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# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

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THE WALL STREET TRANSCRIPT

## COMPANY INTERVIEW

### JOHN GOCEK

Sofame Technologies Inc.

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# Sofame Technologies Inc. (SDW:TSX.V)



**JOHN GOCEK**, President and CEO of Sofame Technologies Inc., is a C-level executive offering 20 plus years of hands-on experience in general management, accounting, manufacturing operations, corporate finance, investment and international banking, portfolio and treasury management, IS/IT and management consulting. He is a proven executive, well-rounded in general management for manufacturing, private equity and international banking. He is an advocate of performance-based metrics and Web-based management systems, and a mentor, skilled at coaching others to understand the organization's needs and to act constructively. An Honors degree in Economics from McGill University in Montreal, management associate training on Wall Street, and years of professional development have led to roles of increasing responsibility in finance, business strategy and executive management, including CEO of a public company and co-Founder and CFO in a multinational SOX-regulated manufacturing corporation.

## SECTOR – ENERGY

**(AJS602) TWST: Would you give us a brief historical sketch of the company and a picture of the things you're doing at the present time?**

**Mr. Gocek:** Sofame was started 24 years ago in Montreal by a couple of mechanical engineers who were trying to recover waste heat from industrial flue gases. For many years the company made significant investments in R&D and equipment because the process occurs inside a machine manufactured by Sofame Technologies, which essentially uses direct-contact principles, meaning we spray water into the flue gases to recover the latent heat.

In 1997, the company went public on the TSX Venture Exchange, which at the time was called the Vancouver Exchange. At that time, we had a major gas utility in Quebec, Gaz Metropolitain, which was one of the main shareholders with a

minority interest and they also participated in a lot of the testing. They have a laboratory and testing facilities and developed some of our patents. We have five patents presently.

In the last three years, because of the increase in natural gas prices, Sofame's equipment has become more desirable and the payback periods have become much quicker — down from seven or eight years 10 years ago to around two to three years today, making it a lot more attractive to companies that want to recover the value that's being lost as waste heat goes up the chimney.

**TWST: What are your principal products?**

**Mr. Gocek:** We have five principal products. The first product, which we don't sell as much of today, is a wastewater heat recovery machine. That would be used by commercial laundromats or hospitals recovering heat from wastewater and to a

certain degree by municipal water treatment facilities or sewage treatments recovering waste heat from water. That's a good business, but we've gone more into commercial buildings and industrial buildings with large space heating, which today uses hot water as opposed to steam. Many people probably remember the old steam radiators in, for example, a hospital or a university, which would make a lot of noise and get extremely hot and they were difficult to control. So for a lot of technical reasons, the construction industry went into hot water. It's easier to control the flow and temperature of water than it is with steam. So that's actually where we felt Sofame's advantage, in that by recovering heat from flue gases we produce hot water. We don't produce steam and there are some advantages to not being in steam.

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Firstly, our equipment is not regulated by pressure vessel regulations. We don't need it to be in an explosion-proof room. We don't need a stationary engineer watching the operation 24 hours a day, seven days a week, which represents a significant payroll budget when you build a boiler room. There are some other stringent regulations on steam boilers that do not apply to Sofame equipment.

We have various models. Our most simple machine is called the Percomax, which is the trademark name. It's essentially a water heater.

Rather than the small residential style water heaters everyone is familiar with, it can be extremely large. Just to give you an idea, the minimum size machine we would sell, because of the prohibitive costs for small applications, would be a 3 million BTU per hour Percomax, which would be essentially a water heater that is good for use in a hotel of 150 rooms and up. Because it uses direct contact principles, it recovers 99% of the energy in the fuel. The fuel in many cases in cities today is natural gas. A typical water heater making hot water for a hotel would be somewhere around 70% efficient today, possibly 75%. Some of the older machines are only 50% efficient. A Percomax water heater in an industrial establishment would recover 99% of the energy and put it into the water. So it's a much better deal financially speaking. Gas prices, as everyone knows, are going up and it doesn't look like they are going to go back down any time soon.

