

# **Investor Conference Call for May 21, 2008 @ 4:30 pm**

## **(Q3 Results/FY08) - FINAL**

### **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 Sandy Weil, our new Executive Vice President of Marketing, Sales and Channels will also be presenting during today's conference call.

Fiscal 2008 results have been a disappointment with large deals postponed. There are many factors contributing to our shortfall and the management team will do its best to fully inform you, our shareholders, of the many issues and challenges to be dealt with. Our agenda today is constructed to accomplish this goal!

As has been communicated in the past, Proginet's FY2008 Plan is a plan for change and a plan for growth. We remain committed to this growth plan with substantial support and help from our entire board of directors; including their support for pursuing and attracting new talent, such as Sandy.

I am pleased to report that our growth plan is being helped substantially with the ideas, efforts and enthusiasm of Sandy Weil. Sandy is a hands on guy, with the energy and can do attitude to facilitate change. Sandy brings skills to Proginet that add real strength to the team that was lacking. Time has been allotted today for Sandy to provide a comprehensive report. I am confident you will appreciate Sandy's updates on the refocusing of our resources and energies to better respond to market needs and increased sales.

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After Debra provides the quarterly results and Sandy gives his update..... I will provide an analysis and prospective on going forward.

However before the management team provides updates, 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 and other information to be provided. Now, I will ask Debra 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 on 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:

- Improved 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 and to support new go to market initiatives.
- Proginet achieving a successful launch of the new CFI - Slingshot Product. (previously Attachment Manager).
- The ability for Proginet to benefit from increased expenditures and initiatives in Marketing, Product Management, and Alliances.

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 June 10, 2008.

Please consider these factors throughout our discussion today.

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## **Financial Review - Debra DiMaria**

The Company ended the third quarter of Fiscal 2008 on April 30th.

Total revenue for the quarter amounted to \$1.9 million. This decrease from last year resulted from a decline in direct new license revenues. As Kevin mentioned, several significant deals stalled this quarter contributing to the decline.

Total net operating expenses amounted to \$2.1 million. This reflects the benefit of a reversal of an allowance due to the cash collection in May of \$140,000 from an international sale recognized in 2007. Reversing this one-time adjustment, operating expenses increased by \$200,000 reflective of our many 2008 initiatives (with continued investments in the Sales, Marketing and Alliances departments, including trade show participation, P/R firms, industry analyst research projects and several lead generation services).

We ended the quarter with \$3.5 million in the bank and remain debt free. We expect our strong cash flow to continue to fund the growth areas and initiatives that Kevin and Sandy will discuss today.

Now, let me turn the presentation to Sandy.

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## **Sandy Comments**

Good afternoon everyone. I'm Sandy Weil and I'm EVP, Sales and Marketing at Proginet Corporation. A little bit about my background – I spent the last 15 years at Accenture where I was a partner --- and responsible over the course of my career for a number of different technology focused consulting and outsourcing practices, specifically in terms of sales, marketing, strategic alliances, and general operations.

## **Assessment Phase**

So here I am at Proginet. I've been with the company since April 7<sup>th</sup> and I have to say that it's been an incredible experience thus far. My first 45 days have been basically an analysis phase – trying to figure out how this company needs to change (and quickly) in order to capitalize on its potential. There is tremendous opportunity for us and my job is to make sure we focus all of our efforts on maximizing results.

I have focused my assessment on 3 major areas:

- 1) The people
- 2) The products
- 3) The plan

This assessment has driven me to four major conclusions about our future plans:

### **Conclusion 1 – We need to reorganize and reinvigorate our Sales and Channels teams**

#### **Skill Sets**

We have realigned a significant group of our workforce to focus on driving growth and making sure that we maximize the existing skills within the firm.

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## **Reorganization**

For Proginet, results are the only things that matter. To that end, I have completely reorganized our sales operation. All of Proginet's direct sales team reports directly to Jack Gazzola, VP of Sales. Our indirect International and Domestic team now report directly to Kevin Bohan, Proginet's CIO. This team is responsible for managing sales through our global network of channel partners and other strategic relationships such as OEMs and system integrators. This new design will hopefully bring greater focus to our revenue generation efforts.

## **Telesales Group**

We've also started, and will continue to build, a telesales group to handle our inbound and outbound lead generation programs. This will really help generate opportunities to feed into the sales process.

## **CRM**

We've implemented a complete Customer Relationship Management (CRM) system which will help us focus our lead generation efforts, and build a more condensed and efficient sales process. What that's going to do is make us a leaner, more efficient organization extensively focused on sales.

## **Mapping Compensation to Productivity**

And finally, from the sales front, we've started mapping compensation directly to productivity. Every single person on the sales team, from our newest telemarketer, to our most seasoned sales executive, will be working within incentive-based compensation plans. This will reward our people with consistent and persistent performance.

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## **Conclusion 2 – Our marketing needs to be focused and directed**

### **Redefine Marketing**

We've also redefined our Marketing group so that there is greater focus on lead generation and contribution to revenue. When I came on board, I immediately recognized that we have some great talent internally that we can better utilize to achieve our goals. To that end, we have reduced the number of vendor/suppliers so that we can get greater ROI from our marketing budget.

We've also enlisted the services of a venture marketing firm to help us shape and implement our marketing strategies. We're confident they can really help us get to the next level.

