosmetic Surgery	Cosmetic Lasers	Physician-Directed Skin Care
Liposuction	Age Spot Removal	Glycolic Peels
Breast Augmentation	Wrinkle Reduction	Microdermabrasion
Facelifts	Spider Vein Removal	Collagen
Eyelid Surgery	Hair Removal	Botox
Tummy Tucks	Rosacea Treatments	Cellulite Massage
Brow Lifts	Tattoo Removal	Skin Care Products

The number of cosmetic procedures performed last year rose to 5.7 million, according to the national statistics released in March by the *American Society for Aesthetic Plastic Surgery (ASAPS)*. That represents a 25% increase over 1999 and a 173% jump since 1997, as stated by the same source. The company believes that the growth in cosmetic surgery and in cosmetic laser procedures across the board can be attributed to favorable cultural and demographic trends including: (i) an aging baby boomer population, (ii) cultural acceptance of cosmetic surgery, (iii) improvements in treatment technology, (iv) more affordable financing for procedures and (v) an upward trend in the number of men seeking cosmetic surgery. ASAPS reported a 23% increase in the number of procedures performed on men last year.

4/2 **Cell Robotics International, Inc.** announced financial results for the fourth quarter and year ended December 31, 2000. The company reported 2000 annual revenues of $1.0 million compared to revenues of $1.4 million for 1999. The net loss for 2000 was $5.0 million (54 cents per share) compared to a net loss in 1999 of $1.9 million (31 cents per share). The increased net loss was primarily attributable to three items. In the third quarter of 2000, the company recorded a $1.2 million non-cash charge to interest expense to record the beneficial conversion charge required when a convertible note was exchanged for common stock. Second, operating expenses increased due to laser design improvements and the rework of the existing inventory of laser rods for the Lasette and the increased sales and marketing costs associated with the accelerated product rollout of the Lasette in the United States, Europe and Asia. Third, during 2000 the company recorded charges to cost of sales associated with the anticipated successful resolution of a dispute with **Big Sky Laser Technologies, Inc. (BSLT)**. As a result of the agreement that was reached with BSLT in January 2001, the company paid BSLT $350,000 for the manufacture of 100 Professional Lasettes and the return of all remaining BSLT Lasette inventory.

For the fourth quarter, sales revenues were $243,655 compared with revenues of $23,643 for the fourth quarter of 1999. Revenue growth in the quarter was primarily driven by

significant increases in the shipments of the company's genetic engineering workstation and sales of the Lasette.

Dr. Ronald Lohrding, president and CEO of the company, stated, "We believe that during 2000 we put the elements in place to bring the Lasette to market and to begin building awareness of the revolutionary benefits it provides to health care workers and to the large and growing population of diabetics worldwide. Given our strong performance in the fourth quarter of 2000, we believe that we are beginning to see the fruits of our efforts. Specifically, we are pleased with the current direction of the company's sales, particularly the significant sales increase witnessed in the fourth quarter last year and the continuing positive trend experienced in the first quarter of 2001. Based upon this trend, we hope to have an even stronger second quarter of 2001. We believe that sales growth in the second and third quarter 2001 is achievable as a result of our new marketing and sales approaches being implemented and overseen by our new Vice President for sales and marketing. We believe these programs, combined with increased production capacity and new partnerships will enable us to continue our aggressive sales efforts. For example, we are now able to provide some introductory discounts on the price of the Lasette, such as our ability to offer patients the Lasette for as little as $0.90 a day or $27.50 per month for three years, through our new distributor, **Home Test Medical**."

Lohrding continued, "Looking forward, we believe that we now have the product, staff and distributor relationships to capitalize on industry trends. Many medical professionals believe strongly that the long-term health of diabetics can be improved with more frequent glucose testing. Because sampling blood with the Lasette is so gentle to your hands, users are encouraged to test their glucose levels more frequently resulting in better management of their diabetes. This in turn can lead to future decreased incidences of long-term diabetes complications such as heart attacks, strokes, blindness, kidney failure, foot or leg amputations and sexual dysfunction. We are also delighted with the rapidly increasing market pull for our Cell Robotics Workstation. Applications for analyzing cancer cells in thin sections, producing transgenic animals, and using the results of the human genome project to produce new pharmaceutical products have increased the demand for using the LaserTweezers and LaserScissors of the Workstation. We are pleased with the ground work that was laid for both the Lasette and the Cell Robotics Workstation in 2000 and we anticipate that in 2001 we will begin to enjoy increases in sales from that groundwork."

4/3 **PhotoMedex, Inc.** provided information on the results of the company's participation at the 59th annual *American Academy of Dermatology* Conference held in Washington, D.C., March 2-7. The Conference is the largest in the U.S. This year there were over 15,000 attendees, including over 9,200 medical personnel.

Dr. Steven Feldman, MD, Associate Professor of Dermatology and Pathology, and Director, Psoriasis Treatment Center, Wake Forest University School of Medicine, spoke

at two symposiums focusing on psoriasis: "Treatments Patients Like"; and "New Topical & Phototherapies for Psoriasis". Dr. Feldman, who was one of PhotoMedex' six beta site doctors, presented the final multicenter study results, which closely mirrored the preliminary beta site results previously released. The final multicenter study results are undergoing peer review and should be available for publication in the near future. Commenting on his presentations, Dr. Feldman said, "One of the most striking things at the meeting was to me, how the interest in the XTRAC laser has exploded over the past year. I believe in large part it is because physicians recognize intuitively how much sense this particular laser therapy makes for the treatment of localized psoriasis, and they are therefore anxious to review the clinical data to confirm their already formed impressions."

Dr. Mark Lebwohl, head of the Scientific Department of Dermatology at Mt. Sinai Medical Center, was the Director of the psoriasis symposiums in which Dr. Feldman participated. He has been one of the leading researchers in the use of the XTRAC laser for the treatment of vitiligo. He commented at the conclusion of the Conference, "While the XTRAC laser is a proven, highly effective treatment for psoriasis, the most exciting use could be for the treatment of vitiligo, simply because the dermatology community does not currently have any treatment that works this quickly."

One of the most significant presentations was by Dr. Roy Geronemus of the Laser & Skin Surgery Center of New York. The presentation focused on his pioneering work with Dr. Paul Friedman utilizing the 308-nm UV-B excimer laser for the treatment of post-surgical scars and laser-induced leukoderma. According to Doctors Geronemus and Friedman, "Leukoderma is a common, permanent complication of various laser and skin surgical procedures and is usually very distressing to patients. There are currently no effective therapeutic options for these patients. We have performed a pilot study of 10 patients with leukoderma from laser surgery or surgical scars. Our preliminary results have demonstrated a 50-75% improvement or greater of the leukoderma, with patients reporting a steady darkening and less striking areas of hypopigmentation. Follow-up is ongoing to assess the permanency of the repigmentation."

Dr. Geronemus went on to say, "Our preliminary results suggest that the 308-nm excimer laser offers a rapid and effective treatment for stimulating residual melanocytes in patients with leukoderma from laser or skin surgery at a relatively low cumulative UV-B dose. This represents the first therapeutic option for patients with post-laser or surgical hypopigmentation. The mechanism of UV-B repigmentation is probably related to the stimulation of melanocyte migration and proliferation by the release of cytokines and inflammatory mediators in the skin. We are currently performing a larger, prospective clinical trial with longer follow-up and histological evaluation to further support our findings. Scars are ubiquitous, and for the first time we have a treatment that can be used to improve the appearance of these scars that are the consequence of cosmetic surgery, surgery for medically necessary conditions, and scars from previous traumatic injury,

including burns. The attractiveness of this treatment is that it is safe, painless, and there is no injury to the skin after each treatment session. In many ways this is an ideal cosmetic treatment because of the lack of downtime and the potential for success. This represents the first significant advance in treating the often permanent hypopigmentation that can result from skin or laser surgery."

Jeff O'Donnell, president and CEO, commented, "This Conference turned out to be our most successful event to date. The level of interest generated at our exhibit exceeded our most optimistic expectations. It is very gratifying and exciting to know how close we are to realizing our goal of making the XTRAC laser therapy system the treatment of choice for mild to moderate psoriasis patients. In addition, we could not be more pleased with the timing of the FDA market clearance of the XTRAC laser system for the treatment of vitiligo. It enabled us to officially showcase and promote the XTRAC laser in a dual capacity, which created an inordinately strong demand."

4/3 **MW Medical** announced that it had received FDA clearance for its new, large aperture hair removal applicator. This accessory for the MW 2000 hair removal system provides a significantly larger treatment footprint to improve operator efficiency and increase treatment efficacy. The clinical trial was performed in December, 2000 by Dr. David Duffy of Torrance, CA., under an IRB approved protocol with monitoring by MW Medical clinical personnel. After following patients for the prescribed period of the trial, the data was submitted to the FDA to support the 510(k) filing to begin marketing this new accessory.

"We are indebted to Dr. Duffy and his staff for their interest in the project and quality of this study. Their dedication and diligence throughout the process was outstanding," stated Tyler Brown, MW Medical COO. Due to the nature of the accessory and the company's earlier approval, MW Medical requested and was granted a special 510(k) clearance. The trial was completed with one hundred percent compliance and zero adverse events. "This was truly an outstanding effort on all fronts -- the development team, Dr. Duffy and the clinical staff and our regulatory advisors -- all worked closely to make this project run flawlessly," stated Jan Wallace, MW Medical CEO.

4/3 **Candela Corporation** reported the first shipments of SmoothBeam, its newly introduced diode-based skin renewal laser. Prior to shipping, the SmoothBeam laser had already received the necessary national and international safety approvals and certifications including UL for the United States, CE for Europe, CSA for Canada, and CB scheme which is accepted in over 39 countries. Gerard Puorro, Candela's president and CEO, commented: "This shipment of a significant number of SmoothBeams is the first milestone in the sales history of this laser. Its immediate, enthusiastic acceptance by physicians reinforces our premise that the market was looking for a skin renewal laser that was smaller, lighter, more affordable, and easier to use than what was previously

available. We expect the SmoothBeam to lead the market by filling an important role in the physician's aesthetic laser capability."

David Goldberg, MD, Director of Laser Research in the Department of Dermatology at New York's Mt. Sinai School of Medicine, and Principal Investigator for SmoothBeam clinical trials, reported: "This laser is doing exactly what we want. It's an elegant method for improving skin with minimal patient downtime. Patients will be pleased with this quick and easy option for skin care." He went on to explain: "In sun-damaged or aging skin, the collagen in the dermis is irregular and haphazard. Clinically, we see it as skin that has lost its tone and texture. The unique 1450 nm wavelength of the SmoothBeam is absorbed by water in the damaged collagen. It heats that water in the damaged collagen inducing a mild thermal injury. This leads the body to create new collagen that has better direction -- it's thicker, and it leads to better tone and quality of the skin."

4/5 As previously reported, **Henley Healthcare** has defaulted on its indebtedness owed to **Comerica Bank - Texas**. Comerica Bank - Texas has now foreclosed on substantially all of the company's U.S. operating assets, and those assets have been sold to an (unnamed) third party for approximately $900,000. The proceeds of this sale have been used to reduce the indebtedness owed by the company to Comerica Bank. These assets include but are not limited to Fluidotherapy, Cybex, Tru-Trac and the MicroLight Laser 830. The company anticipates that Comerica Bank will also foreclose on and sell the company's Sugar Land and Belton facilities and its accounts receivable in the near future. The proceeds from those sales will also be used to reduce the company's indebtedness to Comerica Bank.

In addition to the remaining indebtedness owed to Comerica Bank, the company has a substantial amount of outstanding indebtedness owed to **Maxxim Medical** and unpaid vendors. The company is actively seeking additional equity or debt financing, and is discussing with Comerica, Maxxim and its vendors a restructuring of the company's indebtedness. Such restructuring may include the issuance of equity securities to repay its outstanding indebtedness. Any such issuance of equity securities will substantially dilute the interest of the company's current shareholders. There can be no assurances that such restructuring or equity financing will occur. In the event the company is unable to quickly restructure its outstanding indebtedness and secure additional financing, the company will not have the funds to satisfy its obligations and may be required to seek protection under the federal bankruptcy laws.

4/5 **BIOLASE Technology, Inc.** announced that sales for the first quarter of 2001 were $3.1 million, an increase of 102% over the same period last year. Jeffrey Jones, BIOLASE president and CEO, stated, "The level of our sales continues to increase at a very strong pace both domestically and internationally. Underlying this increase is the excellent reception by the dental community of our new Waterlase, a laser that allows dentists to perform painless dental procedures, and the Twilite, a laser for teeth whitening and soft

tissue surgery. Additionally, we are well positioned for another excellent quarter, and we are very optimistic about continued outstanding growth for the remainder of 2001. We also believe that our sales should not be adversely affected by the global economic slowdown. Both the Waterlase and the Twilite are excellent tools for dentists to use to differentiate themselves in an increasingly competitive market. Waterlase dentists position themselves as modern, advanced technology practices offering painless laser dentistry in place of the traditional needle, anesthesia and drill."

4/6 **The Spectranetics Corporation** announced the settlement of a lawsuit with **Cook Vascular, Inc.** In October 1999, Cook Vascular filed a lawsuit in the United States Federal Court in Indiana claiming co-ownership of two patents issued to Spectranetics. On June 5, 2000, Cook amended its original complaint, alleging infringement by Spectranetics of a Cook patent directed to a mechanical device for removing implanted pacemaker leads. On March 27, 2001, a settlement agreement was entered into whereby Cook dismissed their claims against Spectranetics. The settlement agreement does not have a material financial impact on the company.

Paul Samek, Spectranetics' CFO commented, "We believe our settlement with Cook Vascular was favorable and now concludes a series of diverse legal activities over the last several months. We expect the conclusion of these various legal activities will result in lower legal expenses to the company."

4/6 **DUSA Pharmaceuticals, Inc.** said that independent investigators in the United Kingdom had initiated a new randomized study testing DUSA's LEVULAN (aminolevulinic acid HCl) photodynamic therapy (PDT) in the treatment of dysplastic Barrett's esophagus (BE). The same investigators recently reported encouraging results from an earlier study of 36 patients. The goal of the new study is to determine the effect of varying drug concentrations on the ability of LEVULAN PDT to safely and effectively treat this common precancerous condition of the esophagus.

Barrett's esophagus (BE) is an acquired condition affecting up to 0.4% of the general population, in which the normal esophageal lining is replaced by an abnormal lining that can then become dysplastic (pre-cancerous). As dysplasia progresses from low-grade to high-grade, the risk of esophageal cancer increases significantly, 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 by the medical community. There is currently no approved therapy proven to halt or reverse BE, or to slow its progression to esophageal cancer.

In the new double blind, controlled clinical trial at the University of Sheffield, 25 patients with low grade dysplastic BE are being randomized to receive low-dose (30 mg/kg) or high-dose (60 mg/kg) LEVULAN taken orally. Four or six hours later, patients will be

exposed to 635 nm red laser light, delivered via cylinder-shaped light diffusers within transparent balloons, in order to try to achieve uniform light delivery. Patients will be examined with endoscopy and biopsy procedures at 1, 6, 12 and 24 months after treatment with LEVULAN PDT. DUSA is providing LEVULAN and other support for this study.

4/9 *Reuters* reported that **Salomon Smith Barney** analyst Phil Nalbone had initiated coverage of **ESC Medical Systems Ltd.** with a buy rating and a one-year price target of $44. He stated in a research note, "The pending acquisition of **Coherent Inc.'s** medical products division will more than double the company's sales base and provide an entry into new markets, particularly ophthalmology. We project that the newly formed company will grow at compound rates of 15.5 percent in sales and 56.5 percent in earnings though 2004." He also said that ESC's shares were attractively priced relative to the long-term potential of the ESC/Coherent combination.

4/10 **The Spectranetics Corporation** announced the publication of an article in the April 1, 2001 issue of the *American Journal of Cardiology* demonstrating the safety and effectiveness of excimer laser coronary angioplasty to treat a subset of patients with acute coronary syndromes. The article entitled, "Effectiveness of Excimer Laser Coronary Angioplasty in Acute Myocardial Infarction or in Unstable Angina Pectoris", evaluated the feasibility, safety, and acute results of percutaneous excimer laser coronary angioplasty (ELCA) in acute coronary syndromes. Fifty-nine patients were treated with ELCA, including 33 patients with unstable angina pectoris (UAP) and 26 patients with acute myocardial infarction (AMI). The study showed procedural success rates of 100 percent and 97% for the AMI and UAP groups respectively. Two thirds of patients in the UAP group (with no presence of thrombus) fall within Spectranetics' indications for use and were safely and effectively treated with the laser followed by balloon angioplasty. Spectranetics presently contraindicates excimer laser angioplasty in AMI and acute thrombosis. The patients in the AMI group were treated in accordance with accepted medical standards, published medical literature and the Declaration of Helsinki.

On Topaz, MD, of the Medical College of Virginia Hospitals, Virginia Commonwealth University, Richmond, Virginia, the lead study investigator, commented: "The findings in the study support the application of excimer laser angioplasty in selected patients with complex lesions who present with acute coronary syndromes. Furthermore, the findings suggest that ultraviolet laser therapy results in thrombus removal and a high procedural success rate with minimal complications. Further study is necessary to compare the laser to other approaches to treat acute coronary syndromes." Joseph Largey, president and CEO of Spectranetics commented: "This impressive study presents new data supporting the safety and efficacy of excimer laser angioplasty within our six PMA indications in patients with unstable angina. We are interested in the new data presented in the investigators' research showing that the laser resulted in significant thrombus removal, suggesting direct laser energy absorption and thrombus vaporization."

4/18 **Spectranetics** announced that revenue for the first quarter of 2001 was $6.0 million, compared with $6.7 million in the year-ago quarter. The decrease was primarily due to implementation of a strategic plan which emphasizes U.S. disposable products sales and de-emphasizes international sales, as well as a restructuring of the European business to improve profitability. Operating expenses were tightly controlled, resulting in a 42% improvement in operating loss to $669,000 from $1.2 million in the first quarter a year ago. The net loss was $556,000 (2 cents per share), compared with $894,000 (4 cents per share) in the first quarter of 2000.

The revenue decline was primarily due to a revised strategic focus that resulted in lower excimer laser system sales, which were down 49% to $0.7 million, and lower international sales, which were down 48% compared with the prior year. The company placed three new excimer laser systems during the quarter, compared with 15 a year ago. Revenue from disposable products was up 2% on a 13% increase in angioplasty products and a 9% decline in sales of lead removal products. Service revenue was up 6% in the quarter.

Joseph Largey, president and CEO, commented: "We passed some important strategic milestones during the quarter. Most importantly, we received approval to begin LACI Phase 2, our clinical trial to treat circulatory problems below the knee. We intend to keep LACI on a fast track, along with our PELA trial, which deals with blockages above the knee, and anticipate receiving FDA approvals for both of these indications in 2003. We are committed to these trials in order to treat a huge underserved group of patients whose quality of life could be substantially improved by our technology. We estimate the size of the market for laser angioplasty in the leg at about $600 million per year. We also made progress in our strategy to reduce costs and maintain tight control of cash while emphasizing the sale of disposable products in the United States at the expense of laser placements and international sales. The goal of this strategy is to conserve cash and increase utilization of our excimer systems, while increasing our investment in clinical trials to accelerate growth."

Largey concluded: "A disappointment in the quarter was our CLeaRS lead removal business, which was down 9% compared with the prior year. This business was subject to an unusually tough comparison because of a highly successful sales promotion in the first quarter of 2000. That promotion led to a 93% increase in the first quarter of 2000 compared with 1999, breaking our usual seasonality pattern and resulting in our best quarter ever for CLeaRS. Despite strong competitive pressures in the market with resulting consolidated revenue below expectations in the quarter, I expect continued progress for Spectranetics in 2001, with growing acceptance of excimer technology in the marketplace, progress in our clinical trials, and continued operational improvements throughout the company."

The following day, the company announced that John Shuck, MD, of the Main Line Health Heart Center at Lankenau Hospital in the Philadelphia area, treated the first LACI Phase 2 patient on April 13, 2001. The LACI Phase 2 trial is intended to demonstrate the safety and efficacy of excimer laser angioplasty to treat circulatory problems of the lower leg. The patient was a 76-year-old man who had been experiencing leg pain for three weeks, even while resting. The patient has a history of cardiovascular, cerebrovascular and peripheral vascular disease. He presented with a 4 cm. occlusion of the main artery in the thigh, the superficial femoral artery, as well as obstructions blocking the flow in other arteries down the leg -- the popliteal, tibioperoneal trunk and peroneal arteries. All four arteries were treated in a minimally invasive procedure with excimer laser angioplasty, followed by balloon angioplasty and the implantation of stents (supporting metal mesh tubes). The patient left the hospital the next day with no leg discomfort.

Dr. Shuck commented: "I chose excimer laser angioplasty because my prior experience with LACI Phase 1 and the PELA trial, which involves arteries in the upper leg, has convinced me that excimer laser angioplasty works to clear occlusions and obstructions in leg arteries with minimal trauma to the vessel and to the patient. Furthermore, given the patient's other medical problems, he was a poor candidate for a more invasive surgical treatment."

4/18 **Eclipse Surgical Technologies** reported results for its first quarter ended March 31, 2001. While revenues for the first quarter were lower year-to-year, the company cut its operating loss to less than half (46%) of last year's first quarter operating loss by significantly reducing operating expenses. Eclipse also slashed its cash burn rate in the first quarter of this year by 72% when compared to the year ago period. According to Eclipse president and CEO Michael Quinn, this year's first quarter was marked by the transformation of the company to a new sales and marketing driven focus with the continued expansion and major revitalization of its sales, marketing and business development functions. Eclipse also concentrated on its per-procedure revenue model and on increasing utilization of its lasers during the first quarter; saw the completion and reporting of preliminary results of a pioneering, randomized double blinded study for PTMR, the minimally invasive version of the company's FDA cleared TMR laser procedure; and, towards the end of the quarter, raised $1 million in a placement of common stock with a private investor. While implementing the needed changes in the sales organization has caused disruptions in sales, the company believes these changes will propel the expansion of sales in upcoming quarters.

Worldwide revenues in the first quarter, based on sales of disposables and lasers used to alleviate chest pain (angina) in patients suffering with coronary artery disease, were $3.1 million, with a net loss of $2.4 million (8 cents per share), a significant reduction from last year's first quarter net loss of $4.4 million (15 cents per share). During the first quarter of last year, the company's sales were based more heavily on the sale of the lasers systems, with revenues of $5.7 million. Sales for this year's first quarter were primarily

from disposables used with the company's proprietary lasers, which are now being placed in hospitals and medical centers and largely charged on a per-procedure basis for disposables, rather than on a complicated capital equipment purchase. At the end of the first quarter of 2000, there were 182 sites in the United States using Eclipse lasers for TMR and by the end of the first quarter of 2001, the number of U.S. sites had risen to 251, an increase of 38%. The number of surgeons trained to use Eclipse lasers for TMR at the end of this year's first quarter was 782, up 52% from the same period last year. Quinn commented, "While continuing on our mission to place TMR lasers at more locations and to empower more surgeons and interventional cardiologists worldwide, we have also continued to push forward with our innovative technology for the less invasive PTMR system."

In March, widely recognized authority Dr. Jan Erik Nordrehaug, who chairs the Department of Heart Disease at University Hospital of Bergen, Norway and is a member of the advisory committee of the Norwegian Ministry of Health, presented favorable preliminary data from the first randomized, double-blinded study of PTMR at the American College of Cardiology (ACC) in Orlando. The study, called BELIEF (Blinded Evaluation of Laser PTMR Intervention Electively For Angina Pectoris), showed by independent assessment that after six months patients who underwent the innovative catheter-based procedure were at least three times more likely to experience substantial relief from crippling chest pain called angina than those who received a sham procedure. Currently PTMR is not cleared by the FDA. The company submitted data and filed a PMA (Pre Market Application) with the FDA in December 1999, seeking clearance to market the procedure, and believes that its submittal has substantial merit.

Eclipse also reported that subsequent to the end of this year's first quarter it completed a $2 million private placement of common stock with the State of Wisconsin Investment Board, strengthening its March 31, 2001 cash balance. In addition, the company has secured a commitment for an asset-based line of credit of up to $5.0 million, which it expects will close within the next two weeks.

The $3.0 million private placements of common stock included the purchase by the State of Wisconsin Investment Board of 2 million shares of common stock for $2 million in mid-April and the purchase of 898,202 shares of common stock by another investor at the end of this year's first quarter. The asset-based line of credit of up to $5 million will be with CIT Business Credit.

4/19 **ICN Pharmaceuticals, Inc.** said that scientific presentations regarding the company's recently FDA cleared NLITE Laser Collagen Replenishment system will be made at the *American Society for Laser Medicine and Surgery* Annual Meeting in New Orleans. Four presentations will be given covering various aspects of the NLITE LCR procedure. These presentations, reviewing clinical and scientific studies, include: "Biochemical Analysis of Type III Skin Collagen Production Rate During Non-Ablative Wrinkle Reduction";

"Novel Non-Ablative Cutaneous Laser Applications"; and "Non-Ablative Wrinkle Reduction, A Prospective Study of Efficacy and Side Effects". NLITE Non-ablative laser is a revolutionary breakthrough in lasers offering physicians and patients a safe, confidential system for periocular wrinkle removal with no down time, and without causing significant superficial skin damage.

4/19 **Laserscope** reported its first quarter financial results for the period ended March 31, 2001. Revenues for the quarter were $8.2 million compared to $8.6 million in the first quarter a year ago. Laserscope reported a net loss of $490,000 (3 cents per share) compared to a net loss of $352,000 (2 cents per share in the first quarter of 2000. Commenting on the report, Eric Reuter, president and CEO said, "While we are very dissatisfied in our lack of quarterly revenue growth over the past two quarters, we remain optimistic about our prospects for the year 2001. Although the first quarter's results indicate a softening demand for some of our products, they do not reflect the full potential that our new exclusive agreement with **McKesson/HBOC's Medical Group** brings us. During most of the first quarter, we focused on a limited launch of our aesthetic products into this new distribution channel. We expect to see the results of our launch efforts show in the second quarter as we roll out the program nationwide."

"We anticipate improvement in revenue growth and profitability during the second half of 2001. By then we should see the full benefit of the McKesson/HBOC Medical Group's 500 person sales force representing our aesthetic products in the United States. In addition, we expect to introduce our BPH treatment solution later this year and we look forward to revenue growth from this exciting opportunity as well. The surgical segment of this market has not been well served and we believe that there is a significant need in the market for a treatment solution that offers the complete symptom relief of a trans-urethral resection of the prostate (TURP) but is faster to perform, has less morbidity, minimal to no catheter time for the patient, and a minimal risk of any major side effects. We believe our solution meets this need."

4/19 **ESC Medical Systems Ltd.** announced that it expected sales for the quarter ended March 31, 2001, to be about $43.0 million. During the same quarter last year, ESC generated $36.0 million in sales, an increase of about 20%. Yacha Sutton, president and CEO, commented: "We are delighted to have experienced continued strong revenue growth in the first quarter, which is seasonally a weaker quarter. Excluding one-time charges, the revenues generated should translate into strong operating results, which will be reported in mid-May." ESC Medical Systems will seek shareholder approval to change its name to **Lumenis** following completion of the **Coherent Medical Group** transaction.

4/19 **Candela Corporation** announced that its new GentleYAG Nd:YAG long pulse laser had received FDA clearance for hair reduction and the treatment of vascular lesions. The GentleYAG facilitates hair removal in darker skinned patients, including skin types V and VI. Gerard Puorro, Candela's president and CEO, commented: "FDA clearance for

the GentleYAG laser is very significant for the laser hair removal market. This is our first laser that completely meets the hair removal needs of darker skinned persons, while being entirely suitable for all skin types. The laser is smaller, lighter, more affordable, and easier to use than what was previously available. It will improve the in-office hair removal capabilities of physicians and other practitioners."

4/23 **American Medical Technologies** reported that for the first quarter of 2001 the company recorded a net income of $104,833 (1 cent per share) compared to a net loss of $745,980 (10 cents per share) for the same period of 2000. Revenues decreased 4% to $4.5 million compared to $4.7 million in the first quarter of 2000. Gross margins improved from 42% in 2000 to 56% in 2001 and gross profit increased 28% from $2 million in the first quarter to $2.5 million for the same period in 2001. "This turnaround from the prior year's loss proves that our new business model is working," said Ben Gallant, president and CEO. "Under our new direct sale business model, even with a slight decrease in sales, our healthier gross margins and lower administrative costs improved our income from operations by more than $1 million compared to last year when we operated under the old distributor-based business model. We are making progress in other areas of our new business strategy as well. During the first quarter, we added several new items to our product line through OEM agreements and in-house development. In addition, the development of our new Erbium laser for hard tissue applications is continuing and we expect to launch sales of that new product in the third quarter of this year."

4/23 **Candela Corporation** reported results for its fiscal third quarter ending March 31, 2001. The company reported that revenues increased over its most recent quarter by 28%. Revenues for the quarter were $18.8 million vs. $19.2 million for the same quarter last year. Revenues for the nine-month period were $46.6 million versus $53.0 million a year ago. Net income for the quarter was $1.6 million (14 cents per share). For the same period last year, the company had net income of $3.7 million (30 cents per share).

Commenting on the quarter, Gerard Puorro, Candela's president and CEO said: "Our third fiscal quarter represented a favorable change in momentum from the first half of our fiscal year. During the quarter we reinforced our relationship with **Physician Sales & Service, Inc. (PSS)**, our largest distributor into our opportunity markets of expansion. We also introduced two new products: The SmoothBeam, our diode based device which is getting lots of attention in both the non-ablative and rejuvenation markets; and the GentleYAG, a long pulse entry for darker skin types that rounds out our hair removal offerings, and which has also been cleared for a number of vascular treatments." Puorro concluded: "We are pleased about this renewed momentum and remain confident as we go forward."

During the accompanying teleconference, Puorro said that the company had renewed the relationship with PSS and was looking forward to meeting future expectations. Candela is in the process of training the PSS sales staff about lasers, and PSS would now begin

selling the newer products, including the SmoothBeam, as well as older laser types. Breaking out the mix of product revenues for the quarter, he said that 45% of sales were hair removal lasers; 15% were for vascular products; 10% skin rejuvination; 8% for tattoo removal; and the remainder for service and royalties. The only mention of the dye laser for treating psoriasis was that it was on schedule for release later this year.

4/24 **Palomar Medical Technologies, Inc.** announced financial results for the first quarter ended March 31, 2001. For the first quarter, revenues were $3.6 million, compared with revenues of $2.9 million for the first quarter of 2000. Net loss for the first quarter was $1.9 million (19 cents per share) as compared with net loss of $3.6 million (37 cents per share) for the first quarter of 2000. Gross profit was $887,000, or 25% of revenues, as compared to $303,000, or 11% of revenues for the first quarter of 2000. The increase in revenues, gross profit and decrease in net loss is principally attributable to the introduction in the second half of 2000 and increased product sales of the Palomar SLP1000 super long-pulse diode laser for hair removal and vascular lesions.

Louis (Dan) Valente, chairman and CEO of Palomar, commented: "We could not be happier with the progress we have made during the first quarter. Our first quarter loss has been reduced by almost half of what it was last year, and we hope to continue this positive trend towards profitability. The sales of our SLP1000 have continued to ramp up and we expect the SLP1000 to continue to be a strong product in the future. Gross margins should continue to increase as product volume increases from our current products and additional products planned for future quarters. Towards the end of the first quarter, we received FDA clearance and introduced two new cosmetic devices, the Palomar EsteLux pulsed-light system for hair removal, and the Palomar Q-YAG 5 laser system for tattoo and pigmented lesion removal. These new devices were shown for the first time at the industries largest meeting of the year, the annual meeting of the American Academy of Dermatology, with approximately ten thousand dermatologists attending the meeting. There has been a lot of excitement surrounding the introduction of these new products, both from physicians and our sales team, and we have already received a number of orders and plan to start shipments towards the end of the second quarter. Palomar can now offer physicians a family of innovative laser and pulsed-light systems for a wide range of cosmetic treatments."

4/24 **SurgiLight, Inc.** announced that it had submitted the second 510(k) premarket notification for its EX-308 excimer laser for the phototherapy treatment of the skin disorder known as vitiligo. The EX-308 laser received its first clearance for the treatment of psoriasis in August of last year. It is estimated that vitiligo affects about 1%-2% of the worlds population and the *National Vitiligo Foundation (NVF)* estimates that 2 to 4 million Americans suffer from this skin disorder. Vitiligo is a disfiguring cutaneous disease in which there is complete loss of pigment in localized areas of the skin and the affected areas being completely white. The result is cosmetically disfiguring, especially for dark skinned people and currently the treatment results from other types of therapy vary

widely. However the preliminary clinical results provided by the EX-308 have been very promising.

JT Lin, president and CEO, commented, "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 have recently signed an agreement with **A & A Medical**, a very well respected medical device manufacturer and we intend to begin marketing the EX-308 throughout the world soon. We also intend to place one of these systems with **Advanced Medical Laser Services (AMLSI)**, our wholly owned mobile cosmetic center that services the southeast." The EX-308 is currently cleared for the treatment of psoriasis.

4/24 **Coherent, Inc.** announced financial results for its fiscal second quarter ended March 31, 2001. During the quarter, the company took the steps it considered necessary to strategically focus on those high growth markets, technologies, and opportunities that are best complemented by its core competencies. On February 26, 2001, the company announced that it had signed an agreement to sell its Medical segment to **ESC Medical Systems Ltd.** for a combination of cash, notes and stock valued at the date of announcement at approximately $203.0 million, plus a potential earnout of up to $25.0 million. Based on this, the company's report on its second quarter reflects the results of its Medical segment as a discontinued operation. It is currently anticipated that the transaction will close within the next several weeks and will result in a one-time gain for Coherent.

Total bookings and sales, including both continued and discontinued operations (including bookings and sales from our continuing operations to our Medical segment) for the second quarter were $179.8 and $183.8 million, respectively, representing increases of 9% and 29%, respectively, over the same quarter last year. Bookings and sales from continuing operations were $126.8 million and $129.8 million, representing increases of 11% and 42% over the like prior year period. (Meaning that the Medical segment's sales for the quarter were $54 million.) Net income for the current quarter was $14.7 million (51 cents per share), a record for the company and an increase of 75% over the corresponding prior year period. Income from continuing operations during the second quarter was $11.3 million (39 cents per share). This compares to $6.3 million (23 cents per share) in the quarter ended April 1, 2000, an increase of 81%.

Bernard Couillaud, Coherent's president and CEO commented, "The results for the quarter were achieved despite a significant slowdown in the global economy, especially within the technology sector. I believe that we can attribute the excellent quarterly performance to both the existing high backlog of orders entering the period and the enabling nature of our products. While I am always pleased with improvements in operating performance, I am especially grateful for those efforts and contributions put

forth by all our employees during this period of uncertainty caused by market softness and changes in corporate strategic direction. It is anticipated that our Medical Group will be joining forces with ESC Medical Systems Ltd within the next few weeks. The new company will be known as **Lumenis** and should be a world leader in light and laser based medical systems for a myriad of applications. I am truly excited about the opportunity for a new streamlined Coherent to focus on high-growth markets while at the same time participating in the medical business through our resulting equity ownership position in Lumenis."

During the accompaning teleconference, management noted that the Medical Group had an excellent quarter, lead by the strong recovery of sales of hair removal lasers, with 250 units sold during the quarter, mostly outside of the U.S.

4/25 **Photogen Technologies, Inc.** announced the commencement of a Phase 1 human clinical study of its proprietary drug, PH-10, as a topical treatment for psoriasis. The study will evaluate the safety of three different doses of PH-10 in separate patient treatment groups. Patients in the study will each receive a single dose of PH-10 followed by administration of green light on psoriatic plaques. Each patient will act as his/her own control. "We were very encouraged by the interim results of our pilot study conducted by Peter Bjerring, MD, Dr. Sci., of the University of Aarhus, Denmark that laid the groundwork for our commencing human clinical studies in the United States," said Dr. Taffy Williams, president and CEO of Photogen. "Treatment with PH-10 may provide physicians and patients with a significant new means to provide improved clinical management of this chronic disease with greatly reduced side effects. This is the first of several potential applications for PH-10 that we intend to study. Based on the probable mechanism of action, PH-10 may also be an appropriate therapy for actinic keratosis, a pre-cancerous condition that can lead to skin cancer."

The company also announced the interim results of the pilot clinical study. "These interim results, while at an early point, are quite encouraging," said Peter Bjerring, MD, Dr. Sci. (Med), of the University of Aarhus, Denmark who conducted the study. "PH-10 therapy should be thoroughly studied as a potentially important new treatment for this chronic disease."

"We are very encouraged by the results generated with PH-10," said Reinhard Koenig, MD, senior vice president Medical and Regulatory Affairs at Photogen. "Photodynamic therapy, the therapeutic activation of a drug by a light source, has long been recognized as a method of treating psoriasis. However, existing therapy often has unacceptable side effects that limit treatment. Because PH-10 is activated with green light, it offers the advantage of reducing plaque without the side effects of other agents and light sources." Plaque sectors receiving both drug and light exhibited a dose dependant reduction of plaque of up to 58 percent. This response is comparable to that achieved using topical steroids. Sectors of plaque receiving drug alone or light alone exhibited no statistically

significant effect when compared to the untreated area. There were ten patients in the study; all had severe psoriasis as measured by standard clinical assessment and high frequency ultrasound imaging of plaques. PH-10 therapy was painless, with no serious local or systemic acute side effects, in sharp contrast to most other therapeutic options for patients with severe psoriasis. Responses were objectively measured using ultrasound imaging thirty days after a single treatment regimen.

4/25 **BIOLASE Technology, Inc.** announced record sales orders at the *California Dental Association (CDA)*, closing a total of 32 lasers valued at $1.25 million in two and one-half days, an increase of 500% over last year's CDA sales. The CDA, held from April 20-22, is one of two state-wide meetings held in California each year. Most of the orders this year were for BIOLASE's flagship product, the Waterlase hard and soft tissue laser. Sales also included an increase in Twilite lasers and LazerSmile Teeth Whitening systems. Jeffrey Jones, BIOLASE CEO and president, said, "I am excited by the very enthusiastic reception of our products by dentists at the CDA. The only regret I have, if I can have one after such an excellent meeting, is that we did not have a large enough booth to properly handle all of the people interested in our breakthrough products. With fourth quarter 2000 sales up 105% and first quarter 2001 sales up 102% over prior year's same quarters, and the continued growth of sales as demonstrated at the CDA, we are confident that this is going to be an outstanding year for our company. We continue to strengthen our position as the leader in dental lasers."

4/25 **PLC Systems** announced financial results for the first quarter ended March 31, 2001. First quarter total revenues increased 34% to $2.3 million compared with $1.7 million in the first quarter of 2000. The net loss for the quarter decreased by 46% to $1.2 million (4 cents per share) compared with a first quarter of 2000 net loss of $2.2 million (10 cents per share). During the quarter, PLC achieved two significant milestones. First, PLC formed and successfully launched the strategic partnership with **Edwards Lifesciences** to market and distribute PLC's next-generation CO_2 Heart Laser 2. The second milestone of the quarter was accomplished when PLC received FDA and CE Mark approval to market its next-generation CO_2 Heart Laser 2, which has greater mobility due to its significantly smaller size.

"I am very pleased with our achievements this quarter," stated Mark Tauscher. "In successfully executing our strategic plan, we achieved increased revenues, improved gross margins and reduced operating expenses, which enabled PLC to post a substantially decreased net loss." PLC ended the first quarter of 2001 with 160 heart centers worldwide utilizing PLC's CO_2 TMR heart lasers, which includes 85 lasers in the U.S. and 75 lasers in international sites.

4/26 In seeking investigators for its U.S. clinical trials, **The Spectranetics Corporation** announced that doctors in Germany reported a study of 318 consecutive patients, published in the April 2001 issue of the *Journal of Endovascular Therapy*, of the safety

and effectiveness of excimer laser angioplasty to treat long lesions in the superficial femoral artery (SFA), which is the main artery through the thigh. The study concluded that the combination of excimer laser technology with current interventional devices and sophisticated recanalization techniques allows revascularization of chronically occluded SFAs in more than 90% of cases with excellent clinical results. Prof. Dr. Giancarlo Biamino of the Center for Cardiology in Hamburg, Germany, one of the study participants, commented: "Excimer laser angioplasty has been approved in Europe since 1996 for the treatment of arteries in the thigh, and I have personally performed thousands of such procedures with tremendous success. Results from this study are typical of my experience, with more than two-thirds of the patients completely asymptomatic after the procedure, and another 25% who showed significant improvement. We have learned from our experience in Europe that the SFA has a tendency to re- occlude within the first year. We can maintain the achieved clinical benefit throughout the first year in about two-thirds of these patients with an aggressive surveillance program and early reintervention, if necessary -- usually on an outpatient basis."

John Laird, MD, of the Washington Hospital Center in Washington, D.C., another author of the study, commented: "Professor Biamino's work in Europe has helped demonstrate that long lesions in the SFA can be effectively recanalized with minimally invasive techniques. This is important, because long lesions cannot be effectively treated with balloon angioplasty alone, and most of these patients are not considered good candidates for bypass surgery. As a result, many are forced to live with debilitating pain in the legs that inhibits their ability to walk even short distances. A minimally invasive technique to restore blood flow could significantly improve the quality of life for hundreds of thousands of patients."

Joseph Largey, president and CEO of Spectranetics, commented: "We estimate that the market for Spectranetics' disposable fiber- optic catheters for excimer recanalization in the leg is about $600 million per year. Spectranetics has been approved in Europe to treat leg arteries for several years, and we're presently in clinical trials to obtain FDA approval in the United States. Results such as those reported in this study have led us to increase our urgency in getting through the FDA approval process in the United States. Our current plan calls for us to complete enrollment for our PELA trial, which deals with the upper leg, before the end of this year. Our other peripheral angioplasty clinical trial, LACI, which frequently involves the SFA but is intended to improve circulation in the lower leg, is scheduled to complete enrollment in early 2002. FDA approval for each of these studies is likely to take another 12 to 18 months. Once we receive that approval, we will be positioned to help literally hundreds of thousands of patients."

MEDICAL/SURGICAL LASER UPDATE -- May 2001

4/30 **ESC Medical Systems Ltd.** announced that it had closed the previously announced transaction to acquire the assets and assume the liabilities of **Coherent Medical Group**

from **Coherent, Inc.** for a combination of cash, notes, and ESC stock valued, in the aggregate, at more than $200 million as well as a potential future earnout of an additional $25 million. Coherent anticipates that the sale will result in a one-time gain to be reflected in the results for its third fiscal quarter ending June 30, 2001.

ESC results for the second quarter ended June 30, 2001, will reflect the Coherent Medical Group results as of May 1. "With the close of this transaction we are the global leader in cutting-edge laser and light based technologies for medical and aesthetic applications," said Yacha Sutton president and CEO of ESC. "This acquisition elevates our capabilities in the aesthetic, surgical and ophthalmic marketplace. Our management and employees are focused on delivering on the potential of the combination".

"I believe this transaction will benefit all involved," said Bernard Couillaud, Coherent's president and CEO. "The skills resident in the combined operations of ESC and CMG, which will be called **Lumenis**, and the resultant synergies, should benefit its customers as well as, in the long-term, the stockholders of both ESC and Coherent. Additionally, the Lumenis employees should benefit from the career opportunities afforded by a much larger company that is a clear leader in its markets. In Coherent's case, the sale provides management with the opportunity to concentrate on our core competencies and greater financial resources to pursue them."

ESC Shareholders will vote on a board proposal to change the corporate name to Lumenis at the upcoming shareholders meeting.

