

NOVEMBER 26, 2007

# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

THE FOLLOWING REPORT IS EXCERPTED FROM  
THE WALL STREET TRANSCRIPT

## COMPANY INTERVIEW

### JOHN K. STROH

NeoMatrix, LLC

#### NOTICE

The Wall Street Transcript does not in any way endorse or guarantee the accuracy or reliability of any of the information, statements or opinions expressed in the reports or comments of other firms or individuals. We take due care to report or transcribe accurately what has been written or said by others but because of the possibility of human or mechanical error, we cannot assume any liability for the correctness of the transcription. We point out further that, of course, all opinions expressed are subject to change without notice. Neither the information or any opinion which may be expressed constitutes a solicitation for the purchase or sale of any securities referred to herein. For further information, contact the individual or investment organization concerned.

#### CHIEF EXECUTIVE OFFICER FORUMS/INTERVIEWS

Important Note: Wall Street Transcript forums and interviews with Chief Executive Officers are published verbatim as editorial content and include "forward-looking statements" (as such term is defined in the United States Private Securities Litigation Reform Act of 1995). These "forward-looking statements" may be subject to and be made pursuant to the "safe-harbor" provisions of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended. Since these statements are based on factors that

involve risks and uncertainties, actual results may differ materially from those expressed or implied by such "forward-looking statements". Such factors are often included in the company's filings of reports with the United States Securities and Exchange Commission, including Forms 10-K, 10-Q, 8-K and Proxy Statements; the company's annual and interim reports to shareholders and similar documents. In carrying out our responsibilities to our readers and to the Chief Executive Officers selected for forums or interviews, we are required to offer, and we offer, each Chief Executive Officer an opportunity to back-up the interview and provide our readers and potential investors with specific financial data, including earnings statements, balance sheet statements and other material business and financial data, through the sponsored publication of such reports or highlights therefrom, with meaningful information.

Founded 1963  
Published by Wall Street Transcript Corporation  
67 Wall Street, New York, NY 10005  
Copyright 2007 Wall Street Transcript Corporation  
All Rights Reserved

# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

## NeoMatrix, LLC



**JOHN K. STROH** joined Neomatrix, LLC, as Chief Executive Officer and Director in November 2007. Mr. Stroh brings over 25 years of experience in operations, finance, investment banking and M&A, primarily in the medical technology field. Before joining Neomatrix, Mr. Stroh was with Organon BioSciences NV where he led the financial integration efforts for their acquisition of Kadmus Pharmaceuticals, Inc. From January 2003 until the acquisition by Organon in May 2007 he was the COO and CFO of Kadmus. From 2001 to 2003, he was the President and Managing Partner of Global Healthcare Advisors and acting CFO of Atairgin Technologies Inc. From 1984 until joining Atairgin in 2001, Mr. Stroh worked as a Managing Director and Vice President for John Nuveen & Company, US Bancorp Piper Jaffrey, Smith Barney Shearson, Roth Capital Partners and Kidder Peabody & Co. During this period, he was instrumental in raising over \$2 billion for client companies and consulted on over 100 mergers and strategic partnering transactions. Mr. Stroh began his career with Johnson & Johnson, working in various sales, marketing and management positions. He is a frequent guest speaker on corporate finance and is on the Board of Directors of Kadmus Pharmaceuticals, Ltd. (the Canadian division of Kadmus Pharmaceuticals Inc.), a privately held biopharmaceutical company, and Vestera Medical, LLC, a privately held medical waste company. Mr. Stroh earned a Bachelor's degree in Business from California State University, Long Beach, and attended the Graduate School of Management at Long Beach and UCLA.

**TWST: May we start with a short overview of NeoMatrix?**

**Mr. Stroh:** NeoMatrix has developed the HALO breast Pap test, which is an early screen for breast cancer risk. HALO collects nipple aspirate fluid from a woman and that sample is sent off to a laboratory to look for cytological abnormalities. In particular, we're looking for Atypical Ductal Hyperplasia (ADH) as it is well established that if a woman has ADH, her risk of developing breast cancer is increased 400% to 500%. This science has been around for a long time, 25 years, and studied in over 20,000 women.

**TWST: If the science has been around for 25 years, why hasn't a test been developed before?**

**Mr. Stroh:** The challenge has been that there has been no easy, effective and reproducible way of collecting the fluid that could turn the clinical knowledge of this risk factor into a practical screening tool. Today, breast cancer is the number one killer of women ages 20 to 59, and in this country alone there are approximately 200,000 new cases of breast cancer annually with over 40,000 women dying every year. But there has never been a practical way to obtain this fluid for analysis. Early on, there was a manual method, which included the application of hot towels to the breast, combined with massaging the breasts and placing a syringe on the breast to try to elicit the fluid. But this was time-consuming,

and the technique is not practical in an office-based environment. Since the massage-pressure would vary, the test would not be reproducible and this further relegated it to a research function. An alternative approach is with needles through the breast wall and actually putting catheters through the patient's nipple into the milk duct but this is impractical as a screen: again very costly, very time consuming, painful, and just not a practical way to incorporate this as an annual screen. The HALO System is the first automatic,

in their milk ducts (where 95% of breast cancer starts) went through a stage where the cells were abnormal and fast growing. This stage, which is a precursor to cancer, is ADH, and now we have a way to screen for it, and do so on an annual basis. What HALO does then is allow patients to be triaged by the primary care physician to breast specialists who in turn have the evidenced-based care paths that can prevent the disease or find a cancer at its earliest stage when it is most treatable.