### **Product not Company**

We're a small company that, if we're to be honest with ourselves, not many people have heard of. But we don't have to *think* small. We have some great products and each has a unique value proposition in the marketplace. We plan to develop growth based on our product portfolio and its value proposition. This means bringing very specific focus to our product line – something you'll already see reflected on our homepage which changed in the last two weeks.

The big branding efforts around the company can come later – when appropriate – but right now we're all about **selling products**.

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## **CONCLUSION 3 – We need much greater product focus and innovation**

### **Product Development and Product Management**

In terms of managing and developing our product lifecycle, we're going to be very focused on doing things that can generate revenue. We'll have a short-term, medium-term, and long-term strategy and things that can bring cash into the business will be our top priority.

### **Products and Innovation**

Our core file transfer and security product suites need to have more focus on the market segments we are targeting. A few examples of this are:

The **CFI** suite is going to have some significant differentiation which we have in both short and long term planning

The **SecurForce** suite has different architectures which should be focused on different marketplaces. We believe that **SecurPass** has a solid ROI and value prop in the small to medium sized b2b marketplace, while the other **SecurForce** products have significant viability which we have not yet tapped with some new focus around SSO and distributed global clients.

Our new application “**Slingshot**” (rebranded from Attachment Manager) is being tested by 12 different organizations and will be fully available in the next four weeks. The next versions are being designed to target larger and more complex enterprises.

We are also working on a number of important OEM and Integration relationships which will be helping us take our value proposition to the next level.

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## **CONCLUSION 4 – We must develop an online capability that drives growth and a website that defines who we are**

### **New Storefront**

We're planning an e-commerce storefront so that we can package and sell our products online. We're in advanced talks with one of the leading e-commerce solution providers and they're going to help us build our storefront and develop an e-commerce strategy. As we move forward on this, we expect to be making some interesting announcements.

### **Metrics and Analytics**

We're using a whole bunch of tools to help determine how and why people find Proginet – and when they do find us – are they finding what they wanted or expected? We do this using Web analytics tools, tracking and reporting functionalities within our CRM system, and by optimizing how we get indexed by the major search engines. Search engine advertising is another key aspect of this initiative.

### **Portal Innovation**

We are going to be building a significant amount of new capabilities including: Chat and Self-Service into our technical support presence online. Also, we are going to employ a number of different forums to provide higher levels of networking across our broad client and opportunity base

### **Conclusion**

I really look forward to working on driving the growth potential of the Company. As I said earlier, we have solid people and solid products that are ready to be driven to the next level.

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## **KMK Comments**

Thank you Sandy.

As you can see, Sandy and his team have covered a lot of ground in the past 45 days. His conclusions are well on point;

- Reinvigorate sales
- Focus marketing
- Increase product innovation and;
- Establish online capability to drive growth.

It is important to note that initiatives have begun on all fronts and as Sandy said "we have solid people and solid products" so we are well positioned to execute many of these initiatives immediately to accelerate sales growth.

I know that our shareholders are disappointed, as is the Proginet team, in our year to date results.

This disappointment is especially hurtful given our high expectations for Fiscal Year 2008.

At the end of fiscal 2007, Proginet had increased our cash position to \$3.5 million from \$1.3 million, two years earlier, and we had consecutive years of revenue growth with profitability growth to \$600,000 in 2006 and over \$900,000 in profitability in 2007. This increased financial strength, coupled with improved product offerings and a re-emerging Managed File Transfer space, provided the impetus for an aggressive growth plan with increased investments and expenditures for Fiscal 2008. I would recommend that shareholders go back and review the presentation notes from our September 2007 conference call, available on our Web site. Several important messages were provided related to this plan! You will all see that change and increased investments were the

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emphasis of the plan. We knew then, as we know now, that we had increased risk of volatility in sales. However, we certainly did not expect such volatility and such a low level of sales after three quarters.

We also did not anticipate the economic downturn - where opportunities from our largest market, financial services, have literally dried up. And, we have an economic climate where economic and investment decisions have become completely unpredictable.

My assessment is that we have stumbled, yet we have made adjustments and begun initiatives that will be beneficial and allow Proginet to rebuild momentum. We remain confident in our longer term prospects but, we don't believe we can accurately forecast quarter to quarter fluctuations at this time.

We are a small company competing in a complex technology market. We do not have enough flexibility to absorb shortfalls or missteps without an immediate impact on our bottom line. As such, it is important for the Proginet team and our shareholders to be in sync here. Our fiscal year 2008 plan included several investments in areas such as lead generation, and alliance partnerships that have not shown positive results to date. We must make such investments, and take risks, which sometimes result in failure. But, in the long term, we will innovate enough and differentiate ourselves enough to translate our number of successes to greater numbers of success, with significant license revenue growth.

The cancellation of the Special Meeting of Shareholders has generated a number of inquiries from investors. We anticipate making appropriate disclosure related to this in our upcoming 10Q to be distributed during the first week of June.

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To recap, Debra reported that we continue to maintain a solid cash position! Sandy discussed how we are moving forward on many initiatives - and how we are continuing to pursue our growth initiatives - with increased investments. The combination of increased expenditures with revenue shortfalls certainly hurts! However - we remain confident in our plans -- we will continue to pursue opportunities we have been pursuing and expand our pursuits in additional areas of opportunity identified by Sandy. As we begin to benefit from our marketing, sales and channels initiatives, we will achieve new levels of success - we just can't predict how fast things will happen.

- We will remain focused
- We will remain committed
- We will execute better, and
  - We will work together to grow revenue and profitability

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

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