5/1 **BriteSmile** announced record results for the first quarter ended March 31, 2001. Net revenue for the quarter increased by 190% to $9.7 million compared to revenue of $3.3 million in the year ago period. For the quarter, the total number of BriteSmile whitening procedures performed increased by 185% to 30,614 procedures compared to 10,732 procedures in the year ago period. The continued rapid increase in revenue and procedures was due to the successful expansion of the number of BriteSmile Associated Centers and the ongoing success of the company's targeted sales and marketing programs, including the company's national infomercial initiative, which increased procedure inquiries by a multiple of four.

Net loss for the three months was $4.9 million (17 cents per share) representing a 43% improvement over the first quarter 2000 and a 83% sequential improvement over the fourth quarter 2000. For the quarter, the total number of signed Associated Centers increased 371% to 2,308 compared to 490 in the first quarter 2000, and increased 46% sequentially compared to 1,585 at the end of the fourth quarter 2000. BriteSmile remains on track to sign an additional 200 plus Associated Centers per month through the end of calendar 2001, projecting an increase in its total number of signed Associated Centers to over 4,000 by year-end 2001.

The company also announced that it had completed a private placement of its common stock in the aggregate principal amount of $28.2 million to 17 investors and their affiliated funds. Principal investors include such prestigious names as: **Capital Research and Management Company**, **Federal Partners**, **RS Investment Management**, **Putnam Investments** and **Piper Jaffray Ventures**. "This substantial capital investment by such a broad and respected group of investors further illustrates the tremendous confidence the financial community has in BriteSmile's strategic business plan," said John Reed, CEO of BriteSmile. "The additional capital enables BriteSmile to even further accelerate the momentum we're experiencing in both dental office partners and consumer demand. We anticipate that this financing will carry the company to positive operating cash flow and net earnings." **Stonegate Securities Inc.** acted as the placement agent for BriteSmile's offering.

5/1 **Axcan Pharma Inc.** announced that the UK Health Authorities had granted the company full marketing authorization to sell PHOTOFRIN for the palliative treatment of late-stage lung cancer and advanced oesophageal cancer. Axcan will be launching and marketing PHOTOFRIN in the UK through its own sales and marketing team and will use **Sinclair Pharmaceuticals** as the UK distributor. PHOTOFRIN is already marketed by Axcan in Canada, the United States and is approved in 17 European countries as well as in Japan. There are currently over 150 PDT centres using PHOTOFRIN worldwide and thousands of patients have already been treated with PHOTOFRIN for various diseases.

5/1 **Eclipse Surgical Technologies** announced that two live surgical demonstrations of TMR, using an Eclipse TMR 2000 solid-state laser system would be among the featured medical procedures in the upcoming *Advanced Cardiac Techniques in Surgery (ACTS)* two-day scientific session May 3-4 in New York City. James Hart, MD and John McCabe, MD will use the Eclipse technology to perform TMR, which is an innovative laser heart procedure created to relieve patients of severe chest pain called angina. The vast majority of the more than 14,000 TMR procedures that have been performed to date in the United States have been done with Eclipse lasers, which are used in more than 250 hospitals around the country.

The TMR demonstrations in New York come less than two months after the presentation of the preliminary results of the BELIEF (Blinded Evaluation of Laser PTMR Intervention Electively For angina pectoris) study at the *American College of Cardiology* conference in Orlando. In the randomized, double-blinded independent assessment BELIEF study, Dr. Jan Erik Nordrehaug found that patients who underwent PTMR (a catheter-based version of TMR) were at least three times more likely to experience substantial relief from angina than those patients who received a sham procedure.

5/2 **Asclepion-Meditec AG** announced that it would be presenting the successor to the highly successful RubyStar at the 41st conference of the *German Dermatological Society (DDG)* to be held from May 1 to 5, 2001, in Berlin. The new RubyStar+ is even more powerful

and therefore offers more effective treatment. Also, many components have been completely redesigned. "The improved cooling system, the advanced electronics and the new hand pieces mean that we have been able to increase the performance of the RubyStar+ for the benefit of both doctors and patients", said Peter Matthes, Head of Sales for Aesthetic Lasers at Asclepion.

The new RubyStar+ represents a combination system which can be used to remove hair, tattoos and pigment changes, such as senile lentigo -- gently and safely. This is made possible by the laser's two operating modes. The physician can switch easily between them enabling him or her to react quickly and flexibly to patients' requests. Other Asclepion systems to be presented at the DDG conference include the MeDioStar and the MultiPulse. The MeDioStar is a high performance diode laser used for rapid and virtually pain-free epilation. The MultiPulse is highly versatile. It has a wide range of dermatological, aesthetic surgery and ophthalmological (eyelid surgery) applications.

5/3 **Pharmacyclics** reported financial results for its third quarter ended March 31, 2001. The net loss for the period was $6.6 million (41 cents per share) compared to a net loss of $7.3 million (47 cents per share) in the comparable period of fiscal 2000. The decline in net loss was primarily the result of reduced research and development costs.

In addition to the development of Xcytrin (motexafin gadolinium) Injection for the treatment of brain metastases, Pharmacyclics also has two other drugs in advanced stage clinical trials: 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. In addition, 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.

The company also announced that it had regained its rights from **Nycomed Amersham plc** to develop and market Lutrin (motexafin lutetium) Injection for the treatment of cancer in Europe, Asia, South America and Central America. Pharmacyclics entered into an agreement with Nycomed in October 1997 that gave Nycomed a license to develop and commercialize Lutrin for cancer outside the United States, Canada and Japan, where Pharmacyclics had retained its rights. Under the terms of the original agreement, Nycomed was obligated to make certain milestone payments and fund a portion of research and development. Nycomed merged with **Amersham International** in late 1997. As a result of the merger, Pharmacyclics has reacquired its rights and will receive a one-time fee from Nycomed Amersham this fiscal quarter to cover their future R&D obligations.

5/4 According to the *American Society of Plastic Surgeons (ASPS)*, more than 1.3 million people had cosmetic plastic surgery procedures in 2000 performed by board- certified plastic surgeons, an increase of 227% from 1992. The five most popular procedures in 2000 were liposuction, breast augmentation, eyelid surgery, Botox injections and facelifts. "Cosmetic surgery has increasingly become accepted as a reasonable and, in fact, a desirable component to the total spectrum of methods people use to achieve the look they've been striving for," said ASPS President Walter Erhardt, MD. "Both women and men are choosing cosmetic procedures to maintain or enhance their looks."

5/4 Both **PLC Systems Inc.** and **Eclipse Surgical Technologies** announced that Blue Cross and Blue Shield Association's Technology Evaluation Center (TEC) had completed a favorable assessment of TMR, which includes PLC's CO_2 TMR technology and Eclipse's TMR 2000 solid-state laser system, as an adjunctive therapy to Coronary Artery Bypass Graft (CABG), also known as bypass surgery. TEC concluded that TMR in combination with bypass surgery meets the criteria used to evaluate medical technologies, which includes scientific evidence of improvement in health outcomes; net benefit in health outcomes; health outcomes at least as beneficial with any established alternative; and improvements achievable outside investigational settings. TEC's determination that TMR plus bypass meets its criteria is a significant step in obtaining reimbursement for the combined therapy by major payers.

"We believe the favorable review by Blue Cross Blue Shield's TEC is a positive endorsement of TMR and PLC's CO_2 technology," stated PLC Systems' president and CEO Mark Tauscher. "Going forward, TEC's positive assessment will provide an opportunity to deliver the CO_2 TMR therapy to a greater number of patients who suffer from debilitating angina or chest pain."

"This positive assessment by the TEC is great news for patients in medical need and the hospitals who have already made the commitment to the Eclipse TMR technology," said Michael Quinn, chairman and CEO of Eclipse. "While Eclipse continues to educate the private insurers about TMR and the Eclipse clinical results, these insurance plans across the country now have an independent assessment of TMR health outcomes upon which to base their reimbursement decisions."

In addition to Blue Cross and Blue Shield plans, subscribers to the TEC program include many of the largest private health insurers and Kaiser Permanente, one of the nation's largest managed care programs.

5/8 **Surgical Laser Technologies, Inc.** announced its financial results for the first quarter of 2001. Net sales were $2.3 million, an increase of $434,000, or 24%, over the first quarter 2000 net sales of $1.8 million. The net loss for the quarter was $215,000 (9 cents per share) compared to net income in the first quarter of 2000 of $87,000 (4 cents per share). The first quarter of 2001 includes the results of **Surgical Innovations & Services, Inc.**,

acquired in June 2000. Commenting on the results, Michael Stewart, SLT's president and CEO, stated: "We continued to see positive results and an increase in revenue from the contract services offerings in the first quarter of 2001; however, revenues were negatively impacted by lower than anticipated sales of the company's Nd:YAG lasers and related accessory products. The market conditions for the sale of capital equipment have not been favorable for some time; however, the company has continued to realize sales, particularly in the Neurosurgery market, for its Contact Laser technology due to the precision and hemostatic capabilities that this technology offers. While we will continue efforts to expand the use of Contact Laser applications, the procedural fee-based approach of our contract services and laser-on-call programs, utilizing several different technologies, offers the potential to address a greater portion of the surgical products needs of our hospital and surgery center customer base. We will be placing a great deal of emphasis on expanding our fee-based approach both from expansion of products and services, as well as from geographic expansion."

5/8 **PhotoMedex** announced the financial results for its first quarter ended March 31, 2001. Revenue for the quarter was $1.2 million. In the comparable three-month period for 2000, all revenues were from discontinued operations and equaled $180,000. The net loss for the first quarter 2001 was $3.8 million (21 cents per share) compared to a net loss of $3.1 million (23 cents per share) for the first quarter of 2000. Included in the net loss for 2000 were losses from discontinued operations of $348,576 (3 cents per share).

Among the more notable achievements during the first quarter 2001 were:

- The FDA approval in March of the XTRAC laser system for the treatment of vitiligo;

- The approval for reimbursement by one of the leading healthcare insurers in the United States;

- The numerous endorsements given in formal presentations and clinical demonstrations at the March *American Academy of Dermatology* Conference by important academic and practicing leaders and pioneers in the development of new treatments for skin diseases;

- The completion of a $6.15 million private placement of common stock;

- The shipment of 53 XTRAC laser systems, including domestic placements, international sales, and one additional beta site.

Jeff O'Donnell, president and CEO, commented, "It is satisfying to see the XTRAC system building credibility within the dermatological community. We have clearly met our goals on unit placements, and I am encouraged by the initial usage rate per laser. The increase from the fourth quarter shows a positive trend and validates our marketing efforts. Our principal focus as we move forward in 2001 will be to: continue the

momentum of our initial product launch, improve and refine the XTRAC system, continue the aggressive development of more treatment applications for our system, and achieve full reimbursement as rapidly as possible."

5/10 **Axcan Pharma Inc.** announced a sharp increase in sales and earnings for the second quarter ended March 31, 2001. "Axcan's revenues rose almost 58% in the second quarter and EBITDA rose close to 200% for the same period, reflecting our continued increase in market penetration in the United States," said Leon Gosselin, president and CEO of the company. "We are very encouraged by our performance in the first half and are confident that we will be able to meet our objectives for the year. These results validate our marketing strategy and reflect the quality of our sales force in Canada and the United States. Because of its broad line of gastroenterology products in both Canada and the United States, Axcan has solidified its leadership position in North America in this field. Our intention now is to reinforce that position even further, to continue to develop our pipeline and to gradually move into the promising European market."

Revenue for the second quarter was $24.6 million compared to $15.6 million for the same period of the preceding year, a 58% increase. In the first quarter of last year, Axcan sales included an unusually high volume caused by Y2K concerns. As a consequence, sales in the second quarter of the year ended September 30, 2000, were affected by inventory drawdowns of wholesalers. For the six-month period ended March 31, 2001, revenue was $49.0 million compared to $40.9 million for the corresponding period in fiscal 2000, an increase of 20%. Sales of PHOTOFRIN, a product acquired by Axcan in June of 2000, contributed to this increase.

5/10 **Laserscope** announced that it had received approval from the FDA to market its new high power KTP laser system specifically for the treatment of Benign Prostatic Hyperplasia (BPH). In commenting on the news, Eric Reuter, Laserscope president and CEO said, "We are very excited about the approval and encouraged that the FDA has cleared our new system specifically for this indication in such a short period of time. We now plan to proceed with our marketing launch and expect to begin commercial shipment of the product later this year. As I have mentioned in previous communications, we believe that this procedure, known as photo-selective vaporization of the prostate, or PVP, will be ultimately recognized as the best treatment available for this disease. Our three-year follow-up clinical results will be presented by Dr. Reza Malek of the Mayo Clinic in a podium presentation the upcoming *American Urology Association (AUA)* meeting in Anaheim, California. These results and the immediate post-operative clinical results show that the two major clinical measurements of effectiveness (flow rate and AUA symptom score improvement) are as good or better than any other treatment available, including those published for the current gold standard procedure, trans-urethral resection of the prostate (TURP). This by itself is a great accomplishment. Even more exciting, is that in addition to these compelling clinical symptom improvements, our procedure also has demonstrated a far smaller risk of side-effects and patients required limited or no

catheterization after they were treated. The procedure is also minimally invasive and can be done on an outpatient basis."

5/10 **Acculaser Inc.** presented on its technology at the *Emerging Medical Technologies West Conference*. The company believes that its cold laser system will revolutionize the $20 billion soft tissue injury market, becoming the standard of care for the treatment of musculoskeletal injuries. The portable Acculaser device facilitates healing of musculoskeletal injuries such as tendinitis, carpal tunnel syndrome and many other inflammatory conditions. It is a non-invasive, non-pharmacological alternative that increases cell metabolism, microcirculation and clearance of noxious substances associated with the inflammatory response. Most treatment sessions take less than 10 minutes. Unlike therapeutic ultrasound, laser therapy can begin immediately after injury and over orthopedic hardware and bony prominences.

Acculaser has successfully completed a randomized double blind FDA clinical trial in cooperation with the **Naval Health Research Center** in San Diego, CA. The Acculaser device is deemed safe by the FDA and is pending approval. Acculaser will demonstrate to the market that cold laser is safer, faster and more cost effective than currently used modalities. The company will market and sell through world-class strategic alliances into the orthopedic and rehabilitative markets. Acculaser has received a broad array of issued patents and patents pending.

5/14 **Eclipse Surgical Technologies** announced that the Circulatory System Devices Panel of the FDA will review the company's Pre Market Approval (PMA) application for its innovative and minimally invasive heart laser procedure called Percutaneous Myocardial Revascularization (PMR) on July 9. The PMA application was submitted in December 1999, with results from its pivotal PACIFIC trial that included acute clinical data on the outcomes of patients who had received PMR as well as follow-up data on the patients charted as much as 12 months after the procedure. This randomized, controlled study, led by Stephen Oesterle, MD of Massachusetts General Hospital in Boston, compared PMR to drug therapy in patients with severe angina who had no other treatment options. The data demonstrated significant improvement in the PMR patients in both exercise tolerance and angina relief compared to those who received only drug therapy. The company believes the clinical benefits of the Eclipse PMR system were also shown in the BELIEF study, as presented recently at the *American College of Cardiology Scientific Sessions* by Jan Erik Nordrehaug MD of Bergen, Norway.

5/14 **DUSA Pharmaceuticals** reported its corporate highlights and financial results for the first quarter ended March 31, 2001.

Corporate Highlights:

During the first quarter, DUSA continued to build momentum, following the fourth quarter 2000 US market launch of DUSA's LEVULAN Photodynamic Therapy (PDT) for non-hyperkeratotic actinic keratoses (AKs) of the face or scalp, by **Berlex Laboratories, Inc.**, the US affiliate of DUSA's worldwide dermatology partner, **Schering AG**, Germany. By the end of Q1, contracts for 157 BLU-U(TM) units had been signed (vs 100 at the end of 2000), and Kerastick sales had begun to increase in several states, primarily those which had adopted reimbursement policies. Clinical feedback from doctors and patients using the system continues to be positive, and DUSA remains encouraged by the momentum that is building for successful reimbursement of LEVULAN PDT in the United States.

As stated previously, management believes that the establishment of third-party payer reimbursement policies by insurance companies and government agencies will be essential before widespread adoption of the therapy will occur. The company reported that Medicare carriers servicing approximately 1/2 of the states have now approved some type of reimbursement coverage for LEVULAN PDT and decisions from some other states are pending. In addition, the AMA has recommended a national CPT code for LEVULAN Photodynamic Therapy, which is scheduled for inclusion in the 2002 CPT book, due to come into effect on January 1, 2002, subject to further review, modification, and pricing. While award of a CPT code does not guarantee third-party payment, it is an indication of professional acceptance of the procedure and will facilitate submission of claims for the providers who use the product.

During Q1, DUSA also continued to move forwards with its LEVULAN PDT development pipeline in a variety of indications. In dermatology, in co-operation with Schering AG, DUSA continued to enroll patients in its Phase I/II acne drug dose-ranging study, while preparing for the start of similar feasibility studies in the treatment of onychomycosis (nail fungus) and warts in the next few months. The goal is to have feasibility data in one or more of these indications by late 2001/early 2002, in order to be able to move forwards with Phase II trials during 2002. DUSA is also continuing its Phase IV clinical trial program, as required by the FDA. The company has finished its dermal allergenicity study successfully, and has submitted to the FDA for review a protocol for the long-term AK follow-up study. For internal indications during the quarter, DUSA supported the commencement of 2 investigator studies in the UK, one for the prevention of restenosis after angioplasty, and the other for the treatment of Barrett's esophagus. DUSA also continued preparations for the start of a DUSA Phase I/II feasibility study on Barrett's, scheduled to start later this year. In addition, DUSA is working on a development program in the treatment of brain cancer, and is considering further development of various other dermatology and internal indications.

The net loss for the quarter was $1.3 million (9 cents per share) compared to $1.2 million (10 cents per share) for the same period last year. Total research and development costs were $1.8 million, compared to $1.3 million in the prior year period. The 2001 increase

is mainly attributed to increased expenditures for dermatology and internal indications. During the current three-month period, an estimated $480,165 of the R&D expenditures are reimbursable by Schering AG, based on two-thirds reimbursement of co-development expenses. This compares to a $435,157 receivable for reimbursement for the comparative three-month period in 2000. Other operating expenses increased to $1.1 million from $789,475, primarily due to the hiring of staff, including key management personnel in administrative, technical and operations functions, as DUSA continues the transition from a development-stage company to a products-based company.

5/15 **Emergent Group Inc.** and **Trimedyne Inc.** announced that they have entered into a Letter of Intent to merge the two companies. The terms of the merger will be finalized after both parties have completed their due diligence. The merger will be subject to negotiation of a definitive agreement, the approval of the boards of directors of both companies and, if required, by the shareholders of both companies. Commenting on the announcement, Mark Waldron, CEO of Emergent, stated, "Emergent is establishing a national distribution platform where innovative medical technologies can become rapidly integrated into mainstream health care. We have identified the large market opportunities of Trimedyne's proprietary technology and by providing a mechanism to accelerate distribution, we can realize the value of these properties. Upon the anticipated completion of our pending acquisition of MRM, Emergent will have such a dynamic in place. We are very excited about Trimedyne's technological applications in such fields as urology and orthopedics which we believe present compelling enhancements to the quality of health care available today. We expect Trimedyne to become a foundation component of Emergent's medical holdings and will continue to selectively seek out value-added acquisitions."

William Schubert, Trimedyne CEO and vice chairman, stated, "This merger will allow Trimedyne's proprietary technologies to be immediately available to a much larger segment of the medical community and allow speedier access of our minimally invasive procedures such as ELF (Endoscopic Laser Foraminoplasty) to the huge patient base that can benefit from such medical advances. The melding of our respective companies will create an organization positioned to provide high-tech surgical and medical instrumentation on a basis most conducive to today's managed care environment."

The following day, Trimedyne announced revenues of $2 million for its second fiscal quarter ended March 31, 2001, an increase of 31% over revenues of $1.5 million for the same quarter of the prior year. The increase in revenues was due to the successful restructuring of the company's sales and marketing organization combined with the release of several new products, including its new, lower-cost 30 Watt `Junior' Holmium Laser, the `Flex MAX' line of optical fibers, and a family of products for performing minimally invasive lumbar disc decompression. Included in the revenues for the current quarter are revenues of $164,000 generated by the company's wholly owned equipment rental subsidiary, **Mobile Surgical Technologies Inc.**

The company's net loss for the second quarter increased to $1.1 million (9 cents per share) compared with a net loss of $765,000 (7 cents per share) for the same period last year. The increase in net loss is primarily due to lower cost of sales during the prior year quarter, during which obsolete inventory that had been written off was sold, as well as to increased sales and marketing expenses associated with implementing the company's new sales program. During the current quarter, product development costs were $542,000, compared with product development costs of $798,000 in the same quarter of the prior year.

William Schubert, CEO and vice chairman, stated: "We are pleased that revenues continue to increase as our new sales program is further implemented. While significant components of our overall marketing strategy are still being rolled out, we are encouraged that the medical community is being responsive to our efforts to provide our leading-edge technology in a more palatable, `fee-per-case' format. We are also excited by the potential offered by the proposed merger with The Emergent Group, announced May 15. We anticipate the nationwide distribution system being assembled by Emergent will make our products and procedures immediately available and affordable to a broader group of hospitals, surgery centers and physicians, if a definitive agreement is reached and the merger is approved by our board of directors and shareholders. At the same time, as sales continue to increase, and the effects of our ongoing cost cutting measures are felt, we believe Trimedyne will return to profitability in the very short term."

5/15 **ESC Medical Systems** announced the results for the first quarter which ended on March 31, 2001. The results included sales of $43.9 million, up 22% from the same quarter in 2000. Fully diluted EPS, excluding one time gains and charges was $0.22, up from $0.03 for the corresponding quarter in 2000. Including one-time charges and gains ESC earned $0.14 per fully diluted share. Yacha Sutton, president and CEO commented, "Q1 demonstrated the continued growing strength of our business in what is usually a seasonally slow quarter. I'm particularly satisfied by our continuing margin expansion. Looking ahead, demand continues to be strong."

Results for the first quarter included:

* A one-time charge associated with the acquisition of **Coherent Medical Group** of $2.3 million

* A one time charge of $1.5 million to settle litigation against the company

* A one time gain of $1.5 million stemming from a favorable tax audit of the company completed by the Israeli government in Q1 for the years 1994-1998.

During the accompanying teleconference, Sutton noted that sales in Asia increased by 46% during the quarter, contributing to the success, while European sales were up 19%

and U.S. sales up 8%. Aesthetic products contributed 59% of sales, while surgical sales were 15%, dental 6%, industrial products 7%, and service and parts 13%. Sutton also noted that of Coherent Medical's sales for the first quarter -- while not yet integrated into ESC's, aesthetic products contributed 41% of their $54 million for the quarter; surgical lasers 16%; ophthalmic laser 33%; and service the remaining 11%. If the two companies sales had been combined, aesthetics would have contributed 49%; surgical 15%; ophthalmics 18%; dental 3%; industrial 3%; and service, spare parts and consumables 12%. Suttton also said that manufacturing would be consolidated in two locations -- California (at Coherent's location) and in Yokneam. The company will include part of Coherent's second quarter sales (minus approximately one-third, with the April 30th closing) with ESC's sales in reporting its second quarter, and expects to do in excess of $80 million for the next quarter.

Discussing new products in the pipeline, Sutton mentioned ClearLite in the U.S. for treating acne and GyneLase, which should have meaningful sales in the second quarter. The company is also preparing a new dental laser for tooth whitening.

5/15 **The Plastic Surgery Company**, which owns and/or operates cosmetic surgery and cosmetic laser centers in key U.S. markets, reported the financial results for the quarter ended March 31, 2001. The company reported first quarter revenues of $8.9 million which were up 16% from the first quarter of 2000. Net earnings were a loss of $161,742 (3 cents per share) compared to a profit of $365,297 (8 cents per share) in the first quarter of 2000. Total corporate revenue growth trailed both same store revenue growth and new store revenue growth as relationships with certain underperforming affiliate practices were either unwound or converted to a Personal Image Center so that the company could take more control over the business aspects of these affiliate practices. The company believes that the strategic conversions will allow the company to focus on stores better suited to the company's future "hub and spoke" market strategy.

Same store sales of continuing operations generated a 20% revenue increase in the first quarter of 2001 compared to 2000. The 20 centers whose revenue grew at 20% in aggregate saw increased demand for their trilogy of cosmetic procedures: cosmetic surgery, cosmetic lasers and physician-directed skin care. "During a period of economic slowdown and a general loss of consumer confidence the demand for cosmetic procedures remained high," said Dennis Condon, president and CEO of the company.

5/16 **PhotoMedex** announced that it has submitted an application for 510 (k) clearance from the FDA to commercially market its XTRAC laser system for the treatment of Atopic Dermatitis, commonly known as eczema, which is a chronic inflammation of the skin that can afflict persons of any age, but is considered to be the most common skin condition in children under the age of 11. Sixty percent of children diagnosed with Atopic Dermatitis contracted the disease in the first year of life, while ninety percent contracted it in the first five years of life. Atopic Dermatitus has been reported to effect as many as

10% of children worldwide. It is a common, potentially debilitating condition that can severely compromise quality of life. The disease is characterized by an intense, itchy, inflamed rash, which is exacerbated by scratching. It is estimated that, in the U.S., more than $364 million is spent annually on treatment, which typically involves a regimen of lubricants, antihistamines and topical corticosteroids. Although the symptoms of Atopic Dermatitis typically dissipate by adolescence in 50% of affected children, the condition can persist into adulthood, with no known cure.

As in psoriasis and vitiligo, Atopic Dermatitis frequently occurs in the hinged areas of the body; which the XTRAC laser system is particularly effective in treating. Generally, current treatments for chronic Atopic Dermatitis are a reimbursable medical expense by private insurers and government health programs. Jeff O'Donnell, president and CEO, commented, "Atopic Dermatitis is a terrible disease in that it principally affects young children who, because of their age, are ill-equipped to cope with the most debilitating manifestations of the disease. This obviously puts an undue emotional and physical burden on the parents or principal caregivers that are responsible for the welfare of the afflicted children. Our XTRAC laser system is an effective, quick, easy to administer, low risk alternative to current treatments. Once we obtain FDA approval, we believe this new treatment will, with time, create a significant additional revenue stream for both our partnering dermatologists and the company."

5/16 **The Spectranetics Corporation** announced that the 10,000th patient was successfully treated with Spectranetics lead removal products. Bruce Wilkoff, MD, Director of Cardiac Pacing and Tachyarrhythmia Devices at the Cleveland Clinic Foundation, used the Spectranetics Laser Sheath (SLS) and Lead Locking Device (LLD) -- together with the CLeaRS lead removal system -- to remove 4 problematic pacemaker leads in a 57-year-old woman prior to implanting a combined pacemaker/defibrillator device. The LLD was inserted into the center of each spiral shaped lead and expanded to lock and create a traction platform. The SLS was then used to free the exterior of the leads by ablating through scar tissue surrounding and entrapping them, allowing each lead to be easily removed. The entire procedure took significantly less time than the three to five hours sometimes necessary when using competitive, mechanical devices.

Dr. Wilkoff commented: "In 1996, I was one of the first five primary investigators studying the effectiveness of the SLS for removing problematic leads. I've personally performed more than 700 lead removal procedures using the SLS in patients ranging in age from 7 to 92. My experience has made it obvious that the SLS, especially when augmented with the LLD, is the premier cardiac lead removal technology, and I believe it is certainly the most effective. It was a privilege to have treated the 10,000th patient with this highly effective technology. Hopefully, I'll also be the physician to treat the 20,000th patient."

Joseph Largey, president and CEO of Spectranetics, commented: "Our CLeaRS system is changing the standard of care in medicine. Because the success rate in lead removal had been only 65% before our laser sheath was introduced, most non-functioning leads used to be left in place in the patient's body unless there was a compelling reason to remove them -- such as an infection or a potentially lethal lead failure. With data demonstrating a 98% success rate with our CLeaRS system of both the SLS and the LLD, doctors are increasingly choosing to remove unnecessary leads. This change in the standard of care, combined with the aging population and expanded product offerings by the many suppliers of pacemakers and defibrillators, is rapidly expanding the size of this attractive niche market. We estimate that between 35,000 and 40,000 implanted leads will fail or need to be removed this year. If all were extracted, the available market would be about $70 million. Even with a pattern of strong growth in this product line since its introduction, we have a significant opportunity, since we estimate we have only captured about 14% of the available market."

5/17 **BIOLASE Technology, Inc.** announced that it had received approval to sell its Waterlase Hard and Soft Tissue Dental Lasers in the People's Republic of China. In response to this approval, BIOLASE will be exhibiting its Waterlase, which eliminates the need for needles, anesthesia and the drill in most cases, at the *Sino-Dentech Dental Congress* next month. BIOLASE will be demonstrating its revolutionary technology at the China World Trade Centre in Beijing from June 6-9. **Beijing Melianda Medical Equipment, Inc.** has already purchased five Waterlase systems and BIOLASE expects to deliver a minimum of ten additional systems during the next three months. Waterlase have been installed in two leading dental clinics at the Peking University School of Stomatology and the Chinese People's Liberation Army Hospital.

Jeffrey Jones, BIOLASE CEO and president, commented, "Our Chinese distributor has done an excellent job of obtaining these approvals and preparing the market for the introduction of the Waterlase and our other products. Despite the economic problems in the Pacific Rim, China's economy has maintained healthy growth. Our sales focus in China will be on large dental hospitals and individual dental clinics which are being encouraged by the government. We expect our work in China to help grow our international sales. We believe China will be a promising new market in addition to our existing presence in Japan, Taiwan and Korea."

5/17 **The Spectranetics Corporation** announced that the May issue of *Lasers in Medical Science* is completely dedicated to research demonstrating the effectiveness of excimer laser technology to treat cardio-vascular disease. In the journal, 11 papers present data and information on multiple applications of excimer technology to treat blockages in the coronary arteries, leg arteries (which has received CE Mark approval in Europe and is in clinical trials in the United States), and for the removal of non-functioning pacemaker and defibrillator leads. On Topaz, MD, Director of Interventional Cardiology at McGuire VA Medical Center, Medical College of Virginia Hospitals, Virginia Commonwealth

University, Richmond, Virginia, is the North American editor-in-chief of the journal and was the editor in charge of the journal's special issue dedicated to use of the excimer laser in cardiovascular medicine. He commented: "This updated publication contains state-of-the-art manuscripts written by top experts in the field of peripheral and coronary laser angioplasty and lead extraction. Several new applications and expanded indications are presented together with intriguing basic research results. The excimer laser appears to be useful in selected patients with complex lesions in both coronary and peripheral circulation. The ability of the excimer laser to debulk obstructive atherosclerotic plaque, thrombus and fibrotic tissue makes the laser an invaluable asset for challenging revascularization procedures."

5/21 **BIOLASE Technology, Inc.** announced another record breaking quarter which included a 102% increase in sales, a 222% increase in gross profit, an increase in gross margins from 35% to 56%, and a 25% reduction of its net loss for its first quarter of operations ended March 31, 2001 compared with the same period in 2000. The company continued its sustained growth pattern with record first quarter sales of $3.1 million, an increase of $1.6 million, compared to $1.5 million for the same period in 2000. The company's net loss continued to narrow to $772,405 (4 cents per share) in the first quarter versus a net loss of $1.0 million (6 cents per share) for the comparable quarter in 2000. Gross profit for the quarter increased $1.2 million to $1.7 million, or 56% of sales, compared to $536,262, or 35% of sales, for the same period in 2000. The increase in gross profit for the first quarter of 2001 compared to the same period in 2000 was due principally to the increased sales volume coupled with engineered cost reductions.

Jeffrey Jones, BIOLASE CEO and president, commented, "The dental community is continuing to embrace our technology as evidenced by back to back quarters of 100% plus sales growth compared to prior year same quarters. Both domestic and international sales are contributing to our increasing sales. When dentists realize the dramatic financial, clinical and patient comfort benefits of the Waterlase, they enthusiastically embrace this revolutionary technology. BIOLASE is already well positioned for another excellent quarter. Our sales have not been adversely affected by the economic slowdown and we are positioning the Waterlase and Twilite so dentists can differentiate themselves from their peers. BIOLASE customers are perceived as modern, advanced technology practices offering their patients a higher level of care."

5/24 **Laserscope** announced that it had received 510(k) clearance from the FDA to market its innovative Lyra Laser System for permanent hair reduction on patients with the full range of skin tones from Fitzpatrick Types I - VI. The Lyra system was previously cleared by the FDA in August 1999 for various dermatological applications including leg veins and also was FDA cleared in March of 2000 for hair removal. Additionally, in April of 2001, the Lyra was the first medical device of any kind cleared by the FDA for the treatment of Pseudo-Folliculitis. "We are very pleased to have received FDA clearance to market our Lyra for permanent hair reduction," said Eric Reuter, Laserscope president and CEO.

"This most recent FDA clearance adds yet another compelling indication for our Lyra laser and further differentiates this product from the competition as the most versatile and innovative aesthetic laser on the market today. Permanent hair reduction is defined as a permanent reduction in the number of hairs that regrow after a treatment regime. Multiple treatments are usually required to achieve more than temporary removal of hair and only a few select lasers have been granted clearance by the FDA to market for permanent hair reduction."

MEDICAL/SURGICAL LASER UPDATE -- June 2001

5/29 According to **BIOLASE Technology, Inc.**, Waterlase presentations literally dominated the annual scientific joint meeting of the *Congress of the European Society for Oral Laser Applications (ESOLA)* and the *Congress for the German Society for Laser Dentistry (DGL)*, held in May 2001 in Vienna. Fourteen formal clinical presentations focused on the Waterlase technology, and how BIOLASE, with the concerted efforts of dental luminaries worldwide, is laying the foundation for the future of laser dentistry.

The ESOLA/DGL Waterlase presentations included advanced scientific topics by esteemed lecturers from universities worldwide, including the University of Vienna (Professor Sperr and Dr. Miritz), the University of Athens (Dr. Kouvelas, Dr. Giza, Dr. Kontakiotis, Dr. Farmakis), the University of Tokyo (Dr. Hossain, Dr. Kimura, Dr. Yamada, Dr. Suzuki, Dr. Nakamura, Dr. Matsumoto, Dr. Yokoyama), the University of Barcelona (Dr. Espana and Dr. Arnabat) and the University of Aachen in Germany (Dr. Gutknecht, Dr. Apel, Dr. Meister). Topics covered a wide range including Effect of the Er, Cr:YSGG Laser on the Morphology and Molecular Composition of Dentin, Prevention of Microleakage of Class V Restorations Prepared by the Er, Cr:YSGG Laser With and Without Conventional Acid-Etching and Effects of the Er, Cr:YSGG Laser on Human Dentin and Collagen. Other topics focused on cavity preparation and cavity/caries prevention with the Waterlase.

Gerhard Will, DDS, published and renowned worldwide and Chief Editor of the Laser Journal - Germany, commented on the impact of the Waterlase, "For ten years of watching lasers in dentistry, we have waited for an effective hard and soft tissue laser. The wait is over, the Waterlase is an important milestone for dentistry. Congratulations to BIOLASE!"

5/29 **ESC Medical systems Ltd.** announced the introduction of two new models of its highly successful LightSheer diode lasers for hair removal. The LightSheer ST and the LightSheer ET feature the same high-power diode laser technology as the full-sized LightSheer lasers, in a table-top portable design. The LightSheer product line was added to ESC as a part of the recent acquisition of **Coherent Medical Group**. Yacha Sutton, CEO and president of ESC Medical commented, "We foresee many cross-selling opportunities with these new systems, especially with our IPL photorejuvination

products. The ultra compact design and cutting edge technical specifications also open up a new replacement market for existing hair removal systems. Earlier, we only focused on penetrating new accounts." During the next few months ESC will be rolling out an additional four products, all of which hold the promise to become the leader in their respective applications:

- U.S. shipments of the Selecta 7000 to treat open angle glaucoma, the leading cause of preventable blindness for patients over 40 years of age are now under way. FDA clearance for this device was recently granted. Open angle glaucoma affects over 50 million people worldwide.
- The GyneLase, for treating menorrhagia, or excessive menstrual bleeding, will begin large-scale shipments, under the multi-million dollar arrangement with **Karl Storz GmbH** this quarter.

- Opus 5, the new dental diode laser for tooth whitening and minor soft tissue applications, will be launched this quarter in markets around the world.

- ClearLight, the breakthrough acne treatment system, is beginning shipments outside the United States.

Sutton concluded, "We are focused on maximizing our strong world-wide distribution channel by leveraging continued internal development alongside selective acquisitions of complementary product lines." Separately, Sutton commented, "We are continuing to experience strong demand for our products. We are in the final stages of setting up integrated sales and distribution teams. Last week over 100 salespeople from the US and Europe participated in product cross training sessions. Our Asian sales team completed a similar program earlier. We have already closed several deals involving cross marketing opportunities."

5/30 **Spectranetics Corporation** announced that excimer laser coronary angioplasty was successfully used to restore normal blood flow to the left anterior descending artery in a patient with severe diffuse coronary artery disease in very small caliber vessels, which made bypass surgery a less attractive alternative. After initial attempts at balloon dilation failed, Douglas Ebersole, MD, of the Watson Clinic in the Lakeland Regional Medical Center, Lakeland, Florida, used the Spectranetics' POINT 9 concentric catheter to open a pilot hole in the occluded artery, which was then successfully ballooned and stented. Dr. Ebersole commented: "I've been a user of Spectranetics excimer laser products for some time, but this was an unusually exciting case for me. The patient, a 54-year-old woman with a history of diabetes and severe diffuse coronary artery disease, presented with severe chest pain and recent non Q-wave myocardial infarction. Because her small vessels made bypass surgery quite difficult, we decided to try to open up both the right coronary artery and the left anterior descending artery via a minimally invasive, percutaneous approach. Balloon angioplasty worked in the right coronary artery, but

failed on several attempts with progressively smaller balloons in the left anterior descending artery. I then tried the POINT 9 laser catheter, and it easily crossed multiple lesions in the artery. The patient left my care with normal flow in the vessel at the site of the treatment."

Joseph Largey, president and CEO of Spectranetics, commented: "The POINT 9 catheter, our smallest and most maneuverable model, is becoming the tool of choice for difficult cases such as the balloon failure Dr. Ebersole described. It can also be used to open total occlusions passable by a wire and to treat lesions in vessels as small as 1.5 mm in diameter. As in this case, we're seeing more and more examples of excimer laser energy focused through the POINT 9 catheter opening up occluded vessels that formerly had to be endured or treated with bypass surgery."

5/30 **Ci-Tec, Ltd.**, a subsidiary of **MBG Technologies, Inc.**, announced that its newest proprietary non-coherent light source, the LumaCare LC-122, would be shown at the upcoming *International Photodynamic Association's 8th World Congress of Photodynamic Medicine*, to be held in Vancouver, British Columbia, Canada on June 5-9. Based on MBG's patented non-coherent light source technology for photodynamic therapy (PDT), the LC-122 is a compact, lightweight and portable system that is more affordable to implement than lasers, as well as safer and easier to use. The LumaCare LC-122 addresses the two key issues for the PDT industry that are critical to market acceptance: 1) the ability to produce the light needed for any and all PDT drug protocols and 2) an affordable, universal price acceptable for the entire medical industry, from drug companies to physicians to medical insurers. Selling for under $10,000 in moderate volumes, the LC-122 is designed for high volume manufacturing.

According to Mark Gart, Ci-Tec's president and CEO, "Traditional light sources used in PDT have been lasers which are expensive due to complex optics and controls, as well as mandated laser safety requirements for a sterile environment. In addition, most lasers are able to produce only a narrow range of light frequencies. Therefore, they're limited in their use for PDT studies as several frequencies may be required for various types of PDT treatments, such as fluorescent diagnostic and actual treatments. LumaCare achieves clinical functionality in a single system that offers an affordable method of PDT treatment. Our systems require minimal training of medical staff, little maintenance and no re-calibrations. One LC-122 system can be used in multiple treatment rooms, thereby increasing the number of patients that can be treated and not limiting the types of PDT protocols that can be used."

The main unit of the LC-122 provides the full spectrum of visible light in a single non-coherent light source, can generate any visible light frequency (400mm-800mm), and activates all currently approved PDT pharmaceuticals and multiple protocols, for total treatment flexibility. The system's interchangeable probes filter and focus the light to a specific frequency and beam pattern. Each probe is protocol-specific and easily

connected with a single interlocking connection. Unlike laser-based systems, the LC-122 permits PDT drugs and protocols to be changed in a matter of seconds, along with frequency and power requirements, and do so very cost-effectively. "The LumaCare LC-122 is suitable for all medical disciplines including dental, dermatology, oncology, ophthalmology and veterinary," said Gart. "Because it's a complete solution, it's affordable for our pharmaceutical partners to bundle the LC-122 with new PDT protocol introductions. For physicians and patients, it's a safe and effective PDT drug activation system. We believe our simple and cost-effective approach will appeal to medical insurers and facilitate medical reimbursement."

5/31 **BIOLASE Technology, Inc.** said it was granted an additional new patent by the United States Patent and Trademark Office, strengthening its patent portfolio for the Waterlase technology. The patent, U.S. 6,231,567 B1, is a continuation in part of patents 5,741,247 and 5,968,037, which relate to technology using lasers with atomized fluid particles, such as water, to cut tissues and industrial materials. The new patent covers a vast field of applications in medical and non-medical industries. This new patent is very significant to BIOLASE because it provides broader, more expanded coverage of the technology. This increases the barriers which others would have to overcome to avoid infringement. The patent has 68 claims, 7 of which are independent. The claims are broad and cover the numerous embodiments of the invention. The apparatus described in the claims is an electromagnetic (EM) energy source, which could be a laser or any other EM energy source with a wavelength that is highly absorbed by liquid particles, which therefore produces forces capable of cutting any target surface such as living tissue, tooth, glass, crystalline material or a semiconductor chip surface.

Jeffrey Jones, BIOLASE CEO and president, noted, "This new patent clarifies and broadens the scope of the company's proprietary foundation in the use of lasers with water both in dentistry and other areas. It is the latest in a family of related BIOLASE patents, and it brings together and strengthens various previous claims under one umbrella. This patent is a cornerstone of our technology with claims that are supported by the disclosure of the original HydroKinetic patent. Although we have obtained broad coverage in the past, we continue to work with the USPTO to obtain broader and stronger patents. The claims of this patent provide great protection for some particular aspects of the HydroKinetic cutting process. In this patent, the invention is directed to a new area of technology wherein energy is focused above the target surface. With this technology, the peak energy from the EM energy source (laser source) is directed in a highly engineered distribution of fluid particles. The layer of fluid particles generated by the atomizer can also be controlled to produce different distributions of fluid particles that allow for variability in the cutting resolution and depth."

5/31 **Axcan Pharma Inc.** announced that it had successfully completed its bought-deal financing previously announced, with a syndicate of underwriters led by **National Bank Financial Inc.** and including **BMO Nesbitt Burns Inc.**, **RBC Dominion Securities Inc.**,

Desjardins Securities Inc. and **Yorkton Securities Inc.** The company issued 3 million common shares at a price of CDN $17.00 per share, for gross proceeds of CDN $51.0 million (US $33.2 million). The net proceeds of this offering will be used to reimburse part of the outstanding balance of CDN $59.7 million due to **Schwarz Pharma Inc.**, thus improving Axcan's capacity to finance expansion including through potential acquisitions. This indebtedness to Schwarz Pharma was created in connection with the purchase in November 1999, by Axcan of the 50% interest of Schwarz Pharma Inc. in the Axcan Schwarz LLC joint venture, allowing Axcan to recover full US marketing of URSO 250.

