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# THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

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## SpectraScience, Inc. (SCIE)

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**JIM HITCHIN**, Chief Executive Officer of SpectraScience, Inc., joined the company in March 2004 as part of the acquisition team. Previously he was the Founder, CEO and Chairman of Infrasonics, Inc., a medical device company in the respiratory care field. The company was the first in its market to have ISO9001 and the CE Mark for 14 510(k) and two PMA products. Growth was at a compound rate of 62% during its 15-year life before being sold to a competitor. In previous companies, he was COO of a public energy company and the VP, General Manager of a public oceanographic engineering firm. Mr. Hitchin has extensive experience in all phases of manufacturing and company operations. He graduated from San Diego State University with a BS degree in Physics.

### SECTOR – MEDICAL DEVICES

**(AMT609) TWST: Let's begin with a brief historical sketch of the company and a picture of what you're doing at the present time.**

**Mr. Hitchin:** Each year there are literally hundreds of thousands of cases of colorectal, cervical and esophageal cancer which, because they are not diagnosed or caught early enough, result in higher mortality rates and higher costs. Our technology enables physicians to more accurately diagnose these diseases, and to do so at an earlier stage. This is critical to reducing deaths from cancer and to reducing overall costs to the healthcare system.

For example, the individual treatment cost for colon cancer is about \$30,000 per patient. The treatment cost for a patient who has developed late stage colorectal cancer is estimated at \$120,000. This is much the same for other cancers we are targeting. And most important, early detection saves lives.

We manufacture and sell a device, the WavSTAT®, that can detect cancerous tissue in two seconds with 96% ac-

curacy. This is much better performance and higher sensitivity than can be replicated by the human eye. We have the ability to go into the body (i.e. colon, esophagus or lung) with a common endoscope to illuminate any suspected tissue to determine whether or not the tissue is normal, pre-cancerous or cancerous. Real-time results are displayed on a screen as a green light for “non-suspect” or a red light for “suspect.” This provides a tremendous tool for the physician who can perform a much more effective and faster examination for pre-cancers at significantly less cost.

Our LUMA Cervical Imaging System also uses a safe laser to scan and create a high-resolution image of the cervix with a color overlay suggesting where cancerous lesions are located. This is the first new technology in 50 years that gives an objective answer on where to take a physical biopsy. Using current technology and standard of care (visual review using a colposcope), a national study indicated that as many as 200,000 American women leave with undetected cervical lesions after examination.

**TWST: Are there any other companies working along similar lines?**

**Mr. Hitchin:** There are no other companies that have commercialized this type of product. We're the only company with FDA approval to market products for detecting pre-cancers and cancers in the colon and cervix. We're also approved in Europe to detect pre-cancer and cancers in the esophagus. That is three indications in total. We expect to add lung, stomach, inflammatory bowel disease (IBD) and other pre-cancers in the future.

**Mr. Hitchin:** We're constantly looking for acquisitions that make sense, that can add value to our sales pipeline. Since we already have a presence selling in hospitals, any complementary offerings would make sense to leverage. So technology acquisitions in the gastrointestinal area would be important; anything that adds to women's health would add to our LUMA Cervical Imaging strategy.

**TWST: Aside from the general economy, are there any obstacles to the company's growth down the road?**

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**TWST: What impact will your partnerships with Women's Integrative Health and Minnesota Gynecology and Surgery have on the company over the next two to three years?**

**Mr. Hitchin:** Both of those customers use the LUMA Cervical Imaging System. They are very forward-looking practices that want to offer their patients the very best state-of-the-art care. It is also a business model for them that they believe will attract more new patients and incremental revenue to their practices. So I see it as a win-win for both parties.

**TWST: What are some of the key elements in your strategy as you look out over the next two to three years?**

**Mr. Hitchin:** We are focusing all our resources in the sales area. We have a very good "first-to-market" advantage with no competitors and FDA approved products. Our goal is to ramp revenue as fast as we can, a cornerstone of which is our present ability to sell our esophageal pre-cancer detector in CE markets (European Union, India, etc.) without having to wait for FDA approval here in the US. This strategy of initial product introduction into CE Marked countries equates to earlier revenue and medical community acceptance.

**TWST: What are your thoughts on possible mergers, joint ventures or future acquisitions?**

**Mr. Hitchin:** I think we are positioned to move into a very rapid growth mode. Our technology is proven. It can save lives and it cuts costs. In an economically challenged environment like we are facing today, this set of value propositions should resonate. As with new technologies, however, there is always an educational curve that you have to go through with the end user or physician/clinic in this case. We are working in a focused manner to demonstrate how our technology enhances and improves the standard of care to the patient, as well as their own level of service. I think we are making good progress on this level. As we increase distribution relationships and as we see our technology adopted by more physicians and clinics, our business should accelerate.

**TWST: As you look at these challenges and opportunities, is capital a limitation at this point?**

**Mr. Hitchin:** It can be. It depends on our growth. The need for working capital, of course, will increase as our growth ramps up. But I think that's a good thing to worry about. Getting a large order, for instance, from a hospital can be financed with the bank. However, we currently have sufficient capital to see us through the year.