Our next product is called a Percotherm, which is a heat recovery condensing boiler, meaning if there is an existing steam boiler which is to exceed 70% efficient, a Sofame Percotherm would recover the waste heat by redirecting the flue gas into our machine where we apply direct contact principles and recover the heat that would normally be lost in flue gases. That could represent up to 40% of the gas bill of the establishment. So our machine is now paying for itself in under two years including installation, which is very attractive for anyone managing corporate assets.

The third machine in our list of products is a patented machine. This is a Sofame patent, which is the Hybrid Percomtherm. This unit combines the simple principles of a water heater and a heat recovery boiler and that's why we were able to apply and receive the patent. This machine recovers heat from existing boilers and also adds its own source of heat, which in most cases is a natural gas burner;

however, we do make units which burn number 2 and number 6 fuels and also successfully recover waste heat. It's important to note that the type of fuel you use has two impacts on the condensate, meaning the hot water that accumulates in our system. Natural gas burns very clean so the water is actually approved to go directly into a wash down of a food-processing establishment by the FDA and Agriculture Canada. So food processing is a large consumer of natural gas because I believe every 24 hours of operation they have to wash down for eight hours with extremely hot water. So if we make that water heater 99% efficient, we're saving them a lot of money. If they had an existing boiler, for example, and we were to replace that or they were to add on to their facility, we could sell them a Hybrid Percomtherm to recover the waste heat from their existing water heaters and generate more hot water, because the Percomtherm has its own heat source. A typical burner in the Percomtherm would represent about anywhere from 10-20 million BTUs per hour, which is roughly 3-7 megawatts of energy. So it's quite a large gas burner.

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***"The business is essentially a green business. It's heavily engineering-oriented, but it's a green business and today it's a very profitable proposition for customers to install and apply our energy-saving equipment. We believe that we have a good future and our plan has been to, first of all, attack the US market."***

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**TWST:** Could one customer use more than one of your products at the same time?

**Mr. Gocek:** It depends on what the application is. The simple answer is "Yes," and the other side of the coin depends on what we do with flow of hot water, because we sell an engineered

solution. It's a system solution, meaning it's not just a machine that a company purchases for a particular purpose, but we take the waste heat and as a result we have to decide how we are going to redistribute the recovered heat into their process. So we're actually mechanical engineers with expertise in boilers. We would take that waste heat that sometimes represents quite a significant amount of energy or a large volume of hot water.

Just to give an idea of the size that this can attain, our largest machine is operating at a liquid natural gas facility in France on the Brittany Coast and we are recovering 60 megawatts of waste heat from a turbine generating electricity, and we are recycling that heat in the form of hot water at a rate of 800 gallons per minute, which we use to reheat liquid natural gas at the terminal. Once the gas becomes a vapor, it can be compressed for distribution and that operation is actually saving something like \$15 million per year in gas costs by recycling that waste heat. So it takes quite an experienced systems engineer to figure out in a process what to do with the recovered energy.

So when we sell a solution, it's not just a machine, it's how the heat will be redistributed in the entire process. There are several heat sinks in the typical industrial operation and our engineers have to be experts in finding out where they are and how to feasibly and economically transfer the heat energy back into the process, the net result being that the company combusts less fuel to achieve the same operating results.

**TWST:** I understand that your systems or solutions require very little servicing.

**Mr. Gocek:** It's actually surprising. Of course, we offer a service contract and the machine needs to be inspected once a year just for normal effects. Typically in a closed loop heating system, we look for corrosion and we look for buildup or

calcification of some sort of sediment or particles. Typically, in our systems we have an excellent record of zero corrosion and zero accumulation of calcium and different sorts of scale, so as a result maintenance is very limited.

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***“We are changing our business model to a much more complex model, but it certainly is exciting. I presented it in Europe in the Brussels Cleantech Show recently and it was very well received by the people present. There were about 300 investment funds, venture funds and green funds in the room and the feedback was very positive. The timing is right for environmentally friendly energy-reducing investments.”***

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With the pumps we use, it’s an integrated pipe skid. We try to ship the machine on a couple of skids, which could be quite large — it can be the size of a small tanker truck on its side. We would then ship the pipe skids and all the pumping equipment on a separate truck and then those two components would be bolted together at the job site, which means we can do a lot of the piping at our plant as opposed to at the job site, and it’s more economical for the customer that way.

