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THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

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COMPANY INTERVIEW

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Lumera Corporation

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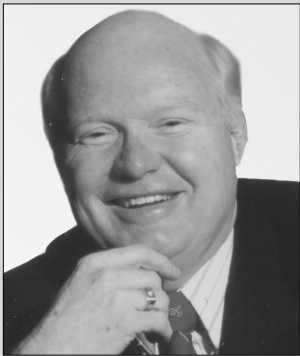
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Lumera Corporation (LMRA)



THOMAS D. MINO has served as Chief Executive Officer, President and a Director of Lumera Corporation since September 2001. From November 1999 to September 2001, he served as Vice President and General Manager of the high-speed long-haul business unit of Agere Systems Inc., an optical components supplier. From 1991 to October 1998, Mr. Mino served as President and Chief Executive Officer of Synergy Semiconductor Corp., a specialty high-speed semiconductor manufacturer. Mr. Mino has a BSEE degree in Electrical Engineering from the University of Pittsburgh.

TWST: Would you give us a brief historical sketch of the company and a picture of the things you are doing at the present time?

Mr. Mino: The company was founded in October 2000, and was initially funded by Cisco Systems and 41 private investors to introduce high speed polymer modulators into the communications market, a market which was booming at that time. The first product was scheduled to be a high-speed polymer modulator for applications within fiber-based systems. But in 2001, that business really took a nosedive, basically due to the phone companies failing to see a value proposition for putting any more fiber in the ground. Consequently, we needed to determine in what other applications we could use our technology. From that review, we decided to expand our capabilities into the bioanalytical marketplace, making biochips and later a ProteomicProcessor™ that would analyze the slides and do it at a very high throughput versus what's available right now. So we have evolved into a company with two product lines: one is electro-optic devices and materials and the other is in bioscience producing biochips and a ProteomicProcessor™ for analyzing those chips. We went public in July 2004 and recently we raised another \$17 million in cash.

TWST: What is the competitive landscape like and what are your competitive advantages?

Mr. Mino: The competitive landscape in bioscience is very broad with regard to the different types of testing that is done. The advantage we bring is the high-speed analytical capability of our optical approach. We use surface plasmon resonance technology or SPR, which directs a collimated light beam at the sample versus doing a fluorescent test. One advantage of the SPR approach is that it doesn't require any labeling of the proteins being studied, which is important because labeling changes the structure of the protein. Another is that you get kinetic data versus just endpoint analysis. What does that mean? Well, you can think of endpoint analysis as a snapshot and kinetic data as a video so you're getting much more data. There are only a few companies that are offering SPR and our advantage there is that we have the highest throughput which means the time it takes us to analyze samples is significantly faster.

In the electro-optic business, we provide the best EO polymer materials available today. There is really no one to compete with us at the material level and therefore it's very difficult to compete with us in the device performance area that uses those

materials. In addition to that, we've been involved with advanced government work. Recently, we were awarded a \$5.9 million contract by DARPA to provide enhanced materials, advanced processors, and advanced devices. In that particular area, there are very large opportunities in the government and military sector.

TWST: Would you describe what you do for the government?

Mr. Mino: We are working with several research institutions to provide the highest capability within a material to transmit light effectively and to apply electric signals to that light, so we can transduce it from electrical signals into optical signals, which move much, much faster. We are working with them on devices specifically for satellite and airborne applications, because the polymer modulators that we make are significantly smaller, significantly faster, and use a significantly lower amount of power than anything else. Due to that, our applications in the airborne and satellite opportunities create a big benefit for the government. In addition, our polymer modulators are impervious to space radiation, which is not true of crystalline modulators.

else and when that will actually have an impact in the wireless world. In the case of bioscience, I think it's proving the applications that we have from a standpoint of collecting enough data to convince the customer of the advantage that we bring to the marketplace. The bioscience analytical area tends to be very slow to change and we are establishing a new paradigm. The acceptance of that paradigm in a relatively short period of time is critical to our ability to take market share.

