This is a preliminary prospectus relating to these securities, a copy of which has been filed with the securities regulatory authorities in each of the provinces of Canada but which has not yet become final for the purpose of a distribution to the public. Information contained herein is subject to completion or amendment. The securities may not be sold to, nor may offers to buy be accepted from, residents of any such province prior to the time a receipt for the final prospectus is obtained from the appropriate securities commission or other regulatory authority.

Preliminary Prospectus dated June 30, 2000

This Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities law, and, subject to certain exceptions, may not be offered or sold in the United States or to U.S. persons. See "Plan of Distribution".

New Issue

ICON LASER EYE CENTERS, INC.

ICON LASER EYE CENTERS, INC.

Minimum: ● Common Shares (US$6,000,000)

Maximum: ● Common Shares (US$10,000,000)

This offering (the "Offering") consists of a minimum of ● common shares and a maximum of ● common shares ("Common Shares") of ICON Laser Eye Centers, Inc. (the "Company" or "ICON") at a price of $ ● per share. The price at which the Common Shares are offered hereby was established by negotiation between the Company and Thomson Kernaghan & Co. Limited, (the "Agent"). See "Plan of Distribution".

Unless otherwise noted, all amounts in this prospectus are in U.S. dollars.

Price: US$ ● per Common Share

	Price to the Public	Agent's Fee(1)	Net Proceeds to the Company(2)
Per Common Share	$ ●	$ ●	$ ●
Totals — Minimum(3)	$ ●	$ ●	$ ●
— Maximum(3)	$ ●	$ ●	$ ●

Notes:

(1) As additional compensation in connection with the Offering, the Company has agreed to issue to the Agent non-assignable options (the "Compensation Options") to purchase Common Shares ("Compensation Shares") in an amount equal to 10% of the number of Common Shares issued from treasury pursuant to the Offering, at a price of $ ● per share. The Compensation Options will be exercisable, in whole or in part, at any time during the period commencing on the closing of the Offering and ending at 5:00 p.m. (Toronto time) on the date which is two years after the closing of the Offering. This prospectus qualifies the distribution of the Compensation Options. See "Plan of Distribution".

(2) Before deducting expenses of the Offering payable by the Company, estimated at $ ● .

(3) The Company has granted to the Agent an option (the "Over-Allotment Option"), exercisable at any time up to 60 days following the closing of the Offering, to purchase an additional number of Common Shares up to an amount equal to 15% of the number of Common Shares issued from treasury pursuant to the Offering for the purpose of covering over-allotments, if any, and for market stabilization purposes. This prospectus also qualifies the distribution by the Agent of any Common Shares acquired pursuant to the exercise of the Over-Allotment Option. Any purchases of Common Shares to cover over-allotments will be made on the same terms and conditions as apply to purchases of the other Common Shares being offered in the Offering. If the Over-Allotment Option is exercised in full by the Agent, the totals of the price to the public, Agent's Fee and net proceeds to the Company will be $ ● , $ ● , and $ ● , respectively (assuming the Minimum Offering), and $ ● , $ ● , and ● , respectively (assuming the Maximum Offering). See "Plan of Distribution".

This prospectus also qualifies the issuance of 75,000 Common Shares and a warrant to acquire up to an additional 400,000 Common Shares for nominal consideration to Quest Ventures Inc. See "Management Discussion and Analysis — Subsequent Events".

There are certain risk factors associated with an investment in the Common Shares, which should be carefully reviewed by prospective purchasers. See "Risk Factors".

The offering price for each Common Share exceeds the net tangible book value per Common Share as at December 31, 1999 by $ ● , representing a dilution of ● % for the Minimum Offering, and by $ ● , representing a dilution of ● % for the Maximum Offering (in each case after giving effect to the Offering but assuming no exercise of the Over-Allotment Option, the Compensation Options or the Company's other options, warrants or other convertible securities. See "Options and Convertible Securities"). See "Dilution".

The outstanding Common Shares are quoted on the Canadian Dealing Network Inc. ("CDN") under the symbol ILEC.U. On ● , 2000, the price of the Common Shares, as reported by CDN was $ ● per Common Share. The Company has applied to list the Common Shares on The Toronto Stock Exchange Inc. (the "TSE"). Listing will be subject to the Company fulfilling all the listing requirements of the TSE.

The Agent conditionally offers the Common Shares, subject to prior sale, on a best efforts basis, if, as and when issued and delivered by the Company and accepted by the Agent in accordance with the terms and conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain Canadian legal matters on behalf of the Company by Meighen Demers and certain Canadian legal matters on behalf of the Agent by Stikeman Elliott.

This Offering is subject to a minimum subscription of ● Common Shares for gross proceeds of $6,000,000. All subscription proceeds received by the Agent will be deposited in trust with Equity Transfer Services Inc. pending the closing of this Offering pursuant to the terms of a subscription escrow agreement dated as of ● , 2000 by and among the Company, the Agent and Equity Transfer Services Inc. While the closing is expected to take place on or about ● , 2000, if the minimum number of subscriptions is not received by ● , 2000 or such other time as may be authorized by the applicable securities regulatory authorities and agreed by the Agent, all subscription monies relating to this Offering will be returned to the subscribers without interest or deductions by Equity Transfer Services Inc. Subscriptions for the Common Shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive certificates evidencing the Common Shares will be available for delivery on the closing of the Offering, which is anticipated to occur on or about ● , 2000, or on such later date as the Company and the Agent may agree, but in any event, no later than ● , 2000.

In the opinion of counsel, the Common Shares will, upon the closing of the Offering, not be precluded as investments pursuant to certain statutes as set forth under "Eligibility for Investment".

The World is in Our Sight

ICON Laser Eye Centers, Inc.

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ELIGIBILITY FOR INVESTMENT

Eligibility of the Common Shares offered hereby for investment by purchasers to whom any of the following statutes apply is, in certain cases, governed by criteria which such purchasers are required to establish as policies or guidelines pursuant to the applicable statute (and, where applicable, the regulations thereunder) and is subject to the prudent investment standards and general investment provisions provided therein:

Insurance Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
Trust and Loan Companies Act (Canada)
An Act Respecting Trust Companies and Saving Companies (Québec)
An Act Respecting Insurance (Québec)
Pension Benefits Act (Ontario)
Loan and Trust Corporations Act (Ontario)
Loan and Trust Corporations Act (Alberta)
Employment Pension Plans Act (Alberta)
Financial Institutions Act (British Columbia)
Pension Benefits Standards Act (British Columbia)

In the opinion of Meighen Demers and Stikeman Elliott, the Common Shares, if and when listed on a prescribed stock exchange (which includes the TSE, but not CDN) in Canada, will be qualified investments under the *Income Tax Act* (Canada) (the "Tax Act") for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans (collectively, "Deferred Income Plans").

In the further opinion of such counsel, which is based in part on a certificate of an officer to the Company as to certain factual matters, as of the date hereof, the Common Shares are not "foreign property" as defined in the Tax Act for Deferred Income Plans and most registered pension funds and plans. The Company is of the view that following this Offering, it will satisfy certain factual requirements and expects that it will continue to satisfy such requirements for the foreseeable future such that the Common Shares will continue not to be foreign property, as described above.

EXCHANGE RATES

In this prospectus, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in United States dollars. The average exchange rate for the three months ended March 31, 1999 and

2000, and for the years ended December 31, 1997, December 31, 1998 and December 31, 1999 and the exchange rate at the end of each such period and the high and low exchange rate for each such period for the conversion of the United States dollars into Canadian dollars based on the Bank of Canada noon rate of exchange for United States dollars were as follows:

	Three Months Ended		Year Ended		
	March 31, 2000	March 31, 1999	December 31, 1999	December 31, 1998	December 31, 1997
	(Cdn$)			(Cdn$)	
End of Period	1.4535	1.5092	1.4433	1.5305	1.4291
Period Average	1.4535	1.5113	1.4858	1.4831	1.3844
High for the period	1.4774	1.5475	1.5475	1.5840	1.4399
Low for the period	1.4318	1.4840	1.4420	1.4040	1.3345

On June 29, 2000, the Bank of Canada noon rate of exchange for United States dollars into Canadian dollars was Cdn$1.4817 = U.S.$1.00.

The financial statements included in this prospectus for the Eye Academy (U.K.) are expressed in U.K. Pounds and cover the years ended March 31, 1999 and March 31, 1998 as well as the nine months ended December 31, 1999. The average exchange rate for the years ended March 31, 1998 and March 31, 1999 and for the nine months ended December 31, 1999 and the exchange rate at the end of each such period and the high and low exchange rate for each such period for the conversion of the U.K. Pound (£) into Canadian dollars based on the Bank of Canada noon rate of exchange for U.K. Pounds were also as follows:

	Year Ended		Nine Months Ended
	March 31, 1999	March 31, 1998	December 31, 1999
	(Cdn$)		(Cdn$)
End of Period	2.4366	2.3714	2.3314
Period Average	2.4876	2.3032	2.3827
High for the period	2.6564	2.4300	2.4996
Low for the period	2.3364	2.1893	2.2863

On June 29, 2000, The Bank of Canada noon rate of exchange for U.K. Pounds into Canadian dollars was Cdn.$2.2511=U.K.£1.00.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Prospective investors should consider carefully the information discussed under "Risk Factors" and elsewhere in this prospectus.

The Company

ICON Laser Eye Centers, Inc., along with its subsidiaries, is an international provider of high quality laser vision correction ("LVC") services at an affordable price. LVC is a brief outpatient procedure performed using an excimer laser to treat common visual disorders such as myopia (nearsightedness), hyperopia (farsightedness) and astigmatism, thereby reducing reliance on prescription eyewear. The Company has 24 wholly or majority owned fixed LVC centres in Canada, the United States, Italy, England and Sweden. In addition, the Company jointly manages with VSNA another 9 fixed centres in the United States. See "Business of the Company — ICON Value LASIK Model".

Management believes that in the LVC marketplace patients will not accept sub-standard quality and must rely on the LVC provider to use the utmost care, state-of-the-art technology and employ medical practitioners of the highest calibre. In the last five years, the marketplace has come to accept LVC as a safe alternative to prescription eyewear for vision correction.

The market for LVC procedures in the United States is estimated to have doubled every year over the last four years. ICON believes that the market will continue to grow significantly over the next six years and that it is uniquely positioned to capitalize on the growing acceptance of LVC as a safe alternative for those currently using prescription eyewear. The Company intends to expand its business worldwide by opening new centres, acquiring new centres and/or joint ventures and employing its Value LASIK Model.

The following are the key components of the ICON Value LASIK Model:

Excellence of Care — Excellence of care begins with the initial contact of the candidate with the Company's educational counsellors and is followed by a screening consultation, complete dilated exam, performance of the refractive procedure and a comprehensive post-operative care program. ICON's medical program has been developed and administered by well known and experienced practitioners. At ICON, ophthalmologists (each an "MD") and their supporting clinic teams are responsible for all aspects of patient care.

Customer Service — ICON defines customer service as providing the patient with easy access to LVC and providing the patient with a superior level of comfort with the process. Accessability begins with extensive advertising and providing candidates with sufficient information respecting the LVC process. The Company's 1-877 phone number and website allow for initial bookings into LVC centres geographically most convenient to the individual throughout North America. ICON provides LVC services in fixed site centres in metropolitan areas and through Mobile Surgical Suites ("MSS") and Roll-On/Roll-Off ("RORO") capabilities for markets where LVC is not readily available.

Affordability — Increased procedural volume provides ICON with the ability to reduce prices to an affordable level for a significant portion of the marketplace eligible for this type of procedure. ICON's current pricing of $499 to $999 per eye is significantly less than the U.S. average price of $1940[(1)] per eye and ICON's prices provide customers with a lower cost alternative than most non-surgical options to correct visual disorders.

(1) As reported by Market Scope Refractive Market Perspectives, May 8, 2000.

The Offering

Price: $ ● per Common Share.

	Minimum Offering	Maximum Offering
Offering:	● Common Shares	● Common Shares
Amount:	$6,000,000	$10,000,000
Common Shares Outstanding After the Offering:	●	●

If the Over-Allotment Option is exercised, giving effect to the Maximum Offering and the conversion or exercise of all other options, warrants and convertible securities, there will be ● Common Shares outstanding.

Closing Date: On or about ● , 2000 but not later than ● , 2000.

Use of Proceeds: The net proceeds to the Company from the Offering, after deducting estimated fees payable to the Agent and the estimated offering expenses of $ ● , will be approximately $ ● (assuming the Minimum Offering) and $ ● (assuming the Maximum Offering). The Company anticipates that the net proceeds from the Offering will be used to retire or restructure current debt and the remainder will be used for general financing as follows:

	Minimum Offering	Maximum Offering
(a) Repayment of Debt(1)	$3,000,000	$3,000,000
(b) Expansion Plans	1,000,000	4,000,000
(c) Working Capital	2,000,000	3,000,000
Totals	6,000,000	10,000,000

(1) Repayment of note to Quest Ventures Ltd. See Note 5(a)(v) to the Company's Consolidated Financial Statements.

See "Use of Proceeds".

Dividend Policy: The Company has not declared or paid cash dividends on its Common Shares. The Company currently expects to retain future earnings, if any, for use in the operation and expansion of its business and does not anticipate paying cash dividends in the foreseeable future. See "Dividend Policy".

Risk Factors: There are certain risk factors associated with an investment in the Company which should be carefully reviewed by prospective purchasers, including the following: (i) the limited operating history of the Company; (ii) no assurance of profitable operations; (iii) uncertainty of market acceptance; (iv) future capital requirements; (v) dependence on affiliated doctors; (vi) competition; (vii) quarterly fluctuations in operating results; (viii) potential side effects and long term results of LVC; (ix) potential liability and insurance; (x) management growth; (xi) current regulatory restrictions and potential adverse regulatory changes; (xii) government regulation and supervision; (xiii) technological changes; (xiv) dependence on key personnel; (xv) potential volatility of the stock price; (xvi) absence of dividends; and (xvii) the Company's investment in VisionAmerica. See "Risk Factors".

Selected Financial Data

The following sets forth the summary financial information of the Company for the periods indicated. This information has been derived from the financial statements contained elsewhere in this prospectus and should be read in conjunction with such statements and the notes thereto, as well as the information appearing under "Management's Discussion and Analysis of Financial Condition and Results of Operations". The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

	Three Months Ended		For the Year Ended		
	March 31, 2000	March 31, 1999	December 31, 1999	December 31, 1998	December 31, 1997
	(unaudited)				(unaudited)
	(U.S.$, except share data)				
Statement of Operations Data:					
Total Revenue	$ 8,509,898	$1,477,470	$ 9,495,901	$4,279,237	$2,235,043
Direct Expenses	2,577,920	214,166	2,100,082	353,284	225,736
Operating and Administrative Expense	5,004,454	666,491	6,386,484	2,471,938	1,678,061
Income before interest, taxes, depreciation, amortization ("EBITDA")	927,524	596,813	1,009,335	1,454,015	331,246
Interest Expense	131,183	24,004	135,500	120,391	47,634
Depreciation and Amortization	1,193,073	136,841	1,784,127	484,813	328,555
Operating (loss) income before the following	(396,732)	435,968	(910,292)	848,811	(44,943)
Provision for income taxes	137,065	6,958	375,580	71,558	54,534
Non-controlling interest	11,848	157,775	216,164	460,854	24,593
Net (loss) income	(545,645)	271,235	(1,502,036)	316,399	(124,070)
Basic (loss) income per share	(0.03)	0.03	(0.13)	0.03	(0.01)
Fully diluted (loss) income per share	(0.02)	0.03	(0.12)	0.03	(0.01)
Weighted average number of shares outstanding, basic	21,404,728	9,360,000	11,311,674	9,360,000	9,360,000

	March 31, 2000	December 31, 1999	December 31, 1998	December 31, 1997
	(unaudited)			(unaudited)
	(in U.S.$)			
Balance Sheet Data:				
Cash and cash equivalents	$ 4,436,909	$ 6,290,354	$1,821,454	$ 618,030
Goodwill	20,186,149	20,221,724	—	—
Total assets	45,273,898	39,341,292	4,921,325	2,973,474
Long-term debt	2,032,799	2,004,955	966,971	167,617
Accumulated deficit	(1,911,531)	(1,365,886)	136,150	(56,179)
Total liabilities and equity	45,273,898	39,341,292	4,921,325	2,973,474

GLOSSARY

For the purpose of this prospectus, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings.

Term	Definition
"Agent"	Thomson Kernaghan & Co. Limited.
"Amalgamation"	The amalgamation of ICON London and Northern Gaming Inc. on September 1, 1999 to form the Company.
"astigmatism"	Astigmatism is caused by an irregular curvature of the cornea. Light rays are refracted unequally and as a result, images appear ghost-like or blurred. Astigmatism is often associated with myopia.
"Autonomous"	Autonomous Incorporated, a wholly owned subsidiary of Summit, is involved in the design and development of excimer lasers for LVC that combine laser radar eye tracking with narrow beam shaping technology.
"Bausch & Lomb"	Bausch & Lomb Incorporated, together with its subsidiary Bausch & Lomb Surgical Inc., is a developer, manufacturer and marketer of a variety of healthcare products for the eye and the Technolas excimer laser system, used in LVC.
"Common Shares"	The common shares of the Company.
"Company" or "ICON"	ICON Laser Eye Centers, Inc. and where the context so requires, its subsidiaries.
"Customer Response Centre" or "CRC"	ICON's interactive electronic call centre and database designed to communicate with and manage both prospective consumers and affiliated MDs.
"diopter"	The unit for measuring the refractive power of a lens, expressed as the reciprocal of its focal length in metres.
"Eye Academy (Sweden)"	The Eye Academy AB, a Swedish subsidiary of the Company operating LVC centres in Stockholm and Malmo, Sweden.
"Eye Academy (U.K.)"	The Eye Academy Limited, a U.K. subsidiary of the Company operating LVC centres in London and Birmingham, England.
"FDA"	The U.S. Food and Drug Administration.
"HPB"	The Health Protection Branch of Health Canada.
"hyperopia"	Hyperopia occurs when the cornea is too short. Light rays enter the eye behind the retina and as a result the eye has difficulty focusing on objects that are close. Hyperopia is commonly referred to as farsightedness.
"ICON Europe"	ICON Laser Eye Centers of Europe S.A., a Luxembourg subsidiary of the Company.
"ICON London"	ICON Laser Centre of London Inc., an Ontario corporation, which amalgamated on September 1, 1999 with Northern Gaming Inc. to form the Company.
"ILC"	ICON Laser Centers Inc., an Ontario subsidiary of the Company operating the CRC and an LVC Centre in Toronto, Ontario.

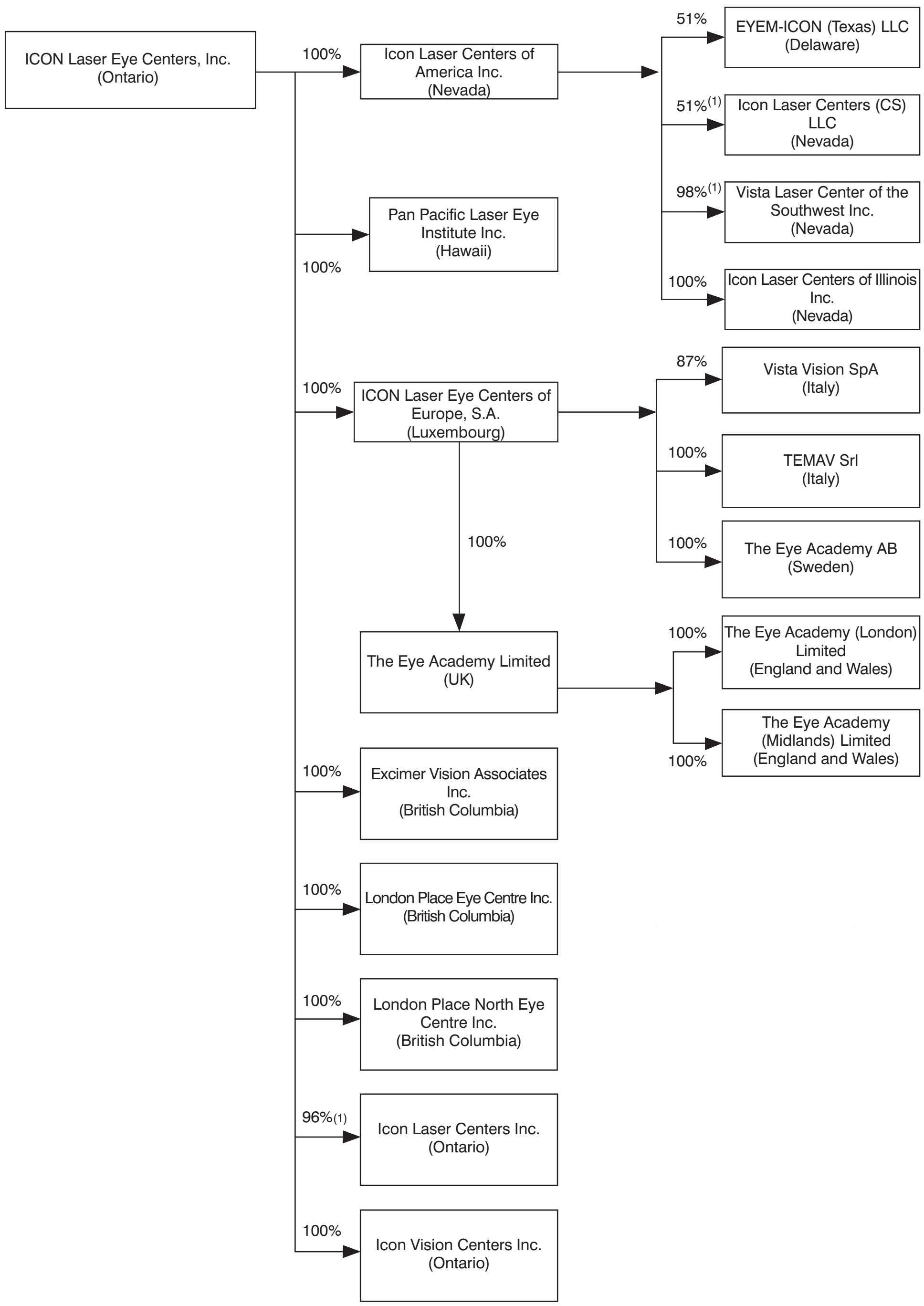
Term	Definition
"IVC"	ICON Vision Centers Inc., an Ontario subsidiary of the Company operating an LVC Centre in Windsor, Ontario.
"Johnson Acquisition"	The acquisition on September 1, 1999 by ICON London of all the issued and oustanding shares of Pan Pacific Laser Eye Institute, Inc., London Place Eye Centre Inc., and London Place North Eye Centre Inc., from Dr. Donald Johnson, his family and related entities.
"Johnson Companies"	Pan Pacific Laser Eye Institute, Inc., London Place Eye Centre Inc. and London Place North Eye Centre Inc.
"Laser assisted in-situ keratomileusis" or "LASIK"	Use of an excimer laser to vaporize tissue in the cornea to treat myopia, hyperopia and astigmatism. The surgeon uses a microkeratome to create a flap in the epithelium (the top layer of the cornea), which is then lifted to the side. The surgeon then removes a section of the stroma (the tissue just beneath the epithelium) to reshape the cornea. The flap is replaced and allowed to heal.
"LaserSight"	LaserSight Incorporated, a company headquartered in Winter Park, Florida, that develops, manufactures and markets ophthalmic excimer lasers.
"LVC"	Laser vision correction.
"Managed Procedures"	LVC procedures performed at: (i) wholly-owned ICON LVC centres; (ii) majority-owned ICON LVC centres; (iii) LVC centres managed by ICON (prior to the acquisition of all or majority ownership by ICON); (iv) LVC centres jointly operated with VSNA; and (v) ICON mobile facilities.
"Market Scope Report"	Comprehensive Report on the U.S. Refractive Market, dated November 1999, prepared by Market Scope, a St. Louis, Missouri based publisher.
"MD"	Ophthalmologist (medical doctor).
"Medicare"	A U.S. governmental program, operated and financed by the Health Care Financing Administration of the Department of Health and Human Services, that provides health care services to elderly and disabled populations in the U.S.
"Medicaid"	A U.S. governmental program, operated and financed by the States and the Health Care Financing Administration of the Department of Health and Human Services, that provides health care services to the poor, the disabled, and other qualified populations in the U.S.
"Meditec"	Asclepion-Meditec AG, a company based in Jena, Germany that has been involved in the development, manufacture and marketing of medical laser systems for more than 20 years.
"MSS"	MSS is an acronym for Mobile Surgical Suites, which consist of a laser and surgical suite in a self-contained mobile unit.
"myopia"	Myopia occurs when the cornea is either elongated or has an improper curve. Light rays entering the eye fall short of the retina and, as a result, the eye cannot focus properly. Myopia is commonly referred to as nearsightedness.

Term	Definition
"Nidek"	Nidek Co., Ltd., a company based in Gamagori, Japan, a leading supplier of surgical and diagnostic products for vision care.
"No Touch"	The procedure developed by Dr. Donald Johnson, whereby the epithileum is removed with an excimer laser in order to prepare the cornea for LVC.
"Offering"	The offering to the public by the Company of a minimum of ● Common Shares and maximum of ● Common Shares pursuant to this prospectus.
"OD"	Optometrist.
"photorefractive keratectomy" or "PRK"	The surgical ablation and reshaping of part of the corneal surface using an excimer laser to treat myopia. Before the cornea can be reshaped, the front surface of the cornea, the epithelium, must be removed. This is accomplished either manually, by scraping the cornea, or with the laser, or by a combination of the two.
"presbyopia"	Presbyopia refers to the eye's diminished ability to focus and is a natural part of the aging process. Presbyopia is not a corneal disorder that can be treated by LVC.
"radial keratotomy" or "RK"	The use of a diamond-blade knife calibrated to reach a certain depth (about 90% of the thickness of the cornea) to make uniform incisions, or cuts (usually about four to eight in all), around the cornea. The more incisions, the flatter the cornea becomes, therefore, for milder cases of myopia fewer incisions are necessary.
"RORO"	RORO is an acronym for Roll-On/Roll-Off, which is a mobile LVC service providing excimer lasers, ophthalmic equipment and experienced surgical teams for rural and secluded regions where LVC is not readily available.
"Stock Option Plan"	The stock option plan of the Company, dated September 1, 1999, pursuant to which the Company may grant options to purchase Common Shares to directors, officers and employees of the Company.
"Summit"	Summit Technology Inc., a manufacturer and supplier of ophthalmic excimer laser systems used in LVC based in Waltham, Massachusetts.
"Tax Act"	*Income Tax Act* (Canada) and the regulations promulgated thereunder.
"TEMAV"	TEMAV S.r.l., an Italian subsidiary of the Company operating RORO/MSS LVC services.
"Thomson Kernaghan"	Thomson Kernaghan & Co. Limited, the Agent for this Offering.
"Vista Southwest"	Vista Laser Center of the Southwest Inc., a Nevada subsidiary of the Company operating a LVC centre in Scottsdale, Arizona.
"Vista Vision"	Vista Vision S.p.A., an Italian subsidiary of the Company operating fixed LVC centres in Milan and Rome, Italy.
"VISX"	VISX, Incorporated, a Santa Clara, California company that develops procedures and manufactures products to improve vision.
"VSNA"	VisionAmerica Incorporated, a Memphis based, public company that provides cataract and other ophthalmic services throughout the U.S.

THE COMPANY

The Company was formed under the *Business Corporations Act* (Ontario) by the amalgamation (the "Amalgamation") of Northern Gaming Inc. and ICON Laser Centre of London Inc. ("ICON London") on September 1, 1999. The principal office of the Company is located at 1 Yonge Street, Suite 1014, Toronto, Ontario, Canada, M5E 1E5. The telephone number is (416) 364-0012. The Company's Internet website is www.iconlasik.com.

The following diagram sets forth the corporate structure of the Company and its material subsidiaries.



(1) The Company is in the process of negotiating the purchase of the minority interest with the expectation that these subsidiaries will be wholly owned by ICON.

ICON's LVC Centres

ICON has 24 wholly or majority owned fixed centres and jointly manages another 9 with VSNA. ICON's mobile facilities consist of 3 RORO units and 1 MSS unit. ICON, either directly or through its group of subsidiaries, presently operates LVC facilities in the following cities:

	Wholly Owned by ICON	Majority owned by ICON	Joint Operations With VSNA
Canada	London, Ontario Windsor, Ontario Vancouver, British Columbia Prince George, British Columbia New Westminster, British Columbia	Toronto, Ontario[2]	
United States	Seattle, Washington Salt Lake City, Utah Honolulu, Hawaii San Diego, California Quincy, Illinois Chicago, Illinois Columbus, Ohio	Scottsdale, Arizona[2] Dallas, Texas Colorado Springs, Colorado[2] Denver, Colorado[2] Chicago, Illinois	Tampa, Florida San Antonio, Texas Houston, Texas Nashville, Tennessee Memphis, Tennessee Jackson, Tennessee Albuquerque, New Mexico St. Louis, Missouri Metairie, Louisiana
Europe	London, England Birmingham, England Stockholm, Sweden Malmo, Sweden RORO/MSS, Italy and Austria	Milan, Italy Rome, Italy Florence, Italy[1]	

Notes:

(1) Expected to commence operations in July 2000.