5/31 **Light Sciences Corporation**, a privately held Seattle company, announced that it had entered into an exclusive, global license and research agreement with **Roswell Park Cancer Institute** in Buffalo, NY, the oldest comprehensive cancer center in the United States. The agreement secures for Light Sciences an exclusive right to all photodynamic therapy (PDT) compounds and technologies discovered during the next five years of collaboration between Light Sciences and the PDT Center of Roswell Park. This agreement also provides a license to certain novel PDT compounds that have been discovered at Roswell Park. This relationship contributes to a broad pipeline for the development of future Light Sciences PDT products. "Light Sciences brings a unique perspective to photodynamic therapy which may well extend its use both in cancer and other diseases," said Thomas Dougherty, PhD, Chief of the PDT Center at Roswell Park Cancer Institute and a pioneer in PDT. "Combined with several series of highly effective new photosensitizers, activated at deeply penetrating wavelengths which have been developed in our laboratories over the past few years, this collaboration promises to bring great benefit to the field of photodynamic therapy and most importantly to the patient."

"Light Sciences is fortunate to form a long-term relationship with one of the most prestigious PDT research teams," said Anil Singhal, PhD, MBA, vice president, Pharmaceutical Product Development at Light Sciences. "This Agreement will allow us to develop unique products that provide solutions in oncology and other areas of disease such as cardiovascular disease, ophthalmology, and inflammatory processes."

Light Sciences works to discover and develop disease treatment solutions based on the innovative use of PDT therapy technologies. The Light Sciences team seeks to establish a new standard of patient care by developing safe, effective, minimally invasive and economically responsible therapy options for treating cancer as well as cardiovascular, infectious and other life threatening and/or debilitating diseases. Currently, the company is developing a proprietary, non-coherent intratumoral light activation system in combination with a PDT drug, LS11(NPe6, ME2906), previously licensed from **Nippon Petrochemicals** and **Meiji Seika Kaisha**. According to a company spokesperson, the company acquired the rights to the Nippon PDT drug in April 2000, and is currently conducting U.S. clinical trials with the drug. (It was not made clear if that included for the treatment of AMD, which had been started by Nippon.)

6/4 **Miravant Medical Technologies** announced that it would start phase I clinical trials to test the safety of its proprietary new PhotoPoint drug, MV9411, for diseases of the skin. The photoselective drug is prepared in a topical gel formulation that penetrates the skin for potential treatment of conditions such as psoriasis, actinic keratoses (pre-cancerous lesions caused by sun-exposure), persistent warts and skin cancers. PhotoPoint photodynamic therapy (PDT) uses a light-activated drug in combination with low power, non-thermal light to target diseased cells and blood vessels.

Gary Kledzik, chairman and CEO stated, "I am very proud that Miravant's chemistry pipeline has produced a second PhotoPoint drug for human clinical trials. This is a noteworthy accomplishment given the rigors of new drug development." The phase I clinical trials, which have received FDA clearance, are expected to start later this month. In the drug-only study, various doses of MV9411 will be applied to the skin of 20 healthy volunteers, who will be followed for one month to evaluate the drug's safety. If the safety results prove acceptable, Miravant plans to initially investigate PhotoPoint PDT to treat plaque psoriasis, a chronic condition for which there is no known cure. In this disease the epidermis proliferates as much as 10 times the normal rate, resulting in inflamed and scaly skin plaques. Mild to moderate plaque psoriasis affects an estimated 5 million Americans, with over $2 billion dollars spent each year for outpatient treatments.

6/6 **Palomar Medical Technologies, Inc.** announced that it received clearance from the FDA to sell and market the Palomar SLP1000 (super long-pulse) diode laser system for `permanent hair reduction' for all skin types. The FDA granted clearance for permanent hair reduction after the company submitted results of permanency from a number of clinical studies. The Palomar SLP1000 is a new generation diode laser system that uses yet another breakthrough technology by Palomar 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 previously received clearance for treating hair, vascular and pigmented lesions, facial, spider and leg veins and other dermatological conditions.

The Palomar SLP1000 uses a combination of super long-pulse, three-phase contact cooling, photon recycling and other patented technology designed to ensure safe and effective treatment. The fiber optic delivery handpiece, weighing only a few ounces, is designed for comfort and offers less fatigue for operators. The 12mm spot size handpiece delivers 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 simple to install and operate. The Palomar SLP1000 also has a handpiece with a 4mm spot size for treating small to medium-sized leg veins, facial veins, etc. and a handpiece with an 8mm spot size for treating large leg veins.

Louis (Dan) Valente, chairman and CEO, commented: "Once again, Palomar has demonstrated its technology leadership position with another `first' in the industry. This new technology is a breakthrough in delivering cost effective cosmetic laser/light based systems to the market. The combination of long and very long laser pulses and aggressive cooling of the skin has finally made laser hair removal of all skin types safe and efficacious, regardless of skin color or ethnicity. We see the SLP1000 as a standard tool that every physician could use and afford. Our extensive research programs are coming to fruition as we have begun to introduce a series of exciting new products this year including the Palomar EsteLux for low cost, fast hair removal and the Palomar Q-YAG 5 for tattoo and pigmented lesion removal. All of these Palomar products are lightweight, portable and very easy to use. We continue to add trained sales personnel and distributors, giving Palomar access to world markets. We are on target to execute and continue our strategic plan during 2001 and beyond with a strong balance sheet and the best laser hair removal technology in the industry."

6/11 **Spectranetics Corporation** announced that excimer laser angioplasty received a high profile at the recent *Paris Course on Revascularization (Euro-PCR)*, a conference for about 7,000 medical professionals in multiple disciplines who perform cardiovascular therapy and revascularization, held May 22-25, in Paris. At the conference, eight live cases featured excimer laser technology in the legs (which has received CE Mark approval in Europe and is in clinical trials in the United States), 18 presentations featured or made favorable remarks about excimer technology, and a case utilizing the Prima Laser Wire (a guidewire available only in Europe that emits excimer energy, enabling it to cross total occlusions within a blood vessel) received the bronze award as the third best clinical case in 2000.

On Thursday, May 24, six of the live excimer laser cases were performed. The day culminated with a leg excimer angioplasty case performed in Erlangen, Germany, by Prof. Dr. Giancarlo Biamino of the Center for Cardiology in Hamburg, Germany. This difficult case was on a patient in which a previous angioplasty attempt had failed because of the inability to cross the lesion with a guidewire. As a result, Prof. Biamino accessed the lesion via the less common retrograde transpopliteal approach, which is up from the back of the knee. The laser dissolved the lesion easily, creating a larger diameter pathway (lumen) for the blood to flow than the size of the catheter used. This larger lumen is indicative of a lesion laden with thrombus, which readily absorbs excimer energy.

Prof. Biamino commented: "After using the laser, we were able to create a channel larger than 4.0 mm, and then expanded it to approximately 5 mm with low balloon pressure of less than 6 atmospheres. That's the advantage of laser debulking -- ballooning becomes significantly easier. We transformed this total obstruction in a stenosis without being forced to use a stent, which is less desirable in leg lesions because of the tendency of stented areas to repeatedly re-occlude."

Joseph Largey, president and CEO of Spectranetics, commented: "This was a successful conference for Spectranetics. Excimer laser technology was demonstrated and favorably discussed all four days of the conference, with eight live cases performed; we received a record number of qualified sales leads and traffic at our booth; and the Prima Laser Wire was featured in the clinical case that received the Euro-PCR Bronze Award. The higher profile for excimer laser technology this year both demonstrates and feeds the momentum that is beginning to build -- especially in laser angioplasty for the legs. This momentum should not only augment our European business, but also help build U.S. interest in peripheral angioplasty, which is on target for FDA approval in 2003."

6/12 **Cell Robotics International** announced the availability of the second generation Lasette, called the Lasette Plus. The hand-held Lasette is a FDA-cleared medical device that uses a special wavelength of laser light for capillary blood sampling for glucose or clinical screening tests. Nearly painless, the Lasette is the only `needleless fingerstick' available in the market offering more comfort to people living with diabetes and the ultimate in `sharps' safety for healthcare professionals. The new Lasette Plus builds upon the award-winning design of Cell Robotics' original Lasette. Externally identical to the current Lasette, the Lasette Plus features an improved laser cavity design, which significantly improves beam quality, consistency, robustness and provides a slightly wider range of power settings delivering improved comfort for the patients.

6/13 **Medical Resources Management, Inc.** announced the results of its shareholders' special meeting to consider and vote upon a proposed merger with **MRM Acquisition Company**, a wholly owned subsidiary of **Emergent Group Inc.** A majority of MRM shareholders have voted in favor of the merger that is expected to close next month.

Commenting on the results Mark Waldron, CEO of Emergent Group, stated, "Emergent has completed a major step in establishing a national healthcare distribution network. By merging with MRM we will bring advanced medical technologies to market by using MRM's effective distribution channels with doctors, hospitals and healthcare facilities. MRM had revenues in excess of $11 million last year and we expect to increase that figure when additional technologies such as **Trimedyne's** proprietary surgical laser systems are added to the product line. MRM provides a dynamic platform for distributing surgical products and services in a `fee per procedure' model. Our unique model will allow healthcare providers access to leading-edge technologies that may be out of reach due to large upfront capital costs. With the addition of MRM, Emergent will be able to provide physicians with valuable laser and medical technologies through well established distribution channels."

6/14 **Miravant Medical Technologies** announced today that it had completed enrollment in the phase I clinical trial for its PhotoPoint drug MV9411, enrolling 20 healthy volunteers (also see the 6/4 brief above). Under the clinical protocol, each volunteer received a single topical application of various doses of MV9411. These subjects will be followed

for 30 days for drug safety evaluation. Gary Kledzik, chairman and CEO, stated, "I am very pleased with the expeditious start of the phase I clinical trial. After a one month follow-up and review of safety data, we hope to progress to the treatment phase of the dermatology studies." Miravant is developing MV9411 based on PhotoPoint photodynamic therapy (PDT), a proprietary technology that employs light-activated drugs to destroy diseased cells and blood vessels. The drug is prepared in a topical gel formulation designed to efficiently penetrate the skin. Used in combination with low power, non-thermal light, MV9411 is being investigated as a potential treatment for challenging skin disorders such as plaque psoriasis.

6/14 Pat Maio of *DOW JONES NEWSWIRES* reported that **Eclipse Surgical Technologies** was bracing for big changes in coming weeks. The company could change its name to C**ardioGenesis Corp.** on Friday, a move of the headquarters from the Silicon Valley to Orange County is scheduled to begin on Monday, and a laser-based surgical device used to treat severe heart pain could be approved by a panel of U.S. Food and Drug Administration medical device experts in early July. Also, the company is preparing to outsource its laser and catheter device manufacturing operations to others, a move that will let it lower its cost of goods by 50%. If the FDA's circulatory system devices panel approves Eclipse's minimally-invasive heart laser procedure, the company's top executive says the company will double in size in the first year it's on the market, and generate more than $100 million in revenue within two years. "Hopefully, people who invested will finally get a return after walking for 12 years through the desert," said Michael Quinn, Eclipse's chairman, president and CEO, in a phone interview with Dow Jones News. Quinn, who joined the company last October with the aim of turning it around said, "This company did a very poor job launching this technology." (Eclipse has two procedures, both of which use a laser to drill tiny holes in the heart muscle to stimulate blood flow to the area. TMR, or transmyocardial revascularization, is the surgical version of the procedure approved by the FDA two years ago. Surgeons open up the chest to drill the holes, with more than 14,000 people in the U.S. having undergone the TMR procedure, which is a fraction of the more than 6.5 million who suffer from angina in the U.S., according to the American Heart Association, and PMR wherein a catheter is snaked through an artery into the heart for working from the inside out.)

When Quinn arrived, the company was losing millions every quarter, and its cash burn rate was soaring. He quickly moved to cut the workforce in half to its current level of 91 employees. A new chief financial officer was recruited, as were other senior executives. Last fall, the cash burn rate was hovering at just south of $4.5 million per month, which he has since slashed to its current pace of $1.6 million per month. In April, Eclipse raised much-needed cash by selling 2 million shares of its common stock to the **Wisconsin Investment Board**. Cash reserves had sunk from $13.3 million at the end of 1999 to just over $3.3 million at the end of 2000.

In the past month, the company outsourced its laser manufacturing to **New Star Lasers Inc.**, of Roseville, Calif., and its catheters and hand pieces to **Ventrex Inc.**, of Ventura, Calif. The migration of manufacturing operations will take place over the next several months, Quinn said. On Friday, Eclipse holds its annual shareholders meeting in Sunnyvale, Calif., to vote on the name change. With 31.7 million outstanding shares of common stock, roughly 90% of shareholders have already given their preliminary approval to the company's new name. CardioGenesis is the name of a company Eclipse merged with in 1999. Assuming the vote turns out the way Quinn hopes, the company will begin trading on June 21 on the Nasdaq market with its new name and ticker symbol, CGCP. On June 18, Quinn will begin moving into his company's new headquarters in Lake Forest, Calif., a Southern California suburb located about 30 miles south of Los Angeles. The Sunnyvale headquarters will be closed by the end of August, he said.

6/15 **Cell Robotics International** announced that its distributor in China, **CA Continental**, had ordered an additional 100 Lasettes and 240,000 disposables. CA Continental has also made a verbal commitment to purchase an additional 100 Lasettes and 240,000 disposables before the end of June.

The market pull for the Cell Robotics Research Workstation also continues to grow. The company will deliver over $300,000 in workstation sales in the second quarter of 2001 and will enter into the third quarter with a potential backlog, based on quotes, of approximately $1,000,000. The company is currently working on new enhancements to the existing Workstation. The new Imaging Cell Robotics Workstation will include a sophisticated imaging and quantitative measurement capability along with the availability of a more powerful LaserScissors. The increased interest in and sales of the Cell Robotics Workstation can be attributed in part to the following enabling areas within biotechnology. The enormous human genome project defined the individual through the genetic structure. Using the genome as a blueprint, the study of proteins helps explain what can cause or cure diseases. The study of proteins, called proteomics, is a new emphasis area for biology. The Cell Robotics Workstation, through its LaserTweezers and LaserScissors, allows new ways to study the function and structure of proteins.

6/18 **Eclipse Surgical Technologies** announced that its shareholders voted to change the company's name to **CardioGenesis Corporation** at its Annual Meeting of Shareholders held as scheduled Friday, June 15th, in Santa Clara, CA. A quorum of shareholders was present in person or by proxy at the Meeting and all proposals submitted to the shareholders were approved, including the re-election of the company's five Directors and the amendment to the company's Restated Articles of Incorporation to change the company's name. The change of name to CardioGenesis Corporation, which is the name of the company Eclipse acquired in March 1999, is expected to become effective June 18, 2001. The company anticipates that the trading symbol of its common stock on the

Nasdaq National Market will be changed from ESTI to CGCP, effective with the opening of the market on Thursday, June 21, 2001.

CardioGenesis also announced at its Shareholder meeting that it is moving its corporate headquarters from the Silicon Valley to a more economical location in Southern California. The move to its new offices in Foothill Ranch, CA is expected to be completed before the end of August this year. Chairman, president and CEO Michael Quinn commented, "CardioGenesis better reflects the new, expanded vision that the company has adopted. Today we're a revitalized company with a clearly defined mission. We are committed to becoming profitable, taking full advantage of our current products and technologies and expanding our product offering to treat a broader range of cardiovascular disease. We started implementing our new vision by increasing our focus on the patients who suffer from angina. This can be seen through our company-wide commitment to take full advantage of the potential of our industry-leading TMR (Transmyocardial Revascularization) surgical system and to successfully launch our new minimally invasive PMR (Percutaneous Myocardial Revascularization) system, which we are hopeful will be cleared to market by the U.S. Food and Drug Administration (FDA) later this year."

The FDA has scheduled a meeting of its Circulatory System Devices Panel on July 9 to review the company's supplemental Premarket Approval application for PMR. After it hopefully obtains FDA clearance to market PMR, CardioGenesis intends to begin to expand its product line. The company will seek to add complementary products for the treatment of cardiovascular disease that fit well into its distribution model. This could include delivery systems for growth factor compounds that stimulate the body's production of new blood vessels in the heart, as well as other innovative products for surgical and percutaneous cardiac applications. The company expects to expand its offerings, both domestically and internationally, through a variety of means, which may include distribution agreements, licensing, acquisitions and/or internal development.

Since Quinn joined the company eight months ago, it has implemented a new far-reaching vision, revamped its sales and marketing organizations and taken important steps to get its expenses in line with revenue. "This has meant making some tough decisions and implementing a number of dramatic changes throughout the company," Quinn said. "If needed, we will continue to make changes to ensure we are positioned to take full advantage of opportunities for increasing growth and profitability. The move from the high rents and labor costs of the Silicon Valley to the more business friendly costs of our new location in Orange County is another important example of how we intend to get our operating expenses in line and keep them there."

6/18 **PhotoCure ASA** announced that it had received its first marketing authorization for Metvix PDT (Photodynamic Therapy) in Sweden. The Swedish authorities approved Metvix PDT for the treatment of actinic keratosis (AK) and basal cell carcinoma (BCC)

in patients where traditional therapies are considered less suitable. The treatment is particularly useful for AK and BCC lesions in cosmetically sensitive areas, such as the face and scalp. The quality of the data package submitted by PhotoCure for Metvix PDT is reflected in the speed in which the approval was granted for two indications in one year. Metvix PDT's approval is the most important milestone PhotoCure has achieved to-date. The strength of PhotoCure's development capabilities is evidenced by the fact that it has only taken four and half years since the company started full-scale clinical development of Metvix PDT until gaining its first approval.

PhotoCure's global development has involved 100 clinical centres and more than 2,000 patients in Europe, the US and Australia. "Photodynamic therapy with Metvix provides major benefits to patients compared to current therapies," said Professor Lasse Braathen, chairman, Department of Dermatology, Inselspital, Bern, Switzerland. "This new method has the potential to become the treatment of choice for those patients where optimal results, including excellent cosmetic outcome, are required." PhotoCure expects to start selling Metvix PDT, which comprises Metvix cream and the light source, Curelight, through its own sales force in Sweden during the second half of 2001. The company intends to market Metvix PDT in the Nordic region itself but is currently negotiating with potential marketing partners who will market the product in the world's other major pharmaceutical markets.

The Swedish approval of Metvix PDT is the first step in gaining a pan-European approval for this novel treatment regime. This will be followed by applications for Metvix PDT for the treatment of BCC and AK in the other countries of the European Union as well as in Iceland and Norway, through the 90-day mutual recognition procedure. "We are proud to have reached this very important milestone for PhotoCure's development. The fact that we have gained our first product approval after only four and a half years highlights the quality and hard work of the company's development team," commented Professor Vidar Hansson, PhotoCure's president and CEO. "This approval marks the beginning of PhotoCure's commercialization of Metvix PDT and we are confident that the clinical benefits that it delivers to both BCC and AK patients will enable the product to achieve significant sales."

The company also announced that it had received European approval for an important patent regarding aminolevulinic acid (ALA) derivatives. The company now has intellectual property coverage for its photodynamic therapy (PDT) cancer treatments, Metvix, Hexvix and Benzvix, in all of its major pharmaceutical markets including Europe, U.S., Australia, New Zealand and Singapore. The patent (No. 0820432) covers a number of ALA derivatives. It includes the active ingredient used in PhotoCure's first product, Metvix for certain types of skin cancer and those used in the Hexvix and Benzvix; products that are being developed for internal cancers such as cancer of the bladder and of the gastro-intestinal tract. Professor Vidar Hansson, PhotoCure's president and CEO said, "The European patent approval is an important milestone for the company.

It provides a significant commercial advantage in all of PhotoCure's most important markets."

6/20 **PhotoMedex, Inc.** announced that significant progress had been achieved during the second quarter of 2001 in obtaining health insurance coverage and reimbursement for the treatment of mild to moderate psoriasis using the PhotoMedex XTRAC system. To date, eight health plans in California, Ohio, New York, North Carolina, Wisconsin and Tennessee have either paid claims submitted by patients and physicians, or pre-approved patients for coverage and payment. In addition, many other health plans are currently reviewing the patient data resulting from treatment with the XTRAC system. PhotoMedex expects further reimbursement approvals in the third and fourth quarters of this year. From across the country, physicians have reported consistent reimbursement from a previously announced major health insurance carrier.

PhotoMedex president and CEO, Jeff O'Donnell, commented, "We are gratified by the response of private and public health insurance plans that recognize the value of the XTRAC treatment for their enrollees with psoriasis. Originally, we had anticipated scattered reimbursement beginning in the third and fourth quarters of 2001, so we are now exceeding that expectation. PhotoMedex is aggressively supporting our physician partners in their efforts to obtain appropriate insurance coverage. With wider reimbursement acceptance, physicians will be able to offer this effective treatment to a larger percentage of the psoriasis patient population."

6/21 **Biolight International AB** of Sweden announced that they had developed a unique method for reducing the time to heal chronic wounds. This has been confirmed through a recent study carried out in Sweden and Denmark. The study showed that the time to healing was reduced by 36%. The estimated number of chronic wounds, only in Sweden, is currently estimated to about 100,000, a figure which, considering the age structure, is expected to increase. The result of the study were presented by Christer Wallin, the company's president, and Jan-Ake Gustafsson, chairman of Biolight's scientific council at a press conference at Berns in Stockholm.

Christer Wallin, president of Biolight, said: "Decubitus ulcers cause a lot of suffering, especially to elderly patients. The treatment of these wounds results in considerable costs to society every year, and the problem keeps increasing. Biolight can now present a unique method for improving medical care for patients with chronic wounds. The results mean that we will now accelerate the process by selecting a distributor for the business area `Wound Care'. I consider the market potential for Biolight within the wound area to be of substantial proportions. We have now shown in quite a number of studies that Biolight is a biologically active method. Apart from the study we have just presented, we have also presented statistically significant results on the growth of fibroblasts (a cell-type) and the treatment of gingivitis (inflammation of the gums) in earlier studies."

Ove Dehlin, professor of geriatrics in Malmo, Sweden, Solve Elmstahl, professor of geriatrics, Malmo, Sweden, and Finn Gottrup, professor of wound healing in Copenhagen, Denmark, who jointly headed the execution of the clinical phase III studies on decubitus ulcers, made the following statement: "Decubitus ulcers is a big problem in medical care, and primarily affect older patients, who already suffer from other complicated illnesses. There hasn't been anything principally new in the treatment of decubitus ulcers in recent years. Biolight is pulsating, monochromatic light, which in pre-human studies has shown interesting biological effects in relation to wound healing. In two double-blind, placebo-controlled studies, we have examined the effects of Biolight on decubitus ulcers, grade 2, in older patients. In the first study, promising but not altogether significant results (p=0.06) were achieved, which is the reason why that study has now been complemented with another study, and the studies have been pooled. The results are satisfactory. Treatment with Biolight made the wounds heal significantly faster compared to placebo (p=0.04). No serious side effects have been observed."

6/21 Researchers presented the most comprehensive array of new therapies in the history of psoriasis treatment at the joint meetings of the *National Psoriasis Foundation (NPF)*, the *International Psoriasis Symposium* and the *European Congress of Psoriasis*. According to Gail Zimmerman, NPF president and CEO, "The new therapies being discussed at this meeting offer hope to many people suffering with psoriasis who are not being adequately treated today. Roughly 60% of people with psoriasis have dropped out of treatment in the United States and are not being helped by current therapy and must struggle with the burden of the disease. We believe these new therapies will offer alternatives for people to consider, which may restore their confidence in treatment."

"One of the exciting consequences of this burst of productivity is that the range of products represents a remarkable diversity of approaches," explained Mark Lebwohl, MD, chairman of the Department of Dermatology at Mount Sinai Medical Center in New York. "That means, for the patients, that if one line of therapy proves to be less effective, or is poorly tolerated, there will be other approaches available." Howard Maibach, MD, director of the Skin Disease Education Foundation -- the organizer of the international meetings for physicians and researchers -- added: "Psoriasis is not one disease but, rather, a combination of conditions. We have seen that what works for one patient often doesn't work for another. In this way, the sudden emergence of new therapies also offers us help. We will be less likely in the future for the so-called refractory patients to just drop out of therapy completely."

Many of the clinical advances presented at the meetings related to immuno-active agents -- `biologies' developed as a result of the growing understanding of psoriasis as an immune-mediated disease. Many of these drugs, however, are still in development and not yet available to the public. Recent new advances in approved products include highly selective UVA and UVB laser delivery systems to sequential and combination therapies involving older, familiar psoriasis medications.

6/21 **Beacon Photonics** announced the creation of its second vertically focused venture capital development company, **Beacon Life Sciences**. Joseph Lovett, an experienced health care executive and venture capitalist, has been hired as Beacon Life Sciences' president. The organization has an initial $4 million commitment from Beacon Photonics. Currently, it is considering its first investments and is starting its fundraising. The new organization is the first Venture Capital Development Corporation that concentrates on life sciences applications of photonics technologies. Beacon Life Sciences will pool photonics technologies on a worldwide basis in certain areas to form new companies based upon cutting edge, cost effective breakthrough and revolutionary technologies with `homerun' potential on a proactive basis. Investments by Beacon Life Sciences will be based upon advances in photonics enabled life sciences. Investments will be made in those technologies in which light is an important contributor to new, innovative performance or value in imaging, medical services, and medical equipment. Investments also will be made where light is involved in genomics/proteomics technologies that lead to new discoveries in these areas, and in vitro and in vivo diagnostics, pharmaceuticals, biotechnology, and informatics.

Beacon Photonics was formed last year as a joint venture between the **Boston University Photonics Center** and a group of investors that includes **Boston University**; **Globalvest Management Company**, a multi-billion dollar international investment firm; **PRTM**, a multinational consulting firm; and two prominent, retired venture capital professionals. Emmett Eldred, CEO of Beacon Photonics, said, "The unique partnership between Beacon Photonics and the Photonics Center of Boston University provides portfolio companies with access to the Center's asset base of labs, equipment, and people. As part of the program, portfolio companies also will have access to investment capital and business consulting and management expertise." The Photonics Center has a strategic mission of fostering growth of photonics enabled industries through, among other things, proactively identifying new growth areas and establishing facilities, resources, and programs for venture incubation and commercialization.

6/21 **BIOLASE Technology, Inc.** reported that strong sales growth continues, as expected. The company will report record sales exceeding $4 million for the second quarter ending June 30, 2001. Visibility into the third quarter shows continued strong growth. The company also remains confident that it will achieve profitability in the fourth quarter. "Both domestic and international sales are benefiting from increasing demand for our technology in the dental community," said Jeffrey Jones, BIOLASE CEO and president. "Our leading edge products have proven resistant to the economic slowdown, and our expanding sales force continues to pursue an ambitious, aggressive marketing strategy that is supported by seminars and trade shows targeted to dentists throughout the world."

6/21 **BriteSmile Inc.** announced that beginning in July BriteSmile Professional Teeth Whitening will for the first time be available for patients between the ages of fourteen and twenty-one years. This announcement comes as a result of the completion of the first

phase of a clinical study of young adults and the BriteSmile procedure conducted at Loma Linda University School of Dentistry. The study found that not only did BriteSmile reduce dental stain and effectively whiten teeth in young adults, but also is completely safe. "Our research found the BriteSmile procedure to be safe and effective on young adults," said Dr. Ralph Feller, Professor and Director of the Clinical Research Center, Loma Linda University School of Dentistry. BriteSmile will now be available to young adults in the company's 14 freestanding, dentist-run whitening centers and across the network of the more than 3,000 individual dentists who offer BriteSmile in their private practices.

"After turning away thousands of young adults every month, including teenagers who have just had their braces removed, we are very pleased to offer BriteSmile Professional Teeth Whitening services to patients under twenty-one. Our research and our experience certainly confirm that there is a demand among young adults for whiter, `brighter' smiles. The completion of this study allows our dentists to whiten patients, from 14 years and older, in a manner that is not only faster and more effective than alternative approaches, but also completely safe," said John Reed, of BriteSmile. Recently completed market research found that there is a strong demand among teens for a quick and easy way to whiten teeth. The survey of 400 teens in the U.S., which was conducted by consumer research firm **Wirthlin Worldwide**, found that over 40% of teens wish their teeth could be whiter, and over 65% would be likely to have their teeth professionally whitened. Of the respondents who wore braces, 30% believed their teeth were darker after their braces were removed and 76% said that they would have had whitened their teeth if the service had been offered. For almost two years, BriteSmile has had an agreement with **Orthodontic Centers of America (OCA)** to place the BriteSmile system in OCA member offices. The recent affirmation of the procedure's whitening ability and safety profile for young adults allows BriteSmile to further expand its patient reach among the company's OCA partners.

MEDICAL/SURGICAL LASER UPDATE -- July 2001

6/25 Al Kildani of **Pacific Growth Equities**, issued an update report on **PhotoMedex**, commenting on the company's announcement that seven new insurance carriers had either paid claims or provided pre-approvals for treatment of psoriasis with the XTRAC laser. "The new payers cover (partially) the states of California, Ohio, New York, North Carolina, Wisconsin and Tennessee. The company is unable to disclose the names of these payers, however management has indicated that some of the top payers in the nation are included as well as at least one Blue and some regional HMOs. Importantly, the company is able to share the names of these payers with its customers. We believe physician comfort that reimbursement is available or shortly on the way will be crucial to driving their utilization of the XTRAC system. In our view, the recently added payers should help with physician confidence in the reimbursement outlook. Furthermore, we expect to see more positive news on the payer front later this year.

PhotoMedex tentatively plans to release Q2:01 results on August 8. We believe our current estimates $2.9 million in revenue and EPS of ($0.15) are achievable. While data points on domestic utilization remain elusive in the early stage of the adoption curve, we believe procedure volumes are ramping and strong interest in the laser from international dermatologists continues. Over the next few quarters, we believe the biggest drivers to the PhotoMedex story will be news of increasing reimbursement and domestic procedure volume. We reiterate our Buy rating and year-end price target of $14 per share."

6/25 **DRAXIS Health Inc.** announced that it had received a Notice of Compliance from Health Canada granting approval to market Levulan Kerastick PDT in Canada for the treatment of Actinic Keratoses (Aks), or pre-cancerous skin lesions, of the face and scalp. The product will be sold by the DRAXIS Pharmaceutical business unit, which markets and sells in-licensed pharmaceutical products in Canada. "This timely approval, which our dedicated Pharmaceutical team achieved in just under 15 months, represents another notable contribution to our plan for growth," said Dr. Martin Barkin, president and CEO of DRAXIS Health. "Levulan Kerastick is one of the leading agents in the exciting field of photodynamic therapy. It has the potential to become the first standardized, physician-applied, easy-to-use selective approach for the treatment of actinic keratoses." (Draxis is **DUSA Pharmaceuticals'** marketing partner in Canada.)

6/26 **The Spectranetics Corporation** announced that excimer laser angioplasty was featured at the 10th Annual Kurashiki PTCA Live Demonstration Course in Okayama, Japan, on June 8 - 9, 2001. The director of the course, Dr. Kazuaki Mitsudo, of Kurashiki Central Hospital, performed coronary angioplasty cases, including three difficult cases using the excimer laser, during two days of the conference. The excimer laser cases were successfully performed before an audience of about 1,000 interventional cardiologists from Asia, Europe and North America, including at least 40 of the top interventional cardiologists in the world. This was the first time excimer laser angioplasty has been profiled at an interventional symposium in Japan.

Dr. Mitsudo commented: "The excimer laser offers a safe alternative to other angioplasty techniques, especially in complex lesions where vessel damage is of great concern. Technological advancements such as finer optical fibers and an improved fiber distribution, combined with improvements in technique such as the saline flush protocol and making multiple passes while rotating an eccentric catheter, have made the excimer laser an extremely safe and versatile tool for treating complex lesions. We are anxiously awaiting the approvals needed to have easy access to laser angioplasty in Japan." Joseph Largey, president and CEO of Spectranetics, commented: "It's exciting that excimer laser angioplasty is being profiled before such an important group of cardiologists prior to market release of the products in Japan. We continue to work toward Japanese approval; however, at this time we have no commitment as to when it will be forthcoming. Nonetheless, this is a key conference for Spectranetics because an important group of physicians are witnessing the impressive capabilities of our products."

6/26 *Reuters* reported that CEO Yacha Sutton of **ESC Medical** said he is comfortable with consensus earnings per share estimates for the maker of medical and cosmetic lasers. Sutton said cost cutting from the **Coherent Medical Group** acquisition could meet or exceed the previously announced target of $25 million and the company is driving growth from the sale of lasers for hair removal, dermatology, surgery and dental markets. When asked about the prospects of ESC being taken over, CFO Sagi Genger replied, "We're very shareholder oriented. It is our responsibility to consider any serious offer. We're not an entrenched management team. Having said that, we're focused on building our business as if we're going to run it forever." ESC, however, is looking for acquisitions, but it does not have any specific target, except that any deal should add to earnings. The company may expand outside the laser business by selling products that complement its product line.

6/26 **Trimedyne Inc.** announced that it had been unable to reach mutually acceptable terms on the proposed merger with **Emergent Group Inc.** and that the Letter of Intent with Emergent had been terminated. Commenting on this development, William Schubert, CEO and vice chairman of Trimedyne, stated: "We regret that we were not able to achieve mutually agreeable terms on the proposed merger and we are exploring other opportunities. Emergent's laser and equipment rental subsidiary is a customer of ours, and we will continue to seek ways in which we can profitably expand our relationship with them."

6/27 Writing in the *Houston Business Journal*, Allison Wollam said that **Henley Healthcare's** Sugar Land facility had been foreclosed and sold by company's bank, **Comerica Bank Texas**. Henley announced on June 15th that Comerica Bank Texas had foreclosed on its Sugar Land headquarters facility. The $2.3 million generated from the foreclosure and subsequent sale of the building will be used to reduce the debt Henley owes to the bank. The company, a medical device manufacturer, ceased doing business in the U.S. and laid off all of its U.S. employees in April, following Comerica's foreclosure on most of its other U.S. assets. Those assets were sold to a third party for $900,000. The company, which manufactures ultrasound systems and devices used to treat chronic pain, anticipates Comerica Bank will also foreclose and sell the company's Belton facility and its account receivables in the near future. Henley still runs a sizable unit in The Netherlands. The company is actively seeking to restructure its outstanding debts to Comerica, **Maxxim Medical**, preferred stockholders and vendors. Although Henley officials couldn't be reached for comment, the company said in a written statement that the restructuring may include the sale of securities, which would substantially dilute existing stockholders. Henley will be required to seek protection under federal bankruptcy laws if it cannot restructure or repay its outstanding debt.

John Boettiger, a health care consultant and principal of **John R. Boettiger & Associates**, said that Henley was simply a victim of a changes in the competitive health care marketplace. "They weren't big enough to compete with the larger companies and weren't

able to offer attractive financial packages for their products." Boettiger said as the health care industry has become less specialized and designed to serve more people, smaller niche companies such as Henley haven't been able to compete with companies that offer a broader range of products. He said also that as hospitals are consolidating, medical device companies are competing for a shrinking number of contracts. Boettiger points out that some larger companies have been able to structure lease contracts for their products, but Henley had a hard time establishing long-term financing for its products.

(This leaves the question of the company's MicroLight 830 biostimulation laser for treating carpel tunnel syndrome up in the air, and perhaps available to be picked up by some other entity. The company was far along in its FDA approval process when it apparently ran out of money.)

6/27 **ICN Pharmaceuticals** announced the start of a major consumer advertising campaign for its periocular wrinkle reduction NLite Laser Collagen Replenishment system in July. The revolutionary Nlite non-ablative laser offers physicians and patients a safe, confidential system for periocular wrinkle removal with no down time and without causing significant superficial skin damage. NLite Laser Collagen Replenishment treatment takes only a few minutes. Patients can even visit their doctor over a lunch break and return immediately to normal activities without the visible signs of having undergone a cosmetic treatment. Most people who have NLite Laser Collagen Replenishment are people 35-60 years of age who wish to gently reduce wrinkles without having to undergo more severe treatments such as facelifts, chemical peels, injections or lasers that actually burn the skin's surface.

Publications including *InStyle*, *Ladies Home Journal*, *Oprah*, *Conde Nast Traveler* and *Parade Magazine* will feature full-page color advertisements directing consumers to **www.wrinklereduction.com**, the NLite website and 1-866-802-0080, the NLite consumer information center. The campaign will also include advertisements in major market newspapers throughout the U.S.

6/28 **Axcan Pharma Inc.** announced that as a result of the closing of the CDN $51.0 million (US $33.2 million) bought-deal equity offering announced on May 31, 2001, the company had reimbursed in full, its outstanding debt to **Schwarz Pharma Inc.** The payment totaling US $39.4 million includes US $38.5 million in principal and US $856,720 in accrued interest on the loan. The net proceeds of US $31.3 million (CDN $48.5 million) from the bought-deal offering were used for this payment with the balance of the amounts reimbursed being provided from Axcan's cash and short-term investments. Axcan incurred this debt in November 1999, as a result of the purchase by Axcan of Schwarz's 50% interest in **Axcan URSO LLC**, a joint-venture created in January 1997, for the purpose of marketing URSO 250 in the United States. Axcan made this acquisition in order to control the development and commercialization of URSO 250 in the United States and position itself to be able to fully benefit from related URSO 250

revenues. Sales of URSO 250 in the United States amounted to approximately US$16.5 million for fiscal 2000.

7/3 **Trimedyne Inc.** announced that it had received clearance from the People's Republic of China to begin selling its Holmium laser systems in mainland China. According to the company, two laser systems have already been sold and will be stationed in a major university hospital in Beijing. One laser will be used in the orthopedic department of the hospital to treat lower back pain due to a herniated or ruptured lumbar disc in a minimally invasive, outpatient foraminoplasty procedure. Trimedyne's Holmium laser is the only laser cleared for sale by the FDA for this application, which affects millions of people worldwide. The other laser will be used in the urology department of the hospital to fragment stones in the kidney, bladder, and elsewhere in the urinary system in addition to treatment for BPH, strictures, and other soft tissue applications. William Schubert commented: "We are excited to be entering the Chinese market and are encouraged by our initial success. We recently sponsored the inaugural *Minimally Invasive Spine Society Conference* in Guangzhou, which was attended by more than 250 orthopedic surgeons who received training on a variety of laser assisted endoscopic spine procedures. We are also training our distribution network that encompasses the entire country and will be targeting sales of our lasers to urology, spinal, orthopedic, gynecological, gastroenterology and ENT specialties."

7/5 **ESC Medical Systems Ltd.** announced that it expects revenues for the quarter ended June 30, 2001 to be in excess of $80 million reflecting the mid quarter closing of the **Coherent Medical Group** transaction. Yacha Sutton, president and CEO commented, "We are very pleased with our strong revenue performance through the initial restructuring period which is consistent with guidance provided on the last investor conference call of $80 million. We continue to experience strong demand and are comfortable with the Street's consensus earnings estimates. The integration is proceeding well ahead of schedule. As previously stated we have already identified and implemented over half of the $25 million in synergies and we expect to significantly exceed this cost savings target."

7/6 *Reuters* reported that **CardioGenesis Corp.** will be presenting its data on the use of PMR to the FDA's advisory panel on July 9th. CardioGenesis' new device, already sold in Europe and Asia, is designed to be less invasive by enabling surgeons to thread a catheter through a leg artery to the heart. With the older product, surgeons must open the chest to reach the heart. On Monday, CardioGenesis, which has yet to turn a profit, is set to present results from clinical trials of the new device, called Axcis, to a Food and Drug Administration advisory panel. The committee is expected to scrutinize data on safety and effectiveness and then vote on whether to recommend approval for Axcis, a key step because the FDA usually follows its committees' advice.

7/9 **Emergent Group Inc.** announced the completion of its pending merger with **Medical Resources Management, Inc.** Mark Waldron, CEO of Emergent Group, stated, "We are

very exciting about the completion of this transaction. By joining forces with MRM, Emergent has completed a major step in establishing a national healthcare distribution network. We will now be able to bring advanced medical technologies to market by using MRM's effective distribution channels with doctors, hospitals and healthcare facilities and roll out selected additional surgical products and services in a `fee per procedure' model. MRM had revenues in excess of $11 million last year and assisted in more than 13,000 procedures and we expect to increase these capabilities by acquiring additional companies with established delivery channels in areas such as laser surgery, cryosurgery, brachytherapy and other capital-intensive medical technologies. Emergent has identified a significant opportunity to offer leading-edge technologies to physicians which may have previously been restricted due to capital limitations of healthcare providers. By helping physicians adopt new technologies, Emergent can become a leading distributor of innovative medical device and support services to the healthcare community."

7/9-
7/10 *Reuters* reported that the U.S. FDA's advisory panel voted against approving **CardioGenesis Corp.s'** Axcis device. The panel voted 7-2 against recommending approval for the technology. "I'm struck by the rate of adverse events in (one) trial, I can't look away from it," said Warren Laskey, a doctor at the University of Maryland's School of Medicine. In one study, patient's treated with the device had a higher number of abnormal heart beats, heart attacks and deaths than people in the comparison groups. Dr. Patrick Whitlow of the Cleveland Clinic, a CardioGenesis consultant, said Axcis presented a "reasonable risk for these seriously ill patients with very limited treatment options."

The following day, the company issued a statement saying it would work closely with the FDA to gain approval of its device for PMR. CardioGenesis chairman and CEO Michael Quinn said he was disappointed with the FDA panel decision but appreciated its guidance on where to focus the company's efforts. He added that it was significant that the panel recognized that PMR does provide patients with symptomatic relief of angina pain. "The relief of chronic angina pain in patients is paramount in the research and marketing focus of our company," Quinn said. He went on to say that the company will immediately embark on new work focused on winning FDA approval for PMR and believes that PMR, once approved, will become a widely used and effective procedure. Quinn said the company will also step up its efforts in Europe and Asia where PMR is approved and is currently being sold. "This is one day and one decision. We remain committed to our goals, which are taking full advantage of our current products and technologies and expanding our product offering to treat a broader range of cardiovascular disease. We intend to add complementary products for the treatment of cardiovascular disease that fit well into our distribution model, and we expect to expand our offerings, both domestically and internationally."

7/10 **ESC Medical Systems** announced that it had finalized the reorganization of its senior management to reflect the integration of **Coherent Medical Group**. Excluding its smaller dental and industrial units, ESC will be operating under a matrix organizational structure to allow the newly combined company to focus upstream marketing, R&D, and manufacturing activities within product application areas while integrating efforts geographically to ensure efficient downstream marketing and sales activities. This structure is designed to leverage administration expenses geographically across the organization, while allowing for flexibility in the discreet management of each target market's product lines. "Throughout the company, we enjoy a deep base of talent and industry expertise. We've now got the key leaders in place to drive our continued growth," said president and CEO Yacha Sutton. "The establishment of this structure and leadership team should facilitate a smooth completion of our integration efforts. We look forward to continuing to build our business with the new organization."

The members of the corporate team include: Yacha Sutton, CEO and president; Louis Scafuri, COO; Sagi Genger, CFO; Asif Adil, executive vice president for Business Development; Yossi Gal, executive vice president for Human Resources; Mono Grencel, executive vice president for Operations, Hadar Solomon, executive vice president, General Counsel and Corporate Secretary.

Three business units have been set up to focus on ESC's primary markets: The Aesthetic unit will focus on photorejuvenation, hair removal, vascular and pigmented lesions, acne and other applications under development. This unit will be headed by Alon Maor, executive vice president Aesthetic Business. Maor established ESC's Asia operations in 1998 and grew the business to $38 million or 23% of company sales in 2000. He will be working with Jim Holtz, executive vice president of Aesthetic Technologies, the co-founder of the **Star Medical** business unit. Holtz designed the LightSheer hair removal system, the leading light based hair removal system in the world. Over $55 million of LightSheer systems were sold in 2000.