TWST: Would you tell us more about the new paradigm?

Mr. Mino: Currently, the most samples that you can test at one time are about 400 with the best machines that we are aware of. Our new ProteomicProcessor™ combined with our slides is capable of doing up to 5,000 samples at one time. So there is a significant increase in productivity. In areas like toxicology, where you are studying drugs for their effect on the human body, you can now do 5,000 samples instead of 400 of different proteins in the body to see what the effect of the drug is on that. Therefore you can collect a lot more data in a shorter period of time. Because of that, we think customers using our ProteomicProcessor™ will see a significant decrease in the time required to introduce a new drug to market.

“We have two business units and are trying to grow them. For the next two to three years, their market opportunities are about the same, somewhat greater than \$2 billion in each market. If we took the amount of market share we anticipate in each one of the areas, they could both be multi-million dollar businesses.”

TWST: What about your opportunities in the private sector as you look ahead?

Mr. Mino: In the private sector, the first opportunities we see are for the application of these devices in the millimeter wave communication systems. We announced our ability to transmit data at 10 gigabits per second at 35 GHz, 94 GHz, and 140 GHz, which to our knowledge is about 10 times faster than anything available in the marketplace right now.

TWST: Looking ahead, what about possible challenges or problems? What will you be worrying about?

Mr. Mino: As I look ahead, number one, I think about how quickly the telecom market is going to come back and how it is changing, so that we can apply our modulator technology to that particular area. I look at what's going to happen in the wireless world and our capability to provide a higher data transmission rate than anybody

TWST: What else is important regarding your strategies for the next three or four years?

Mr. Mino: In the case of electro-optics, I think what's important is to clearly establish the benefits of our modulators in the commercial arena. We are getting very good acceptance from the people who are looking at them, for transponder applications and communication systems as an example, because of their lower power requirements, lower optical loss, and smaller size. We currently have the capability of going up to 200 GHz with our polymer materials, but the existing systems are based on 10GHz and are just making conversions to 40. So people will really start seeing advantages in the 40 GHz and the 100 GHz areas as they get to those applications. We are pushing very, very strongly in that area. In the case of bioscience, I think it's a matter of establishing a base for our ProteomicProcessor™ and then providing the biochips that go with

it. Initially, we'll provide blank chips where scientists can then print the proteins they want to study onto the chip. The next step, we'll be developing biochips with content on them — antibodies, kinase or other proteins — so that we'll be offering a whole product solution. Selling consumables will be the basis for our real growth in this area.

TWST: What would you reasonably expect the company to look like in about three years?

Mr. Mino: Right now, we have two business units and are trying to grow them. For the next two to three years, their market opportunities are about the same, somewhat greater than \$2 billion in each market. If we took the amount of market share we anticipate in each one of the areas, they could both be multi-million dollar businesses. Between now and then, however, it may make sense for us to partner with someone as far as the ProteomicProcessor™ is concerned in the bioscience side and/or the millimeter wave system on the electro-optic side. It's pretty hard to predict exactly what we are going to look like, but growing as we are right now, I would see the two business units with significant revenue growth, and about the same number of people and requiring about the same investment.

TWST: What are the milestones that investors might want to be looking for over the next few years?

Mr. Mino: In the electro-optic business, they should be watching for us, number one, to improve the performance and automate the millimeter wave system, and also meet the milestones established for us by both DARPA and other government agencies as far as material and device development is concerned. In the field of bioscience analysis, I think they would be looking for acceptance of our ProteomicProcessor™ by drug companies and other large users, in addition to the research institutions and universities that are our base right now. We will also be looking for the utilization of our advanced protein arrays in applications within both academia and the commercial markets.

TWST: Would you tell us about the backgrounds and the expertise of yourself and a couple of your colleagues?

