CEO CFO

echo THERAPEUTICS

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# With their Symphony tCGM (Transdermal Continuous Glucose Monitoring) and their Prelude® SkinPrep System for Enhanced Skin Permeation for Drug Delivery, Echo Therapeutics, Inc. is Well Positioned for Future Growth

**Healthcare**
**Medical Devices**
**(ECTE-NASDAQ)**

**Echo Therapeutics, Inc.**

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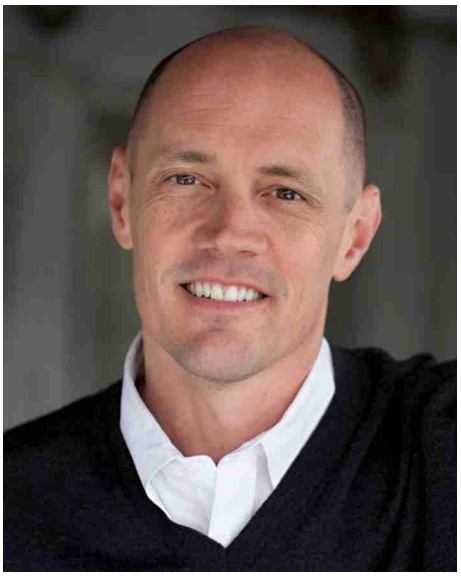

**Dr. Patrick T. Mooney M.D.**
**Chairman, President and CEO**

**BIO:**
Dr. Mooney has served as Chairman and CEO of Echo Therapeutics since September 2007. Prior to joining Echo, Dr. Mooney was President, Chief Executive Officer and Chairman of Aphton Corporation (Nasdaq: APHT), where he had also served as Chief Medical Officer. Prior to that, Dr. Mooney served as Senior Biotechnology Analyst at Thomas Weisel Partners, LLC, a full service merchant banking firm and as Senior Biotechnology Analyst at Janney Montgomery Scott, LLC, a full services investment banking firm. Dr. Mooney received his medical degree from the Jefferson Medical College of Thomas Jefferson University and trained in surgery at Thomas Jefferson University Hospital.

**Company Profile:**
Echo Therapeutics is a transdermal medical device company developing its needle-free Symphony® tCGM System as a non-invasive, wireless, transdermal continuous glucose monitoring (tCGM) system and its Prelude® SkinPrep System as a platform technology for transdermal drug delivery. Echo believes that the Symphony tCGM System will change the paradigm of invasive, needle-based, episodic glucose testing in the diabetes consumer and critical care markets to one of continuous, needle-free monitoring. Echo is also developing its needle-free Prelude SkinPrep System as a platform technology for enhanced skin permeation to allow for transdermal drug delivery of a wide range of FDA-approved products.

**Interview conducted by:**
**Lynn Fosse, Senior Editor**
**CEOCFOinterviews.com**

**CEOCFO:** Dr. Mooney, how long have you been with Echo Therapeutics, what is the vision and how has it changed since you have been CEO?
**Dr. Mooney:** I have been with Echo Therapeutics since 2006. Echo started out as a private company that we took public through a merger into a public company called Sontra Medical in September of 2007, becoming the company that it is today. In 2005 Sontra Medical, the predecessor company upon which our current technology is based, was working on an older version of the skin permeation technology. Since 2007 we have focused on a second generation version of the technology, which has allowed us to have a more cost effective manufacturing process and we believe, a better technology as it relates to glucose monitoring.

**CEOCFO:** Will you tell us about Echo Therapeutics two flagship products, the Symphony® tCGM and the Prelude® SkinPrep System?
**Dr. Mooney:** The skin permeation technology came out of Dr. Robert Langer's lab at MIT. The technology allows for the skin to be permeated very rapidly and completely painlessly. Once the skin is permeated, one could deliver drugs topically without the use of a needle, or apply a needle-free biosensor like our Symphony tCGM (transdermal continuous glucose monitoring) biosensor, to read glucose levels continuously without the use of the needle. The sensor sends a wireless signal to a hand-held remote monitor such as a hospital monitor or a smart phone, ultimately.

