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FEATURED COMPANY

Conceptus: Its STOP is the Latest in Contraception

BY RYAN A. RAUCH

Suppose you're a woman perhaps between the age of 40 and 50. You are content with the

Conceptus

size of your family, and you don't want to worry about birth control anymore. What do you do? If you're like 800,000 American women or another 1.15 million women worldwide, you will have a tubal ligation this year.

Tubal ligation is currently the most popular form of contraception throughout the world. This is true in spite of the fact that the procedure is highly invasive, requiring general or local anesthesia, a day or two of recovery, and a week avoiding strenuous activity.

But what if you could achieve permanent contraception in a 15-minute, non-invasive procedure performed in an outpatient setting, requiring only local anesthesia, entailing virtually no recovery time, and producing minimal side effects?

That's what STOP promises. Selective Tubal Occlusion Procedure or STOP is a new birth control method, pioneered by Conceptus, Inc. (Nasdaq:CPTS). Currently in Phase III clinical trials, STOP has received CE Mark approval in Europe -- that is, the certificate of registration that verifies compliance with design, manufacturing and safety codes and that allows an export product access to the

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Population Growth: How Long Can Earth Sustain Us?

BY ELLEN PFEIFER



What is the major force behind the degradation of Earth's environment?

The world's burgeoning human population. If you don't believe it, consider the following statistics:

- Having entered the 20th Century with less than 2 billion people, the Earth's population grew from 4 billion to 6 billion people between 1974 and 1999 (National Wildlife Federation).
- We are now adding 1 billion people every 14 years. At this rate, the world population will double in 49 years (Zero Population Growth).
- The world's six billion inhabitants currently use just over half of the Earth's available fresh water. By 2025, our share will increase to at least 70%, leaving just 30% for all other species (Johns Hopkins University School of Public Health).
- Between 1982 and 1992, six million acres of farmland -- about the size of Vermont -- were

lost in the United States as the result of urban and suburban expansion, deforestation, unsustainable farming practices and animal over-grazing (ZPG).

- We lose one or more entire species of animal or plant life every 20 minutes, about 27,000 species a year (ZPG).
- Global emission of carbon dioxide has quadrupled since 1950, largely as a result of deforestation and the burning of fossil fuels (ZPG).
- One U.S. citizen consumes about 30 times as much as a citizen of India. If everyone on Earth lived like the average North American, it would require four more Earths to provide all the material and energy needed (ZPG).

Clearly, global population explosion is putting stress on the Earth's natural resources. Just as clearly, limiting population growth could relieve some of that stress.

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A Simple Solution to Lower Emissions

JACKSON W. ROBINSON

There should no longer be any doubts.

In a report commissioned by the Bush administration and issued on June 7, 2001, the National Academy of Sciences (NAS) verifies global warming as a serious and life-threatening problem caused by greenhouse gas emissions resulting from "... the actions of humankind." According to the report, the primary culprit is carbon dioxide (CO₂) released by the burning of fossil fuels. The report also fingers other greenhouse gases produced by human or anthropogenic activity including methane (CH₄), ozone (O₃), nitrogen oxides (NO_x), and chlorofluorocarbons (CFC's).

The findings in the NAS report are not new. They simply confirm what most Americans already know and underscore the immediate need for reduction of harmful emissions. But how to achieve those reductions? One simple solution might be higher energy prices.

High Prices as Aversion Therapy

Before dismissing this as a lunatic idea, consider the following: Electricity and gasoline prices are already rising due to various market forces and uneven regulation. So far, most consumers are grumbling but simply swallowing the increases. However, once past a certain threshold of acceptance, higher energy prices should lead to lower consumption and, therefore, emissions reductions. Consumers will make fewer trips in their cars, turn down their thermostats, choose public transportation

alternatives, and, when shopping for their next vehicle, look for higher fuel efficiency in miles per gallon (mpg). Take the example of Europe and Japan where gasoline sells for \$4-5 per gallon. Only a small number of drivers own gas guzzling, air-polluting vehicles such as sport utility vehicles (SUV's), most preferring more economical, fuel-efficient compacts.