**TWST: Would you tell us about the backgrounds, the expertise and responsibilities of a couple of the key members of the company, including yourself?**

**Mr. Hitchin:** My background is in the medical devices area. I started and ran a large respiratory care company for a number of years, which we sold to Nellcor Puritan Bennett. Our VP of Marketing has a medical background, both in infant and respiratory care. Our CFO has expertise in the public medical device area. Our Chief of Regulatory Affairs was an FDA inspector for five years and has worked in the industry for both small and large companies for many years. Our Chief Engineer also has 20 years in the medical device field. We use consultants from time to time for specific tasks. For instance, when the FDA approves our esophageal cancer application, we want to hit the street immediately thereafter with a reimbursement plan. We will use a consulting firm for that task.

**TWST: How long have you been CEO?**

**Mr. Hitchin:** I've been CEO for four years.

**TWST: What is it in your background that led you to what you're doing now?**

**Mr. Hitchin:** I have a degree in Physics and have worked my entire career in high technology fields. Most of it has been with medical devices. I see Laser Induced Fluoroscopy as a very exciting technique that no one has capitalized on. The chance to detect cancers early or much earlier than is currently the case means more people are going to live longer and I think that's very challenging. It's the Holy Grail. We all know that earlier detection means better outcomes. A product that allows a physician to do something quicker, with better accuracy, less patient harm or risk and at lower cost is a winner.

**TWST: How can the investment community better understand SpectraScience? What are the misperceptions that you have to address?**

**Mr. Hitchin:** I don't think there are very many misperceptions, at all. When people understand the technology and how it works, it's quite straightforward and fairly well documented in the literature. With the FDA approval there is a confirmation of the technology. We always look at today's economy, and with the market the way it is, we are quite undervalued for what we have been doing and what we plan for the rest of this year and beyond. We are being lumped in with the gloom and doom crowd.

**TWST: What gets most of your attention on a day-to-day basis?**

**Mr. Hitchin:** I spend a lot of time talking to physicians about where the market is heading, what kinds of things they see in the future. For instance, I think any device that can detect cancer earlier is going to reduce costs in the long run

and avoid significant surgeries and cost downstream. Also, it's going to provide better patient care by attending to that person earlier. The eventual goal is to reduce costs and improve patient care. So it's better patient care, lower costs and actually quicker procedures, where things can get done in a much shorter time frame than is currently the case.

**TWST: As you look five or 10 years down the road, what does the ultimate enterprise look like?**

**Mr. Hitchin:** I see SpectraScience as one of the leading companies in the cancer detection field. The technology is proven and can be leveraged to detect many different types of cancer. An obvious future application is to go into the lung and detect pre-cancers before they start turning into cancer. If we can do that and begin treatment earlier, that's going to prolong peoples' lives and save a tremendous amount of money.

**TWST: Would you comment on your current stock price?**

**Mr. Hitchin:** It seems to be caught up with a lot of other companies. Uncertainty in the marketplace is not good for Wall Street and I think, unfortunately, our stock price reflects this. As more and more people find out what we're doing and as we realize greater and greater revenue, I think it will take care of itself.

**TWST: What then would be your essential message for an investor?**

**Mr. Hitchin:** I think the risk is quite low. Our technology is proven. As I mentioned earlier, it saves lives and it saves money. The markets that we are addressing will only continue to grow as the population expands. Meanwhile, physicians who are resource constrained are looking for cancer screening solutions that can more efficiently support their ability to treat an increasing patient base. Our technology is an adjunct to their existing practice, which provides a level of objectivity in the screening process that is unparalleled. Ultimately, I think that this all bodes well for our company's business and its shareholders.

For decades, investors have been looking for companies to invest in that have the potential to cure cancer. We don't claim to cure it, but we have developed an FDA-approved technology that provides a better way to screen for it so that it can be treated earlier and more effectively. I think this is a compelling reason for investors to participate in the growth of SpectraScience.

**TWST: Have we left anything out?**

**Mr. Hitchin:** We're quite excited about our product release for detecting esophageal cancer in Europe. This is a big

opportunity, with about 3 million people who require an endoscopic examination to look for pre-cancers. The problem is, you can't really see or detect pre-cancer. There are no gray, yellow or purple tissues. The standard of care currently is to randomly remove tissue and send it off to pathology. If the problem is found several days later, the patient has to come back in again and undergo another expensive procedure. With our optical system, physicians can easily maneuver inside the esophagus and quickly come to a diagnosis. A procedure that might have taken 30 minutes before, now will only take 10 minutes. Time is money and the reduced cost in pathology is significant.

**TWST: Have you been approached by any major medical device companies for alliances or partnerships?**

**Mr. Hitchin:** We are always having discussions with other companies from that strategic standpoint, and we continue to think about how we can create more lever-

age through our selling channels. In the past 12 months, we have added several distribution partners in Europe and we will continue to develop that opportunity.

**TWST: Thank you. (KL)**

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