**CEOCFO:** What is so special about enhanced skin permeation?
**Dr. Mooney:** Nobody likes needles, so the idea here is to focus on the enhanced administration of drugs and analyte extraction. The topical pharmaceutical market of FDA approved products is about $5.6 billion today. Those drugs are somewhat limited in what they can do because the skin provides a very effective barrier that prevents foreign objects such as bac-

teria and drugs from getting into the body. Our skin permeation system, the Prelude SkinPrep System, removes the outer-most layer of skin called stratum corneum, which is the layer of dead skin. Under a microscope the stratum corneum looks like bricks and mortar and serves the same purpose, keeping things out. By effectively removing the stratum corneum, the Prelude SkinPrep System allows for enhanced skin permeation for drug delivery. Additionally, the bigger and more important focus of the company is on permeating the skin and then applying a needle-free continuous glucose biosensor for people with diabetes or for hospital patients, that we believe is approximately a $12 billion market opportunity.

**CEOCFO:** You mentioned the market opportunity, as you go forward what is your approach to bringing your products to the market? Are you focused on partnerships or are you building a sales team?

**Dr. Mooney:** We are still in clinical development, so we have to first go through the FDA process, and we are primarily focused on that. However, throughout the course of the next year or so we will plan on putting together a marketing team to launch the product on our own. Our initial target market for glucose monitoring is going to be the hospital. There are a couple of reasons for that. One is there are no approved continuous glucose monitoring products for use in the hospital and it is very much needed. Two, it is very realistic for me to say that we can go from a 25 employee company today to a 70 employee company 18 months from now. Approximately 15 of those people would be sales and marketing people focused on the hospital market. This is a very concentrated market, rather than pursuing the type I/type II diabetes market, where it is probably somewhere in the order of 100 or 200 sales people calling on internal medicine doctors, family medicine doctors, pediatricians and endocrinologists. Additionally, you are also competing against the larger players such as J&J, Abbott, Roche, Bayer, Medtronic and Dexcom; all who are focused on glucose monitoring in the type I/type II market. The hospital market is a segment of the broader $12 billion glucose monitoring market and it is probably $1 billion to $2 billion in and of itself, so it is a very big market opportunity with less marketing execution risk and no approved product in the space. These are the main reasons we are focused on it.

**CEOCFO:** A realistic plan of action is very important.

**Dr. Mooney:** It is. After we focus on the hospital market, we will then go out to the consumer market; but at that point we will have already established ourselves as a leader in hospital glucose testing. It will be easier to launch in the consumer market after we have launched in the hospital market.

**We have completed 8 clinical trials in human beings with various iterations of the device… We just finished a study in type I and type II diabetes, which showed very strong accuracy performance of our system. We anticipate starting another study in approximately 30 critical hospital patients, before the end of this year. We would expect to announce data some time in late January or February.**

**- Dr. Patrick T. Mooney M.D.**

**CEOCFO:** Will you have to make revisions to Symphony for the consumer market or do you think you can take it to the consumer market as is?

**Dr. Mooney:** We are designing it so it is a one-size-fits-all product, but when we get to the consumer market the product will probably undergo some minor refinements in order to get costs down and product size smaller. It will need to reflect the economic reality of the consumer market; but generally speaking the technology will be the same.

**CEOCFO:** Where is Symphony in the clinical process right now?

**Dr. Mooney:** We have completed 8 clinical trials in human beings with various iterations of the device. Some of the very early studies were done with the first generation skin permeation device. In fact, all of the studies have been done for the most part with different versions of our glucose biosensor. When I say different, I mean that engineering and science is iterative, so it is not as if we are making a brand-new biosensor in-between each test. However, we have made subtle changes to the system, whether it is to provide better accuracy in reading glucose or making the product more manufacturable, in order to get costs down. Each time we make one of those changes, we conduct a study to test the change to make sure that it is still feasible, and that the device still performs in the manner in which we expect it to perform. We just finished a study in type I and type II diabetes, which showed very strong accuracy performance of our system. We anticipate starting another study in approximately 30 critical hospital patients, before the end of this year. We would expect to announce data some time in late January or February.