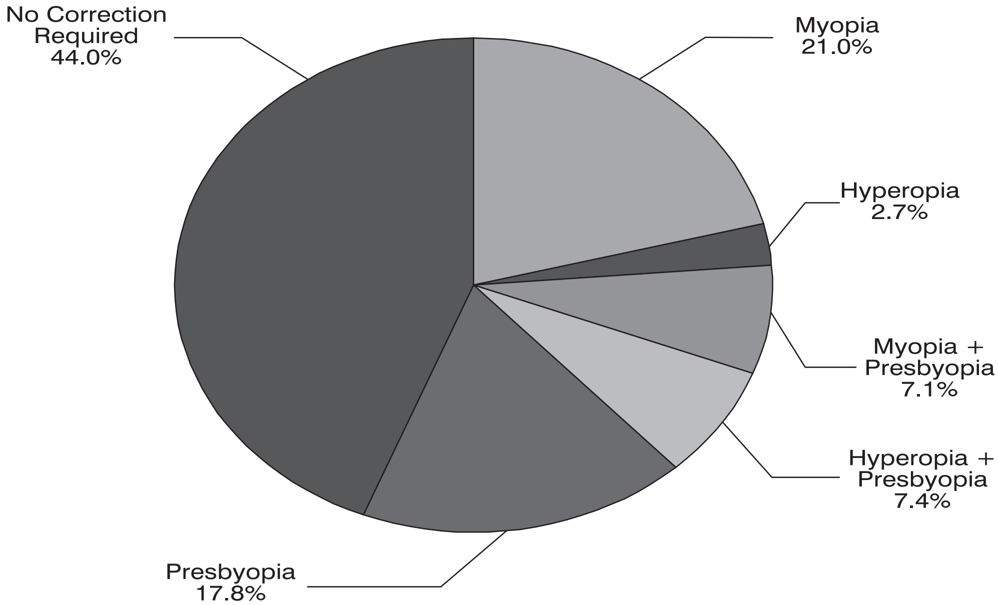
(2) The Company is in the process of negotiating the purchase of the minority interests with the expectation that these centres will be wholly owned by ICON.

INDUSTRY BACKGROUND

Refractive Disorders

The human eye is one of the most complicated structures in the body, and its workings have been compared to that of a camera. Like a camera, the cornea of the eye is the camera lens; the iris (the coloured part of the eye) acts as the aperture; and the retina is the photographic film. Light that is reflected off of an object reaches the eye and is refracted by the cornea, which takes rays of light and bends and focuses them. Next, the light is more finely focused by the lens, which sits just behind the iris. In a perfect eye, this focused light is then beamed back to the retina. The retina breaks the image down into countless elements (*i.e.,* brightness, position, colour and movement), and transmits these elements in the form of electrical signals to the brain. If the cornea is not properly curved it cannot accurately focus (or refract) the light passing through it and the result is a refractive vision disorder.

There are four major refractive vision disorders accounting for the widespread use of eyeglasses and contact lenses. Myopia or nearsightedness is a common problem that affects more than 28% of the U.S. population. Hyperopia or farsightedness is also common; however, age related factors and natural accommodation have significant impact on the need for vision correction. Astigmatism occurs in approximately 15% of the total population and myopia and hyperopia are often complicated by the disorder. Presbyopia affects most of those over the age of 40 as the eye loses its natural elasticity.



Source: Market Scope Report

For years the only alternative available to individuals requiring vision correction for myopia (nearsightedness), hyperopia (farsightedness) and astigmatism was the use of eyeglasses. In the 1950s, contact lenses were introduced as an alternative for individuals that did not want to wear glasses. As reported in the Market Scope Report, by 1980, it was estimated that 4.5% of all individuals in the U.S. having prescription eyewear used contact lenses. In the last twenty years, the technology for contact lenses has improved, making them easier to clean, more comfortable to wear over longer periods of time and disposable. By 1998, the number of users of contact lenses had increased to approximately 31 million in the United States, or 20% of the U.S. market. At that time an estimated 45% of those using contact lenses were under the age of 39.

Laser Vision Correction

The first recorded operation to flatten the cornea, thereby correcting vision, was reported in German literature in 1869 and a similar procedure was reported in the U.S. in 1894. In 1953, an expansion of refractive surgery techniques was reported by incising the cornea internally and externally. Although this procedure reduced myopia, it was technically difficult and caused damage to the corneal endothelium. Beginning in the 1950s, a technique was developed of removing a button of corneal tissue, freezing the tissue, and using a lathe to reshape the tissue. The button of corneal tissue was then thawed and reattached. Many other methods of surgically correcting vision have been implemented, including the use of an intrastromal ring (attaching lenticles to the surface of the cornea) and thermo-keratoplasty. Of these procedures, three have achieved widespread commercial acceptance: radial keratotomy (RK), photo refractive keratectomy (PRK) and laser-assisted in-situ keratomileusis (LASIK).

Radial Keratotomy

RK, a surgical procedure to correct myopia, was developed by Dr. Syvatslav Fyodorov of the USSR in 1978. Dr. Fyodorov performed a significant number of procedures and trained several U.S. surgeons who in turn refined the procedure and developed instruments, computer programs, and techniques to improve reliability. Of particular note is Dr. Charles Casebeer, a co-medical director of ICON, whose techniques and training, according to a study conducted in 1993 by the American Society of Refractive and Cataract Surgeons, are utilized by 48% of those performing RK.

The limited scope of correction, concerns over the long-term effects of manual incisions of 400 to 450 microns deep into corneal tissue, and the requirement of future enhancements caused the RK procedure to fall out of favour shortly thereafter. This procedure was replaced by PRK and LASIK as the preferred refractive surgical alternatives when the first excimer laser received approval by the FDA in 1995.

Photorefractive Keratectomy

With PRK, the surgeon prepares the eye by gently removing the epithelium, the surface layer of the cornea. The surgeon then applies the excimer laser beam, reshaping the curvature of the cornea. Deeper cell layers remain virtually untouched. Since a layer typically as slender as a human hair is removed, the cornea maintains its original strength. A contact lens bandage is then placed on the eye to protect it. Following PRK, a patient typically experiences blurred vision and discomfort until the epithelium heals. A patient usually experiences a substantial improvement in clarity of vision within a few days following PRK, normally seeing well enough to drive a car within one to two weeks. However, it generally takes a month, but may take up to six months, for the full benefit of PRK to be realized.

PRK has been in commercial use since 1988. Clinical trials conducted by Summit prior to receiving FDA approval for the sale of its excimer laser showed that one year after the PRK procedure, approximately 81% of the patients could see 20/20 or better and approximately 99% could see 20/40 or better (the minimum level required to drive without corrective lenses in most U.S. states). In addition, a study published in the February 1998 issue of *Ophthalmology* reported the results of 83 patients in the United Kingdom who underwent PRK for myopia of up to 7 diopters. The study found that the patients experienced stable vision and the majority of patients experienced no side effects. No complications were observed such as cataracts, retinal detachment or long-term, elevated intra-ocular pressure, and no patients developed an infection.

Laser Assisted In-Situ Keratomileusis

LASIK came into commercial use in Canada in 1994 and in the United States in 1996. In LASIK, a microkeratome, an automated microsurgical instrument, is used to create a thin corneal flap which remains hinged to the eye. The corneal flap is 160 to 180 microns thick or approximately 30% of the corneal thickness. Patients do not feel or see the cutting of the corneal flap, which takes only a few seconds. The corneal flap is then raised away from the cornea while remaining hinged to the eye and excimer laser pulses are applied to the inner stroma layers of the cornea to treat the eye with the patient's prescription. The corneal flap is then closed and the flap and interface rinsed. As with PRK, the typical procedure takes 10 to 15 minutes from set up to completion with the actual excimer laser treatment taking 15 to 90 seconds to perform. Once the procedure is completed, most surgeons wait two to three minutes to ensure the corneal flap has fully re-adhered. At this point, patients can blink normally, and the corneal flap remains secured in position by the natural suction within the cornea.

Unlike PRK, the epithelium, the surface layer of the cornea, remains intact with LASIK and, as a result, no bandage contact lens is required and the patient experiences little or no discomfort. LASIK has the advantage of more rapid recovery than PRK, with most typical patients seeing well enough to drive a car the next day and healing completely within one to three months.

The convenience, instant results, shorter recovery time and less post-operative pain are the major reasons why LASIK is being utilized for approximately 88% of the total LVC procedures performed in the United States.

Custom Ablation

Custom ablation refers to the tailoring of refractive surgery to specifications of each individual eye with the goal of achieving "perfect vision" (*i.e.,* better than 20/20). The wavefront technology works by pulsing a beam of light into the eye and then measuring the refractive error at many different points in the eye. This information is then used to calculate the "ideal" pattern of ablation to be performed on the eye. Early results of this procedure have been favourable and the industry expects full-scale clinical trials to begin pending FDA review of feasibility. The FDA approval is not expected until, at the earliest, late 2001.

The LVC Refractive Market

The number of individuals interested in LVC has grown rapidly. While the market has expanded mostly by word of mouth, it has also increased due to FDA approvals that have broadened laser applications, increased clinical data and improved public acceptance of the procedure. The Company estimates that the number of LVC procedures has more than doubled each year since 1996, the first full year of FDA approval.

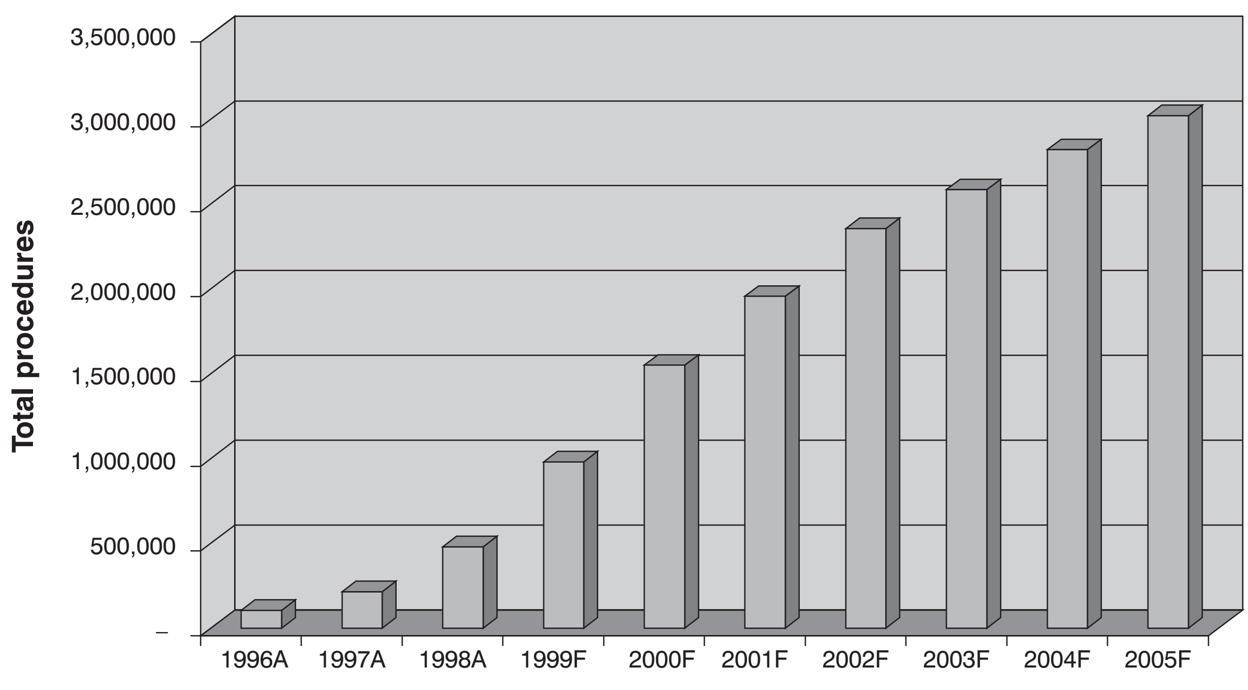
Laser manufacturing companies and laser centre management companies reported excellent results in 1999, with record sales of new lasers and a doubling of procedures over 1998. Growth in demand has encouraged expansion of capacity and new market entrants. Recent new entrants employing a direct pricing strategy included LCA Vision, Lasik Vision Corporation and ICON.

Even with this rapid growth rate, the Company believes that the potential LVC market is large and for the most part unpenetrated. Worldwide, more than $25 billion is spent annually correcting vision problems. In the U.S, over 140 million people (or about 50% of the population) currently use eyeglasses or contact lenses. According to Market Scope, an independent publication focusing on the refractive market, approximately 41 million people (or 82 million eyes) in the U.S. are candidates for LVC, based on age, income and type of correction needed. Assuming a cumulative procedure base of 1.6 million people, market penetration remains low, with only 2% of the eligible population having received LVC as at the end of 1999.

The LVC industry in the U.S. generated more than $2.1 billion in total patient fees in 1999, up from $900 million in 1998 and $400 million in 1997. The U.S. market is estimated to have doubled every year since first FDA approval in 1995, to a total estimated volume of 1,550,000 procedures in 2000. This growth is expected to continue with procedures expected to grow to an estimated 3.0 million and total patient fees to grow to an estimated $4.8 billion by 2005.

The following discussion respecting industry trends and growth is a summary of the information reported in the Market Scope Report. The following graph illustrates both the historic and forecasted growth of the LVC market.

United States LVC Procedures 1996 to 2005



Source: Market Scope Report.

As the market for LVC has grown, providers of LVC services in the U.S. market can be categorized into three major segments:

- The corporate LVC segment is the largest and is made up of companies offering LVC nationally. This segment provided 45.1% of total LVC procedures in 1999. This is also the largest growing segment and is expected to provide 52.3% of the total LVC procedures by 2005.
- The surgeon segment is the second largest and is made up of individual practitioners offering LVC in local markets. Although total procedures for this segment is expected to grow over the next five years, their relative share of the market is expected to decline from 40.0% in 1999 to 37.3% in 2005.
- The institutional segment is the smallest segment and includes hospitals and universities. This segment had 14.9% of total procedures in 1999 and its market share is expected to reduce to 10.4% by 2005.

Industry Trends

Important market trends include:

- Increased geographic competition — The corporate LVC segment continues to grow in metropolitan areas both by opening new centres and by acquiring independent LVC practices.
- Group Contracting — Corporate groups are developing significant marketing programs with major vision care insurance programs and employers offering reduced pricing in return for exclusive commitments of members.
- Declining average price — Most analysts expect prices to fall as LVC providers, such as ICON, enter the market with lower price strategies.
- Technology — Each of the major laser suppliers is developing new technology to provide LVC centres with additional refractive surgery capabilities. These developments are focusing on the ability to measure more precisely imperfections in the topography of the cornea thus enabling variations in the size and shape of the laser beam used to treat these irregularities. Some of these technologies are currently being used in the treatment of patients in Europe; however, most are in the beginning stage of clinical trials in the U.S. and are not expected to receive FDA approval until at the earliest, late 2001.

Royalty Fees

In 1992, VISX and Summit agreed to hold jointly certain United States patent rights relating to LVC technology in the United States. Under the terms of their agreement, VISX and Summit participated in the commercialization of LVC and shared profits from royalty fees based on a per procedure use of the laser. These royalty fees applied only to the sale and use of lasers in the United States. Additionally, all partnership profits attributable to royalties on laser equipment sales by Summit were allocated to VISX.

In October 1995, Summit became the first excimer laser company to receive FDA approval of its pre-market application for use of LVC to treat low-level myopia. This approval enabled Summit to market and sell LVC systems in the United States. In March 1996, the FDA approved the use of VISX's LVC system for mild to moderate myopia. Consequently, VISX and Summit were the only companies in the United States that were FDA approved to perform LVC giving them an opportunity to charge MDs in the United States a technology royalty fee of $250 per eye.

VISX and Summit remained as the only FDA approved providers of excimer lasers in the United States until December 1998, when the Nidek EC-5000 LVC system received FDA approval for the treatment of mild to moderate myopia. Unlike Summit or VISX however, Nidek decided that it would not charge MDs a per-procedure fee. This led to significant savings of approximately $500 in the treatment of myopia. Nidek later received FDA approval for astigmatism treatment in October 1999 and LASIK, for the treatment of myopia, in April 2000. In February 2000, VISX reduced its royalty fee from $250 to $100 and as a result, the LVC industry in the United States has become more price sensitive. Other laser suppliers have since reduced their royalty fees.

BUSINESS OF THE COMPANY

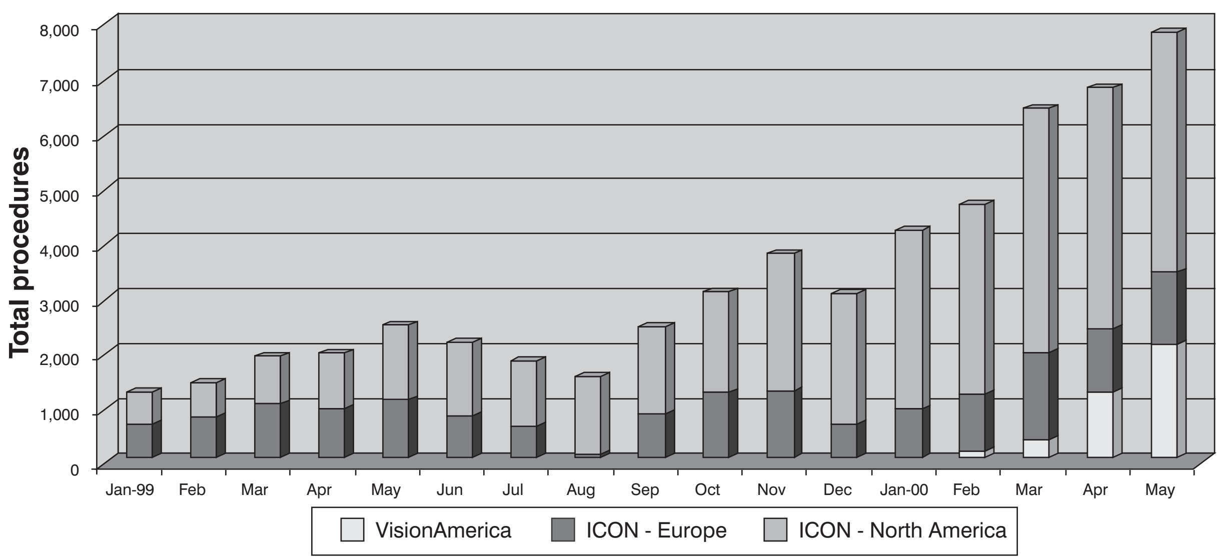
Company Overview

The Company provides LVC and other ophthalmic services under its Value LASIK Model, through fixed site LVC centres in North America, Italy, Sweden and the United Kingdom and through mobile laser units in Italy and Austria. The Company anticipates expanding its mobile operations into North America. ICON has contractual arrangements with MDs and ODs to perform LVC procedures at each of its LVC centres.

ICON employs a direct marketing approach in offering LVC services to the North American marketplace. Advertising on local radio, in newspapers and other media, the Company promotes its opening specials and directs interested candidates to call its North American Customer Response Centre at 1-877-SEE-ICON. Candidates speak with trained educational counsellors to learn about ICON's LVC services and book consultations at the clinic that is geographically most convenient. After surgery, ICON provides a comprehensive plan of follow-up care to ensure patient satisfaction.

ICON's volume of Managed Procedures has grown steadily from January, 1999 through May, 2000. The growth rate has largely been the result of acquisitions, new LVC centres being opened and the Value LASIK Model being implemented. The following chart indicates the increase in Managed Procedures from January 1999 to May 2000 and separately indicates those Managed Procedures performed at North American centres, European centres and centres jointly operated with VSNA. See "Acquisitions".

ICON Monthly Procedures (Eyes)



The market for LVC procedures in the U.S. is estimated to have doubled every year over the last four years. ICON believes that the market will continue to grow significantly over the next six years and that it is well positioned to capitalize on the growing acceptance of LVC as a safe alternative for those currently using prescription eyewear.

ICON's business strategy can be broken down into four separate components which management believes are key to ICON's success:

1. ICON Value LASIK Model: ICON provides educational counselling, medical and surgical services, a post-operative care program and leading technology at a price which is less than that of most other LVC providers.
2. ICON Business Model: ICON's advertising and pricing have positioned it to benefit from the higher procedure volumes resulting from the increased demand for LVC procedures.
3. ICON Growth Strategy: ICON plans to expand its business by opening new LVC centres, by acquiring existing centres and by increasing patient flow at its centres by implementing the Value LASIK model.

4. ICON Laser Tour: ICON's mobile capabilities provide LVC services to regions where LVC is not otherwise readily available and markets which cannot support a permanent fixed LVC centre.

ICON Value LASIK Model

ICON believes that offering high quality LVC services to its patients at a price that is substantially lower than prices charged by other LVC providers will lead to consumer brand name recognition and a resulting increase in market share. ICON's advertising, marketing and promotion programs are focused around this strategy. ICON plans to increase the number of its LVC centres and to adjust the operational model of each newly acquired or managed LVC centre so that it follows the Value LASIK model.

The key aspects of the Value LASIK model include the following:

- EXCELLENCE OF CARE
- CUSTOMER SERVICE
- AFFORDABILITY

Excellence of Care

ICON believes that a key ingredient for success in the LVC marketplace is to offer an excellent patient management and care program. Excellence in patient care involves being a leader in: i) educational counselling; ii) medical and surgical practices; iii) post-operative care; and iv) state-of-the-art technologies.

i) Educational counselling

ICON provides customer service and controls patient acquisition from an electronic call centre (the "Customer Response Centre" or the "CRC") and an interactive database in Windsor, Ontario. The CRC is designed to communicate with and manage ICON affiliated doctors and patients. The CRC is manned by trained, dedicated educational counsellors who have the necessary sales training and knowledge to explain LVC procedures and assure candidates that ICON and its affiliates provide the best technology along with the best doctors at an affordable price. The initial contact of the candidate with ICON's educational counsellors demonstrates to prospective patients that precise information is available upon request and that a professional support line is always available.

ii) Medical and surgical practices

ICON has affiliations with MDs and ODs throughout North America and Europe. All doctors performing refractive procedures in ICON centres are fully trained ophthalmic surgeons and have been certified and licensed to practice medicine in their respective jurisdictions. The MD performs the LVC procedure while the OD conducts the pre-operative examination and refraction and manages the post-operative follow-up care. The quality of the ICON health program is dependent on thorough teamwork between these professionals.

The reputation of an MD is based on background training and experience and, more particularly, the number of LVC procedures an MD has performed. ICON believes that the most effective way to attract leading doctors is to be the leading provider of quality refractive surgical facilities and support services. To this end, ICON strives to be the clinical leader, educating MDs on laser vision and refractive correction by providing comprehensive training courses as well as sponsoring and participating in national medical congresses. ICON also promotes its services to doctors in Europe, Canada and the United States through conferences, advertisements in journals, direct marketing, its website and various newsletters.

ICON's medical practitioners have the benefit of the medical expertise of the following pioneers in the development of LVC throughout the world, each of whom is affiliated with ICON:

- Dr. Charles Casebeer is a world renowned teacher of LASIK and pioneer in the development of associated technologies. Dr. Casebeer's extensive experience in keratorefractive surgery dates from 1983 to the present, and includes more than 6,000 cases. Dr. Casebeer has been lecturing internationally since 1989 on various refractive topics such as LASIK procedures. Dr. Casebeer has also participated in authoring seven books on refractive surgery, including a leading book on LASIK co-authored with

Dr. Luis Ruiz, inventor of the microkeratome and Dr. Steven Slade, Co-National Director of TLC Laser Eye Centers. Dr. Casebeer has published 16 articles in peer-reviewed medical journals and currently authors a monthly news column in *Ocular Surgery News*. A graduate of Harvard University, Dr. Casebeer received his M.D. degree from the University of Southern California School of Medicine, served his internship at the Medical College of Virginia and his residency in Ophthalmology at Stanford University Medical Center and currently holds professional licenses in the states of Arizona, California and Utah.

- Dr. Donald Johnson, a world leader in the use of PRK and the inventor of the refractive procedure No Touch, is a director and co-medical director of ICON. Dr. Johnson received his M.D. degree from the University of Western Ontario and served his ophthalmology residency at the University of British Columbia. In 1985, he established the London Place Eye Center in New Westminster, British Columbia, where he still practices. Dr. Johnson has appeared as a guest lecturer at many symposiums and is the innovator and holds the patent and trademark for No Touch, which has been licensed exclusively to ICON. Dr. Johnson is also an international investigator and medical advisor for Nidek, VISX and Sunrise lasers. As well, Dr. Johnson is on the editorial board of *Ocular Surgery News* and the *Review of Ophthalmology*.
- Dr. Ioannis Pallikaris who serves as ICON's European Medical Director is acknowledged as the "father" of LASIK and is a director of a Research Center and Center of Excellence at the University of Crete. Dr. Pallikaris is currently working on the next generation of refractive solutions to eye problems including custom ablation and wavefront technology.

iii) Post-operative care

ICON provides a post-operative care plan which includes ongoing checkups to ensure that the vision correction and health of the patients' eyes meet the satisfaction of the LVC centre MD. Patients are asked to adhere to a specific recovery plan to ensure complete healing of the eyes. This plan includes follow-up visits the next day, one week, one month, three months, six months and twelve months after the initial surgery.

iv) Technology

ICON understands that technological leadership is a must for continued excellence in patient care and considers itself an industry leader in LVC technology. Having operations in Europe and North America has provided ICON the opportunity to work with each laser manufacturer that has approved lasers for LVC. ICON's management believes that ICON is the only LVC business currently working with all of the following lasers:

i) Nidek EC-5000;

ii) VISX Star;

iii) Bausch & Lomb Technolas 217;

iv) LaserSight LSX; and

v) Meditec ML70.

VISX with an estimated 500 lasers installed and Summit with 235, are the leading suppliers of lasers in the U.S. marketplace. Internationally, Bausch & Lomb's Technolas 217 is the most popular laser with over 500 lasers installed, followed by LaserSight with 350 lasers installed.

ICON currently uses the following lasers:

- Canada — Nidek EC-5000, VISX Star, LaserSight SLX and Meditec ML70 lasers;
- United States — Nidek EC-5000, VISX Star laser;
- Italy — Bausch & Lomb Technolas 217 lasers are used in the fixed centres and Bausch & Lomb Technolas 217 and Meditec ML70 lasers are used in the MSS/RORO program;
- Sweden and the United Kingdom — Bausch & Lomb Technolas 217 lasers.

As available technology improves and additional procedures and lasers are approved by the FDA, ICON expects to upgrade the capabilities of its current lasers.

ICON believes that, based on the number of existing manufacturers, the current inventory levels and the number of suitable, previously owned and FDA approved lasers available for sale in the market, the supply of excimer lasers is more than adequate for ICON's future operations and expansion plans.

A new excimer laser costs approximately $300,000 to $575,000. Excimer lasers generally require periodic servicing after approximately 300 procedures. As manufacturers' warranties expire, ICON typically enters into service contracts with manufacturers.

A per-procedure royalty fee is charged for the use of VISX and Summit excimer lasers in the United States marketplace. ICON uses Nidek lasers in the majority of its operations in the United States and intends to continue to use Nidek and/or other FDA approved lasers that do not charge a per-procedure royalty fee.

Customer Service

The LVC industry is a medical services business. ICON strives to provide its patients with easy access to LVC and with a superior level of comfort throughout the process. ICON understands that the best form of advertising in the marketplace is "word of mouth" and that excellent customer service from the initial inquiry through to the post-operative checkup is mandatory to ensure an ICON patient is completely satisfied.

ICON's direct marketing strategy covers both "grand openings" of new ICON LVC centres and ongoing advertising in support of the Value LASIK Model. ICON has used radio, print, television, trade shows, the Internet and other assorted advertising mediums in the promotion of its brand name and 1-877-SEE-ICON number.

Interested patients who call ICON's 1-877-SEE-ICON number or visit the ICON website can be instantly connected with the Company's CRC 24 hours per day seven days per week. Both the toll-free number and website allow an interested candidate to speak with specially trained, highly informed educational counsellors about LVC and ICON. A typical response to an inquiry includes an explanation of the LVC procedure and all questions are answered thoroughly to the satisfaction of the candidate. Once a candidate fully understands the process and benefits of Value LASIK, he/she is ready to be booked for an initial eye examination in the ICON facility that is geographically most convenient. With some advertising campaigns involving special offers, patients may be required to make a deposit over the phone. In certain markets, ICON has established partnerships with local airlines to provide "out of town" candidates with cost effective travel alternatives and will schedule the examinations and subsequent surgeries to minimize their inconvenience.

ICON's website at www.iconlasik.com provides a directory of affiliated locations and doctors, contains questions and answers about LVC and invites patients, ODs and MDs to inquire about ICON. ICON is presently experiencing website traffic of approximately 10,455 unique visitors per month. The Internet has proven to be an effective patient acquisition tool for fielding new patient leads, answering scheduling inquiries, as well as allowing patients to pay online for their LVC procedures.

Affordability

i) Pricing

ICON is a leader in affordable pricing in the market place. ICON's regular price for LVC in Canadian markets has typically been Cdn.$999 per procedure and the regular pricing structure in the United States is $749 per procedure. The Company offers higher regular pricing for the No Touch procedures performed in New Westminster and Prince George, British Columbia.

ICON may offer special limited-time discounts below its regular North American price points when the Company launches a new centre or decides to react to regional price competitiveness in maturing markets. ICON's special price offers have historically ranged from Cdn.$499 or $499 to Cdn.$749 or $749. Hyperopic patients and those requiring correction for astigmatism may be charged moderately higher fees than the advertised special prices.

ICON's pricing of $749 per procedure in the United States is significantly lower than most other LVC providers in the marketplace. The latest U.S. market data indicates that the average price charged in the first quarter 2000 was $1,940, a reduction of 6.6% from the last quarter of 1999. Only 12% of the LVC providers offered prices less than $1,500 per procedure while those charging $1,500 to $1,800 per procedure increased to

20.5% from 9.6% in the last quarter of 1999[1]. The Company anticipates that the average price will continue to drop as companies such as ICON provide quality service at an affordable price to a greater segment of the marketplace. ICON believes that its regular price (excluding one-time specials) in the U.S. market will not drop below $749 per procedure in the near future.

