

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

**IN RE: LUMENIS, LTD.
SECURITIES LITIGATION**

MASTER FILE NO.: 02-CV-1989 (DAB)

**This Document Relates to:
All Actions**

**NOTICE OF PENDENCY AND PROPOSED
SETTLEMENT OF CLASS ACTION**

TO: ALL PERSONS WHO PURCHASED LUMENIS LTD. ("LUMENIS") SECURITIES DURING THE PERIOD BEGINNING OCTOBER 2, 2000 THROUGH AND INCLUDING MARCH 7, 2006

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. PLEASE NOTE THAT IF YOU ARE A MEMBER OF THE CLASS DEFINED HEREIN, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM AND RELEASE ("PROOF OF CLAIM") POSTMARKED ON OR BEFORE OCTOBER 9, 2008.

IF YOU DO NOT WISH TO BE INCLUDED IN THE CLASS AND YOU DO NOT WISH TO PARTICIPATE IN THE PROPOSED SETTLEMENT DESCRIBED IN THIS NOTICE, YOU MAY REQUEST TO BE EXCLUDED. TO DO SO, YOU MUST SUBMIT A WRITTEN REQUEST FOR EXCLUSION THAT MUST BE POSTMARKED ON OR BEFORE AUGUST 4, 2008.

This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order Preliminarily Approving Settlement and Providing Notice, dated May 7, 2008 (the "Order") issued by the United States District Court for the Southern District of New York (the "Court"). The purpose of this Notice is to inform you of the pendency and proposed Settlement of this class action litigation and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the proposed Settlement. This Notice is not intended to be, and should not be construed as, an expression of any opinion by the Court with respect to the truth of the allegations in this litigation or the merits of the claims or defenses asserted therein. This Notice describes the rights you may have in connection with the proposed Settlement and what steps you may take in relation to the proposed Settlement and this class action litigation.

This is not a solicitation from a lawyer.

- The proposed Settlement creates a fund in the principal amount of \$20,100,000 in cash.
- Your recovery from the Settlement Fund will depend on a number of variables, including the number of shares of Lumenis common stock you purchased, and/or the number of Lumenis options you purchased or wrote, during the period October 2, 2000 to March 7, 2006, inclusive.
- Lead Plaintiffs and Defendants do not agree on the average amount of damages per share that would be recoverable if the Lead Plaintiffs were to have prevailed on each claim alleged.
- Lead Plaintiffs believe that the proposed Settlement is a good recovery and is in the best interest of the Class.
- Plaintiffs' Lead Counsel have expended considerable time and effort in the prosecution of this Action on a contingent basis and have advanced the expenses of the Action in the expectation that if they were successful in obtaining a recovery for the Settlement Class they would be paid from such recovery. If the proposed Settlement is approved by the Court, Plaintiffs' Lead Counsel will apply to the Court for attorneys' fees in the amount of 30% of the Settlement Payment, plus interest on such amount at the same rate that interest has accrued on the Settlement Fund, and reimbursement of out-of-pocket expenses in an amount not to exceed \$380,000.
- For further information regarding this Settlement you may contact: Jeffrey M. Haber, Esq., Bernstein Liebhard & Lifshitz, LLP, 10 East 40th Street, 22nd Floor, New York, NY 10016, Telephone: (212) 779-1414, or Peter A. Binkow, Esq., Glancy Binkow & Goldberg LLP, 1801 Avenue of the Stars, Suite 311, Los Angeles, CA 90067, Telephone: (310) 201-9150.

QUESTIONS? CALL TOLL-FREE 1 (800) 737-7248

The proposed Settlement creates a fund in the principal amount of \$20,100,000 in cash (the "Settlement Payment") and which will include interest that accrues on the fund prior to distribution (the Settlement Payment, together with the interest, constituting the "Settlement Fund"). Your recovery from the Settlement Fund will depend on a number of variables, including the number of shares of Lumenis common stock you purchased, and/or the number of Lumenis options you purchased or wrote, during the period October 2, 2000 to March 7, 2006, inclusive (the "Settlement Class Period"), the timing of your purchases and any sales, and the prices you paid and/or received in such transactions. Depending on the number of eligible shares purchased by Members of the Class who elect to participate in the proposed Settlement and when those shares were purchased and sold, the estimated average distribution per share will be approximately \$0.235 before deduction of Court-approved fees and expenses.

Lead Plaintiffs and Defendants do not agree on the average amount of damages per share that would be recoverable if the Lead Plaintiffs were to have prevailed on each claim alleged. The issues on which the parties disagree include, among others: (1) the amount by which Lumenis securities were allegedly artificially inflated (if at all) during the Settlement Class Period; (2) the extent to which external factors not attributable to the alleged fraudulent conduct, such as general market and industry conditions, influenced the trading price of Lumenis securities at various times during the Settlement Class Period; (3) the extent to which the various matters that Lead Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of Lumenis securities at various times during the Settlement Class Period; (4) the extent to which the various allegedly adverse material facts that Lead Plaintiffs alleged were omitted influenced (if at all) the trading price of Lumenis securities at various times during the Settlement Class Period; and (5) whether the statements made or facts allegedly omitted were material, false, misleading or otherwise actionable under the securities laws.