**CEOCFO:** Are we talking about revolutionary products here, could these products save lives or lower healthcare costs?

**Dr. Mooney:** I think all of the above. At the risk of self-aggrandizement, I would say what we are doing is revolutionary and how we get there is evolutionary. I think I just explained the evolutionary component of it, making subtle changes to the system. Needle-free continuous glucose monitoring is clearly better than using a needle-based continuous glucose monitoring. If you had the opportunity to wear a device without a needle or with a needle what would you choose? And continuous monitoring is better than non-continuous monitoring, so we believe that what we are doing is revolutionary. Other people have tried it in the past with limited success. Symphony appears to consistently perform successfully, so we are optimistic about our chances.

**CEOCFO:** What is Echo Therapeutics' current R&D spend and is it strictly on these two products or are you looking at other things in the pipe?

**Dr. Mooney:** We are currently focused keenly on glucose monitoring. I found that if you start focusing on multiple things at once, you are sure to not succeed in the one thing you want to do best. So we are primarily focused on glucose monitoring with both of the products, permeating the skin for glucose monitoring and wearing the biosensor for glucose monitoring. The Prelude device can be used for drug delivery, and we have a partnership with a company, Ferndale Pharma Group, that wants to make their lidocaine numbing cream perform better after skin permeation with our device. Ferndale licensed the right to use our product and they demonstrated that skin permeation with our Prelude device makes their product more effective. They are currently working with regulatory authorities to get Prelude approved for skin permeation prior to the delivery of their lidocaine numbing cream.

**CEOCFO:** Were these products through acquisition or development and do you own them 100%?
**Dr. Mooney:** We have no royalty encumbrance on the products; we own them.

**CEOCFO:** What is the financial picture for Echo Therapeutics today, and do you have the funds necessary to bring these products through to clinical trials or do you have to raise money?
**Dr. Mooney:** We just completed a financing. We had a large warrant exercise commitment of $2 million from our largest shareholder, and we just recently announced a $5.4 million financing, so we have a very reasonable amount of cash right now. We have no plans to raise money any time in the near future; however, being the CEO of a pre-revenue company we would always consider the appropriate time to raise additional capital to fund the development of the programs on an as-needed basis considering market conditions.

**CEOCFO:** What is your investor outreach at this point?
**Dr. Mooney:** We have had a pretty successful year. The stock price started the year around $1.50 in January, and ran as high as nearly $5 in the 1st and 2nd Quarters of this year. We got off the Bulletin Board and were listed on the Nasdaq. We have increased investor awareness by cultivating relationships with sell side analysts and now we have some very top quality investment banks writing research on us. We do non-deal road shows from time to time to tell the story. In fact, we have some investor conferences coming up and we will do some non-deal investor meetings around those conferences.

**CEOCFO:** In closing, why should potential investors be interested in Echo Therapeutics today?
**Dr. Mooney:** I have a unique perspective on this given that I am a former surgeon, Wall Street analyst and CEO of a public company. Fundamentally I believe that Echo Therapeutics is undervalued relative to its peer group, other continuous glucose monitoring companies out there. Nobody has a non-invasive product; ours is non-invasive. We have demonstrated consistent performance with our device in the pilot studies that we have conducted to date. We believe the device works and given the evaluation relative to our peer group, we think it is an attractive opportunity to buy Echo particularly with the recent stock pullback over the last several months due to general market conditions. We have announced good news, but the stock price has not reacted because of what is going on in the global economic picture. We think this is an attractive entry point down here given that the stock had a high of about $5 this year and we are now trading at about $2.25.

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