

DECEMBER 13, 2004

# THE WALL STREET TRANSCRIPT

**Questioning Market Leaders For Long Term Investors**

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**THE WALL STREET TRANSCRIPT**

## COMPANY INTERVIEW

**HYRUM A. MEAD**  
BSD Medical Corporation

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# BSD Medical Corporation (BSDM)



**HYRUM A. MEAD**, President and CEO of BSD Medical Corporation, joined the company and was elected to the Board of Directors in 1999. Previously he served five years as Vice President, Business Development for ZERO Enclosures, a leading manufacturer in the telecommunications, computer and aerospace enclosures industry and seven years as President of Electro Controls, a manufacturer of computer controlled power systems. Mr. Mead began his career in

marketing with IBM where he worked with the introduction of many new products. Mr. Mead's career has focused on growing businesses and making them successful, including turnarounds.

## SECTOR – MEDICAL DEVICES

**(ZAR615) TWST: Would you begin with a brief overview of what you do?**

**Mr. Mead:** BSD Medical develops, manufactures, markets and services systems to treat cancer and benign diseases using heat therapy as provided by focused radio frequency and microwave energy.

We developed the technology for microwave thermal therapy that is used for the treatment of enlarged prostate symptoms, and that technology has been the basis for an important new medical industry. Earlier this year, we received substantial funding from the sale of the company that we created to market that technology, and are using that funding to pursue the commercialization of our systems for treating cancer, and to pursue applications of our systems for treating other diseases and medical conditions.

In addition to the treatment of cancer, we believe that our technology has application for the treatment of psoriasis, arthritis, fibroids, hemor-

rhoids, menorrhagia, benign tumors, cysts, sleep apnea, varicose veins and cosmetic skin tightening without surgery (face lifts and tummy tucks).

**TWST: How far along are you in commercializing the products as far as cancer is concerned?**

**Mr. Mead:** Our readers should first understand what hyperthermia is. According to the definition of the National Cancer Institute, "Hyperthermia is a type a cancer treatment in which body tissue is exposed to high temperatures (up to 113 degrees F) to damage and kill cancer cells." Hyperthermia is one of the methods that we use to treat cancer.

Hyperthermia is normally used in combination with other cancer therapies. We also have cancer treatment methods to treat cancer with heat alone.

We have obtained FDA approval for hyperthermia therapy with a portion of our product line, the BSD-500, which treats surface and subsurface cancers. We will be submitting application for FDA approval of the BSD-2000 next year. The

# Corporate Profile



## BSD Medical Corporation

**Ticker (exchange)**

**BSDM (OTC:BB)**

**Price close 12/08/04**

**1.85**

**12 Months Price Range**

**1.15 - 2.25**

### Corporate Headquarters

2188 West 2200 South  
Salt Lake City Utah 84119-1326

**Phone:** (801) 972 5555

**Fax:** (801) 972 5930

**Web:** www.bsdmc.com

### Corporate Officers

**Paul F. Turner**  
Chairman/Senior VP/Chief  
Technology Officer

**Hyrum A. Mead**  
President/CEO

**Dixie Toolson Sells**  
VP Regulatory Affairs

**Ray Lauritzen**  
VP, Field Service Operations

## Corporate Business Description

BSD Medical Corporation (OTC: BSDM) is the world's foremost developer of microwave systems used in the treatment of cancer. Microwave hyperthermia therapy has been shown to substantially improve local control of cancer, tumor response and survival rates when added to radiation treatments. In phase III clinical trials where hyperthermia was combined with radiation therapy, hyperthermia improved 2-year local control of melanoma from 28% to 46%, complete response for recurrent breast cancer from 38% to 60%, 2-year survival for glioblastoma (brain cancer) from 15% to 31% and complete response for advanced cervical cancer from 57% to 83%, as compared to the use of radiation therapy alone.

