

# **Investor Conference Call for November 20, 2007 @ 4:00 pm**

## **(Q1 Results/FY08)**

### **(Introduction/Welcome)**

Good afternoon to our shareholders and guests on today's conference call. I am Kevin Kelly, President and CEO of Proginet.

Debra DiMaria - our Chief Financial Officer and Katherine (Piscopo) Stein, Director of Investor Relations, are also participating in today's conference call.

Before Debra reviews the financial results, I want to provide a brief assessment on our first quarter of fiscal 2008.

The bottom line is that I am not happy with the first quarter results. When we developed our fiscal 2008 plan we expected volatility on a quarterly basis but we still expected to close at least one big deal in Q1 - we didn't, and I know that many of our investors are also disappointed.

In the other areas of our business, substantial progress has been made - and almost all of these initiatives will have positive impact on future sales.

I will provide more insight and review these initiatives and our accomplishments after Debra reviews the financials. However, it is important that participants be aware of the information related to Regulation Fair Disclosure (FD) and the disclosure of information related to our Quarterly Financials. So, before we present the quarterly review, I ask Katherine to read the Safe Harbor Disclosure.

## Safe Harbor Disclosure

Regulation Fair Disclosure, FD, regulates how material news can be released to investors and the general public. FD also regulates that specific information must be disclosed publicly before it can be discussed privately. However, the SEC does allow corporations, like us, to provide complimentary information to matters that have been publicly disclosed.

With the exception of certain current or historical information, the matters to be discussed in today's conference call include forward-looking statements that involve risks and uncertainties. The important factors that could cause actual results to differ from those indicated in the conference call include but are not limited to:

- The continued success in Proginet's expanded sales efforts both domestically and internationally, with increasing importance and dependence on larger sales.
- The ability of Proginet's software development team to complete the planned projects in a timely manner - to support sales opportunities to large organizations.
- Proginet achieving a successful launch of the new CFI - Attachment Managing Product.
- The ability for Proginet to benefit from increased expenditures in Marketing, Product Management and Investor Relations.

Proginet disclaims any obligation to update any such forward-looking statements after the date of this conference call.

Lastly, the referenced financial information provided in this call does not contain the details and footnotes provided in our SEC filings. It is important that participants obtain and thoroughly review actual financial results when they are filed with the SEC in Proginet's 10Q, on or about, November 30, 2007.

Please consider these factors throughout our discussion today.

## **Financial Review - Debra DiMaria**

Proginet completed its first quarter as of October 31, 2007. Many of the results reflect our commitment to the 2008 Business Plan. We anticipated certain deals would be delayed, yet, we continued to invest in selling and marketing programs and added new employees to support the Company and its products. We are implementing the 08 Plan and are confident once the programs take hold, Proginet will grow faster and bigger than ever before.

On the financials side:

### **Revenues**

Total revenues amounted to \$2 million which is consistent with the prior year's quarter, however, lower on a sequential quarterly basis. As mentioned, this quarter's NLR was negatively affected by postponed deals. Some of these deals are substantial deals (in excess of \$1 million dollars) with government entities. As you may be aware, the administrative side of government sales is more time consuming than most other enterprise deals. In addition, international sales are traditionally under performers during the summer months so when we fall short on the domestic side, we can't count on international to provide any relief.

## **Expenses**

On the expense side, total expenses increased by over \$350,000 dollars. As mentioned, the increase is mostly related to selling and marketing programs. During the quarter, we retained a public relations agency, attended industry conferences, employed a variety of lead generation programs and added employees to implement such programs. Kevin will further review these initiatives in a few moments. In addition, G&A expenses increased as we established an allowance for a sale recorded in Fiscal 2007. With respect to this customer, Proginet has complied with all contractual requirements of the software license agreement and will continue to pursue collection.

We ended the quarter with \$2.9 million in the bank and remain debt free. Our cash position and expected cash flow remain strong, are sufficient to continue to fund the 2008 business plan programs thru the remainder of FY2008.

Now, let me turn the presentation back to Kevin.

## **KMK Comments**

So, our financial results fell short of plan!

We knew that we were dependent on closing at least one of the large deals we were working on, but we didn't. We did not lose any of these opportunities - they were just delayed. Obviously we will lose some of them going forward - but we do expect to close our fair share of these opportunities - and closing large deals will enable Proginet to meet our FY2008 planned growth projections of 40% of New License Revenues.

Our sales team is in constant contact with all of the large opportunities and we are not aware of any "show-stoppers" on any of these large deals. In fact, our forecast report for Q2 includes \$4 million of opportunities with more than half past the proof of concept stage. And that means that they are in an advanced stage of the sales cycle.

A lot of other important activities have been pursued in Q1 including strategic alliances activities, expanded marketing efforts, substantial software development and others. I will briefly review each:

### **Strategic Alliances**

Our expanded alliance initiatives have now been in place for 15 months. At the recent Gartner IT Channel Conference, Proginet received an award for the best IT Channel Program. From discussion with some of our investors - it is clear that there has been a lack of appreciation of the significance of this award. Last years winner of this award was Intel - so you see the award is important because it establishes credibility in the VAR space - our target audience for alliances partnerships. And, the real benefit of the show was the establishment of over 75 contacts and prospects for alliance partnerships. To be sure, we must contain our enthusiasm at this time; until we produce revenues. But we do have high expectations!

## **Marketing**

Our expanded Marketing initiatives are already paying dividends. In Q1 Proginet ran lead generation campaigns that resulted in generating over 400 leads. Almost 70 of these leads participated in a Webinar Proginet sponsored last week on CFI. To put things in perspective, both metrics here, were more than double the results of any such previous lead generation programs.

## **R&D**

Our development organization has completed the development of our CFI - Attachment Manager Product and turned it over to Quality Assurance. Product management has initiated our launch program with prospective Beta sites being pursued. Once development makes final fixes and patches to CFI-AM and QA approves Attachment Manager for release, Product Management, Marketing and Sales will work together to launch CFI-AM.

Because Attachment Manager is a new product, it was considered prudent, that the business plan not include sales revenue projections for fiscal 08. However, we are cautiously optimistic that we have a real winner here.

## **IR**

Finally, while IR initiatives don't affect our sales - Proginet has continued our IR activity with presentations at the FSX investor conference in Phoenix and the Paulson/Westergaard investor conference in N.Y. Our goal is to make Proginet more visible to the investor community - to increase coverage for Proginet and increase trading volume on the OTCBB.

## **Wrap Up**

To wrap up, it is important for me to state that the Proginet team has a lot on our plate and everyone is dedicated and committed to achieving/exceeding our growth plans for FY2008.

Now, Debra and I would be pleased to take any questions.