

# Tech firm STI growing fast again after selling unit

By Terrence Sing  
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Honolulu defense contractor STI is growing rapidly again after selling the bulk of its business last year to a British-owned firm for \$27 million.

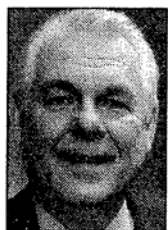
STI is one of Hawaii's most successful defense contractors and has grown from 13 to 26 employees since selling the military rights to its proprietary hyperspectral imaging technology to BAE Systems North America. The deal also included hiring the 125 STI employees who worked on the military portion of the business.

STI's growth is centered around two new spinoffs: STI Medical Systems LLC and STI Research LLC. The entities were formed before last year's sale, but STI has stepped up efforts to staff them in anticipation of a new multi-million-dollar defense contract that is expected to close soon.

STI Medical has been focused on a \$4 million U.S. Army contract to develop medical devices for cervical cancer detection. The work is part of an ongoing military contract that began in 2001.

It is centered around STI's proprietary hyperspectral diagnostic imaging technology, for which the company received a patent last year.

The technology uses sophisticated optical cameras to break an image into hundreds of colors, making it possible to filter out aberrations such as an object in the water or a tumor in the body. In humans, cancerous tissue has its own color that is uniquely different from that of healthy tissue.



Susner

STI CEO Nick Susner bought the company in 1996 and expanded the business from 12 employees to about 140 before selling a big chunk of it to BAE.

"We are here doing it again and creating another organization," said Susner, who is confident the company will have more business in 2005 than it has employees to handle.

The company attracts talent from all over the world and employs Ph.Ds. from China, Sweden, Australia, Argentina and Chile.

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While STI Medical is continuing with research and development on hyperspectral diagnostic imaging, which it plans to commercialize, STI Research functions as a dual-use technology incubator focused on biotechnology, cosmeceuticals, wireless and dual-use technologies for military and commercial markets.

"Our transfer of Department of Defense technologies developed by STI in hyperspectral imaging into the medical device field is a noteworthy example of STI's accelerator model of developing dual-use technologies for both military and commercial markets with global potential," said STI Senior Vice President Will Alameida.

The global market for cervical cancer detection and treatment is estimated at about \$50 billion. STI began research into treatments for the disease in 1996.

The company conducted clinical studies of its hyperspectral diagnostic imaging technology at Tripler Army Medical Center last year. Plans this year are for a series of clinical studies on the Mainland and abroad.

"It takes an image of the cervix, but it's a noninvasive procedure similar in approach to what's done now with colposcopy," Alameida said. "It's going to revolutionize this field."

The technology is designed to tell a doctor where to perform a biopsy.

STI has spent close to \$21 million on research and development over the past few years, most of it federal money, Susner said.

"This is a very sophisticated and long process and we are moving along very well towards completing our pivotal [U.S. Food and Drug Administration] trial in 2006," he said.

The company plans to commercialize several products from the program, including both hardware and software. But it's still too early to provide specifics.

STI Medical's thrust is in line with the state's effort to build a life-sciences industry.

"What we are finding is we are beginning to see a breadth of biotech activity that heretofore we've not seen in Hawaii," Susner said.

He believes the new University of Hawaii John A. Burns School of Medicine will become the catalyst for attracting the research talent and financial capital required for a life-sciences industry.

"I'm very excited about the real interest ... toward making biotech a viable industry in Hawaii," Susner said. "One of the reasons I accepted BAE's offer was I knew they would keep the folks here and it was important for me to grow another organization."

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PHOTO BY TINA YUEN ◆ PBN

Dr. Wenjing Li and Dr. Sara Palsson are among the STI employees developing diagnostic imaging technology that can be used to detect cancerous tumors.