Lead Plaintiffs believe that the proposed Settlement is a good recovery and is in the best interest of the Class. At the time the proposed Settlement was reached, Defendants had filed motions to dismiss the Action for failure to state a claim, failure to plead fraud with particularity, and (for most of the claims alleged) failure to file claims within the statute of limitations. The Court has not yet ruled on these motions. Because of the risks associated with continued litigation, there was a danger that the Class would not have prevailed on any of its claims, in which case the Class would receive nothing. In addition, the amount of damages (if any) recoverable by the Class in this Action are limited to economic losses proximately caused by the alleged misrepresentations or other alleged fraudulent conduct, as stated by the United States Supreme Court in *Dura Pharmaceuticals, Inc. v. Broudo*, 544 U.S. 336 (2005). Had the Action not been settled and if it had been permitted to proceed to trial, Defendants would have asserted that all or most of the losses of Class Members were not proximately caused by any material misrepresentation or actionable omission of material fact but by non-actionable market, industry or general economic factors. Defendants would also assert, among other defenses, that the uncertainties and risks associated with the purchase of Lumenis securities were fully and adequately disclosed.

Plaintiffs' Lead Counsel have expended considerable time and effort in the prosecution of this Action on a contingent basis and have advanced the expenses of the Action in the expectation that if they were successful in obtaining a recovery for the Settlement Class they would be paid from such recovery. Plaintiffs' Lead Counsel have not received any payment for their services in conducting the Action on behalf of the Lead Plaintiffs and the Members of the Class, nor have they been reimbursed for all of their out-of-pocket expenditures. If the proposed Settlement is approved by the Court, Plaintiffs' Lead Counsel will apply to the Court for attorneys' fees in the amount of 30% of the Settlement Payment, plus interest on such amount at the same rate that interest has accrued on the Settlement Fund, and reimbursement of out-of-pocket expenses in an amount not to exceed \$380,000. All attorneys fees and expense reimbursements allowed by the Court will be paid exclusively from the Settlement Fund. If the amount requested is approved by the Court, the average cost per share will be \$0.075.

For further information regarding this Settlement you may contact: Jeffrey M. Haber, Esq., Bernstein Liebhart & Lifshitz, LLP, 10 East 40th Street, 22nd Floor, New York, NY 10016, Telephone: (212) 779-1414, or Peter A. Binkow, Esq., Glancy Binkow & Goldberg LLP, 1801 Avenue of the Stars, Suite 311, Los Angeles, CA 90067, Telephone: (310) 201-9150.

I. NOTICE OF HEARING ON PROPOSED SETTLEMENT

A hearing shall be held before this Court on August 25, 2008, at 2:30 p.m., in courtroom 24B of the United States Courthouse, 500 Pearl Street, New York, NY, to determine: (a) whether the proposed Settlement of the Action on the terms and conditions provided for in the Stipulation of Settlement dated April 3, 2008 (which is described in this Notice, and which is sometimes referred to below as the "Stipulation") is fair, just, reasonable and adequate to the Settlement Class and should be approved by the Court; (b) whether the Final Judgment and Order of Dismissal with Prejudice as provided in the Stipulation should be entered herein; (c) whether the proposed Plan of Allocation is fair, reasonable and adequate, and, therefore, should be approved; (d) whether the application by Plaintiffs' Lead Counsel for an award of attorneys' fees and reimbursement of expenses should be approved; and (e) the amount of expenses, if any, to be reimbursed to the Lead Plaintiffs (the "Settlement Hearing"). The Court may adjourn or continue the Settlement Hearing without further notice to the Class. Thus, if a Member of the Class intends to appear at the Settlement Hearing, he/she/it should contact Plaintiffs' Lead Counsel to ascertain if the date and/or time of the hearing has changed.

II. CERTAIN DEFINITIONS USED IN THIS NOTICE

1. "Action" shall mean the nine putative class actions commenced in 2002 and consolidated by the Court on June 17, 2003 under the caption *In re Lumenis, Ltd. Securities Litigation*, Master File No. 02-CV-1989 (DAB) (S.D.N.Y.).

2. "Authorized Claimant" means any Settlement Class Member (as defined below) who submits a valid and timely Proof of Claim and Release form (*see* Section IX below) and who is determined to be eligible to share in the Net Settlement Fund under the Plan of Allocation, or any modified plan of allocation as may be approved by the Court.

3. "Claims Administrator" shall mean The Garden City Group, Inc., which shall administer the Settlement.

4. "Class Period" or "Settlement Class Period" shall mean the period from and including October 2, 2000 through March 7, 2006.

5. "Defendants" shall mean Lumenis and the Individual Defendants (as defined below).

6. "Effective Date" shall mean the date, as set forth in the Stipulation, on which the Final Judgment approving the Settlement is deemed final and not subject to appeal.

7. "Final Judgment" shall mean the Final Judgment and Order of Dismissal with Prejudice approving the Settlement to be entered in the Action pursuant to paragraph 23 of the Stipulation.

8. "Individual Defendants" shall mean Yacha Sutton, Sagi Genger, Asif Adil, Jacob Frenkel, and Arie Genger.

9. "Lead Plaintiffs" shall mean Thomas W. Pruter FBO Stonehedge Securities LLC, Efraim Zwecker, and Jacob Caspi.

10. "Member of the Class" shall mean a Person who falls within the definition of the Settlement Class or the Class as set forth in paragraph 17, below.

11. "Person" shall mean an individual, corporation, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated organization, and any other type of legal entity, and their respective executors, administrators, representatives, agents, attorneys, heirs, successors, and/or assigns.