At current ICON prices LVC is often more cost-effective than non-surgical alternatives for vision correction. Although the one-time up-front costs associated with the LVC procedure are greater than those associated with the non-surgical options available, the ongoing maintenance and replacement costs associated with non-surgical options make LVC a cost-effective alternative in the marketplace.

The following table highlights the cost of alternative remedies for myopia over a 10-year period and shows that with the exception of prescription eyeglasses, LVC at $749 per eye is a more affordable option.

Correction option	First year cost[1]	Annual cost[1]	Ten Year Cost[1][2]
Eyeglasses	$250	$75-$250	$1,090
Daily wear contact lens — Low cost	$300	$255	$2,684
Daily wear contact lens — High cost	$551	$391	$4,328
Extended wear contact lens — Low cost	$443	$495	$3,428
Extended wear contact lens — High cost	$668	$548	$3,961

Notes:

(1) As reported in a November 1999 Market Scope Comprehensive Report on the U.S. Refractive Market, all figures are estimates.

(2) 8% discount rate for present value calculation.

ii) Group Contracting

The health care markets in North America and Europe are dominated by health maintenance organizations and corporate health programs, which seek to cut the costs of delivering quality health care services. LVC services are in high demand and many corporations are realizing that LVC can often be a cost-effective alternative to traditional employee optical plans. Many health plans and affiliation groups are currently negotiating price concessions for their members. Under a typical contract, the insurance company and/or employer agrees to pay a portion of the patient fee to LVC companies that have agreed to discount their procedure fees. These programs have had little impact on the market to date, however, they could leave independent LVC centres without access to a large portion of the market.

ICON is actively developing group programs of this type and the Company believes that the discounted price point inherent in its Value LASIK Model provides it with a significant advantage over higher priced competitors attempting to formulate similar programs. In the United Kingdom, ICON has entered into the Virgin Group contract pursuant to which it offers preferred pricing for LVC procedures to Virgin's employees worldwide. In North America, ICON has contracted with TruVision, a marketer of value-added vision care programs, to offer preferred pricing for LVC procedures to certain health maintenance and managed care organizations in Utah and California. The Company has targeted this as an area of growth and has designated a full-time senior manager to foster additional corporate care opportunities and to expand its services to a wide variety of group health programs and providers.

ICON Business Model

The LVC market in North America has historically been premium priced at up to $2,500 per eye. The price was established at "what the market would bear" as opposed to a price based on competitiveness and efficiency. As a result of this premium pricing, the market has been limited to those that can afford the service, and has not otherwise been generally available to those individuals who are interested in LVC but cannot afford the premium price. Over the last few years, consumer awareness of LVC has grown and the demand for an affordable option has increased.

(1) As reported by Market Scope Refractive Market Perspective, May 8, 2000.

The ICON business model was developed to take advantage of increased demand for LASIK surgery at lower prices and is based on a simple premise: as most expenses are fixed costs, lower prices lead to higher volumes, which in turn results in increased revenues and greater profits notwithstanding the lower per procedure prices.

ICON's fixed centre target business model is based on an average price of $750 per eye and an average of 400 LVC procedures per month. A typical ICON centre requires 240 eyes per month to break even at $750 per eye. In the month of May 2000 ICON had 14 fixed centres doing in excess of 240 eyes per month and 7 centres doing in excess of 400 eyes per month (up from 4 centres in March 2000). The following chart provides an illustrative monthly income statement for a mature ICON LVC centre, excluding goodwill amortization expense, at $750 per eye and 400 eyes per month. As each centre has particular revenues and expenses, the following illustrative model is not indicative of the actual results of any particular clinic.

Gross Monthly Revenues:	$300,000
Monthly Expenses:	
Refractive Surgeon	32,000(1)
Optometrist	13,000(2)
Medical Supplies	30,000
Operating Costs	75,000(3)
Marketing	30,000
Overhead Allocation	40,000(4)
Total Monthly Expenses	220,000
Pre-tax Monthly Profit	$ 80,000

Notes:

(1) Based on a fixed contract fee of $27,000 and a bonus of $5,000.

(2) Based on a fixed contract fee of $10,000 and a bonus of $3,000.

(3) ICON uses the Nidek EC 5000 laser almost exclusively in the United States. Nidek does not charge a per-procedure royalty fee. As such, no such fee is included in the business model. See "Industry Background — Royalty Fees". ICON typically lease finances its medical equipment.

(4) Allocated costs of the Customer Response Centre and administrative and support activities. These costs per centre may decrease as ICON opens more centres.

ICON Growth Strategy

ICON is interested in expanding its business base:

- By opening new LVC centres and/or entering into joint operating agreements with optical stores and/or independent MDs to open LVC centres;
- By acquiring existing LVC centres; and
- By increasing patient flow at its current LVC centres using the Value LASIK Model.

ICON intends to target LVC centres that are:

- Located in markets in areas which are physically contiguous to areas in which ICON LVC centres are located. This will allow ICON the opportunity to take full advantage of brand awareness developed in the immediate area from the success of other ICON LVC centres;
- Located in markets where there are pre-existing LASIK full price competitors such that the population is reasonably educated about LVC and potentially responsive to a high quality, affordable option. Direct marketing of the Value LASIK Model has proven to be very successful in markets where higher priced competitors have established LVC centres;
- Located in areas which will allow ICON to provide coverage for corporate health programs. Ease of access to centres for membership in these programs will be key for ICON to establish and take full advantage of group contracting opportunities; and

- Pre-existing independent LVC centres with excellent MDs and ODs. The increase in competition in major metropolitan markets in the United States is expected to continue as the corporate segment of the LVC industry acquires independent LVC centres. ICON accepts this trend and will be an active participant in the acquisition of independent LVC centres. The Company firmly believes that the combination of the Value LASIK Model with an excellent medical practitioner will provide current MDs and ODs with increased volume and subsequently, greater value.

The majority of ICON's future LVC centres will be operated regionally through subsidiaries of ICON; some will be wholly owned by ICON while others may have minority interests owned by affiliated doctors or other health care providers. ICON intends to maintain majority voting control and control of the board of directors of all subsidiaries.

Acquisition Model

Although the structure of each LVC centre acquisition is flexible, the most common model is as follows:

- ICON acquires at least majority voting control of the corporation which owns and manages a pre-existing centre in exchange for Common Shares.
- Where there is a minority interest, ICON has the right to buy the minority interest for a negotiated price.
- The MD and/or OD sign a standard services contract to provide services on a per diem fee plus a volume based bonus.
- ICON implements the Value LASIK Model in the LVC centre.

ICON Laser Tour

ICON has mobile LVC capability in the form of four mobile laser units, three designed as a roll-on/roll-off ("RORO") where a laser is moved to a doctor's premise on a per diem basis, and one designed as a mobile surgical suite ("MSS") where surgery is performed in a mobile unit. In each of these cases ICON supplies a refractive surgeon and medical support staff to either perform or assist in the LVC procedure.

Management of ICON believes that the RORO and MSS programs will be very important in the development of markets in both North America and Europe which cannot support a permanent fixed centre. ICON has one MSS unit operating in Italy, and has expanded its RORO business into Italy and Austria. ICON anticipates expanding its mobile service into North America by introducing RORO into the Canadian marketplace in 2000.

No Touch LVC

No Touch LVC refers to the method developed by Dr. Donald Johnson, a director and co-medical director of ICON, at London Place Eye Centre in New Westminster, British Columbia of removing the epithelium with the laser. There is no manual manipulation of the cornea with instruments. Other centres remove the epithelium for PRK by scraping the epithelium with a scalpel, and a circular rotating brush. The area is then soaked in alcohol and the epithelium is wiped away, following which, the laser is used to remove 90% of the epithileum and the remainder is removed by scraping. The epithelium rapidly regenerates. Using the laser to remove the eptitheluim is less traumatic than the other methods of epithelial removal and it produces a very smooth surface to laser the required correction, typically allowing the patient to see well enough to drive a car within three days. There is more rapid regrowth of the epithelium following No Touch LVC. At present No Touch may be performed with the broad-beam VISX laser and a multi-pass, multi-zone technique. The principal advantage of the No Touch procedure is that it is less invasive and presents no possibility of weakening the cornea.

Dr. Donald Johnson, a director and co-medical director of ICON, owns certain patents and trademarks relating to No Touch LVC. The Company has entered into an exclusive ten-year license agreement with Dr. Johnson allowing ICON to utilize the No Touch trademarks as well as the patents related to the No Touch procedure. Under the license, Dr. Johnson receives certain royalties based on the revenues received by ICON from utilizing the No Touch process. Presently, No Touch is performed only by Dr. Johnson at the Prince George and New Westminster, British Columbia LVC centres.

Europe

ICON currently owns two LVC centres in each of Italy, England and Sweden and a RORO/MSS operating in Italy and Austria. The Company has just recently entered into an agreement with Dr. Ioannis Pallikaris to develop LVC centres in Greece.

In Italy, Vista Vision operates fixed site LVC centres in Milan and Rome with Florence scheduled to commence procedures in July 2000 and TEMAV provides RORO and MSS LVC services to MDs and hospitals.

Vista Vision was founded in 1991 to establish LVC centres in major metropolitan areas to solicit local MDs to use the centres for an access fee. MDs pay the LVC centres per procedure fees of $480 to $800 to use facilities for PRK and $730 to $1,250 for LASIK. Patients pay the MD directly for the services performed. Approximately 200 MDs in Milan and approximately 125 MDs in Rome use Vista Vision's fixed-site facilities. Vista Vision also provides training, education, surgical support and marketing assistance to the MDs.

TEMAV provides mobile LVC support services to MDs and ODs in Italy. TEMAV has designed a mobile surgical suite, which consists of a fully equipped excimer laser surgical suite in a self-contained mobile unit. TEMAV's LVC program is structured to provide affordable LVC services to areas where LVC is not otherwise available. Through its RORO, TEMAV puts excimer lasers, ophthalmic equipment and experienced surgical teams (if required) into locations where TEMAV staff work with local eye care providers in procuring and educating patients and scheduling surgery in a mutually agreed facility. TEMAV's responsibility is to provide the working laser and medical team (if required) and to provide marketing support towards patient procurement. MDs utilizing RORO technology and services typically pay $630 to $830 per procedure and $700 to $850 per procedure for MSS.

On September 8, 1999 ICON acquired the Eye Academy, which operates centres in London and Birmingham, England. The Eye Academy is a provider of LVC as well as ocular cosmetic surgery, cataract surgery and intra-ocular surgery. At the present time, there are 20 LVC centres in the United Kingdom, with the market leader providing PRK at £495 per eye, versus £700 to £1,000 per eye in the market generally. ICON's plan is to restructure the operating practices of the Eye Academy by introducing the LASIK procedure into the marketplace at a price comparable to the current U.K. prices for PRK. The Company believes that this aggressive pricing strategy, combined with the implementation of direct marketing, should allow ICON to penetrate the U.K. market with its Value LASIK model.

On May 26, 2000 ICON purchased fixed-site LVC centres in Stockholm and Malmo, Sweden. These centres had been managed by ICON since their opening. There are currently 14 lasers operating in Sweden, with the largest provider operating 5 LVC centres. ICON believes this to be an opportunity to move the Value LASIK model into a country that has not had a history of LVC competition.

European Growth Strategy

In many European countries including Italy, Greece, Germany and France, advertising directly to the consumer to solicit an LVC procedure is forbidden. However, the laws of European Union countries are required to become homogeneous by the year 2001. If the law changes, ICON will be poised to take advantage of the opportunity to employ its Value LASIK model.

Unlike the North American LVC industry, corporate consolidation has been the exception rather than the rule in Europe. To date, North American based corporations have a small representation in the European marketplace and ICON, while believing this may change in the future, sees an opportunity to become an LVC market leader in Europe.

ICON is setting up an infrastructure to expand the Value LASIK Model into Europe when advertising directly to the consumer becomes a possibility. The Company will be opening a European CRC by mid-year 2000 in Florence, Italy to initially service Italy and the United Kingdom and eventually other European countries in which ICON offers LVC.

Surgeon Contracts

Surgeons performing LVC procedures at ICON refractive centres generally provide their services under one of the following three types of agreements: (i) in-house professional service agreement; (ii) referral service or community doctor agreement; and (iii) facility use agreements.

In Italy, the majority of the doctors are under a standard facility agreement whereby the doctors pay the fixed centre or mobile provider an agreed upon sum for use of the laser and support services.

In North America, the majority of ICON's doctors are under exclusive in-house professional service agreements, whereby the doctors agree to perform a designated amount of monthly procedures at a lower fixed procedure rate. Although these doctors will be paid a lower per procedure rate than doctors performing LVC services for competing LVC service providers, ICON's unique pricing strategy ensures that its MDs benefit from a higher procedural caseload than they would otherwise enjoy. High procedural volumes provide ICON doctors with increased revenues as well as significant LVC experience.

In the United States, surgeons must meet the requirements of the FDA and the ICON refractive centre in which they perform procedures and must complete additional training under the approved supervision of the Company's Medical Directors, unless ICON is otherwise satisfied that the surgeon has been properly trained. Surgeons are responsible for maintaining appropriate malpractice insurance and must agree to indemnify ICON and its affiliates for any losses incurred as a result of the surgeon's negligence or malpractice.

Competition

Within the market for vision correction, excimer laser procedures compete with other surgical and non-surgical treatments for refractive disorders, including eyeglasses, contact lenses, other types of refractive surgery, and technologies currently under development such as corneal implants, intra-ocular implants and surgery with different types of lasers. In the foreseeable future, ICON believes that eyeglass and contact lens use will continue to be the most popular form of vision correction. It is likely that eyeglass and contact lens manufacturers, many of whom have greater marketing and financial resources and experience than ICON, will continue to develop, enhance and market their products to make them as attractive as possible to people with refractive vision disorders. Other surgical and non-surgical techniques to treat vision disorders are currently in use and under development and may prove to be more attractive to consumers than LVC.

Within the consumer market for LVC, ICON faces competition from other service providers. As market acceptance for LVC continues to increase, competition within the market will grow. By the end of 1999, approximately 725 laser centres were in place in the United States, an increase of 283 from year-end 1998. The market for LVC is divided into three major segments: (i) corporate-owned centres which include companies such as ICON and TLC The Laser Center Inc. that own or operate refractive centres; (ii) surgeon-owned centres in which independent MDs perform LVC procedures; and (iii) institution-owned centres such as universities and hospitals. The following chart shows the estimated number of LVC centres and estimated market share of the three major segments in the United States as at July 1999:

Segment	Centres	Percent	Procedures (000's)	Percent	Revenues[1] (U.S. millions)	Percent
Corporate	214	37.5	442	45.1	994.5	46.5
Surgeon	246	43.2	392	40.1	823.2	38.5
Institution	110	19.3	146	14.9	322.3	15.1
Total	570	100	980	100	2,140.0	100

Source: Market Scope Report.

(1) Revenues estimates are based on total patient fees.

In the United States, the majority of growth has been in the corporate and surgeon-owned laser centre segments. By mid-year 1999, corporate owned and/or operated centres totalled 214, which was 54 more than the number at 1998 year end. With an additional 60 lasers planned in the second half of 1999, the corporate segment was expected to increase by a total of 114 centres to 274 by 1999 year-end. Surgeon owned centres continue to grow but at a slower pace than the corporate segment and institutional centres volume have remained relatively constant with that of the prior year.

ICON competes in fragmented geographic markets. ICON's principal corporate competitors include Laser Vision Centres, Inc., LCA-Vision Inc., TLC The Laser Center Inc., and the Lasik Vision Corporation. In addition to the national and international corporate competitors, ICON also competes with local MDs or institutions in different local markets.

Acquisitions

The Company has evolved from a series of acquisitions beginning with the March 31, 1999 purchase of approximately 62% of Vista Vision and 100% of TEMAV by ICON Europe. On May 26, 1999, ICON London acquired 100% of ICON Europe by way of reverse take-over. In October 1999, ICON Europe increased its interest in Vista Vision from 61.6% to 87%.

On September 1, 1999, ICON London completed the Johnson Acquisition. The Johnson Companies operate LVC centres in New Westminster and Prince George, British Columbia and Honolulu, Hawaii. The aggregate purchase price was satisfied by the issuance of 539.48 common shares in the capital of ICON London, which were converted into 2,427,660 Common Shares on the Amalgamation.

On September 8, 1999, ICON acquired all the issued and outstanding shares of The Eye Academy Limited which operates LVC centres in London and Birmingham, England. The purchase price was satisfied by the issuance of 1,021,275 Common Shares.

Effective December 29, 1999, ICON acquired 96% of the issued and outstanding shares of ICON Laser Centers, Inc. and 100% of the issued and outstanding shares of ICON Vision Centers, Inc. These companies operated two LVC centres and the CRC in Windsor. The LVC centres are located in Toronto and Windsor, Ontario The CRC is also located in Windsor, Ontario. The LVC centres and teleresponse centre were previously managed by ICON. The aggregate purchase price was satisfied by the issuance of 2,590,183 Common Shares of which 520,099 have been deposited in escrow to secure the obligations of the vendors including the accuracy of representations and warranties and will be released on September 28, 2000. Also effective December 29, 1999, ICON acquired 98% of the issued and outstanding shares of Vista Laser Center of the Southwest, Inc., which operates a LVC centre in Scottsdale, Arizona. The purchase price was satisfied by the issuance of 2,094,027 Common Shares. The Scottsdale LVC centre was previously managed by ICON. The Company is in the process of purchasing the minority interests in ICON Laser Center, Inc. and Vista Laser Center of the Southwest, Inc. effective December 29, 1999 and as such these corporations have been accounted for as wholly owned subsidiaries.

In January and February 2000, ICON acquired 440,000 shares of common stock of VSNA for $1,963,000 on the open market and 1,000,000 shares of common stock of VSNA for $4,000,000 from the authorized but unissued common stock of VSNA. The combined purchases gave ICON approximately 14% of the common stock of VSNA on a fully diluted basis and made the Company the single largest VSNA common shareholder. After this equity purchase, ICON began a joint partnership program with VSNA to further penetrate the LVC market by rolling out ICON's Value LASIK Model to selected VSNA markets.

Soon after the purchase of the 1,000,000 shares, ICON became aware that VSNA had withholding tax liabilities to the U.S. Internal Revenue Service, of which ICON was unaware at the time of its purchase. This resulted in VSNA being in default of certain covenants of its credit agreement with its senior lender. Consequently, VSNA conducted a comprehensive review and evaluation of its operating units and reported a write-off of approximately $19.2 million thereby increasing net losses for 1999 to $28.8 million.

ICON, in renegotiating the terms of its stock purchase, has entered into a non-binding letter of intent wherein VSNA has agreed to simultaneously rescind the $4,000,000 purchase of 1,000,000 shares from the authorized but unissued stock of VSNA and to issue both a $4,000,000 subordinated convertible note (the "VSNA Note") and a warrant to purchase VSNA common stock (the "VSNA Warrant"). The VSNA Note would bear interest at the rate of 5% per annum, with interest and principal due on May 31, 2005. The VSNA Note would be convertible into VSNA common stock at the conversion rate of $1.00 per share and the VSNA Warrant would allow ICON to purchase 1,000,000 shares of VSNA common stock at a price of $0.06 per share, giving ICON a fully diluted approximate 33% equity interest in VSNA. Subsequent to March 31, 2000, ICON has been given representation on the VSNA Board of Directors and in the operation of its day-to-day business and Ghassan Barazi, ICON's President and Chief Operating Officer has been named VSNA's Chief Operating Officer.

ICON and VSNA have also agreed, subject to final documentation, to jointly offer LVC services at designated VSNA sites, on a 50/50 basis.

VSNA (formerly Omega Health Systems Inc.) is a company that was listed on the Nasdaq National Market under the symbol VSNAE. VSNA's securities were delisted from the Nasdaq National Market effective June 29, 2000 as a result of the Company's failure to present a definitive plan to enable it to evidence compliance with all requirements for continued listing on the Nasdaq National Market within a reasonable period of time and to sustain compliance with those requirements over the long run. VSNA failed to comply with Nasdaq National Market's $4,000,000 net tangible assets and certain other Nasdaq Marketplace Rules. VSNA has been in operation for 13 years as a provider of Physician Practice Management and cataract LVC in the United States. VSNA has grown significantly over the last five years, in conjunction with the overall market growth in the LVC industry. During 1998 VSNA initiated a strategic plan to expand services into LVC for myopia, hyperopia and astigmatism in its 22 centres. In the first half of 1999, VSNA acquired twelve VISX Star excimer lasers in support of this initiative and during calendar 1999, VSNA had performed 10,483 procedures. See "Risk Factors — Investment in VSNA".

In March 2000, ICON acquired all the issued and outstanding shares of Excimer Vision Associates Inc. for a purchase price of Cdn.$200,000. The company operates a LVC centre in Vancouver, British Columbia.

Effective May 26, 2000, ICON acquired all the issued and outstanding shares of the Eye Academy (Sweden) for a purchase price of $1,000,000.

Facilities and Employees

ICON operates wholly or partially owned LVC centres in 24 leased 2,000-4,000 square foot facilities as well as four mobile facilities with a fifth to become operational in July 2000. All mobile facilities are leased. ICON also leases a 7,000 square foot Customer Response Centre and administrative office in Windsor, Ontario and is developing a 2,250 square foot Customer Response Centre and administrative office in Florence, Italy. ICON's head and corporate office is in approximately 1,600 square feet of leased premises in Toronto.

ICON employs approximately 300 persons, broken down by category as follows:

1. LVC centre personnel: 180.
2. Customer Response Centre personnel: 80.
3. Head office and administrative personnel: 40.

In addition, ICON has contractual arrangements with approximately 90 MDs and ODs.

Excimer Laser Regulation

United States

Excimer lasers and related medical devices, including the excimer lasers used in ICON's centres, are subject to regulation by the FDA. Medical devices may not be marketed for commercial sale in the U.S. until the FDA grants pre-market approval for the device. The FDA has only specifically approved the use of excimer lasers manufactured by VISX and Summit in the treatment of myopia, astigmatism and hyperopia. Failure to comply with applicable FDA regulations could subject the Company, its affiliated providers or laser manufacturers to enforcement action, product seizures, recalls, withdrawal of approvals and civil and criminal penalties. Further, failure to comply with regulatory requirements, or any adverse regulatory action, including a reversal of the FDA's current position that the "off-label", or non-FDA-approved use of excimer lasers by physicians outside the FDA approved guidelines, could result in a limitation on or prohibition of the use of excimer lasers.

Canada

In Canada, excimer lasers have been used to treat myopia since 1990 and hyperopia since 1996. The Health Protection Branch of Health Canada (“HPB”) regulates the sale of all medical devices, including excimer lasers used to perform procedures at ICON’s Canadian centres. ICON expects that future sales of any new excimer lasers in Canada, and of most excimer lasers already approved for investigational use in Canada, will require the approval of HPB. Pursuant to the regulations prescribed under the *Food and Drugs Act* (Canada), the HPB may permit manufacturers or importers to sell a certain number of devices to perform procedures provided the devices are used in compliance with specified requirements for investigational testing. Investigational testing is the process of testing new medical devices involving human subjects in Canada. Manufacturers must apply for permission to conduct such testing from the HPB, which evaluates the results of the investigational testing. If these results prove that the device is safe and effective, then the manufacturer may request permission for unrestricted sale of the product in Canada. Permission to sell the device may be suspended or cancelled where the HPB determines that its use endangers the health of patients or users, or where the regulations have not been complied with.

Devices may also be sold for use on a non-investigational basis where evidence available in Canada to the manufacturer or importer substantiates the benefits and performance characteristics claimed for the device, and the HPB is assured there is sufficient evidence that the device is safe and effective. ICON believes that the sale of excimer lasers and their use at the centres complies with HPB requirements. There can be no assurance that Canadian authorities will not impose restrictions that could have a material adverse effect on ICON’s business, financial condition and result of operations.

European Union

In Europe, excimer lasers have been used to treat myopia and astigmatism since 1989 and hyperopia since 1996. Excimer lasers and related medical devices may not be sold in European Union member countries without proper certification. To obtain the proper certification, the excimer laser must comply with precise regulations relating to safety of the equipment. For example, to be certified, the electrical parameters of the excimer laser must comply with European Union standards for electrical devices. This certification is in no way related to clinical results. Once certified, the use of the laser by the MD is unregulated. All lasers used in ICON’s European centres and RORO/MSS operations have received this certification.

Regulation of Laser Centres, MDs and ODs

United States

The health care industry in the U.S. is highly regulated. ICON’s future expansion will be subject to both U.S. federal and state laws.

A U.S. federal law (known as the “anti-kickback statute”) prohibits the offer, solicitation, payment or receipt of any remuneration which is intended to induce, or is in return for, the referral of patients for, or the ordering of, items or services reimbursable by Medicare or any other federally financed health care program. This statute also prohibits remuneration intended to induce the purchasing of, or arranging for, or recommending the purchase or order of any item, good, facility or service for which payment may be made under federal health care programs. This statute has been applied to otherwise legitimate investment interests if one purpose of the offer to invest is to induce referrals from the investor. Safe harbour regulations provide protection from prosecution for certain categories of relationships. In addition, a recent law broadens the government’s anti-fraud and abuse enforcement responsibilities to include all health care delivery systems regardless of payor. Subject to certain exceptions, U.S. federal law also prohibits a physician from ordering or prescribing certain designated health services or items if the service or item is reimbursable by Medicare or Medicaid and provided by an entity with which the physician has a financial relationship (including investment interests and compensation arrangements). This law, known as the Stark Law, does not restrict a physician from ordering an item or service not reimbursable by Medicare or Medicaid or an item or service that does not fall within the designated categories.

At the present time, LVC is not reimbursable by Medicare, Medicaid or other federal programs. As a result, neither the federal anti-kickback statute nor the Stark Law apply to ICON's LVC locations, however ICON is subject to similar state laws, which may regulate arrangements affecting the referral of patients.

In addition to the requirement described above, the regulatory requirements that ICON must satisfy in order to conduct its business will vary from state to state, and accordingly, the manner of operation by ICON and the degree of control over the delivery of LVC services by ICON may differ among the states.

A number of states have enacted laws that prohibit what is known as the corporate practice of medicine. These laws are designed to prevent interference in the medical decision-making process from anyone who is not a licensed physician. Many states have similar restrictions in connection with the practice of optometry. Application of this prohibition varies from state-to-state. Therefore, while some states may allow a business corporation to exercise significant management responsibilities over the day-to-day operation of a medical or optometric practice, other states may restrict or prohibit such activities. ICON's management believes that its relationship with physicians and ODs in connection with the operation of its LVC locations confirm to applicable corporate practice of medicine and optometry restrictions in all material respects. Nevertheless, there can be no assurance that, if challenged, those relationships may not be found to violate a particular prohibition. Such a finding may require ICON to revise the structure of its legal arrangements or curtail its activities, and this may have a material adverse effect on ICON's business, financial condition, and results of operations.

Many states prohibit a physician from sharing or "splitting" fees with persons or entities not authorized to practice medicine. ICON's patients make a single global payment, covering the services rendered by the MD and OD, as well as the service provided by the laser centre. While ICON's management believes that such arrangements do not violate any such prohibitions, there can be no assurance that one or more states will not interpret this structure as violating the state fee-splitting prohibition, thereby requiring ICON to change its procedures in connection with billing and collecting for services. Violation of state fee-splitting prohibitions may subject the MDs and ODs to sanctions, and may result in ICON incurring legal fees, as well as being subjected to fines or other costs, all of which could have a material adverse effect on ICON's business, financial condition, and results of operations.

Just as in the case of the U.S. federal anti-kickback statute, while ICON's management believes that it complies in all material respects with applicable state anti-kickback statutes, there can be no assurance that each state will agree with ICON's position and would not challenge ICON. If ICON were not successful in defending against such a challenge, the result could be civil or criminal fines or penalties for ICON as well as the MDs and ODs. Such a result would require ICON to revise the structure of its legal arrangements, and this could have a material adverse effect on ICON's business, financial condition and results of operations.

Similarly, just as in the case of the U.S. federal Stark Law, while ICON's management believes that it operates in material compliance with applicable state anti-self-referral laws in all material respects, there can be no assurance that each state will agree with ICON's position or that there will not be a change in the state's interpretation or enforcement of its own law. In such case, ICON may be subject to fines and penalties as well at other administrative sanctions and would likely be required to revise the structure of its legal arrangements. This could have a material adverse effect on ICON's business, financial condition and results of operations.

ICON's management believes that it has, or will be able to acquire, all licenses necessary to operate its business. ICON may be required to obtain licenses from the state Department of Health, or a division thereof in the various states in which it opens ICON centres. While there can be no assurance that ICON will be able to obtain facility licenses in all states which may require facility licensure, ICON's management has no reason to believe that in such states, it will not be able to obtain such a license without unreasonable expense or delay.

Some states require the permission of the State Department of Health or a division thereof, such as a Health Planning Commission, in the form of a Certificate of Need ("CON"), prior to the construction or modification of an ambulatory care facility, such as a laser centre, or the purchase of certain medical equipment in excess of an amount set by the state. There can be no assurance that ICON will be able to acquire a CON in all states where a CON is required. Such a result could require ICON to revise the structure of its legal arrangements and this could have a material adverse effect on ICON"s business, financial condition, and results of operation.