The Overall Impact

According to the Energy Information Administration's Summary of the Kyoto Report, a permanent \$2 increase in the price of motor gasoline to \$4 per gallon would result in a 27% reduction in demand over time (see graph). Coupled with this reduction in demand, emissions of CO₂ and other greenhouse gases would decline by 27%. That would have a big impact, considering that "nearly 33% of all carbon emissions and 78% of carbon emissions from petroleum originate from the transportation sector."

No Way, Jose. Not in the USA

Price hikes, however, will not do it alone—especially in the United States. However efficient a mechanism they might be, super-high energy prices are simply unpalatable for most US politicians. When pushed to take action, they will be more likely to endorse new regulations setting higher limits on emissions.

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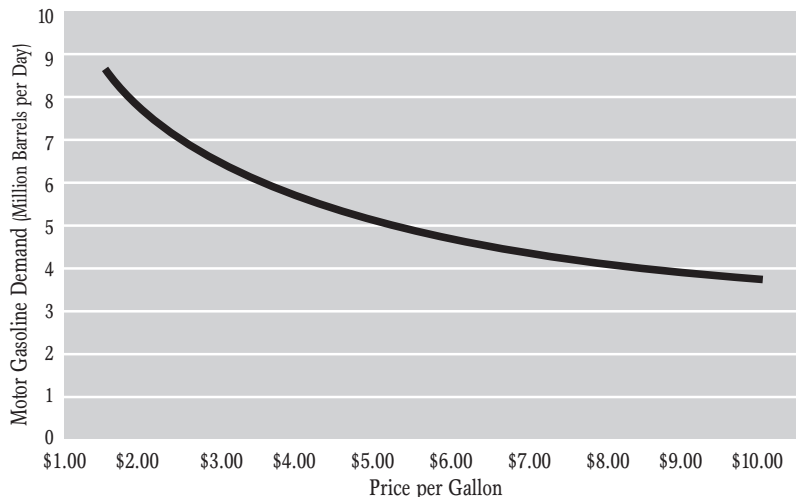
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Price per Gallon vs. Demand for Motor Gasoline (Based on 20 year elasticity of -0.45)



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Because gluttonous automobiles, diesel trucks, and coal burning power plants are the biggest emitters of CO₂, they will likely be among the first targeted for revised emissions standards. Indeed, several members of Congress are already sponsoring bipartisan fuel efficiency legislation that would classify SUV's as cars rather than light duty trucks. They would then be forced to conform to the average standard of 27.5 mpg for newly manufactured vehicles — a factor of 30% greater average fuel efficiency than they must currently meet.

Such legislation would eliminate the sweetheart exemption SUV's currently enjoy as the result of out-dated Corporate Average Fuel Economy (CAFE) standards. Established by Congress in 1975, the initial CAFE standards operated on the premise that pick-up trucks and SUV's constituted only a small fraction of vehicles on the road, mostly limited to commercial use. They never anticipated the current

reality in which SUV's represent nearly one out of every two new vehicles sold in the U.S., used almost exclusively for personal use.

A Win-Win Result

If the Congress could close the loophole on these slightly disguised trucks, the 30% improvement in fuel efficiency would be a multi-dimensional win for the U.S.:

- Consumer benefits. By reducing their gasoline consumption by 200 gallons per year, SUV owners could enjoy the equivalent of a \$400 rebate in money not spent on fuel. Those who converted to smaller, safer wagons could also see a reduction in their insurance rates.
- Environmental benefits. CO₂ emissions would be reduced by 75 billion pounds, a significant step in alleviating global warming, ozone depletion, and smog.
- Economic benefits. Having saved money from

fewer trips to the gas pump or the purchase of less expensive compact cars, consumers could help jump-start the economy. Furthermore, oil imports would decline by 250 million barrels, improving our annual balance of payments by almost two trillion dollars a year.