The Surgical unit will focus on the hospital and in-office medical procedures such as Gynecology, Urology, Ear-Nose-Throat, and other surgical applications. This unit will be headed by Robert Grant, executive vice president Surgical Business. Grant was previously vice president of Business Development for Coherent Medical Group (CMG) and managing director of CMG's European Operations. Under his stewardship, sales increased from $27 million to $40 million in 2000.

The Ophthalmic business unit will continue to operate under the leadership of Tom Brunner, executive vice president Ophthalmic Business, who has successfully run this CMG business unit since 1996. There are over 30,000 ophthalmic systems installed in over 75 countries. It will focus on its main applications of diabetic retinopathy, age related macular degeneration, open angle glaucoma, and refractive surgery.

The sales, marketing and service functions will be coordinated across product lines through three regional units, which will span the globe: The Americas unit will be headed by Bob Di Silvio. Di Silvio was CMG's Vice President for Field Operation, North American Sales. Di Silvio has over twenty years of experience in sales management at several international medical devices companies including **Datex-Ohmeda**, **Medical Data Electronics**, and **Hewlett Packard's Medical Products Group**. The European unit will be responsible for all of continental Europe, the Middle East, and North Africa. Mike Terry, who joined ESC in February 2001 as integration leader for Europe, will head this business unit as executive vice president European Operations. Terry has significant domestic and international experience in the medical device field having served senior leadership positions in sales, marketing, eBusiness and business integration at **GE Medical Systems** and other medical device companies. The Asia Pacific business unit will be responsible for direct sales operations in Japan, the People's Republic of China and Hong Kong as well as distributor arrangements in over 20 countries in Asia. Jon Pearson, who was Director of Asia Pacific Operations for CMG, will serve as executive vice president of Asia Pacific Operations. These functional and regional business units will report directly to Lou Scafuri, COO.

Additionally, the company announced that Raphi Shavit has been appointed the new CEO at **OpusDent**, replacing Dan Winterstein. Shavit brings to the company many years of experience in helping new medical technologies penetrate the market. He was CEO of **Talia Technologies**, which develops and markets diagnostic instrumentation for ophthalmology. Prior to that he was managing director of **Membrane Products**, a biotech start-up in Rehovot, Israel. Dr. Mark Greenwood, managing director of **Spectron Lasers**, the industrial business unit located in Rugby, England, will continue in his present position.

"With this strong and experienced leadership in our business and regional units, we move forward with great confidence that our goals of product innovation, superior customer service and effective allocation of resources will continue to be realized," concluded Sutton.

7/10-
7/11 **BIOLASE Technology, Inc.** reported record sales for both the three and six-month periods ended June 30, 2001. Sales for the quarter increased to $4.3 million, an increase of $2.1 million, or 91.9%, from the $2.3 million for the same period in 2000. Sales for the second quarter were the highest ever in the company's history. BIOLASE also reported record year-to-date sales of $7.4 million for the six months ended June 30, 2001, an increase of $3.6 million, or 95.9%, from its previous record performance of $3.8 million for the comparable period in 2000. BIOLASE's full report will be released on Thursday, July 19, 2001.

Jeffrey Jones, BIOLASE CEO and president, commented, "The visibility for sustained high growth in the third quarter is very high. We remain extremely positive for the remainder of 2001 and several years to come. Our sustained rapid growth of sales demonstrates that acceptance of our revolutionary Waterlase technology continues to grow in the dental community and among the general public. The second quarter also saw strong gross margins and increased cash on hand. The company has demonstrated, on a consistent quarterly basis, increasingly strong sales and rapid progress towards profitability. Management remains confident on achieving profitability in the fourth quarter. Our dominance in the dental laser market is based on our superior Waterlase technology that performs hard tissue procedures fast and efficiently, with less need for anesthesia and has incredible soft tissue capabilities. Our strategy is to further strengthen our position in the rapidly expanding dental laser market through more and better marketing to both dentists and consumers, growing our sales and distribution network and accelerating research and development to stay ahead of the competition."

The following day, the company reported that it had received a significant new clearance from the FDA to market its Waterlase dental laser for numerous additional soft tissue procedures. These procedures include sulcular debridement and implant recovery. Sulcular debridement is the removal of diseased tissue in the treatment of periodontal disease. Periodontal (gum) disease is the number-one oral health problem, with three out of four adults needing treatment for periodontal disease at some time in their lives, according to the American Dental Association (ADA). This disease can cause loss of teeth, damage to the gums and bone if left untreated. Additionally, according to the ADA, research also suggests periodontal disease may be related to other health problems, such as heart disease, artery blockages and stroke. Dr. Joe Travato, in private practice in New Jersey, commented, "The Waterlase is indispensable for soft tissue management and the results are phenomenal. Performing sulcular debridement with this laser is much more comfortable for the patient, local anesthesia is usually not necessary and it can help patients avoid expensive and painful surgery."

Dental implants are used to anchor artificial teeth into the bone. It is estimated that over 500,000 implants are placed by dentists in the U.S. annually and the number is growing. The most common causes of tooth loss leading to implant placement, according to an ADA survey, are periodontal disease, tooth decay, accidents, violence or injuries. Dr. Robert Miller, chairman of Implant Dentistry at the Atlantic Coast Dental Research Clinic, noted, "The Waterlase is a major improvement compared to traditional implant recovery surgery. This laser makes the procedure easier for both the doctor and the patient. It has the unique ability to cut and coagulate at the same time, it produces no post-operative swelling and results in dramatically less discomfort for the patient."

Additional new indications for use contained in this FDA clearance include: excisional and incisional biopsies; exposure of unerupted teeth; fibroma removal; frenectomy; gingival troughing for crown impressions; gingivectomy and gingivoplasty; hemostasis;

incision and drainage of abscesses; operculectomy; oral papillectomies; reduction of gingival hypertrophy; soft tissue crown lengthening; treatment of canker sores, herpetic and aphthous ulcers of the oral mucosa; and vestibuloplasty.

7/12 **Axcan Pharma Inc.** announced that it had filed a supplemental new drug submission (SNDS) for PHOTOFRIN with the Therapeutic Products Directorate of Health Canada, for the treatment of high-grade dysplasia associated with Barrett's Esophagus. Moreover, Axcan is pleased to announce that a Priority Review status for this SNDS was granted by Health Canada. Priority Review status is granted to a small number of potentially important new products, thus significantly reducing the usual review period. "We are very pleased that Health Canada has granted a priority review with respect to this important new indication for PHOTOFRIN. This underlines the need to treat high-grade dysplasia associated with Barrett's Esophagus and hence reduce the progression to esophageal cancer, especially in those patients who cannot undergo esophagectomy," commented Dr. Francois Martin, senior vice president, Scientific Affairs of Axcan Pharma. "We will now focus on finalizing our US and European submissions," he concluded.

7/16 **Surgical Laser Technologies, Inc.** announced its financial results for the second quarter and first six months of 2001. In addition, the company reported that it had received 510K clearance from the FDA to market its new LaserPRO CTH holmium laser system and related holmium fiber delivery systems.

Net sales for the second quarter of 2001 were $2.7 million, an increase of $663,000 or 33%, over the second quarter of 2000 sales of $2.0 million, and an increase of $414,000, or 18% over the first quarter 2001 net sales. Net income for the second quarter was $36,000 (2 cents per share) compared to net income in the second quarter of 2000 of $42,000 (2 cents per share). The second quarter of 2000 included only one month of the results of **Surgical Innovations & Services, Inc. (SIS)**, which was acquired in June 2000. Net sales were $5 million for the first six months of 2001 compared to net sales of $3.9 million for the first six months of 2000, which included the results of SIS for the month of June 2000 only. The net loss for the first six months of 2001 was $179,000, (8 cents per share) compared to net income in the first six months of 2000 of $129,000 (6 cents per share).

Commenting on the results and the introduction of the LaserPRO CTH system, Michael Stewart, SLT's president and CEO, stated: "We were very pleased that the revenue increase in this quarter was fueled by an 18% increase in our contract services business. This was the first meaningful quarterly increase in the contract services revenue since the acquisition of SIS in June of last year. Sales of laser systems rebounded in the second quarter, as well. Included in the second quarter were the initial sales of our new holmium laser. The new holmium laser, sold under the name "LaserPro CTH", was developed internally, both for use within our contract services business, and for sale. The laser is

targeted at the urology market, and specifically for the treatment of urinary tract stones, which is a high volume procedure within our SIS business. However, the laser also has wide potential uses across other surgical specialties. Utilizing our own holmium laser in the SIS service business will significantly reduce the capital requirements of the business as we expand. Prior to the introduction of the LaserPRO CTH by SLT, the SIS holmium laser requirements had to be externally financed and purchased through other holmium suppliers at significantly higher costs."

Continuing, Stewart added: "We are also pleased that in the second quarter we completed the reorganization of our sales organization and enhanced our sales approach, which now combines the sale of contract services and SLT products under one organization. The new sales approach dedicates resources to the expansion of the SIS contract services business. We believe that there is a significant opportunity to further expand within our existing territories, located principally in the Southeastern U.S.. We have also begun the expansion of our activities into the Washington/Baltimore area and into select areas of the Mid-west. SLT has been known in the operating room for delivering high quality products for some time. Now, with the added capabilities of our SIS contract services approach, we can deliver those and other high quality products in a manner that specifically meets the hospital's needs. We believe that there is a significant opportunity in satisfying those needs. And, we believe that the comprehensive and cost-effective approach that we take can provide a significant value to the customer while positively impacting our ultimate goal of providing increased value to our stockholders."

7/16 **DUSA Pharmaceuticals, Inc.** reported that the FDA had recently completed its review of 3 Investigational New Drug (IND) applications that DUSA filed with the agency and indicated that the studies may proceed. This allowed DUSA to initiate Phase I/II clinical trials late in the second quarter, using LEVULAN Photodynamic Therapy (PDT) for the treatment of onychomycosis (nail fungus) and warts. DUSA is collaborating with its dermatology marketing and development partner, **Schering AG**, Germany, on these indications. DUSA is now also permitted to initiate a Phase I/II Barrett's esophagus study, which is scheduled to start this month.

Stuart Marcus, MD, DUSA's vice president, Scientific Affairs and CSO, stated, "Management is very pleased to be able to announce these developments in the progress of DUSA's LEVULAN PDT pipeline. Combined with the ongoing progress in the company's acne trial and the DUSA-supported independent investigator studies in prevention of restenosis after angioplasty, and the treatment of Barrett's esophagus, the start of these new trials represents a significant expansion and advancement of DUSA's LEVULAN PDT pipeline. It is also an impressive achievement by the R&D team to have 3 separate INDs prepared, filed, reviewed, and study initiations allowed to proceed, all in such a short period of time. Based on the extensive preclinical and clinical data we have available, we believe that some or all of these new trials will confirm the feasibility

of LEVULAN PDT in their respective indications, allowing DUSA (and Schering AG, Germany in dermatology) to move forward with several clinical development programs.

Dr. Geoffrey Shulman, MD, DUSA's president and CEO, stated, "DUSA is very pleased to report these significant advances in the progress of our pipeline, and looks forward to updating shareholders as trial results become available. In targeting diseases with large market opportunities and unmet medical needs, we believe that positive clinical trial results in any or all of these indications will add significant value to the company."

7/17 **The Spectranetics Corporation** announced record revenue of $7.4 million for the second quarter of 2001, up 9% from $6.8 million in the second quarter of 2000, and up 23% from the first quarter of 2001, when the company revised its business model. Operating expenses continued to be tightly controlled, resulting in net profit of $182,000 (1 cent per share) compared with net losses of $977,000 (4 cents per share) in the second quarter of 2000, and a net loss of $556,000 (2 cents per share) in the first quarter of 2001. Joseph Largey, president and CEO of Spectranetics, commented: "I want to thank the employees of Spectranetics for their concerted efforts to control costs while continuing to expand our revenue base, which led to our first quarterly operating profit in the history of the company. Their combined talents were responsible for our significant improvement in both sales and profitability compared with the first quarter of 2001, when we established a new baseline for Spectranetics with our 2001 business strategy. One key element of that strategy -- the restructuring of our European operations -- has been particularly successful, with two consecutive quarters of profitability and good sequential top-line growth. The success of our cost-control efforts worldwide, combined with strict working capital management, has also resulted in positive cash flow. We ended June with $12.4 million in cash and investments, up from $11.8 million at the end of March and $11.9 million at year-end. Importantly, we're still on target for FDA approval in 2003 for our two clinical trials to treat circulatory problems in the legs. We're committed to these trials in order to treat a large group of people whose ability to walk is impaired due to leg pain or non-healing ulcers on their feet. We estimate the market potential for Spectranetics for these applications at $400-600 million per year."

In the second quarter, revenue totaled $7.4 million, up 9% from $6.8 million from the second quarter of 2000. The revenue increase was primarily due to laser sales and rentals and coronary angioplasty catheter sales in the United States, and peripheral angioplasty catheters in Europe. Laser revenue was up 35% compared with the prior-year quarter. Revenue from disposable products was up 4% compared with the year-ago quarter, comprised of a 4% increase in coronary angioplasty products, a 4% decline in lead removal products, and a significant increase in European sales of peripheral angioplasty products from a small base. Service revenue was up 15% in the quarter. Net income was $182,000 (1 cent per share), compared with a net loss of $977,000 (4 cents per share) a year ago.

For the first half, revenue totaled $13.4 million, nearly equal to the $13.5 million in the first half of 2000. Laser revenue was down 14% due to the placement of fewer new lasers in the first half of 2001 than in the first half of 2000. Revenue from disposable products was up 3% on an 8% increase in coronary angioplasty products, a 6% decline in lead removal products, and a significant increase in European sales of peripheral angioplasty products. Service revenue was up 10% in the first half of the year. The net loss was $374,000 (2 cents per share) compared with $1.9 million (8 cents per share) a year ago.

Paul Samek, Spectranetics' CFO, added, "We continue to believe Spectranetics' growth will approach the 10% range for the year as our momentum builds. However, because of the normal seasonality of our business, we anticipate revenue in the third quarter will be down from the second quarter. We expect fourth quarter results to build on our second quarter accomplishments with continued revenue and profit growth."

7/17 **ESC Medical Systems Ltd.** announced that stockholders had approved the company's name change at its annual shareholder meeting held on Monday, July 16. Following a registration process the company will be named **Lumenis Ltd.** and trade under the ticker symbol **LUME** on the Nasdaq. Dr. Jacob Frenkel, chairman of the Board of Directors, presided at the meeting and stated, "This year we are here to celebrate the formation of a new company, the preeminent world leader in laser and light-based medical systems. Built on a solid foundation from the company's successful turnaround, our future is bright, and I look forward to seeing the company fulfilling its commitment to profitable growth, continuing innovation and industry leadership."

Yacha Sutton, president and CEO, updated shareholders on the company's **Coherent** acquisition, noting that efforts remain on track for the integration. He summarized the company's accomplishments in 2000, including a $20 million revenue increase and significant margin expansion. Sutton highlighted the company's growth strategy, describing the previously announced matrix organizational structure to leverage the distribution network and facilitate cross-selling and reiterated previous guidance that the company was on target to achieve more than $25 million in synergies as a result of the Coherent acquisition. He told attendees that the company would pursue further market penetration in key product areas, continuing aggressive product development and rollout, further develop its recurring revenue model, and make acquisitions of products, technologies and companies that fit Lumenis criteria for profitable growth. "With the approval of our new name by our shareholders at this meeting we have officially launched the new global leader in laser and light-based technology for aesthetic, surgical and ophthalmic applications," said Sutton. "The union of our two companies has brought together two cultures rich in history and innovation. I look forward to building on this foundation and our accomplishments from 2000 and continuing to drive profitable growth, while launching new products that continue to shape the landscape of the industry."

7/17 **WaveLight Laser Technologie AG** and **Rofin-Sinar Technologie Inc.** announced that they had signed a letter of intent according to which WaveLight is to take over Rofin-Sinar's medical laser division. The medical laser division is a unit of **Carl Baasel Lasertechnik GmbH**, a majority-owned subsidiary of the **Rofin-Sinar Group**. The integration of the medical laser division into the WaveLight corporate structure is to take place by the end of the year 2001.

The medical laser division at Carl Baasel Lasertechnik GmbH develops, produces and sells laser equipment for application in the medical field of aesthetic surgery. "In light of its product portfolio and extensive distribution network, Rofin-Sinar's medical laser division qualifies as an optimal building block for the further expansion of our Aesthetics Division," stated Max Reindl, the CEO of WaveLight, by way of explaining the planned takeover.

The takeover is expected to enhance WaveLight's position through synergistic effects in the areas of production, marketing and distribution. Furthermore, the move will enable WaveLight to expand its product portfolio and thus to offer more numerous laser applications in the medical area of aesthetic surgery. Following up on his earlier remarks, CEO Reindl stated that the takeover of the Baasel Medical Laser Division represented a significant milestone in the context of WaveLight's comprehensive supply strategy in the area of aesthetics, and that it would offer the company both quicker and more broad-based market access.

Carl Baasel Lasertechnik GmbH was founded in 1975 in Starnberg near Munich. Since its founding, the company has specialized both in the development and production of industrial laser systems for inscription, marking, cutting and welding and in the development and production of dermatological laser systems. The company was purchased by Rofin-Sinar Technologies Inc. in May of last year. The activities taken over by WaveLight will continue to be managed from Carl Baasel's headquarters.

7/18 **Boston Scientific Corporation** announced it had signed an exclusive distribution agreement with **ESC Medical Systems, Ltd.** to distribute its urological technologies in the United States. Terms of the agreement were not disclosed. The agreement relates to ESC's holmium lasers and accessories for the treatment of urological disorders, particularly stone disease (kidney, ureteral and bladder). The agreement gives Boston Scientific exclusive rights to sell ESC's laser fibers and accessories, and co-exclusive rights with ESC to sell ESC's high-power and other holmium laser systems. Laser fibers are the fiberoptic strands that deliver laser energy from the energy-producing console through the endoscope to the stone. Laser energy breaks up the stone, and the fragments can be removed or pass out of the body.

"This partnership will allow us to provide our customers a broader range of products to treat stone disease," said John Pedersen, president of **Boston Scientific/Microvasive**

Urology. "These products will complement our existing offerings and give us an extensive array of stone management tools. We are very enthusiastic about this partnership because it reinforces our ongoing commitment to the urology community to deliver high-quality, minimally invasive therapies." "We are very pleased to partner with a well-respected leader such as Boston Scientific," said Yacha Sutton, president and CEO of ESC. "They have an excellent reputation and are recognized as a major player in the urology community. This strategic alliance will enable us to significantly penetrate this market and provide a new standard of care for millions of Americans."

"The VersaPulse PowerSuite laser is state-of-the-art technology," said James Lingeman, MD, Director of Research at Methodist Hospital Institute for Kidney Stone Disease in Indianapolis, IN. "It is a truly multi-purpose technology for the endoscopic treatment of stones, soft tissue and the prostate. It is a versatile tool that every urology department should have if they do not already have one."

Boston Scientific and ESC have had a distribution agreement centered around the ESC low-power laser system since 1999. Today's agreement adds the Coherent Medical Group technology, which includes low-power, high-power and dual wave length lasers. This expanded offering will represent a market leadership position in holmium-based laser technology for urological applications.

7/18 **Trimedyne** announced that the U.S. District Court in Oklahoma had granted its motion for summary judgment, dismissing the complaint of Royice Everett, MD, against Trimedyne. The case stemmed from a 1994 agreement in which Trimedyne and **C.R. Bard Inc.** received a non-exclusive license from Everett for Trimedyne's Urolase products. In 1999, Trimedyne received $6.5 million in a settlement with C.R. Bard for Bard's breach of contract in distributing Trimedyne's products, fraud and other wrongs. Everett's suit attempted to claim a portion of the settlement plus damages. In a lengthy ruling, the court found that Everett's several claims failed for lack of legal sufficiency or were time barred due to the statute of limitations. Commenting on the court's ruling, chairman Marvin Loeb stated: "We are extremely pleased with the court's ruling in the Everett matter. Defending this action would have cost us additional legal fees and considerable management time and this decision enables us to focus our efforts on growing our business."

7/19 **BIOLASE Technology, Inc.** announced further record-breaking results for its second quarter and six-month operations, including continued increases in sales (92% and 96%, respectively), gross margins (60% and 58%, respectively) and a significant reduction in the net loss over the comparable periods in 2000. The bottom line improved dramatically, reflecting reductions of 83% and 52%, respectively, in the net loss for the three and six-month periods, placing BIOLASE ahead of schedule on its track to profitability. Sales for the three and six month periods ended June 30, 2001 were $4.3 million and $7.4 million, respectively, with increases of $2.1 million and $3.6 million respectively, over

the same periods of 2000. The net loss narrowed considerably for the second quarter to $147,462 (1 cent per share) compared to a net loss of $887,776 (4 cents per share) for the second quarter of 2000.

For the first half of 2001, the net loss narrowed to $919,867 (5 cents per share) from $1.9 million (10 cents per share) for the first half of 2000. The operating loss for the three-month period, excluding net interest expenses, depreciation, amortization and non-cash compensation, was $72,851, bringing operations very close to a break even mode for the first time in the history of the company.

Jeffrey Jones, BIOLASE CEO and president, commented, "The significant growth of revenue and increase in gross profit in the second quarter have put us ahead of forecasts. BIOLASE is very well positioned for continued dynamic growth. We have become the recognized world leader in dental laser technology and will continue our R&D, marketing and sales activities to strengthen that position. Our visibility in the third and fourth quarters is good and we are confident on achieving profitability in the fourth quarter." Keith Bateman, vice president of Global Sales, recapped several important milestones achieved in the second quarter. "In an effort to further educate the public about the revolutionary clinical benefits of the Waterlase technology, we obtained extensive coverage on TV and in print media. Regional affiliates of major networks aired programs across the country and around the world. Numerous print articles were published including the most recent issue of *Woman's World* magazine. We continued building our international sales and support infrastructure. We obtained approvals to sell the Waterlase in the People's Republic of China and completed sales and technical support training for distributors in Canada, several European and Pacific Rim countries. Later this year we will hold the first ever European Waterlase User's meeting in Mallorca, Spain. We expect international sales to continue to grow in the third and fourth quarters. The number of lectures, presentations and articles at domestic and international dental congresses and in dental publications is increasing. The Waterlase dominated the *Congress of the European Society for Oral Laser Applications (ESOLA)* and the *Congress for the German Society or Laser Dentistry (DGL)* in May. Waterlase articles were cover stories in numerous leading dental publications including *Dentistry Today*, *Dental Products Report*, *Dental Economics*, *Dental Town*, *The Richard's Report* and others. Important new patents were awarded to us, further strengthening our revolutionary laser/water technology. Waterlase technology allows dentists to dramatically reduce their use of needles, anesthesia and the high speed drill in their practices, something that they have dreamed of for decades."

7/19 **Laserscope** reported net income of $182,000 (1 cent per share) for the quarter ended June 30, 2001. The results for the same quarter in 2000 were a net income of $303,000, (2 cents per share). Year to date, Laserscope reported a loss of $308,000 (2 cents per share) compared to year to date break even results in 2000. Revenues for the quarter were $9.3 million compared to $9.3 million in the second quarter a year ago and $8.2 million in the

quarter. Year to date 2001, revenues were $17.5 million compared to $17.9 million in the first half of 2000. "We are encouraged about our financial results for the second quarter," said Eric Reuter, Laserscope president and CEO. "Although net income is lower than the same quarter in 2000, the increase in revenue and profitability relative to the fourth quarter of 2000 and first quarter of 2001, shows the positive momentum resulting from our distribution relationship with **McKesson/HBOC** for our aesthetic product line in the U.S. During the quarter, we invested heavily in workshops and marketing material to support the partnership and towards the end of the quarter, we experienced a significant ramping up in shipments to McKesson/HBOC customers. We believe that this momentum can be maintained for the foreseeable future. During the second quarter of 2001, we also made progress towards the introduction of our Niagara system for the treatment of Benign Prostatic Hyperplasia (BPH). We received clearance by the FDA to market the product in May and three year follow-up results of our clinical studies were presented by Dr. Reza Malek of the Mayo Clinic in a podium presentation at the *American Urology Association (AUA)* meeting in June. We are very excited about the initial customer interest in our treatment solution and look forward to commercialization of the Niagara during the current quarter."

7/23 **QLT Inc.** and **Novartis Ophthalmics** announced the expansion of their alliance to co-develop photodynamic therapy with verteporfin to treat skin cancer and other dermatological conditions. As part of the expanded co-development agreement, Novartis Ophthalmics will fund future development costs of verteporfin in non-melanoma skin cancer to a maximum of CDN$15 million. Profits and development costs incurred beyond CDN$15 million will be shared equally between the companies. QLT will receive potential milestone payments totaling CDN$2.5 million for the first regulatory filing and approval. The Phase III program is expected to begin in early 2002.

The expanded agreement is based on promising initial clinical results. In a Phase II clinical study in 54 patients, verteporfin achieved high response rates with an excellent cosmetic outcome in patients with non-melanoma skin cancer. These results were announced last October. Non-melanoma skin cancer is the most prevalent form of cancer. The majority of these cases can be successfully treated with standard local therapies. However, there is a high unmet medical need for patients with multiple tumors that cannot be adequately treated with these therapies -- such as those with basal-cell nevoid syndrome or patients whose tumors recur following local treatment. "In these types of conditions where current treatments are limited, verteporfin offers clear advantages with a high tumor response rate, an excellent cosmetic outcome, and the ability to treat multiple tumors simultaneously," said Dr. Julia Levy, president and CEO of QLT. "We are delighted to learn that verteporfin has such a positive impact on the patients affected with these forms of non-melanoma skin cancer," said Luzi von Bidder, worldwide head of Novartis Ophthalmics. "While our primary focus remains on providing treatment for ocular conditions, it is gratifying that verteporfin may offer a new, non-invasive treatment option to these patients."

Once approved, QLT will manufacture the product and Novartis Ophthalmics will be responsible for the marketing and distribution through a separate specialty sales team.

7/24 **Spectranetics** announced that it had received FDA approval to market its smallest POINT 9 catheters with higher laser parameters (i.e., more laser energy). Bench studies and clinical experience in Canada demonstrated to the FDA that some difficult-to-treat lesions -- some that could not previously be treated in a minimally invasive fashion -- can be safely and effectively treated with higher laser parameters delivered through the company's smallest and most maneuverable catheters. Joseph Largey, president and CEO, commented, "We were delighted to receive FDA approval for the modified Point 9 catheters so quickly. Before they can be used, various upgrades must be performed on different generations of CVX-300 lasers in the field. We initially plan to test market the laser upgrades and higher-performance catheters in a small number of accounts."

7/24 **IRIDEX Corporation** announced that it had commenced revenue shipments of its Apex 800 diode laser system for hair removal. The Apex 800 is a fiber-optically delivered high powered diode laser system that offers appropriate parameters for clinical efficacy, safety and maximum speed. The Apex 800 has FDA marketing clearance for hair removal on all skin types. "Patient demand for hair removal continues to grow," commented Bradley Renton, vice president of Aesthetics for IRIDEX. "More and more practices are considering hair removal treatments as a way to expand practice revenues. Laser hair removal is expanding beyond dermatologists, plastic surgeons and other traditionally cosmetic practices to include gynecologists and some family and general practices. We believe the market for laser hair removal equipment is strong, estimated at $200 million annually and the Apex 800 is positioned to deliver the power, efficacy and speed that these busy practices are demanding." Scott Gerrish, MD, Chief Medical Officer of **ELAN Cosmetic Centers**, McLean VA, an evaluation site for the Apex 800, commented, "We love the Apex 800. Our patients definitely appreciate the ColdTip handpiece. They tell us that it is much more comfortable than their previous treatment with the other lasers in our facility. Our biggest problem is that now that we have the Apex 800, no one wants to use the other hair removal lasers we have."

Theodore Boutacoff, president and CEO of IRIDEX commented, "The Apex 800 laser system enhances our line of advanced technology lasers for the aesthetic marketplace. The Apex 800 leverages an already outstanding technological platform established through our 12 years of developing diode laser systems and establishes IRIDEX as a leader in advanced technology diode laser-based systems for the aesthetic marketplace."

7/25 **BriteSmile Inc.** was recently named to *Dentistry Today's* 15th Annual list of Top 100 New Products. The products were selected by the editors of the publication and based on interest generated by Dentistry Today's readers over the course of the past twelve months. "We are honored by this distinction from Dentistry Today's readers," said Mike Whan, president of Worldwide Marketing for BriteSmile. "This response mirrors what we

experience everyday. Independent studies have proven that BriteSmile is a safe, fast and effective way to whiten teeth. The recognition BriteSmile has received from several highly-regarded dental trade publications and journals is reflected in the over-whelming response we have received from the dental community -- including the hundreds of calls we receive every week from interested dentists."

In addition to 14 free-standing, BriteSmile Centers, the company has partnered with more than 3,200 Associated Centers to offer BriteSmile's revolutionary professional teeth whitening procedure. To date, the company has performed over 150,000 whitening procedures, up from 10,400 in 1999.

7/25 **PLC Systems Inc.** announced financial results for the quarter and six months ended June 30, 2001. Second quarter revenues were $2.6 million compared with $2.3 million in the first quarter of 2001 and second quarter of 2000 revenues of $3.6 million. The net loss for the second quarter was $1.1 million (4 cents per share), was slightly below the first quarter net loss of $1.2 million (4 cents per share) and greater than the second quarter of 2000 net loss of $882,000 (4 cents per share). Total revenues for the six months period were $4.9 million compared to total revenues of $5.3 million for the six months of the prior year. Net loss for the six months was $2.3 million (8 cents per share) compared to a net loss of $3.1 million (14 cents per share) in the six months ended June 30, 2000.

"We are very pleased with the sales activity during the second quarter. In fact, our domestic shipments of both lasers and disposable kits are record levels for PLC, " stated Mark Tauscher, president and CEO of PLC Systems. "We believe these positive trends are a direct result of PLC's strategic partnership with Edwards (**Edwards Lifesciences**) and the introduction of our next-generation CO_2 Heart Laser 2." During the second quarter, PLC's shipments included 12 lasers (11 next-generation CO_2 Heart Lasers and 1 first-generation CO_2 Heart Laser) and 377 disposable kits to United States customer accounts. The 12 domestic lasers was a 140% increase over first quarter shipments of 5 lasers and a 33% increase over second quarter of 2000 domestic shipments of 9 lasers. The 377 domestic disposable kits was a 133% increase over first quarter kit shipments of 162 kits and a 19% increase over second quarter of 2000 domestic shipments of 316 kits. PLC ended the second quarter of 2001 with 166 heart centers worldwide utilizing PLC's CO_2 TMR heart lasers, which includes 91 lasers in the U.S. and 75 lasers in international sites.

"Our goal from the outset of the Edwards partnership was to expand our laser base and increase utilization of our CO_2 technology," stated James Thomasch, senior vice president, CFO and treasurer of PLC Systems. "We expect that the expanded PLC and Edwards sales force will translate into increased volumes and increased revenues over time." Tauscher continued, "The TMR market is a procedure based business model. Ultimately, PLC's long-term growth will be driven by the adoption of the TMR therapy. To grow procedures, we are focused on increasing the company's market share and on

improving the utilization of our laser base. Our second quarter results demonstrate that PLC is on the right track. Our partnership with Edwards continues to evolve and grow. During the first quarter of this year, our efforts were focused on educating and training members of the newly created PLC and Edwards team. The second quarter is the first full quarter for the partnership and we are extremely pleased to report that the team is delivering positive results. In light of our success in the early stages of our partnership, we look forward to a successful and bright future in the TMR market."

7/26 **Palomar Medical Technologies, Inc.** announced financial results for the second quarter ended June 30, 2001. For the quarter, revenues increased 133% to $6.1 million, compared with revenues of $2.6 million for the second quarter ended June 30, 2000. The increase in revenues was due to a combination of ramp up in product sales and back-owed royalties. Net loss for the quarter was reduced by 85% to $573,000 (6 cents per share) as compared with a net loss of $3.8 million (38 cents per share), excluding a non-recurring gain of $3.1 million, for the second quarter ended June 30, 2000. Gross profit increased dramatically to $2.4 million, or 40% of revenues, for the quarter, as compared to $32,000, or 1% of revenues for the second quarter of 2000. Gross profit as a percentage of revenues has been steadily increasing quarter to quarter over the past year as sales volume continues to increase.

For the six months period, revenues increased 77% to $9.7 million, compared with revenues of $5.4 million for the same six months last year. The net loss for the six months was reduced by 66% to $2.5 million (25 cents per share) as compared with a net loss of $7.4 million (74 cents per share), excluding a non-recurring gain of $3.1 million, for the six months ended June 30, 2000. Gross profit increased dramatically to $3.3 million, or 35% of revenues, for the six months, as compared to $335,000, or 6% of revenues for the six months ended June 30, 2000.

Louis (Dan) Valente, chairman and CEO, commented, "The future of Palomar is brighter now than at any time in the history of the company. At the end of the second quarter we started shipments of the newly introduced Palomar Q-YAG 5 laser system for tattoo and pigmented lesion removal. We have also received a number of orders and plan to start shipments of the Palomar EsteLux pulsed-light system for hair removal in the next few weeks. We could not be happier with the progress we have made during this year. Our second quarter loss has been substantially reduced from the first quarter, and we plan to continue this positive trend. We have also continued our substantial commitment to the future and are investing heavily in research and product development. The sales of the Palomar SLP1000 have continued to ramp up and we expect the recently introduced Q-YAG 5 and EsteLux to continue to increase our revenues and gross profit over the next few quarters."

7/26 **CardioGenesis Corporation** announced results for its second quarter and six months ended June 30, 2001. With strong sequential quarter increases driven primarily by

accelerating placements of TMR lasers and disposable sales, worldwide revenues for the second quarter were $4.0 million, with a net loss of $3.0 million (9 cents per share). Worldwide revenues for the first six months were $7.1 million, with a net loss of $5.4 million (17 cents per share). Excluding non-recurring organizational restructuring charges and the final recording of equity in net losses from **Microheart**, a privately held company that is 31.1% owned by CardioGenesis, the company's net losses for the second quarter and first six months of this year were $2.0 million (6 cents per share) and $4.1 million (13 cents per share), respectively.

While revenues were down for this year's second quarter and first six months, when compared to the same periods in the prior year, the company's bottom line improved as the net loss in both periods, including the non-recurring organizational restructuring charges and losses from its unconsolidated subsidiary, declined by 9% and 30%, respectively. Revenues in the second quarter of last year were $6.6 million, with a net loss of $3.3 million (11 cents per share), while revenues for last year's first six months were $12.3 million, with a net loss of $7.7 million (26 cents per share). The year-to-year decline in total revenue was largely due to a higher level of outright laser sales in the first half of last year and the implementation of the much needed and far reaching reorganization and re-staffing of the company's marketing and sales organization over the last eight months.

According to CardioGenesis chairman, president and CEO Michael Quinn, June sales performance worldwide was the strongest in the past twelve months as the company finished the second quarter of this year with revenues up sequentially by 30% from this year's first quarter. The company shipped 14 lasers and converted one placed laser to a sale in the second quarter of this year, almost double the eight shipped in this year's first quarter. Worldwide disposable sales in the second quarter of this year increasing to 1,137 units, up approximately 37% from disposable sales of 827 in the first quarter of this year, and approximately the same as disposable sales in the second quarter of last year.

Quinn commented, "Today, we are a new company, totally different from the company that existed a year ago. We have a new name, a new and less costly corporate office, and we have created a new platform that enables us to supply a broad range of products to establish laser-based angiogenesis as the standard of care for the treatment of cardiovascular disease. These products will include gene, protein and other advanced therapies that can be delivered to the heart through the hand pieces of our proprietary laser systems. We are also a leaner and far more effective organization than we were last year at this time. Even though total headcount has been cut in half, we have put in place a new sales and marketing organization of 40 professionals with extensive experience in selling medical devices to the cardiovascular market. We have built a company that has three primary goals: to relieve the pain and suffering of millions of angina sufferers worldwide; to build an expanding customer base of hospitals and surgeons who increasingly use our procedures; and to become profitable for our shareholders. I am

pleased to report that we completed the steps needed to create our new domestic sales and marketing organization in May and we are beginning to feel the positive impact on sales of our new business plan and our new team of sales professionals."

7/26 **BIOLASE Technology, Inc.** announced that it was granted a significant new patent to use its HydroKinetic technology for liposuction and other cosmetic soft tissue procedures. Since HydroKinetic technology uses a laser combined with atomized water spray, BIOLASE expects the system in this patent to have significant benefits over conventional liposuction, such as reduced bleeding, less bruising, less trauma and less post-operative discomfort. When compared with other possible laser methods, HydroKinetics is expected to provide more effective cutting and removal of tissue without thermal damage, char or potentially harmful smoke.

According to the *American Society for Aesthetic Plastic Surgery*, lipoplasty (liposuction) was the most popular and fastest-growing surgical cosmetic procedure, increasing 31% from 1999 to 2000 for a total of 376,633 procedures in the United States. Cosmetic eyelid surgery ranked second among surgical procedures, up 16% to 212,133 procedures. Breast augmentation was third, rising 6% to 203,310 procedures.

Ioana Rizoiu, the named inventor and vice president of clinical research at BIOLASE, commented, "This is both a device and method patent. It is very broad in regards to electromagnetic energy including the entire spectrum of laser wavelengths and any and all sources of radiation, including all RF and electrical sources. This patent was filed as part of our overall, long-term patent strategy and is only one of many others pending approval." Jeffrey Jones, BIOLASE CEO and president, explained, "This innovative patent expands the intellectual property of our HydroKinetic technology and is an important addition to our overall patent portfolio. This is another important step to expand the intellectual property for the numerous fields and applications of our core technology. At this time, BIOLASE intends to keep its current focus on dentistry. We will explore the feasibility of alliances and licensing for certain applications and expanded development."

7/27 As reported by **BriteSmile**, researchers at Boston's prestigious Forsyth Institute found that the BriteSmile Professional Teeth Whitening System provided superior whitening results, on average, when compared to other whitening options in a new clinical study on whitening procedures in cosmetic dentistry. In a separate study, they also found that the BriteSmile results tended to show minimal tooth shade regression over time. A recent clinical trial found that BriteSmile emerged as the leader over other popular whitening techniques, producing an average improvement of eight shades -- confirming the results of previous clinical trials. The clinical study, conducted by Drs. Max Goodson and Mary Tavares on 100 subjects, also compared BriteSmile to three other popular tooth whitening methods -- a `curing light' type whitening procedure, one of the leading branded take-home whitening products widely prescribed by dentists, and a popular whitening

toothpaste. All three methods were administered according to the manufacturer's directions for the full length of the prescribed treatment. According to the study results, BriteSmile's one-hour procedure produced superior whitening results over all other tested methods. The data indicates that the average BriteSmile patient received eight shades of whitening in one hour, 50% more effective when compared to the `curing light' procedure, which produced approximately five shades in the same amount of time. Used as directed for about 64 hours, the take home whitening product produced only six shades of improvement, and the whitening toothpaste, when used for 30 days, produced only a 1.5 shade improvement. According to the report issued by the Forsyth researchers, the difference between BriteSmile and all other treatments is highly significant (on a statistical basis).

Not only did BriteSmile produce superior whitening results, but according to the three and six month follow-up tooth shade data generated as part of a previous study also conducted by researchers Goodson and Tavares, the whitening process created results that last. The data showeded that the average tooth shade regression or `rebound' for the BriteSmile procedure in the first six months following the procedure was only about one shade out of an average improvement of eight shades -- indicating that with good oral habits, patients should see the majority of their results last well over two years.

7/30 **Trimedyne Inc.** announced it had entered into a Letter of Intent with **Surgical Alliance Inc.** of Birmingham, Ala. Surgical Alliance provides lasers and other equipment and disposables, along with a trained operator, to hospitals, surgery centers, group practices and physicians' offices on a "fee per case" rental basis in Alabama, Georgia and Tennessee. Under the Letter of Intent, Trimedyne will evaluate the feasibility of acquiring all or a portion of the business or assets of Surgical Alliance. The Letter of Intent does not bind the parties to any specific arrangement, but it prohibits Surgical Alliance from selling any substantial portion of its assets until after Dec. 31, 2001. Commenting on the Letter of Intent, Marvin Loeb, chairman of Trimedyne said, "Surgical Alliance's `fee per case' rental service in Alabama, Georgia and Tennessee would allow us to expand the `fee per case' rental business of our wholly owned subsidiary, **Trimedyne Mobile Services**, which is based in Dallas and serves hospitals, surgery centers, group practices and physicians' offices in Texas, Oklahoma and Louisiana. We hope to negotiate terms of an agreement with Surgical Alliance that will not detract from our objective to reach break-even from operations on a cash flow basis in the calendar quarter ended Dec. 31, 2001."

7/30 Two laser-related items were reported from the *American Academy of Dermatology's* summer scientific meeting in Anaheim, CA. The first noted that lasers were an important treatment option for many skin, hair and nail conditions. Until recently, individuals with darker skin have been unable to benefit from this treatment because early lasers often resulted in loss of pigmentation and scarring. However, a new generation of lasers and techniques are allowing dermatologists to use lasers on ethnic-skinned patients with

improved results. Dermatologist Min-Wei Christine Lee, MD, Clinical Instructor, Department of Dermatology, University of California, San Francisco, discussed the use of lasers for both medical and cosmetic procedures on dark-skinned patients. "Until recently, the lasers available often caused scarring, discoloration or loss of pigment in ethnic patients," said Dr. Lee. "With more than 35% of the United States population comprised of non-Caucasians, it's been important for dermatologists to develop lasers with longer wavelengths and adequate cooling which did not interfere or compete with the additional melanin, or pigment, in the skin."

There are many skin conditions that are prevalent among ethnic populations which have benefited from the use of lasers. Pseudofolliculitis barbae is a common condition of the beard area occurring in Black men and other individuals with curly hair. This condition occurs when highly curved hairs grow back into the skin causing inflammation and in-grown hairs. Over time, this can cause acne keloidalis scarring which are hard bumps on the beard area and neck. The long-pulsed Nd:YAG laser, which was the first laser to be approved by the FDA to treat pseudofolliculitis barbae, has been successfully used for laser hair removal to prevent ingrown hairs. Lasers are also being used to treat two disfiguring diseases that occur in many ethnicities, but are prevalent among Blacks: hidradenitis suppurativa and dissecting cellulitis. Both are diseases of the hair follicle that result in pustular lesions, abscesses prone to infection, and severe scarring and loss of hair. While treatment has typically included topical and oral antibiotics, intralesional steroids, and surgical removal of scars, the availability of laser hair removal can now prevent or slow down the progression of the disease by destroying the hair follicle.

"The advent of laser hair removal to treat these conditions has greatly impacted the quality of life for individuals affected by these diseases," said Dr. Lee.

The second report dealt with the use of lasers to treat acne. Acne is a common medical condition that affects up to 80% of people between 11 and 30 years of age. Even after the unsightly whiteheads, blackheads and pustules have been successfully treated, many people are left with disfiguring acne scars that serve as a cruel reminder of this difficult condition. Oftentimes, the scars can be just as devastating as the acne they replaced. Dermatologist Mitchel Goldman, MD, Associate Clinical Professor, Department of Medicine, Division of Dermatology, University of California at San Diego, discussed results of his study on patients treated with a new laser surgery option for acne scarring, as well as other common treatments. A new device known as the 1320 nm Nd:YAG laser with dynamic epidermal cooling shows promising results in treating acne scarring. The only infrared laser systems cleared by the FDA for treating wrinkles, this non-invasive laser technology works by stimulating collagen formation in the dermis -- or deepest layer of the skin -- which raises the acne scar.