We use stainless steel pumps, which have to be ordered specially and there aren’t too many manufacturers of custom stainless steel pumps today. They are a little more expensive than typical cast iron pumps and we do that because of the acidity in the water. It’s the way we ensure that there won’t be any corrosion. We use high density, high quality stainless steel. Because we use such high quality stainless steel, we typically experience almost zero corrosion in our applications, which is good news for the customer. Even the life of the machine is anywhere from 20-30 years, depending on the application.

Some environments are extremely harsh, like in the mines, for example. We actually just had a very successful project in New Brunswick where we’re recovering waste heat from the drying process of a large zinc mine, and they’re really pleased with the results and we are also reducing the emission of greenhouse gases there, but the environment is extremely harsh. There are particulates in the water and it looks like the machine is not having any corrosion at all. So that’s good news for us for the future possibly, even looking into coal-fired boiler applications where we have to be more concerned about what kind of contaminants are in the flue gas. We are very interested in doing R&D now. In fact, we started a program to look at coal-fired applications, which represent internationally an enormous market for heat recovery. As you know, most greenhouse gas emissions come from energy production and coal-fired boilers.

**TWST: What kind of competition do you have?**

**Mr. Gocek:** Competition at this time in the large industrial applications would probably come from the architects and engineers who actually are designing the facilities because you can’t buy a refinery off the shelf. It’s all custom-designed and engineered over a period of years. There are more urgent priorities now to reduce the energy footprint or even the carbon emission footprint of an industrial facility. So those engineers are constantly striving to design more efficient facilities.

There aren’t very many specialized manufacturers like Sofame that actually make a piece of equipment and have engineering expertise that they can sell as a package. Don’t forget that we’ve been doing this for 24 years with limited financial results only because energy costs in North America were too low to justify investments in heat recovery. That’s what changed recently. So we do have

a lead on the market and certainly our business plan is to maintain that lead indefinitely and invest whatever resources are required in R&D, distribution and manufacturing to make sure we remain the leader in the marketplace.

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***"We have made tours in North America and Europe showing the company, talking about our story, and the interest is very high and very keen for the product. We have about \$19 million of quotes in process at various stages of completion, mostly in the United States."***

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**TWST: Would you tell us more about your business plan? What is your agenda for the next three years or so?**

**Mr. Gocek:** We actually are working on a five-year business plan starting on October 1, 2008. In fact, the company's reorganization began in May 2007 when new investors came into the picture, and that would be Notre-Dame Capital based in Montreal. The Managing Partner of Notre-Dame is actually the Chairman of the Board at Sofame, Richard Groome. He contributed the working capital in May 2007 to get the company back on its feet financially.

Subsequently, I was hired as CEO in October because of my experience as the CFO of an air conditioning manufacturing company in Montreal, which was a part of Nortek, a New York Stock Exchange company that was formally taken private about three years ago. I built that large facility in Montreal and gained experience in customer-engineered products, distribution in the US market, and dealing with mechanical contractors, engineers, architects, and building owners. So with unique financial and industry-related experience, I came on board in October and we immediately started executing some changes and improvements to the operations.

Actually I was really pleased with the human resources of the company early on in the mandate. It's a small company still in Montreal, but the people here are really experts in what they do. They have excellent educational backgrounds and are very committed to the business, which is essentially a green business. It's heavily engineering-oriented, but it's a green business and today it's a very profitable proposition for customers to install and apply our energy-saving equipment.

We believe that we have a good future and our plan has been to, first of all, attack the US market, meaning sign up representatives who can call on their customers in exclusive territories. We have four reps so far in the US. They're typically boiler experts who have been selling boilers for many years and know the customers in their territory — it could be a state or it could be a large urban area. We think there is room in the US for up to 40 representatives who would then call on the building owners and add Sofame products to their list of existing product offerings. Typically, they would sell a line of boilers as well because our equipment is complementary to boilers and they might sell pumps, maybe even air conditioning chillers or air handlers. Because air handlers and chillers are an applied product in the construction and engineering business, Sofame products are complementary to that skill set as opposed to selling an additional boiler that can almost be done from a catalog. Our products are custom-engineered and custom-manufactured so we do have some synergies occasionally with the existing air conditioning and chiller representatives in the US market. So we're building our rep force in the US now and constantly recruiting and interviewing new reps who write a mini-business plan — what they think they can achieve in terms of sales in their territory, who their customers are, what their product line con-

sists of, and we have to figure out how we would be complementary to what they already do.