## OUR THERAPY

Despite the massive attention given to cancer prevention and treatment, the American Cancer Society estimates that 1,368,030 new cancer cases will be diagnosed and 563,700 Americans will die from cancer during 2004. Exceeded only by heart disease, cancer remains the second leading cause of death. The current primary cancer therapies (ionizing radiation, chemotherapy and surgery) are still grossly inadequate, and an enormous need for better treatment is obvious. Hyperthermia is an emerging cancer therapy that both kills cancer cells directly and has been shown to be a potent additive treatment used in making the major existing cancer therapies substantially more effective. Research is also demonstrating that hyperthermia has the potential to become a powerful complement for some of the most promising new cancer therapies under development. Cancerous tumors are uncontrolled growths of mutated cells that require more energy to survive than do cells of normal tissue. As cancer cells grow rapidly, they tend to outstrip their blood supply, leaving them blood and oxygen starved. Oxygen starved cancer cells are resistant to ionizing radiation treatments, which create oxygen radicals to attack tumor cell DNA. Blood depletion also makes cancer resistant to chemotherapy, where blood transport is required to deliver the drug. Hyperthermia applied to a tumor draws blood to the cancer as the body's natural response to the stimulus of heat. Many clinical trials have shown strong improvements in the results from both ionizing radiation and chemotherapy when hyperthermia is added to the treatment. While sensitizing tumors for more effective treatment from radiation and/or chemotherapy, hyperthermia also destroys cancer cells directly through damage to the plasma membrane, the cytoskeleton and the cell nucleus, and by disrupting the stability of cellular proteins. Tumors with poor blood supply systems lack the natural cooling capacity provided by efficient blood flow in normal tissues, making them selectively susceptible to the cancer-destructive effects of hyperthermia therapy.

Hyperthermia has other therapeutic uses. It can be used to shrink tumors prior to surgery, potentially making resection easier or even possible. Research has shown hyperthermia to be an activator for gene therapies, speeding gene production (heat mediated gene therapy). Hyperthermia may play a key role in the development of new anti-tumor vaccines that are based on the production of heat shock proteins. Research has shown hyperthermia to be an angiogenesis inhibitor, preventing cancer from inducing growth of new blood vessels to expand its blood supply. Hyperthermia could also be a companion therapy for drug angiogenesis inhibitors, used in the final destruction of depleted cancer cells. Hyperthermia has been shown to improve patient quality of life. Even in situations where there is no hope for survival, hyperthermia may provide benefits through alleviation of such effects as bleeding, pain and infection.

## PRODUCTS

BSD Medical Corporation has developed the technology required to approach hyperthermia therapy through three techniques: superficial, interstitial and deep hyperthermia. These methods allow cancer to be treated virtually anywhere in the body.

Superficial hyperthermia systems are used to non-invasively treat tumors within a few centimeters of the surface of the body, typical in conditions of melanoma and recurrent breast cancer. Interstitial hyperthermia is primarily used to treat tumors in combination with popular interstitial and endocavitary ionizing radiation therapy (brachytherapy), using tiny microwave antennae inserted through the same catheters required to deliver radioactive seeds. This technique can be employed in treating prostate cancer, breast cancer, head and neck cancer and a variety of other cancer sites. Deep hyperthermia is used to non-invasively treat tumors deep within the body, including many problematic cancer sites located in the pelvis, abdomen and chest areas.

Development of the BSD-2000 has been a substantial effort involving the cooperative work of such American research institutions as Duke University, Northwestern University, University of Southern California, Stanford University, University of Utah and University of Washington St. Louis. Contributing European research institutions included Daniel den Hoed Cancer Center of the Academisch Ziekenhuis (Rotterdam, Netherlands), Haukeland University Hospital (Bergen, Norway), Düsseldorf University Medical School, Tübingen University Medical School, Essen University Hospital, Charité Medical School of Humboldt University (Berlin), Luebeck University Medical School, Munich University Medical School Grosshadern, Interne Klinik Argirov of the Munich Comprehensive Cancer Center (all of Germany), University of Verona Medical Center (Italy), Graz University Medical School (Austria) and Kantonsspital Aarau (Switzerland). Through research funded by the National Cancer Institute and supportive efforts by other research institutions, BSD Medical has been able to further enhance the BSD-2000. The BSD-2000/3D adds three-dimensional steering of deep focused energy, delivering even more precise heating to the tumor. As part of the international collaborative research efforts, sophisticated treatment planning software for the BSD-2000/3D has also been developed. Both the BSD-2000 and BSD-2000/3D administer non-invasive treatment to deep tumors. As a further objective, MRI treatment monitoring has also been added. The BSD-2000/3D/MR provides magnetic resonance imaging (MRI) as an interface with the BSD-2000/3D. The development of MRI treatment monitoring has been a long-awaited breakthrough in hyperthermic oncology. Among many benefits, MRI treatment monitoring opens the way for the application of MRI monitored hyperthermia for better treatment of new cancer sites, using non-invasive imaging (including temperature monitoring) of tumors during therapy.

BSD-2000 is designed to treat cancers located deep in the body, such as bladder, uterine, prostate, cervix and colon cancer. We have developed commercial versions of both systems for market entry. The two systems together will allow treatment of tumors located virtually anywhere in the body with hyperthermia cancer therapy.