In a study conducted by Drs. Goldman, Elizabeth Roston and Richard Fitzpatrick, 14 patients with depressed acne scars were treated with a 1320 nm Nd:YAG laser over four

separate treatments spaced three weeks apart. By the end of the last treatment, seven patients experienced a 50% improvement in the appearance of their acne scars. Improvement was defined as how much the depressed acne scars were elevated following treatment. All patients showed an average 40% improvement in the appearance of their acne scars. "The 1320 nm Nd:YAG laser is an excellent new method for treating acne scars because it works for all skin types -- from very dark to very light -- and with no downtime," explained Dr. Goldman. "Until now, many of the other acne scar treatments produced a wound that may have required weeks to heal. Since this new laser therapy is non-invasive, the patient does not require anesthesia and the procedure is not a painful one."

Other lasers, such as the pulse dye laser and intense pulse light, also work in elevating depressed acne scars by penetrating the dermis and producing new dermal collagen to elevate the depression. The pulse dye laser produces a bruise that can last one to two weeks. In addition, the Erbium:YAG laser allows for very precise sculpting of acne scars. With this laser, recovery times are faster -- usually three to five days -- with a shorter period of post-surgery redness than with the CO_2 laser for acne scar correction. Dermabrasion is another effective method to treat acne scars that involves the mechanical sanding of the upper layers of the scar. With this procedure, a new layer of skin replaces the abraded skin during healing, resulting in a smoother appearance. Although dermabrasion is an invasive procedure that requires anesthesia, most patients heal within one to two weeks. For severely depressed scars, more invasive techniques are required. Subcision is a procedure that uses a surgical probe to lift up the skin that pulls away from the depressed scar tissue below. After the scar is released, the patient's own fat or another substance like collagen can be used to elevate the scar.

"Today, patients have more options than ever to treat acne scars," said Dr. Goldman. "Dermatologists can help patients choose the best treatment options for their particular kind of acne scars. Acne scarring no longer has to be a constant reminder of the physical and emotional pain that accompanies acne."

MEDICAL/SURGICAL LASER UPDATE -- August 2001

7/30 **BriteSmile** announced record results for the second quarter ended June 30, 2001. Net revenue for the quarter increased by 185% to $12.3 million compared to revenue of $4.3 million in the three-month period ended July 1, 2000. For the quarter, the total number of BriteSmile whitening procedures performed increased by 157% to 39,095 procedures compared to 15,219 procedures in the year ago period. Net revenue for the first six months of 2001 increased by 187% to $22.0 million compared to revenue of $7.7 million in the year ago period. For the first six months of 2001, the total number of BriteSmile whitening procedures performed increased by 169% to 69,709 procedures compared to 25,951 procedures in the year ago period.

The continued increase in revenue and procedures was due to the expansion of the number of BriteSmile Associated Centers and the company's targeted sales and marketing programs. Net loss for the quarter decreased to $4.4 million (13 cents per share) representing a 62% improvement in EPS compared to the second quarter 2000 and a 24% sequential improvement over the first quarter 2001. At the end of the second quarter, the total number of signed Associated Centers increased 330% to 3,081 compared to 715 signed at the end of the second quarter 2000, and increased 32% sequentially compared to 2,332 at the end of the first quarter 2001. BriteSmile remains on track to sign an additional 200 plus Associated Centers per month through the end of calendar 2001, projecting an increase in its total number of signed Associated Centers to over 4,000 by year-end 2001.

7/31 **Radiancy, Inc.** announced that for the 85% of teenagers with acne, as well as the many adults who struggle with recurring outbreaks of acne lesions, treatment can be as tedious and disappointing as the disease, a new photothermal technology currently being studied offers hope for a fast, safe and effective approach to coping with acne and avoiding the scarring associated with severe forms of the prevalent skin disease. Speaking at an educational session on lasers at the *American Academy of Dermatology* meeting in Anaheim, California, Paul Yamauchi, MD, discussed the enhanced green light wavelength behind the platform technology used in the ClearTouch. Designed as a light unit assembly upgrade kit for the SpaTouch PhotoEpilation System, ClearTouch allows physicians to successfully treat acne on all parts of the body, including the sensitive face area, without significant side effects or patient downtime.

Reporting on clinical study data of his international colleagues, Dr. Yamauchi noted that nearly 100 patients worldwide have been treated with the ClearTouch upgrade kit since it was first introduced outside the United States six months ago. "Patients achieved acne clearance after only eight treatments administered over four weeks," stated Dr. Yamauchi, a dermatologist with Clinical Research Specialists in Santa Monica, California. "Patients observed dramatic, visible improvement after only one week of photothermal acne therapy, encouraging even the typically non-compliant teenagers to continue their treatment." Traditional acne remedies such as topical medications, prescription creams and oral antibiotics carry potential side effects and often require several weeks before patients begin to see signs of improvement.

ClearTouch works by aiming green light and heat over the affected skin, which penetrates the tissue and targets the acne, shrinking the sebaceous glands and destroying acne-causing bacteria. While long-term follow-up is not yet available, patients have enjoyed acne-free, clear skin three to four months after their last treatment session. Nearly 1,000 SpaTouch PhotoEpilation Systems are currently in use worldwide. The ClearTouch acne clearance kit is not yet available for sale in the U.S. and is marketed outside the U.S. by **Radiancy Ltd.**

8/2 In announcing that **ESC Medical's** second quarter results would be released on August 15th, Yacha Sutton president and CEO commented on the company's outlook for the third quarter: "The pace of sales activities to date put us in line or slightly ahead of consensus expectations for the quarter." He also noted, "Our integration of the **Coherent Medical Group** continues to run ahead of schedule. To date, we have identified and taken action on related cost savings of $30 million, which is in excess of our forecasted figure of $25 million. We expect the vast majority of those savings to be in place as we go in to 2002."

8/2 **CardioFocus, Inc.**, a world leader in the use of photonic energy for the treatment of cardiovascular diseases, announced that it had entered into an exclusive, multi-year agreement with **Edwards Lifesciences Corporation**, for the development and distribution of CardioFocus' products for use in cardiac surgery to treat cardiac arrhythmias. Cardiac arrhythmias are heart rhythm disorders found in many patients suffering from advanced cardiovascular disease and often result in serious complications, including stroke. The most common cardiac arrhythmia, atrial fibrillation, is thought to affect some 2.5 million people in the United States alone and is very common in patients undergoing valve replacement or repair or other cardiac surgery.

"Edwards Lifesciences is the world leader in heart valves and an ideal partner for the distribution of our products for cardiac surgery," said Jeffrey Arnold, chairman, president and CEO. "We were pleased to find that Edwards had done extensive analysis of the technology in this area and was quick to recognize the advantages of photonic energy over other energy sources which may be used for surgical ablation." CardioFocus' photonic ablation technology involves the use of proprietary fiber optic catheters and a diode laser to give clinicians an easy-to-use, flexible tool to make photothermal lesions at pre-determined locations within the heart during open heart surgery. Under this agreement Edwards will fund the development of certain CardioFocus products and will obtain exclusive rights to distribute certain CardioFocus products in cardiac surgery. In conjunction with this agreement, Edwards will make an equity investment of $4 million in CardioFocus subject to the completion of certain milestones.

8/2 **Tat2 Be Gone, Medical Group Inc.**, the first laser tattoo removal center in Orange County, CA, opened its doors on May 1, 2001. Using the latest state-of-the-art laser technology, the leading method for the safe and effective removal of tattoos and other skin pigmentations, Tat2 Be Gone, Medical Group is dedicated to providing individuals with a cost-effective means for removing their unwanted tattoos.

The popularity of tattoos is on the rise, particularly among younger adults between the ages of 18 and 30. In fact, independent studies in California have estimated that the number of tattoos administered has risen to well over 5,000 tattoos per day. Unfortunately, a growing number of those who receive tattoos are likely to regret their decision to get a permanent design on their body. Additional studies show that about half of all Americans that have tattoos wish that they could remove them.

Tat2 Be Gone, Medical Group offers a safe, effective laser tattoo removal option to the thousands of Southern California residents looking for a solution to removing their unwanted tattoos. Technicians at Tat2 Be Gone, Medical Group utilize the VersaPulse Q-Switched laser -- considered the "Gold Standard" in treating tattoos. In order to remove a tattoo without a scar, a Q-Switched laser must be used. "Physicians in general agree that the VersaPulse Q-Switched laser is extremely effective for removing a wide range of colored tattoos," said Doug Mest, MD, the physician overseeing the laser services at Tat2 Be Gone, Medical Group. "However, because of the cost of the laser machine and the time needed to attract clientele, few medical offices in California offer the procedure at all."

8/3 **Stonegate Securities, Inc.** announced it had initiated coverage of **BriteSmile, Inc.** with a `Buy' rating. According to a Stonegate Securities research report dated August 3, 2001, "If the company can continue its growth trends over the last 8 quarters, we believe it could become a brand and market share leader in the teeth whitening industry within several years. Therefore, we are initiating coverage on shares of BriteSmile, Inc. with a `Buy' rating."

8/6 **Photogen Technologies** announced results of operations for the second quarter 2001. The company's second quarter loss, after provision of preferred stock dividends, was $2.8 million (8 cents per share) compared to a loss of $3.4 million (9 cents per share) in the second quarter of 2000. For the six-month period, the company reported a loss of $6.6 million (18 cents per share) compared to a loss of $6.1 million (16 cents per share) in the comparable prior year period. The company's cash and securities at quarter-end totaled $3.2 million.

"During the second quarter we commenced a Phase 1 clinical trial of PH-10 as a treatment for psoriasis," said Taffy Williams, president and CEO. "This study is designed as a classic safety study and patient accrual is proceeding rapidly. We initiated this study following receipt of very encouraging results from a human pilot study conducted in Denmark. In the Danish study, psoriatic plaques on patients with clinically severe psoriasis were reduced by up to 58% at thirty days following a single treatment of PH-10 and green light. Psoriasis is a chronic disease afflicting approximately seven million people in the U.S. alone. We intend to pursue our psoriasis program aggressively, as well as initiating clinical studies of PH-10 for other dermatological indications. While we are emphasizing the clinical development of our products, we are sensitive to the use of our capital resources. With $3.2 million in cash and securities on hand, the availability of our line of credit from **Elan** to develop our diagnostic imaging agent, N1177, and our effective registration statement for additional common stock issuances, we believe we have the resources to attract the necessary capital to pursue our programs."

8/6 **The Plastic Surgery Company**, which owns and/or manages the largest national network of cosmetic surgery and cosmetic laser centers, announced that it had made another

acquisition and is increasing its presence in the rapidly growing South Florida market. Located in West Palm Beach, PSC's new cosmetic surgery center capitalizes on the company's `hub and spoke' development strategy. The `hub and spoke' approach allows the company to leverage large scale marketing campaigns and in this market to capitalize on their established Ft. Lauderdale Cosmetic Surgery Center's management talent, training programs and group buying expertise, thereby enabling the company to take advantage of operational and advertising efficiencies through clustering within television advertising markets.

The company is currently researching other sites in and around the South Florida market and mapping out strategies around the additional 23 centers that the company owns and/or operates. In addition to a hub and spoke presence in key markets the company believes in strengthening the brand through quality surgery provided by board-certified plastic surgeons in an environment focused on total customer service and a retail philosophy dedicated to consumer convenience.

In an ambulatory surgery center market that includes **AmSurg**, **United Surgical Partners International** and **Novamed**, the Plastic Surgery Company is focusing solely on cosmetic surgery procedures.

8/8 **Photogen Technologies** announced the final results of its initial clinical investigator trial examining the use of the company's unique highly selective photoactive agent, PH-10, together with laser light as a treatment for plaque psoriasis. Patients in the study experienced significant reduction of plaque thickness with only a single administration of PH-10. This is the first clinical experience known to the company of using a photo-bleaching, same-session photodynamic agent being studied for the treatment of psoriasis. After 90 days post treatment, different concentrations of PH-10 followed by green laser light yielded a reduction in plaque thickness compared to baseline (day of treatment) ranging from -25.9% to -16.9% over all dosing groups.

"PH-10 and laser light in plaque psoriasis seems to be a promising therapeutic principle with applications in patients suffering from recurrent or stable plaque psoriasis in aesthetically important locations," commented Professor Peter Bjerring, Department of Dermatology, University Hospital of Aarhus, Denmark, who conducted the study. "These results are very encouraging, particularly following a single treatment of PH-10 and green laser light," said Reinhard Koenig, MD, senior vice president of Medical and Regulatory Affairs of Photogen. "We believe the properties of PH-10 will enable Photogen to develop a unique and innovative approach to the treatment of plaque psoriasis with properties significantly different from other known therapeutic principles. We are now in the process of building on this study to establish the clinical benefit of PH-10 in this indication in a U.S. based clinical program. Currently underway is a Phase 1 trial to establish the safety profile of PH-10."

Treatment effects of PH-10 in conjunction with green laser light as measured by plaque thickness post treatment compared to pre-treatment values were all statistically significant, whereas the use of PH-10 or laser light alone did not result in a statistically significant treatment effect, confirming the treatment effect observed in the 30 day interim analysis. Of particular interest upon final data evaluation was the significant decrease of skin thickness from baseline at endpoint observed for PH-10 0.001% plus laser light treatment, corrected for normal skin thickness and spontaneous remission in control plaque thickness. Responses were objectively measured using ultrasound imaging. The study was intended to test the hypothesis that PH-10, photo-activated with green laser light on the pathological symptoms of chronic stable psoriasis. Ten patients participated in the study, all with severe psoriasis as measured by standard clinical assessment and high frequency ultrasound imaging of plaques. Each subject served as his/her own control, with no treatment, drug alone, or drug plus laser light applied to each treatment area. PH-10 was administered to the psoriasis plaque and immediately illuminated with green laser light. After this single dose treatment, skin thickness measurements, as well as other safety and efficacy parameters, were taken after 7, 14, 30 and 90 days post treatment. PH-10 therapy in the study was painless, with no serious local or systemic acute side effects.

8/9 **CardioGenesis Corporation** announced the establishment of a $2 million line of credit with **Pacific Business Funding**, a division of **Cupertino National Bank**, a member of the **Greater Bay Bancorp Family**. This line of credit, which expires in August 2002, will be secured by company assets and used to fund working capital, future development and for general corporate purposes. CardioGenesis chairman and CEO Michael Quinn said, "CardioGenesis has a strong suite of products and services, and a portfolio of patents and intellectual property that we believe will serve as the platform for us to continue to grow the company. Our management team continues to be focused on driving the company toward profitability. It is appropriate to begin a commercial banking relationship at this point, both to add some leverage for the benefit of the shareholders, and to make working capital easily available should it be needed. Our goals are high for CardioGenesis, and our enthusiasm matches those goals."

8/9 **PhotoMedex** announced the financial results for its second quarter ended June 30, 2001, with revenues of $2.1 million, representing a 71% increase over the first quarter 2001. Domestic dermatological procedure revenues increased 390% from Q1 to $321,252. International revenues for the quarter were $1.8 million, a 53% increase over Q1, and representing XTRAC laser sales in 6 different countries including Germany. In the comparable three-month period for 2000, there was $570,000 in revenues from non-related laser sales and $9,000 from discontinued operations. The net loss for the quarter was $3.4 million (18 cents per share) compared to a net loss of $2.9 million (19 cents per share, for the second quarter of 2000. Included in the net loss for 2000 were losses from discontinued operations of $297,966 (2 cents per share).

The company said it had shipped 66 XTRAC laser systems, including 46 domestic placements and 20 sold internationally. Entering the third quarter, the company has a backlog of 27 domestic placements and 14 pending international orders. Jeff O'Donnell, president and CEO, commented, " We are pleased with our domestic traction to date. The growth and development of our infrastructure is right on target, providing concrete validation of our business plan, and the recent FDA approval for eczema further broadens our market space with a disease indication affecting more patients than psoriasis."

8/13 **Dusa Pharmaceuticals** reported its corporate highlights and financial results for the second quarter ended June 30, 2001, including an update on LEVULAN PDT reimbursement. The company also commented on the positive actinic keratoses (AK) *National Coverage Policy* recently issued by the *Centers for Medicare & Medicaid Services (CMS)*, formerly known as the *Health Care Financing Administration (HCFA)*, which set new policy guidelines for insurance coverage of AK treatments. DUSA also reported that **Schering AG**, Germany, its worldwide dermatology partner (except Canada), had filed applications for regulatory approval of LEVULAN PDT in Austria, Brazil and Australia; and **Draxis Health Inc.**, DUSA's Canadian marketing partner, recently received Canadian regulatory approval to market LEVULAN PDT.

The net loss for the three-month period ended June 30, 2001 was $1.6 million (11 cents per share) compared to $1.4 million (11 cents per share) for the same period last year. For the six-month period ended June 30, 2001 the net loss was $2.8 million (20 cents per share) compared to $2.7 million (21 cents per share) for the same period last year.

During the second quarter, DUSA continued to support the U.S. marketing efforts of DUSA's LEVULAN Photodynamic Therapy (PDT) for non-hyperkeratotic actinic keratoses (AKs) of the face or scalp, by **Berlex Laboratories, Inc.**, Schering AG, Germany's U.S. affiliate. Berlex has informed DUSA that during the second quarter, Kerastick end-user sales from distributors to doctors, while still small, increased by 24%, to 1,653 units, compared to 1,332 units during Q1. While these sales do not directly impact DUSA's revenues from Kerastick sales (which are based on shipments of Kerasticks to Berlex, and shipments from Berlex to its distributors), it provides the best approximation of actual Kerastick units used by physicians during the quarter. In addition, at the end of Q2, 190 BLU-U units were in place at physicians' offices, including 43 placed during Q2 (vs 100 at the end of 2000). Berlex also intends to introduce new marketing initiatives in the second half of 2001. Clinical feedback from doctors and patients using the system continues to be positive, especially for patients who have tried other therapies in the past.

As stated previously, the company believes that the establishment of satisfactory reimbursement policies by insurance companies and government agencies is essential in order for widespread adoption of the therapy to occur. Medicare carriers servicing over 1/2 of the U.S. states have now approved some type of reimbursement coverage for

LEVULAN PDT, including recent positive decisions from Florida and Pennsylvania, with decisions from carriers for nearly 20 states still pending. The AMA has also recommended a national CPT code for LEVULAN PDT, due to come into effect on January 1, 2002, subject to further review, modification, and pricing. While award of a CPT code does not guarantee third-party payment, it is an indication of professional acceptance of the procedure and should facilitate submission and payment of claims for the providers who use the product. In addition, the CMS recently announced that, for the first time, they would include a National Coverage Policy on the treatment of AKs in the Medicare Coverage Issues Manual, including the specific mention of PDT as an acceptable treatment method. The manual will state that "Medicare will cover the destruction of AK's, without restriction, based on lesion or patient characteristics, using surgical or medical treatment methods, including but not limited to: Cryosurgery with liquid nitrogen; Curettage; Excision; and Photodynamic Therapy". In summary, DUSA remains encouraged by the momentum that has been building in many U.S. states for satisfactory reimbursement of LEVULAN PDT. However, until reimbursement levels for the expected national CPT code for PDT are known, it will be difficult to assess our products' competitive position as compared to other approved AK therapies and to predict future levels of U.S. LEVULAN PDT sales.

The company also reported that early in Q2, Schering AG, Germany, its dermatology partner (except Canada), filed in Austria the first European application for approval of LEVULAN PDT. Approval is expected by next year, with additional approvals in other EU countries expected to follow. Since then, Schering AG, Germany has also submitted filings in Brazil and Australia, with other filings expected to follow. DUSA continues to work with Schering AG, Germany to support the non-U.S. filings, and to prepare for non-U.S. product launches. Also during the quarter, Draxis Health Inc., DUSA's marketing partner for Canada, received regulatory approval for LEVULAN PDT for AKs, and is currently evaluating the market opportunity.

8/13 **QLT Inc.** announced that it has entered into an exclusive development and license agreement for XR9576, a Phase II P-gp inhibitor for multi-drug resistance (MDR) in oncology with **Xenova Group plc**, a publicly traded biotechnology company based in the UK. Under the agreement QLT will assume responsibility for the continued development of XR9576 and marketing rights for North America. Xenova will retain marketing rights in Europe and the rest of world.

One of the major barriers to successful cancer treatment is the development of resistance by cancer cells to several drugs used in chemotherapy, known as multi-drug resistance (MDR). XR9576 targets the most common form of this drug resistance through the inhibition of P-glycoprotein, a membrane based `pump' that acts to expel the chemotherapy drug from the tumor cell, thereby reducing its efficacy. XR9576 has completed a series of three separate Phase IIa trials, in which the product was administered together with three of the world's most commonly used chemotherapy

agents (paclitaxel, doxorubicin, vinorelbine), each of which is known to be affected by this resistance mechanism.

8/14 **PhotoMedex, Inc.** announced that it had received FDA clearance to market the XTRAC laser system to treat atopic dermatitis. Atopic dermatitis, or eczema, is a chronic inflammation of the skin that can afflict persons of any age, but is considered to be the most common skin disease in children under the age of 11. It is a common, potentially debilitating disease that can severely compromise quality of life. According to an *American Academy of Dermatology (AAD)* press release entitled "Eczema on the Rise", more than 15 million Americans suffer from eczema, and more than 10% of children worldwide. According to the same AAD release, scientist's estimate that 65% of children diagnosed with eczema contracted the disease in the first year of life.

It is estimated that eczema accounts for approximately 20% of all patient referrals to a dermatologist. As in psoriasis and vitiligo, eczema frequently occurs in the hinged areas of the body, which the XTRAC laser system is particularly effective in treating. Generally, current treatments for chronic eczema are a reimbursable medical expense by private insurers and government health programs.

8/14 **The Plastic Surgery Company** announced that it had closed on a $3.0 million financing consisting of cash, debt restructuring, and payment in kind transactions. The financing was led by current investor **Pacific Mezzanine Fund** and included new investors, numerous founding surgeons of the company and several members of the company's senior management. Approximately $1 million of the recapitalization was in the form of cash for 1-year notes and the acceptance of company stock in exchange for certain principal and interest payments over a six-month period. Financing entities were also issued warrants at a premium to the market price at closing. The company has also completed numerous recapitalization transactions over the last several weeks further strengthening the balance sheet. These transactions with certain affiliates totaled approximately $2 million and included debt forgiveness and conversion of debt to equity transactions. The company is currently working to secure a larger round of additional financing to pay down short-term debt and to fund potential acquisitions. In the interim, the recent financing will improve both working capital and liquidity for the company.

8/15 **PLC Systems Inc.** announced that it had launched an intense national training program for the **Edwards Lifesciences'** and PLC Systems' TMR sales team. Earlier this year, Edwards and PLC formed a partnership to market and distribute PLC's carbon dioxide (CO_2) TMR laser technology in the United States. The goal of the expanded training program is to improve TMR procedural adoption throughout the cardiac community by providing PLC and Edwards sales representatives with the tools necessary to create successful TMR programs. The four-day educational event, which started on Tuesday, August 14, 2001, included: a clinical review of TMR effectiveness; a discussion of TMR patient selection and patient management; a review of the extensive list of published

papers on CO_2 TMR; and a demonstration on how to operate a CO_2 TMR Heart Laser system.

8/15 **ESC Medical Systems Ltd.**, which is changing its name to **Lumenis Ltd.**, reported financial results for the second quarter ended June 30, 2001. The results included contributions from ESC's acquisition of **Coherent Medical Group** since the closing of the transaction on April 30, 2001. Revenues for the second quarter of 2001 grew 89% to $80.4 million over the $42.5 million in last year's comparable period. Continuing operating income for the quarter was $13.5 million versus $7.7 million in the second quarter of last year, an increase of 76%. Continuing net income was $10.8 million yielding EPS of $0.30 compared to net income and EPS of $4.6 million and $0.17 respectively (excluding non-recurring gains and losses) in the corresponding period in year 2000.

Financial results from continuing activities exclude non-cash charges of about $121.0 million and cash charges of approximately $36.2 million. These results exclude various charges that had been previously discussed on the Q2 conference call and subsequent press releases. These charges include, amongst others: an R&D in process write-down of $46.7 million, a charge in connection with several outstanding litigations of $27.8 million, inventory and receivable write-downs totaling $30.3 million, $32.7 million in extra-ordinary personnel costs associated with the transaction, and various other charges including expenses related to discontinued business activities and non-cash amortization. Commenting on the results, Yacha Sutton, president and CEO, said, "This was a seminal quarter for our company. We achieved strong operating results and successfully completed the acquisition of Coherent Medical Group. We made significant strides in integrating the two organizations. This has resulted in targeted savings of $30 million, $5 million more than we had earlier announced. With our new market focused organization structure and experienced senior management team, we have begun to capitalize on the tremendous growth opportunities in the aesthetic, surgical and ophthalmic markets. Evidence of this is demonstrated by the pace of sales activity in the third quarter which should put our revenues ahead of consensus analyst expectations for Q3. Management is now almost exclusively focused on the continued growth of the business as we bring our integration efforts to a successful completion."

Commenting on the outlook for the upcoming third quarter, Sutton said, "Looking ahead, we also do expect continued charges (mostly non-cash amortization) through the end of the year. These charges will be significantly lower than those experienced in Q2. The strategic rationale of our decision to execute the Coherent transaction is materializing on all fronts -- significant cross selling opportunities across geographies and products, an improved cost structure, and access to each businesses' best practices. Accordingly, we are well poised in Q3 and beyond."

During the ensuing teleconference accompanying release of the financial results, management noted that 38.5% of revenues occurred in America; 42.5% in Asia; 13.8% in Europe; 4.1% was industrial sales; and 3% was dental related. Of the total, aesthetic products accounted for 44% of sales; ophthalmic products were 19.2%; and surgical was 17%. Within the aesthetic products, vascular lasers accounted for $16.8 million; hair removal (which was down from the previous quarter) was $17.4 million; and acne products accounted for $1.1 million. Surgical lasers accounted for $13.7 million in sales; while ophthalmic lasers were $15.2 million. (Dental lasers accounted for $2.4 million in sales while industrial products were $3.3 million, and service revenues were $10.4 million.) Management projected sales for the third quarter should be between $82.5 to $90 million.

8/16 **Axcan Pharma Inc.** announced a 26.6% increase in sales for the third quarter ended June 30, 2001, as well as a 98.4% increase in earnings from continuing operations. Year-to-date earnings for continuing operations are up 183% over last year. "So far this year, Axcan's revenues are up over 20% for the first three quarters of fiscal 2001, as we consolidate our leadership position in the field of specialty pharma gastroenterology in North America and build our presence in Europe," said Leon Gosselin, president and CEO of the company. "In this quarter, the virtual elimination of our long-term debt with the reimbursement of US $39.37 million to **Schwarz Pharma**, has positioned the company to finance potential acquisitions."

Revenue for the third quarter ended June 30, 2001, amounted to $27.1 million compared to $21.9 million for the preceding year, a 26.6% increase. For the nine-month period, revenue was $76.1 million compared to $62.8 million for the corresponding period in fiscal 2000, an increase of 21.2%. Sales of PHOTOFRIN, a product acquired by Axcan in June of 2000, contributed to this increase along with sales of CANASA rectal suppositories launched in the United States last April. Earnings from continuing operations were $2.8 million (8 cents per share) for the three months, compared to $1.4 million (5 cents per share) for the same three months of 2000, and $7.1 million (20 cents per share) for the nine month period, compared to $2.5 million (11 cents per share) for the corresponding period of the preceding year.

8/16 **The Plastic Surgery Company** reported financial results for the quarter ended June 30, 2001. The company reported second quarter revenues of $9.3 million, up 18% over second quarter 2000. The company generated net earnings of $163,345 (3 cents per share) compared to net earnings of $373,066 (8 cents per share) in the second quarter of 2000. The decrease was attributable to increased amortization of goodwill and interest costs related to The Florida Center acquisition in December 2000 and to the divestiture of certain affiliate practices. "After certain restructuring transactions in the first quarter, we focused on a return to profitability, a major acquisition and a significant financing effort in the second quarter. We are pleased to have achieved all three," said Adam Romo, CFO of the company.

Same store sales of continuing operations generated a 13% revenue increase in the second quarter of 2001 over second quarter 2000. For the six months year to date, same store sales have increased 16% over the same period in 2000. The comparable Centers whose revenue grew at 13% in aggregate saw increased demand for their offering of cosmetic procedures: cosmetic surgery, cosmetic lasers and physician-directed skin care. "During a period of economic slowdown in many retail markets the demand for cosmetic procedures remained high. We believe that patient financing, allowing easy monthly payments for cosmetic surgery, has increased the market and lowered the threshold of affordability," said Dennis Condon, president and CEO of the company.

8/20 **Candela Corporation** reported results for the fiscal year-end and the quarter ending June 30, 2001. The company reported that revenues for the quarter were $18.2 million. Net income, not including special non-cash charges, was $1.1 million. For the same period a year earlier, the company reported revenues of $22.4 million, and net income of $4.9 million. During the quarter, the company took special non-cash charges of $1.1 million for continuing lease liabilities arising from its discontinued Scottsdale spa operations, and $640,000 for asset impairments in its Boston spa. Income after special charges was a $43,000 loss (0 cents per share) for the quarter, and income of $2.5 million (22 cents per share) for the fiscal year. For the year, the company reported sales of $64.8 million and net income, not including special non-cash charges, of $3.7 million (32 cents per share). A year earlier, the company had revenues of $75.4 million and net income of $14.6 million ($1.19 per share). Commenting on the quarter, Gerard Puorro, Candela's president and CEO said, "We started the year with a sluggish $28 million first half, but grew the second half to $37 million. Our goal is to return to a sustainable growth path. We are confident we will, but believe it may be 2 or 3 quarters before we can achieve our goal."

8/20 **CardioGenesis Corporation**, formerly known as **Eclipse Surgical Technologies, Inc.**, announced today that its Board of Directors has adopted a Shareholder Rights Plan, effective at the close of business August 17, 2001. The Shareholder Rights Plan is designed to enhance the Board's ability to protect CardioGenesis Corporation's shareholders against partial tender offers and other coercive, unfair or abusive takeover practices that might be used in an attempt to gain control of CardioGenesis Corporation and which do not offer an adequate price to all shareholders or are otherwise not in the best interests of CardioGenesis Corporation or its shareholders.

8/21 **American Medical Technologies, Inc.** announced that it had settled its outstanding suit against **Henry Schein** for an undisclosed amount. American Medical had filed the suit in July 2000 to recover approximately $293,000 of past due receivables plus interest and cost of collection. Under the settlement agreement, all terms of the settlement are to remain confidential. "We are happy to be able to put this matter behind us and to move on with our business," said Ben Gallant, chairman and CEO. "We are approaching an exciting time in our business with the upcoming launch of the new dental chairs and units

and the erbium:YAG laser. We felt it was time to resolve this matter so that we can focus our energies on the future and these new products."

8/21 **CardioGenesis Corporation** announced that William von Brendel, a veteran of the international sales and distribution of medical device products, had been named vice president and general manager of the newly-formed **CardioGenesis International Business Unit**. The creation of the international business unit allows the company to take advantage of the tremendous worldwide market for CardioGenesis products. The international sales team will focus on two procedures used by physicians to treat people who suffer from advanced cardiovascular disease: TMR (Transmyocardial Revascularization), an FDA-approved procedure in which surgeons use CardioGenesis lasers to drill tiny holes in the heart muscle to promote blood flow and relieve severe chest pain called angina; and PMR (Percutaneous Myocardial Revascularization), a related, minimally-invasive procedure that has not yet been cleared by the FDA in the U.S. but is approved to market in the rest of the world. CardioGenesis estimates that 80% of angina sufferers are outside of the U.S. and that the market for TMR and PMR in the industrialized nations of Europe, Asia and South America is 10 times larger than in the U.S.

The company also announced the formation of the CardioGenesis U.S. Business Unit, which will be led by Thomas Kinder, formerly vice president Worldwide Sales, who was promoted to vice president and general manager, U.S. Business Unit.

8/23 **Pharmacyclics, Inc.** reported financial results for its fourth quarter and fiscal year ended June 30, 2001. For the fourth quarter, the company reported a net loss of $8.2 million, (51 cents per share) compared to a net loss of $7.3 million (46 cents per share) in the comparable period of fiscal 2000. For fiscal 2001, the company reported a net loss of $30.9 million ($1.92 per share) compared to a net loss of $23.6 million ($1.60 per share) for fiscal 2000. The increase in net loss was primarily the result of increased research and development costs associated with the company's Xcytrin product.

Pharmacyclics also has two other drugs in advanced stage clinical trials: 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. In addition, 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**, Pharmacyclics' commercial development partner.

Revenue increased to $2.7 million for the three months ended June 30, 2001 compared to $0.2 million during the same period of the prior fiscal year. The increase is due to a non-recurring fee paid by **Nycomed Amersham plc** to terminate their collaboration

agreement to sell and market Lutrin for cancer therapy outside the United States, Canada and Japan. For fiscal 2001, revenues increased to $3.1 million from $1.6 million in fiscal 2000. Revenue in fiscal 2000 included a $1.0 million milestone from Alcon related to the development of Optrin.

8/23 According to *Medical Laser Insight's* Michael Moretti, new spa venues for aesthetic services are evolving rapidly. The business opportunity afforded by a booming consumer market for aesthetic treatments is attracting entrepreneurs and investors from many camps. A new class of physician-driven "medical spas" is currently the fastest growing segment of the aesthetic marketplace, as practices learn the formula for tapping into revenues from all aesthetic products and services. And, at the same time, spas and salons are offering treatments such as hair removal and skin rejuvenation to their clients in what seems like a natural evolution. In the U.K., the largest pharmacy chain (**Boots**) has even executed a long-term business plan to provide laser-based hair removal (LightSheer from **Lumenis**) at its numerous storefront locations. As a result, the distinction between spa/salon services versus medical practice-based aesthetic services has become increasingly blurred. Apparently, consumers will purchase aesthetic services in the most comfortable and convenient setting with the most attractive pricing structure.

Although some physicians and manufacturers in the U.S. have attempted to limit the use of aesthetic lasers to physicians and a narrow class of "medical professionals," market forces are straining against these artificial constraints. As far as the FDA is concerned, lasers should be purchased by "medical professionals" and then each State Medical Board can fight the battle over enforcing who actually uses the laser. In the case of hair removal, this has translated to nurses, aestheticians, and electrologists using the laser under "supervision" of a physician. However, the exact definition of "supervision" seems to be inconsistent from state to state, and loosely defined by many.

The thousands of medical practices with aesthetic lasers realize that the economics of delivering aesthetic procedures such as hair removal, cosmetic vascular treatments, and even skin rejuvenation are quickly moving in the direction of low prices and high volumes -- as the installed base of devices grows -- creating increasing competition among providers. And, as spas enter the market offering these same treatments at a lower cost to the consumer, prices will erode even further. Eventually, labor intensive, low cost procedures such as hair removal, may not be economically viable in the setting of a physician's office. Already, we see plastic surgery practices losing interest in hair removal due to the economic conditions.

New low-cost hair removal systems such as Estelux, SpaTouch, and Acculite will accelerate this migration of hair removal services to the spa setting. Manufacturers offering low-end hair removal systems designed for the "masses" have started a trend that can't be stopped. Even though these devices may not produce the same clinical results as more powerful and expensive lasers, they are designed for safety and multiple treatments

over a long time period. Thus, spas that operate these devices will face less risk of complications, and cater to a clientele that is used to coming back for low-cost aesthetic services on a regular basis.

Many analysts believe that this low-cost light technology will become even less expensive as manufacturing volume increases, and provide the key to open up a much larger consumer market segment, namely, potential hair removal clients that balked at laser-based hair removal prices in the past, and have been waiting for low-cost, light-based treatments. Eventually, these light devices may even be designed for direct sale to consumers for home use.

As the FDA becomes more comfortable with light devices, and manufacturers design in additional safety features, we can expect a reclassification of these products for direct purchase by spas and aestheticians. In the future, some light-based procedures that were previously controlled by physicians will be offered in spa settings by trained aestheticians. Considering the evolution of technology control and procedure delivery venues, progressive physicians that want to remain high in the aesthetic "food chain" may want to plan ahead for their business involvement in spas as medical directors and principals.

(For more information about the services offered by **Medical Insight, Inc.**, visit their website at **www.MiiNews.com**.)

8/24 **BriteSmile Inc.** announced that the company had hit several key milestones far ahead of expectations. BriteSmile has now delivered outstanding whitening results to more than 175,000 customers. This includes customers in both the United States and abroad. Significantly, the company also announced that they now have signed contracts with more than 3,300 dentists, all of whom will now be offering their patients the BriteSmile Professional Teeth Whitening System exclusive of any other in-office whitening procedure. "Nothing speaks to the success of BriteSmile more profoundly than the satisfied smiles on the faces of our customers and the aggressive adoption of our Professional Teeth Whitening System by the dental community," said John Reed, BriteSmile CEO. "Only available since early 1999, BriteSmile Professional Teeth Whitening System has quickly become the standard against which both dentists -- and their patients -- measure all other options in teeth whitening."

8/27 **Photogen Technologies, Inc.** announced the initiation of a Phase 1 human clinical study of its proprietary drug, PH-10, as a topical treatment for actinic keratosis -- a potentially pre-cancerous condition. The study will evaluate the safety of three different doses of PH-10 in separate patient treatment groups. Patients in the study will each receive a single dose of PH-10 followed by administration of green light (light in the green spectrum) on lesions. The light source for this treatment comes from a laser that already is widely used in physician offices in the U.S. and Europe. "This is the second indication

that we are developing for PH-10, our novel approach to investigating same-day-treatment of certain skin diseases," said Taffy Williams, president and CEO of Photogen. "Building on encouraging results from our work in psoriasis, we believe that actinic keratosis is an important indication to address with this therapeutic regimen. Importantly, although PH-10 is in early stages of clinical development, it has not elicited significant pain and the typical adverse side effects often seen with other similar compounds. If our development program is successful and we achieve regulatory approval, we see a large potential market for an easy to administer agent in this indication, paving the way for more pain-free, easily administered dermatological treatments in the future."

MEDICAL/SURGICAL LASER UPDATE -- September 2001

8/29 **Trimedyne Inc.** announced its financial results. The company had a loss from operations for the quarter ended June 30, 2001 of $1.0 million (8 cents per share) on revenues of $1.6 million, slightly less than the loss from operations of $1.1 million (9 cents per share) on revenues of $1.6 million for the same quarter of the prior year. After taking into account a non-recurring loss of $953,000 on an investment made by a former officer of the company, interest and other items, the net loss for the quarter was $1.7 million (15 cents per share) compared with a similarly adjusted net loss of $969,000 (8 cents per share) for the prior year quarter.

Commenting on the results, Marvin Loeb, chairman of the company, said, "Sales, which had been growing in the past two quarters, were flat in the current quarter, which we believe is largely due to the country's economic slowdown and its effect on the healthcare system. We made sizeable reductions in our staff and expenses in the past quarter, but their effect will not be fully seen, due to severance benefits, until the quarter ending December 31, 2001. Unfortunately, there was an error in our recent 10-Q Report, which we are amending. While our accounts payable have increased substantially, no legal actions have been taken by creditors. Our creditors have been advised of the company's cash situation, due to the loss on the investment, and our creditors are being cooperative. To correct this situation, we are increasing our sales and collection efforts to convert our inventory and receivables into cash and enable us to reduce our accounts payable. Furthermore, we are focusing on raising money through the licensing of patented technologies and sales of securities. Going forward, we believe our proprietary surgical lasers, several proprietary products in development that address large markets, and our entry into the business of renting lasers to hospitals and surgery centers on a 'fee per case' basis represent significant values, which we trust will be ultimately appreciated in the marketplace."

9/4 **Pharmacyclics, Inc.** announced preliminary results of its ongoing Phase I clinical trial of photoangioplasty with Antrin (motexafin lutetium) Injection, indicating the treatment is feasible and well tolerated in patients with coronary artery disease (CAD; i.e.,

blockages of the arteries in the heart). The results were presented over the weekend at the *23rd Congress of the European Society of Cardiology*. "These results demonstrate for the first time in a relatively large number of patients that photodynamic therapy in the coronary arteries is feasible and well-tolerated," said Paul Kramer, MD, Clinical Associate Professor of Medicine at the University of Missouri, Kansas City, School of Medicine, who presented the study. "The data from this trial will form the foundation for more advanced clinical trials using this novel treatment approach aimed at eliminating the underlying inflammatory cellular component of atherosclerotic plaque."

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 underwent standard balloon angioplasty and stent placement. Photoangioplasty was performed on the balloon-treated vessel segment before placement of a stent, all in a single catheter lab procedure. Sixty patients received Antrin with subsequent activation of the drug by light delivered endovascularly to the site of the angioplasty using an optical fiber catheter. Fifty-eight patients had follow-up coronary angiography at six months. No major treatment-related angiographic or biochemical adverse effects or abnormalities were observed and no dose-limiting toxicities were noted. No instances of emergency coronary artery bypass, death, stroke or myocardial infarction were seen in patients who received both drug infusion and endovascular illumination and activation of drug. The most frequently reported side effects were mild, transient chest pain, 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, which is being conducted at seven leading medical centers in the United States, will enroll a total of about 75 patients. The longer-term goal of the CAD clinical program is to establish the safety and effectiveness of Antrin photoangioplasty in the potential treatment of atherosclerosis by eliminating the inflammatory component of the disease. "We are excited about these results because they indicate that the drug and light doses we tested can be used in a Phase II efficacy trial, which we are designing now," said Daniel Adelman, MD, senior director of clinical development at Pharmacyclics. "We also observed that Antrin photoangioplasty is relatively easy to perform and does not require much of a learning curve for catheter lab personnel."

9/5 **BIOLASE Technology, Inc.** announced that it had received notice of approval to sell its Waterlase hard and soft tissue lasers in South Korea. BIOLASE's Korean distributor, **Daemyung Medi-Tech Co., Ltd.**, is a large, well-established leader in the Korean dental market and will be working with over 20 sub-distributors to sell the Waterlase. Daemyung is committed to purchasing a minimum of 15 Waterlase systems before year-end, and sales are projected to exceed $1 million in 2002. Keith Bateman, BIOLASE vice president of Global Sales, commented, "There are over 16,000 dentists in Korea, with 60% of those in private practice. Historically, Korean dentists have been

significantly more receptive to dental laser technology than other countries. We expect this trend to continue with the Waterlase and project that Daemyung's sales will make an important contribution to BIOLASE's growth. As the recognized global leader in the rapidly expanding market for dental lasers, BIOLASE is expecting significant sales growth in the Pacific Rim for the remainder of 2001 and for many years to come. In recent years, regulatory requirements for many countries around the world have become increasingly demanding. This approval for the Waterlase was lengthy and required a significant commitment from BIOLASE and our partner, Daemyung. We are very pleased to have achieved this important milestone."

9/5 Vivian Chu reported on the *Reuters News Wire* that **BriteSmile** hopes the tooth whitening fad continues to grow. "In America's never-ending fixation with perfection, BriteSmile Inc. is counting on people who want sparkling-white pearly whites now to make it profitable. The Walnut Creek, California-based company was the first company to open a chain of teeth whitening centers in the United States, but a growing number of companies that offer teeth bleaching threaten to take a bite out of its lead. BriteSmile is betting more Americans will want to shell out money for a quick appearance fix." According to BriteSmile's chief executive, John Reed, the professional whitening business will rise to $4 billion in 10 years, after expanding almost tenfold in the past decade to $1.3 billion last year. "Teeth whitening is part of a bigger trend of the `look-good, feel-good now' business," he said. "It's a niche in that category and has been growing exponentially by itself."