12. "Plaintiffs' Lead Counsel" or "Lead Counsel" shall mean the law firms of Glancy Binkow & Goldberg LLP and Bernstein Liebhard & Lifshitz, LLP.

13. "Plan of Allocation" means the plan or formula of allocation of the Net Settlement Fund whereby the Net Settlement Fund will be distributed to Authorized Claimants as set forth in Section VIII. The Plan of Allocation is not part of the Stipulation of Settlement, and is subject to the approval and/or modification by the Court. No Defendant or other Released Person shall have any responsibility or liability with respect to the Plan of Allocation, as proposed or as hereafter modified.

14. "Released Persons" shall mean each and every Defendant and, whether or not identified in any complaint filed in the Action, each Defendant's past or present directors, officers, employees, partners, member firms or affiliates, principals, agents, predecessors, successors, parents, subsidiaries, divisions, joint ventures, attorneys, investment bankers, commercial bankers, underwriters, financial or investment advisors, consultants, accountants, insurers, reinsurers, assigns, spouses, heirs, associates, related or affiliated entities, or any members of their immediate families, or any trusts for which any of them are trustees, settlers or beneficiaries.

15. "Released Claims" shall collectively mean any claims (including, but not limited to, any claims arising under federal, state or common law, or the law of any foreign country, including the federal securities laws and any state or foreign disclosure laws, and also including Unknown Claims (as defined below), rights, actions or causes of action, liabilities, damages, losses, obligations, judgments, suits, fees, expenses, costs, matters and issues of any kind or nature whatsoever, that were or that could have been alleged in the Action, or in any other action or proceeding relating to the purchase of Lumenis securities during the Settlement Class Period, or which have arisen, could have arisen, arise now, or hereafter may arise out of, or relate in any manner to the matters complained of in the Action.

16. "Settlement" shall mean the settlement and dismissal of the Action in accordance with the terms and conditions set forth in the Stipulation of Settlement.

17. “Settlement Class” or the “Class” shall mean all persons and entities (including Lead Plaintiffs and other named plaintiffs) who purchased Lumenis securities during the Settlement Class Period (i.e., October 2, 2000 through March 7, 2006), but excluding the following: all Defendants; the members of Individual Defendants’ immediate families; all individuals who are current officers and/or directors or who served as officers or directors of Lumenis or its subsidiaries at any time during the Settlement Class Period; any person, firm, trust, corporation, or entity in which any Defendant has a controlling interest or any entity which is related to or affiliated with any Defendant; and the legal representatives, agents, affiliates, heirs, successors and assigns of any such excluded persons. The parties have requested the Court to certify the Settlement Class for purposes of the Settlement only, and the preliminary certification contained in the Order Preliminarily Approving Settlement and Providing Notice so provides. Persons or entities who submit timely and valid Requests for Exclusion from the Class (*see* Section VII paragraph 2 below) will be excluded from the Settlement Class.

18. “Settlement Class Member” shall mean a Member of the Class who does not file a valid and timely Request for Exclusion from the Class (*see* Section VII paragraph 2 below).

19. “Settlement Fund” means the Settlement Payment (\$20,100,000) deposited into an escrow account following the Court’s issuance of the Order Preliminarily Approving Settlement and Providing Notice, and all interest accruing thereon. Under the Stipulation, portions of the Settlement Fund may be used to pay the costs and expenses reasonably and actually incurred in connection with the administration of the Settlement, including taxes or tax expenses, and attorneys fees and expense reimbursement to Plaintiffs’ Counsel or Lead Plaintiffs as and to the extent awarded by the Court. The Settlement Fund less such authorized disbursements therefrom shall constitute the “Net Settlement Fund,” which will be distributed to Authorized Claimants on or after the Effective Date of the Settlement.

20. “Unknown Claims” means all claims, demands, rights, liabilities, and causes of action of every nature and description which Lead Plaintiffs or any Settlement Class Member does not know or suspect to exist in his, her or its favor at or before the Effective Date, which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this Settlement.

21. For a full description of the terms and conditions of the Settlement, including the releases described herein, including the release with respect to “Unknown Claims,” please refer to the Stipulation of Settlement by visiting the Claims Administrator’s website at www.gardencitygroup.com.

III. THE LITIGATION

Between March 11, 2002 and May 9, 2002, nine putative class action complaints were filed in the Court against Lumenis and four of the Individual Defendants (*i.e.*, Sutton, Sagi Genger, Adil and Frenkel), alleging violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), 15 U.S.C. §§ 78j(b), 78t(a), and SEC Rule 10b-5, 17C.F.R. § 240.10b-5. On June 17, 2003, the Court consolidated the nine actions under the caption appearing on the first page of this Notice (such consolidated actions together constituting the “Action”). At the same time, the Court appointed Efraim Zwecker, Joseph Caspi, and Thomas W. Pruter FBO Stonehedge Securities LLC as Lead Plaintiffs, and appointed Bernstein Liebhard & Lifshitz, LLP and Glancy Binkow & Goldberg LLP as Lead Counsel, and directed the Lead Plaintiffs to file a consolidated complaint.

On August 29, 2003, the plaintiffs filed a Consolidated Amended Class Action Complaint (“CAC”), which added an additional Defendant, Arie Genger, and enlarged the alleged class to include persons who purchased Lumenis securities between October 2, 2000 and May 16, 2002, inclusive. On November 19, 2003, Lumenis and the Individual Defendants moved to dismiss the CAC on various grounds; the motions were fully briefed and submitted to the Court on February 20, 2004.