- Alternative energy benefits. As SUV's and other vehicles are forced to become more energy efficient, many will adopt the latest in fuel efficient engines, such that emerging energy technologies will continue to become commercially viable and alternative energy companies will flourish.

We believe that some combination of higher energy prices and new energy policies including more stringent CAFE standards is inevitable. Whether it's consumers, the environment, the economy, or the leading alternative energy companies, everyone will benefit through such green strategies. 🌱

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Growth in Developed Countries the Most Damaging

No matter what part of the planet, increased numbers of people take an ecological toll. As countries grow, there is greater demand for water, food, land, shelter, sanitation, clothing, fuel, transportation, medical care, and trash

disposal. However, the impact of growth on the environment is exponentially greater in a high consumption country like the United States.

While "Americans comprise only five percent of the world's population, we use 25% of Earth's resources and produce more trash and pollution than citizens of most other nations," states a ZPG report. "The average American's energy use is equivalent to the consumption of two Japanese, six Mexicans, 13 Chinese, 32 Indians, 140 Bangladeshis, 284 Tanzanians or 372 Ethiopians."

Biodiversity and the Costs of Unsustainable Development

With ever-greater human encroachment on the Earth, intense pressure is exerted on the planet's biological diversity. According to the Earthwatch Institute's Jeff McNeely, as of 1997, 12% of the world's plants were under some degree of threat and, as of 1999, about 40% of mammals.

And why is biodiversity important? Apart from the ecological balance it supports, "it has significant economic value," McNeely says. The

"annual market value for products derived from genetic resources (such as pharmaceuticals, botanical medicines, agricultural seeds, cosmetics, ornamental plants, etc.) is on the order of US\$500-800 billion." Similarly, "the services performed by natural functioning ecosystems, including regulating the climate, forming soils, cycling nutrients, controlling erosion, and pollination have the economic value of \$33.3 trillion per year according to a study in the magazine *Nature*."

Population Growth and Investment Opportunities

In order to conserve the Earth's essential resources in the face of continuing growth, global action will certainly need to focus on two arenas: the implementation of sustainable development strategies and population control.

Both arenas offer opportunities for investors to go green while getting green.

In the pages of the Winslow Environmental News, we have written about new green products and technologies that can be important

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Summer Conference

From July 31 through August 2, 2001, Adams, Harkness & Hill will hold its 21st annual Summer Seminar at the Long Wharf Marriott in Boston, Massachusetts. The conference will feature over 160 emerging growth companies in the technology, health care, and specialty consumer marketplaces. Participants at this gathering will include many of the alternative energy, healthy living, and biotechnology companies featured in the pages of the Winslow Environmental News. For more information, call 617-371-3900.

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entire European Union. STOP is also rolling out nicely in Australia where commercial distribution has just begun.

First Off the Starting Block

A company spun off from Target Therapeutics (and now part of Boston Scientific), Conceptus has from its 1992 inception been engaged in the development of interventional devices for reproductive medicine. Originally, it focused on infertility, but as of 1998, the company had suspended work on all but its STOP device, betting that the combination of a big potential market and excellent technology would be unbeatable.

Despite such a promising market, there appears to be only one potential competitor, the small privately held Northern California company, Adiana. We believe, however, that company's device is just beginning clinical trials.

