

## Company and Business Summary

January, 2003

### Company Overview

---

Restore Medical (formerly Pi Medical) is a privately-held company established to develop a series of therapeutic devices to treat conditions that compromise a patient's breathing during sleep. Restore Medical's first product, the patented Pillar™ Palatal Implant System, is a treatment for habitual snoring, a serious health and lifestyle problem which afflicts over 27 million Americans *and* their bed-partners. For the first time, patients and their physicians can choose a minimally invasive snoring treatment that is specifically designed to produce a **more lasting effect after a single, virtually painless procedure.** The Pillar system has received market clearance from the U.S. Food and Drug Administration and will be available in the U.S. during second quarter 2003.

Restore Medical believes that its implant technology may also be applied to the treatment of Obstructive Sleep Apnea (OSA), and is conducting research in this area. In addition to OSA, the company has also begun research efforts for the treatment of other upper airway disorders.

Located in St. Paul, Minnesota, Restore Medical manufactures the Pillar system in its onsite state-of-the-art Class 100,000 Clean Room. The company is ISO 9001 certified and utilizes an intranet-based quality and product development system. Restore currently employs a team of approximately 35 professionals, including our own dedicated sales team.

### The Pillar Palatal Implant System and Procedure

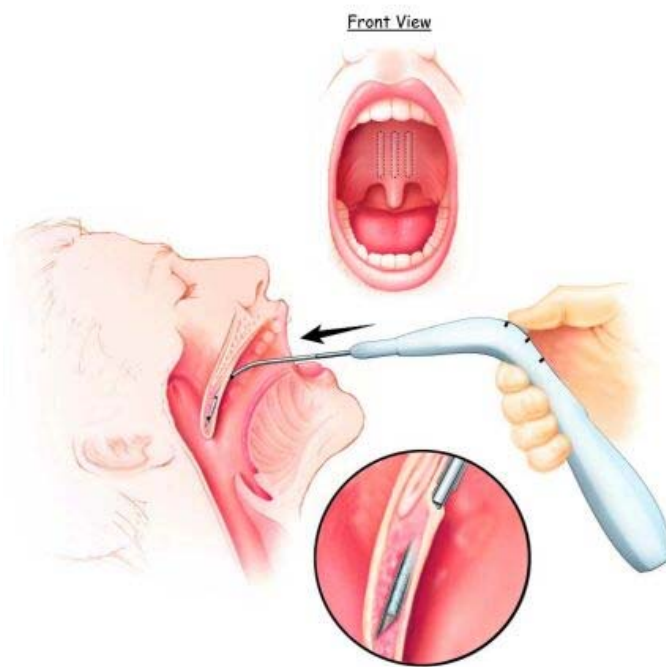
---

Stiffening the soft palate has been shown to reduce snoring. Other procedures do this by scarring and removing palatal tissue by some means. Though these can be effective for some patients, many others have to undergo multiple procedures to maintain any benefit. And for many patients, there is no sustainable benefit at all. This inconsistency can be attributed to a variety of factors, including the unpredictability of scarring responses among patients and the body's natural tendency to remodel scars over time in the absence of a recurring means of maintaining the scar tissue.

To address these issues, Restore Medical has developed the Pillar system, a new solution for snoring therapy. The Pillar system is specifically designed to reduce snoring by stiffening the soft palate using a mechanical means in addition to fibrosis caused by the presence of an implant. This approach was based on an understanding of the pathophysiology of snoring. An implant, designed to be permanent, and its associated fibrotic response alter the dynamic response of the soft palate to airflow and substantially reduce the severity of snoring in many patients.

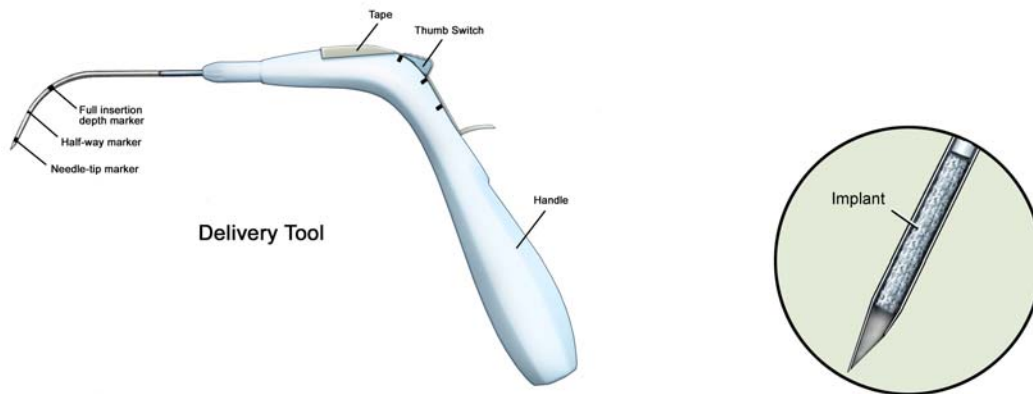
Each patient receives three implants into the soft palate tissue, one midline and two laterally (see Figure 1). The recommended placement and number of implants has been carefully developed through clinical studies. Once in place, the implants induce a fibrotic response that both encapsulates and secures the implants while further stiffening the palatal tissue. The implant is carefully designed to provide these effects without adversely affecting normal palate function. In addition, the implant is designed to be removable, which provides patients and their physicians flexibility for other treatment options in the future.

**Figure 1 – The Pillar Palatal Implant Procedure**



The Pillar palatal implant system is used in a physician office procedure room setting with the patient under local anesthesia. In clinical trials, the entire procedure lasted an average of ten minutes. The Pillar system consists of an implant and its delivery tool (see Figure 2).

Figure 2: The Pillar System



## Benefits of the Pillar System

---

The Pillar implant has the potential to dramatically improve the quality of life of the habitual snorer. Unlike other therapies, most patients start to see results in a few days after a single treatment. The Pillar implant is designed to be permanent, offering the potential for a **lasting effect** to the soft palate structure, and is a virtually **painless** procedure. Some of the benefits of the Pillar implant include:

- **Simple Procedure**—The Pillar implants are placed in a single brief office procedure. Multiple office visits are not required.
- **Virtually Painless**— The procedure does not involve heating or removing tissue, which minimizes swelling and post-procedure pain. Most patients can resume normal activities and diet shortly after the procedure.
- **Efficacy**—Most patients begin to see a significant reduction in their snoring within four weeks and have the potential to experience a lasting effect.

Pillar and Restore Medical are trademarks of Restore Medical Inc.  
© 2003 Restore Medical Incorporated  
All Rights Reserved. Printed in the USA.  
Restore Medical Inc.  
St. Paul, MN 55113