Canada

Conflict of interest regulations in certain Canadian provinces prohibit ODs, MDs or corporations owned or controlled by them from receiving benefits from suppliers of medical goods or services to whom the OD or MD refers his or her patients. In certain circumstances, these regulations deem it a conflict of interest for an MD to order a diagnostic or therapeutic service to be performed by a facility in which the MD has any proprietary interest. This does not include a proprietary interest in a publicly traded company. ICON expects the MDs and ODs affiliated with ICON to comply with the applicable regulations, although it cannot ensure such compliance. The laws of certain Canadian provinces prohibit health care professionals from splitting fees with non-health care professionals and for-profit non-licensed entities (such as ICON) from practising medicine or optometry and, in certain circumstances, from employing physicians or ODs directly. ICON's management believes that its operations comply with such laws in all material respects, and expects that doctors affiliated with centres will comply with such laws, although it cannot ensure such compliance by doctors.

ODs and MDs are subject to varying degrees and types of provincial regulation governing professional misconduct, including restrictions relating to advertising, and in the case of ODs, a prohibition against exceeding the lawful scope of practice. In Canada, LVC is not within the permitted scope of practice of ODs. Accordingly, ICON does not allow ODs to perform the LVC procedures at ICON locations.

ICON's management is not aware of any Canadian health regulations that impose licensing requirements on the operation of refractive centres.

Europe

In many European Union member countries the role of the North American OD is fulfilled by the MD. In Sweden, although opticians may complete the refraction, they are required to refer the patient to an MD if they notice any indicia of eye disease. Only the MD may perform refractive surgery. In Italy, MDs are subject to anti-referral laws that are similar to the US anti-kickback statute. Furthermore, MDs may not receive benefits from suppliers of medical goods or services unless the benefits are passed on to the patient. In Italy, LVC centres must apply to the government health office for an authorization to operate. All ICON centres in Italy have received this authorization.

In both Italy and Sweden there are laws that limit the ability of an MD or medical service provider to market its services. The *Marketing Practices Act* in Sweden formed the basis of the marketing rules of the Swedish Medical Association which are aimed at maintaining ethical marketing practices and providing the consumer with proper information. Generally, the marketing of medical services must be trustworthy, objective, correct and dignified in form and content. The inclusion of information regarding examination and treatment methods, technical equipment, and medical terms are governed by the principles of materiality. In Italy, the laws governing advertisements by MDs and LVC centres state that the advertisement may not be larger than 5 cm × 10 cm, the size of the text may not exceed 8 mm, the advertisement may not contain graphics of any sort, it cannot contain any references to the price of the medical service and the cost of the advertisement must not exceed 20% of the MDs' profits. ICON's management believes that its marketing practices in the European markets comply with these restrictions in all material respects.

USE OF PROCEEDS

The net proceeds to the Company from the Offering, after deducting estimated fees payable to the Agent and the estimated offering expenses of $ ● , will be approximately $ ● (assuming the Minimum Offering) and $ ● (assuming the Maximum Offering).

The Company anticipates that the net proceeds from the Offering will be used as follows:

	Minimum Offering	Maximum Offering
	($)	($)
(a) Repayment of Debt[1]	3,000,000	3,000,000
(b) Expansion Plans	1,000,000	4,000,000
(c) Working Capital	2,000,000	3,000,000
Total	6,000,000	10,000,000

(1) Repayment of note to Quest Ventures Ltd. See Note 5(a)(v) to the Company's Consolidated Financial Statements.

CAPITALIZATION

The following table and notes thereto set forth the capitalization of the Company as at December 31, 1999 and as at May 31, 2000, and as adjusted to give effect to this Offering (minimum and maximum), assuming no exercise of the Over-Allotment Option, the Compensation Options or the Company's other options, warrants or other convertible securities. See "Options and Convertible Securities". The capitalization information set forth below should be read in conjunction with the financial statements and notes thereto included in this prospectus.

	Outstanding as at December 31, 1999	Outstanding as at May 31, 2000 (Before Offering)	Outstanding as at May 31, 2000 (After Minimum Offering)	Outstanding as at May 31, 2000 (After Maximum Offering)
	(audited)	(unaudited)	(unaudited)	(unaudited)
Debt				
Notes payable[1]	$ 401,554	$ 3,883,906	$ 383,906	$ 383,906
Obligations under capital leases[2]	3,302,559	3,366,920	3,366,920	3,366,920
Total debt	3,704,113	7,250,826	3,750,826	3,750,826
Shareholders' equity				
Preferred Shares	—	—	—	—
Common shares[3]	28,291,536	29,155,825	●	●
	(21,274,361 shares)	(21,506,824 shares)	(● shares)	(● shares)
Equity component of notes payable	329,873	96,448	96,448	96,448
Contributed surplus	485,582	485,582	485,582	485,582
Foreign currency translation adjustment	(328,662)	(450,522)[4]	(450,522)[4]	(450,522)[4]
Deficit[4]	(1,365,886)	(1,911,531)[4]	(1,911,531)[4]	(1,911,531)[4]
Total shareholders' equity	27,412,443	27,375,802	●	●
Total capitalization	$31,116,556	$34,626,628	$ ●	$ ●

Notes:

(1) See note 5 to the Company's Consolidated Financial Statements for a description of notes payable.

(2) See notes 3 & 6 to the Company's Consolidated Financial Statements for details concerning capital lease obligations.

(3) See note 8 to the Company's Consolidated Financial Statements for a description of stock options, compensation options, convertible notes and warrants.

(4) As at March 31, 2000.

SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and Notes thereto included elsewhere in this prospectus. The statement of operations data for the year ended December 31, 1999, the year ended December 31, 1998, and the balance sheet data as of December 31, 1999 and December 31, 1998 are derived from financial statements of the Company that have been audited by Zeifman & Company, independent auditors, and are included elsewhere in this prospectus. The unaudited statement of operations data for the year ended December 31, 1997 and the three month period ended March 31, 2000 and 1999 and the unaudited balance sheet data as of December 31, 1997 March 31, 2000 are derived from unaudited financial statements prepared by management of the Company and included elsewhere in this prospectus. See "Management's Discussion and Analysis of Financial Condition and Results of Operations". The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

	Three Months Ended		For the Year Ended		
	March 31, 2000	March 31, 1999	December 31, 1999	December 31, 1998	December 31, 1997
	(unaudited)				(unaudited)
Statement of Operations Data (U.S.$, except share data):					
Total Revenue	$ 8,509,898	$1,477,470	$ 9,495,901	$4,279,237	$2,235,043
Direct Expenses	2,577,920	214,166	2,100,082	353,284	225,736
Operating and Administrative Expense	5,004,454	666,491	6,386,484	2,471,938	1,678,061
Income before interest, taxes, depreciation, amortization ("EBITDA")	927,524	596,813	1,009,335	1,454,015	331,246
Interest Expense	131,183	24,004	135,500	120,391	47,634
Depreciation and Amortization	1,193,073	136,841	1,784,127	484,813	328,555
Operating (loss) income before the following	(396,732)	435,968	(910,292)	848,811	(44,943)
Provision for income taxes	137,065	6,958	375,580	71,558	54,534
Non-controlling interest	11,848	157,775	216,164	460,854	24,593
Net (loss) income	(545,645)	271,235	(1,502,036)	316,399	(124,070)
Basic (loss) income per share	(0.03)	0.03	(0.13)	0.03	(0.01)
Fully diluted (loss) income per share	(0.02)	0.03	(0.12)	0.03	(0.01)
Weighted average number of shares outstanding, basic	21,404,728	9,360,000	11,311,674	9,360,000	9,360,000

	March 31, 2000	December 31, 1999	December 31, 1998	December 31, 1997
	(unaudited)			(unaudited)
Balance Sheet Data (in U.S.$):				
Cash and cash equivalents	$ 4,436,909	$ 6,290,354	$1,821,454	$ 618,030
Goodwill	20,186,149	20,221,724	—	—
Total assets	45,273,898	39,341,292	4,921,325	2,973,474
Long-term debt	2,032,799	2,004,955	966,971	167,617
Accumulated deficit	(1,911,531)	(1,365,886)	136,150	(56,179)
Total liabilities and equity	45,273,898	39,341,292	4,921,325	2,973,474

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of the financial condition and results of operations of ICON should be read in conjunction with the unaudited financial statements for the year ended December 31, 1997 and the three months ended March 31, 2000 and 1999 and the audited financial statements for the years ended December 31, 1998 and 1999, including the notes thereto.

Statements contained in this discussion that relate to the Company's beliefs or expectations as to certain future events are not statements of historical fact and are forward-looking statements. The Company cautions readers that there are important factors, risks and uncertainties, including but not limited to economic, competitive and governmental factors affecting the Company's operations, markets, products, services and prices that could cause the Company's actual results, performance or achievements to be materially different from those forecasted or anticipated by the Company in such forward-looking statements.

Corporate Overview

ICON evolved from a series of acquisitions of LVC centres financed through the issuance of Common Shares. The first of these transactions resulted in ICON Europe becoming the majority shareholder of ICON London through a reverse take-over on May 26, 1999. On September 1, 1999, ICON London amalgamated with Northern Gaming Inc. to form the Company.

During the remainder of 1999, the Company added two LVC centres in the United Kingdom and expanded into North America, with the acquisition of seven fixed site centres and the start-up of three others. In total, the Company issued 9,541,365 shares for a total value of $19.3 million in connection with acquisitions in 1999.

In the first three months of 2000, the Company has:

- expanded the RORO operations into Austria;
- opened fixed-site centres in Salt Lake City, Utah; Seattle, Washington; and San Diego, California;
- began a joint partnership program with VSNA to jointly operate LVC centres in VSNA clinics; and
- acquired a fixed site centre in Vancouver, British Columbia.

Results of Operations

Year ended December 31, 1999 Compared to December 31, 1998

ICON experienced rapid growth during 1999. Total Managed Procedure volume was 22,412, representing an increase of 285% from the prior year.

Total revenues in 1999 of $9.5 million represent a 122% increase over those of the prior year, the majority of which resulted from expansion within North America. Total expenses in 1999 of $10.4 million were 203% higher than those of the prior year, primarily due to North American start-up costs, expansion and the amortization of goodwill and financing charges related thereto. The net loss for the year of $1.5 million or $0.13 per share represents a decrease of $1.8 million or $0.16 per share from the prior year's profit of $.3 million.

Operating and administration expenses reflect all of the Company's LVC centres, RORO, MSS and administration costs. Total costs in 1999 of $6.4 million represent a 158% increase over those of the prior year. The increase in expenses compared to the increase in revenues resulted mostly from the one-time start-up costs of new North American operations, call centre and initial advertising on LVC centre acquisitions and openings.

Depreciation and amortization in 1999 of $1.8 million was 268% greater than that of the prior year. This results from amortization costs on $20.4 million of goodwill generated on acquisitions, costs of $0.7 million to raise debt financing for expansion and additional depreciation from fixed asset growth.

Provision for income taxes increased from $0.07 million to $0.4 million as a result of increased tax on Vista Vision and two Canadian LVC centre acquisitions. Tax losses in other Canadian LVC centres, the U.S. LVC centres and the U.K. LVC centres cannot be applied to offset taxable income.

Non-controlling interest decreased by $0.24 million in the year as a result of reduced profitability and the Company increasing its equity interest in Vista Vision from 61.6% to 87%.

Year ended December 31, 1998 Compared to December 31, 1997

Total revenues in 1998 of $4.3 million were $2.2 million or 103% greater than that of the prior year. The increase resulted from increased revenue from fixed LVC centres of $1.1 million or 55% coupled with TEMAV expanding into LVC during the year. By year-end 1998, total revenue of TEMAV had increased by $1.1 million of which $0.7 million came from the new LVC practice.

Operating expenses increased by $1.3 million over the same period. Expenses of TEMAV increased $1.4 million reflecting increased volume and initial entry into the LVC marketplace. The fixed centres operating expenses were relatively constant between the years. The reduction in overall expenses of $0.1 million was due to an extraordinary write-off of an investment in an affiliated company recorded in 1997.

Net income before taxes and non-controlling interest of $0.8 million is $0.9 million greater than that of the prior year and it reflects the increased profitability of $1.1 million in fixed site operations and an increased loss of $0.2 million from MSS operations.

The shareholders of TEMAV invested a total of $0.5 million to cover the losses of the operation prior to the acquisition by ICON Europe on March 31, 1999.

Three Months ended March 31, 2000 Compared to Three Months ended March 31, 1999

ICON continued its rapid growth from 1999 into the first quarter of 2000. Total Managed Procedure volume was 14,944 representing an increase of 351% from the prior year period.

Net revenues of $8.5 million in the first quarter of 2000 represent a 476% increase over the prior period, the majority of which resulted from expansion within North America. Total expenses of $8.9 million were 755% higher than those incurred in the prior period, primarily due to North American start-up costs, expansion and the amortization of goodwill and financing charges related thereto. The net loss for the period of $0.5 million or $0.03 per share represents a decrease of $0.8 million or $0.06 per share decrease from the profit of $0.3 million for the period ended March 31, 1999.

In May 1999, the Company acquired ICON Europe and accounted for this transaction as a reverse take-over. As a consequence, the 1999 results reflect only those of the Italian centres, which were profitable.

	Three Months Ended March 31,			Year Ended December 31,		
	2000	1999	Change %	1999	1998	Change %
	(unaudited)					
Results in $000's (excluding number of procedures)						
Number of Managed Procedures						
North America	11,497	1,120	927%	13,375	549	2,336%
Europe	3,447	2,193	57%	9,037	5,275	71%
	14,944	3,313	351%	22,412	5,824	285%
Revenue						
North America	$ 6,613	$ —	—	$ 3,816	$ — *	—
Europe	$ 1,897	$ 1,477	28%	$ 5,680	$ 4,279	33%
	$ 8,510	$ 1,477	476%	$ 9,496	$ 4,279	122%
Direct and operating expenses						
North America	5,654	—	—	4,011	—	—
Europe	1,929	881	119%	4,475	2,825	58%
	7,583	881	761%	8,486	2,825	200%
Interest expense						
North America	103	—	—	158	—	—
Europe	28	24	16%	(22)	120	(118%)
	131	24	447%	136	120	13%
Depreciation and amortization expense						
North America	863	—	—	1,022	—	—
Europe	330	136	143%	762	485	57%
	1,193	136	777%	1,784	485	268%
Net (loss) income before taxes						
North America	(7)	—	—	$ (1,375)	$ —	—
Europe	(390)	436	(189%)	$ 465	$ 849	(45%)
	(397)	436	(191%)	$ (910)	$ 849	(207%)
Provision for income taxes	137	7	1,870%	376	72	422%
Non-controlling interest	12	158	(92%)	216	461	(53%)
Net (loss) income	$ (546)	$ 271	(301%)	$ (1,502)	$ 316	(575%)
Net (loss) income per share	$ (0.03)	$ 0.03		$ (0.13)	$ 0.03	

* No revenues are shown in the 1998 financial statements for North America because of the impact of reverse take-over accounting.

Direct expenses include surgeon and optometrist fees, laser royalties and medical supplies. Operating and administration expenses reflect all LVC centre, mobile service and administration costs. Total direct and operating expenses in the first quarter of 2000 of $7.6 million were a 761% increase over the prior year period. The increase in expenses resulted from increased procedure volume coupled with the one-time costs of initial advertising on acquisitions and openings in North America.

Depreciation and amortization in the first quarter of 2000 of $1.2 million was 777% greater than that of the prior year period. This resulted from amortization costs on $20.7 million of goodwill generated on acquisitions, amortization of deferred charges of $0.2 million to raise debt financing for expansion and additional depreciation from fixed asset growth.

Provision for income taxes of $137,000 arises from certain taxable Canadian and U.S. operations that were not offset by operating losses of prior years or cannot be offset against losses incurred in other operations.

Non-controlling interest of $12,000 is a decrease of $146,000 versus the prior year's period, resulting from reduced profitability and the reduction of the non-controlling interest portion of Vista Vision from 38.4% to 13%.

North America

North American operations recorded a net loss before taxes and non-controlling interest of $7,000 for the three months ended March 31, 2000. Corporate and financing costs which totalled $634,000 exceeded the $627,000 of operating profit generated by the LVC operations.

The Value LASIK Model was operational in North America for the first quarter of 2000 with positive results. LVC centres operating for the full three months generated net income before taxes and non-controlling interest and after associated amortization of goodwill of $491,000. The new clinics opened in the quarter incurred total losses of $67,000, the majority of which were associated start-up costs.

Europe

European operations recorded a loss before taxes and non-controlling interest of $390,000 in the quarter. The majority of this loss was generated in the Eye Academy (U.K.), where revenues of $448,000 resulted in a loss before taxes and non-controlling interest of $276,000.

Significant Acquisitions

The Company has acquired 9 LVC centres of various sizes since September 1, 1999. The two most significant acquisitions in 1999 were the Johnson Acquisition on September 1, 1999 and the acquisition of Eye Academy (U.K.) on September 8, 1999. The total cost of the Johnson Acquisition was $5.9 million, financed through: (i) the issuance of 539.48 common shares of ICON London which, as a result of the Amalgamation, were converted into 2,427,660 Common Shares; and (ii) a note payable for $.2 million, which generated goodwill of $5.9 million. The total cost of the acquisition of the Eye Academy (U.K.) was $2.4 million, financed through the issuance of 1,021,275 Common Shares and resulting in $2.1 million of goodwill. Both acquisitions were accounted for using the purchase method.

To date, the Johnson Companies have been very successful for ICON. For the four-month period ended December 31, 1999, the Johnson Companies recorded net revenues of $2.1 million and net a profit before taxes but after associated goodwill amortization of $336,000.

In the first quarter of 2000, the Johnson Companies generated sales of $1.4 million and a net profit before taxes and non-controlling interest and after the amortization of goodwill of $203,000. The excellent results shown by the Johnson Companies are a consequence of the continued positive response to the "No Touch" LVC procedure utilized in the New Westminster and Prince George, British Columbia LVC centres and the success of the ICON Value LASIK model in the Honolulu, Hawaii LVC centre.

The Eye Academy (U.K.) has been less successful over this period. For the period from September 8 to December 31, 1999, Eye Academy (U.K.) generated disappointing revenues of $233,000 which resulted in a net loss before taxes but after associated amortization of goodwill of $411,000.

In the first three months of 2000, Eye Academy (U.K.) significantly increased its revenues to $448,000; however this still resulted in a loss before taxes and after goodwill amortization of $312,000. ICON's management is closely reviewing the situation and will be implementing revised marketing and operation strategies with a view towards having the Eye Academy (U.K.) become profitable within the year.

Liquidity

As at March 31, 2000, the Company had a net deficit in working capital of $5.3 million, resulting mainly from the $5.9 million investment in shares of VSNA. ICON requires additional financing to support its current expansion plans and retire current outstanding debt.

ICON has cash and short-term investments and marketable securities of $5.0 million at March 31, 2000, an increase of $2.9 million from the prior year. The increase resulted primarily from positive cash flow from operations, debt and equity financing and prepaid deposits generated through the North American call centre.

The Company had a positive cash flow from operations of $1.7 million in the three months ended March 31, 2000 resulting from $0.7 million of earnings before depreciation and amortization of goodwill and $1.0 million increase from prepaid patient deposits. Total patient deposits at March 31, 2000 totalled $3.3 million, the majority of these deposits being for North American operations.

Cash received from net financing activities totalled $3.1 million in the first quarter of 2000. The majority of this was a result of a $4.0 million debt incurred to finance the acquisition of VSNA treasury stock. This was offset by cash outlays of notes payable repayments, capital lease commitments and financing charges totalling $0.9 million.

Investing activities totalled $6.8 million in the first quarter of 2000 and was comprised of the $6.0 million investment in VSNA and $0.8 million of fixed asset purchases.

VisionAmerica Incorporated

ICON entered into an agreement in the first quarter of 2000 with Quest Ventures Ltd., a British Columbia Company, to borrow $4.0 million to finance the acquisition of 1,000,000 shares from the authorized but unissued stock of VSNA, a company that provides LVC, cataract and other ophthalmic services in the U.S. This investment coupled with the $1.9 million of common stock purchased for cash on the open market in the first quarter of 2000 gave ICON a 14.4% fully diluted interest in VSNA. This investment is accounted for on a cost basis as at March 31, 2000, as the Company did not have significant influence over VSNA operations nor common stock ownership greater than 20%.

Soon after the purchase of the VSNA stock, VSNA defaulted on certain convenants of its credit agreement with its senior lender and reported a $19.2 million write down of asset values at year end which increased VSNA's loss from continuing operations to $28.8 million or $3.20 per share for the year ended December 31, 1999 (1998 — Net profit of $1.7 million and $0.19 per share). VSNA has total assets of $51.7 million at December 31, 1999 (1998 — $73.0 million) and total liabilities of $54.8 million (1998 — $41.6 million). The financial information for the year ended December 31, 1999 and 1998 is derived from audited financial statements. The audit opinion on these statements contains a going concern explanatory text due to VSNA being in default under the terms of its senior credit facility and not having renegotiated new terms or waivers for these defaults by the date of the audit opinion.

VSNA further reported an unaudited net loss of $2.3 million or ($0.24) per share on a fully diluted basis for the three months ended March 31, 2000 versus a profit of $0.6 million or $0.07 per share for the three months ended March 31, 1999. This loss reflected the poor results associated with the Physician Practice Management division coupled with an increase in selling, general and administrative expenses, the provision for doubtful accounts and interest expense.

As at March 31, 2000, VSNA had total assets of $53.1 million (1999 — $51.7 million) and total liabilities of $54.6 million (1999 — $54.8 million). On May 3, 2000, VSNA's senior lenders have agreed, subject to various ongoing conditions and requirements within the sole discretion of the senior lenders, to provide a $3.0 million letter of credit to be drawn upon by the U.S. Internal Revenue Service under certain circumstances and make available to VSNA a $2.5 million discretionary credit facility for the purpose of funding certain VSNA expenditures. As part of this $2.5 million credit facility the senior lenders will receive warrants to purchase 20% of VSNA common stock on a fully diluted basis at $0.06 per share.

These events have caused ICON to enter into a non-binding letter of intent wherein VSNA has agreed to simultaneously rescind the $4,000,000 purchase of 1,000,000 shares of treasury stock and to issue both a $4,000,000 subordinated convertible note (the "VSNA Note") and a warrant to purchase VSNA common stock (the "VSNA Warrant"). The VSNA Note would bear interest at the rate of 5% per annum, with interest and principal due on May 31, 2005. The VSNA Note would be convertible into VSNA common stock at the conversion rate of $1.00 per share. The VSNA Warrant would allow ICON to purchase 1,000,000 shares of VSNA common stock at a price of $0.06 per share. The renegotiated purchase would give ICON a 33.5%

ownership interest in VSNA on a fully-diluted basis. If ICON exercised its total conversion privileges, the investment in VSNA would be equity accounted.

ICON is in the process of finalizing its joint operating agreement and anticipates implementing its Value LASIK model in selected VSNA LVC centres. Each of ICON and VSNA will receive a 50% interest in the joint operations and will be reimbursed for their respective costs relating to their net contribution of goods and services. One such centre with VSNA is included in ICON's consolidated financial statements at March 31, 2000. Pending finalization of the agreements, ICON and VSNA are operating these centres on a 50/50 basis.

ICON has since been given significant representation on the VNSA board of directors and in the operation of its day-to-day business. ICON expects to lead VSNA to a program of accelerated growth.

Market Outlook

The LVC industry continues to grow at a rapid pace. Increased consumer acceptance of the benefits of the LVC throughout North America and Europe coupled with an economical pricing strategy has significantly increased market size. The increase in acceptance and market size has resulted in a very competitive marketplace.

Business Development Strategy

ICON expects to continue to aggressively grow in North American and European markets using the direct marketing, low cost strategy that it has used successfully in 1999. ICON will target centres in the United States that meet four main criteria:

- Markets in areas which are physically contiguous to areas in which ICON LVC centres are located. This will allow ICON the opportunity to take full advantage of brand awareness developed in the immediate area from the success of other ICON centres.
- Markets where there is pre-existing LASIK full price competitors such that the population is reasonably educated about LVC and readily responsive to a high quality, affordable option. Direct marketing of the Value LASIK model has proven to be very successful in markets where higher priced competition has established LVC centres.
- Areas which will allow ICON to provide coverage for corporate health programs. Ease of access to centres for membership in these programs will be key for ICON to take fullest advantage of the corporate partnerships currently held and to be negotiated.
- Available LVC centres with excellent MDs and ODs. The Company firmly believes the combination of affordable pricing with excellent care to the standards of ICON's medical practice will provide current MDs and ODs increased volume and subsequently greater value than independent practices.

The Company has added strategic partnership arrangements to enhance its direct marketing approach and continues to acquire existing sites and open new centres in new markets.

- The Company has entered into a marketing agreement with VSNA to expand the ICON direct marketing model into VSNA centres.
- ICON has expanded its original corporate marketing agreement with TruVision, a marketer of value-added vision care programs, by offering preferred pricing to their membership in California. The Company has targeted corporate marketing as an area of growth and has designated a full-time senior manager to foster additional corporate care opportunities and expand services to a wide variety of group health programs and providers.

Competition

ICON faces competition in the low cost direct marketing segment of the marketplace, by offering the best in service and quality of care. The Company has highly qualified surgeons and staff, state-of-the-art equipment, and a commitment to make ICON the best LVC value in the marketplace.

Other Business Segments

Some of the Company's LVC centres also operate retail prescription and non-prescription eyewear stores. ICON believes there is value in being a full-line supplier of vision correction products and will expand this segment in markets as warranted. The Company is also considering extending the VSNA core business of cataract surgery in selected markets.

Subsequent Events

(a) The Company is in the process of renegotiating the terms of its stock purchase of VSNA. A non-binding letter of intent provides for a note receivable convertible into shares and warrants of VSNA. The renegotiated purchase would give ICON a 33.5% ownership interest in VSNA on a fully-diluted basis.

(b) The Company has renegotiated the terms of its $4.0 million note payable with Quest Ventures Inc. as follows:

(i) ICON will issue 75,000 Common Shares, to be qualified by this prospectus.

(ii) The repayment of the $4.0 million note will be in the following tranches;

A. $.5 million on each of May 31, 2000; June 30, 2000 and July 31, 2000; and

B. $2.5 million on August 31, 2000; and

(iii) ICON has the option to extend $2 million of the August 30, 2000 payment at a cost of 10%, such cost to be paid in cash or shares at the lower of (i) $3.00 per share or (ii) the closing price immediately before ICON notifies Quest Ventures Inc. of its intention to extend, by four equal payments of $500,000 on September 30, October 31, November 30 and December 22, 2000.

(c) Effective May 26, 2000, ICON acquired all of the outstanding common shares of the Eye Academy (Sweden), a company with LVC centres in Malmo and Stockholm, Sweden. The consideration for this purchase was the assignment of a $1 million receivable of eLaserEyeCentres, Inc. ICON has managed the two Swedish LVC centres since their opening in December 1999.

DIRECTORS AND OFFICERS

All directors, other than Robert Roy, have served as directors of the Company since the Amalgamation on September 1, 1999. Robert Roy was elected as a director on June 8, 2000. All directors are elected to serve until the next annual meeting of shareholders. The following table sets forth certain information concerning the directors and officers of the Company including their place of residence:

Name and Municipality of Residence and Principal Occupation	Position with the Company	Shares Beneficially Owned or over which Control and Direction is Exercised
Ghassan Barazi(3) Belle River, Ontario Chief Operating Officer of ICON	Director, President and Chief Operating Officer	225,000
Simone Mencaglia(3) Florence, Italy Chief Executive Officer of ICON and President and Chief Executive Officer of TEMAV	Director, Chairman and Chief Executive Officer	450,000
Dr. Donald Johnson(3) Surrey, British Columbia Medical Doctor	Director	410,766(5)
Brian L. Hamm(1)(2) North York, Ontario President and Director of ByNET Holdings Corp., Nova Growth Corp., and ivyNET Corporation(4)	Director	9,000
Ernest B. Remo(1)(2)(3) Del Mar, California Corporate Finance Consultant	Director and Vice-Chairman	None
Robert Roy(1)(2) Boucherville, Québec President of LOTEC Inc., a land management and holding company	Director	None
Kenneth R. Wightman Unionville, Ontario Vice President, Finance and Chief Financial Officer of ICON	Vice President, Finance; Chief Financial Officer; and Secretary	25,000
Stefania Brenna Milan, Italy Chief Executive Officer of Vista Vision	Executive Vice President	350,000

Notes:

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance Committee.

(3) Member of the Compensation Committee.

(4) Brian Hamm was a director of Northern Gaming Inc. and Naturally Niagara Inc. at the time they were subject to cease trade orders for failure to file financial statements. These cease trade orders are no longer in effect. On March 13, 2000 ivyNET Corporation filed a proposal in the Ontario Superior Court of Justice in Bankruptcy and Insolvency, which proposal has been fully performed as of May 18, 2000.

(5) Dr. Johnson's spouse beneficially owns an additional 1,295,745 Common Shares.

Each of the foregoing persons has held his/her present principal occupation for the preceding five years, except for Ghassan Barazi who was Administrative Director and Business Manager of Windsor Laser Eye Institute from 1991 to 1998 and Kenneth Wightman who was the Chief Financial Officer of (i) Twin Mining

Corporation (April 1997 – July 1999); (ii) Speedy Muffler King, Inc. (February 1996 – April 1997); and (iii) The Business Depot Ltd./Staples (September 1991 – August 1995).

The shareholders of the Company have approved continuance into Nova Scotia in the event new directors are identified which are not Canadian residents. The Company will implement the continuance only if it is necessary to accommodate new directors.