Fallopian Tubes Permanently Blocked

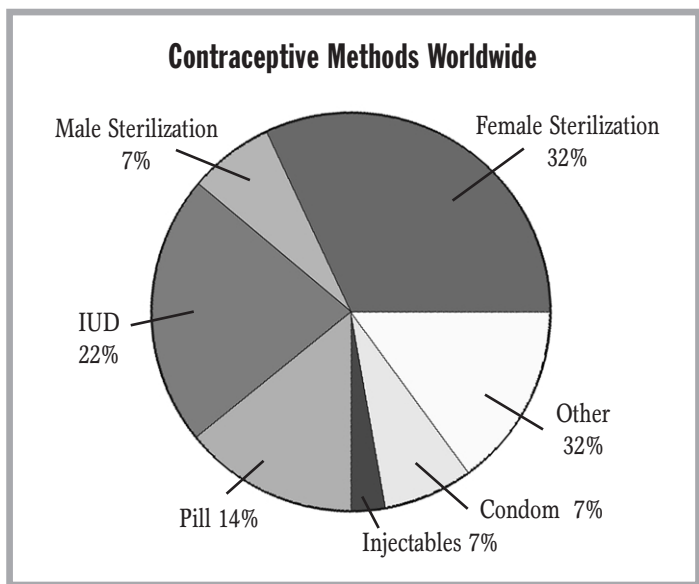
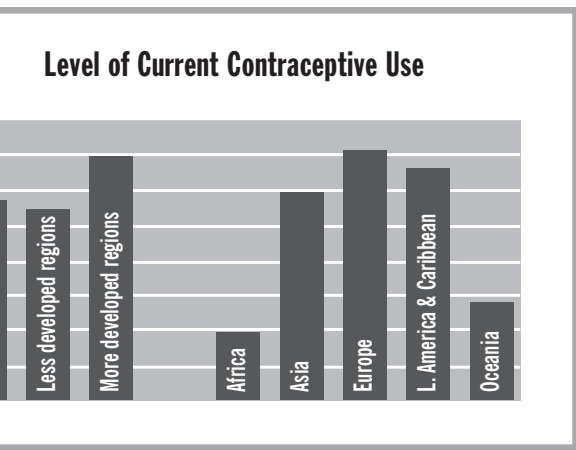
How does STOP work? The device consists of two parts, the actual STOP micro-coil and a proprietary guidewire and catheter delivery system. A soft, flexible, spring-like object, the micro-coil has a maximum length of four centimeters and a maximum diameter of two millimeters. The inner portion is lined with Dacron, which encourages tissue growth.

Using a telescope-like device called a hysteroscope, a physician threads the guidewire and catheter through a patient's cervix and uterus. The doctor then inserts a STOP coil in each fallopian tube. The coil achieves contraception in two ways: It elicits a benign tissue response (swelling in reaction to the Dacron fiber) that ultimately occludes or blocks the tube; and it renders the fallopian tube environment inhospitable to conception. The procedure,

unlike tubal ligation, is permanent and cannot be reversed.

Good News in Clinical Trials

Since 1997 when Conceptus began its Phase II study, test results have been compelling. No pregnancies have occurred. And, of the 200 women evaluated, 99% reported satisfaction ranging from good to excellent.



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In the current Phase III trial, 518 women are enrolled. Early data show that the procedure time has been reduced from 18 minutes to 13. Bilateral placement rates have improved from 88% to 90%. And adverse events, primarily associated with improper placement, have decreased from 5.5% to 3.3%.

This writer has spoken to 10 women in the study and they reported only a few side effects including temporary disruption of the menstrual

cycle, some cramping, and spotty bleeding.

If all goes as planned, Conceptus expects FDA approval in the United States by the second quarter of 2003.

Huge Potential Market

Initially, the company sees itself promoting the device in western industrialized countries as an attractive alternative to tubal ligations. This primary market could comprise 1.8 million procedures worldwide at a cost of \$320 each, reflecting an overall annual market of \$580 million.

Secondarily, the company believes it can capitalize on the market composed of women who are finished bearing children but who are using other forms of birth control. Such women, who are frequently unhappy with their current method, might choose STOP because of its attractive attributes. This market could be as large as 24 million women with a potential annual market value of \$7.8 billion.

What the Future Holds

The future looks promising, given the good news being reported from the clinical trials. The company also looks to be an attractive take-over candidate for one of the large pharmaceutical/medical devices firms. One likely buyer might be Johnson & Johnson.