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***“We expect sales to pick up in Europe, where I would say environmental awareness is 10 years ahead of the United States, and investments and corporate decisions are really accented toward carbon footprint, carbon emissions and energy savings. The payback tolerances in Europe are much longer than in North America. So Europeans are willing to invest in environmentally friendly and energy saving technologies with a much longer payback.*”**

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At the same time, we are expanding into Europe. We just had some very successful meetings and signed a joint venture for sales with a company called Soffimat in Paris. They are a very well known firm out of Paris that builds, owns, operates and also finances power plants. They had 1.4 gigawatts of electrical generating capacity in France, which makes them quite a larger player in the private power market. They recently sold many of their assets and they’re reinvesting the proceeds of those sales into research in mainly bio-gas applications but they are still into power generation and they kept a lot of their operating contracts. So they are operating power plants throughout France and they’ve seen enormous opportunity to apply Sofame technology in their existing power plants. Because their customers would be investing the capital, they are offering to share the energy savings with the customers. In other words, they would apply the technology, the customer would finance the investment, and the two parties would split the energy savings. So we’re really excited about that. We just signed that agreement and they are already working on some important projects in France and they can help us develop similar rep networks in other European countries and in the Middle East where they have some ties in six countries. As you know,

there is enormous construction growth happening in the Middle East and it’s very much heavily accented toward energy efficiency and the carbon footprint. So Sofame Technology fits quite nicely into their mindset and those kinds of environmental objectives. We’re pretty excited about the potential in the next year for expansion into both Europe and into the Middle East.

**TWST: What about challenges or problems?**

**Mr. Gocek:** I was a banker for 12 years, so I’m a bit of a pessimist when it comes to capabilities, business plans and even past history, so I would look for what’s the truth behind the shine. However, I was very pleased with the quality of Sofame’s product, and with the high profile and success of some of its installations. Let me just give you an idea, and this was part of the due diligence Notre-Dame Capital did before they invested their funds as well. The Montreal Airport, Trudeau International Airport, expanded their terminal a few years ago. They built a new terminal and actually rebuilt the old terminals and added a third terminal. They increased the volume of airspace in the building by 80%. At that time, they really needed to build a new boiler plant to heat and cool the space, because now you do district heating and district cooling, but they were concerned about the heating portion of the business and were concerned about the costs involved in building a new boiler plant. So the engineers opted to implement the Sofame heat recovery solution and they applied four Percotherm heat recovery boilers to their existing four steam boilers. We recovered enough heat from that operation to heat the new terminal, which represents 80% more volume of air than the old terminal and they reduced their gas bill by over 50%. So they almost doubled the building and almost cut the gas bill in half, which are really ex-

traordinary results. That's the kind of an impact Sofame Technology can have. I should probably put in parentheses there that, of course, the new terminal has been much better built than the old terminal, which was 40 years old and it's more energy efficient from the get-go because there's a lot of less heat lost from the building, but typically in a Sofame application we can recover 15%-25% of the gas bill at the power plant.

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

**Mr. Gocek:** We have two business models. Our existing business model right now is to sell manufactured equipment. I think I need to talk about metal prices so you understand fundamentally what's happened in the market in the last three years. As you know, steel prices have gone up by as much as 500% in the last five years and our unit is constructed in such a way that the center is pretty much empty whereas the traditional boiler is full of tubes and it's made of very heavy lower grade metals, but mostly metal, and they weigh tons. So our machine, especially the Hybrid Percomtherm, is competing with a traditional boiler. If you were like Trudeau International Airport and you wanted to increase the capacity of your existing boiler plant, do you build a new boiler plant or do you put in a Hybrid Percomtherm and recover the waste heat from your existing boilers? With the Sofame Hybrid Percomtherm, we would add new heat to the system with our own gas burner.