Directors' Compensation

Other than benefits realized from options to purchase Common Shares given to certain directors, the directors of the Company were not compensated by the Company or its subsidiaries for services rendered as directors, for committee participation, involvement in special assignments or for services as consultants or experts during the financial year of the Company ended December 31, 1999. Effective June 1, 2000, Ernest Remo will receive directors fees of $7,000 per month.

During the year ended December 31, 1999, the Company granted options to purchase Common Shares under the Stock Option Plan to Ernest Remo, Ghassan Barazi and Dr. Donald Johnson. Mr. Remo was granted options to purchase 150,000 Common Shares at a price of $2.35 per Common Share. Mr. Barazi was granted 100,000 Options to purchase Common Shares at a price of $2.35 per Common Share. Dr. Johnson was granted options to purchase 50,000 Common Shares at a price of $2.35 per Common Share. As of the date hereof, none of such options have been exercised.

During the four-month period ended December 31, 1999, the Johnson Companies paid Dr. Donald Johnson, a director of the Company, $107,000 for services rendered as an MD in connection with LVC procedures performed at the New Westminster and Prince George, British Columbia clinics.

Executive Compensation

The following table sets forth information concerning the compensation awarded to, earned by, or paid for services rendered to the Company in all capacities during the fiscal years ended December 31, 1998 and December 31, 1999 by (i) the Company's Chief Executive Officer and (ii) the Company's other most highly compensated executive officer other than the Chief Executive Officer whose salary and bonus for fiscal year 1999 exceeded Cdn.$100,000. The officers of the Company listed on the table set forth below are referred to collectively in this prospectus as the "Named Executive Officers".

Summary Compensation Table for the Years Ended December 31, 1999, December 31, 1998, and December 31, 1997

	Annual Compensation				Long-Term Compensation Awards	
Name and Principal Position	**Year**	**Salary Cdn.$**	**Bonus Cdn.$**	**Other Annual Compensation Cdn.$(1)**	**Securities Under Options/Granted #**	**All other Compensation ($)**
Simone Mencaglia	1999	$58,000	NIL	NIL	NIL	NIL
Chairman & Chief Executive Officer	1998	NIL	NIL	NIL	NIL	NIL
	1997	NIL	NIL	NIL	NIL	NIL
Stefania Brenna	1999	$58,000	60,000	56,000	NIL	NIL
Executive Vice President	1998	68,000	NIL	12,000	NIL	NIL
	1997	53,000	NIL	10,000	NIL	NIL

Note:

(1) Board of Directors fees.

Employment Contracts

Simone Mencaglia

Under the terms of an employment contract effective September 1, 1999 between TEMAV and Simone Mencaglia, TEMAV agreed to employ Mr. Mencaglia as President of ICON Europe. Mr. Mencaglia is also the

Chairman of the Board and Chief Executive Officer of the Company. The term of the contract is four years. Under the terms of the contract, Mr. Mencaglia is paid an annual salary of $200,000 reviewable annually and is also entitled to: (a) participate in the Company's bonus plan provided that any amount payable under such plan shall not exceed $150,000 per year; (b) a monthly allowance of $300 for medical, dental and life insurance, such life insurance not to exceed $300,000; (c) a monthly automobile allowance of $800; and (d) four weeks vacation. In the event of termination other than for cause, Mr. Mencaglia shall receive a lump sum payment of his annual salary at that time.

Mr. Mencaglia also provides consulting services to the Company under terms of a contract effective September 1, 1999. The term of this contract is for four years and may be terminated by either party upon thirty days' prior written notice. Under this contract, Mr. Mencaglia is paid fees equivalent to $48,000 per year.

Ghassan Barazi

Under the terms of an employment contract effective September 1, 1999 between the Company and Ghassan Barazi, the Company agreed to employ Mr. Barazi as President and Chief Operating Officer of the Company and President of the North America Division. The term of the contract is four years. Under the terms of the contract, Mr. Barazi is paid an annual salary of Cdn.$220,000 reviewable annually and is also entitled to: (a) participate in the Company's bonus plan provided that any amount payable under such plan shall not exceed his annual base salary; (b) a monthly allowance of Cdn.$300 for medical, dental and life insurance, such life insurance not to exceed twice his annual salary; (c) a monthly automobile allowance of Cdn.$800; and (d) four weeks vacation. In the event of termination other than for cause, Mr. Barazi shall receive a lump sum payment equal to his annual salary at that time.

Kenneth Wightman

Under the terms of an employment contract effective August 3, 1999 between the Company and Kenneth Wightman, the Company agreed to employ Mr. Wightman as Vice-President Finance, Chief Financial Officer and Secretary for an annual salary of Cdn.$130,000 reviewable annually. Mr. Wightman is also entitled to: (a) participate in the Company's bonus plan provided that any amount payable under such plan shall not exceed his annual base salary, of which Cdn.$20,000 is guaranteed; (b) a monthly allowance of Cdn.$200 for medical, dental and life insurance, such life insurance not to exceed twice his annual salary; (c) a monthly automobile allowance of $800; and (d) four weeks vacation. In the event of termination and/or a material reduction in responsibilities and/or a relocation of his position outside the Greater Toronto Area and/or a change in control of the Company, Mr. Wightman will receive a lump sum payment of Cdn.$150,000.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

The aggregate indebtedness of all officers, directors, employees and former officers and employees of the Company and its subsidiaries is $199,878.

Name and Principal Position	Involvement of Company or Subsidiary	Largest Amount Outstanding During 1999 ($)	Amount Outstanding as at May 31, 2000 ($)
Dr. Donald Johnson Director	Subsidiary	199,878[(1)]	199,878

Note:

(1) These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

DESCRIPTION OF SHARE CAPITAL

Authorized and Outstanding

As of the date hereof, the authorized capital of the Company consists of an unlimited number of Preferred Shares issuable in series and Common Shares of which 21,506,824 Common Shares are issued and outstanding.

Preferred Shares

The Preferred Shares are issuable from time to time in one or more series. The board of directors of the Company is authorized to fix the attributes of each series of Preferred Shares including, subject to applicable law, the voting rights attaching to the Preferred Shares of each series. The Preferred Shares of each series rank on a parity with the Preferred Shares of every other series with respect to the priority in payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Company or other distribution of assets. In the event of a liquidation, dissolution or winding up of the Company, or other distribution of assets of the Company, the holders of the Preferred Shares are entitled to receive, before any amount is paid or property is distributed to the holders of Common Shares, an amount equal to the amount of the redemption price specified therefor together with all accrued and unpaid dividends and, in the event of a voluntary liquidation, dissolution or winding up of the Company, a premium on the Preferred Shares which would have been payable if the Preferred Shares had been called for redemption by the Company. The holders of the Preferred Shares will be paid any dividends payable on the Preferred Shares prior to any payment of dividends on, or redemption or, the Common Shares.

Common Shares

The holders of Common Shares are entitled to one vote per share on all matters to be voted on by shareholders. The holders of Common Shares are entitled to receive such dividends, if any, as may be declared from time to time by the Board of Directors in its discretion from funds legally available therefor. Upon a liquidation or dissolution of the Company, the remainder of the assets of the Company will be distributed rateably among the holders of Common Shares after payment of liabilities. The Common Shares have no preemptive or other subscription rights and there are no conversion rights or redemption or sinking fund provisions with respect to the Common Shares. All of the outstanding Common Shares are, and the Common Shares to be sold in this Offering will be, fully paid and non-assessable.

Prior Sales

Set out below are the details of all issuances of Common Shares of the Company since the completion of the Amalgamation on September 1, 1999:

Date	Number of Common Shares	Consideration
September 8, 1999	1,021,275	Acquisition of the Eye Academy (U.K.)
September 8, 1999	252,500	$4.00 per share pursuant to a private placement
October 15, 1999	277,000	$4.00 per share pursuant to a private placement
November 2, 1999	102,000	$4.00 per share pursuant to a private placement
November 18, 1999	78,000	$2.35 per share to employees of the Company resident in Ontario and British Columbia
November 30, 1999	1,494,735	$4.00 per share pursuant to Rights Offering
January 4, 2000	105,713	Conversion of a note issued in connection with the acquisition of the Eye Academy (U.K.)
February 15, 2000	120,000	Bonus payment to Quest Ventures Ltd. In connection with a $4,000,000 secured loan

Date	Number of Common Shares	Consideration
February 18, 2000	73,565	$2.35 per share to employees of the Company resident in the United States
March 13, 2000	3,750	$2.35 per share exercise of stock options
March 28, 2000	2,094,027	Acquisition of Vista Southwest at $2.35 per share
March 28, 2000	2,547,630	Acquisition of ILC at $2.35 per share
March 28, 2000	42,553	Acquisition of IVC at $2.35 per share

DIVIDEND POLICY

The Company has not declared or paid cash dividends on its share capital. The Company currently expects to retain future earnings, if any, for use in the operation and expansion of its business and does not anticipate paying any cash dividends in the foreseeable future.

PRINCIPAL SHAREHOLDERS

As of the date hereof, to the knowledge of the Company's directors and officers, there are no persons who own, directly or indirectly, more than 10% of the voting rights attached to the outstanding Common Shares.

As of the date hereof, the current directors and officers of the Company as a group own, directly and indirectly, an aggregate 1,064,500, or approximately 5%, of the outstanding Common Shares. After giving effect to the Offering and assuming no exercise of the Over-Allotment Option or the Compensation Options, and after giving effect to the exercise of all other convertible securities, the directors and officers of the Company as a group will own, directly and indirectly, an aggregate of ● Common Shares or approximately ● % of the outstanding Common Shares (assuming the Minimum Offering) or approximately ● % of the outstanding Common Shares (assuming the Maximum Offering).

OPTIONS AND CONVERTIBLE SECURITIES

Employee Stock Option Plan

The Company's employee stock option plan (the "Stock Option Plan") was adopted by the Company's board of directors, approved by shareholders and became effective on September 1, 1999. A resolution to amend the Stock Option Plan by increasing the number of Common Shares that may be issued upon exercise of options to 3,000,000 was passed by shareholders of the Company at the annual and special meeting of shareholders held on June 8, 2000. The Stock Option Plan is designed to attract, retain and motivate directors, officers and employees of the Company and its subsidiaries and to closely align the interests of such individuals with those of the shareholders of the Company by providing such individuals with the opportunity, through the grant of options, to acquire Common Shares. The Stock Option Plan provides that options may be granted thereunder to such directors, officers and employees, including part-time or shared employees, of the Company or its subsidiaries as the directors of the Company may from time to time designate as participants under the Plan. Subject to the provisions of the Stock Option Plan, the directors of the Company have the discretion to determine the terms, limitations, restrictions and conditions respecting the grant of options to participants under the Stock Option Plan.

The maximum number of Common Shares that may be reserved for issuance pursuant to options granted under the Stock Option Plan to any one participant may not exceed five (5) percent of the issued and outstanding Common Shares. In addition, the Stock Option Plan provides that: (a) the number of Common Shares reserved for issuance pursuant to options granted thereunder to insiders of the Company may not exceed ten (10) percent of the issued and outstanding Common Shares; (b) the number of Common Shares issued pursuant to options granted thereunder to insiders of the Company within a one-year period may not exceed ten (10) percent of the Common Shares issued and outstanding; and (c) the number of Common Shares issuable pursuant to options granted thereunder to any one insider of the Company and such insider's associates (within the meaning of the *Securities Act* (Ontario)) within a one-year period may not exceed five (5) percent of the Common Shares outstanding at the relevant time.

Subject to the provisions of the Stock Option Plan, options granted under the Stock Option Plan expire no later than five (5) years after the date of grant and are not transferable or assignable other than by will or other testamentary instrument or the laws of succession. If a participant under the Stock Option Plan is dismissed as an officer or employee of the Company or any of its subsidiaries for cause, all unexercised options of the participant immediately terminate. If a participant under the Stock Option Plan ceases to be a director, officer or employee of the Company or any of its subsidiaries for any reason other than as a result of having been dismissed for cause or as a result of the participant's death, each option held by the participant will cease to be exercisable within six months from the date of ceasing to be a director, officer or employee (or on the original expiry date of such option, if earlier). If a participant under the Stock Option Plan dies, the legal representative of the participant may exercise the participant's options for a period of one year following the date of the participant's death but only up to and including the original option expiry date. Set out below are the details of all the options granted under the Stock Option Plan:

	Date of Grant (yyy/mm/dd)	Expiry Date (yyy/mm/dd)	Number of Common Shares Under Option	Exercise Price Per Common Share (US$)
Executive Officers				
(2 persons)	1999/09/01(1)	2004/09/01	115,000	2.35
(1 person)	1999/09/01(2)	2004/09/01	150,000	2.35
(1 person)	1999/09/01(3)	2004/09/01	150,000	2.35
Directors who are not Executive Officers				
(1 person)	1999/09/01(2)	2004/09/01	50,000	2.35
(1 person)	2000/05/05(2)	2005/05/05	50,000	3.00
Executive Officers of Subsidiaries				
(1 person)	1999/09/01(1)	2004/09/01	50,000	2.35
Employees who are not Executive Officers or Directors				
(6 persons)	1999/09/01(1)	2004/09/01	100,000	2.35
(1 person)	1999/09/01(2)	2004/09/01	25,000	2.35
(1 person)	1999/09/22(2)	2004/09/22	50,000	4.00
(14 persons)	1999/09/01(4)	2004/09/22	15,000	2.35
Employees of Subsidiaries				
(18 persons)	1999/09/01(1)	2004/09/01	402,000	2.35
(7 persons)	1999/09/01(2)	2004/09/01	140,000	2.35
(1 person)	1999/12/21(2)	2004/12/21	100,000	4.50
Consultants				
(12 persons)	1999/09/01(1)	2004/09/01	221,250	2.35
(4 persons)	1999/09/01(2)	2004/09/01	65,000	2.35
Total			1,683,250	

Notes:

(1) 1/12 of these options vest every 3 months commencing on the date of grant.

(2) 1/12 of these options vest every 3 months commencing on the first 3-month anniversary of the date of grant.

(3) 1/12 of these options vest every 3 months commencing on November 2, 1999.

(4) 1/4 of these options vest every 3 months commencing on the first 3-month anniversary of the date of grant.

Convertible Securities

In connection with an issuance of $3,100,000 principal amount of notes in May and July 1999, the Company issued warrants to acquire an aggregate of 1,276,596 Common Shares at an exercise price of US$2.35 per share. These warrants expire on May 27, 2002. Further, the Company granted compensation options to Thomson Kernaghan, the Agent for this Offering, to acquire 115,000 Common Shares at an exercise of $2.35 per share (these warrants expire on May 28, 2001) and compensation options to acquire 185,000 Common Shares at an exercise price of $2.35 per share (these options expire on July 30, 2001).

The Company also raised funds in July 1999 by way of issuance of a convertible note (the "Convertible Note") principal amount of Cdn.$192,052. The Convertible Note may be converted into 66,000 Common Shares and 66,000 warrants based on a conversion rate of Cdn.$2.91. If issued on conversion, the warrants will have an exercise price of Cdn.$3.03 per share and will expire on July 31, 2001. Thomson Kernaghan acted as placement agent in connection with the Convertible Note and received compensation options to acquire 19,205 Common Shares at an exercise price of Cdn.$3.03 per share. These options expire on July 31, 2001.

As consideration for services rendered on September 1, 1999, the Company issued compensation options to two individuals to acquire an aggregate of 220,000 Common Shares at an exercise price of $2.35 per share. These options expire on September 1, 2002.

In connection with a private placement of Common Shares at $4.00 per share, the Company granted compensation options to Harrington Chase PLC to acquire an aggregate of 63,125 Common Shares at an exercise price of $4.00 per share. These options expire on October 12, 2001.

In connection with a rights offering of 1,494,735 Common Shares at $4.00 per share completed on November 30, 1999 and in accordance with a Soliciting Dealer Agreement, the Company granted compensation options to acquire, in the aggregate, 149,474 Common Shares at an exercise price of $4.00 per share to Thomson Kernaghan, the soliciting dealer for the Rights Offering and the Agent for this Offering. These options expire on November 30, 2001.

In connection with the acquisition of Excimer Vision Associates, the Company issued Cdn.$293,002 principal amount of convertible notes. The notes are convertible into a maximum of 33,500 Common Shares and bear interest at the rate of 6% per annum due on February 28, 2001.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The Common Shares have been quoted on the Canadian Dealing Network (the "CDN") since September 28, 1999 under the symbol ILEC.U.

The following table sets forth the market price range for the Common Shares and the volume of trading of the Common Shares on as reported by CDN for the period since September 28, 1999.

	High ($)	Low ($)	Trading Volume
September 28 to September 30	5.00	4.00	6,766
October 1 to October 31	5.00	4.00	36,664
November 1 to November 30	4.25	3.80	110,912
December 1 to December 31	5.00	4.25	202,739
January 1 to January 31	5.50	4.20	409,269
February 1 to February 28	5.62	4.50	302,615
March 1 to March 31	4.75	3.25	346,464
April 1 to April 30	3.50	3.00	95,555
May 1 to May 31	3.75	2.50	71,176
June 1 to June 29	3.50	2.00	28,810

On June 29, 2000, the closing sale price of the Common Shares as quoted by CDN was US$2.00 share.

ESCROWED COMMON SHARES

25,000 Common Shares owned by Kenneth Wightman are held in escrow. These Common Shares will be released from escrow on the earlier of: (i) March 28, 2001; (ii) the date on which the Company terminates Kenneth Wightman's employment; (iii) the date on which Kenneth Wightman's position with the Company is relocated outside the Greater Toronto Area; or (iv) the date on which Kenneth Wightman ceases to perform the duties of his employment with the Company by reason of death or disability. These escrowed Common Shares are held by Meighen Demers as escrow agent.

PLAN OF DISTRIBUTION

Pursuant to the terms of an agency agreement (the "Agency Agreement") dated ● , 2000 among the Company and the Agent, the Company has appointed the Agent as its agent to offer a minimum of ● Common Shares and a maximum of ● Common Shares for sale, subject to the terms and conditions of the Agency Agreement. The Agent has agreed to use its best efforts to arrange for the sale of the Common Shares and will receive a fee of $ ● per share subscribed for pursuant to the Offering. While the Agent has agreed to use its best efforts to sell the Common Shares which are the subject of this Offering, it is not obligated to purchase any Common Shares which are not sold. All subscription proceeds received by the Agent will be deposited in trust with Equity Transfer Services Inc. pending the closing of this Offering pursuant to the terms of a subscription escrow agreement (the "Subscription Escrow Agreement") dated ● , 2000 by and among the Company, the Agent and Equity Transfer Services Inc. While the closing is expected to take place on or about ● , 2000, if the minimum number of subscriptions is not received by ● , 2000 or such other time as may be authorized by the applicable securities regulatory authorities and agreed to by the Agent, all subscription monies relating to this Offering will be returned to the subscribers without interest or deduction by Equity Transfer Services Inc. The Agency Agreement provides that the obligations of the Agent pursuant to the Agency Agreement may be terminated at its discretion on the basis of its assessment of the state of the financial markets. The Agency Agreement may also be terminated upon the occurrence of certain stated events.

The Company has also agreed to issue to the Agent the non-assignable Compensation Options to purchase the Compensation Shares in an amount equal to 10% of the Common Shares issued from treasury pursuant to the Offering at a price of $ ● per share. The Compensation Options will be exercisable, in whole or in part, at any time during the period commencing on the closing of the Offering and ending at 5:00 p.m. (Toronto time) on the date which is two years after the closing of the Offering, This prospectus qualifies the distribution of the Compensation Options.

The Company has also granted to the Agent the Over-Allotment Option, exercisable at any time up to 60 days following the closing of the Offering, to purchase an additional number of Common Shares up to an amount equal to 15% of the number of Common Shares issued from treasury pursuant to the Offering for the purpose of covering over-allotments, if any, and for market stabilization purposes. This prospectus also qualifies the distribution by the Agent of any Common Shares pursuant to the exercise of the Over-Allotment Option. Any purchase of Common Shares to cover over-allotments will be made on the same terms and conditions as apply to purchases of the other Common Shares being offered in the Offering.

Pursuant to policy statements of the Ontario Securities Commission and the Commission des valeurs mobilières du Québec, the Agent may not, during the period of distribution under this prospectus, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions, as long as the bid for or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the market price of the Common Shares. These exceptions include a bid or purchase permitted under the rules and by-laws of certain Canadian stock exchanges relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this Offering, the Agent may over-allot or effect transactions which stabilize or maintain the market price of the common shares at levels other than those which otherwise might prevail on the open market. Such transactions may be commenced or interrupted at any time during the period of distribution.

In connection with the completion of this Offering, the Company has agreed with the Agent not to sell to the public or sell by way of private placement any Common Shares or any financial instruments convertible or exchangeable for Common Shares, other than for purposes of employee stock options or pursuant to the exercise of convertible securities, options or warrants outstanding at the date hereof without the prior written consent of the Agent until the earlier of the closing of the Offering or November 13, 2000.

The Company has agreed to indemnify the Agent against certain liabilities, including liabilities under Canadian securities legislation, and to contribute to payments that the Agent may be required to make in respect thereof.

United States Securities Law Matters

General

The Company is not a reporting issuer under the United States securities laws. Offers and sales of securities of such issuers which are made within the United States or to U.S. Persons (defined below) and which are not registered under the United States Securities Act of 1933, as amended (the "1933 Act") are nonetheless subject to complex restrictions imposed by the 1933 Act. The following discussion is not intended to be, nor should it be construed to be, legal advice to any particular purchaser of Common Shares. Each purchaser should consult with legal counsel regarding the application of such laws.

The Common Shares offered hereby have not been and will not be registered under the 1933 Act and may not be offered or sold in the United States or to U.S. Persons (as defined below) unless the Common Shares are registered under the 1933 Act or such offers and sales are exempt from or not subject to the registration requirements of the 1933 Act. In addition, hedging transactions involving the Common Shares may not be conducted unless in compliance with the 1933 Act. For purposes of this and the following discussion, "United States" means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia. "U.S. Person" includes, subject to certain exceptions, any natural person resident in the United States; any partnership or corporation organized or incorporated under the laws of the United States; any estate of which any executor or administrator is a U.S. person, or any trust of which any trustee is a U.S. person; any agency or branch of a foreign entity located in the United States; any non-discretionary account held by a dealer or other fiduciary for the benefit or account of a U.S. person; any discretionary account held by a dealer or other fiduciary organized, incorporated or (if an individual) resident in the United States; and any foreign partnership or corporation formed by a U.S. person principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organized or incorporated, and owned, by accredited investors who are not natural persons, estates or trusts. Offers and sales of Common Shares will be made by the Company within the United States and to U.S. Persons pursuant to an applicable exemption from registration provided by Regulation D under the 1933 Act and in compliance with applicable state law. Offers and sales of Common Shares outside the United States to persons other than U.S. Persons will be made pursuant to the exemption from registration provided by Regulation S under the 1933 Act.

Offers and Sales Within the United States and to U.S. Persons

With respect to offers and sales within the United States and to U.S. Persons, the Company will offer and sell Common Shares within the United States only to "accredited investors" as defined in and accordance with Regulation D under the 1933 Act. An "accredited investor" is any of the following:

1. Any bank as defined in Section 3(a)(2) of the 1933 Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the 1933 Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended; any insurance company as defined in Section 2(13) of the 1933 Act; any investment company registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"), or any business development company as defined in Section 2(a)(48) of the Investment Company Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, as amended; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of employees, if such plan has total assets in excess of $5,000,000; any employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of

ERISA, which is either a bank, a savings and loan association, insurance company, registered investment advisor, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

2. Any private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940, as amended;

3. Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

4. Any director or executive officer of the Company;

5. Any trust, with total assets in excess of $5,000,000 not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506 under Regulation D;

6. Any natural person whose individual net worth or joint net worth with that person's spouse, at the time of his or her purchase, exceeds $1,000,000;

7. Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years, and has a reasonable expectation of reaching the same income level in the current year; and

8. Any entity in which all of the equity owners are accredited investors.

Purchasers can resell Common Shares only (1) outside the United States to non-U.S. Persons pursuant to the exemption from registration provided by Regulation S under the 1933 Act or (2) to U.S. Persons, pursuant to an exemption from registration under the 1933 Act or pursuant to an effective registration statement under the 1933 Act and in compliance with applicable state law. A resale of the Common Shares will generally comply with Regulation S if: (i) the offer relating to such resale is not made to a person in the United States or to U.S. persons; (ii) neither the seller, an affiliate of the seller, nor any other person acting on their behalf engaged is "directed selling efforts" (as such term is defined in Rule 902(b) under the 1933 Act) within the United States; and (iii) either (A) at the time the buy order is originated, the buyer is outside the United States or the seller and any person acting on its behalf reasonably believe that the buyer is outside the United States, or (B) the resale transaction is executed in, or through the facilities of a "designated offshore securities market" as specified in Rule 902(a) under the 1933 Act and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States. The Toronto Stock Exchange is a designated offshore securities market. The provisions of Regulation S impose additional restrictions on resales by distributors, affiliates of the Company, dealers and persons receiving a selling commission, fee or other remuneration with respect to such resales.

The Company and Equity Transfer Services Inc., the transfer agents and registrar for the Common Shares, are required by contract to refuse any transfer of Common Shares not made in accordance with Regulation S, unless registered or exempt from registration under the 1933 Act.

Upon initial issuance thereof and for a minimum of one year and a maximum of two years thereafter, the certificates representing the Common Shares sold in the United States or to U.S. Persons shall bear a legend to the effect that such securities have not been registered under the 1933 Act and may be offered, sold or transferred only outside the United States to persons other than U.S. Persons pursuant to Regulation S or pursuant to another exemption from registration under the 1933 Act or pursuant to an effective registration statement under the 1933 Act. In particular, such persons may not assume the availability of the exemption set forth in Section 4(1) of the 1933 Act with respect to resales of securities in the United States or to U.S. Persons. Purchasers may request that the Company remove applicable legends in connection with resales on a Canadian stock exchange, subject to the purchaser's ability to establish, to the satisfaction of the Company and its legal counsel, that such Common Shares may be resold in the United States in compliance with the requirements of the 1933 Act. Following removal of the legend, such Common Shares will be freely tradeable in the United States without restriction or further registration under the 1933 Act (except for shares that are held by an affiliate of the Company as that term is defined in Rule 144 under the 1933 Act).

DILUTION

The net tangible book value of the Company as of December 31, 1999 was approximately $7,190,719 or $0.338 per common share. "Net tangible book value" per share represents the amount of total tangible assets less total liabilities, divided by the number of Common Shares outstanding. After giving effect to the receipt of the net proceeds from the sale of the ● Common Shares offered by the Company hereby (Minimum Offering) at the public offering price of $ ● per Common Share, equal to approximately $ ● , the Company's net tangible book value as of December 31, 1999 would have been $ ● , or $ ● per Common Share (after deducting estimated Agent's fees and offering expenses payable by the Company). After giving effect to the receipt of the net proceeds from the sale of the ● Common Shares offered by the Company hereby (Maximum Offering) at the public offering price of $ ● per Common Share equal to approximately $ ● , the Company's net tangible book value as of December 31, 1999 would have been $ ● or $ ● per Common Share (after deducting estimated Agent's fees and offering expenses payable by the Company). This represents an immediate increase in net tangible book value of $ ● per Common Share to existing shareholders and an immediate dilution of $ ● per Common Share (assuming the Minimum Offering) and an immediate increase in net tangible book value of $ ● per Common Share to existing shareholders and an immediate dilution of $ ● per Common Share (assuming the Maximum Offering) to new investors. The following table illustrates this per share dilution:

	Minimum Offering	Maximum Offering
Public offering price per Common Share	$ ●	$ ●
Net tangible book value per Common Share as of December 31, 1999	$ 0.338	$ 0.338
Increase in net tangible book value per Common Share attributable to the Offering	$ ●	$ ●
Pro forma net tangible book value per Common Share after the Offering	$ ●	$ ●
Dilution per Common Share to new investors	$ ●	$ ●
Percentage dilution in relation to offering price	● %	● %

RISK FACTORS

Investment in the Common Shares involves a number of significant risks. This prospectus contains or incorporates by reference forward looking statements which involve risks and uncertainties. The following risk factors could affect the Company's actual results and could cause the Company's actual results to differ in material respects from those set out herein. Prospective shareholders should carefully review and consider the following factors together with the other information contained in this Prospectus prior to investing in the Common Shares offered hereby.

Limited Operating History

The Company has a very limited operating history. The likelihood of success of the Company must be considered in light of both normal and unanticipated problems, expenses and delays frequently encountered in connection with the development and growth of the Company's business, as well as the competitive environment in which the Company operates. There can be no assurance that the Company will generate significant revenues or become profitable (on a consolidated basis) within the foreseeable future or at any time.

No Assurance of Profitable Operations

The Company's ability to achieve or maintain profitability (on a consolidated basis) will depend in part on the Company's ability to increase and maintain demand for its services and control costs, the Company's ability to execute its expansion strategy, the Company's ability to effectively acquire referring eye care professionals, economic conditions in the Company's markets, competitive factors and regulatory developments. Accordingly, the extent of future losses and the time required to achieve profitability (on a consolidated basis) is uncertain. There can be no assurance that the Company will achieve profitability (on a consolidated basis) or that profitability, if achieved, will be sustained. Moreover, if profitability is achieved, the level of such profitability cannot be predicted and may vary significantly from quarter to quarter.