On March 4, 2005, while the motions to dismiss the CAC were still pending before the Court, Lead Plaintiffs sought leave: (i) to pursue discovery notwithstanding the automatic stay of discovery in effect under the Private Securities Litigation Reform Act, and (ii) to further amend the CAC. On March 17, 2005, the Court denied Lead Plaintiffs’ request to pursue discovery during the pendency of the motions to dismiss, but ruled that Lead Plaintiffs were authorized to amend their complaint.

On June 20, 2005, plaintiffs filed a Second Amended Consolidated Class Action Complaint (“SAC”), which included additional allegations, but which did not further enlarge the alleged class period. In the SAC, plaintiffs alleged that Defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 promulgated under Section 10(b), by engaging in, among other things, the following wrongful accounting practices: (i) improper revenue recognition; (ii) channel stuffing; (iii) “round-tripping”; (iv) improper manipulation of accounts for bad debt and inventory; (v) short shipments; and (vi) improper write-offs. Plaintiffs alleged that the use of these alleged fraudulent accounting practices rendered the Company’s financial statements materially false and misleading. The SAC alleged that as a result of, among other things, the Company’s improper accounting practices, the Securities and Exchange Commission (“SEC”) began an investigation of Lumenis, and that even after announcing in a press release that it was subject to an SEC investigation, the Company allegedly continued to hide the fact that it had been aware of the SEC investigation and had been providing information to the SEC for several weeks. The SAC alleged that the Company partially

disclosed these details in a February 28, 2002 conference call discussing its financial results, which caused the share price to fall 30% in a single day, resulting in damages to public securities holders. The SAC alleged that on May 3, 2004, Lumenis announced the results of an internal investigation, which had been commenced in October 2003, on behalf of the Audit Committee of its Board of Directors. As alleged in the SAC, the internal investigation initially focused on accounting and disclosure issues related to the Company's relationship with one of its domestic distributors, but was subsequently expanded to include a comprehensive review of the Company's revenue recognition practices during 2002 and 2003, as well as certain transactions recorded in 2001. The report prepared for the Audit Committee concluded that the timing of the Company's revenue recognition was inappropriate with respect to certain identified transactions. As alleged in the SAC, Lumenis's May 3, 2004 press release further set forth that the effect of the Company's accounting for the transactions identified in the report was to cause revenues in 2001 and 2002 to be overstated, and revenues in 2003 to be understated.

On August 16, 2005, all Defendants filed motions to dismiss the SAC for failure to state a claim and failure to plead fraud with particularity pursuant to Rules 12(b)(6) and 9(b), Fed. R. Civ. P., including the defense of statute of limitations with respect to most of the claims asserted therein, and with respect to certain of the Defendants also for insufficient service of process pursuant to Rules 12(b)(5) and 4(m), Fed. R. Civ. P. The motions were fully briefed and submitted to the Court on October 31, 2005. To date, these motions to dismiss have not been decided by the Court.

On April 26, 2006, the SEC filed a civil complaint in *SEC v. Lumenis Ltd, et al.*, 06 CV 3225 (LAK) (S.D.N.Y), seeking a permanent injunction against Lumenis, Sagi Genger, and Kevin Morano (who is not a Defendant herein), alleging violations of the federal securities laws based on alleged overstatements of reported revenues and earnings by Lumenis during the following quarters: 4Q 2001, 1Q 2002, 2Q 2002, 3Q 2002, 4Q 2002, and 1Q 2003 (the "SEC Complaint"). Concurrently with the filing of the SEC Complaint, Lumenis and Sagi Genger, without admitting or denying the allegations made by the SEC, consented to the entry of permanent civil injunctions against future violations of the antifraud, reporting, books and records, and internal control provisions of the federal securities laws and related SEC rules. The SEC Complaint is not part of the subject Action; Lead Counsel in the Action, however, advised counsel for Defendants that they intended, at an appropriate time, to seek leave of Court to further amend the SAC to incorporate allegations of wrongdoing based on allegations in the SEC Complaint. (Hereafter, as discussed below, Defendants, pursuant to the Stipulation of Settlement, have consented to the filing of such an amendment, while continuing to deny all allegations of wrongdoing and reserving all of their defenses.)

On December 7, 2006, Lead Counsel notified the Court that the parties had agreed to mediation by retired California Superior Court Judge Daniel Weinstein. The mediation was conducted before Judge Weinstein in New York on March 26 and 27, 2007, and the parties continued to negotiate thereafter, through the auspices of Judge Weinstein, in an effort to reach a settlement of the Action.

As a result of the mediation and post-mediation negotiations, the parties reached an agreement in principle to settle the Action on behalf of themselves and the Settlement Class for the cash sum of \$20,100,000. Accordingly, in September 2007, the parties executed a Memorandum of Understanding ("MOU"), reflecting the principal terms of the proposed Settlement, which was subject to various conditions, including the negotiation of a Stipulation of Settlement setting forth the complete and definitive terms and conditions of the Settlement. The parties engaged in substantial negotiations to draft and finalize the Stipulation of Settlement. Prior to the finalization of the Stipulation, Plaintiffs' Lead Counsel also engaged in confirmatory discovery as described in Section IV below. The Stipulation was executed by counsel for all Defendants and Plaintiffs' Lead Counsel on April 3, 2008, and thereafter jointly filed with the Court, together with all other documents necessary to obtain preliminary approval of the Settlement.