When they opt for the Hybrid Percomtherm, first of all, they save the cost of building a new boiler plant, but secondly, when comparing boiler to boiler, because the traditional boiler has so much weight of metal even though it's lower grade metal, when metal prices went up, stainless steel

went up. Our units are made of 100% high-grade stainless steel. So when steel prices went up, our units became more expensive, but we have less weight per thermal unit of output than the traditional boilers. Whereas the Sofame unit used to cost twice as much as the traditional boiler, today we are talking about possibly a 20% premium over a traditional boiler and you get the benefit of reducing your carbon footprint and recovering 99% of the energy from your combustion process and all the savings that represents today with high gas prices. So Sofame's business model is a lot more attractive when we are competing with traditional steam boilers, and now take that to the next step.

Our goal is to increase the volume of sales by expanding our distribution network in the United States and Europe. A typical sale takes anywhere from six to 18 months to generate because we have to deal with the owners, with the engineers and with external consulting engineers. It's a highly technical process with a lot of documentation. We don't experiment in someone's boiler plant. It really has to be proven, approved and validated by third parties. So it takes some time before we get that order.

In five years, we could probably be a \$100 million company — whereas last year we were a \$2.3 million company — simply by selling more equipment. That represents an enormous amount of work just to get the specifications and then actually produce the quotation and the purchase order and all the technical drawings. So what we've decided to do is offer a turn-key solution to our customers, meaning we would not expect the customer to hire the mechanical contractors, but we would offer turn-key installation and maintenance contracts.

Then add to that, in addition to offering installation, we want to offer 100% financing. So

the fact that the entire installation wouldn't cost the customer any cash flow, or any money, and because we are so confident about the machine's performance and the system's performance, the payback would be sharing the energy savings. Some of our reps are already doing this in their territories in the US. Of course in Paris, that's how they do it as well. We are going to follow that model and we are in a process of establishing a financing subsidiary, which will be financed by third party investors — a combination of green funds, banks and venture capital funds. We would have a credit department and we would evaluate on a project-by-project basis if our financing subsidiary could offer 100% financing. We would hire the contractor and do the installation. Because most of these installations are extremely well monitored and metered even before we actually start a job, we ask for 10 years of data on various capacities and parameters of the existing boiler plant so we'll be comfortable to estimate the energy savings given the certain gas price and assume the risk of the customer.

Obviously, we'll be betting that gas prices will either stay the same or go up, but when your payback is three years, even if gas prices go back down by 50%, payback will be six years. We are comfortable that on a 10-year contract we would recover our investment and generate an attractive profit for the investors or certainly an acceptable level of return on investment. The customer would have to put up no cash, and we think that's going to help accelerate our sales process.

There are many customers out there that have a very long capital approvals process and if we can somehow make it easier for them to acquire the equipment, we think we will increase our sales volume in that way. Then if you consider the installation costs, which we would be

paying for rather than the customer, not only is it easier to sell, but the transaction would also add revenues to our top line. Rather than selling \$100 million of equipment in three to five years, we could possibly be selling \$200 million of turn-key installations. If the energy savings model pans out, we would have repetitive revenue from our 10-year service contracts and energy savings as opposed to a one-shot gross margin on a manufactured product for which it takes 18 months to generate the purchase order.

So we are changing our business model to a much more complex model, but it certainly is exciting. I presented it in Europe in the Brussels Cleantech Show recently and it was very well received by the people present. There were about 300 investment funds, venture funds and green funds in the room and the feedback was very positive. The timing is right for environmentally friendly energy-reducing investments.

**TWST: Would you tell us about the backgrounds of one or two of your colleagues?**

**Mr. Gocek:** I would start with one of the co-founders of the company, who is very much active on the Board and is the Vice President of Technology here, Luc Mandeville. He's a mechanical engineer who was educated at the University of Montreal. He has been in the manufacturing and boiler business for almost 35 years. In fact, he started out welding when he was very young and went on to do mechanical engineering. He has an extreme knowledge of the boiler business and the heating business and also all the players in the business. Over the years, he has met many of the key manufacturers throughout North America. He has given lots of technical presentations and he really has the expert knowledge to sell this product to difficult and discerning technical customers. Once we get over the technical hurdles, how are

we going to implement the installation? Where are you going to put the machine? How are you going to build it? How are you going it to make it fit in the existing boiler room? What are the heat sinks? Where will the excess energy be used in the process? These are things Luc Mandeville can really deal with. He can deal with the difficult customers and consulting engineers. So he is an enormous asset to the firm.