In conclusion, investors tend to migrate to companies that offer new therapies intended for large patient populations. Conceptus fits this profile. Its STOP device has the potential to supplant tubal ligation as the procedure of choice for permanent female sterilization. Given its strong management, intellectual property, and clinical trial results, Conceptus is an undervalued gem.

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weapons in the sustainability arsenal. Some of these include:

- Energy alternatives/complements to fossil fuels: fuel cells (Ballard Power, FuelCell Energy), photovoltaics (AstroPower and Siemens), wind power (Vestas Wind Systems) fly wheels.
- Organic foods that minimize the use of pesticides and fertilizers (Whole Foods Markets, Hain Food Group, United Natural Foods).
- Waste management and recycling (Hi-Rise Recycling Systems).
- Energy efficient lighting: LEDs (Corning), electronic ballasts (SLI).
- Energy efficient vehicles: hybrid electric cars (Toyota and Honda).

As for population control, the potential market for contraception products is huge. The United Nations' Population Fund estimates that despite a wish to limit the size of their families, at least 350 million couples globally lack information about and access to a full range of contraceptive services. Considering this, there should be many good investment opportunities among a variety of pharmaceutical and medical device companies.

Potential investors might want to take note that "female sterilization, intra-uterine devices (IUD), and oral pills account for more than two-thirds of all family planning methods used worldwide," according to the UN Population Division. Interestingly such modern methods are used more universally in less developed countries (90% of users) than in more developed countries (70%) where there is often con-

siderable reliance on rhythm and withdrawal or various barrier products. Also, of interest, short-acting or reversible methods are preferred in more developed regions, while seven out of ten users in less developed areas rely on sterilization or an IUD.

Some of the most interesting developments on the family planning front include:

- Updated, safer IUD's, made with copper, some of which release Levonorgestrel to minimize menstrual problems. More than one-third of married women in China use IUDs. Companies that make them include Ortho-McNeil and Famycare.
- The Sponge: a donut-shaped, spermicide-coated insertable, produced by Allendale Pharmaceuticals.
- Norplant: implantable hormone-releasing rods about the size of match-sticks.
- The latest generation of oral pills with new hormonal formulations. Companies include Ortho-McNeil, Wyeth-Ayerst, Parke Davis, Roche, Organon, Berlex Labs.
- STOP or Selective Tubal Occlusion Procedure: in Phase III clinical trials, this non-invasive tubal ligation procedure is being developed by Conceptus, Inc. (See accompanying story for details).

Environmental investors, like the governments of developing and industrialized countries, will eventually come to realize that limiting population growth is not only good for women, their families, and for the economy, but is good for the Earth's ecology. Slower growth coupled with sustainable practices means everybody enjoys greater green. 🌱

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Winslow Welcomes Celine Suarez

Celine Suarez, Environmental Analyst, comes to Winslow from the University of Massachusetts at Amherst, where she recently earned her B.S. degree in Earth System Science, including field experience with the USDA/Natural Resource Conservation Service and Woods Hole Oceanographic Institution. While she will have few occasions to apply her specific expertise in paleoceanography, Ms. Suarez will have daily opportunities to apply her knowledge of climate change, chemistry, physics, and biology as she evaluates the environmental impacts of companies in Winslow's portfolio.

Winslow Green Growth Fund

Winslow is pleased to announce that NASDAQ now tracks the Winslow Green Growth Fund. Daily Net Asset Value may be accessed using our new ticker: WGGFX.*

**For more complete information about the Fund, including fees and expenses, call 800-314-9049 for a prospectus. Please read it carefully before you invest or send money. Forum Fund Services, LLC, Distributor. (06/01).*



PORTFOLIO UPDATE

Whole Foods Market (NASDAQ: WFMI)

AUSTIN, TX — On February 15, Whole Foods Market opened its first supermarket in Manhattan. According to a spokeswoman, the opening was “phenomenal, and is one of our flagship stores celebrating Whole Foods twenty years in business”. The facility is located in the Mercantile Building in the heart of Chelsea, which due to the unique architecture lent itself to creative, state-of-the-art design. The store is a welcomed addition to the Chelsea neighborhood and is exceeding the company’s expectations. Whole Body at Whole Foods opened on the same day as an extension of the supermarket, containing numerous natural beauty and body care items as well as vitamin supplements and natural remedies.