Some of the competition includes tooth whitening toothpastes. In August, **Den-Mat Corp.**, maker of Rembrandt whitening toothpastes, launched its **Rembrandt One Hour Whitening Centers**, which also use light-activated gel to whiten teeth. Rembrandt already has 3,000 dentists using its procedure, costing between $300 to $600, said a spokeswoman for privately held Den-Mat in Santa Maria, California. BriteSmile also faces stiff competition from consumer products giant **Procter & Gamble's** recently launched Crest Whitestrips, which claim to bleach teeth 10 times whiter than leading toothpastes. P&G expects $200 million in sales this year from Whitestrips, which at $44 a box are a relative bargain compared to a single BriteSmile procedure.

Industry followers claim that prices may fall. "Whitestrips and BriteSmile are essentially the same thing, except that the concentration of the bleaching agent is less and there is no light accelerant in Whitestrips," points out Dr. Richard Lichtenthal, director of operative dentistry at the School of Dental and Oral Surgery at Columbia University. BriteSmile, which charges $550 to $700, depending on the location of its centers, while traditional take-home whitening kits cost from $250 to $400. That competition could put a crunch on BriteSmile, which is still trying to turn a profit.

Reed said he expects BriteSmile to be profitable in the fourth quarter. He also expects its stock price to rise and stabilize once the company generates a steady stream of profits.

To boost income, BriteSmile said it is targeting first-timer users to professional whitening. Roughly 65 million adults in the U.S. would like to have their teeth whitened, claims Reed. "Combined with a 20 million teenage market, that's a market of 85 million potential candidates," he said.

Time will tell if BriteSmile maintains its lead in teeth whitening with the rise in competition. "There are so many teeth whitening procedures, both take-home and in-office, which use different techniques and applications," said Dr. William Tackler, a dentist in New York. "They're very difficult to compare, but the end result is the same, and that's whiter teeth."

9/5 Currently ten members of the *American Academy of Cosmetic Surgery* from around the United States are engaged in a study of low-level laser assisted liposuction. Preliminary results indicate that this type of liposuction is not only easier for the physician to perform, but also provides less discomfort for the patient with excellent results. The final analysis of this clinical research should be available by late fall of 2001.

Low-level laser assisted liposuction was developed by Dr. Rodriqo Neira of Cali, Columbia in the late 1990's as an alternative to traditional liposuction. Dr. Neira has performed this type of liposuction on over 800 patients and U.S. trial is attempting to duplicate his findings. In addition, a new study authored by Dr. Rodriqo Neira soon to be published by the *American Journal of Cosmetic Surgery* highlights the use of low-level lasers in liposuction procedures. The research conducted for the article indicates, "a low-level laser is an effective technique that liquefies fat by causing it to escape from inside the cell to the outside (interstitial space)". The Erchonia Laser used in the procedure was developed and patented by **Majes-Tec Innovation**. The laser is a non-heat generating low-level laser that passes in a sweeping motion externally over the liposuction area for a pre-determined time and frequency. Those doctors participating in this study include: Dr. Robert Jackson of Marion/Indianapolis, Indiana; Dr. Edward Lack of Chicago, Illinois; Dr. Douglas Dedo of Palm Beach Garden, Florida; Dr. Nicholas Lowe of Santa Monica, California; Dr. Paul Carniol of Summit, New Jersey; Dr. Richard Dolsky of Bala Cynwyd, Pennsylvania; Dr. Marc Leventhal of Rancho Cucamonga, CA; Dr. Neil Sadick of New York City, NY; Dr. Claude Crockett of Bristol, TN and Dr. Kimberly Butterwick of La Jolla, CA.

9/7 **BIOLASE TECHNOLOGY, INC.** projected record sales for the third quarter of 2001 and expects sales to exceed the previous record set in the second quarter of 2001 of $4.3 million. Jeffrey Jones, BIOLASE CEO and president, commented, "The reality of our revolutionary technology is more and more recognized by the U.S. and international dental community as an extremely valuable addition to their practices and the important economic and clinical advantages it offers both to them and their patients. Order momentum is the strongest that we have ever experienced."

9/10 **BIOLASE Technology, Inc.** reported that it sponsored a *European Laser Clinical Symposium* in Mallorca, Spain. The Symposium was co-sponsored by several leading European universities, including the University of Aachen (Germany), the University of Vienna (Austria), the University of Athens (Greece) and the University of Barcelona (Spain). The symposium's main focus was on several major clinical advancements and applications for the Waterlase hard and soft tissue laser system. Participants from 20 countries and several major European universities presented new clinical findings for the Waterlase that will allow clinicians to provide better treatments in endodontics, periodontics, bone surgery, restorative dentistry, implantology and oral surgery.

Very significant advancements to dramatically improve root canal therapy using the Waterlase were presented by leading researchers from the University of Barcelona, Dr. Aranabat and Dr. Espana. They reported that the Waterlase was able to kill over 97% of the bacteria responsible for root canal infections. Their study demonstrated the Waterlase effectively disinfected root canals with a safer modality and without using chemical disinfectants. Dr. Aranabat and Dr. Espana commented, "These findings are very significant because they show the Waterlase dramatically minimizes the risk of root canal failure due to bacterial recontamination. Additionally, by not using chemical disinfectants, the risk for bone damage is eliminated and any post-operative trauma is significantly reduced."

Dr. H.J. Roos, a renowned German implantologist, reported on an innovative sinus lift surgical procedure involving both hard and soft tissue treatments with the Waterlase. Dr. Roos noted, "This procedure helps implantologists add new bone where the original bone thickness is not sufficient to support the implant. The Waterlase is a better treatment than the dental bur/drill because the laser does not damage the soft tissue membrane lining the maxillary sinus. Also, the patients that received the sinus lift treatment with the Waterlase demonstrated better post operative healing with no inflammation or is comfort."

Dr. Rolf Brian, Koln Germany, presented another important implantology procedure using the Waterlase. Dr. Brian showed implants that fail several years after placement due to infections can be successfully treated with the Waterlase. Dr. Brian stated, "I have used the Waterlase to eradicate bacterial infection causing the disease (perio-implantatis) with great success. I stress that for this disease there is no other effective treatment alternative.

BIOLASE also launched their LaserSmile tooth whitening and soft tissue laser system sales activities in Europe. Presentations on the clinical, financial and marketing benefits of the LaserSmile were made during the Symposium and distributors committed to initial purchases.

Jeffrey Jones, BIOLASE CEO and president, commented, "We are very pleased with the results of this Symposium. These and other new clinical advancements possible with the

Waterlase are giving dentists, oral surgeons, endodontists, periodontists, implantologists and others the ability to raise the standard of care for the their patients. They can now perform procedures not previously possible because of the Waterlase's ability to do treatments with significantly less trauma, more accuracy and numerous other clinical benefits. We are grateful to all of the Waterlase users that have spent considerable time, effort and money researching and developing new advanced uses for this revolutionary technology. In addition to improving patient care, the ever expanding arsenal of Waterlase treatment possibilities is also providing BIOLASE with new tools and new arenas to market our products. Developments, such as at this symposium, will help us to continue to grow sales, increase margins and continue expanding our market potential. LaserSmile has been well received in the United States since its launch just a few months ago. Participants at the Symposium were impressed with this new system and many of them plan to add LaserSmile to their practices in the near future. We expect European LaserSmile sales to make a significant contribution to our continued growth." Jones concluded, "The cosmetic tooth whitening market is growing fast and currently exceeds $1 billion annually."

9/11 **Trimedyne Inc.** announced it had retained **Roan/Meyers Associates L.P.** on a non-exclusive basis to provide financial advisory services. The primary task of Roan/Meyers Associates will be to expose the company to Wall Street, institutional investors and funds. Roan/Meyers Associates is a New York-based investment banking firm that specializes in capitalizing emerging growth companies, typically in the fast-developing areas of health care, biotechnology and technology.

9/19 **BIOLASE Technology, Inc.** said it was donating a Waterlase hard and soft tissue laser to the Division of Pediatric Dentistry, Columbia University, New York City, in response to the September 11 terrorist attacks. In turn, Columbia's Dental School will donate dental services to children of victims of the attack. During a September 13 meeting, BIOLASE's vice president of Clinical Research and Development, Ms. Ioana Rizoiu, and Martin Davis, DDS, Associate Dean and Director of Pediatric Dentistry, Columbia University, discussed the school's intention to purchase a Waterlase to perform pediatric research and perform soft and hard tissue treatments on patients. Following the September 11 tragedy, BIOLASE determined to donate the Waterlase, valued at $49,900, to the school and in turn the school offered to donate dental care to the children of victims. Dr. Davis commented, "It is very generous of BIOLASE to donate this laser to our clinic, and we greatly appreciate the gesture. The Schools of Business and Law at Columbia suffered a great loss during the attack. Over 100 interns were at the World Trade Center, many of whom are presumed dead. We hope that we can help some of the families through adding this program wherein free dental care is provided to the survivors and families of those lost in the attack." The Division of Pediatric Dentistry will do research using the Waterlase for pediatric soft and hard tissue procedures on children.

9/20 **Lumenis Ltd.**, formerly known as **ESC Medical Systems Ltd.**, held an investor conference call to discuss its operating performance following the recent tragic events in the United States. "We are deeply saddened by the horrific events in New York and Washington, and we join other members of the global community in expressing our heartfelt sympathy for those families affected," said Yacha Sutton, president and CEO of Lumenis Ltd. "Demand for our products continues to be strong. We are currently on track to come in at or about third quarter analyst consensus revenue estimates for the period. This is despite some shipping delays being experienced from the United States to overseas markets and deferred sales in New York and Washington as a result of the recent events." ESC Medical has a diverse business with products in the aesthetic, surgical, ophthalmic and dental markets. "With nearly 50% of our sales coming from medical applications, we are well positioned to withstand any downturn in the aesthetic market. However, we have not seen any weakness in demand in the aesthetic area to date. Also, our sales base remains geographically diverse with U.S. aesthetic sales representing just 20% of our total sales. We are closely monitoring our sales and distribution activities to stay on top of any developments." Additionally, Sutton commented that ESC had previously spread its manufacturing facilities geographically to maintain a reliable and diverse supply source for its products. The company now operates two facilities in California, one in Israel and a small plant in the United Kingdom.

During the conference call, Sengi Genger said that in the short term, 3rd quarter results are in line with street estimates and should be around $90 million. He also said that based on reports from his managers, the $440 million estimate for 2002 is achievable.

9/20 Michael Morretti of *Medical Laser Insite* reported that since the introduction of light-based hair removal, the worldwide epilation market has undergone dramatic changes. Through 2000, more than 7,000 light-based hair removal devices have been installed in medical, aesthetic and electrology offices. By the end of 2004, this number is expected to grow to over 18,000 systems. The new treatment has caused a slow decline in the demand for electrolysis services. However, professional waxing services continue to grow at a nominal rate. This year, more than 5 million light-based hair removal treatments will be performed, generating nearly $1.3 billion in fees for service providers. This is topped only by waxing, which will bring in more than $3.3 billion via more than 111 million treatments. In contrast, electrolysis will generate only about $436 million this year in treatment revenues. It's worthwhile to note, however, that treatment fees for light-based hair removal have dropped sharply over the past year. This may be due in part to the global economic slowdown, and seems to occur more in regions that have been particularly hard hit.

Procedure growth is being fueled by lower treatment prices, heightened advertising and consumer awareness of the procedure, and new equipment that offers greater functionality at a lower price. As this happens, more and more practitioners who offered other hair removal treatments -- like electrolysis and waxing -- are incorporating

light-based hair removal into their businesses. Approximately 5% of the 6,500 spas and dayspas across the U.S. have said they plan to add laser hair removal to their menu of services over the coming year. Increasing numbers of electrologists are also purchasing laser equipment. These trends are both expansive and protective. Practitioners realize consumers want light-based hair removal and will purchase treatment at other offices if they don't offer it.

As noted in Moretti's newsletter, hair removal treatment volumes are increasing.

Improved technologies for hair removal are allowing practitioners to cast a wider net for attracting clients. However, increased competition has resulted in lower fees in some parts of the country. "The medical community is moving toward systems that cover a wider range of skin colors," observed Gurmeet Multani, MD, cosmetic surgeon in private solo practice in San Bernadino, California. In particular, "the Latino and Asian populations are looking for treatment," he said. Dr. Multani's "looking good, feeling good" clinic offers treatment with two systems: the intense pulse light (IPL) Quantum HR from **Lumenis Inc.** (Norwood, Mass.) that can effectively treat skin types V and IV, and the low-priced SpaTouch PhotoEpilation System from **Radiancy Inc.** (Orangeburg, N.Y.). "Radiancy is currently testing a new SpaTouch head for skin types IV, V and higher," Dr. Multani said. For light skin and dark hair, the SpaTouch "is just as effective as more expensive machines," Dr. Multani noted. "But if the hair color is close to the skin color, than IPL technology works better. However, some patients will not respond to either technology because of hair texture or concentration of the pigment at the root."

Dr. Multani also said that client fees "have dropped substantially." As soon as a practice acquires a hair-removal system, "the goal is to maximize use in an effort to recuperate expenses," he explained. "This has undercut prices." In fact, "in some geographic areas, prices have been reduced so drastically that it is no longer cost-effective, even with increased volume." For example, five years ago, Dr. Multani charged $200 to treat the upper lip with IPL technology. "Now we only charge $50," he said.

"Consumers expect that within four or five treatments, the hair should be gone and gone for good, at a cost twice that of electrolysis," Dr. Multani said. "Most consumers will pay up to a maximum of $1,000 for a series of treatments over a one-year period." However, after four or five sessions, "consumers realize they may need retouching in another six months or one year," he said. Therefore, despite manufacturers' claims of permanent hair removal, "we now view these technologies as a permanent hair reduction and control rather than total elimination of hair."

Cynosure Inc. (Chelmsford, Mass.) offers two basic laser technology platforms for hair removal: a solid-state 755-nm Alexandrite (Apogee 6200 and 9300) and an 800-nm diode based system (Apogee 20 and 100). "From our prospective, there are two issues that concern us about these new lamp devices," said technical product manager Evan Sherr.

"One is that they are not a laser. They will never be as selective as a laser; consequently, they are always going to be associated with a higher risk of side effects. You are targeting all those structures that absorb that wavelength. Blistering, hyperpigmentation and scarring are the three primary potential side effects. Secondly, and more daunting, though, these machines appear to be very low powered, which makes them not particularly effective in removing hair. In essence, these lamp devices are in a no-win situation."

Nonetheless, Sherr feels these lamp-based devices can be easily marketed because of their portability and low purchase cost. "But I still think most practitioners will opt for a laser because patients are not going to be happy with the lamp results," he said. Sherr also feels that fees charged for hair removal "have degraded over the past three years. It used to be that treating a back or both legs cost several thousand dollars. Today, that price is typically under $800."

Solutions are massaged into the skin until fully absorbed. "The solutions need to penetrate and fill the empty follicles," Tennant said. "The action of the formula neutralizes the enzymes and the sulfur that are produced in the follicle when hair is removed and that stops formation of new hair." Typically, there are three sessions and the solutions must be applied professionally. "It will not be available over-the-counter because the hair must be properly removed by the root," Tennant stressed. "We are seeing 90% to 95% efficacy after three treatments." Sessions are usually at the same intervals as waxing (every three to six weeks). Patients are charged anywhere from about $450 to $3,500 for three treatments, depending on hair severity and location. "We currently have close to 300 medical specialists who have the product in their hands and are in the process of testing it," Tennant said.

The LightSheer 800-nm diode laser from Lumenis has also had good market reception. "We've had record sales over the last six months," noted Stephen May, director of aesthetic marketing for photoepilation. "The LightSheer's small size, ease of use and repeatable results are some of the reasons for its popularity. In fact, we see a lot of companies trying to duplicate these three features with their technology." Ease of use is particularly important because "hair removal is integrating into many medical specialties. It is no longer the bastion of dermatologists," May observed. "Other markets include OB/GYN and family practice, as well as former radiologists and anesthesiologists who are now affiliated with cosmetic centers." And although May concurs that pricing for hair removal has decreased and will probably continue to decline, he observes that "volume has increased. The average person's acceptance and awareness of laser hair removal continues to expand rapidly. Today its much easier for a practitioner to attract customers." On the other hand, outcomes are being enhanced by a new post-treatment topical solution called the Tricho System, which is a permanent hair regrowth inhibitor from **Tricho Solutions Inc.** (dual headquarters: Burlington, Ontario, Canada, and Lockport, N.Y.). According to president and co-founder Pat Tennant, "the product has

been researched and tested over a seven-year period, even though our company is less than one year old." This botanically-based formula is applied in two stages. "The first stage is a spray-on liquid and the second stage is a lotion, both of which can be used after any method of treatment that removes the root from the follicle," Tennant said.

In addition, "the areas of the body that are most exposed command a higher price, such as an upper lip compared to a bikini line," May said. "People who walk into a spa or salon expect a temporary hair-removal solution, like waxing." Conversely, "there is an expectation that a medical office can produce superior results and patients will tolerate discomfort in return for more aggressive treatment," May commented. "Furthermore, our market testing indicates that patients are willing to pay significantly more for any solution that is superior to waxing."

Franklin Johnson, MD, a surgeon in private solo practice in Mineola, New York, has been using IPL technology for the past nine years. "Consumers have always been aware of facial and body hair, but they are now seeking more efficient, longer-term disappearance of hair, with little or no discomfort," Dr. Johnson said. From a social standpoint, "baby boomers and even younger individuals don't want to deal with this hair problem," Dr. Johnson continued. For instance, "children as young as eight are in a social environment where a mustache is not acceptable." Overall, "there is a real need in some cases, and a perceived need in other cases," he said. Dr. Johnson also believes there is a place for low-cost lamp devices, "if the individual is willing to constantly pay for hair removal, and if that fee is reasonable. But it is not truly long term." In contrast, with IPL technology, "we have patients that have gone three or four years since their last treatment, with no hair presence," he said. "And I'm not about to spend $60,000 on a laser for hair removal when I already have four machines." Moreover, Dr. Johnson has achieved better results with IPL compared to laser. Dr. Johnson charges $150 per session for the upper lip and chin, while a male back might command $2,500. "We have not changed our pricing one bit since we began nearly ten years ago," Dr. Johnson said. But he agrees with Dr. Multani that fees have plummeted on the West Coast.

9/21 **The Spectranetics Corporation** reported on the publication of an article entitled "Application of Excimer Laser Angioplasty in Acute Myocardial Infarction" in the September 2001 issue of *Lasers in Surgery and Medicine*. The article provides data suggesting the safety and feasibility of excimer laser angioplasty to treat patients with acute myocardial infarction (AMI). The study of 50 AMI patients with 54 obstructive lesions treated with excimer laser angioplasty resulted in 98% laser success and 100% procedural success with no major complications. On average, the thrombus burden of the target lesions in the study was reduced by 83%. Spectranetics presently contraindicates excimer laser angioplasty in patients with AMI and acute thrombosis. The patients in the study were treated in accordance with accepted medical standards, published medical literature and the Declaration of Helsinki.

9/21 **BriteSmile Inc.** announced that the U.S Patent and Trademark Office had issued notifications of allowed claims in five pending applications in its single step teeth whitening methodology, which includes teeth whitening light devices, methods and gels. "BriteSmile is pleased with the U.S. Patent and Trademark Office's recent determinations," said John Reed, BriteSmile CEO. "The competition is attempting to profit from the years of investment that BriteSmile has made in research and development, and, where it's in BriteSmile's interest, we will vigorously enforce our patents against these competitors for patent infringements. We are confident that any new patents resulting from these notifications will help protect BriteSmile's technologies from imitation, and further affirm BriteSmile's leadership within the professional teeth whitening market."

BriteSmile was also notified by **Oraceutical LLC**, consultants to the Company since 1997 and developers of some of the proprietary chemistry used in BriteSmile's Light Activated Tooth Whitening Gel, that the U.S. Patent and Trademark office had issued a notice of allowance of claims protecting compositions of tooth whitening gel, whitening systems and methods of using them. BriteSmile is the worldwide licensee of Oraceutical for these technologies for use in in-office light activated teeth whitening.

9/21 **Lumenis Ltd.** announced that it will trade under the new ticker symbol "LUME" beginning at the opening of market Monday, Sept. 24. As previously announced, shareholders at the company's annual meeting had approved the name change. "The name change and new ticker symbol mark the official launch of the new global leader in laser and light-based technology for aesthetic, surgical and ophthalmic applications," said Yacha Sutton, president and CEO.

MEDICAL/SURGICAL LASER UPDATE -- October 2001

9/18 Cardiac patients who have received carbon dioxide (CO_2) Transmyocardial Revascularization (TMR) using **PLC Systems'** Heart Laser are experiencing excellent long-term clinical benefits. The angina relief benefits are sustained for five years and beyond after the CO_2 revascularization therapy, according to data from a multi-center, long-term study on the efficacy of CO_2 revascularization which was published in *Circulation*, the official journal of the *American Heart Association*.

"Angina relief from CO_2 revascularization continues for five years and beyond," said Dr. Keith Horvath, lead author of the study and Assistant Professor of Surgery at Northwestern University Medical Center. "The CO_2 Heart Laser is the only TMR laser to demonstrate effective, sustained, long-term angina relief to severely debilitated heart patients. Additional studies have demonstrated that the CO_2 revascularization therapy promotes an angiogenic response, which is the foundation for the long-term clinical benefits. These results are directly attributable to the favorable interaction between the CO_2 laser and the tissue of the heart."

"Publishing the five-year angina relief data represents a clinical milestone," stated PLC Systems' CEO and president Mark Tauscher. "PLC's CO_2 revascularization therapy is the first and only TMR laser therapy to report and publish long-term angina relief results. We believe the long-term therapeutic benefits of CO_2 revascularization exclusively positions this TMR therapy as a standard of care for heart patients. PLC's CO_2 revascularization approach has improved the quality of life for thousands of patients suffering from debilitating angina; these long-term results confirm our belief that the CO_2 Heart Laser provides a superior technology for TMR."

9/24 **Lumenis Ltd.** announced it had received approval from the Japanese Ministry of Health, Labour and Welfare for importing its IPL systems into Japan. This approval, together with the approval received last quarter for the Nd:YAG laser of the VascuLight system significantly expands the market potential for Lumenis' aesthetic systems into the Japanese medical channel. "This approval is a major milestone in our penetration of the aesthetic medical market in Japan," said Yacha Sutton, president and CEO. "We have already found a significant market for our hair removal products among Japanese patients and customers in the non-medical channel. We will now be able to promote the entire range of IPL aesthetic products to the Japanese medical channel. Despite the recessionary environment there for the past few years, Japan is one of our fastest growing and profitable markets. This approval enables us to effectively sell our highest margin products into our highest margin geographic market."

Alon Maor, executive vice president, Aesthetic Business Unit, and, until recently, CEO of ESC's Asia operations commented, "The import approval opens several marketing vistas and opportunities for us in Japan especially in the growing market segments of the in-office and hospital medical communities. This includes, among others, phlebologists, vascular surgeons, dermatologists, cosmetic surgeons, gynecologists, and plastic surgeons. With the completion of the **Coherent Medical Group** acquisition at the end of April, and the successful merging of both companies' Japan operations, we are witnessing significant cross-selling benefits of our 33-strong sales force. We are also able to sell IPL systems to existing LightSheer customers, hospitals, and other physicians interested in expanding their aesthetic practices."

9/25 **Trimedyne** announced the appointment of **I.W. Miller Group Inc.**, as its financial public relations consultants. Miller Group's primary objective will be to educate the investment community and the public about Trimedyne's new medical technologies and unique laser rental strategy. Ira Miller, president of I.W. Miller Group said, "We are pleased to have been selected by Trimedyne to present its breakthrough laser technologies and exciting laser rental services to investment analysts, institutional investors and the public. Trimedyne's lasers are regarded the instrument of choice for fragmenting urinary stones in the bladder, ureter and kidney. In addition to their use in arthroscopy, Trimedyne's lasers and proprietary laser needles are being used worldwide by leading orthopedic surgeons in a revolutionary, new Endoscopic Laser Foraminoplasty or `ELF' procedure

to treat lower back pain due to herniated or ruptured lumbar discs on a minimally invasive, outpatient basis. Providing its lasers to hospitals and surgery centers on a `fee-per-case' basis makes it easy for them to perform the new procedures, without having to buy the laser."

10/1 **Palomar Medical Technologies** announced that it had started shipments of the Palomar EsteLux light-based hair removal systems at the end of the third quarter. The EsteLux is faster, more compact and affordable than other cosmetic devices for hair removal. Shipments were made domestically to doctors and internationally to both doctors and doctor-supervised spas/salons.

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

Dan Valente, chairman and CEO of Palomar, commented, "We are extremely pleased with our ability to produce a light-based hair removal device that is faster and half the cost of most light-based hair removal devices sold today. At the end of the third quarter, we started shipping the EsteLux system. These shipments begin to fill our backlog of orders. The Palomar EsteLux system continues our long tradition of excellence in research and development. The ease and simplicity of this system to both install and operate continues Palomar's commitment to innovation, and maintains our position as an industry and technology leader. This low cost platform adds another dimension to Palomar and can be tailored to additional exciting products in the future. The EsteLux system is a perfect complement to our Palomar SLP1000 system. The SLP1000 system is a very powerful and versatile laser that treats all skin types, including tanned skin for unwanted hair and also treats large and small leg veins using three hand pieces tailored to the treatments. The EsteLux system is a low-price hair removal workhorse with a fast treatment mode. The combination is perfect for many physician practices and could expand the market for hair removal. The extensive benefits of the EsteLux system will provide additional revenue streams with good margins due to the thriftiness of the instrument and ease of operation to aesthetic practices. Our extensive research programs are coming to fruition as we continue our introduction of a series of new products during the year 2001, including the Palomar Q-YAG 5 laser system for tattoo and pigmented

lesion removal. We have added and continue to add trained sales personnel and distributors, giving Palomar access to world markets."

10/1 **Lumenis Ltd.** announced that based on preliminary shipment information, performance for the third quarter ended September 30, 2001 should be in line with the $90 million net revenue estimate of the September 20, 2001 investor conference call. Yacha Sutton, president and CEO of Lumenis, commented, "We are pleased that the organization appears to have achieved its financial goals, even those set earlier this year. I am especially heartened because revenue flow in the last three weeks of the quarter remained at its normal pace. Moreover, the third quarter is traditionally a weaker one, relying most heavily on US sales, during the slower European summer months. We remain confident in the continued global demand for our products and are optimistic that this trend will continue as we enter the fourth quarter."

10/4 **BIOLASE Technology, Inc.** reported an increase of 114% in sales for the three months ended September 30, 2001. Sales were $4.7 million, an increase of $2.5 million over sales of $2.2 million for the same period in 2000. These record sales for the third quarter were the highest ever in the company's history. The previous record was $4.3 million set in the second quarter of 2001. BIOLASE also reported record year-to-date sales for the nine month period of $12.1 million, an increase of $6.1 million or 103%, over its previous record of $6 million for the comparable period in 2000. BIOLASE's full report will be released during the third week of October.

Jeffrey Jones, BIOLASE CEO and president, commented, "We are very pleased with our sales results for the third quarter. Orders and sales growth continued throughout September in spite of the tragic events of September 11 and the cancellation of two important sales events for BIOLASE. The *California Dental Association's Scientific Fall Session/San Francisco* and the *genR8Tnext meeting/Las Vegas*, both scheduled for 13-16 September, were canceled as a result of the terrorist attacks. We anticipated significant sales from both of these meetings. Our strong sales are a testament to the strength of our technology, a growing acceptance by the dental community and our dedicated sales force. After September 11, our sales force remained focused, quickly scheduled Ad Hoc seminars to make up for the meeting cancellations and delivered our best quarter ever. We are entering the fourth quarter with a significant backlog and the most productive months of the year yet to come. We remain extremely positive for the remainder of 2001 and we are highly confident in strong growth for the company for several years to come."

10/5 **Candela Corporation** announced that it intends to terminate its relationship with **Physician Sales & Service, Inc., (PSS)** a division of **PSS World Medical, Inc.** as of October 2, 2002. Under the terms of its distribution agreement, PSS had the exclusive right to market most of Candela's lines of advanced aesthetic and medical laser systems to medical practitioners outside of Candela's core customer base of dermatologists, plastic

surgeons and ear, nose & throat specialists. The agreement provided that it may be terminated by either party upon one year's notice. Candela also notified PSS that it is in default of certain of its obligations under the agreement, which if not remedied, could lead to the termination of the agreement prior to October 2, 2002. The significant fluctuation in the level of PSS's quarterly purchases from Candela under the distribution agreement were a key factor in Candela's decision to terminate. As a result of the termination, Candela expects to hire additional direct sales professionals to service the segment of Candela's market previously addressed through its distribution agreement with PSS.

10/5 **PhotoMedex, Inc.** announced preliminary sales results for the recently completed quarter. The company's sales for the quarter ending September 30, 2001 will be approximately $803,000. Jeff O'Donnell, president and CEO, commented, "Insurance reimbursement continues to expand rapidly. Patient response to our marketing programs is strong and gives clear evidence that revenue will ramp aggressively with broader reimbursement. The company is focused on achieving widespread reimbursement and expects to achieve this soon. We have successfully completed all necessary clinical follow up and the results are now being submitted for publication to appropriate peer review journals. We consider this the last hurdle to private payer reimbursement. The nearly 4,000 XTRAC procedures in the current quarter reflect the seasonality of vacation travel of doctors and patients during this period. Also, we delayed several international laser units designated for shipment in the last week of the quarter pending completion of our previous announced financing. Closing of this financing was temporarily delayed due to the world events of the last several weeks. In response to the reimbursement timetable announced on our last conference call, the company has optimized the sales force by consolidating territories and reducing staff to match the resources currently required. In addition, the company has decided not to further increase the level of domestic laser placements for now, but rather focus on making the highest and best use of the existing 154 units in the field. As the visibility for broader reimbursement occurs, the company will respond with expanding the sales force and increasing the investment in domestic placements. The company plans to announce its third quarter results on October 25, 2001."

10/8 **WaveLight Laser Technologie AG** said that the expansion of its aesthetics division continues at an energetic pace with the acquisition of the medical-laser unit of **Baasel Lasertechnik GmbH & Co. KG**, a company which is majority owned by **ROFIN SINAR Technologies Inc.** The acquisition was completed on October 5, 2001. The medical-laser unit of Carl Baasel Lasertechnik develops, produces and sells laser systems for application in the area of aesthetic surgery. With the takeover, WaveLight strengthens its comprehensive supplier strategy at its aesthetics division. For one, the move decisively expands the aesthetics division’s product portfolio and the sales base. For another, the integration of the new medical-laser unit can be expected to generate numerous synergistic effects at WaveLight Laser. The new medical-laser unit thereby also supports the dynamic growth of the entire WaveLight corporation.

"The takeover represents the achievement of a crucial benchmark for us, not only for the aesthetics division, but also for whole WaveLight corporation," said Max Reindl, CEO at WaveLight Laser Technologie AG. "This is an important step for both companies," said Carl Baasel, founder and managing director of Carl Baasel Lasertechnik, with regard to the sale of the company unit. "The medical laser activities will be optimally integrated within existing structures at WaveLight Laser Technologie AG. The move offers both companies an opportunity to sharply improve their market performance."

As early as July of this year, the executive committees at WaveLight Laser Technologie AG and ROFIN-SINAR Technologies Inc. signed a letter of intent outlining their basic agreement on WaveLight's acquisition of the medical-laser unit. According to a WaveLight spokesperson, the integration of the new corporate unit will be completed by the end of the calendar year at the latest, with the current location of the medical-laser unit remaining the same.

10/10 **Laser Rejuvenation Clinics Ltd.** announced it had opened a second LRC location in Calgary in conjunction with **Dermatology Associates Inc.** located in the Market Mall Professional Building, Calgary, Alberta. This Agreement will allow LRC to establish a satellite location wherein LRC will provide management services for all cosmetic deinsured (sic) services through an entity known as Laser Rejuvenation Clinics-Market Mall. Laser Rejuvenation Clinics Ltd. is a provider of various cosmetic services, procedures and products in Toronto, Oakville, Winnipeg, and Calgary.

10/10 **Diomed** recently introduced its unique Diode Laser System for EndoVenous Laser Treatment (EVLT) of varicose veins at the international phlebology congress in Rome. EVLT, which is a minimally invasive alternative to surgical `stripping' of leg veins, can be performed as an in-office procedure under local anaesthesia with virtually no post-operative recovery time for the patient. By contrast, surgical stripping of veins is a major surgery, which requires general anesthesia and hospitalization. The EVLT technique was developed by Robert Min, MD in conjunction with Diomed over the past two years. Dr. Min, who is a vascular surgeon and faculty member at Cornell University, has treated hundreds of patients at his New York City practice. His summary clinical data, which was presented at the phlebology conference in Rome, showed that 93% of varicose veins treated with EVLT remained closed at 12 months. Results from clinical studies performed by several other EVLT researchers were also presented in Rome. Long-term closure ranged from 85% to 95%. Diomed has obtained European CE Mark approval to market the EVLT system, which includes a proprietary per-procedure kit. In addition, this company filed a 510(k) application with the FDA.

According to market data published by **Medical Insight, Inc.**, EVLT has the potential to replace a significant percentage of the large volume of vein stripping procedures performed by vascular surgeons each year worldwide. In addition, this high-tech laser approach could attract tens of thousands of new patients that are suffering from varicose

veins, but are avoiding surgical treatment due to the trauma, risk and expense of vein stripping. "Based on the current high-volume vein stripping market, I project that EVLT will generate at least $600 million in annual procedure revenues for practices once it is approved by the FDA," commented Medical Insight president Michael Moretti. "From the equipment supplier's standpoint, this is a very attractive market. A disposable procedure kit is required, and the market size could conservatively support over two thousand laser systems." "Diomed has taken a unique approach to commercializing EVLT," commented Wade Fox, vice-president of sales and marketing for the company. "Through our Consultative Partnership program, we bring customers a clinically oriented approach to solving a medical need -- rather than just a laser box and a fiber. As an example, Diomed recently organized an extensive clinical training session in London for its international EVLT customers."

10/10 **DUSA Pharmaceuticals, Inc.** announced the initiation of the company's second Phase I/II clinical trial for the treatment of Barrett's Esophagus (BE) using Levulan (ALA, or aminolevulinic acid) photodynamic therapy (PDT). Both studies are being performed at a single U. S. site. The studies are being carried out in order to examine the safety and efficacy of Levulan PDT in the treatment of early-stage and late-stage BE. As previously reported (April 2001), DUSA has also been supporting an independent investigator clinical study for this indication at the University of Sheffield, England. In that double-blind, controlled, randomized clinical trial, 25 patients with low grade dysplastic BE have been treated with oral Levulan and PDT, and are being followed for 24 months. This same group of investigators has already published positive results from an earlier study in the treatment of this disease (see reference below). There have also been multiple reports from other independent studies in the literature demonstrating the potential of ALA PDT in the treatment of this condition.

Stuart Marcus, MD, DUSA's CSO, stated, "Published studies have reported a significant and prolonged effect of ALA PDT on BE of various stages, with no scarring reported in any studies, presumably because of the selective effect of this approach on the esophageal lining, where BE occurs. We are excited to have now initiated two separate DUSA-sponsored studies on Levulan PDT for early and late-stage BE, and hope to use the results of these studies to advance the development of our therapy for this important, pre-cancerous, and currently medically untreatable disease."

DUSA's clinical trials are designed to examine various doses of light with the goal of determining the optimal dose for Levulan PDT in the treatment of this disease. In the clinical trial on early-stage BE, which was initiated in July, a total of at least 36 patients with BE, with or without low-grade dysplasia, are being enrolled and will receive a fixed dose of Levulan orally. Four to six hours later, the areas of BE will be exposed to various doses of red laser light delivered through a clear balloon catheter. Patients may be retreated after 1 month if necessary, and will be followed for 24 months after the initial treatment. The goal of the study is to eliminate the areas of BE, resulting in the re-growth

of the normal esophageal lining. In the second clinical trial on late-stage BE, a total of at least 20 patients with BE and high-grade dysplasia will be enrolled. They will also receive a fixed dose of Levulan orally, and four to six hours later, the area of BE will be exposed to various doses of red laser light delivered through a clear balloon catheter. Patients may be retreated after each of the first 2 months, if necessary, and will be followed for 24 months after the initial treatment. The primary goal of this study is to test the ability of our product to remove areas of high-grade dysplasia in BE patients. The original University of Sheffield paper, published in the journal *Gut* (Volume 47, pages 612-617 (2000)), is titled "Photodynamic therapy for dysplastic Barrett's esophagus: a prospective, double blind, randomized, placebo controlled trial," by R Ackroyd, N J Brown, MF Davis, T J Stephenson, S L Marcus, C J Stoddard, A G Johnson, and M W R Reed.

As part of DUSA's investor presentation at the **UBS Warburg Global Life Sciences Conference** in New York City. Dr. Geoffrey Shulman updated investors on the current status, pipeline progress and the company's value creation strategy. He also noted that the total number of BLU-U units in use as of September 30, 2001 was 238, and the total number of Kerastick units sold to medical doctors during the quarter ended September 30, 2001 was 1,638. He also reported that the company expected to incur an operating loss in the range of $6 million to $7 million for the fiscal year ending December 31, 2001, in line with previous expectations.

10/10 According to *The Boston Globe*, **Candela Corporation** received an FDA warning letter on September 19th concerning promotional materials that appeared on the company's website and in advertisements for its Smoothbeam product, approved for "incision, excision, ablation and vaporization with hemostasis of soft tissue." Apparently, the company had been advertising/implying that Smoothbeam could also be used for "cosmetic purposes, for skin renewal and/or rejuvenation, or for stimulating collagen remodeling or deposition", which have not yet been approved. According to a Candela officer, the company had received an FDA letter last April about its website, and promptly removed photos that the FDA said "implied" wrinkle reduction. In response to another letter in June, it removed references to "skin renewal". But it wasn't until the September 19th warning letter that it found out about the journal advertisement and references on its website to press releases issued the prior March and April. The company has now purged its web pages of any references to skin renewal and/or rejuvenation, and apologized for the journal advertisement. The FDA has responded that the company's corrective actions are acceptable. The company plans to file for these applications for Smoothbeam and expects to receive marketing approval sometime in the future.

10/10 **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 1 million 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.

10/11 **American Medical Technologies** announced that it had received 510(k) FDA clearance to market its new CaviLase Erbium:YAG hard tissue dental laser. "We think this is great news for the company and for dentists. Hard tissue lasers have come of age, and we believe that we have the best product available," said Ben Gallant, chairman and CEO. "Our new CaviLase represents the best all-purpose laser for dentistry with breakthrough technology for ease of use and patient comfort. It is also the first affordable hard tissue laser. For most dentists, spending $40,000 or nearly $50,000 for the lasers currently on the market is out of the question."

The CaviLase Erbium:YAG Dental Laser is cleared for all classes of cavity preparations and most treatments can be done without anesthesia. The CaviLase uses advanced variable pulsewidth technology to produce long pulses for hard tissue, and short pulses, with acknowledged benefits, for soft tissue. This technology also allows the CaviLase to have double the pulse rate of existing erbium units for smoother, better soft tissue cutting. Powerful handpiece illumination, common to air driven dental handpieces, is available on the CaviLase -- a first for dental lasers. Six user adjustable pre-sets give the dentist full control of energy/pulse, pulse rate, and water and air setting.

"Sales of hard tissue lasers have been increasing rapidly, and we like our prospects with the CaviLase very much," said Gallant. "We will have significant benefits over any unit on the market for hard tissue; we have breakthrough technology for soft tissue; and we will have the most affordable price! We think this is what a lot of dentists have been waiting for." The company expects to take orders for the CaviLase at the annual meeting of the *American Dental Association* in Kansas City, beginning October 13th; and shipments are expected to begin in November.

10/12 **Asclepion-Meditec AG** will present its new YellowStar laser system at the *EADV*, one of the most important European trade fairs for the Aesthetic division, to be held from October 10 to 15, 2001 in Munich. The new YellowStar, one of the most powerful "yellow-light" laser systems, has numerous innovative features. Chief among these is the new control system. All the treatment parameters can be controlled by means of a remote control unit. This makes it possible for the first time to carry out treatment at a distance from the laser system itself. This represents a significant increase in operating comfort for the physician. This system also makes using the YellowStar considerably more compact and flexible. The YellowStar works with yellow and green laser light which is especially effective in the pain-free removal of vascular and pigment lesions. These skin changes include portwine stains, unsightly blood vessels and senile lentigo.

The company is pressing ahead with intensive research to identify further, highly interesting applications for the YellowStar. This means that the YellowStar is already

excellently placed to meet the challenges of the future. Further Asclepion highlights at the EADV will include the new RubyStar and MeDioStar C systems. The main application of the RubyStar is tattoo removal -- an application with increasing future potential. The new RubyStar is 20% more powerful than its predecessor. This means both significantly shorter treatment times and greater treatment comfort for the user and patient.

Like the MeDioStar HC, the MeDioStar C is a high power, high frequency diode laser delivering large laser spots. The MeDioStar C allows doctors and clinics with normal numbers of patients to make a low-cost entry into the field of professional hair removal. And the success of the MeDioStar C is virtually pre-programmed: as patient numbers grow, clinics can upgrade to the high-end model, the MeDioStar HC.

10/15 **Lumenis Ltd.** announced the introduction of a new 20 Watt holmium laser, putting the finishing touches on its broad line of versatile VersaPulse PowerSuite holmium and dual wavelength lasers used for a wide range of surgical applications. The 20 Watt system offers surgeons a superior and more economical surgical tool for lithotripsy procedures, which are used to treat patients with stone disease and other urological disorders. Stone disease is a common condition affecting 10% of men and 3% of women worldwide, and has a significant recurrence rate of up to 50%. The new 20 Watt system will be distributed throughout the United States through Lumenis' distribution agreement with **Boston Scientific** and is expected to be available worldwide by the end of 2001.

"The VersaPulse PowerSuite 20 Watt laser offers the same advanced technology and user-friendly features as our higher powered lasers, but with new and innovative features which will enable surgeons a more precise and economically efficient tool to treat patients with urological disorders," said Yacha Sutton, president and CEO of Lumenis Ltd. "This new laser incorporates several design and technological innovations which should enable us to reduce manufacturing costs by 40% over the existing 30 Watt laser, which will be discontinued. This is part of a company-wide effort to improve manufacturing efficiencies."

10/15 More than 6000 people in the field of plastic surgery will meet in Orlando for the 70th Annual Scientific Meeting of the *American Society of Plastic Surgeons (ASPS)*, to be held November 3-7 at the Orange County Convention Center. "The ASPS Annual Meeting brings together the leaders in cosmetic and reconstructive surgery from across the globe," said Walter Erhardt, Jr., MD, and ASPS president. "These experts offer their knowledge, new techniques and research findings to all attendees to broaden their understanding of cosmetic and reconstructive surgery as well as better enable them to care for their patients."

All aspects of plastic surgery will be addressed including, cosmetic (eyelid surgery, face lifts, tummy tucks, liposuction), breast surgery (augmentation, reduction, and

reconstruction), cranio/maxillofacial/cleft lip and palate, hand surgery, microsurgery, and general reconstruction.

10/17 **Miravant Medical Technologies** filed with the SEC to periodically sell up to $25 million in common stock. The company plans to use the proceeds to develop new products for ophthalmology, dermatology, heart disease, and oncology. Under a 2001 credit agreement with **Pharmacia Corporation**, 50% of the net proceeds may have to be applied toward Miravant's outstanding borrowings unless a waiver is received from Pharmacia.