To his credit, he has assembled an expert team underneath him of five other engineers. This is a fairly young team, anywhere from 25 to 45 years old, and we have people with Master's degrees in Controls, PhDs in Combustion Engineering, and we are in the process of hiring some new people now. In fact, we hired just recently another applications engineer with a Master's degree in Fluid Dynamics. So we are a technically oriented crew here that does the actual execution of the production drawings and the manufacturing of the unit. Luc is the scientist and educator, and often educator of customers, and the practical team here takes over. They just do an excellent job of handling the quote volume and delivering the drawings that are required not only to make the sale, but then to do the manufacturing and installation of the equipment. I am very confident with the team. We will be expanding our engineering team nevertheless, because the quote volume is increasing and we need a little more help to generate some of these quotes and also transfer some of this specialized knowledge.

We also are very good in the controls field. Our control panels on our machines monitor and regulate a whole diversity of flows and parameters in the system so that our machine can regulate itself, and so it can run at 100% or what we call a turn down ratio of 10:1. It can go down to 10% capacity as well. Everything obviously has to be

designed with safety in mind, so everything is fail safe, meaning if there is a power failure or if something goes wrong, we have to make sure the system resets itself so that all heating stops and all flue gases are returned to the main chimney so that you never have a possibility of some sort of industrial accident occurring. These are things that customers are concerned about and we have the expertise to make sure that we meet and exceed existing standards in building codes and just common sense in safety. So that's our small team and it will be growing.

**TWST: What steps might you be taking to improve your capital structure?**

**Mr. Gocek:** We've raised funds in the last 12 months three times. We did a debenture issue in May 2007, we did a subsequent debenture issue in September 2007, and we recently completed a private placement in March 2008. We have raised a total of \$5.6 million, which is exactly what the company needed to replenish working capital, finish some jobs that were in the shop, and beef up the engineering and technical personnel.

There were some lingering accounts payable that had to be dealt with to suppliers and essentially a complete cleanup and restructuring of the balance sheet. We have installed a new accounting system. Don't forget that I am a CEO with a finance background. I was a banker for 12 years and come from New York originally. I completed a degree in Honors Economics here in Montreal, but subsequently went back to New York to work at Marine Midland Bank at 140 Broadway for four years and completed the management training program there in finance, international banking and international accounting. So with a good credit background, I was a lender up here in Montreal for the Canadian federal government's Business Development Bank and then was

a consultant for six years, writing business plans and financial models for international infrastructure projects. Then the air conditioning company started in 1998, Ventrol Air Handling Systems, and grew from a business plan with two proponents to 300 employees and \$50 million a year in volume after four years. We had to double the plant after 12 months to 157,000 square feet. It is still operating very successfully today, exporting into the US.

Because of that finance background, I'm obviously concerned with the quality of the balance sheet. The fact that the debentures issued were convertible was done intentionally so that as the share price rose we could call those debentures. We did call a second series of debentures about three weeks ago. That means \$1.7 million of debt on the balance sheet is now equity and that will show up in the third quarter financial statement ending June 30. You won't see them until probably mid-August.

But the company had accumulated losses and what we are doing now is using new investment to restructure, beef up the sales model and decide what markets we need to pursue aggressively. That decision has led us to industrial markets, power generators, airports, institutional buildings, pulp and paper plants and breweries. Even cruise ships offer a good market because the cruise ship is a giant floating hotel and everyone has to take a shower at seven in the morning so they use an awful lot of hot water and we could probably recover a lot of waste heat on cruise ships as well. So there are a lot of interesting areas, but they are all large and heavily engineered contracts that take time.

We needed to raise that working capital, which we now have. We have cash in the bank of about \$2.2 million. I suppose I'm not going to publish

what our burn rate is, but it's very low. It's a small company with a small building that it owns in Montreal. The secret now is to close some of these purchase orders that we have been working on for 18 months in the US and we'd like to have \$10 million in confirmed order backlog by September 30. That's really our goal. We would like to double our sales in 2008 by September 30. We shipped \$2.3 million last year and we expect to ship a little over \$4 million this year — so almost double our sales — and to create more efficient operations. We have to break even in 2008, and then we can improve our capital structure by recording profits from there on.