Uncertainty of Market Acceptance

The Company believes that its profitability (on a consolidated basis) and growth will depend upon broad acceptance of LVC in the United States and, to a lesser extent, Canada, and Europe. There can be no assurance that LVC will be more widely accepted by MDs, ODs or the general population as an alternative to existing methods of treating refractive disorders. The acceptance of LVC may be affected adversely by its cost (particularly since LVC is typically not covered by government insurers or other third party payors and, therefore, must be paid for by the individual receiving treatment), concerns relating to its safety and effectiveness, general resistance to surgery, the effectiveness of alternative methods of correcting refractive vision disorders, the lack of long term follow-up data and the possibility of unknown side effects. There can be no assurance that long term follow-up data will not reveal complications that may have a material adverse effect on the acceptance of LVC. Many consumers may choose not to have LVC due to the availability and promotion of effective and less expensive non-surgical methods for vision correction. Any future reported adverse events or other unfavourable publicity involving patient outcomes from LVC could also adversely affect its acceptance whether or not the procedures are performed at the Company's LVC centres. Market acceptance could also be affected by regulatory developments and by the ability of the Company and other participants in the LVC market to train a broad population of MDs in performing the procedure. Acceptance of LVC by MDs could also be affected by the cost of excimer laser systems. The failure of LVC to achieve broad market acceptance would have a material adverse effect on the Company's consolidated business, financial condition and results of operations.

Future Capital Requirements

It is not possible to predict with certainty the timing or the amount of future capital requirements. However, the Company may require significant additional funding to expand in the future. Such additional funding may be raised through additional public or private equity or debt financings or other sources and will, if obtained by way of subsequent equity financing, result in dilution to the holders of its Common Shares. There can be no assurance that the Company's consolidated operations, expansion plans or capital requirements will not change in a manner that would consume available resources more rapidly than anticipated, or that substantial additional funding will not be required before the Company can achieve profitable operations. The Company's capital needs depend on many factors, including the rate and cost of equipment and other assets, the rate of opening new anchor locations, market acceptance of laser vision correction and actions by competitors. Further, additional funding may not be available on terms satisfactory to the Company, if at all. If adequate funds are not available, the Company may be required to cut back or abandon its expansion plans and curtail operations significantly, which would have a material adverse effect on the Company's consolidated business, financial condition and results of operations.

Dependence on Affiliated Doctors

Most jurisdictions prohibit the Company from practising medicine, employing physicians to practice medicine on the Company's behalf or employing ODs to render optometric services on the Company's behalf. Because the Company does not practice medicine or optometry, its activities are limited to managing LVC centres and affiliating with other health care providers. Affiliated doctors can provide a significant source of patients for the Company. Accordingly, the success of the Company's consolidated operations depends upon its ability to enter into agreements on acceptable terms with a sufficient number of health care providers, including institutions, MDs and ODs, to render surgical and other professional services at facilities managed by the Company. There can be no assurance that the Company will be able to enter into agreements with doctors or other health care providers on satisfactory terms or that such agreements will be profitable to the Company. Failure to enter into or maintain such agreements with a sufficient number of qualified doctors will have a material adverse effect on the Company's consolidated business, financial condition and results of operations.

Competition

LVC is subject to intense competition. The Company competes with other entities, including hospitals, individual MDs, other laser centres and certain manufacturers of excimer laser equipment, in offering LVC. The Company's anchor locations generally compete on the basis of quality of service, reputation and price. There can be no assurance that competitors with substantially greater financial, technical, managerial, marketing and other resources and experience than the Company will not compete more effectively than the Company. If more providers offer laser vision correction in a given geographic market, the price charged for such procedures may decrease.

In addition, LVC competes with other surgical and non-surgical treatments for refractive disorders, including eyeglasses, contact lenses, other types of refractive surgery (such as RK) and other technologies currently under development. Suppliers of conventional vision correction alternatives (eyeglasses and contact lenses), such as optometry chains, with substantially greater financial, technical, managerial, marketing and other resources and experience than the Company may compete with the Company by promoting alternatives to LVC or by purchasing laser systems and offering laser vision correction to their customers. There can be no assurance that the Company's management, operations and marketing plans are or will be successful in meeting this variety of competition. Further, there can be no assurance that the Company's competitors' access to capital, financing or other resources or their market presence will not give these competitors an advantage against the Company.

Further competition could develop if a significant decrease in the price of excimer laser systems were to occur, because the high price of excimer laser systems currently is a barrier to entry for many potential competitors, particularly individual MDs and MDs participating in group practices. A price decrease could occur under a variety of circumstances, including the increase in the availability of lasers following the failure of one or more of the participants in the laser vision correction market. Competition in the market for laser vision correction could increase if laws in jurisdictions where the Company operates were amended to permit ODs (in addition to MDs) to perform LVC.

Quarterly Fluctuations in Operating Results

Results of operations may vary and could fluctuate significantly from quarter to quarter and could depend on numerous factors, including: (i) market acceptance of the Company's services; (ii) seasonal factors; (iii) the purchase or upgrade of lasers and other equipment; (iv) economic conditions in the geographic areas in which subsidiaries of the Company operate; (v) the timing of new enhancements by the Company, its suppliers and its competitors; (vi) the opening, closing or expansion of LVC centres; (vii) regulatory matters; (viii) litigation; (ix) acquisitions; (x) competition; (xi) fluctuations in currency exchange rates; and (xii) other extraordinary events. There can be no assurance that growth in consolidated revenues achieved by the Company will occur or that revenues in any particular quarter will not be lower, or losses greater, than those of the preceding quarters, including comparable quarters of prior fiscal years. The Company's consolidated expense levels are based, in part, on its expectations as to future revenues. If consolidated revenue levels are below expectations, consolidated operating results are likely to be adversely affected. In light of the foregoing, future quarter-to-quarter comparisons of the Company's consolidated operating results may not be necessarily meaningful and should not be relied upon as indications of likely future performance or annual consolidated operating results. Reductions in consolidated revenues or increases in consolidated losses between quarters or the failure of the Company to achieve expected quarterly consolidated earnings per share could have a material adverse effect on the market price of the Common Shares.

Potential Side Effects and Long Term Results of Laser Vision Correction

Concerns with respect to the safety and efficacy of LVC include predictability and stability of results and potential complications or side effects, including the following: post-operative pain; corneal haze during healing (an increase in light-scattering properties of the cornea); glare/halos (disturbed night vision); decrease in contrast sensitivity (reduced visual quality of sharpness); temporary increases in intra-ocular pressure in reaction to post-procedure medication; modest fluctuations in astigmatism and modest decreases in best corrected vision (*i.e.* with eyeglasses); loss of fixation during the procedure; unintended over- or under-correction; instability, reversion or regression of effect; corneal scars (blemishing marks left on the cornea); corneal ulcers (inflammatory lesions resulting in loss of corneal tissue); and corneal healing disorders (compromised of weakened immune system or connective tissue disease which causes poor healing). Laser vision correction may involve the removal of "Bowman's layer", an intermediate layer between the epithelium (outer corneal layer) and the stroma (middle corneal layer). Although several studies conducted to date have demonstrated no significant adverse reactions to excimer laser removal of Bowman's layer, it is unclear what effect this may have on the patient. Although recently released results of a study showed that the majority of patients experienced no serious side effects six years after laser vision correction using the PRK procedure, there can be no assurance that complications will not be identified in further long term follow-up studies. Any such complications or side effects may call into question the safety and effectiveness of LVC, which in turn may negatively affect the market acceptance of such procedures and lead to product liability, malpractice or other claims against the Company. Any such occurrence could have a material adverse effect on the Company's consolidated business, financial condition and results of operations.

Potential Liability and Insurance

The provision of medical services entails an inherent risk of potential malpractice and other similar claims. Although patients at ICON's centres execute informed consent statements prior to any procedure performed by doctors at the Company's LVC centres, there can be no assurance that such consents will provide adequate liability protection. In addition, although the Company does not engage in the practice of medicine or have responsibility for compliance with certain regulatory and other requirements directly applicable to doctors and doctor groups, there can be no assurance that claims, suits or complaints relating to services provided at the Company's LVC centres will not be asserted against the Company in the future. Such insurance will extend to professional liability claims that may be asserted against employees of the Company. In addition, the doctors who provide medical services at the Company's LVC centres are required to maintain comprehensive professional liability insurance, although there can be no assurance that any such insurance will be adequate to satisfy claims or that insurance maintained by the doctors will protect the Company.

The availability and cost of professional liability insurance has been affected by various factors, many of which are beyond the control of the Company. An increase in the future cost of such insurance to the Company and the doctors who provide medical services at the refractive centres and laser tour locations may have a material adverse effect on the Company's consolidated business, financial condition and results of operations. Successful malpractice or other claims asserted against any of the doctors who provide medical services or the Company that exceed applicable policy limits or are not covered by policy terms could have a material adverse effect on the Company's consolidated business, financial condition and results of operations.

The excimer laser system utilizes certain poisonous gases which if not properly contained could result in bodily injury. Any such occurrence could result in a material adverse effect on the Company's consolidated business, financial condition and results of operations. In addition, the use of excimer laser systems may give rise to claims by patients, doctors, technicians or others against the Company resulting from laser-related injuries, which may not become evident for a number of years. While the Company believes that any claims alleging defects in its excimer laser systems would be covered by the manufacturers' product liability insurance, there can be no assurance that the Company's excimer laser manufacturers will continue to carry product liability insurance or that any such insurance will be adequate to protect the Company. The Company may not have adequate insurance for any liabilities arising from injuries caused by poisonous gases or laser equipment.

There can be no assurance that adequate insurance will continue to be available, either at existing or increased levels of coverage on commercially reasonable terms, if at all, for the Company's existing and future operations and centres, or that the Company's existing insurance will be adequate to cover any future claims that may be made. The unavailability of adequate insurance at acceptable rates could have a material adverse effect on the Company's consolidated business, financial condition and results of operations. In addition, even if a claim against the Company is covered by insurance, the cost of defending the action and/or the assessment of damages in excess of insurance coverage could have a material adverse effect on the Company's consolidated business, financial condition and results of operations.

Management of Growth

The Company's success will depend on its ability to expand and manage its operations and facilities on a cost effective basis. The Company is currently in a period of rapid growth, with the major focus of its expansion being Europe, Canada and the United States. The Company's growth will result in new and increased responsibilities for management and additional demands on management, operating and financial systems and resources. The Company's ability to continue to expand is dependent upon factors such as its ability to: (i) implement new, expanded or upgraded operations and financial systems, procedures and controls; (ii) hire and train new staff and managerial, personnel; (iii) expand the Company's infrastructure; (iv) adapt or amend the Company's structure to comply with present or future legal requirements affecting the Company's arrangements with doctors, including prohibitions on fee-splitting, corporate practice of medicine and referrals to facilities in which doctors have a financial interest; and (v) obtain regulatory approvals and ICON's, where necessary, and comply with licensing requirements applicable to doctors and facilities operated, and services offered, by doctors. Any failure or inability to successfully implement these and other factors may have a material adverse effect on the Company's consolidated business, financial condition and results of operations. There can be no assurance that the Company will be able to successfully integrate and manage the LVC centres it opens or joint ventures it enters into or achieve the economies of scale, and/or the extended patient referral base anticipated by the Company's network of affiliated doctors. If the Company's management is unable to successfully implement its growth strategy or manage growth effectively, the Company's consolidated business, financial condition and results of operations could be materially adversely affected.

The Company's growth strategy is dependent on increasing the number of the Company's LVC centres. The addition of new LVC centres can be expected to present challenges to management, including the integration of new operations, technologies and personnel, and special risks, including unanticipated liabilities and contingencies, diversion of management attention and possible adverse effects on the Company's consolidated operating results resulting from increased goodwill amortization, increased interest costs, the issuance of additional securities in the Company and increased costs resulting from difficulties related to the integration of the acquired businesses. The future ability of the Company to achieve growth through expansion will depend on a number of factors, including the availability of attractive acquisition opportunities, the availability of funds needed to complete acquisitions, the availability of working capital needed to fund the operations of acquired businesses and the effect of existing and emerging competition on operations. There can be no assurance that the Company will be able to successfully identify suitable acquisition candidates.

Current Regulatory Restrictions and Potential Adverse Regulatory Changes

The health care industry is subject to federal, provincial and state regulation in the jurisdictions where the Company operates. The various layers of governmental regulation affect the Company's business growth, operation and structure, by, among other things, regulating its advertising and marketing activities, requiring licensing or certification of its facilities in some jurisdictions, regulating its relationship with health care professionals, and controlling the use of technology. Applicable governmental regulations vary from jurisdiction to jurisdiction.

Government Regulation and Supervision

The Company and its operations are subject to extensive federal, state, provincial and local laws, rules and regulations, including those prohibiting corporations from practising medicine and optometry, prohibiting unlawful rebates and division of fees, and limiting the manner in which prospective patients may be solicited, as well as conflict of interest regulations which prohibits ODs, MDs or corporations owned or controlled by them from receiving benefits from suppliers of medical goods or services to whom the OD or MD refers his or her patients. Further, contractual arrangements with hospitals, surgery centres, MDs and ODs, among others, are extensively regulated by federal, state and provincial laws. Many of these laws and regulations are ambiguous in nature and have not been definitively interpreted by courts and regulatory authorities. Moreover, state and local laws vary from jurisdiction to jurisdiction. Accordingly, the Company may not always be able to predict clearly how such laws and regulations will be interpreted or applied by courts and regulatory authorities and some of the Company's activities could be challenged. In addition, there can be no assurance that the regulatory environment in which the Company operates will not change significantly in the future. The Company could be required to revise the structure of its legal arrangements or the structure of its fees, incur substantial legal fees, fines or other costs, or curtail certain of its business activities, reducing the potential profit to the Company of some of its legal arrangements, any of which may have a material adverse effect on the Company's consolidated business, financial condition and results of operations.

Changes in the interpretation or enforcement of existing regulatory requirements or the adoption of new requirements could have a material adverse effect on the Company's consolidated business, financial condition and results of operations. There can be no assurance that the Company will not be required to incur significant costs to comply with laws and regulations in the future or that laws and regulations will not have a material adverse effect on the Company's consolidated business, financial condition and results of operations. In addition, many of the Company's consolidated operations have not been subject to review by regulators and there can be no assurance that a review of the Company's consolidated operations or the operations of its affiliated doctors will not result in a determination that could have a material adverse effect on the Company's consolidated business, financial condition and results of operations.

Technological Changes

Modern medical technology is characterized by extensive research and rapid technological change. Newer or enhanced technologies may be developed with better performance or lower cost than the excimer laser equipment currently used by the Company. Medical companies, academic and research institutions and others could develop new therapies, including new or enhanced medical devices or surgical procedures, for the conditions targeted by the Company. These therapies could be more medically effective and less expensive than the procedures performed at the Company's LVC centres and could potentially render laser vision correction obsolete, uneconomical or otherwise undesirable. In addition, competitors may develop procedures that involve lower per procedure costs. There can be no assurance that the Company will have the capital resources available to it to upgrade its excimer laser equipment, acquire any such new or enhanced medical devices or adopt such new or enhanced procedures at the time that any advanced technology is developed or introduced. The inability of the Company to do so successfully could have a material adverse effect on the Company's consolidated business, financial condition and results of operations.

Dependence on Key Personnel

The Company's business success will depend, to a large degree, on the experience and ability of the Company's key management personnel, including namely, Simone Mencaglia, Ghassan Barazi, Dr. Donald Johnson and Stefania Brenna. Dr. Donald Johnson is an esteemed MD serving as guest lecturer at numerous symposiums and as a member of the editorial board of the *Ocular Surgery News* and the *Review of Ophthalmology*. Although it is intended that these key personnel will continue with the Company indefinitely, there can be no assurance that this will occur and the loss of the services of any one of the four could have a material adverse effect on the Company.

Management of the Company believes that the competition to attract leading ODs and MDs to participate in refractive eye care networks has been quite intense, and anticipates that it will continue to grow more intense as the market continues to develop. Accordingly, there can be no assurance that the Company will be able to build a network of skilled health care professionals, as anticipated by its business plan.

Potential Volatility of Stock Price

The public market for the Common Shares is expected to be volatile based on the historical trading pattern of the Common Shares and of competitor's shares due to industry developments or business-specific factors such as the Company's ability to effectively penetrate the laser vision correction market, new technological innovations and products, changes in government regulations, adverse regulatory action, public concerns with regard to the safety and effectiveness of various medical procedures, any loss of key management, announcements of extraordinary events such as litigation or acquisitions, variations in the Company's consolidated financial results, fluctuations in the stock prices of the Company's competitors, the issuance of new or changed stock market analyst reports and recommendations concerning the Company or its competitors, changes in earnings estimates by securities analysts, the Company's ability to meet analysts' projections, as well as changes in the market for medical services and general economic, political and market conditions or other unforeseen factors. In addition, stock markets have experienced extreme price and volume trading volatility in recent years. This volatility has had a substantial effect on the market prices of securities of many companies for reasons frequently unrelated or disproportionate to the operating performance of the specific companies. These broad market fluctuations may adversely affect the market price of the Common Shares.

Absence of Dividends

The Company will not in the near term declare or pay cash dividends on the Common Shares. It is the policy of the board of directors of the Company to retain earnings to finance growth, operation and expansion of its business and therefore the Company does not anticipate paying cash dividends in the near future (see "Dividend Record and Policy" above).

Investment in VSNA

ICON has a $5.9 million investment in VSNA and is negotiating (i) a 50/50 joint operating agreement for up to 9 VSNA LVC centres; and (ii) restructuring $4 million of the investment into a subordinated debenture convertible into 4,000,000 shares of VSNA common stock and a warrant to purchase 1,000,000 additional shares at $0.06 per share.

VSNA reported a loss from continuing operations of $28.8 million for the year ended December 31, 1999 and a loss of $2.3 million for the three amounts ended March 31, 2000. See "Business of the Company — Acquisitions" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — VisionAmerica Incorporated". As a consequence, VSNA has defaulted on certain covenants in its credit agreement with its senior lenders and the audit opinion for VSNA's fiscal 1999 financial statements contains a going concern explanatory paragraph. In addition, VSNA's securities have been delisted from the Nasdaq Stock Market.

There is no assurance that ICON and VSNA will be able to agree on a joint operating agreement or that any such agreement will be approved by VSNA's senior creditors. Furthermore, if VSNA's operating performance does not improve, it may fail in which event ICON could lose its entire $5.9 million investment.

PROMOTERS

Patrick Rooney initiated the original merger of Vista Vision and TEMAV into ICON Europe, the reverse take-over of ICON Europe by ICON London and the subsequent amalgamation which formed the Company. Until May 2000 Mr. Rooney continued to assist ICON as an unpaid consultant, using his extensive knowledge of the industry to identify and arrange strategic acquisitions. During the term of his consulting contract, Mr. Rooney was reimbursed for his out-of-pocket expenses.

In 1988, Mr. Rooney was found guilty of conspiracy to defraud the United States of America and filing a false 1983 income tax return in connection with alleged unpaid taxes of $9,000. Mr. Rooney was acquitted of a further charge of income tax evasion. He was sentenced to 30 days' imprisonment, served in 1990, three years' probation and 300 hours of community service. In 1996, Mr. Rooney's probation was revoked, requiring him to be incarcerated for a further two months for enclosing a false declaration in court papers submitted in proceedings brought by him to vacate his conviction. As a result of the 1988 proceedings, Mr. Rooney consented with the U.S. Securities and Exchange Commission to a ban on working in the securities business with the right to reapply after three years, which period expired in 1991. Mr. Rooney had been the founder and a senior officer of a New York Stock Exchange member firm until 1985.

Mr. Rooney has advised the Company that his family and affiliated entities beneficially own 888,888 Common Shares of ICON.

Mr. Rooney has advised the Company that he or his family had an indirect beneficial interest in the following transactions:

1. an indirect beneficial interest in 784,888 Common Shares issued on the purchase of ICON Europe by ICON London and the subsequent Amalgamation (See "Business of the Company — Acquisitions);
2. an indirect beneficial interest in 104,000 Common Shares issued as consideration for the acquisition of ILC and IVC (See "Business of the Company — Acquisitions"); and
3. an indirect beneficial 8% interest in eLaserEyeCenters, Inc., a start-up Internet-based laser eye correction concept, and an indirect beneficial 8% interest in the Eye Academy (Sweden), which operates laser eye correction centres in Stockholm and Malmo, Sweden. ICON advanced $1 million to

eLaserEyeCenters and $400,000 to the Eye Academy (Sweden). ICON subsequently acquired all the outstanding shares of the Eye Academy (Sweden) in exchange for the assignment of all its indebtedness from eLaserEyeCenters.

Mr. Rooney's consulting relationship with ICON was terminated on May 26, 2000 and since that time he has had no involvement with ICON, other than as a beneficial shareholder. eLaserEyeCenters, Inc. may compete directly with ICON.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the present directors, executive officers or principal shareholders of the Company and no associate or affiliate of any of them has any material interest in any transaction or proposed transaction which has materially affected or will materially affect the Company, except as follows:

As a result of the Johnson Acquisition, Dr. Donald Johnson, a director of the Company, and his spouse beneficially received 1,706,511 Common Shares. (See "Business of the Company — Acquisitions").

MATERIAL CONTRACTS

Copies of these agreements will be made available to Canadian investors during normal business hours at any time during the period of the distribution of the Common Shares offered by this prospectus and for a period of 30 days thereafter at the offices of Meighen Demers, Barristers and Solicitors, Suite 1100, 200 King Street West, Toronto, Ontario M5H 3T4.

(a) Share exchange agreement dated May 26, 1999 between ICON London, Ocular Developments Limited and the Sanne Trust Company Limited wherein ICON London purchased all the issued and outstanding shares of ICON Europe for an aggregate purchase price of 2,080 common shares of ICON London.

(b) Agency agreement between Thomson Kernaghan, the Agent for this Offering, and ICON London, dated May 26, 1999 pursuant to which ICON London issued $3,100,000 of notes and warrants to acquire 1,276,596 common shares. In consideration for their services, Thomson Kernaghan received 300,000 compensation options. See "Share Capital — Convertible Securities".

(c) Agreement to amalgamate between ICON London and Northern Gaming Inc. dated July 15, 1999 wherein the parties agreed to amalgamate.

(d) Share purchase agreements dated August 31, 1999 between ICON London and entities related to Dr. Donald Johnson, a co-medical director of ICON, wherein ICON London purchased all the issued and outstanding shares of Pan Pacific Laser Eye Institute Inc., London Place Eye Center, Inc. and London Place North Eye Center Inc. for an aggregate purchase price of 539.48 common shares of ICON London.

(e) Share purchase agreements dated September 8, 1999 between ICON and the shareholders of the Eye Academy Limited wherein ICON purchased all the issued and outstanding shares of the Eye Academy Limited for a purchase price of 1,021,275 common shares.

(f) Soliciting dealer agreement referred to under "Options and Convertible Securities — Convertible Securities".

(g) Share purchase agreements dated as of December 31, 1999 between ICON and the shareholders of Vista Laser Center of the Southwest Inc., ICON Laser Centers, Inc. and ICON Vision Centers, Inc. wherein ICON purchased all the issued and outstanding shares of the aforementioned corporations for an aggregate purchase price of 4,684,210 common shares.

(h) Loan agreement dated February 15, 2000 between ICON and Quest Ventures Inc. pursuant to which Quest Ventures Inc. advanced $4,000,000 to ICON as amended.

(i) Share purchase agreement dated February 24, 2000 between ICON and VSNA pursuant to which ICON purchased 1,000,000 shares of VSNA common stock and a letter of intent to restructure this transaction has been executed by both the Company and VSNA (See “Business of the Company — Acquisitions”).

(j) Share purchase agreement dated as of March 1, 2000 between ICON and the shareholders of Excimer Vision Associates Inc. wherein ICON purchased all the issued and outstanding shares of Excimer Vision Associates Inc. for an aggregate purchase price of Cdn.$200,000.

(k) Agency agreement referred to under “Plan of Distribution”.

LEGAL MATTERS

Certain legal matters relating to the distribution of the Common Shares will be passed upon in respect of certain Canadian legal matters on behalf of the Company by Meighen Demers, and on behalf of the Agent by Stikeman Elliott.

LEGAL PROCEEDINGS

A statement of claim was filed by Mason Younan against Dr. Mohan Merchea and ICON London in the Superior Court of Justice (Ontario) on May 20, 1999, claiming damages of Cdn.$1,200,000 resulting from LVC performed by Dr. Merchea at LVC centre in London, Ontario. A statement of defence has been filed on behalf of ICON London and Dr. Merchea. ICON’s management expects the claim to be dismissed and does not expect it to result in damages against the Company.

From time to time, various routine claims incidental to its business are made against ICON. ICON’s management believes that none of the current claims, including the claim described above, if successful, will have a materially adverse effect upon ICON.

AUDITORS, TRANSFER AGENTS AND REGISTRAR

The auditors of the Company are Zeifman & Company, Chartered Accountants, 201 Bridgeland Avenue, Toronto, Ontario.

The transfer agent and registrar for the Common Shares is Equity Transfer Services Inc. in Toronto, Ontario.

CANADIAN PURCHASERS’ STATUTORY RIGHTS

Securities legislation in certain provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of his or her province for the particulars of these rights or consult with a legal advisor.

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AUDITORS' REPORT

To the Directors of ICON Laser Eye Centers, Inc.

We have audited the consolidated balance sheets of ICON Laser Eye Centers, Inc. as at December 31, 1999 and 1998 and the consolidated statements of operations, and (deficit) retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether these financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

Toronto, Ontario ●
February 25, 2000 Chartered Accountants
(March 1, 2000 in respect to note 16 (b) and June 30, 2000 in respect of note 16 (e)).

ICON LASER EYE CENTERS, INC.

CONSOLIDATED BALANCE SHEET

(U.S. Dollars)

	March 31		December 31	
	2000	1999	1999	1998
	(unaudited)			
Assets				
Current assets				
Cash and short-term investments	$ 4,436,909	$ 1,490,946	$ 6,290,354	$ 1,821,454
Marketable securities	572,079	610,060	572,079	60,450
Accounts receivable	2,690,094	919,805	2,558,762	641,561
Prepaid expenses	1,359,012	126,817	937,753	232,525
Due from related companies (note 12)	217,163	—	199,878	—
Inventory	187,125	—	219,752	—
Total current assets	9,462,382	3,147,628	10,778,578	2,755,990
Deferred charges	633,722	—	—	—
Fixed assets (note 3)	8,128,224	2,005,467	7,440,990	2,165,335
Notes receivable (note 2)	900,000	—	900,000	—
Long-term Investments (note 10e)	5,963,421	—	—	—
Goodwill (note 4)	20,186,149	—	20,221,724	—
Total assets	$45,273,898	$ 5,153,095	$39,341,292	$ 4,921,325
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$ 4,894,212	$ 1,696,472	$ 3,939,016	$ 1,697,252
Customer deposits	3,301,948	—	2,167,308	—
Income taxes payable	466,647	181,457	705,411	60,711
Notes payable (note 5)	4,383,906	—	401,554	—
Due to related companies (note 12)	402,810	—	343,195	—
Current portion - capital lease obligations (note 6)	1,334,121	268,576	1,297,604	459,760
Total current liabilities	14,783,644	2,146,505	8,854,088	2,217,723
Due to shareholders (note 12)	47,230	—	47,231	—
Capital lease obligations (note 6)	2,032,799	1,004,259	2,004,955	966,971
Total liabilities	16,863,673	3,150,764	10,906,274	3,184,694
Contingenicies (note 7)				
Non-controlling interest	1,034,423	962,186	1,022,575	804,411
Shareholders' equity				
Equity component of notes payable (note 8)	96,448	—	329,873	—
Capital stock (note 8)	29,155,825	631,456	28,291,536	631,456
Contributed surplus (note 9)	485,582	148,903	485,582	148,903
Foreign currency translation adjustment	(450,522)	(147,599)	(328,662)	15,711
(Deficit) retained earnings	(1,911,531)	407,385	(1,365,886)	136,150
Total shareholders' equity	27,375,802	1,040,145	27,412,443	932,220
Total liabilities and shareholders' equity	$45,273,898	$ 5,153,095	$39,341,292	$ 4,921,325

On behalf of the Board:

"Simone Mencaglia", Director "Ernest Remo", Director

The accompanying notes are an integral part of these financial statements.

ICON LASER EYE CENTERS, INC.

CONSOLIDATED STATEMENT OF OPERATIONS AND (DEFICIT) RETAINED EARNINGS

(U.S. Dollars)

	Three months ended March 31		Year ended December 31		
	2000	**1999**	**1999**	**1998**	**1997**
	(unaudited)				(unaudited)
Total revenue	$ 8,509,898	$1,477,470	$ 9,495,901	$4,279,237	$2,235,043
Expenses					
Direct expenses	2,577,920	214,166	2,100,082	353,284	225,736
Operating and administration expenses	5,004,454	666,491	6,386,484	2,471,938	1,678,061
Interest expense	131,183	24,004	135,500	120,391	47,634
Depreciation and amortization	1,193,073	136,841	1,784,127	484,813	328,555
Total expenses	8,906,630	1,041,502	10,406,193	3,430,426	2,279,986
(Loss) income before income taxes and non-controlling interest	(396,732)	435,968	(910,292)	848,811	(44,943)
Provision for income taxes	137,065	6,958	375,580	71,558	54,534
(Loss) income before non-controlling interest	(533,797)	429,010	(1,285,872)	777,253	(99,477)
Non-controlling interest	11,848	157,775	216,164	460,854	24,593
Net (loss) income for the period	(545,645)	271,235	(1,502,036)	316,399	(124,070)
(Deficit) retained earnings, beginning of period	(1,365,886)	136,150	136,150	(180,249)	(56,179)
(Deficit) retained earnings, end of period	$(1,911,531)	$ 407,385	$(1,365,886)	$ 136,150	$ (180,249)
Net (loss) income per share	$ (0.03)	$ 0.03	$ (0.13)	$ 0.03	$ (0.01)
Fully diluted (loss) income per share	(0.02)	0.03	(0.12)	0.03	$ (0.01)
Weighted average number of shares outstanding	21,404,728	9,360,000	11,311,674	9,360,000	9,360,000

The accompanying notes are an integral part of these financial statements.