On May 7, 2008, the Court issued an Order, which preliminarily certified the Settlement Class pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure, preliminarily approved the Stipulation and the Settlement reflected therein subject to further consideration at the Settlement Hearing, and directed notice, including the mailing of this Notice, to be given to the Members of the Class of the pendency and proposed Settlement of the Action.

Immediately upon entry of the Court's Order preliminarily approving the Settlement, and in accordance with the Stipulation, Lead Plaintiffs filed a Third Amended Consolidated Class Action Complaint ("TAC"), which incorporated the allegations in the SAC and allegations concerning specific transactions set forth in the SEC Complaint filed on April 26, 2006 (*see above*) and which, accordingly, amended the alleged class period to be coextensive with the Settlement Class Period. Pursuant to the Stipulation of Settlement, Defendants' time to answer or move with respect to the TAC will not begin to run unless the Settlement is not finally approved by the Court or the Stipulation is otherwise terminated. By entering into the Stipulation, Defendants do not acknowledge or admit that the allegations in the TAC have any merit or that Defendants have engaged in any wrongdoing or have any liability, nor have Defendants waived any defenses they have to the TAC.

IV. LEAD PLAINTIFFS' CLAIMS AND BENEFITS OF SETTLEMENT

The benefit conferred on the Settlement Class by reason of the Settlement is the creation of a fund consisting of the Settlement Payment of \$20,100,000 in cash, together with the interest earned thereon.

Lead Plaintiffs and their counsel believe that they have conducted a thorough investigation of the claims asserted in the Action. This investigation included, *inter alia*: (1) consultation with an expert concerning the amount of damages suffered by the Settlement Class; (2) consultation with an accounting expert concerning the accounting claims alleged in the complaints; (3) detailed reviews of Lumenis's public filings, annual reports, press releases, and other public statements; (4) review of related court filings; (5) review of analyst reports and articles in the financial press relating to Lumenis; (6) interviewing former employees and non-parties with knowledge of the claims asserted in the Action; (7) review of over 100,000 pages of documents produced by Lumenis, following the execution of the MOU and prior to the execution of the Stipulation of Settlement, pursuant to a confidentiality stipulation between the parties, as confirmatory discovery relating to matters that are the subject of the Action; and (8) research of the applicable law with respect to the claims asserted in the complaints filed in the Action, and the potential defenses thereto.

V. DEFENDANTS' STATEMENT AND DENIALS OF WRONGDOING AND LIABILITY

Defendants and their counsel, having undertaken what they believe to be a thorough review and analysis of the claims asserted in the Action, including the applicable law, maintain that the Action is without merit and subject to dismissal for the reasons Defendants have set forth in their motions to dismiss, as discussed above. Defendants deny each and every allegation of liability and wrongdoing on their part, deny that the price of Lumenis securities was artificially inflated by reason of any alleged misrepresentations or actionable omissions, or that the plaintiffs and members of the Class have suffered legally cognizable damages; and have asserted (and continue to assert) that they have strong defenses, including, among others, the statute of limitations, lack of any duty to disclose allegedly omitted information, lack of materiality, lack of fraudulent intent, and lack of loss causation, which defenses would ultimately preclude any recovery against Defendants, were the Action allowed to proceed. Absent this Settlement, Defendants would also reserve the right to oppose the certification of the Action as a class action under Rule 23 of the Federal Rules of Civil Procedure. Without admitting any wrongdoing or liability on their part whatsoever, in order to avoid the continuing burden, expense, inconvenience and distraction to Defendants of this Action, Defendants are willing to settle the Action on the basis provided for in the Stipulation, provided that all claims of the Settlement Class are dismissed with prejudice and are released and permanently barred.

VI. TERMS OF THE PROPOSED SETTLEMENT

Pursuant to the terms of the Stipulation of Settlement, Lumenis and/or its insurers have deposited the Settlement Payment (\$20,100,000) into an escrow account, which has been earning and will continue to earn interest, and Defendants have consented to the certification by the Court of the Action as a class action on behalf of the Settlement Class pursuant to Rule 23(a) and (b)(3) for purposes of this Settlement only. In the event the Settlement is not finally approved by the Court or otherwise fails to become effective for any reason pursuant to the Stipulation, the certification of the Class will become null and void, and the Settlement Fund will be returned to Lumenis and/or its insurers as more fully set forth in the Stipulation. In exchange for the Settlement Payment, and provided that the Settlement is finally approved by the Court and becomes effective as provided in the Stipulation, the Action will be dismissed with prejudice against all Defendants and the Released Claims will be released, relinquished and discharged as against each of the Defendants and the other Released Persons.

A portion of the Settlement Fund will be used for certain administrative expenses, including costs of printing and mailing this Notice, the cost of publishing a newspaper notice, payment of any taxes assessed against the Settlement Fund and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Settlement Fund may be awarded by the Court to counsel for plaintiffs as attorneys' fees and for reimbursement of their out-of-pocket expenses and to the Lead Plaintiffs for reimbursement of the reasonable costs and expenses relating to their representation of the Settlement Class. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Allocation described below to Settlement Class Members who submit valid and timely Proof of Claim forms with required supporting material. A Proof of Claim form is being circulated with this Notice. You may also obtain a Proof of Claim form on the Internet at www.gardencitygroup.com.

VII. THE RIGHTS OF MEMBERS OF THE CLASS

If you are a Settlement Class Member, you may receive the benefit of and you will be bound by the terms of the proposed Settlement described in Section VI of this Notice, upon approval of it by the Court.