**TWST: What would be two or three best reasons for the long-term investor to look closely at Sofame?**

**Mr. Gocek:** I really am pleased you're talking about long-term investors because in the last year the stock price has more than doubled. Two years ago, the share was under \$0.05 and by the time I came on board in October 2007, it had risen to about \$0.15 and subsequently went up to \$0.48 in 2008. For the investors who did come in earlier, the stock's performing very well.

We have made tours in North America and Europe showing the company, talking about our story, and the interest is very high and very keen for the product. The creditability is there and I believe these investors are waiting for some of the large purchase orders to come through that we've been working on. We have about \$19 million of quotes in process at various stages of completion, mostly in the United States. These are not yet purchase orders. When a few of those prestige jobs come through, I think it's the validation of what we've been saying, that it's a proven technology in Canada that has been perhaps understood but not marketed at all. It has not been marketed in 24 years.

All the sales that Sofame achieved were done engineer to engineer, often from consulting engineers to consulting engineers, without even speaking to the company. So we finally have a proper marketing and sales force in place. We are building right now upon what we already have. We are advertising the company in trade publications, which mechanical contractors would read and where the boiler makers would advertise their products. We have some really nice advertising campaigns going on right now. We've been on the ASHRAE Website, which is the American Society of Heating, Refrigerating and Air Conditioning Engineers, which is clearly the leading organization for all engineers in the United States. We had a very nice ad on their Website with a link to our Website. So we are getting the word out. With the projects and case histories that we have on our Website, I think engineers are seeing what the product does and can do, and that it is proven. We just need to prove that we can deliver the orders we already have in the pipeline and I think that the sales are going to increase from there.

**TWST: Is there anything that you would like to add, especially regarding strategies, long-term objectives and reasons for an investor to look at the company?**

**Mr. Gocsek:** Our plan is to increase our marketing, orders and installations in Europe. We already have five in France because the company previously had ties with Gaz Metro and Gaz de France and we recently signed a joint venture agreement with Soffimat in Paris. We expect sales to pick up in Europe, where I would say environmental awareness is 10 years ahead of the United States, and investments and corporate decisions are really accented toward carbon footprint, carbon emissions and energy savings. The payback tolerances in Europe are much longer than in North

America. So Europeans are willing to invest in environmentally friendly and energy saving technologies with a much longer payback.

That is also true of the investing population who would look for shares like Sofame shares. They are much more patient and they understand that new technologies — even if proven — take time to become adopted by industry. So for this reason we are moving some of our shareholder base now over into Europe, which is why we recently did a tour in London, Geneva, Zurich, Amsterdam and Brussels, and presented the company to various fund managers and private wealth management firms in those cities. It was very well received, even much better received than anything we have seen in North America. So that change and diversification of the shareholder base will be happening.

Some of the institutional investors there would like to invest larger amounts of money possibly in our new financing subsidiary, and have actually requested that we do a dual listing on probably the Alternext. They have a junior exchange called Alternext, which is the Euronext in Europe, the European listing of the New York Stock Exchange. We've been approached by some of the institutional investors that we met in Europe recently to pursue a dual listing on the Alternext to open up other avenues for us to fund our finance subsidiary model that we promoted in Europe, as recently announced in a press release. So this is public domain information. We haven't presented to our Board yet the Alternext listing, but there is clearly an appetite for investments such as Sofame in Europe. That will not stop some of the European investors and the wealth managers there from buying the stock that's already listed in Toronto. They are very actively looking around the world for investments like Sofame. So I would say that we did

make an impression on this recent European trip and I think the European interest is more long-term. They are willing to give us the time we need to execute our business plan and they're environmentally oriented. They are more interested in the environmental results. It's a different kind of investor mentality. We are going to listen to all these suggestions while we actively pursue European expansion. I think the stock has a good future, and I think North American investors should keep in mind that this is a global market for energy savings and carbon gas and greenhouse gas reductions, and Sofame fits into that global market.

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

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