ICON LASER EYE CENTERS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(U.S. Dollars)

	Three months ended March 31		Year ended December 31		
	2000	1999	1999	1998	1997
	(unaudited)				(unaudited)
Operating activities					
Net (loss) income for the period	$ (545,645)	$ 271,235	$(1,502,036)	$ 316,399	$(124,070)
Items not affecting cash					
Depreciation of fixed assets	636,145	136,841	903,217	484,813	328,555
Amortization of financing costs and goodwill	556,928	—	880,910	—	—
Loss (gain) on sale of fixed assets	—	—	36,381	(116,029)	—
Non-controlling interest	11,848	157,775	216,164	460,854	24,593
(Increase) decrease in non-cash working capital	1,095,990	(602,179)	5,413	451,932	346,665
Cash flows from operating activities	1,755,266	(36,328)	540,049	1,597,969	575,743
Financing activities					
Increase (decrease) in notes payable	3,859,152	—	(807,644)	—	—
Increase in contributed surplus	—	—	336,679	148,903	—
Increase (decrease) in obligations under capital leases	(308,819)	(153,896)	(1,234,039)	(529,215)	174,975
Financing costs (note 5b)	(240,000)	—	(493,664)	—	—
Capital stock issued for cash	15,864	—	8,328,137	—	—
Cash and short-term investments of subsidiary on acquisitions	(43,957)	—	908,057	—	—
Foreign currency translation adjustment	(121,861)	(163,310)	(344,373)	15,711	(14,738)
Proceeds on disposal of fixed assets	—	—	586,447	328,116	—
Cash flows from financing activities	3,160,379	(317,206)	7,279,600	(36,485)	160,237
Investing activities					
(Acquisition) disposal of fixed assets	(792,280)	23,026	(1,996,023)	(376,805)	(332,860)
Notes receivable	—	—	(900,000)	—	—
Acquisition of goodwill for cash	(13,389)	—	(454,726)	—	—
Increase in long-term investment	(5,963,421)	—	—	—	—
Cash flows from investing activities	(6,769,090)	23,026	(3,350,749)	(376,805)	(332,860)
Decrease in cash and short-term investments	(1,853,445)	(330,508)	4,468,900	1,184,679	403,120
Cash and short-term investments, beginning of the period	6,290,354	1,821,454	1,821,454	636,775	214,910
Cash and short-term investments, end of the period	$4,436,909	$1,490,946	$ 6,290,354	$1,821,454	$ 618,030
Interest paid in the period	●	●	$ 100,579	$ 116,673	●
Income taxes paid in the period	●	●	$ 99,582	$ 36,262	●

Non-cash operating and financing activity of the Company (see notes 3, 4, 10)

The accompanying notes are an integral part of these financial statements.

Operations

ICON Laser Eye Centers, Inc. (the "Company") and its subsidiaries provide laser vision correction ("LVC") and other ophthalmic services in North America and Europe. These services are provided primarily through fixed site clinics and mobile laser units for certain other European markets.

The majority of revenues are generated from LVC procedures. Direct expenses reflect LVC procedural costs such as surgeon and optometrist fees, laser royalty fees and medical supplies. Operating and administrative expenses reflect all clinic, mobile service and administration costs of the Company and its subsidiaries.

On June 17, 1998 Icon Laser Centre of London Inc. ("ILCL"), an Ontario corporation, was incorporated and began operations in a single location in London, Ontario. On May 26, 1999, ILCL acquired Icon Laser Centers of Europe S.A. (Icon Europe) (formerly Coni Investments S.A.) of Luxembourg, which operates Vista Vision S.p.A. ("Vista") and Temav S.r.l. ("Temav"), two LVC companies in Italy. Effective September 1,1999 ILCL amalgamated with Northern Gaming Inc. ("NG"), an Ontario corporation, a dormant shell company traded on the Canadian Dealer Network and changed its name to ICON Laser Eye Centers, Inc.

1) SUMMARY OF ACCOUNTING POLICIES

a) **Basis of presentation**

i) The consolidated financial statements are prepared, in U.S. dollars, in accordance with generally accepted accounting principles in Canada.

ii) ILCL acquired 100% of the common shares of Icon Europe in May 1999 financed through the issuance of 9,360,000 common shares. The Icon Europe acquisition was accounted for using the principles of reverse take-over accounting. As a result, these financial statements reflect the results of operations of Icon Europe and its subsidiaries for the twelve months ended December 31, 1999 and 1998, results of operations of ILCL from May 26, 1999, and the results of the Company's other subsidiaries from their respective acquisition dates.

b) **Principles of consolidation**

The consolidated financial statements include the accounts of all divisions, subsidiaries and its proportionate interest in joint ventures of the Company. The ownership interests of other parties in less than wholly owned consolidated subsidiaries are presented as non-controlling interest. All significant inter-company transactions have been eliminated. All other investments are recorded at cost.

c) **Cash and short-term investments and marketable securities**

Cash and short-term investments consist of cash on deposit and deposits in short-term money market instruments with maturity dates of less than 90 days from when they were acquired. Investments in money market instruments with maturities greater than 90 days to one year are classified as marketable securities.

d) **Inventory**

Inventories are stated at the lower of cost and market value.

e) **Fixed assets**

Fixed assets are recorded at cost and depreciated over their estimated service lives on a straight-line basis as follows:

Laser equipment	5 years
Medical equipment	5 years
Furniture and fixtures	5 years
Computer equipment & software	3 years
Leasehold improvements	initial term of lease
Vehicles and other	5 years

1) SUMMARY OF ACCOUNTING POLICIES (Continued)

f) **Capital leases**

Leases that transfer substantially all the risks and benefits of ownership are accounted for as capital leases. Assets recorded under capital leases are amortized on a straight-line basis using rates that are consistent with similar capital assets.

g) **Goodwill**

The excess of the purchase price over the fair value of the net assets of subsidiary companies is amortized on a straight-line basis over 15 years.

h) **Customer deposits**

Deposits from customers for future procedures are carried as a liability until the surgical procedure is completed, at which time it is recognized as revenue.

i) **Deferred finance costs**

Debt financing costs are amortized on a straight line over the term of the related debt instrument.

j) **Foreign currency translation**

The consolidated financial statements are prepared in U.S. dollars. The Company uses the current rate method of foreign currency translation to translate the accounts of its self-sustaining European operations. Assets and liabilities are translated using the exchange rate in effect at the year-end and revenues and expenses are translated at the average rate for the year. The resulting unrealized gain or loss is included in a separate component of shareholders' equity.

The Company uses the temporal method of foreign currency translation to translate the accounts of its Canadian operations. Monetary assets and liabilities are translated using the exchange rate in effect at the year-end. Non-monetary assets are translated at historical rates of exchange. Revenues and expenses are translated at the average rate for the year. The resulting gain or loss is included in the determination of net income for the period.

k) **Financial instruments**

The carrying amounts of cash and short-term investments, marketable securities, accounts receivable, notes receivable, due from/to related parties, accounts payable and accrued liabilities and notes payable approximates their fair values because of the short-term nature of these items.

The Company is subject to credit risk through accounts receivable. Credit risk with respect to accounts receivable is minimized because of its large eye surgery clinic base and no exposure to any one individual customer.

The Company operates internationally, and is therefore exposed to risks associated with foreign currency fluctuations.

l) **Stock-based compensation plans**

The Company has a stock-based compensation plan. Options are granted at the fair value of the Company's common shares on the date of the grant of the options. No compensation expense is recognized for these plans when stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

(Amounts expressed in U.S. Dollars unless stated otherwise)

2) NOTES RECEIVABLE

The Company has the following notes receivable (see Note 16(f)):

	March 31, 2000	December 31, 1999	December 31, 1998
	(unaudited)		
i) 6% note, interest paid semi-annually, due December 21, 2001, convertible into 2,500,000 common shares from eLaserEyeCenters, Inc.,("eLaser") a related company which is controlled by Patrick Rooney. The Company also received warrants to acquire 2,500,000 shares of common stock at $0.20 per common share, and an option to purchase a further 1,000,000 common shares at $1.00 per share, both expiring December 21, 2004.	$500,000	$500,000	$ —
ii) 6% note with accrued interest thereon, due October 1, 2001 from Eye Academy AB (Sweden) ("EAS"), a related company which is controlled by Mr. Rooney. EAS has the right to repay the note plus accrued interest at any time during the two-year period. The note is convertible by the Company into a 25% equity interest of EAS and provides for the Company to have first right of refusal in acquiring the remaining 75%.	400,000	400,000	—
	$900,000	$900,000	$ —

3) FIXED ASSETS

Fixed assets consist of the following:

	March 31, 2000 Cost	March 31, 2000 Accumulated Depreciation	March 31, 2000 Net book value
		(unaudited)	
Laser equipment	$ 4,606,801	$1,260,754	$3,346,047
Medical equipment	2,239,089	304,847	1,934,242
Furniture and fixtures	1,132,236	207,302	924,934
Computer equipment & software	395,037	66,949	328,088
Leasehold improvements	1,666,189	281,092	1,385,097
Vehicles and other	326,498	116,682	209,816
	$10,365,850	$2,237,626	$8,128,224

	December 31, 1999 Cost	December 31, 1999 Accumulated depreciation	December 31, 1999 Net book value
Laser equipment	$4,392,795	$ 985,043	$3,407,752
Medical equipment	1,997,068	170,840	1,826,228
Furniture and fixtures	902,408	139,539	762,869
Computer equipment & software	277,242	27,545	249,697
Leasehold improvements	1,165,902	181,373	984,529
Vehicles and other	307,056	97,141	209,915
	$9,042,471	$1,601,481	$7,440,990

(Amounts expressed in U.S. Dollars unless stated otherwise)

3) FIXED ASSETS (Continued)

	December 31, 1998		
	Cost	Accumulated depreciation	Net book value
Laser equipment	$ 1,791,390	$ 319,389	$1,472,001
Medical equipment	303,351	78,952	224,399
Furniture and fixtures	281,720	40,349	241,371
Computer equipment & software	14,741	2,673	12,068
Leasehold improvements	67,179	21,890	45,289
Vehicles and other	214,967	44,760	170,207
	$ 2,673,348	$ 508,013	$2,165,335

The above amounts include $4,393,996 (1999 — $4,051,745; 1998 — $1,994,285) of assets under capital leases and accumulated depreciation thereon of $1,270,470 (1999 — $1,050,770; 1998 — $360,913).

During the period, the Company had net acquisitions of fixed assets of $1,323,379 (1999 — $2,659,647) of which $342,251 were acquired by means of capital leases (1999 — $643,227; 1998 — $1,709,407).

4) GOODWILL

	March 31, 2000	December 31,	
		1999	1998
	(unaudited)		
Acquisitions of subsidiaries	$ 8,789,483	$ 8,473,212	$ —
Related party acquisitions of subsidiaries	11,933,567	11,933,567	—
	20,723,050	20,406,779	—
Less accumulated amortization	(536,901)	(185,055)	—
	$20,186,149	$20,221,724	$ —

(Amounts expressed in U.S. Dollars unless stated otherwise)

5) NOTES PAYABLE

a) The Company had the following loans, notes and promissory notes outstanding:

	March 31, 2000	December 31, 1999	December 31, 1998
	(unaudited)		
i) 8% convertible Cdn. $192,052 promissory note, due July 31, 2000, convertible into common shares and warrants. The creditor has the option to convert the note into 66,000 common shares, exercisable at Cdn. $2.90, expiring July 31, 2000 and warrants for 66,000 common shares at Cdn. $3.03 expiring July 31, 2000.	$ 132,996	$ 132,996	$ —
ii) On September 8, 1999, the Company assumed three non-interest bearing loans of an acquired subsidiary totalling £193,000 ($313,025), of which £20,000 ($32,400) is due to a contracted employee of the Company. The Company restructured these loans as unsecured non-interest bearing, due March 8, 2000, convertible at the option of the holder into common shares of the Company at $2.35 per share. At March 31, 2000 exchange rates, conversion privileges totalled 27,490 common shares	64,600	313,025	—
iii) 9.5% loan payable to a shareholder, due July 23, 2000, secured by certain assets of the Company.	12,975	21,458	—
iv) Non-interest bearing Cdn. $275,000 promissory note to an individual related to a director of the Company, paid in full January 6, 2000.	—	190,000	—
v) 12% loan, interest payable monthly due August 31, 2000. The loan is due to Quest Ventures Ltd. ("Quest") is secured against the assets of the Company, and requires certain covenants from the Company. The loan is repayable at the earliest of (i) August 31, 2000 (ii) the date of closing of a take-over of VisionAmerica Incorporated ("VA") by the Company (iii) the occurrence of a default under the agreement. The Company also issued 120,000 shares as a financial arrangement fee at a deemed price of $5.00 per share. (see note 16(c))	4,000,000	—	—
vi) 6% convertible Cdn. $200,000 promissory notes, due February 28, 2001, convertible into common shares at Cdn. $5.97 per share.	138,200	—	—
vii) 6% convertible Cdn. $92,292 promissory notes, due February 28, 2001, convertible into common shares at Cdn. $5.97 per share. Interest and principal payable monthly at Cdn. $7,944 from March 31, 2000 to and including February 28, 2001 at which time the balance of outstanding principal is due.	57,635	—	—
	4,406,406	657,479	—
Equity portion of convertible notes and warrants in shareholders' equity (note 8d)	(22,500)	(255,925)	—
	$4,383,906	$ 401,554	$ —

b) On May 26, 1999 the Company issued 8% convertible notes totalling $3,100,000, convertible into common shares at the option of the holder. As at December 31, 1999 the full amount of these notes was repaid. The Company incurred related deferred finance costs of $493,664.

In conjunction with this debt, the following rights were issued, exercisable by the holder as follows:

i) 468,679 compensation options at prices from $2.35 to $4.00 per share expiring from May 28, 2001 to November 30, 2001;

ii) warrants for 1,276,596 common shares at $2.35 per share, expiring May 27, 2002.

(Amounts expressed in U.S. Dollars unless stated otherwise)

6) LEASE COMMITMENTS

The future minimum lease payments of the Company are as follows:

	March 31, 2000		December 31, 1999	
	Capital leases	Operating leases	Capital leases	Operating leases
	(unaudited)			
In the period ending December 31:				
2000	●	●	$1,510,609	$1,902,094
2001	●	●	1,360,581	1,413,847
2002	●	●	552,438	1,255,979
2003	●	●	278,492	1,148,183
2004 and thereafter	●	●	13,703	781,209
Total future minimum lease payments	●	●	$3,715,823	$6,501,312
Less imputed interest at rates from 9% to 16%	●		(413,264)	
Balance of obligations under capital leases	3,366,920		3,302,559	
Less current portion	(1,334,121)		(1,297,604)	
Capital lease obligations	2,032,799		$2,004,955	

7) CONTINGENCIES

a) Six lawsuits seeking damages and other relief are pending against the Company. It is impossible at this time for the company to predict with any certainty the outcome of such litigation. It is the opinion of management based upon information currently available, that it is unlikely that any liability, to the extent not currently provided for in the financial statements, through insurance or otherwise, would be material in relation to the company's consolidated financial position.

b) **Uncertainty due to Year 2000 Issue**

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the Company, including those related to customers, suppliers or other third parties, have been fully resolved.

(Amounts expressed in U.S. Dollars unless stated otherwise)

8) CAPITAL STOCK

a) **Authorized share capital**

The Company is authorized to issue an unlimited number of common shares.

b) **Capital stock issued**

	March 31, 2000		December 31			
			1999		1998	
	Shares	Amount	Shares	Amount	Shares	Amount
	(unaudited)					
Balance, beginning of period	21,274,361	$28,291,536	9,360,000	$ 631,456	9,360,000	$631,456
Capital stock issued for cash	3,000	7,050	2,299,431	8,155,259		
Acquisitions (note 10)			4,857,155	8,324,048		
Related party transactions (i) (note 10)			4,684,210	11,007,895		
Shares subscribed for cash (ii)			73,565	172,878		
Stock options exercised	3,750	8,814				
Capital stock issued for financing costs (note 5a(v))	120,000	600,000				
Convertible note exercised (note 5a(ii))	105,713	248,425				
Balance, end of period	21,506,824	$29,155,825	21,274,361	$28,291,536	9,360,000	$631,456

Capital stock issued for cash is recorded net of related issuance costs.

c) **Stock options, compensation options, convertible notes and warrants**

The company has provided the following instruments to be convertible into common shares of the Company:

	March 31 2000	December 31	
		1999	1998
	Shares	Shares	Shares
	(unaudited)		
Stock options (note 8c(i))	1,633,250	1,637,000	
Compensation options (note 8c(ii))	771,804	771,804	
Convertible notes (note 5a(i), (vi), (vii))	248,162	199,202	
Warrants (note 5)	1,342,596	1,342,596	
	3,995,812	3,950,602	

i) **Stock options**

The ICON Stock Option Plan was approved effective September 1, 1999.

The Company has authorized 2,173,000 stock options of which 1,633,250 were outstanding at March 31, 2000 (1999 — 1,637,000). These options were issued to certain employees, directors, consultants and surgeons under contract. Options vest

(Amounts expressed in U.S. Dollars unless stated otherwise)

8) CAPITAL STOCK (Continued)

over a three-year period from the date of granting, except for 15,000 options that vest over one year. All options are exercisable up to five years from the date of vesting. No options were exercised or cancelled in 1999.

Grant date	Outstanding options — March 31, 2000 Number of options	Exercise price	Weighted-average remaining contractual life	Options exercisable
			(unaudited)	
September 1, 1999	1,483,250	$2.35	6.3 years	244,083
September 22, 1999	50,000	$4.00	6.3 years	8,333
December 21, 1999	100,000	$4.50	6.4 years	8,333
Total options outstanding	1,633,250			260,749
Weighted-average exercise price		$2.53		$2.47

Grant date	Outstanding options — December 31, 1999 Number of options	Exercise price	Weighted-average remaining contractual life	Options exercisable
September 1, 1999	1,487,000	$2.35	6.4 years	123,917
September 22, 1999	50,000	$4.00	6.4 years	4,167
December 21, 1999	100,000	$4.50	6.5 years	
Total options outstanding	1,637,000			128,804
Weighted-average exercise price		$2.53		$2.40

ii) **Compensation options**

The following Compensation options are outstanding at the respective dates:

	March 31 2000	December 31 1999	December 31 1998
	(unaudited)		
• as a finder's fee at $4.00 per share expiring October 12, 2001	63,125	63,125	
• to a service provider; 10,000 at $4.05 per share expiring April 30, 2000 and 10,000 at $4.56 per share expiring May 31, 2000	20,000	20,000	
• to business partners at $2.35 per share vesting over three years from September 1, 1999	220,000	220,000	
• issued in relation to May 26, 1999 promissory note (note 5b(i))	468,679	468,679	
	771,804	771,804	

(Amounts expressed in U.S. Dollars unless stated otherwise)

8) CAPITAL STOCK (Continued)

d) **Equity component of notes payable**

	March 31 2000	December 31 1999	December 31 1998
	(unaudited)		
Conversion and warrant privileges of 8% convertible note (note 5a(i))	$ 7,500	$ 7,500	$ —
Conversion privileges of non-interest bearing convertible notes		248,425	
Conversion privileges of 6% convertible notes (note 5a (vi), (vii))	15,000		
Total equity component of notes payable	22,500	255,925	
Warrants associated with 8% convertible note (note 5b)	73,948	73,948	
Equity component of notes payable, end of period	$96,448	$329,873	$ —

9) CONTRIBUTED SURPLUS

Contributed surplus comprises an incremental investment by the shareholders of Temav prior to acquisition by Icon Europe on May 26, 1999.

10) ACQUISITIONS

The Company made the following acquisitions of companies in the year (no acquisitions were made in 1998). With the exception of NG, all companies acquired are in the business of providing LVC services.

a) Icon Europe acquired on March 31, 1999:

i) 61.6% of the common shares of Vista Vision S.p.A. of Italy.

ii) 100% of the common shares of Temav S.r.l. of Italy.

The companies were acquired through the issuance of 50% of the capital stock of Icon Europe to each of the shareholders of Vista and Temav. As such, Icon Europe operations are prepared on a pooling of interests basis whereby the operations of the two companies are combined for the periods presented.

iii) In October 1999, Icon Europe purchased 4,983,500 shares of common stock of Vista for 2,990 million lire ($1,543,000) increasing its ownership to 87% of the total common shares issued. Non-controlling interest associated with Vista has been adjusted to reflect the change in ownership effective October 1, 1999.

b) On May 26, 1999 ILCL acquired 100% of the common shares of Icon Europe financed through the issuance of 9,360,000 common shares of the Company (after giving effect to the transaction in note 11c below). The acquisition was accounted for as a reverse take-over using the purchase method of accounting. The deemed cost of acquisition of ILCL by Icon Europe was $89,150.

c) On September 1, 1999 ILCL amalgamated with NG, and changed its name to ICON Laser Eye Centers, Inc. Each NG shareholder received 1 common share of the amalgamated company in exchange for 10 common shares of NG. Each ILCL shareholder received 4,500 common shares of the amalgamated company for each company common share. In total 958,220 common shares of the Company were issued to NG shareholders. The amalgamation was accounted for using the purchase method.

(Amounts expressed in U.S. Dollars unless stated otherwise)

10) ACQUISITIONS (Continued)

d) The following table summarizes acquisitions made by the Company during the year. All acquisitions have been accounted for using the purchase method and were financed by the issuance of common shares plus additional consideration noted in (i) and (ii) below. Goodwill is calculated as the excess of the purchase price above the fair value of assets acquired. Direct costs associated with acquisitions are included in the purchase price.

Acquisitions	Effective Date	— Fair value of assets acquired —			Goodwill	Purchase price	Shares issued
		Assets	Liabilities	Net			
Icon Laser Centre of London Inc. (note 1a and 10b)	May 26	$1,476,691	$ (1,458,652)	$ 18,039	$ 71,111	$ 89,150	450,000
Northern Gaming Inc.(i)	September 1	—	(199,963)	(199,963)	329,865	129,902	958,220
London Place Eye Centres Inc.(ii)	September 1	1,348,955	(1,325,004)	23,951	3,666,049	3,690,000	1,489,362
London Place North Eye Centre Inc.	September 1	115,087	(115,014)	73	234,927	235,000	100,000
Pan Pacific Eye Institute Inc.	September 1	1,307,439	(1,316,036)	(8,597)	1,978,597	1,970,000	838,298
The Eye Academy Plc	September 8	1,345,267	(1,073,171)	272,096	2,127,900	2,399,996	1,021,275
Costs of acquisition					64,763	64,763	
Total		$5,593,439	$ (5,487,840)	$ 105,599	$ 8,473,212	$ 8,578,811	4,857,155
Related parties	(note 12b)						
Icon Laser Centres Inc.	December 29	694,608	(1,038,444)	(343,836)	6,330,766	5,986,930	2,547,630
Icon Vision Centres Inc.	December 29	341,788	(393,598)	(51,810)	151,810	100,000	42,553
Vista Laser Centers of the Southwest Inc.	December 29	979,520	(1,509,546)	(530,026)	5,450,991	4,920,965	2,094,027
Total related parties		$2,015,916	$ (2,941,588)	$(925,672)	$11,933,567	$11,007,895	4,684,210
Acquisition to March 31, 2000 (unaudited)							
Excimer Vision Associates Inc.(iii)	March 1, 2000	176,602	(348,122)	(171,520)	309,720	138,200	—

(i) Consideration was $129,902 of deemed purchase price for common shares and $199,963 of assumed liabilities on amalgamation.

ii) Consideration paid for the acquisition of London Place Eye Centres Inc. was $3,500,000 of common shares and a non-interest bearing Promissory note of $275,000 Cdn. ($190,000) (note 5a(iv)).

iii) On March 1, 2000, the Company acquired all of the outstanding common shares of Excimer Vision Associates Inc. ("EVA") of Vancouver, B.C. Total cost of the acquisition is $200,000 Cdn. ($138,200), financed by the issuance of a convertible 6% promissory note, secured by the purchased shares of EVA, due February 28, 2001. The note holder has the option to convert all or part of the note into a maximum 33,500 common shares of the Company at the share price in effect at the conversion date.

e) In the month of January 2000, the Company acquired 440,000 common shares of VSNA, a Delaware corporation, for $1,963,421 on the open market and paid for in cash. On February 24, 2000, the Company entered into an agreement with VSNA whereby: (i) the Company purchased 1,000,000 VSNA shares of treasury stock for $4,000,000 in cash (ii) the Company and VSNA committed to create an agreement by March 31, 2000 that will result in their working together in LVC joint marketing (iii) VSNA issued a contingent warrant to the Company to purchase 1,000,000 VSNA shares expiring two years from its issuance. The warrant is exercisable if (A) the shares purchased above have not been registered by the earlier of June 30, 2000 and, if prior to June 30, 2000, the date of a public announcement of a purchase of VSNA by, or in combination with, a third party and; (B) the Company has proceeded in good faith to pursue a business combination with VSNA and (C) the Company and VSNA have been unable to reach an agreement to consummate a business combination by June 30, 2000.

(Amounts expressed in U.S. Dollars unless stated otherwise)

10) ACQUISITIONS (Continued)

The exercise price of the warrant is equal to: in the event of a public announcement by VSNA in (A) above, a price equal to the average closing price of VSNA on NASDAQ for the trading days beginning March 1, 2000 and ending ten days prior to such public announcement, or in the event of the shares not being registered prior to June 30, 2000, a price equal to the average closing price on NASDAQ for the trading days from March 1, 2000 to June 30, 2000 (see note 16(b)).

At March 31, 2000, the total investment of $5,963,421 is recorded as long-term investments on a cost basis.

11) JOINT VENTURES

The Company entered into joint venture agreements in Colorado Springs, Colorado and Dallas, Texas in October 1999 in which it has a 51% equity interest. The Company's proportionate interest in joint ventures are summarized below:

	Three months ended		Year ended		
Statement of earnings	**March 31, 2000**	**March 31, 1999**	**December 31, 1999**	**December 31, 1998**	**December 31, 1997**
	(unaudited)	(unaudited)			(unaudited)
Revenue	$ 1,424,668	$ —	$ 825,200	$ —	$ —
Expenses	1,083,991		905,417		
Net income (loss)	$ 340,677	$ —	$ (80,217)	$ —	$ —
Statement of cash flow					
Operating	$ (153,833)	$ —	$ (103,823)	$ —	$ —
Investing	(41,349)		(486,687)		
Financing			616,994		
(Decrease) increase in cash position	$ (195,182)	$ —	$ 26,484	$ —	$ —

	March 31		December 31		
	2000	**1999**	**1999**	**1998**	**1997**
Balance sheet					
Current assets	$ 1,018,740	$ —	$ 1,590,149	$ —	$ —
Long term assets	494,523		473,283		
Total liabilities	(1,242,602)		(2,133,449)		
Investment in joint ventures	$ 270,661	$ —	$ (70,017)	$ —	$ —

The Company has a commitment to purchase the equity interest of the joint venture partner in Colorado Springs after three years, at a price calculated as the partners' 49% portion of three times the full third year's pre-tax profit of the joint venture. The purchase can be for cash or for shares of the Company at the discretion of the Company.

(Amounts expressed in U.S. Dollars unless stated otherwise)

12) RELATED PARTY TRANSACTIONS

a) During the year the Company entered into transactions in the normal course of operations with related parties. Following, are the balances and transactions with related parties in the year. These transactions are measured at the exchange amount and are agreed to by the related parties. (notes 2, 4, 5, 8, 9 & 10).

	March 31,		December 31	
	2000	1999	1999	1998
	(unaudited)			
Balances at December 31				
Due from related companies:				
Companies controlled by a director and his immediate family	$217,163	$ —	$199,878	$ —
Due to related companies:				
A company and its affiliates whose president is Mr. Rooney	$ 92,070		$312,840	
Joint venture partners.	310,740		30,355	
	$402,810	$ —	$343,195	$ —

These amounts are non-interest bearing and payable on demand.

Management fee income received in the period				
A company controlled by a company whose president is a contracted consultant to the Company for business development services	$ —	$ —	$ 38,000	$ —

b) On December 29, 1999 the Company purchased Icon Laser Centers Inc. (Toronto, Ontario), Icon Vision Centers Inc. (Windsor, Ontario), and Vista Laser Centers of the Southwest Inc. (Scottsdale, Arizona) for $11,007,895 financed through the issuance of 4,684,210 common shares at $2.35 per share (note 10d). The vendors included the following related parties;

i) A company whose president is Mr. Rooney received 832,157 common shares.

ii) Officers of the Company received 29,987 common shares.

iii) Other existing shareholders of the Company received 1,500,000 common shares.

c) The Company leases premises for its administrative offices in Windsor, Ontario from a company that is 50% owned by an officer of the Company under terms and conditions reflecting prevailing market conditions at the time the lease was entered into. Approximately 7,000 square feet of office space has been leased at Cdn. $84,000 per year (US$56,000) for five years ending in 2004.

d) Shareholder loans of $47,231 have no fixed term of repayment with interest charged at 10% per annum. For the period, interest charged on shareholder loans totalled $8,400 (1998 — $0).