Further indication of WFMI’s strong performance is the recent 2-for-1 split which became effective on June 4. This was the company’s second stock split since going public in 1992, and it is expected to benefit shareholders by increasing the marketability of the stock. The Company also announced that it is selling its interest in NatureSmart (formerly Amiron), which they purchased at the peak of the nutritional supplement trend. This is a beneficial move for WFMI, considering that performance for the NatureSmart business was poor and detracting from investor attention. Stock prices rose a few points following the announcement.

Wave Systems (NASDAQ: WAVX)

LEE, MA — On June 5, Wave Systems’ technology partner SSP Solutions announced a licensing agreement with Broadcom Corp. As developer of SSP™ (Secure Service Provider), the company will supply advanced security

features for the Broadcom 93730 LINUX platform set-top box as well as cable modems manufactured and distributed by Broadcom.

SSP makes use of Wave Systems’ EMBASSY® technology, a pathbreaking system for managing digital rights and advanced security options for Internet access devices. This project represents the next step in the strategic implementation program announced by SSP Solutions and Wave in October 2000. Says Wave Systems CEO Steven Sprague, “With these new designs, there will now be a secure, real-time, revenue-producing environment for all content developers and content distributors on digital cable set-top boxes, cable modems, and integrated home networking platforms.”

MRO Software (NASDAQ: MROI)

BEDFORD, MA — MRO Software announced in late April that total Q2 revenues grew 10% to \$45.7 million from \$41.6 million in Q2 of the previous year. MAXIMO® is the Company’s leading demand side product and has been adopted by over 8,000 business locations around the world. MAXIMO® is used to assist companies in the management of inventories, improvement in cost efficiency, and preventative maintenance of equipment. Recently, MRO announced a relationship with Alaska Airlines, creating opportunities to improve efficiencies while opening up a large new market for the company.

On the supply-side, MRO offers the mro.com suite that links an online community of MRO (maintenance, repair and operating) suppliers and buyers to a group of Internet-based procurement products. According to president and CEO Chip Drapeau, “On the

MAXIMO® side, we saw strong adoption of our industry solutions in the utility, oil and gas, and discrete manufacturing market sectors... On the supply-side, our next generation of hosted supplier enablement technology will quickly and affordably provide industrial distributors and manufacturers with an easy path to conduct business. As a result of this progress, we remain on track to achieve our goals for the year.”

AtheroGenics (NASDAQ: AGIX)

ALPHARETTA, GA — Heart disease is the number one killer in the United States and angioplasty procedures are commonly used to open clogged arteries. However, in up to 40% of patients, angioplasty induces an inflammatory response that results in re-narrowing of the blood vessel, or restenosis, within six months of the procedure. AtheroGenics is focused on treating chronic inflammatory diseases and has recently announced the results for the Phase II clinical trial of AGI-1067, an oral agent for the treatment of restenosis after angioplasty surgery.

According to the data, the blood vessels of patients who received AGI-1067 had greater luminal diameters (openings in once clogged blood vessels) than those patients who received a placebo. What’s more, the treatment yielded an unexpected benefit at the two-week stage in which the luminal diameters were greater than those of the control group. This development requires a revision of the statistical method typically specified for analysis of the primary endpoint in a restenosis study. Full analysis of the safety and efficacy of the apparent early drug benefit is currently underway and announcements are expected later in the year.

AGI-1067 is similar to probucol, the active control drug in the study. However, the study showed that AGI-1067 did not cause the electrophysiological abnormality in the heart known as QTc prolongation that occurred in a statistically significant number of subjects treated with probucol.

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