Mr. Mino: My background is mainly electro-optics. I have been CEO in three different companies, where two of them went public and another one was sold. I was Vice President and General Manager of Agere Systems' electro-optic business. So I have a very strong background in the electro-optic side of the business. We have two business unit heads that report directly to me. On the bioscience side, Tim Londergan has a PhD in Chemistry from the University of Southern California, and has been working with our biology and surface chemistry scientists as well as our equipment engineers over the last three years to develop our products and also the application of those products into that market. On the EO side, we have Raluca Dinu, who has a PhD in Material Science from Romania. Raluca's background is also in the development of materials and processing materials for electro-optic

devices. We have a very strong technical team. Our CFO has experience in both small and large companies. He is making sure that we are Sarbanes-Oxley compliant and that we are consistent with the audit functions of both our own internal auditors and the government auditors. We have developed a very strong bioscience marketing and sales team by hiring experienced people from the industry. In the case of electro-optics, we have just started forming the sales and marketing team and it will really mature over the next 12 months.

TWST: How much of a problem has Sarbanes-Oxley been for you?

Mr. Mino: I'm not sure I can answer that question the way I'd like to (laughs). Sarbanes-Oxley is a major problem for any small public company. This year we are going to spend several hundred thousand dollars of our cash to be Sarbanes-Oxley compliant where alternatively that money could have hired additional PhDs to advance our science and get our product to the marketplace. Instead, we are spending that money on accountants and lawyers to generate four reports a year that I'm not sure anybody reads.

TWST: Do you see any need to improve the company's capital structure?

Mr. Mino: No, not at this point in time. We are in a very good position for the foreseeable future.

TWST: What occupies your own attention as CEO most on a day-by-day basis?

Mr. Mino: Now that we are a public company, it is dealing with investors and questions they might have, plus working on partnering and potential partnering agreements in both the bioscience and the electro-optic area. Because we have such an advantage that we could develop several new products in each area, we think right now the best way to go about that is partnering. So it is strategic discussion with other companies, regular discussions with our investment community — those are the two big items — and then strategic planning moving into the future.

TWST: What are the two or three best reasons for the long-term investor to look very closely at Lumera?

Mr. Mino: The biggest reason is the talent that we have in the areas that we are addressing and the technical advantage we have in the areas we are addressing. Because of our expertise in optical materials, surface chemistry materials, and optics, we really bring a lot of disciplines to bear on solutions to the customer that require a broad and deep knowledge in all of those areas. Because of that, we are able to introduce new products that are indeed disruptive and shift paradigms, and those are the areas where we are going to create value over the next couple of years. All of that capability is tied together by our intellectual property portfolio, which we watch very carefully to make sure we maintain our advantage in materials, processes, devices, and subsystems.

TWST: Is there anything that you would like to add, particularly regarding your vision for the industry and your vision for the company? What do you see well down the road?

Mr. Mino: In the communications world, I see a thirst for data that is very difficult to keep up with. And by offering broader bandwidth at higher speeds, we bring a unique opportunity to address those problems both in the commercial arena with applications like disaster recovery and backup but also for consumers. I can see the day when HDTV, which requires huge amounts of bandwidth, will be broadcast wirelessly into your home. In the bioscience side of the business, the possibilities are equally exciting. Let me give you an example. Scientists have identified certain proteins that act like switches, turning a disease like cancer on or off. There are some drugs on the market now that react with those proteins and turn the switch off. Pharmaceutical companies are aggressively pursuing that line of research to find cures for cancer, Alzheimer, and other diseases. What we're doing with our ProteomicProcessor™ and biochips allows researchers to test for the proteins that act like off switches. That's pretty exciting to be a part of that.

TWST: Is there anything you would like to add on the subject of corporate strategy?

Mr. Mino: One of the things that we have done is fill our Board with very, very talented people in each one of the markets we are trying to address. Having access to such talent as we move

forward is a big advantage to us, because they all have a significant amount of experience in those markets and can help guide our strategic objectives. In addition to that, we also retain both a Scientific Advisory Board and a Business Advisory Board that are made up of very, very strong, well known figures in both of the market segments that we are addressing.

TWST: Thank you.

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