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***“We have created a technology that can significantly improve survival rates from cancer, the second leading cause of death in the world. If we succeed in penetrating the cancer therapy market by making hyperthermia standard cancer therapy, the resulting sales opportunity will be in the billions.”***

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**TWST: Could you explain the concept of the hyperthermia process to cure or kill the tumor?**

**Mr. Mead:** First, you should understand that the techniques primarily used to treat cancer besides surgery are chemotherapy and radiation. With these three therapies, we continue to lose about half of the patients diagnosed with cancer. That rate of patient loss is intolerable.

Hyperthermia therapy is used to boost the survival odds for patients treated with these common therapies. When used in combination with chemotherapy, it increases the absorption of chemotherapy drugs into the tumor, and also kills cancer cells directly. In combination with radiation, hyperthermia both kills cancer cells and oxygenates the tumor so that radiation can work more effectively. Radiation therapy requires the presence of oxygen so the radiation beam can turn oxygen into radicals that attack cancer cell DNA. Hyperthermia sensitizes cancer for better radiation treatments. There is a direct correlation between the oxygen level in the tumor and radiation resistance of that tumor.

**TWST: How effective can hyperthermia be in improving the success of cancer treatment?**

**Mr. Mead:** Dr. Sneed of the University of California, San Francisco has given a summary of the results of Phase III international clinical trials conducted with hyperthermia and radiation combined compared to radiation alone. The addition of hyperthermia improved two-year local control of melanoma from 28% to 46%, complete response for recurrent breast cancer from 38% to 60%, two-year survival for glioblastoma (brain cancer) from 15% to 31% and complete response for advanced cervical cancer from 57% to 83%.

**TWST: What do you estimate the market to be?**

**Mr. Mead:** For our hyperthermia systems, we project the fully penetrated market to be \$300 million for the BSD-500 and \$3.5 billion for the BSD-2000.

**TWST: How do you intend to market your product at this current juncture?**

**Mr. Mead:** We will use a distributor network on an international basis, and in the United States we will use sales agents and direct selling.

**TWST: Could you give us the scenario for the next two to three years?**

**Mr. Mead:** The next two to three years involves the commercialization of our BSD-500 system, and the application for the FDA approval for the BSD-2000. We intend to be aggressively pursuing the sale of both during that period. We will also be making major progress in the application of our technology for other therapies. Readers should carefully read our disclosures in our recent 10-KSB filing regarding the FDA application for the BSD-2000.

**TWST: You said you had sold your interest in a company developed based on your technology. Could you tell us about that company?**

**Mr. Mead:** The company is TherMatrx, Inc. It was sold to American Medical Systems in July

2004. We received an initial cash payment, and have projected (although it is not guaranteed because a portion of the payment is dependent on TherMatrx sales through the end of 2005) that we will receive approximately \$40 million in total from that sale. Investors should carefully review our disclosures in our latest 10-KSB regarding this sale.

**TWST: Would you share with us the expertise of the key members of the management team of your company?**

**Mr. Mead:** We have a regulatory organization that has been responsible for two FDA approvals, and which is seeking our third, the approval for the BSD-2000. Our Chief Technology Officer is the foremost leader in the field of using electromagnetic energy for hyperthermia therapy and certain other applications. We have a sales and marketing leader who has had much successful experience in leading sales organizations through other important medical companies in oncology. I have a background in growing and building businesses, and this is my third company to work through these similar processes.

**TWST: How well understood is BSD Medical in the financial markets in your opinion?**

**Mr. Mead:** BSD Medical needs further exposure and opportunity to be understood in the medical markets. At this point, things have happened so rapidly that I believe the financial community has not yet grasped who we are and what we have accomplished.

**TWST: Are there any special programs that BSD Medical plans to institute or do you have to get your message out?**

**Mr. Mead:** We intend to embark on a number of efforts that should give us considerably better exposure.

**TWST: What would be the key message that you wish to convey to investors?**

**Mr. Mead:** We have created a technology that can significantly improve survival rates from cancer, the second leading cause of death in the world. If we succeed in penetrating the cancer therapy market by making hyperthermia standard cancer therapy, the resulting sales opportunity will be in the billions. We are in the late development and early commercialization phase of our cancer therapy business.

In addition, we intend to exploit the opportunity to expand the use of our technology for medical therapy in a number of other exciting areas. We have just concluded a major success by applying our technology for the treatment of benign enlarged prostate, creating major funding for our company, and providing an excellent medical solution for millions of men.

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

**HYRUM A. MEAD**

**President & CEO**

**BSD Medical Corporation**

**2188 West 2200 South**

**Salt Lake City, UT 84119**

**(801) 972-5555**

**(801) 972-5930 - FAX**

**www.bsdmc.com**

**e-mail: investor@bsdmc.com**