10/17 Speaking at the *American Academy of Dermatology's Derm Update 2001* in New York City, dermatologist Roy Geronemus, MD, Clinical Professor of Dermatology, Department of Dermatology, New York University Medical Center, discussed the latest advances in laser treatments for dermatology. "With no post treatment downtime, the use of lasers to remove scars, reduce redness and birthmarks, as well as perform cosmetic procedures, can significantly improve the quality of life for many patients," said Dr. Geronemus.

Lasers for Skin Trauma

When traumatic injury occurs to the skin, especially from events like the recent tragedies in New York and Washington DC, there may be a resulting scar from an abrasion or imbedded foreign materials. Although a scar is a sign of the body's natural healing process, the larger the surface area affected, the greater the chance of a noticeable scar.

"Scars received during trauma are a constant and painful reminder of the event, particularly something of the magnitude of what happened in New York and Washington DC," said Dr. Geronemus. "Scars of these types can have both physical and psychological effects on a person's well being, but dermatologists are using the latest laser therapies to eliminate foreign bodies and fade or remove scars. "The treatment of scars with lasers involves the use of different lasers depending on the characteristics of the scar. Scars with uneven surfaces, such as bumps or ridges, can be smoothed using the Erbium:YAG laser. This laser treatment vaporizes the elevations of the scar and flattens them to produce a smoother surface. Younger individuals who do not have any visible signs of sun damage, such as wrinkles, pigment spots or broken blood vessels, may require treatment only on the scar without treatment of the surrounding skin. Individuals with mature or aging skin may require laser treatment over the scar as well as the surrounding area to create a more even blending with natural pigmentation.The pulsed dye laser has been demonstrated to minimize the red color and thickness of some scars. Various Q-switched lasers can also lighten the dark color of scars.Some scars will require a combination of both lasers. Other scar treatments may combine laser surgery with plastic surgery and other medical treatments to achieve the best overall results."

Lasers and Birthmarks

Lasers are not only being used for scar removal. Modifications of laser technology are allowing for more effective treatment of birthmarks that affect infants and children.

"Birthmarks that were once considered disfiguring and disabling are now easily treated, greatly improving the quality of life for children," said Dr. Geronemus. There are several types of birthmarks that respond successfully to laser treatment. Hemangiomas are common vascular lesions that enlarge by rapid cell growth and appear within the first few weeks of life. Superficial ("capillary") hemangiomas respond best to pulsed dye laser therapy. Because superficial hemangiomas are usually small in diameter, treatment results are generally quick, within two to four treatments, and simple, with anesthesia seldom required. Port-wine stains are congenital vascular malformations which occur primarily on the face and neck. The use of the pulsed dye laser to treat port-wine stains can produce remarkable lightening with a low risk of side effects. While multiple laser treatments are needed for significant lightening, clearing also depends on the location of the birthmark on the face and neck. Facial port-wine stains respond best, while neck lesions slightly less well, and those on the trunk and extremities respond the least favorably to laser therapy. "What's exciting about laser removal of birthmarks is that better results can be achieved in fewer treatment sessions, lessening the anxiety of parents and children affected by large, noticeable birthmarks," said Dr. Geronemus.

Lasers for Hair Removal

Recent improvements in the understanding of laser-skin interactions and advances in laser technology have afforded the development of new cosmetic procedures, including laser hair removal.One of the most important developments in hair removal is the ability to treat ethnic skin. New longer wavelength lasers, like the diode laser, Nd:YAG laser and intense light and laser therapy, penetrate the skin, targeting the treatment area, without damaging or competing with the additional melanin in ethnic skin.

"The use of laser hair removal to treat ethnic skin benefits those who live with one of the many diseases of the hair follicle that could not previously be treated by laser," stated Dr. Geronemus. "These conditions, including pseudofolliculitis barbae, were often treated with oral or topical antibiotics that did not get to the `root' of the problem -- the hair follicle and ingrown hairs. Laser hair removal has also seen a recent surge in popularity among men, who are now taking advantage of laser hair removal with much success. Because lasers enable the treatment of large surface areas in a short time span, many men find laser hair removal an excellent alternative for chest, shoulders and back hair. Many men prefer laser hair removal over shaving, waxing or tweezing, especially for hard to reach areas like the ears, nostrils, fingers and toes," said Dr. Geronemus. "The results last longer, without the pain and aggravation of conventional hair removal methods." As with any medical procedure or treatment, Dr. Geronemus reminds patients to seek out a qualified dermatologist because they have the medical training and skill to treat skin, hair and nail conditions, and perform laser procedures. "Receiving laser treatment from a

dermatologist can minimize complications and ensure proper post-treatment follow-up," said Dr. Geronemus. "Patients should also remember to seek help early if they are concerned about their appearance, have a skin condition that is making them self-conscious or have a mole or lesion that seems to be changing over time."

Another speaker at the conference, dermatologist Neil Sadick, MD, Clinical Professor of Dermatology, Cornell University Medical College, New York, discussed the latest non-invasive treatment options available for patients with varicose and spider veins.

Varicose Veins

Varicose veins are abnormally swollen or enlarged blood vessels caused by a weakening in the vein's wall, which often leads to pain and swelling in the leg. Varicose veins occur from the backward flow of blood in the legs caused by damaged or diseased valves in the veins. In the past, when the largest superficial veins were involved, the only alternative was surgery with stripping of the defective vein, a procedure that involves making an incision in the skin and either tying off or removing the blood vessel. A new procedure to treat varicose veins called the Radio Frequency Closure technique, commonly referred to as the Closure technique, involves inserting a small tube called a catheter into the defective vein through a small puncture. An early pioneer of this technique, Dr. Sadick explains that a catheter delivers radio frequency energy to the vein wall, causing the vein to shrink and seal shut. Once the diseased vein is closed, neighboring healthy veins take over to restore normal outflow of venous blood from the legs. As normal blood flow returns, symptoms are typically reduced. "The Closure technique is truly a revolutionary way to treat varicose veins because patients do not feel any pain either during the procedure or post-operative, and they can return to their daily activities immediately," said Dr. Sadick. A single treatment lasting 45 to 60 minutes can eliminate the most common leakage point of varicose veins using tumescent anesthesia. The procedure is virtually pain free.

Another new procedure to treat varicose veins that has been studied over the past two years is the endovascular laser procedure. Unlike traditional laser procedures where the laser beam "zaps" the skin through the laser itself with long or short pulses of light, the endovascular laser procedure uses a diode laser wire or fiber that is inserted directly into the vein. The laser fiber physically penetrates the skin to deliver the laser energy directly into the vein. The energy transmitted from the laser heats the varicose vein, causing it to be destroyed. The entire procedure takes approximately 30 to 60 minutes and side effects are minimal with the exception of some post-operative bruising. While patients can return to work the next day, a support stocking must be worn for 10 to 14 days following the procedure. "Although only about a dozen dermatologists across the country are performing the endovascular laser procedure, I expect that it will become a viable treatment option for patients with varicose veins in the next few years," added Dr. Sadick. "It's a quick, relatively painless procedure and initial studies have been very promising."

Spider Veins

Spider veins are dilated small blood vessels located close to the surface of the skin that have a red or bluish color. Although they can appear anywhere on the body, spider veins typically occur on the legs and face. Until recently, lasers were used primarily for facial veins, which are small, superficial and red. The legs have been difficult to treat with lasers because the skin is thicker and the blood vessels comprising the spider veins are deeper than those elsewhere on the body. In addition, patients with spider veins often tan their legs to help hide their condition -- which not only increases their risk of developing skin cancer, but makes it harder to treat with lasers. In the past, most lasers could not penetrate through a tan or naturally pigmented skin since the darker color absorbs most of the laser energy and can burn the skin. But now a new laser, the Nd:YAG 1064 nm, uses wavelengths just beyond visible light to penetrate the skin without heating the pigment, thereby reducing the risk of burning or injury to the skin. This makes the 1064 nm laser much safer for Asian, African-American, Middle Eastern and tanned skin. Typically, two to five laser treatments are required to remove the spider veins completely depending on the severity and density of the veins. Each session lasts approximately 15 minutes, and the treatment feels like the pinch or snap of a rubber band. Cooling devices are another important improvement in lasers used to treat spider veins that aids in protecting the skin and makes the procedure less painful. After the laser pulse is administered to the vein, the cooling device is sprayed to reduce heat injury as the vein "cools down." "Patients with spider veins have more options than ever before in treating this previously hard-to-treat condition," said Dr. Sadick. "What's particularly appealing with laser treatment for spider veins is that there is virtually no downtime and patients can go back to work immediately following the procedure. I think we can continue to expect even more advances in treating spider veins, making patients more confident about their options and outcomes."

10/17 **The Spectranetics Corporation** reported revenue of $7.2 million in the third quarter of 2001, up 13% from $6.4 million in the third quarter of 2000 and the second highest quarterly revenue amount in the company's history. A strong gross margin percentage at 70% of sales combined with improved operating efficiency contributed to net profit of $522,000 (2 cents per share) compared with a net loss of $4.6 million (20 cents per share) in the third quarter of 2000. Excluding a $3.7 million litigation settlement charge, the loss in the third quarter of 2000 was $990,000 (4 cents per share).
Revenue totaled $7.2 million, up 13% from $6.4 million in the third quarter of 2000. The revenue increase was across the board with higher equipment, disposable products and service revenue compared with the prior-year quarter. Laser revenue was up 67% compared with the prior-year quarter despite the fact that four net new lasers were placed in the third quarter of 2001 compared with 16 in the prior-year quarter. Higher laser revenue reflected more outright sales of newly placed laser units as well as higher rental income. Revenue from disposable products was up 6% compared with the year-ago quarter, comprised of a 27% increase in lead removal products, partially offset by a 10%

decline in coronary angioplasty products reflecting a decline in elective surgical procedures immediately following the September 11 tragedies. Service revenue was up 8% in the quarter due to a larger base of installed lasers.

Joseph Largey, president and CEO of Spectranetics, commented, "We are pleased to have been able to deliver revenue growth and heightened profitability this quarter despite the disruption to our business caused by the tragedies of September 11 and their aftermath. Our sales momentum was particularly strong prior to mid September, then dropped off significantly, and is now beginning to recover. We were fortunate that no Spectranetics employees or family members lost their life in these incidents, and our hearts go out to the people of New York City, Washington, DC, and around the world for their incredible courage. In addition to building on the momentum in our existing business, our highest priority continues to be accelerating our two clinical trials to treat circulatory problems in the legs. We expect to complete enrollment in our PELA trial, which deals with the upper leg, before the end of this year. We continue to expect to complete enrollment in LACI, our lower leg trial, by April of next year. These trials, which remain on target to receive FDA approval in 2003, are important to Spectranetics because competition is still quite limited for these applications and the market opportunity is large -- about $400-600 million per year."

Paul Samek, Spectranetics' CFO, added, "We continue to expect profitability and good revenue growth in the fourth quarter compared with the prior year. This will allow Spectranetics to report profit for the year as a whole. However, because we are not sure if the September 11 fallout will continue to affect us in the fourth quarter, Spectranetics' revenue growth for the year may not approach 10%, which had been our prior expectation. Despite the upcoming payment of $1.7 million in the fourth quarter for a patent settlement dating back to September of 2000, we expect to end the year with approximately $12 million of cash and investment securities, reflecting cash flow from operations of more than $2 million in 2001."

The company announced that it had received FDA approval to market its excimer laser coronary catheters for use within stents (thin steel mesh tubes used to support the walls of coronary arteries) prior to brachytherapy (radiation therapy used to prevent the re-narrowing of clogged stents). Spectranetics is the only company in the United States with FDA approval to market its coronary product line for debulking stents within this indication. It is estimated that more than 100,000 coronary procedures per year in the United States are performed on restenosed (clogged) stents for which brachytherapy is an appropriate treatment.

Joseph Largey, commented, "In-stent brachytherapy is a hot new market with two companies already allowed to market their brachytherapy products in the United States, and two seeking FDA approval. Brachytherapy regimens require pretreatment inside the stent before applying radiation, and Spectranetics is now the only company with specific

FDA authorization to market its products for this purpose. To get this approval, Spectranetics demonstrated with clinical and bench data that excimer laser energy is safe and effective within stainless steel stents -- that it is tolerated well by patients and does not damage stents structurally, does not generate excessive particulate matter, and does not cause an excessive temperature increase within stents. We plan to aggressively pursue this market, which we estimate at up to $50 million per year."

The company also announced that it had received regulatory approval from the Japanese Ministry of Health and Welfare to market Spectranetics' laser and various sizes of its Extreme and Vitesse C coronary catheters in Japan. Spectranetics worked with its Japanese distributor, **Heiwa Bussan Co., Ltd.**, to obtain the Japanese regulatory approval. Joseph Largey, commented, "This approval has great significance for Spectranetics because the Japanese market for interventional cardiology is the third largest in the world after the United States and Europe. Incremental sales to Japan began immediately after we received notification of our approval, since a few doctors in Japan have already been well trained on our equipment and were anxiously awaiting availability of our products. However, we won't be able to aggressively sell Spectranetics products into Japan until reimbursement approvals are received, which should take about a year."

10/18 **BIOLASE Technology Inc.** reported steady and strong increases in sales and gross margins. As a result, the bottom line improved correspondingly and profitability was achieved ahead of schedule. Net income for the third quarter ended September 30, 2001 was $102,000 (1 cent per share) compared with the prior year same period net loss of $1.2 million (6 cents per share). Sales for the quarter were $4.7 million, up 114% compared with the prior year same period sales of $2.2 million.

For the nine month period, the company's bottom line improved dramatically with the net loss narrowing to $818,000 (4 cents per share) compared to a net loss of $3.1 million (16 cents per share). Sales for the nine months were $12.1 million compared to sales of $6.0 million for the same period last year, an increase of 102%. Gross margins for the nine months were $7.2 million compared to $2.6 million, an increase of $4.6 million or 177% over the comparable period last year. Jeffrey Jones, BIOLASE CEO and president, commented, "We had forecast reaching profitability by the fourth quarter. We are very gratified to have achieved this milestone ahead of plan. BIOLASE remains positioned for dynamic growth despite global economic concerns. We expect demand for dental laser technology to continue to grow as professionals become increasingly aware of and attracted to the numerous revenue and clinical benefits that our technology offers."

Keith Bateman, vice president of Global Sales commented, "While demand for our Waterlase hard tissue laser remained very strong, sales of the recently introduced LaserSmile cosmetic tooth whitening system also made a significant contribution to sales. Used in conjunction with the TwiLite Soft Tissue Laser, the cosmetic procedure offers dentists a profitable new source of revenue. The market for dental lasers is potentially

larger than any other medical laser market, and the market for cosmetic procedures is expected to increase proportionately with the aging of the youth-conscious baby-boom generation. BIOLASE, due to its ongoing research and development, is well-positioned to capitalize on the growth in each of these areas."

10/18 **Laserscope** reported a net loss of $641,000 (4 cents per share) for the quarter ended September 30, 2001. The results for the same quarter in 2000 were a net income of $505,000 (3 cents per share). Year to date, Laserscope reported a loss of $949,000 (6 cents per share), compared to year to date net income of $456,000 (3 cents per share) in 2000. Revenues for the quarter were $8.0 million compared to $9.3 million in the third quarter a year ago. Year to date 2001, revenues were $25.5 million compared to $27.1 million in the same period in 2000. "We are very disappointed about our financial results for the third quarter," said Eric Reuter, Laserscope president and CEO. "The decline in revenue and net income compared to the second quarter of this year is indicative of seasonal declines in the European market compounded by the market uncertainty created by the economic and political climate in the United States and the Middle East. In response to these and other factors, we are making some important changes in several strategic areas to regain our momentum. First, we will further leverage our relationship with **McKesson/HBOC** for our aesthetic product line in the U.S."

"We continue to see opportunity for our products, especially in the so-called `non-traditional' physician market where many physicians have had their practice revenues dramatically reduced by Managed Care and are looking for ways to grow their businesses doing fee-for-service cosmetic procedures. The McKesson sales organization is very supportive of our product line and the market potential. While we lost momentum during the third quarter in the US, we believe that it can be regained. Second, we will begin shipping our Niagara system for the treatment of Benign Prostatic Hyperplasia (BPH) this quarter. We received clearance by the F.D.A. to market the product earlier this year and ongoing clinical work that is being done reaffirms our belief that this treatment modality will become recognized as the `standard of care' for the treatment of BPH. As part of our launch strategy, we are currently evaluating opportunities to establish a strategic alliance or distribution relationship with a corporate partner that has a strong sales and marketing presence in the urology marketplace. We expect to make a final decision regarding this strategy within the next two quarters."

"Finally," said Reuter, "we are expanding the distribution of our Lyra system for hair removal into Japan. We expect to sign on a distribution partner and to receive Japanese Ministry of Health, Labor and Welfare approval for the Lyra this quarter."

10/22 In a news release from **Medical Insight Inc.**, Michael Moretti commented on the aesthetic laser industry, while profiling **Lumenis** as the emerging "Aesthetic Industry Leader".

The successful merger of **Coherent Medical Group** with **ESC Medical Systems** in April of this year led to the formation of the largest supplier of aesthetic light-based systems in the world. Lumenis now has over $360 million of annual sales, with products in nearly every medical subspecialty. This company commands the largest installed base of light devices in the world. It also unites two companies that originally pioneered and developed the medical laser business. From a historical perspective, the Coherent/ESC merger represented the ultimate consolidation milestone in the medical laser industry. Lumenis is now focused on fulfilling its new mission statement: "To define a new category in healthcare based on the science of lasers and light and transform the future of life-enhancing technology."

Yacha Sutton, president and CEO of Lumenis, said, "Our goal is to be a potent force for innovation, and we are dedicated to the advancement of products that improve the quality of life for consumers around the globe." A major focus of Lumenis' product development efforts will be on elective, or private-pay procedures. "The lifestyle-driven applications of our products create a steady revenue stream for physicians without the restrictions of reimbursable procedures," explained Sutton. "We are dedicated to providing physicians with the tools to successfully expand and market their practice." He believes that light-based technology is well positioned to take the next step forward, and Lumenis intends to remain the market leader via these new products, services, and applications. "In just a few years, we'll be treating conditions that we can't even imagine today. Lumenis will bring that next great opportunity to life for physicians across multiple specialties and effectively complete the transition of laser and IPL products from niche segment use to the mainstream."

In many ways, Lumenis has already paved the way for an expanding role of light-based devices in healthcare and aesthetic treatments. The combined installed base of hair removal devices sold by ESC and Coherent is used to perform in excess of 1.5 million hair removal procedures each year. Thus, Lumenis' customers now use these systems to capitalize on one of the highest volume aesthetic applications that has ever existed.

According to a market study published by Medical Insight, Inc., nearly 5 million light-based hair removal treatments will be performed this year on a worldwide basis, generating $1.3 billion in fees for service providers. And Lumenis controls the largest market share in this industry segment via its installed base of LightSheer, Intense Pulsed Light (IPL), and other laser systems.

"We will continue to be the market leader in hair removal and other aesthetic applications," predicted Alon Maor, general manager and executive vice president of the Aesthetic Business Unit at Lumenis. "Our products will be unique and will always represent cutting-edge technology that gives our customers a competitive advantage. We won't offer me-too products because we want to bring additional value to our customers."

Maor proved these principles in practice as the president of ESC Japan in 1998 and was quickly promoted to manager of the company's entire Asia operations.

During that tenure, he increased sales to $38 million, representing 23% of total company sales. "Our success in Japan came from providing our customers the tools to expand their practices and gain significant, new revenue sources," noted Maor. "In addition to strong service and support of our aesthetic systems, we implemented various market development programs that directly increased patient volume for our customers. That's what is important to them. It's not enough to just sell them a system -- they need high procedure volume to benefit from adding these aesthetic systems to their practices."

With global responsibility for Lumenis' aesthetic business growth, Maor plans to execute strategic market development efforts in every major market of the world. "Each regional market is culturally unique and has its own set of regulations," said Maor. "Thus, we will customize our products and our market development programs to suit each area. But our goal of helping our customers maintain leadership in their individual geographic markets and profit from the use of our products remains universal."

In terms of light-based aesthetic devices, Lumenis now has a full range of technologies that combines the best products from both Coherent and ESC. The LightSheer family of 800 nm diode laser systems for hair removal is arguably the most popular light-based professional epilation device in the world at this time. With an installed base of well over 2,000 LightSheer customers, Lumenis controls the largest market share. Sales of LightSheer units exceeded $70 million last year, making this the strongest laser hair removal product line in the industry. And Lumenis introduced table-top size versions (LightSheer ET and ST) this year, giving customers the same features and power of the larger models, but in a compact unit.

ESC pioneered the use of intense pulsed light (IPL) technology for "photorejuvenation," and subsequently sold hundreds of these IPL systems over the past two years. Ongoing courses are held to teach the clinical and practice marketing techniques which allow IPL customers to capitalize on this technology. Physicians can address both facial complexion and smoothing with one system, rather than buying various lasers. The IPL Quantum SR model, which is the most successful system for facial rejuvenation applications, has effectively defined a new revenue center for aesthetic practices throughout the world.

For vascular treatments, including leg veins, Lumenis offers the VascuLight system which combines both IPL and YAG laser technologies into one box for a broad range of applications. This is undoubtedly the most sophisticated light-based system on the market, and high-volume practices prefer this model.

Lumenis plans to maintain a market leadership role via developing new technologies and applications. The latest example of this philosophy is embodied in a new product focused

on acne treatment. Named ClearLight, this high-intensity lamp-based system outputs light in the 407 - 420 nm range. This device which has been shipping to international sites for the past three months, is pending FDA approval in the U.S. (expected early next year). The wavelength and output parameters of ClearLight are designed to specifically kill the P. ACNE bacteria responsible for acne vulgaris, and clinical studies show similar efficacy to antibiotic and topical treatments with more than a 60% clearance rate after four weeks of treatment. International clinical studies have also shown that improvement in acne patients over time is faster than with the use of topicals or systemic drugs. Moreover, the ClearLight device offers a safety advantage for patients, versus the serious known side effects of drug therapies. And international ClearLight users report that patients are willing to pay cash for these high-tech light treatments. Thus, Lumenis has created another technology platform for aesthetic practices to generate incremental revenues while improving the lives of patients.

10/23 **BIOLASE Technology, Inc.** announced it had generated record sales orders totaling more than $1.4 million at the recent annual meeting of the *American Dental Association* held in Kansas City, MO from October 13-16. All time record sales orders were achieved in spite of the lowest attendance in many years, down about 60%, due to recent national tragedies, concerns about traveling and overall economic uncertainty. BIOLASE's previous record sales orders at a dental meeting were $1.25 million at the *California Dental Association* meeting in Anaheim, CA held in April 2001. According to Amanda Canto, DDS, Houston, TX, "BIOLASE was by far the most active booth at the ADA meeting. It is impressive to see dentists recognizing the superiority of the Waterlase and LaserSmile systems."

"We are firing on all cylinders," stated Jeffrey Jones, BIOLASE president and CEO. "Having just announced profitability a quarter ahead of schedule, our sales momentum continues to build as the fourth quarter progresses. Our backlog is substantial and building at an ever-faster rate, despite the challenging economic environment. Our successes in the market place clearly reflect the technological superiority of our products and our aggressive marketing approach. In the current quarter we expect BIOLASE to have a new record -- both in sales and profitability, and we look forward to the important *Greater New York Dental Society* meeting at the end of November."

10/24 **Trimedyne Inc.** reported sizable increases in revenues for the current quarter and year. For the quarter ended Sept. 30, 2001, revenues increased 104% to $2.2 million, over revenues of $1.1 million for the same quarter of the prior year. For the fiscal year ended Sept. 30, 2001, revenues increased 26% to $7.7 million, over revenues of $6.1 million for the prior fiscal year. Marvin Loeb, chairman of Trimedyne said, "The increase in Trimedyne's sales is due to growing recognition by physicians that Trimedyne's lasers and disposable fiber optic delivery systems are the best tools available for many minimally invasive procedures. In the urology field, our lasers can fragment kidney, bladder and other stones of any composition, color or hardness. In the orthopedic field,

our lasers are increasingly being employed in discectomy and endoscopic laser foraminoplasty procedures, which surgeons are using to treat herniated and ruptured lumbar discs on an outpatient basis, with the patient usually returning to normal (light) activities in a few days. Trimedyne's are the only lasers cleared for sale by the U.S. FDA for use in foraminoplasty procedures."

While the loss for the quarter ended Sept. 30, 2001 is expected to be sharply lower than the loss for the same quarter of the prior year, the loss for the fiscal year ended Sept. 30, 2001 is expected to exceed the loss for the prior fiscal year, due to a loss on an investment, separation benefits resulting from a reduction in staff and other costs. Complete, audited financial statements will be available in 6-8 weeks.

10/24 **PLC Systems** announced financial results for the quarter and nine months ended September 30, 2001. Third quarter total revenues were $2.4 million compared with $2.5 million in the third quarter of 2000. In January 2001, PLC signed an exclusive distribution agreement with **Edwards Lifesciences** to market PLC's CO_2 TMR technology. PLC's revenues in 2001 reflect the results of this new distribution channel for the company's products. The net loss of $988,000 (3 cents per share) for the third quarter of 2001 was 25% lower than the net loss of $1.3 million (6 cents per share) in the third quarter of 2000, as the company continued its ongoing efforts to reduce expenses and move toward profitability. The reduced net loss combined with improvements in operating cash flow enabled the company to reduce its cash burn to $550,000 in the third quarter. PLC ended the third quarter with cash and cash equivalents totaling approximately $5.8 million.

Total revenues for the nine month period were $7.3 million compared to total revenues of $7.9 million for the nine months ended September 30, 2000. Net loss for the nine months of 2001 was $3.3 million (11 cents per share) down $1.1 million 25%, when compared to a net loss of $4.4 million (19 cents per share) in the nine months ended September 30, 2000. "We are pleased with the progress that PLC made during the quarter," said Mark Tauscher, president and CEO of PLC Systems. "We believe our clinical leadership position in the TMR market continues to be a key differentiator from the competition. Even with the traditional summer lull in cardiac surgical procedures, domestic laser and kit shipments improved from a year ago."

During the third quarter of 2001, nine next-generation CO_2 Heart Lasers (HL2) and 307 disposable kits were shipped to United States customer accounts through Edwards. During the third quarter of 2000, PLC delivered eight first- generation CO_2 Heart Lasers (HL1) and 257 disposable kits to United States customer accounts. PLC ended the third quarter of 2001 with 98 CO_2 TMR heart lasers located at heart centers throughout the U.S., which includes 25 HL2 and 73 HL1 customer accounts.

Tauscher concluded, "I believe we are making great advancements in the introduction of our next-generation laser technology, the HL2. We have increased PLC's domestic laser base while also shifting the composition of HL1 and HL2 lasers within this base. As we started 2001, PLC had 82 HL1 lasers installed in the United States. During the first three quarters of 2001, with the support and strength of our partner, PLC has grown its U.S. laser base by 20%, for a total of 98 lasers. In addition to this expanded laser base, to date, there have been nine HL1 customers that have acquired the next- generation HL2. We believe this ratio of two new laser customers for every one laser upgrade is a well-balanced approach to the introduction of a next- generation technology."

10/24 **Candela Corporation** announced that revenues for its first fiscal quarter were $10.4 million versus $13.1 million for the same quarter one year earlier. For the quarter, the company reported a net loss of $1.2 million (11 cents per share) compared to a profit of $169,000 (2 cents per share) a year earlier. Gerard Puorro, Candela's president and CEO, said, "As a result of a large shortfall in sales into our North American distribution channel, we experienced a disappointing quarter. We have immediately put actions in place to correct this situation. These actions include the termination of our relationship with **Physician Sales & Service, Inc. (PSS)**, previously a distribution partner in our non-core North American markets. We also plan to increase our direct sales force by 50% over the next 60 days. We have promoted Dennis Herman to vice president of North American Sales, and we have appointed two new regional sales managers in the eastern and western regions of the United States. In addition, we have appointed Dave Davis as vice president of Global Marketing and Business Development."

"We are confident that these actions will have an immediate positive effect. We are encouraged by the FDA's clearance of our Clearbeam product for the treatment of periocular wrinkles. When we launch this product at year end, it will have clearance for several indications including psoriasis, rosacea, and the treatment of periocular wrinkles."

10/24 **SurgiLight** and **PhotoMedex** both announced that the lawsuit between them was voluntarily dismissed by PhotoMedex with no payment being made by either party in the settlement. The litigation narrowly focused on the alleged conveyance to SurgiLight of trade secrets by Timothy Shea, Surgilight's COO, while he was still employed by PhotoMedex. Although Shea admitted to working on SurgiLight's FDA 510(K) excimer laser application for the treatment of psoriasis while concurrently employed by PhotoMedex, the company and its counsel concluded the evidence was insufficient to justify the legal expense in proving its claims given the possible economic remedy. PhotoMedex has retained all of its rights and remedies against SurgiLight for patent infringement in the event that SurgiLight were to begin commercialization of its 308 nm excimer laser for psoriasis. According to the PhotoMedex's legal counsel, the evidence indicates that SurgiLight has not made any serious effort to enter into the dermatology market. Jeff O'Donnell, CEO and president of PhotoMedex, commented, "The

intellectual property and patent protection of the company is extremely strong and we will vigorously protect against any infringement to this portfolio. The discovery process in this narrowly defined litigation allowed us to achieve our longer term purpose. We believed it was prudent to halt further legal expenditures in pursuit of very limited economic rewards on this very specific matter."

Timothy Shea, senior vice president and COO of SurgiLight commented, "We are glad this case has finally come to an end. As we have stated in the past, these claims of obtaining trade secrets and passing them on to SurgiLight were baseless and had absolutely no merit." According to SurgiLight's legal counsel, there was never any evidence provided by PhotoMedex that would support the claims and allegations made against Shea or SurgiLight."

10/24 **PhotoMedex, Inc.** announced completion of a $5.3 million private financing through the sale of newly issued shares of Common Stock. The company intends to use the net proceeds from this private placement for working capital and general corporate purposes.

10/25 **Palomar Medical Technologies Inc.** announced financial results for the third quarter ended September 30, 2001. Revenues were $3.2 million for the quarter, compared with revenues of $4.0 million for the third quarter of 2000. Net loss for the quarter was $2.6 million (25 cents per share) as compared with net loss of $2.1 million (22 cents per share) for the corresponding quarter in 2000. Gross profit was $667,000, or 21% of revenues, for the third quarter ended September 30, 2001, as compared to $1.2 million, or 30% of revenues for the corresponding quarter in 2000.

For the nine month period, revenues were $12.9 million, compared with revenues of $9.5 million for the nine months of 2000. Net loss for the period was $5.1 million (50 cents per share) as compared with net loss of $6.4 million (66 cents per share) for the corresponding nine month period in 2000. Gross profit was $4.0 million, or 31% of revenues, as compared to $1.5 million, or 16% of revenues for the corresponding nine month period in 2000.

As announced earlier this month, Palomar started shipments of the Palomar EsteLux light-based hair removal systems at the end of the third quarter. The Palomar EsteLux is faster, more compact and affordable than other cosmetic devices for hair removal. Shipments were made domestically to doctors and internationally to both doctors and doctor- supervised spas/salons. Louis (Dan) Valente, chairman and CEO of Palomar, commented, "Overall, I am satisfied with the progress we have made during the year. Our research and development spending is starting to pay off with the recent introduction of two new products. Year to year, revenues have increased 36%, gross profit doubled and operating results improved 43% excluding a non-recurring gain of $3.1 million. I believe Palomar is in the best position to exploit the cosmetic device market. The use of light in cosmetic applications is a market that is in its infancy and will explode as our technology

opens new markets over the years to come. For the first time in Palomar's history, the company is selling four cosmetic laser/light based devices for hair, vascular, tattoo and pigmented lesion removal. Included in this mix is the new Palomar EsteLux pulsed-light system for hair removal, the new Palomar Q-YAG 5 laser system for tattoo and pigmented lesion removal, the Palomar SLP1000 system for hair removal and vascular treatments and the RD1200 for tattoo and pigmented lesion removal. It was exciting to see the "All Clear" package begin to ship. This package is comprised of the SLP1000 system for permanent hair reduction and vascular treatments and the EsteLux system for quick, affordable hair removal. Doctors can now offer their patients affordable cosmetic laser treatments for all hair and skin types. This family of products will help us increase our revenues and gross profit over the next few quarters."

10/25 **BIOLASE Technology, Inc.** announced it had obtained two new patents that further strengthen the technological advantages of its Waterlase technology. The new patents include one issued in the U.S. protecting unique aspects of the Waterlase and the other in Canada protecting the use of any suitable laser wavelength for treating bone and tooth tissue. The new U.S. apparatus patent is related to BIOLASE's Waterlase technology and has specific claims that define specific parameters that allow for precise and effective tissue cutting. This patent has a priority date of 1995 and contains 82 claims, of which three are independent.

The Canadian patent is based on Waterlase's ability for treating bone and tooth tissue. This patent has a priority date of 1990 and is very broad with claims not limited to specific wavelengths. This is BIOLASE's second patent granted in Canada -- the first was related to the same technology using lasers with water with claims specific to certain laser wavelengths. Ioana Riziou, vice president of Clinical Development, commented, "Both of these patents are very strong and, in conjunction with our growing patent portfolio, will provide continuing legal protection for our Waterlase technology. We will continue to fortify and expand our patent position to protect our unique and revolutionary technology as we develop new applications and our markets expand throughout the world."

10/25 **Surgical Laser Technologies, Inc.** announced its financial results for the third quarter and first nine months of 2001. Net sales were $2.8 million for the quarter, an increase of $282,000 or 11%, over the third quarter of 2000 net sales of $2.5 million. Operating income was $32,000 in the quarter compared to $71,000 in the third quarter 2000. Net income was $2,000, or breakeven per share, compared to net income in the third quarter of 2000 of $61,000 (3 cents per share).

Net sales were $7.8 million for the first nine months of 2001 compared to net sales of $6.4 million for the first nine months of 2000. The first nine months of 2000 included only four months of the results of **Surgical Innovations & Services, Inc.**, the company's wholly owned subsidiary acquired in June 2000. The net loss for the first nine months

was $177,000 (8 cents per share) compared to net income in the first nine months of 2000 of $190,000 (9 cents per share). Commenting on the results, Michael Stewart, SLT's president and CEO, stated, "Positively impacting third quarter sales was continued acceptance of our recently introduced LaserPro CTH Holmium laser system. Sales of the system in international markets coupled with the deployment of the system domestically through the delivery of SIS' services are providing a new market opportunity for SLT. We continue to believe that the domestic market opportunity for the LaserPro CTH as well as for SLT's Contact Laser Systems principally exists in the contracted service approach, and therefore, we will continue to explore what we believe to be an exciting opportunity for growth in this area."

"We are pleased to announce the beginning of a relationship with **Linvatec Corporation**. We have signed an exclusive agreement to supply Linvatec with SLT's ClearEss II suction-irrigation hand-piece, for sale through Linvatec's sales organization, which includes approximately 180 sales representatives. Due to its significantly larger marketing capabilities, we believe the Linvatec sales organization is much better positioned to realize the potential of this product, which is used in Ear, Nose and Throat surgery."

10/25 **PhotoMedex** announced the financial results for its third quarter ended September 30, 2001. As previously announced, revenue for the quarter was $802,636 including $209,636 from domestic XTRAC laser treatments and $593,000 from international laser sales. Of the 7 lasers sold internationally, 6 were to new customers opening 4 new countries to PhotoMedex. In the comparable three month period in 2000, there was $59,271 in revenues from TMR. The net loss for the third quarter 2001 was $3.7 million (19 cents per share) compared to a net loss of $3.1 million (19 cents per share) for the third quarter 2000. Jeff O'Donnell, president and CEO, commented, "We are encouraged by the response of the participants in our recent $5.2 million financing especially in these challenging corporate finance market conditions. Completing this transaction gives the company the flexibility to manufacture and maintain international and domestic XTRAC systems while continuing vigorous pursuit of its reimbursement efforts. We are pleased to be able to report that there are 32 private insurance plans in 24 states reimbursing patients for treatment. It is clear that achieving insurance reimbursement will allow the vast majority of the patients affected with Psoriasis to have the XTRAC system as their treatment of choice. Although reimbursement is a long process, we are making headway and it is our estimate that by the end of the year the company will have satisfied the requests of most private health care providers. This will set the stage for a more aggressive ramp in domestic procedures in 2002."

10/26 **Berlex Laboratories** announced the availability of a comprehensive Web site where physicians can access detailed information about the identification and treatment of actinic keratoses (AKs), potentially pre-cancerous lesions most often found on the upper limbs, face and scalp. The Web site, **www.LevulanPDT.com**, uses animation, charts and

photographs to explain patient selection, risk factors and treatment guidelines using several available options, including how to begin utilization of the LEVULAN Photodynamic Therapy (PDT) System. The Centers for Medicare and Medicaid Services (CMS), formerly HCFA, recently announced its expansion of Medicare coverage nationally for treatment of all AKs, and specifically includes PDT on the list of treatments to be reimbursed.

Sometimes referred to as "blue light technology," LEVULAN PDT is the first System to use the drug, LEVULAN (aminolevulinic acid HCl) Topical Solution, 20%, which, when activated by a certain light, will remove actinic keratoses on the face and scalp. It is a unique technology where lesions resulting from previous sun exposure are now treated with a drug and a safe, visible light source.

MEDICAL/SURGICAL LASER UPDATE -- November 2001

10/30 **CardioGenesis Corporation** announced results for its third quarter and nine months ended September 30, 2001. With a quarter-to-quarter increase in the placement and sale of the company's laser systems and continued sales of its fiber optic disposables, worldwide revenues grew sequentially in the third quarter to $4.2 million, with a net loss of $2.5 million (7 cents per share). Worldwide revenues for the first nine months of the year were $11.4 million, with a net loss of $7.9 million (24 cents per share). CardioGenesis also reported that September was the first profitable month in the company's history.

Revenues in the third quarter of last year were $5.0 million, with a net loss of $3.7 million (12 cents per share), while revenues for last year's first nine months were $17.3 million, with a net loss of $11.4 million (38 cents per share). Even though worldwide revenues in this year's third quarter and first nine months declined, when compared to the same periods in the prior year, the company's losses narrowed as the net losses declined by 34% and 31%, respectively, including organizational restructuring charges and losses from its unconsolidated subsidiary.

The year-to-year decline in worldwide revenues in both periods of this year was due principally to the rebuilding of the company's sales force that began in the fourth quarter of 2000 and continued through June 2001 and a reemphasis on the sale of disposables rather than lasers. Excluding organizational restructuring charges and the equity losses recognized from the company's unconsolidated subsidiary in the second and third quarters of this year, the net losses for CardioGenesis in this year's third quarter and first nine months were $2.0 million (6 cents per share) and $6.1 million (19 cents per share), respectively.

Chairman, president and CEO Michael Quinn, commented, "We have made excellent progress during the last nine months. Our domestic and international marketing and sales

organizations have now been rebuilt and include 40 medical device sales professionals with extensive experience in the cardiovascular market. We've cut our losses because we have streamlined the company and concentrated on selling disposables as well as capital equipment, and we have increased overall margins, which is bringing us to the brink of profitability -- at long last. Being profitable in September was a significant milestone achievement for the company and, while there will continue to be month-to-month swings in sales and profits over the next several quarters, we believe we now have the structure in place that will allow us to build a larger and more profitable company for our shareholders. This is the first time in the twelve-year history of the company that it has ever reported a monthly profit and we are dedicated to reaching a profitable running rate by year end and being profitable next year."

"The third quarter increase in sales over the second quarter of this year occurred even though the summer months are a traditionally slow period for medical device sales and it was an especially difficult and disruptive time. CardioGenesis was able to overcome the distractions and temporary setback caused by the decision of the FDA panel in July to not recommend approval at that time of the company's minimally invasive PMR procedure, even though the panel acknowledged that PMR relieved angina pain. The sales force quickly responded after that disappointment, and the entire company pulled together following the tragedies of September 11. I am convinced that had we only faced the usual summer slowdown, our sales increase in this year's third quarter over the previous quarters of this year would have been larger", Quinn said.

CardioGenesis recognized restructuring charges of $442,000 in this year's third quarter, which were related to the company-wide restructuring that began in the second quarter of 2001 and included a significant reduction in headcount, the closing of the company's facilities in Sunnyvale, California and the move to its new facility in Foothill Ranch, California. Total operating expense for the third quarter and first nine months of this year, including the restructuring charges, declined by 20% and 35%, respectively, when compared to the same periods last year. These declines are a direct reflection of the results of the company's far-reaching organizational changes and its significant and continuing efforts to reduce and control costs, including its relocation to the new facility. CardioGenesis continues to work closely with the FDA to get PMR cleared for sale in the U.S. and is hopeful that clearance can occur sometime next year. In the meantime, the company continues to sell PMR internationally and remains focused on capitalizing on the worldwide potential for TMR. Additionally, CardioGenesis continues to pursue its plan to increase its product focus to include gene, protein and other advanced therapies for the treatment of cardiovascular disease, further leveraging the capabilities of its expanded sales force.

During the third quarter of this year, the company shipped 18 lasers and converted two placed lasers to sales, up from 14 lasers shipped and the conversion of one placed laser in the second quarter of this year. Worldwide disposable sales in the third quarter of this

year were 900 units. At the end of the third quarter, there were 414 sites using CardioGenesis lasers for myocardial revascularization, up 27% from the 327 sites at the end of September 2000, and the number of surgeons trained had risen to 974, an increase of 25% from the 778 trained at the end of the first nine months of last year. The company believes its share of the laser-based cardiac revascularization market is approximately 75% and that it has now penetrated more than 50% of the top 200 cardiovascular institutions in the U.S.

10/30 **American Medical Technologies, Inc.** announced that it introduced its recently FDA cleared CaviLase hard tissue laser for cavity preparations at the annual *American Dental Association* convention in Kansas City, Missouri. The company reported that it had received orders totaling approximately $450,000 for delivery over the next 90 days. The company also introduced the newly FDA cleared Anthos Systems chairs and units with dental lasers and other high tech equipment installed. The company reported that it had received orders for these products of approximately $600,000. "As we finish the fourth quarter and enter the new year, we expect these two new products to add substantially to the company's revenue base in 2002," said Ben Gallant, chairman and CEO.

11/1 **Pharmacyclics, Inc.** reported financial results for its first quarter ended September 30, 2001. The net loss for the period was $9.7 million (60 cents per share) compared to a net loss of $8.2 million (51 cents per share) in the comparable period of fiscal 2001. Pharmacyclics has completed patient enrollment and follow-up in its pivotal international randomized Phase III clinical trial of Xcytrin (motexafin gadolinium) Injection for the treatment of brain metastases. After completion of data analysis, the company expects to announce top-line results of this trial by the end of the calendar year 2001. Patient enrollment has also been completed in the company's Xcytrin Phase II clinical trial for treatment of glioblastoma multiforme (primary brain tumor). Researchers will be presenting data on Xcytrin's use in these areas at the 43rd Annual Meeting of the *American Society for Therapeutic Radiology and Oncology* in San Francisco next week.

Pharmacyclics also has three other drugs in advanced stage clinical trials: patient enrollment has been completed in a Phase IIb trial with Lutrin (motexafin lutetium) Injection, for the photodynamic 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. In addition, a Phase II trial has been completed with Optrin (motexafin lutetium) Injection for the treatment of age-related macular degeneration. As announced in October 2001, the company regained the worldwide rights to develop and market Optrin from **Alcon**. Research and development expenses decreased to $9.6 million for the three months ended September 30, 2001, compared to $10.0 million during the same period of the prior fiscal year. The decrease is the result of lower drug costs partially offset by greater personnel costs associated with supporting the company's clinical trials. As of

September 30, 2001, the company had cash, cash equivalents and investments totaling $142.4 million, compared to $152.8 million at June 30, 2001.