*“NeoMatrix has developed the HALO breast Pap test, which is an early screen for breast cancer risk. HALO collects nipple aspirate fluid from a woman and that sample is sent off to a laboratory to look for cytological abnormalities. In particular, we’re looking for Atypical Ductal Hyperplasia as it is well established that if a woman has ADH, her risk of developing breast cancer is increased 400% to 500%. This science has been around for a long time, 25 years, and studied in over 20,000 women.”*

noninvasive method of collecting fluid and is FDA cleared as a screening tool for asymptomatic women.

**TWST: Is your method a diagnosis such as the Pap test or a precursor to it?**

**Mr. Stroh:** Like the Pap test for cervical cancer, HALO is a screen rather than a diagnostic, as it evaluates a woman's risk for developing breast cancer in the future. To date, the failure to be able to identify who is at risk of developing cancer has been a significant reason for the continued high death rate from the disease. Once you know a woman is at risk, there are specific care paths to help reduce that risk of developing breast cancer, prevent it or ensure the patient's survival by catching and treating the cancer at its earliest stages. The real amazing thing today is that, although we've seen a slight reduction in deaths from breast cancer over the years through better imaging and better treatments, it hasn't significantly declined and the critical gap has been our inability to identify who is at risk. Since we do not know who is likely to develop the disease, we have to find the cancers as early as possible. Mammography has been an important tool in detection, but in women under the age of 40, it has poor sensitivity, and even in women between 40 and 50, the results vary. So, for many women the breast exams and mammograms designed to find something that has been growing for years is their only option regarding breast cancer. 70% of women who develop breast cancer today have no known risk factors, but in fact they were at high risk. At some point before their tumor or their cancer was found, the cells

**TWST: Would you elaborate on the care protocol should the patient's screen test returns positive?**

**Mr. Stroh:** The Ob-Gyn or PCP office is the ideal setting for this risk assessment, since this is where most women go for basic health care. As with the cervical Pap smear, the HALO breast Pap test should be part of the woman's annual wellness exam. For a woman with an abnormal HALO test, she will likely be referred to a breast specialist or breast center, as they are well versed in managing high-risk patients. They will start with a full family history and a complete risk assessment. The outcome of those will dictate the next steps, but increased surveillance, which includes using more sensitive imaging technology, will be a likely option. In addition, the specialists can counsel the patient on options ranging from chemopreventive agents that can prevent over 80% of breast cancer incidence in these high-risk women, to minor surgical options. The most important aspect is to watch this patient more closely. When we remember that most patients have none of the risk factors commonly associated with the disease, such as a family history, and thus we do not know who to watch, identifying these patients at risk is a critical improvement as we can monitor these patients differently from the millions of asymptomatic women. If cancer does develop, survival is tied to finding it at an early stage; stage 0 or stage 1, has a survival rate of nearly 100%, compared to near 20% if found at Stage 4. And early stage cancer treatments are far less invasive and costly than the treatments prescribed in later stages.

**TWST: What is the cost associated with the test and the insurance reimbursement policy?**

**Mr. Stroh:** The cost of the procedure varies somewhat between regions of the county, but typically it's between \$75 and \$95. As with all new tests, there is no reimbursement as of yet, but we're working on securing reimbursement to facilitate adoption as we move forward.

**TWST: Would you give us a sense of the traction you have gained since the FDA approval?**

**Mr. Stroh:** The FDA approval occurred in 2002, and as is the case with most medical products, there was a lot more work that needed to be done in order to commercialize the device. We had additional clinical trials to do, the rather basic early devices needed to be redesigned to fit within the requirements of the physician-office environment, inventory needed to be produced, and we started to hire our team. We officially began commercializing the device in March 2007. Today, we have over 50 devices in commercial use and are seeing our revenue start to ramp and our utilization start to increase.

**TWST: How much does the device sell for?**

**Mr. Stroh:** The device sells for \$6,500 and many doctors lease it for about \$240 per month. We have priced this to encourage as much adoption as possible, as our ability to make a great impact on health care requires widespread adoption.

**TWST: Do you sell directly to the physicians? What level of training do you provide?**

**Mr. Stroh:** Yes, we do sell directly to physicians, and training is minimal as the test is easy to administer. The test takes exactly five minutes. Typically, it's the nurse or the medical assistant who's performing the test and the training is typically completed in a day.