If you are a Member of the Class, you have the following options:

1. You may file a Proof of Claim (*see* Section IX below). If you choose this option, (i) you will remain a Settlement Class Member, (ii) you will share in the proceeds of the proposed Settlement if your Proof of Claim is timely and valid and you are determined to have suffered a loss per the Plan of Allocation (*see* Section VIII below), and the proposed Settlement is finally approved by the Court, and becomes effective pursuant to the Stipulation, and (iii) you will be bound by the Final Judgment and release described below.

2. If a Member of the Class does not wish to be included in the Settlement Class and does not wish to participate in the proposed Settlement described in this Notice, that Member of the Class may request to be excluded. To do so, you must submit a written request for exclusion ("Request for Exclusion") that is postmarked no later than August 4, 2008. A Request for Exclusion must: (a) state the name, address, and telephone number of the Member of the Class wishing to be excluded; (b) identify the purchases and sales of Lumenis securities made by such Member of the Class during the Settlement Class Period, including the dates of purchase or sale, the number of shares or options purchased and/or sold (or written), and the price paid or received per share or option for each such purchase or sale; (c) provide proper evidence of the purchases and sales of Lumenis securities during the Settlement Class Period; (d) state that the Member of the Class wishes to be excluded from the Class; and (e) be signed by the Member of the Class (or, if the Member of the Class is an entity, by an authorized representative of such entity on its behalf). You cannot request exclusion by telephone or e-mail. If you submit a Request for Exclusion, such request must be addressed as follows:

Lumenis, Ltd. Securities Litigation
Exclusions
c/o The Garden City Group, Inc.
P.O. Box 9268
Dublin, OH 43017-4668

NO REQUEST FOR EXCLUSION WILL BE CONSIDERED VALID UNLESS ALL OF THE INFORMATION DESCRIBED ABOVE IS INCLUDED IN ANY SUCH REQUEST. If you timely and validly request exclusion from the Settlement Class, (a) you will be excluded from the Settlement Class, *i.e.*, you will not be considered a Settlement Class Member, (b) you will not share in the proceeds of the Settlement described herein, (c) you will not be bound by the Stipulation or any judgment entered in the Action, including the Final Judgment, and (d) you will not be precluded, by reason of such Final Judgment or your decision to request exclusion from the Class, from filing or prosecuting an individual claim against Defendants or other Released Persons based on the subject matters complained of in the Action (subject to such defenses as Defendants or other Released Persons may properly assert). Defendants may withdraw from and terminate the Settlement if Members of the Class who purchased in excess of a certain amount of Lumenis securities exclude themselves from the Settlement Class.

3. If you do not request in writing to be excluded from the Settlement Class as set forth in paragraph 2 above, you will be bound by any and all determinations or judgments in the Action in connection with the Settlement made or entered by the Court, whether favorable or unfavorable to the Class, and you shall be deemed to have, and by operation of the Final Judgment shall have fully released all of the Released Claims against the Defendants and other Released Persons, whether or not you submit a valid Proof of Claim. **PLEASE TAKE NOTICE** that if you are a Member of the Class and you fail to submit a timely Request for Exclusion as set forth in paragraph 2 above, you will be bound by the Final Judgment herein, even if you are a named plaintiff or claimant in the Action *or in any other action, lawsuit or proceeding now pending*, or hereafter brought, against Lumenis or other Defendants or Released Persons, and any such now-pending or future lawsuit, action, or proceeding in your name may be subject to dismissal based on the release of the Released Claims and permanent bar provisions of the Final Judgment (*see* Section X below).

4. If you have not submitted a Request for Exclusion from the Settlement Class, you may object to the Settlement and/or the application of Plaintiffs' Lead Counsel for an award of attorneys' fees and reimbursement of expenses in the manner set forth below. The filing of a Proof of Claim by a Settlement Class Member does not preclude such Settlement Class Member from objecting to the Settlement. However, if your objection is rejected by the Court you will be bound by the Settlement and Final Judgment, if finally approved by the Court, just as if you had not objected.

5. You may do nothing at all. If you choose this option, you will not share in the proceeds of the Settlement, but you will be bound by any judgment entered by the Court, and if the Settlement is finally approved by the Court and becomes effective, you shall be deemed to have, and by operation of the Final Judgment shall have, fully released all of the Released Claims against the Defendants and other Released Persons.

If you are a Member of the Class, you may, but are not required to, enter an appearance in the Action individually or through counsel of your own choosing at your own expense. If you do not do so, you will be represented by Plaintiffs' Lead Counsel: Bernstein Liebhard & Lifshitz, LLP and Glancy Binkow & Goldberg LLP.

VIII. PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Authorized Claimants who submit timely Proof of Claim and Release forms (*see* Section IX below) in accordance with the Plan of Allocation described herein. Such distributions will not occur until after the Effective Date of the Settlement.

To the extent that there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's Aggregate Net Recognized Loss (or "Claim"), as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total Claim of each Authorized Claimant, then each Authorized Claimant

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shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's Claim bears to the total of the Aggregate Net Recognized Losses of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants. All gains on Class Period purchases and sales of Lumenis securities shall be credited against all Class Period losses in order to determine the Aggregate Net Recognized Loss of each Authorized Claimant.