11/2 **DUSA Pharmaceuticals, Inc.** announced that the *American Medical Association* had issued a new CPT code, 96567, for the light application portion of DUSA's Levulan Photodynamic Therapy (PDT) System, a novel treatment for pre-cancerous actinic keratoses (AK) of the face and scalp. Simultaneously, the Center for Medicaid and Medicare Services (CMS) has proposed reimbursement levels, effective January 1, 2002. CPT Code As with many new treatments that don't yet have their own CPT codes, up until now physicians using Levulan PDT have had to file for reimbursement manually under a miscellaneous code. "With the new CPT code, submissions can be filed electronically, which should result in faster, more consistent Medicare claims submission and processing," said Dr. Geoffrey Shulman, DUSA president and CEO. "This should also help clarify reimbursement questions that physicians have had about the Levulan PDT System, and may increase physician acceptance of this unique and effective therapy for pre-cancerous actinic keratoses (AK) of the face and scalp."

Additionally, the Center for Medicaid and Medicare Services (CMS) has published an interim reimbursement value, which translates into a nationalized fee of approximately $60 for the light application portion of the Levulan PDT System (CPT code 96567, effective January 1, 2002). Reimbursement has also been established for the drug component, at 95% of the average wholesale price. In addition, as a medical treatment, doctors are allowed to charge appropriate level office visit fees related to diagnosis, drug application, and follow-up (if necessary) of patients treated with Levulan PDT. An average office visit fee would be approximately $40. Exact fees will also vary depending on a geographical practice location factor. The net effect is that for a Medicare patient receiving an initial treatment with Levulan PDT, a doctor would be expected to be reimbursed an average of $40 for the drug application visit, approximately $60 for the light treatment, and full reimbursement for the cost of the drug. After deducting the cost of the drug, the doctor would receive just over $100. Any additional required visits would be billed separately.

"We are very pleased that Levulan PDT has received the new AMA code, as well as the proposed national reimbursement levels", stated Dr. Shulman. "We believe that these achievements, combined with the ongoing education and marketing programs being carried out by **Berlex Laboratories**, the U.S. affiliate of **Schering AG**, Germany, (DUSA's Levulan PDT dermatology marketing partner), will allow increasing acceptance of our therapy as an important new treatment modality for this common pre-cancerous condition". In addition, the CMS has a 60-day comment period during which they will accept input regarding the proposed values they have placed on this application process. Berlex plans to work closely with medical professionals and policy makers to examine the proposed reimbursement levels, and make additional submissions if appropriate.

11/2 **BriteSmile Inc.** announced solid results for the third quarter ended September 29, 2001. Net revenue for the three months posted another quarterly gain, increasing by 145.2% to $12.7 million compared to revenue of $5.2 million for the three-month period ended September 30, 2000. For the third quarter, the number of whitening procedures completed increased by 178.5% to 44,156 procedures compared with 15,856 procedures in the year ago period. BriteSmile has now completed more than 187,000 procedures.

On September 29, 2001, the total number of Associated Center dentists signed worldwide was 3,763 versus 1,016 compared with the same time last year. BriteSmile opened 976 new Associated Centers during the third quarter. The company expects to exceed its previously announced year-end target of 4,000 signed Associated Centers worldwide.

Net loss for the third quarter decreased by $5.3 million to $4.8 million (13 cents per share) compared to a net loss of $10.1 million in the corresponding quarter of 2000. This represents a 69% improvement in EPS over the third quarter 2000 loss of ($0.42) per share. BriteSmile has been impacted by the market-wide downturn following September 11th. BriteSmile saw an immediate drop in domestic revenue, with the New York area being hardest hit within the BriteSmile network of dentist offices and BriteSmile Centers. The company has taken immediate action to reduce overall expenses to offset the reduction in revenue.

"Our third quarter marked another solid period of growth," said John Reed, CEO. "International revenue and retail product revenue remain strong. The number of procedures performed this quarter was a 13% sequential improvement over the second quarter 2001, demonstrating the growing demand from both consumers and dentists for the BriteSmile Professional Teeth Whitening System, despite the expected summer slow-down that occurs in dental offices and the impact that immediately followed the events of September 11th. BriteSmile continues to be the leader in the three fundamental categories for success in the professional teeth whitening business: demonstratable superior technology, strong endorsement and support of the dental community, and marketing programs that continue to generate growing consumer demand. Moving forward, we are well positioned to build on the dramatic growth we have experienced to-date. We have significantly streamlined our operations in order to run the business even more efficiently, and will look to further strengthen both our balance sheet and our leadership position in the professional teeth whitening market," said Reed.

11/5 On November 2, 2001 **Asclepion-Meditec AG** received CE approval for its PAD/SaveDent system. This approval relates to the laser and reagent as well as the overall method. PAD/SaveDent is a world first which will secure a hitherto unrivalled quality in the disinfection of root canals and caries, and in future could permit pain-free and substance-retaining treatment of caries. The method uses a special substance which is activated by laser light. The laser system is extremely compact and easy to carry. Among the major components of the system are special patented handpieces with which

the laser beam can be directed at the PAD-solution. The first PAD/SaveDent systems were shipped as soon as approval had been given. They will be used for field tests by potential marketing partners. With these tests, which are to be carried out in key markets in Europe and other parts of the world, the future partners will be assessing the extent to which the PAD/SaveDent method meets their own performance targets. It also serves to prepare for the general market launch planned for the spring of 2002. From this point onwards Asclepion anticipates that PAD/SaveDent products will make an increasing contribution to turnover. PAD/SaveDent is being developed in partnership with the British company **Denfotex**. PAD/SaveDent incorporates several applications. These include safe and effective disinfection for various dental procedures such as when treating routine cavities, root caries, infected root canals, the crown preparations and preparations before sealing fissures. In future, caries treatment could be pain-free and without unnecessary loss of tooth material.

11/6 **The Spectranetics Corporation** announced publication of an article suggesting that excimer laser energy significantly diminishes the ability of platelets to aggregate into thrombus (a blood clot). Thrombus formation in the coronary arteries is the primary cause of myocardial infarction and unstable angina, and is a complicating factor during coronary and peripheral angioplasty procedures. The article, entitled "Alterations of Platelet Aggregation Kinetics with Ultraviolet Laser Emission: The `Stunned Platelet' Phenomenon", was published in a European/American peer-reviewed journal, *Thrombosis and Haemostasis*.

On Topaz, MD, of the Medical College of Virginia Hospitals, Virginia Commonwealth University, Richmond, Virginia, the lead study investigator, commented, "This basic research study on the interaction between excimer laser light and platelets supports the high success we've experienced in the clinical setting treating patients with acute myocardial infarction, or `AMI,' unstable angina and peripheral vascular disease. Our experience was published in the April 2001 issue of the *American Journal of Cardiology* and the September 2001 issue of *Lasers in Surgery and Medicine*. These publications denote that excimer laser energy readily vaporizes thrombus and suppresses platelet aggregation, and, therefore, its use results in significant success with minimal distal debris. This new basic research data further contributes to the body of evidence explaining the lack of complications during laser angioplasty procedures."

Joseph Largey, president and CEO of Spectranetics, commented, "Dr. Topaz is one of the foremost world authorities on laser treatment of patients with AMI, and was recently asked to lead a session in late November at the Thrombosis Workshop, a two-day training event organized by the *Biomed Research Foundation* and co-sponsored by the FDA. For reasons that relate to the original design in 1992 of our FDA application for the use of laser energy to treat coronary artery disease, our product currently carries a label that contraindicates use in patients with AMI or acute thrombosis. In light of the stunned platelet study and previous successful clinical studies of laser angioplasty in AMI and

unstable angina patients, we are considering applying to the FDA to have the AMI and acute thrombosis contraindication removed from our label."

11/6 **DUSA Pharmaceuticals, Inc.** reported its corporate highlights and financial results for the third quarter ended September 30, 2001, including a significant increase in BLU-U contracts during October 2001.

During the third quarter, DUSA continued to support the U.S. marketing efforts of DUSA's Levulan Photodynamic Therapy (PDT) for non-hyperkeratotic actinic keratoses (AKs) of the face or scalp, together with **Berlex Laboratories, Inc.**, a U.S. affiliate of **Schering AG**, Germany, DUSA's worldwide dermatology marketing partner (except Canada). By the end of Q3, 231 BLU-U brand lights were in place in doctors' offices as compared to 190 lights by the end of Q2, and 100 by the end of 2000. In addition, Berlex has informed DUSA that during Q3, Kerastick end-user sales from distributors to doctors totaled 1,638 units, a level similar to sales during Q2. Sampling of the Levulan Kerastick occurred as part of a new marketing program test-launched during August by DUSA and Berlex, with a subsequent national launch in mid-to-late September. Under this program, DUSA is also providing the BLU-U to physicians under a new deferred payment rental program, with no payments due during the first six months. The program is designed to allow physicians to gain first-hand experience using Levulan PDT before their payments begin. DUSA is pleased to report that the new program is working well and there have already been more BLU-U contracts signed during the month of October 2001 than during the entire third quarter.

Dr. Geoffrey Shulman, DUSA's President and CEO, stated, "We are very pleased that Levulan PDT has received the new AMA code, as well as the proposed national reimbursement levels (see the Nov. 11th brief). We believe that these fee proposals, combined with the ongoing education and marketing programs being carried out by Berlex Laboratories, will allow increasing acceptance of our therapy as an important new treatment modality for this common pre-cancerous condition".

In addition, DUSA has been supporting the efforts of Schering AG, Germany, as it prepares to market Levulan in Europe and elsewhere, as regulatory approvals are expected to begin in early 2002. Clinical feedback from doctors and patients using the system also continues to be positive, especially for patients who have tried other therapies in the past. During Q3, DUSA successfully initiated 3 Phase I/II Levulan PDT clinical trials. In dermatology, in co-operation with Schering AG, Germany, trials are now well underway in onychomycosis (nail fungus) and warts, joining the already ongoing study in acne. Initial results from all of these studies are expected during early-to-mid 2002, with the most promising ones expected to move on to pre-pivotal Phase II trials. DUSA also initiated its first official trial using Levulan PDT in the treatment of early-stage Barrett's esophagus during the quarter, and subsequently announced the start of a Phase I/II clinical trial in the treatment of late-stage Barrett's esophagus.

The net loss for the three-month period ended September 30, 2001 was $1.8 million (13 cents per share) compared to $1.6 million (12 cents per share) for the same period last year. For the nine-month period the net loss was $4.6 million (34 cents per share) compared to $4.3 million (33 cents per share) for the same period last year. Total research and development costs for the current three-month period were $2.8 million compared to $2.0 million in the prior year period, due to increased expenditures for dermatology and internal indications. During the current quarter, $881,895 of the R&D expenditures were recorded in revenues representing reimbursement of two-thirds of dermatology co-development expenses by Schering AG, Germany. During the comparable quarter in 2000 there were no such reimbursed R&D expenditures. Other operating expenses for the current quarter increased to $984,745 from $531,142, primarily due to the hiring of staff, including key management personnel in administrative, financial, technical and operations functions, as DUSA continues the transition from being a development-stage company to a products-based company. Interest income for the current quarter remained relatively unchanged at $978,932, compared to $944,475 for the same period in 2000, as higher investable cash balances were partly offset by lower rates.

11/6 **Lumenis Ltd.** announced that it had received FDA clearance to market its OpusDent brand Opus 5 and Opus 10 diode lasers for tooth whitening and a variety of endodontic, surgical and periodontal procedures. It also announced that it had signed a distribution agreement with **Patterson Dental Supply Inc.** to market these systems in the United States. Opus 5 and Opus 10 are compact, portable diode lasers, operating at a 830 nm wavelength, for tooth whitening, root canal disinfection, periodontal procedures, gingivoplasty, curettage, gum recontouring, and microsurgery. They work with a variety of handpieces and fibers, as small as 200 microns and a specially formulated whitening kit. "Tooth whitening is a rapidly growing application with a market potential of over one billion dollars," said Yacha Sutton, president and CEO of Lumenis. "Laser tooth whitening procedures offer significantly improved results over conventional methods. In addition the procedure can be completed in one dental visit, under the dentist's supervision, without home maintenance and without danger of damage to the tooth pulp or vitality. The agreement with Patterson is part of our strategy to partner with professional, well-established distribution outlets to enable us to penetrate our target markets efficiently and effectively. With its direct sales force of over 1000 representatives in 65 locations around the United States, it offers an outstanding support structure for our state-of-the-art products. For the past decade Patterson has demonstrated real leadership in bringing the latest technological innovations to the dental profession. We believe that, with over half a million tooth whitening procedures performed each month in the US, according to American Dental Association estimates, we should be well positioned to capture a substantial portion of that market."

Under the terms of the agreement Patterson will sell OpusDent's Opus 5 and 10 diode lasers, the OpusWhite tooth whitening system and the disposables related to it, and will

provide sales lead generation for Lumenis' other products, including the Opus 20, the virtually painless dental drill, and the NovaPulse, used as a soft tissue laser scalpel.

11/7 **Laser Rejuvenation Clinics Ltd.** announced it had made the decision to close its affiliated clinic in Winnipeg, Manitoba. The joint venture, known as **LRC (Winnipeg) Ltd.** continued to mount losses, thus putting cash pressure on the parent, LRC. As the sole Security holder, LRC has taken possession of the equipment and will deploy the assets in other locations to increase revenue without further capital investment. Dr. Tom Woo, chairman of the Board of LRC, stated, "While it is deeply disappointing that our venture in the Winnipeg market did not materialize to our expectations, we had to make a fiscal decision in an effort to restore LRC to a profitable position. Additionally, the company is currently assessing the total structure of the company in an effort to improve its viability."

11/12 **Miravant Medical Technologies** announced that it was presenting preclinical results of its intracoronary PhotoPoint photodynamic therapy (PDT) this week at the *American Heart Association (AHA)* Scientific Sessions 2001, in Anaheim, CA. PhotoPoint PDT is being investigated as an adjunct procedure to balloon angioplasty and/or stent deployment to prevent restenosis (re-narrowing) of arteries, a critical complication that can lead to recurrence of severe symptoms and myocardial infarction. In two studies in advanced coronary restenosis models, PhotoPoint PDT (1) significantly inhibited the aggressive cell overgrowth that leads to re-narrowing of coronary arteries post-angioplasty and (2) prevented negative vessel wall remodeling (constriction). The preclinical studies were conducted at the Cardiovascular Research Institute, Washington Hospital Center, Washington, D.C. "Cellular proliferation and negative vessel wall remodeling are considered to be key events in the clinical development of restenosis post-angioplasty. I believe it is very significant that we saw both a dramatic inhibition of cellular proliferation and positive vessel wall remodeling in these preclinical studies," stated Ron Waksman, MD, Clinical Professor of Medicine (Cardiology), Georgetown University Medical Center; Associate Director, Division of Cardiology, Washington Hospital Center; and Director of Experimental Angioplasty and Vascular Brachytherapy for the Cardiovascular Research Institute.

Robert Scott, MD, president, **Miravant Cardiovascular, Inc.**, added, "These are significant findings in advanced preclinical models, which confirm our belief in the potential clinical usefulness of intracoronary PhotoPoint PDT. These results have encouraged us to move forward with accelerated development programs for restenosis and atherosclerosis."

PhotoPoint PDT employs a photoreactive (light sensitive) drug to target the precursor cells of restenosis within the artery wall and/or target proliferative cells in existing restenotic lesions. In the two-step PDT procedure, the drug is administered systemically and localizes in the vessel wall after a period of time. Low power (non-thermal,

non-ionizing) light is selectively delivered to the treatment site using Miravant's endovascular light delivery catheter. The device is a guidewire-compatible, fiber optic catheter with a balloon that serves to displace blood for uniform illumination. The company has developed both the pharmaceutical and device components of the intracoronary procedure. Miravant has several new drug candidates under investigation for cardiovascular disease. In advanced preclinical models, intravascular PhotoPoint PDT has demonstrated potential use for the management of restenosis, and for the treatment of atherosclerosis and vascular graft intimal hyperplasia.

11/14 **Lumenis Ltd.** announced financial results for the three- and nine-month periods ended September 30, 2001. Revenues for the third quarter were $90.2 million, a 143% gain over Lumenis revenues for the same period last year and a 1% increase over pro forma revenues for the combined businesses during the third quarter of 2000. For the quarter, operating income, excluding non-recurring charges and amortization of intangibles, was $15.0 million versus operating income of $5.3 million in the third quarter of last year, representing an increase of 183% and a 70% increase compared to pro forma combined operating income for the same period last year. Net income, excluding non-recurring charges and amortization of intangibles, was $13.6 million (34 cents per share) in the third quarter compared to net income of $4.0 million (14 cents per share) in the third quarter of 2000.

Non-recurring and amortization charges for the quarter 2001 were in line with previous guidance and included:

- $3.7 million for amortization of intangible assets associated with the **Coherent** acquisition;
- $4.4 million for discontinued business activities; duplicative activities with little or no future economic benefit as of September 30, 2001;
- $3.3 million for personnel costs associated with the Coherent acquisition; and,
- $2.0 million for various other integration expenses.

The company expects little or no non-recurring charges starting in the first quarter of 2002. Commenting on the results, Yacha Sutton, president and CEO said, "I am delighted that we are continuing to execute our business plan, yielding adjusted EPS $0.07 above analysts' consensus estimates. We are especially proud that we accomplished these results despite seasonal weakness, the disruption resulting from the tragic events on September 11, and the slowing global economy. During the quarter we experienced growth across each of the three business units -- aesthetic, ophthalmic and surgical -- with strong contributions from key applications including IPL skin treatments, age-related macular degeneration and urology."

Commenting on the outlook for the upcoming fourth quarter, Sutton said, "Business remains strong. We expect strong revenue growth in the fourth quarter compared to pro

forma revenue of last year. We remain comfortable with the analysts' estimates for the fourth quarter, given our diversified businesses and the strong and innovative product pipeline associated with each of them."

11/15 **Cell Robotics International Inc.** announced the third quarter results, with increases in product sales for both the quarter and the nine-month period ended September 30, 2001, over the same periods in 2000. Product sales for the quarter increased 47% to $402,063 from $272,633 in the 3rd quarter of 2000. For the nine-month period, product sales increased 35% to $1.0 million from $749,055 in the same period in 2000. The company incurred a net loss of $499,974 (5 cents per share) for the quarter compared to a net loss of $2.6 million (27 cents per share) in the 3rd quarter of 2000. The company's results for the nine-month period ended September 30, 2001 also showed an improvement over the same period in 2000. The net loss for the nine-months was $2.0 million (20 cents per share) compared to a net loss of $4.1 million (45 cents per share) in the same period of 2000.

Dr. Ronald Lohrding, president and CEO, stated, "This is our fourth straight quarter of sales increases over the same quarter of the previous year. We are pleased by this pattern and we hope the strategies we have implemented that have enabled this continued success will continue. Recently we announced the introduction of our new LS300 Pro Workstation. Part of our success in the third quarter was due to this new product. This introduction demonstrates our commitment to developing products that add value in the marketplace. Also, given the early success we are experiencing with the LS300 Pro Workstation we believe the strategies that we have implemented will be a significant factor in Cell Robotics achieving profitability."

11/15 **The Plastic Surgery Company** reported financial results for the quarter ended September 30, 2001. The company reported third quarter revenues of $8.1 million, up 17% over third quarter 2000. Revenues for the three months and the nine months were negatively affected by the events of September 11, 2001. For the first two months of the quarter, the company's revenue reflected a 13% increase over the same two-month periods in 2000. However, as a result of the events of September 11, the revenues in September reflected a significant decrease from the same period in 2000. For the third quarter additional non-cash charges resulted in net loss of $109,557 (2 cents per share) compared to net earnings of $182,220 (4 cents per share) in the third quarter of 2000. Although the WTC tragedy had a temporary effect on patient psyche and preempted television commercials for over one week in September, same store sales of continuing operations generated a 3% revenue increase in the third quarter of 2001 over third quarter 2000. For the nine months, revenues increased 8% over the same period in 2000. The comparable Centers saw increased demand for their offering of cosmetic procedures: cosmetic surgery, cosmetic laser procedures, and physician-directed skin care such as Botox and Collagen treatments. "During a period of economic slowdown in many retail markets and the added impact of the disastrous WTC tragedy, the demand for cosmetic procedures

continued on an upward trend. The company targets the broader middle-income market with its focus on patient financing, providing affordable monthly payments for cosmetic surgery. Financing has increased the market and lowered the threshold of affordability," said Dennis Condon, president and CEO of the company.

The company's flagship store and expansion model for the future, **The Florida Center For Cosmetic Surgery**, was acquired in December of 2000 and therefore was not a part of the company's same store sales calculations for this quarter. However, this store, the largest revenue generator of the company's stores, posted revenue of $2.6 million for the third quarter of 2001, a strong 20% increase over revenues of $2.1 million generated in the third quarter of 2000. The Florida Center operation leveraged the efficiencies of a four-surgeon center and the power of major television marketing to generate a 20% revenue growth while at the same time producing operating earnings in excess of 18%. The company has recently capitalized on their existing strength in the booming cosmetic surgery market of South Florida through the acquisition of its largest cosmetic surgery center to date, a 6500 square foot freestanding facility with 4 AAAASF certified operating rooms in West Palm Beach, Florida. This new Center has been profitable in its first two months of operation.

While the recessionary trend and the WTC disaster had a profound impact on many consumer retail purchases, the market for cosmetic surgery procedures continues to show strength. A quote from an October 21, 2001 *New York Times* article stated, "Based on what we are hearing, people are beginning to come back around to those procedures that they had planned to do," said Leida Snow, a spokesperson for the *American Society of Aesthetic Plastic Surgery*. "We're also seeing new patients coming in. Patients are saying, `If not now, when?'" Among diverse ambulatory surgery center companies that include **AmSurg**, **United Surgical Partners International (USPI)** and **Novamed**, the Plastic Surgery Company is focusing solely on cosmetic surgery procedures. The company believes it will benefit from a cosmetic procedure market growing at 25% and the attractive economics of procedures paid for in cash or financing rather than third party insurance or government reimbursement.

11/23 **Asclepion-Meditec AG** announced that it was presenting its new premium products for applications in aesthetic laser medicine at *Medica*, the world's leading medical technology trade fair being held in Duesseldorf from November 21-25, 2001. The new DermaStar is a world first in the field of dermatology. It is the first dermatological erbium laser to use the latest optical fibres for light transmission in place of the conventional articulated mirror arm. These new and lightweight fibres give the doctor substantially greater flexibility during treatment -- particularly in hard-to-reach places -- and a maximum of comfort in his daily work. The new DermaStar is an extremely user-friendly system which makes a whole sequence installation work superfluous. The VarioSpot fibre's Zoom-Optic offers a very comfortable setting of the spot size, connected to an automatic regulation of the energy needed. The already for other Er:YAG-systems used

TEAM-technology got improved. TEAM is an integrated evacuation of ablated materials and odour in the handpiece itself and makes any assistance unnecessary. The new DermaStar is a modular system and thus extremely easy to carry.

Other Asclepion highlights at Medica include the MeDioStar upgrades HCP and CP. These upgrades are the ideal supplements to the MeDioStar product line and offer the user a highest measure of comfort for laser assisted hair removal. Both upgrades feature the so-called "professional mode". Pulse length, pulse pause and fluence can be adjusted completely independently. This way, the experienced user can adapt the treatment even more individually to the patient's hair and skin type. For even faster, efficient results - for the really professional laser epilation, which was only limited or not possible in the past.

MEDICAL/SURGICAL LASER UPDATE -- December 2001

11/26 **BriteSmile, Inc.** announced that it had signed more than 4,000 dentists to its network. This key milestone was hit in advance of its calendar year-end target. The announcement was released at the *Greater New York Dental Meeting*, one of the industry's key annual gatherings. "The enthusiasm generated across the dental industry for BriteSmile is evidenced in the response we have seen in the New York area alone," said John Reed, BriteSmile CEO. "With a dentist-run Center on 57th Street and a network of more than 660 dentists in the tri-state area, we are thrilled to be a part of the Greater New York Dental Meeting and the community here at large." At year-end 2000, BriteSmile had signed 1,442 dentists to its network.

11/27 **The Spectranetics Corporation** announced that it was concluding its LARS (Laser Angioplasty for Restenosed Stents) trial at 138 patients in light of Spectranetics' recent approval from the FDA to market its products to clear out restenosed (clogged) coronary stents (thin steel mesh tubes used to support the walls of arteries) prior to brachytherapy (radiation) treatment. Spectranetics will continue to follow all 138 LARS patients through the study's nine-month follow-up period. The company's clinical priorities for 2002 continue to place top priority on accelerating the PELA and LACI clinical trials involving the use of excimer laser energy to clear blockages in the arteries of the legs.

Joseph Largey, president and CEO of Spectranetics, commented, "We're pleased to be able to conclude LARS in light of our recent FDA approval to market our laser for pretreatment prior to brachytherapy. This approval provides all of the marketing authority we need since brachytherapy is gaining momentum as the treatment of choice for restenotic stainless steel stents. Further, Spectranetics is uniquely positioned as the only company with a specific FDA PMAS approval to market its products for this use. We can now focus our efforts on other compelling opportunities. Certainly our PELA and LACI trials, which deal with laser treatment of blocked arteries in the legs, remain our highest priority. These are underserved markets with limited competition. We're also now in the design phase for PELA 3, which will provide continued access to investigational leg

catheters for our PELA investigators during the wait for FDA approval once enrollment in our current PELA trial is complete. We anticipate that enrollment to be concluded any day now. Other clinical programs we're pursuing include a prospective registry of laser use in saphenous vein grafts and a retrospective registry of laser use in cases of acute myocardial infarction, or AMI, at the direction of the physician. We plan to use the AMI data to assist with efforts to remove the contraindication from our label for acute thrombosis and AMI. We're also compiling data from the expanded X80 study on the use of higher laser power focused through our smallest POINT 9 mm catheters for difficult-to-treat coronary lesions."

12/3 **Radiancy Ltd.** announced that Health Canada had issued a Class II Medical Device License for its new Acne Replacement Kit to the flagship SpaTouch PhotoEpilation System. The company can now market ClearTouch acne therapy to new and existing SpaTouch customers in Canada, providing a dual application device using its exclusive platform technology. The special acne replacement kit (not available in the United States) allows the physician to use Radiancy's patented Light and Heat Energy (LHE) technology to effectively treat acne on all parts of the body, including the sensitive face area, without significant side effects or patient downtime. ClearTouch therapy works by aiming an enhanced green wavelength of light and heat over the affected skin, which penetrates the tissue and targets the acne, shrinking the sebaceous glands and destroying acne-causing bacteria. Hundreds of patients worldwide have been treated successfully with ClearTouch therapy since the acne replacement kit was first introduced nine months ago.

According to international dermatologists using the kit, patients achieved acne clearance after only eight treatments administered over four weeks. Further, patients observed dramatic, visible improvement after one week of ClearTouch acne therapy, encouraging even the typically non-compliant teenagers to continue their treatment. While long-term follow-up is not yet available, patients have enjoyed acne-free, clear skin three to four months after their last treatment session. In a recent multi-center study of 60 patients treated with the ClearTouch acne replacement kit, results showed a 70% clearance of acne lesions in 90% of the patients. The 10% of non-responding patients suffered from cystic acne. No complications or adverse side effects were observed.

"The ClearTouch acne replacement kit represents a new application for our LHE platform technology, extending SpaTouch's hair removal capabilities to an acne clearance system with just a snap of a new light unit assembly," said Radiancy president Zion Azar, who invented the proprietary LHE technology. "SpaTouch has long been recognized as a safe, high-tech aesthetic solution; now it has the potential to be one of the most effective therapeutic devices in the medical marketplace."

The SpaTouch PhotoEpilation System was introduced in 1999 and is now available throughout Canada and 32 countries worldwide.

12/3 **The Spectranetics Corporation** announced that it had completed enrollment of the PELA (Peripheral Excimer Laser Angioplasty) study, following randomization of the 250th patient. The PELA study tests the use of excimer laser angioplasty to treat blocked arteries in the upper leg. The last patient, treated by Robert Siegel, MD, at the Advanced Cardiac Specialists Outpatient Center at Phoenix Memorial Hospital, was a 78-year-old woman who could only walk short distances without pain as a result of a total blockage of her Superficial Femoral Artery (SFA), which is the main artery in the thigh. The PELA trial includes a 12-month follow-up for all enrolled patients, with U.S. regulatory approval anticipated in 2003.

PELA is a randomized study comparing the safety and efficacy of using the excimer laser followed with conventional balloon angioplasty, to balloon angioplasty alone, in treating total occlusions at least 10 centimeters long of the SFA. The endpoints of the study compare blood flow one year later at the site of the treatment. The study was performed at 14 U.S. and five European hospitals. The first PELA patient was treated by John Laird, MD, of the Washington Hospital Center in Washington, D.C., the principal investigator for the PELA study. Dr. Laird commented, "PELA is the first randomized trial comparing angioplasty methods in long-segment peripheral arterial disease. Because balloon angioplasty has traditionally shown disappointing results in these patients, we look forward to the PELA results with great interest."

Joseph Largey, president and CEO of Spectranetics, commented, "We're slightly ahead of schedule, having completed PELA enrollment before the end of this year. Every day that we can accelerate anticipated FDA approval is important to the more than two million people in the United States who seek medical help annually for reduced blood flow in the leg -- especially those who can only walk short distances without experiencing pain, or the thousands each year who undergo expensive and painful bypass surgeries. We estimate that the market potential for PELA-type products in the United States and Europe for these patients is about $200 to $300 million."

Christopher Reiser, Spectranetics' vice president of technology and clinical research, added, "The PELA data will be further supported by the results of our LACI (Laser Angioplasty for Critical Limb Ischemia) study, which is about 25 percent complete. LACI patients have leg artery disease so severe that amputation may be unavoidable if blood flow can't be restored. We anticipate that results from PELA and LACI will form a compelling case for FDA regulatory approval in 2003. In the meantime, we plan to begin PELA Phase 3, which will provide continued access to investigational leg catheters for our PELA investigators during the wait for FDA approval."

12/4 **Palomar Medical Technologies Inc.** announced that it had reached an agreement with **Asclepion-Meditec AG**, granting them a non-exclusive 7.5% royalty bearing sublicense to key patents in the field of laser/light-based hair removal. Palomar had previously

granted similar sublicenses to **Coherent Medical** (acquired by **ESC**, now **Lumenis**), **Laserscope** and **Iridex**.

Louis (Dan) Valente, chairman and CEO of Palomar, commented, "We are extremely pleased to work with Asclepion-Meditec. This agreement once again confirms the interest in our technology. Our license program has given us the opportunity to work with many companies in our field and offer the latest breakthrough in technology to consumers worldwide. To remain the industry technology leader, we continue to work on laser/light-based cosmetic technology through our research and development efforts. Our intellectual property and the patent portfolio protecting that property are among the most advanced and strongest in the industry. We believe our license program can continue to be expanded throughout the industry thereby increasing the profitability of our intellectual property portfolio. 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."

12/10 **BriteSmile Inc.** announced that four clinical studies on the safety and whitening efficacy of the BriteSmile Professional Teeth Whitening had been accepted for presentation at the *International Association of Dental Research 80th General Session* in San Diego, March 6-9, 2002:
* A comparison of four systems of tooth whitening. M. Tavares, J.M. Goodson, J. Stultz, and M.B. Newman, The Forsyth Institute, USA

The Forsyth study being presented at the IADR conference found that the average BriteSmile patient received eight plus shades of whitening in one hour, 50% more effective when compared to the `curing light' procedure, which produced approximately five shades in the same amount of time. Compared to professionally-administered trays, which required about 64 hours, BriteSmile was still over 33% more effective, using just a one hour procedure. BriteSmile's 8+ shade improvement was also found to be 400% more effective than a leading whitening toothpaste, which produced only 1.6 shades of improvement when used for 30 days. Additionally, this comparison required 100% compliance with the home-use treatment protocol, which cannot be guaranteed and is rarely achieved with the take home tray method. According to the report issued by the Forsyth researchers, the difference between BriteSmile and all other treatments is "highly significant (on a statistical basis)". The preliminary findings of the Forsyth Institute studies were first released in July 2001.

* Clinical Evaluation of a Light Activated Tooth Whitening System. M.A Rosenblum, University of Medicine and Dentistry of NJ, USA, and S.A. Nathoo, Oral Health Clinical Services LLC, USA

This clinical trial, a six month study conducted by the University of Medicine and Dentistry of New Jersey, confirmed the previously published study by the Forsyth

Institute validating both the safety and 8+ shade efficacy of BriteSmile's unique light-activated whitening process. It also validated a significantly increased effect of the light and gel combination when compared to either the gel or light alone. The UMDNJ trial also found that the average patient experienced six-month regression of only one shade on the Vita Shade guide. The study also supported the company's safety claims - concluding that, "Post treatment clinical evaluations did not show significant adverse effects attributable to product usage."

* Genotoxic Assessment of BriteSmile Whitening Procedure Gel in Salmonella typhimurium. NATHOO, S.A. and MARSHALL, M.V., Oral Health Clinical Services, Inc., USA, and HESS, Inc., USA
* Genotoxic Assessment of BriteSmile Whitening Procedure Gel in the Mouse Micronucleus Test. M.V. Marshall, Biotechnics, Inc., USA, and S.A. Nathoo, Oral Health Clinical Services, Inc., USA

These two studies examined the toxicological profile of the BriteSmile gel. "These studies affirm that the gel used in the BriteSmile procedure is safe," said Dr. Milton Marshall.

"These studies clearly demonstrate that the widespread acclaim BriteSmile has received from our over 4,000 dentists and 200,000 patients is based on clinically proven results," said John Reed, BriteSmile CEO. "We are proud that once again attendees of this prestigious dental research conference will have the opportunity to learn more about what sets BriteSmile apart from other whitening techniques available on the market today."

Each of the studies was completed in full compliance with national and international clinical research guidelines and standards. Abstracts have also been published in the *Journal of Dental Research*. These studies reaffirm BriteSmile's commitment to validating safety and efficacy via independent clinical research, and their continued leadership in professional teeth whitening.

12/11 **PhotoMedex** announced that the Technology Assessment Committee of **CareFirst BlueCross BlueShield** informed the company that the medically necessary treatment of mild to moderate psoriasis utilizing the PhotoMedex XTRAC laser system had met their criteria for coverage. A written Medical Policy document is being developed which, when completed and implemented, will be posted for view by their providers and members on their web site **www.carefirst.com**. CareFirst BlueCross BlueShield is a not-for-profit health care company, which, along with its affiliates and subsidiaries, offers a comprehensive portfolio of health insurance products, direct health care and administrative services to nearly 3.1 million members in Northern Virginia, the District of Columbia, Maryland and Delaware.

Jeff O'Donnell, PhotoMedex CEO and president commented, "We are pleased that CareFirst BlueCross BlueShield recognizes the efficacy of our psoriasis therapy and has elected to make this treatment available to their subscribers. This now brings the number of Blue Cross Blue Shield affiliates to 11 that have either approved coverage or paid claims submitted by physicians and patients. This includes the states of New York, Alabama, California, Washington, and Arizona, among others. Overall, there are now 38 healthcare plans in 25 states providing reimbursement benefits for XTRAC psoriasis therapy."

12/12 **Lumenis Ltd.** announced that it had reached an agreement to settle the securities class action suit filed against the company and members of the previous management team in 1998. The terms of the settlement, which is subject to Court approval, include a cash payment of $4.5 million and the issuance of between 420,000 and 500,000 shares of Lumenis stock to plaintiffs. Due to the resolution of a dispute with one of the two re-insurers, the total consideration to be paid is less than previously announced and provided for in Q2 of 2002. As a consequence Lumenis will recognize a gain in connection with the settlement. The final number of shares to be issued will be based upon the average closing share price over the 15 trading days prior to the final court hearing on the settlement. The shares will be freely tradable upon issuance to members of the settlement class. "I am pleased that we have finally settled this claim, one of the last of several large suits inherited from the previous management," said Yacha Sutton, president and CEO of Lumenis. "The company intends to pursue reimbursement of the $4.5 million and expenses as a creditor of **Reliance Insurance Company**, which is now in liquidation." The settlement agreement is subject to preliminary and final approval from the Court after notice to the class and the opportunity for consideration of any objections. The Court is likely to hold a hearing on final approval of the settlement in the first half of 2002.

12/13 **BIOLASE Technology, Inc.** announced that sales for the fourth quarter of 2001 are projected to exceed $5.25 million (most recent analyst projection). The company announced that orders and shipments of both the Waterlase and the LaserSmile systems continued to increase despite setbacks caused by the weakened U.S. economy and the cancellation of two important selling events during the quarter. The *California Dental Association's* Scientific Fall Session/San Francisco and the *genR8Tnext* meeting/Las Vegas, both scheduled for September 13-16, were cancelled as a result of the September 11 terrorist attacks. "Our sales continue to grow and we expect the three months ending December 31, 2001 to be another record-setting quarter. Our strong sales are a testament to our superior technology and to a growing acceptance of our products by the dental community," commented Jeffrey Jones, BIOLASE president and CEO. "We are closing out the fourth quarter on a strong note, and BIOLASE remains positioned for dynamic growth despite economic concerns. We expect demand for dental laser technology to

continue to grow as professionals become increasingly aware of and attracted to the numerous revenue and clinical benefits afforded by our technology."

12/17 Mike Moretti of **Medical Laser Insite** has taken a look at the Endovenous Market. He reports, as evidenced at that recent annual meeting of the *American College of Phlebology*, held in Palm Springs, Calif. earlier this month, high-tech solutions to the treatment of varicose veins is a very hot topic. Numerous scientific papers presented at this meeting substantiated the clinical benefits of using catheter-based vein closure devices to treat the greater saphenous vein (GSV). These approaches include both the radio-frequency Closure device (**VNUS Medical Technologies**, San Jose, Calif.) and diode laser systems from: **Biolitec**, **Diomed**, and **Dornier**. In addition, other laser companies are reportedly developing laser-based systems for this application.

VNUS clearly pioneered development of the endovenous treatment market, and this privately held company currently claims to have several hundred units installed. The controller is priced at $25,000 and the disposable catheter costs $725. Practices also need a duplex ultrasound system for intra-operative guidance. The laser companies are in the early stages of product launches, while awaiting FDA approval. However, this is a 510(k) process, and the first approvals are expected by year-end. Prices of lasers range from $30,000 to $80,000 depending on the model, and fiber prices are under $250.

These new vein closure technologies compete with an estimated 150,000 surgical vein stripping procedures performed (mostly in a hospital setting by vascular surgeons) in the U.S. each year. Market projections indicate that the minimally invasive, outpatient closure techniques will expand this volume by several hundred thousand procedures per year, and attract a range of subspecialties interested in capitalizing on this new source of revenues. Insurance reimbursement is good, and many patients will also pay cash for these new procedures.

12/19 **Photogen Technologies, Inc.** announced that the U.S. Patent and Trademark Office had issued a patent covering the use of Photogen's drug, PH-10, as a radiosensitizer (U.S. patent no. 6,331,286). This is the company's first patent to be issued from its patent applications to provide extensive coverage for the use of PH-10 in the treatment and diagnosis of several diseases. "Patent protection for the use of PH-10 as a radiosensitizer marks the achievement of another milestone for our company," said Taffy Williams, president and CEO of Photogen. "We are pleased to have patent coverage, including methods, for using PH-10 and a large family of related chemical compounds to enhance the therapeutic effects and diminish the side effects of radiation therapy. We believe that physicians and patients will benefit from treatment packages that we develop for cancer and other medical conditions."

PH-10 can be selectively delivered to cancerous tissue. When tissue treated with PH-10 is irradiated with X-rays, an enhanced destruction of the tumor is achieved. Importantly,

due to the product's selective nature, healthy tissue around the tumor remains unharmed. The development of PH-10 as a radiosensitizer is in late stages of pre-clinical evaluation with introduction into human clinical trials expected in 2002. Radiation therapy is one of the major means used by oncologists to treat solid tumors, which represent 70% of all cancers initially diagnosed. It is often limited by the development of resistance to the treatment. The use of PH-10 in conjunction with radiation has been shown in preclinical studies to be effective in the treatment of these radiation resistant tumors. PH-10 may enable physicians to realize increased effectiveness of radiation therapy or, if desired, to achieve the same level of efficacy with lower doses of radiation and, potentially, reduced side effects.

In addition to its use to treat certain cancers, PH-10 administered topically and activated with green laser light, is being studied in Phase 1 clinical trials to treat psoriasis and actinic keratosis, skin diseases together afflicting over twelve million people in the U.S. Craig Dees, PhD, Timothy Scott, PhD, John Smolik, and Eric Wachter, PhD, of Photogen, are authors of the radiation sensitization invention.

12/20 **Asclepion Meditec AG**, through its partnership with **U.S.Medical**, announced two enhancements to its line of Aesthetic lasers for sale in the United States. Since market introduction in June, 2000, Asclepion-Meditec has been able to successfully sell its hair removal high power diode laser MeDioStar HC through U.S.Medical in the United States. With the later addition of the new economic model MeDioStar C, both companies were able to target a broader range of physicians.

Today, Asclepion launched its professional software upgrades and one application upgrade which consists of a new 6mm hand-piece for vascular lesions for the MeDioStar lasers in the United States. These upgrades are ideal supplements to both the MeDioStar HC and C, and offer the user a highest measure of comfort for laser assisted treatments. These upgrades feature the so-called "professional mode". Pulse length, pulse pause and fluence can be adjusted completely independently. This way, the experienced user can adapt the treatment even more individually to the patients hair and skin type. The new 6mm hand-piece and the professional software upgrades for the MeDioStar allow the physician a broader range of revenue generating possibilities to add to their aesthetic practices without adding another system. The market launch of these innovative Asclepion additions in the United States through U.S.Medical will strengthen the co-operation between Asclepion and U.S.Medical. Through the availability of the new hand-piece and the professional upgrades, both companies will improve their market position in the United States. In addition, it is believed to be "just what the doctor needs."

12/20 What do all the women of the Pasadena Tournament of Roses Royal Court have in common? In addition to being talented and beautiful, Rose Queen Caroline Hsu and the six women who make up the Royal Court also have dazzling smiles. Thanks to **BriteSmile** Professional Teeth Whitening, these seven alluring women will join the

hundreds of thousands of patients worldwide who have benefited from BriteSmile's state-of-the-art, light-activated teeth whitening technology. BriteSmile offered its professional whitening services to all the members of the court, who graciously accepted the opportunity to whiten their teeth to their optimal, natural whiteness. BriteSmile affiliated dentist Dr. Hanfu Lee of Arcadia will perform all of the procedures, which are completed in a single office visit in a little over an hour. Queen Caroline Hsu and her Court were among the nearly 1,000 young women vying for the honor of riding the symbolic rose-adorned float that escorts the Royal Court through the Rose Parade and to the Rose Bowl Game. The Court selection includes a month-long interview process that is designed to find those participants with the right combination of poise, personality, public speaking ability and scholastic achievement. In addition to the thousands of spectators and millions of television viewers who enjoy the Tournament of Roses festivities every year, The Rose Queen and six Rose Princesses will also attend nearly 150 additional public and media functions during their year in the spotlight. "At BriteSmile, we believe that a person's smile is one of their greatest assets. This is especially true for the Members of the Tournament of Roses Royal Court," said Mike Whan, BriteSmile's president of Worldwide Marketing. "BriteSmile is a perfect fit for these outgoing, busy women. As ambassadors for the Tournament of Roses and the City of Pasadena, their responsibility is to deliver a positive impression. The BriteSmile procedure offers the efficacy and ease these women need to ensure that they put their best smile forward."