**TWST: Noting that the test has not been coded for reimbursement, what feedback have you received regarding patient response?**

**Mr. Stroh:** First, our business model is predicated on 100% self-pay, but we do anticipate getting reimbursement and if we are successful with our reimbursement strategy, it will accelerate our growth in the future. But the feedback that we've received validates our model that predicted the initial users in middle or higher income brackets will pay for a test that provides previously unavailable insight into a disease that has created great concern; we hear from patients that \$75 is like a tank of gas in their SUV, and to help them have a better handle on their risk for developing breast cancer, they will gladly pay that \$75 out of pocket. But we also recognize that the true potential of this test is to make it widely available and lower income women are disproportionately affected, which is why we are committed to doing what we can to accelerate the reimbursement of the HALO. Women are healthcare advocates and the current approach of screening, which is essentially hoping a mammogram will catch something that has been growing for years, creates tremendous anxiety. Providing women and their clinicians a tool to identify

someone at risk years before a lesion might be detected has great potential to significantly alter the landscape of breast cancer.

**TWST: What are the risks associated with false positive?**

**Mr. Stroh:** This is a screening test and like all screening tests, it will not be perfect. Yet, NAF has sensitivity similar to that of the cervical Pap test and similar to screening mammograms, both well accepted procedures in basic healthcare. We are looking for ADH; the presence of ADH does not mean someone will get cancer; it means they are at high risk and should be managed appropriately. It is important to remember that, in the absence of this exam, we will continue to feel for lumps or image for lumps and hope we find it early; we can do better and we now have the technology to make that a reality.

**TWST: Would you comment on the key elements of your strategy looking ahead?**

**Mr. Stroh:** Our primary objective is in building awareness to the physician community, especially the breast specialist community, and GYN physicians. The breast specialists know the science behind HALO and have often been frustrated with their inability to see high-risk patients before the patient has full-on breast cancer. So they need to know that primary care physicians now have the ability to screen women for their risk of developing breast cancer. We believe our focus is to educate, as both patients and clinicians need to know that we can change the dynamics of breast cancer. As we educate, we believe we will see the benefit of that with increased utilization of HALO. While there are some intriguing opportunities as a company from a strategic perspective given the market space in which we exist, we want to ensure we stay focused on developing awareness. We believe that we can make a significant impact on one of the greatest healthcare challenges facing us today.

**TWST: What steps have you instituted toward those goals?**

**Mr. Stroh:** We're active at many of the professional associations, including exhibiting at the American Society of Breast Surgeons, American Society of Breast Disease, the American College of Obstetricians and Gynecologists, and the American Association of Family Physicians. We also have a number of upcoming advertisements in clinical journals and will have our first radio spots soon. HALO has been increasingly covered by news reporters. For the patient, we are improving our educational tools so the patient can make an informed decision as to whether HALO might be right for them.

**TWST: So the marketing budget is on the increase?**

**Mr. Stroh:** It is, as we have a number of educational programs in development. Our commitment was to reach out to the clinicians first, as they would rather not hear about something new from their patients. We have a number of projects ranging from mailings to ads and targeted campaigns to reach breast specialists and primary care physicians. We are also developing outreach items for the patients themselves.

**TWST: Is any further product refinement needed at this point?**

**Mr. Stroh:** No, the device has been in the market in earnest since March, but prior to that we had a small number of units out in commercial use through a test market program. The procedure has been done on thousands of women at this point and we've had no major glitches; the device works as intended. There is an interesting long-term ability that, from a business perspective, will allow us to improve the device in terms of size and cost but we will address that in the next couple of years.

**TWST: Would you comment on the expertise of the key members of your management team including yourself?**

**Mr. Stroh:** I think our management team is a real strength of the company. The senior executives each bring over 20 years of experience in health care with a tremendous range in experience to include private and public companies, large and small with significant track records of success. In addition, our Chairman of the Board, Kathryn Tunstall, has been in health care for 30 years and in this specific space for nearly 15 years.

**TWST: Do you have the financing in place to take you to your goals?**

**Mr. Stroh:** As our press release stated, we've just completed a Class C round of financing and that round has enabled us to retire some debt that we had on our books and to support our commercial launch with the expanded marketing activities we've discussed.

**TWST: Where do you expect your company to be two to three years down the road?**

**Mr. Stroh:** I expect we will have already made a significant impact on health care and expect women and their clinicians to

be motivated to take more control of their breast health; we believe this will happen by making the HALO part of the standard of care for well-woman exams and breast cancer screening. From a financial perspective, I believe we'll be cash flow positive and deciding on our optimal strategic options.

**TWST: Do you have any final thoughts?**

**Mr. Stroh:** We have a great opportunity that is truly a win-win opportunity. We can make a difference on a significant health concern, and by preventing or finding cancer early, we can have a positive impact on lives and dollars.

**TWST: Thank you.**

**JOHN K. STROH**

CEO

NeoMatrix, LLC

16 Technology Drive

Suite 118

Irvine CA 92618

(949) 753-7844

(800) 600-2613 – TOLL FREE

(949) 753-7845 – FAX

[www.neomatrix.com](http://www.neomatrix.com)

e-mail: [info@neomatrix.com](mailto:info@neomatrix.com)