Recognized loss on common stock transactions and on options transactions shall be calculated as provided under the applicable headings below:

COMMON STOCK

For Settlement Class Members who conducted multiple transactions in Lumenis publicly traded common stock during the Class Period, the earliest subsequent sale will be matched first against those shares in the Settlement Class Member's opening position on the first day of the Class Period, and then matched chronologically thereafter against each purchase made during the Class Period ("FIFO Matching").

Common stock recognized loss is based on the daily per share amounts of the alleged artificial inflation present in Lumenis's stock price as set forth in Table A, and shall be calculated as follows:

For shares of Lumenis common stock purchased on or after October 2, 2000 through March 7, 2006 and:

- (i) Sold on or before October 8, 2001, the recognized loss per share is \$0. This determination was made because the purchase and the sale occurred before any adverse information was publicly disclosed. Thus, any losses that Class Members may have suffered with respect to shares of Lumenis common stock that were purchased from October 2, 2000 through October 8, 2001, that were sold on or before October 8, 2001, were not related to the alleged misstatements or omissions, and are not compensable through an action for violation of the federal securities laws;
- (ii) Sold on or after October 9, 2001 but before the close of business on March 7, 2006, the recognized loss per share is equal to the greater of zero and the lesser of:
 - a. The purchase price minus the sale price, and
 - b. The alleged inflation amount on the date of purchase indicated in Table A minus the alleged inflation amount on the date of sale indicated in Table A;
- (iii) Sold on or after March 8, 2006 and before the close of business on April 25, 2006, the recognized loss per share is equal to the greater of zero and the lesser of:
 - a. The alleged inflation amount on the date of purchase, and
 - b. The purchase price minus \$1.77;
- (iv) Still held as of the close of business on April 25, 2006, the recognized loss per share is the lesser of:
 - a. The purchase price minus the closing price on April 25, 2006 of \$1.40 per share, and
 - b. The alleged inflation amount on the date of purchase indicated in Table A.

OPTIONS

A. *Call Options*

- (i) For call options on Lumenis common stock purchased from October 2, 2000 through March 7, 2006, and;
 - a. open at the close of business on either October 9, 2001, February 28, 2002, May 16, 2002, October 8, 2002, or March 8, 2006, the recognized loss per call option is the difference between the price paid for the call option less the proceeds received upon the settlement of the call option contract;
 - b. not open at the close of business on either October 9, 2001, February 28, 2002, May 16, 2002, October 8, 2002, or March 8, 2006, the recognized loss per call option is \$0. This determination was made because the contract was opened and closed before any negative price reaction to

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adverse information that was publicly disclosed. Thus, any losses that Settlement Class Members may have suffered with respect to Lumenis option securities that were purchased from October 2, 2000 through and including March 7, 2006, that were not open at the close of business on either October 9, 2001, February 28, 2002, May 16, 2002, October 8, 2002, or March 8, 2006 were not related to the alleged misstatements or omissions and are not compensable through an action for violation of the federal securities laws.

- (ii) For call options on Lumenis common stock written from October 2, 2000 through and including March 7, 2006, the recognized loss per call option is \$0.

B. Put Options

- (i) For put option on Lumenis common stock written from October 2, 2000 through March 7, 2006, and;
 - a. open at the close of business on either October 9, 2001, February 28, 2002, May 16, 2002, October 8, 2002, or March 8, 2006, the recognized loss per put option is the difference between the price paid upon settlement of the put option contract less the initial proceeds received upon the sale of the put option contract;
 - b. not open at the close of business on either October 9, 2001, February 28, 2002, May 16, 2002, October 8, 2002, or March 8, 2006, the recognized loss per put option is \$0.
- (ii) For put options on Lumenis common stock purchased from October 2, 2000 through March 7, 2006, the recognized loss per put option is \$0.

In the case the option was exercised for Lumenis common stock, the amount paid, or proceeds received, upon the settlement of the option contract equals the intrinsic value of the option using Lumenis common stock's closing price on the date the option was exercised.

IX. PARTICIPATION IN THE SETTLEMENT

TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM AND RELEASE FORM THAT ACCOMPANIES THIS NOTICE.

The Proof of Claim and Release must be postmarked on or before October 9, 2008, and delivered to the Claims Administrator at the following address:

Lumenis, Ltd. Securities Litigation
c/o The Garden City Group, Inc.
P.O. Box 9268
Dublin, OH 43017-4668

Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Final Judgment.

X. DISMISSAL AND RELEASES

If the proposed Settlement is approved, the Court will enter the Final Judgment. The Final Judgment will dismiss the Released Claims, including Unknown Claims, with prejudice as to all Defendants and other Released Persons. The Final Judgment will provide that Lead Plaintiffs and all Settlement Class Members shall be deemed to have released and forever discharged, and shall be permanently barred and enjoined from asserting or maintaining, all Released Claims, including Unknown Claims, against all Defendants and other Released Persons; and that the Released Persons shall be deemed to have released and discharged Lead Plaintiffs and all Settlement Class Members and counsel to the Lead Plaintiffs from all claims, including Unknown Claims, arising out of the prosecution and settlement of the Action or the Released Claims.

XI. APPLICATION FOR FEES AND EXPENSES

At the Settlement Hearing, counsel for plaintiffs will request that the Court award attorneys' fees in the amount of 30% (\$6.03 Million) of the Settlement Payment, plus reimbursement of their out-of-pocket expenses, not to exceed \$380,000, which were incurred in connection with the Action, plus interest thereon. Such sums as may be approved by the Court will be paid from the Settlement Fund. Members of the Class are not personally liable for any such fees or expenses.