(Amounts expressed in U.S. Dollars unless stated otherwise)

13) INCOME TAXES

The Company had non-capital losses for income tax purposes, the potential benefit of which has not been recognized in the financial statements. Canadian and European losses can only be utilized by the source company, whereas losses can be utilized on a consolidated basis in the United States. Losses available for carry forward by segment are as follows:

	March 31, 2000		December 31			
			1999		1998	
Year of expiry	North America	Europe	North America	Europe	North America	Europe
	(unaudited)		(unaudited)			
2000	●	●	$ —	$ —	●	●
2001	●	●			●	●
2002	●	●		108,000	●	●
2003	●	●			●	●
2004	●	●	457,000		●	●
2005 and thereafter	●	●	2,673,000	2,700,000	●	●
	●	●	$3,130,000	$2,808,000	●	●

The Company's income tax provision differs from the amount that would be obtained by applying the Canadian statutory income tax rate to the respective years' loss and earnings before income taxes. These differences are as follows:

	Three months ended March 31		Year ended December 31		
	2000	1999	1999	1998	1997
	(unaudited)	(unaudited)			(unaudited)
Canadian statutory tax rate	44.6%	44.6%	44.6%	44.6%	44.6%
Tax provision at Canadian statutory tax rate	$(176,942)	●	$(405,990)	$ 378,570	●
Tax provision increased (decreased) by:		●			●
Current year losses	279,070	●	928,660	191,678	●
Expenses not deductible for tax purposes	197,685	●	121,631		●
Utilization of prior years' unbooked deferred tax debits		●	(59,059)	(396,588)	●
Tax rate differences		●	(83,407)	(28,161)	●
Utilization of prior years' losses	(162,748)	●	(148,043)	(73,941)	●
Other		●	21,788		●
Tax provision booked	$ 137,065	●	$ 375,580	$ 71,558	●

(Amounts expressed in U.S. Dollars unless stated otherwise)

14) SEGMENTED INFORMATION

	Three months ended March 31, 2000			Three months ended March 31, 1999		
	North America	Europe	Total	North America	Europe	Total
		(unaudited)			(unaudited)	
Total revenue	$ 6,612,473	$1,897,425	$ 8,509,898	$ —	$1,477,470	$1,477,470
Operating expenses	5,653,561	1,928,813	7,582,374	—	880,657	880,657
Interest	103,390	27,793	131,183	—	24,004	24,004
Depreciation and amortization	862,503	330,570	1,193,073	—	136,481	136,481
Total expenses	6,619,454	2,287,176	8,906,630	—	1,041,502	1,041,502
Net (loss) income before income taxes	$ (6,981)	$ (389,751)	$ (396,732)	$ —	$ 435,968	$ 435,968
Goodwill	$18,141,002	$2,045,147	$20,186,149	$ —	$ —	$ —
Fixed assets	$ 5,219,014	$2,909,210	$ 8,128,224	$ —	$2,005,467	$2,005,467
Identifiable assets	$26,926,525	$1,483,700	$28,410,225	$ —	$2,002,331	$2,002,331

	Year ended December 31, 1999			Year ended December 31, 1998			Year ended December 31, 1997		
	North America	Europe	Total	North America	Europe	Total	North America	Europe	Total
								(unaudited)	
Total revenue	$ 3,815,508	$5,680,393	$ 9,495,901	$ —	$4,279,237	$4,279,237	$ —	$2,235,043	$2,235,043
Operating expenses	4,010,987	4,475,579	8,486,566	—	2,825,222	2,825,222	—	1,903,797	1,903,797
Interest	157,643	(22,143)	135,500	—	120,391	120,391	—	47,634	47,634
Depreciation and amortization	1,022,033	762,094	1,784,127	—	484,813	484,813	—	328,555	328,555
Total expenses	5,190,663	5,215,530	10,406,193	—	3,430,426	3,430,426	—	2,279,986	2,279,986
Net (loss) income before income taxes	$(1,375,155)	$ 464,863	$ (910,292)	$ —	$ 848,811	$ 848,811	$ —	$ (44,943)	$ (44,943)
Goodwill	$18,141,111	$2,080,613	$20,221,724	$ —	$ —	$ —	$ —	$ —	$ —
Fixed assets	$ 4,452,824	$2,988,166	$ 7,440,990	$ —	$2,165,335	$2,165,335	$ —	$ 741,659	$ 741,659
Identifiable assets	$24,039,711	$4,395,307	$28,435,018	$ —	$1,736,631	$1,736,631	$ —	$ 389,307	$ 389,307

15) NET (LOSS) INCOME PER SHARE

The computation of basic net (loss) income per share is based on the weighted average number of common shares issued and outstanding during the year.

The net (loss) income per share for the three months ended March 31, 2000 and for the year ended December 31, 1999 on a fully diluted basis has not been presented because the results would be anti-dilutive.

16) SUBSEQUENT EVENTS

a) ICON is in the process of finalizing a joint venture operating agreement to implement its Value LASIK model in selected LVC centres of VSNA. The Company expects to receive a 50% interest in the joint venture and to be reimbursed for the costs of its net contribution of goods and services to the joint venture. In anticipation of a finalized agreement, the first joint venture centre began operations in February 2000.

b) Undisclosed liabilities in the financial statements of VSNA coupled with a $19.2 million write down of asset values of VSNA at December 31, 1999 caused the Company to enter into a non-binding letter of intent on May 10, 2000 wherein VSNA agreed to

16) SUBSEQUENT EVENTS (Continued)

simultaneously rescind the $4,000,000 purchase of 1,000,000 shares of treasury stock (note 10(e)) and to issue both a $4,000,000 subordinated convertible note (the "VSNA Note") and a warrant to purchase VSNA common stock (the "VSNA Warrant"). The VSNA Note would bear interest at the rate of 5% per annum, with interest and principal due on May 31, 2005. The VSNA Note would be convertible into VSNA common stock at the conversion rate of $1 per share. The VSNA Warrant would allow ICON to purchase 1,000,000 shares of VSNA common stock at a price of $0.06 per share. ICON has been given significant representation on the VSNA Board of Directors and in the operation of its day-to-day business.

The renegotiated purchase would give ICON a 33.5% ownership interest in VSNA on a fully diluted basis.

c) On June 1, 2000, the Company renegotiated the terms of its $4.0 million note payable with Quest Ventures Ltd. as follows:

i) ICON will issue 75,000 common shares of the Company in consideration of the repayment terms.

ii) The repayment of the $4.0 million note will be in the following tranches;

$500,000 on each of May 31, 2000; June 30, 2000; July 31, 2000; and $2.5 million on August 31, 2000.

iii) On August 30, 2000, ICON has the option to extend the repayment of up to $2.0 million otherwise payable on August 31, 2000 as follows: $500,000 on each of September 30, 2000; October 31, 2000; November 30, 2000; and December 22, 2000. In consideration for this extension, the Company will issue to Quest 10% of the extended payment payable in cash or shares, valued at a deemed price equal to the lower of (i) $3 per share or (ii) the average closing price of ICON's shares for the last five trading days of August 2000.

d) The Company has agreed to acquire all of the outstanding common shares of EAS, a company with LVC centres in Malmo and Stockholm Sweden for consideration as follows:

i) Conversion of the $400,000 note receivable into 25% of the common shares of EAS (note 2 (ii)).

ii) Purchase of the remaining 75% of the common shares by way of a transfer of $500,000 in advances and the $500,000 note receivable in eLaser.

ICON has managed the two LVC centers since their opening in December, 1999.

e) On June 30, 2000, the Company filed a preliminary prospectus with various Canadian securities commissions for the offering of common shares for proceeds of $6.0 to $10 million.

COMPILATION REPORT

To the Directors of ICON Laser Eye Centers, Inc.

We have reviewed, as to compilation only, the accompanying pro-forma consolidated statement of operations of ICON Laser Eye Centers, Inc. for the year ended December 31, 1999 which has been prepared for inclusion in the prospectus relating to the sale and issue of common shares. In our opinion, the pro-forma statement of operations has been properly compiled to give effect to the transactions and assumptions described in the notes thereto.

Toronto, Canada
June 30, 2000

●
Chartered Accountants

ICON LASER EYE CENTERS, INC.

ASSUMPTIONS FOR PRO-FORMA CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1999

(Unaudited — see compilation report)
(amounts expressed in United States dollars)

1. BASIS OF PRESENTATION

This pro-forma consolidated statement of operations for the year ended December 31, 1999 presents the company's operations giving effect to its acquisitions and proposed acquisitions, as listed in note 2 below, as if such acquisitions had occurred on January 1, 1999. The accounting policies used in preparation of this pro-forma consolidated statement of operations are consistent with the company's accounting policies as detailed in note 1 to their financial statements.

2. ACQUISITIONS

This pro-forma consolidated statement of operations reflects the following acquisitions:

Johnson Acquisition	—	This is the acquisition on August 31, 1999 of 100% of the outstanding shares of the following companies: London Place Eye Centres Inc., London Place North Eye Centre Inc. and Pan Pacific Eye Institute Inc. The terms of this acquisition are described in note 10(d) to the consolidated financial statements.
The Eye Academy	—	This is the acquisition on September 8, 1999 of 100% of the outstanding shares of The Eye Academy plc. The terms of this acquisition are described in note 10(d) to the consolidated financial statements.
ILC and IVC	—	This is the acquisition on December 29, 1999 of 100% of the outstanding shares of Icon Laser Centres Inc. and Icon Vision Centres Inc. The terms of this acquisition are described in note 10(d) to the consolidated financial statements.
Vista Southwest	—	This is the acquisition on December 29, 1999 of 100% of the outstanding shares of Vista Laser Centers of the Southwest Inc. The terms of this acquisition are described in note 10(d) to the consolidated financial statements.
Excimer Vision Associates Inc.	—	This is the acquisition on March 1, 2000 of 100% of the outstanding shares of Excimer Vision Associates Inc. The terms of this acquisition are described in note 10(d) to the consolidated financial statements.

3. PRO-FORMA ASSUMPTIONS

This pro-forma consolidated statement of operations reflects operations for each of the acquisitions as follows:

Johnson Acquisition; The Eye Academy	—	Actual results for the period from acquisition were extrapolated over the period such clinics were operated by the previous owners to estimate operations for the full pro-forma period, adjusted for amortization of goodwill resulting from the acquisitions.
ILC and IVC; Vista Southwest and Excimer Vision Associates Inc.	—	Actual results for the year ended December 31, 1999 operated by the previous owners, adjusted for amortization of goodwill resulting from the acquisitions.

ICON LASER EYE CENTERS, INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1999
($US)
(Unaudited — see compilation report)

	Before Acquisitions	Johnson Acquisition	The Eye Academy	ILC and IVC	Vista Southwest	Excimer Vision Associates Inc.	Total
Total revenue	$ 7,202,555	$5,823,189	$ 700,022	$ 1,486,267	$3,256,649	$ 945,480	$19,414,162
Expenses							
Direct expenses	1,481,170	1,346,507	394,824	601,465	1,252,297	490,453	5,566,716
Operating and administration expenses	5,102,350	2,640,855	1,114,199	1,421,151	1,661,264	584,741	12,524,560
Interest expense	80,071	133,587	25,341	48,451	177,578	—	465,028
Depreciation and amortization	1,551,739	796,173	400,078	598,851	520,709	150,856	4,018,406
Total expenses	8,215,330	4,917,122	1,934,442	2,669,918	3,611,848	1,226,050	22,574,710
Net operation income (loss)	(1,012,775)	906,067	(1,234,420)	(1,183,651)	(355,199)	(280,570)	(3,160,548)
Share of loss of investee	—	—	—	—	—	—	—
Income (loss) before income taxes	(1,012,775)	906,067	(1,234,420)	(1,183,651)	(355,199)	(280,570)	(3,160,548)
Provision for income taxes	198,490	482,170	—	—		(8,040)	672,620
Income (loss) before non-controlling interest	(1,211,265)	423,897	(1,234,420)	(1,183,651)	(355,199)	(272,530)	(3,833,168)
Non-controlling interest	216,164	—	—	—	—	—	216,164
Net (loss) income for the year	$(1,427,429)	$ 423,897	$(1,234,420)	$(1,183,651)	$ (355,199)	$ (272,530)	$ (4,049,332)

AUDITORS' REPORT

To the shareholders of The Eye Academy Limited

We have audited the financial statements for the years ended March 31, 1998 and 1999 which have been prepared following the accounting policies set out in the accompanying notes.

Respective responsibilities of directors and auditors

The company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We have also considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty of the group to be able to continue as a going concern. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 March 1999 and 1998 and of the group's losses for the years then ended and have been properly prepared in accordance with the Companies Act 1985.

MAZARS NEVILLE RUSSELL
Chartered Accountants
and Registered Auditors
24 August 1999

THE EYE ACADEMY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1999

	Notes	1999	1998
		£	£
Turnover	2	600,930	625,171
Cost of sales		(271,131)	(224,174)
Gross profit		329,799	400,997
Distribution costs		(12,986)	(31,307)
Administrative expenses		(587,020)	(631,178)
Operating loss	3	(270,207)	(261,488)
Interest receivable and similar income	4	—	1,006
Interest payable and similar charges	5	(14,070)	(14,743)
Loss on ordinary activities before taxation		(284,277)	(275,225)
Tax on loss on ordinary activities	8	—	—
Loss on ordinary activities after taxation		(284,277)	(275,225)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

THE EYE ACADEMY LIMITED

BALANCE SHEETS

As at 31 March 1999

	Notes	Group 1999	Group 1998	Company 1999	Company 1998
		£	£	£	£
Fixed assets					
Tangible assets	10	565,825	689,283	565,443	688,734
Investments	11	—	—	4	4
		565,825	689,283	565,447	688,738
Current assets					
Stocks	12	15,007	—	—	—
Debtors	13	167,504	107,059	96,279	93,651
Cash at bank and in hand		45,464	17,999	5,944	—
		227,975	125,058	102,223	93,651
Creditors: amounts falling due within one year	14	(748,734)	(405,568)	(872,336)	(633,520)
Net current liabilities		(520,759)	(280,510)	(770,113)	(539,869)
Total assets less current liabilities		45,066	408,773	(204,666)	148,869
Creditors: amounts falling due after more than one year	15	(423,557)	(502,987)	(423,557)	(502,987)
		(378,491)	(94,214)	(628,223)	(354,118)
Capital and reserves					
Called up share capital	16	765,388	765,388	765,388	765,388
Share premium account	17	78,500	78,500	78,500	78,500
Profit and loss account	17	(1,222,379)	(938,102)	(1,472,111)	(1,198,006)
Shareholders' funds		(378,491)	(94,214)	(628,223)	(354,118)
Equity interests		(703,491)	(419,214)	(953,223)	(679,118)
Non-equity interests	16	325,000	325,000	325,000	325,000
		(378,491)	(94,214)	(628,223)	(354,118)

The financial statements were approved by the Board on 24 August 1999

"K. Burgess", Director

THE EYE ACADEMY LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 1999

	Notes		1999		1998
			£		£
Net cash inflow/(outflow) from operating activities	19		129,088		(7,290)
Returns on investments and servicing of finance					
Interest received		—		1,006	
Interest paid		(8,822)		(4,558)	
Interest element of finance lease rentals		(5,248)		(10,185)	
Net cash outflow for returns on investments and servicing of finance			(14,070)		(13,737)
Capital expenditure					
Payments to acquire tangible assets		(26,446)		(125,750)	
Net cash outflow for capital expenditure			(26,446)		(125,750)
Net cash inflow/(outflow) before management of liquid resources and financing			88,572		(146,777)
Financing					
Issue of ordinary share capital		—		138,888	
Other new long term loans		20,500		10,000	
Other new short term loans		—		6,000	
Repayment of other short term loans		(6,000)		—	
Capital element of hire purchase contracts		(67,511)		(73,229)	
Net cash (outflow)/inflow from financing			(53,011)		81,659
Increase/(decrease) in cash in the year	20		35,561		(65,118)

THE EYE ACADEMY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 1999

1. ACCOUNTING POLICIES

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company is in the process of negotiating to obtain additional financial support in order that it may continue to operate and to meet its liabilities as they fall due. The accounts do not reflect those adjustments which would have to be made should this finance not be obtained. Whilst the directors are not able to determine, with reasonable accuracy, the effects of such finance not being obtained, adjustments would have to be made to reduce the assets to their realisable amount, to provide for any further liabilities which might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

The directors are confident that these negotiations will be successful and accordingly consider that the preparation of the financial statements on a going concern basis is appropriate.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings made up to 31 March 1999.

The profits and losses of subsidiary undertakings are consolidated from the date of acquisition to the date of disposal. When the company's shares are issued in respect of an acquisition, the share premium is computed on the basis of the market value of the shares at the date of acquisition. The difference between the cost of acquisition of shares in subsidiaries and the fair values of the separable net assets acquired is written off (or credited) to reserves in the year in which it arises.

1.4 Turnover

Turnover represents the amounts invoices, excluding value added tax, in respect of the sale of goods and services to customers.

1.5 Goodwill

Goodwill represents the excess of cost of acquisition over the fair value of separable net assets acquired. Goodwill is written off in equal annual instalments over its estimated useful economic life.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Laser & medical equipment	7 Years
Fixtures, fittings & equipment	7 Years

1.7 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Stock

Stock and work in progress are valued at the lower of cost and net realisable value.

1. ACCOUNTING POLICIES (Continued)

1.9 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2. TURNOVER

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3. OPERATING LOSS

	1999	1998
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	149,904	144,102
Operating lease rentals	87,729	74,025
Auditors' remuneration (company £4,500; 1998 £4,500)	4,500	4,500

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1999	1998
	£	£
Bank interest	—	1,006

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1999	1998
	£	£
On bank loans and overdrafts	4,211	4,558
Lease finance charges and hire purchase interest	9,859	10,185
	14,070	14,743

6. EMPLOYEES

Number of employees

The average weekly number of employees (including directors) during the year was:

	1999	1998
	Number	Number
Medical	4	3
Administration	8	10
	12	13

Employment costs

	£	£
Wages and salaries	13,286	160,253
Social security costs	14,753	14,027
	151,039	174,280

7. DIRECTORS' EMOLUMENTS

	1999	1998
	£	£
Director's fees	—	5,500
Director's fees	—	5,500
	—	11,000

In addition to the above, fees of £nil (1998 — £5,500) were paid to Cairnsford Associates Limited for the services of Mr VR Smith, a company of which Mr Smith is a director.

The company has also paid £32,258 (1998 — £33,560) to Visual Investments Limited for the consultancy services provided by Mr K T Burgess.

8. TAXATION

The group has estimated losses of £1,395,000 (1998 — £1,100,000) available for carryforward against future trading profits.

No taxation charge arises as the group has cumulative losses since incorporation. No deferred tax has been provided due to the availability of losses carried forward.

9. LOSS FOR THE FINANCIAL YEAR

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial year is made up as follows:

	1999	1998
	£	£
Holding company's loss for the financial year	(274,105)	(347,960)

10. TANGIBLE FIXED ASSETS

Group

	Laser & medical equipment	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 April 1998	819,738	221,619	1,041,357
Additions	26,446	—	26,446
At 31 March 1999	846,184	221,619	1,067,803
Depreciation			
At 1 April 1998	284,402	67,672	352,074
Charge for the year	118,241	31,663	149,904
At 31 March 1999	402,643	99,335	501,978
Net book value			
At 31 March 1999	443,541	122,284	565,825
At 31 March 1998	535,336	153,947	689,283

Included above are assets held under finance leases or hire purchase contracts as follows:

	Laser & medical equipment	Fixtures, fittings & equipment	Total
	£	£	£
Net book values			
At 31 March 1999	360,192	—	360,192
At 31 March 1998	452,239	—	452,239
Depreciation charge for the year			
31 March 1999	92,047	—	92,047
31 March 1998	92,047	—	92,047
Cost			
At 1 April 1998	819,738	220,475	1,040,213
Additions	26,446	—	26,446
At 31 March 1999	846,184	220,475	1,066,659
Depreciation			
At 1 April 1998	284,402	67,077	351,479
Charge for the year	118,241	31,496	149,737
At 31 March 1999	402,643	98,573	501,216
Net book value			
At 31 March 1999	443,541	121,902	565,443
At 31 March 1998	535,336	153,398	688,734

10. TANGIBLE FIXED ASSETS (Continued)

Included above are assets held under finance leases or hire purchase contracts as follows:

	Laser & medical equipment	Fixtures, fittings & equipment	Total
	£	£	£
Net book values			
At 31 March 1999	360,192	—	360,192
At 31 March 1998	452,239	—	452,239
Depreciation charge for the year			
31 March 1999	92,047	—	92,047
31 March 1998	92,047	—	92,047

11. FIXED ASSET INVESTMENTS

Company

	Shares in subsidiary undertakings
	£
Cost	
At 1 April 1998 & 31 March 1999	4

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
The Eye Academy (London) Limited	England and Wales	Ordinary	100
The Eye Academy (Midlands) Limited	England and Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
The Eye Academy (London) Limited	Provision of vision correction procedures.
The Eye Academy (Midlands) Limited	Provision of vision correction procedures.

12. STOCKS

	Group 1999	Group 1998	Company 1999	Company 1998
	£	£	£	£
Medical Supplies	15,007	—	—	—

13. DEBTORS

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Trade debtors	148,775	88,008	77,550	74,600
Prepayments and accrued income	18,729	19,051	18,729	19,051
	167,504	107,059	96,279	93,651

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Bank loans and overdrafts	—	8,096	—	8,096
Net obligations under finance lease and hire purchase contracts	138,633	106,214	138,633	106,214
Trade creditors	229,567	127,460	79,806	94,734
Amounts owed to group undertakings	—	—	356,810	345,547
Taxation and social security costs	6,600	25,542	4,344	17,073
Directors current accounts	54,368	16,000	54,368	16,000
Other creditors	234,141	6,000	230,500	6,000
Accruals and deferred income	85,425	116,256	7,875	39,856
	748,734	405,568	872,336	633,520

The bank overdraft is secured by a mortgage debenture over the assets of the company.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Secured loan stock	280,500	260,000	280,500	260,000
Net obligations under finance leases and hire purchase agreements	143,057	242,987	143,057	242,987
	423,557	502,987	423,557	502,987
Analysis of loans				
Wholly repayable within five years	280,500	266,000	280,500	266,000
Included in current liabilities	—	(6,000)	—	(6,000)
	280,500	260,000	280,500	260,000
Between two and five years	280,500	260,000	280,500	260,000

The secured loan stock is secured by a fixed and floating charge over the assets of the company, any interest due on this balance has been waived.

Net obligations under finance leases and hire purchase contracts				
Repayable within one year	138,633	106,214	138,633	106,214
Repayable between one and five years	143,057	242,987	143,057	242,987
	281,690	349,201	281,690	349,201
Included in liabilities falling due within one year	(138,633)	(106,214)	(138,633)	(106,214)
	143,057	242,987	143,057	242,987

16. SHARE CAPITAL

	1999	1999
	£	£
Authorised		
413,500 Ordinary shares of £1 each	413,500	413,500
36,500 Deferred shares of £1 each	36,500	36,500
125,000 6% cumulative preference shares of £1 each	125,000	125,000
200,000 6% cumulative preferred ordinary shares of £1 each	200,000	200,000
	775,000	775,000
Allotted, called up and fully paid		
403,888 Ordinary shares of £1 each	403,888	403,888
36,500 Deferred shares of £1 each	36,500	36,500
125,000 6% cumulative preference shares of £1 each	125,000	125,000
200,000 6% cumulative preferred ordinary shares of £1 each	200,000	200,000
	765,388	765,388

Arrears of dividend on 6% preferred ordinary shares and 6% cumulative preference shares amount to £nil (1998 — £nil). Waivers were received from all preferred ordinary and preference shareholders.

Rights of non equity interests:

6% CUMULATIVE PREFERENCE SHARES

(a) entitles holders, subject to payment of preferred ordinary shares cumulative dividend, to a fixed cumulative preferential dividend of 6% per annum payable half yearly in equal amounts on 30 June and 31 December;

(b) on a return of capital on liquidation, or otherwise, subject to payments relating to preferred ordinary shares, will carry the right to repayment of capital together with a sum equal to any arrears or deficiency of dividend;

(c) carry the right to attend and vote at a general meeting of the company, only if a resolution is to be considered at the meeting varying or abrogating any of the special rights attached to such shares;

(d) can be redeemed by the Company, giving not less than 28 days notice. The whole of the preference shares shall be redeemed at the earlier of a change of control or 31 December 2000.

6% CUMULATIVE PREFERRED ORDINARY SHARES

(a) entitles holders to a fixed cumulative dividend of 6% per annum payable half yearly in equal amounts on 30 June and 31 December and then to participate pro rata in any distribution payable to the holders of ordinary shares to the extent that such a distribution exceeds 6%;

(b) on a return of capital on liquidation, or otherwise, will carry the right to repayment of capital, and then to participate pro rata with ordinary shares in the distribution of the balance of assets remaining after repayment of preference shares and ordinary shares;

(c) have the same voting rights as ordinary shares.

Cumulative preferred ordinary shares and cumulative preference shares are classified as non-equity shares. Cumulative preferred ordinary shares are classified as non-equity shares for FRS4 purposes because the shareholders have an entitlement to a fixed dividend every period which has priority over the entitlement of the ordinary shares.

THE EYE ACADEMY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 March 1999

17. STATEMENT OF MOVEMENTS ON RESERVES

Group

	Share premium account	Profit and loss account
	£	£
Balance at 1 April 1998	78,500	(938,102)
Retained loss for the year	—	(284,277)
Balance at 31 March 1999	78,500	(1,222,379)

Company

	Share premium account	Profit and loss account
	£	£
Balance at 1 April 1998	78,500	(1,198,006)
Retained loss for the year	—	(274,105)
Balance at 31 March 1999	78,500	(1,472,111)

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	1999	1998
	£	£
Loss for the financial year	(284,277)	(275,225)
Proceeds from issue of shares	—	138,888
Net depletion in shareholders' funds	(284,277)	(136,337)
Opening shareholders' funds	(94,214)	42,123
Closing shareholders' funds	(378,491)	(94,214)

Company

	1999	1998
	£	£
Loss for the financial year	(274,105)	(347,960)
Proceeds from issue of shares	—	138,888
Net depletion in shareholders' funds	(274,105)	(209,072)
Opening shareholders' funds	(354,118)	(145,046)
Closing shareholders' funds	(628,223)	(354,118)

19. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	1999	1998
	£	£
Operating loss	(270,207)	(261,488)
Depreciation of tangible assets	149,904	144,102
(Increase)/decrease in stocks	(15,007)	—
Increase in debtors	(60,445)	(72,553)
Increase in creditors within one year	324,843	182,649
Net cash inflow/(outflow) from operating activities	129,088	(7,290)

20. ANALYSIS OF NET DEBT

	1 April 1998	Cash flow	31 March 1999
	£	£	£
Net cash:			
Cash at bank and in hand	17,999	27,465	45,464
Bank overdrafts	(8,096)	8,096	—
	9,903	35,561	45,464
Debt:			
Finance leases	(349,201)	67,511	(281,690)
Debts falling due within one year	(6,000)	6,000	—
Debts falling due after one year	(260,000)	(20,500)	(280,500)
	(615,201)	53,011	(562,190)
Net debt	(605,298)	88,572	(516,726)

21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1999	1998
	£	£
Increase/(decrease) in cash in the year	35,561	(65,120)
Cash outflow from decrease in debt	53,011	1,231
Movement in net debt in the year	88,572	(63,889)
Opening net debt	(605,298)	(541,409)
Closing net debt	(516,726)	(605,298)

22. FINANCIAL COMMITMENTS

As 31 March 1999 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1999	1998	1999	1998
Expiry date:				
Within one year	87,729	74,025	—	—
Between two and five years	—	—	10,992	—
	87,729	74,025	10,992	—

23. RELATED PARTY TRANSACTIONS

Group

Payments were made to various companies for the services of the directors (see note 7).

In addition Mr K T Burgess is a director of Shanning Marketing Limited, who were retained by the company to provide project management services and contract purchases. The value of services provided amounted to £nil (1998 — £116,801).

During the year £64,388 (1998 — nil) was paid to Eye Consult Limited, of which Dr F Tappouni is a director, in respect of patient consultations.

All transactions were on normal, arm's length commercial terms.

CERTIFICATE OF THE COMPANY

DATED: June 30, 2000

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 8 of the *Securities Act* (Alberta), Part XI of the *Securities Act*, 1988 (Saskatchewan), Part VII of the *Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Section 13 of the *Security Frauds Prevention Act* (New Brunswick), Section 63 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island), Part XIV of the *Securities Act* (Newfoundland) and the respective regulations thereunder. This Prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

(Signed) SIMONE MENCAGLIA Chief Executive Officer	(Signed) KENNETH R. WIGHTMAN Vice-President, Finance and Chief Financial Officer

On behalf of the Directors

(Signed) DR. DONALD JOHNSON Director	(Signed) GHASSAN BARAZI Director

CERTIFICATE OF THE AGENT

DATED: June 30, 2000

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part 9 of the *Securities Act* (British Columbia), Part 8 of the *Securities Act* (Alberta), Part XI of the *Securities Act*, 1988 (Saskatchewan), Part VII of the *Securities Act* (Manitoba), Part XV of the *Securities Act* (Ontario), Section 13 of the *Security Frauds Prevention Act* (New Brunswick), Section 64 of the *Securities Act* (Nova Scotia), Part II of the *Securities Act* (Prince Edward Island), Part XIV of the *Securities Act* (Newfoundland) and the respective regulations thereunder. To the best of our knowledge, information and belief, this Prospectus does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed, as required by the *Securities Act* (Québec) and the regulations thereunder.

THOMSON KERNAGHAN & CO. LIMITED

By: (Signed) LIONEL F. CONACHER

The THOMSON KERNAGHAN & CO. LIMITED is a wholly owned subsidiary of T.K. Holdings Inc.