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To date, Plaintiffs' Lead Counsel have not received any payment for their services in conducting the Action on behalf of the Lead Plaintiffs and Members of the Class, nor have counsel been reimbursed for their out-of-pocket expenses. The fee requested by Plaintiffs' Lead Counsel will compensate counsel for their efforts in achieving the Settlement Fund for the benefit of the Class, and for their risk in undertaking this representation on a wholly contingent basis. The fee to be requested is within the range of fees awarded to Plaintiffs' Counsel under similar circumstances in other litigation of this type. Plaintiffs' Lead Counsel, without further notice to the Class, may subsequently apply to the Court for fees and expenses incurred in connection with administering and distributing the Net Settlement Fund to the Settlement Class Members and any other proceedings subsequent to the Settlement Hearing.

XII. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events set forth in the Stipulation. Those events include, among other things: (1) entry of the Final Judgment by the Court, as provided in paragraph 23 of the Stipulation; and (2) the expiration of the applicable period to file all appeals from the Final Judgment without the filing of any appeals, or, in the event of any appeal, the entry of an order dismissing the appeal or affirming the appealed Final Judgment, and the expiration of any time period for further appeal, including a *writ of certiorari*. (See definition of Effective Date in Section II above.) If, for any reason, any one of the conditions described in the Stipulation is not met, the Settlement may be terminated and become null and void, and the parties to the Stipulation will be restored to their respective positions immediately prior to the execution of the Stipulation on April 3, 2008, and the Settlement Fund will be returned to Lumenis and/or its insurers as provided in the Stipulation and no portion thereof will be distributed to you.

XIII. THE RIGHT TO BE HEARD AT THE HEARING

Any Member of the Class who timely and validly files a written objection to any aspect of the proposed Settlement, the Plan of Allocation, the application for attorneys' fees and expenses, or the entry of the Final Judgment may appear and be heard at the Settlement Hearing. On or before August 11, 2008, any such Person must file with the Court a written notice of objection, and submit copies to Co-Lead Counsel for Plaintiffs and Counsel for Lumenis, delivered by hand or sent by first-class mail, postmarked on or before that date, to each of the following:

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
500 Pearl Street
New York, NY 10007

Co-Lead Counsel for Plaintiffs:

Bernstein Liebhard & Lifshitz, LLP
Attn: Jeffrey M. Haber
10 East 40th Street, 22nd floor
New York, NY 10016
Tel: (212) 779-1414

Glancy Binkow & Goldberg LLP
Attn: Peter A. Binkow
1801 Avenue of the Stars, Suite 311
Los Angeles, CA 90067
Tel: (310) 201-9150

Counsel for Lumenis:

Sonnenschein Nath & Rosenthal LLP
Attn: Stephen A. Marshall
Martin J. Schwartz
1221 Avenue of the Americas
New York, NY 10020
Tel: (212) 768-6700

The notice of objection must demonstrate the objecting Person's membership in the Class, including the number of Lumenis securities purchased and sold during the Class Period, and contain a statement of the reasons for objection (including copies of any papers and briefs deemed relevant for the Court's consideration). Only Members of the Class who have submitted written notices of objection in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise. Members of the Class who submit a timely and valid objection need not appear at the Settlement Hearing to have his/her/its written objection considered by the Court. If such objector decides to appear at the Settlement Hearing, he/she/it may do so in person, or arrange, at the objector's expense, for a lawyer to represent him/her/it at the Settlement Hearing.

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XIV. SPECIAL NOTICE TO NOMINEES

If you hold any Lumenis securities purchased during the Class Period as nominee for a beneficial owner or owners, then, within ten (10) days after you receive this Notice, you are requested either to: (1) send a copy of this Notice and the Proof of Claim by first class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

Lumenis, Ltd. Securities Litigation
c/o The Garden City Group, Inc.
P.O. Box 9268
Dublin, OH 43017-4668

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and Proof of Claim and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim, upon submission of appropriate documentation to the Claims Administrator.

XV. EXAMINATION OF PAPERS

This Notice is a summary and does not describe all of the details of the Stipulation of Settlement. For full details of the matters discussed in this Notice, you may review the Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, United States Courthouse, Southern District of New York, 500 Pearl Street, New York, NY 10007, or by visiting the Claims Administrator's website at www.gardencitygroup.com.

If you have any questions about the Settlement of the Action, you may contact Plaintiffs' Lead Counsel at:

Bernstein Liebhard & Lifshitz, LLP
Attn: Jeffrey M. Haber
10 East 40th Street, 22nd floor
New York, NY 10016
Tel: (212) 779-1414

Glancy Binkow & Goldberg LLP
Attn: Peter A. Binkow
1801 Avenue of the Stars, Suite 311
Los Angeles, CA 90067
Tel: (310) 201-9150

DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE REGARDING THIS NOTICE.

Dated: May 7, 2008

**BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

TABLE A	
Date	Artificial Inflation
10/2/2000 to 2/23/2001	\$5.33
2/26/2001 to 10/8/2001	\$8.62
10/9/2001 to 11/14/2001	\$6.42
11/15/2001 to 2/22/2002	\$9.99
2/25/2002 to 2/27/2002	\$5.73
2/28/2002 to 5/15/2002	\$2.68
5/16/2002 to 10/4/2002	\$1.71
10/7/2002	\$1.41
10/8/2002 to 10/14/2003	\$1.05
10/15/2003 to 3/7/2006	\$0.65
3/8/2006	\$0.00