



**Building Your Dream
Advisory Team
Sept. 15, 2011**





Company Overview

Seprotech Systems Inc.

TSX Venture: SET

- Provider of pre-engineered package water and wastewater treatment systems
- Three major market areas:
 - Military
 - Municipal / Developer
 - Resource sector
- Company had been growing 35% a year
- Growth was self-financed (ie. company under-capitalized)



Context: Problems arising in fiscal 2008

- Entered the year with a record sales backlog
- Staffed up in expectation of continued growth
- Projects postponed due to recession, competitive pressures due to currency appreciation
- new sales to both municipal/developer and resource markets dried up
- Management slow to react, company began incurring large losses
- Under circumstances unable to raise capital



Fallout From Recession

- Board shrank by attrition over next two years.
- Agreed direction was to cut costs to try to match expenses to reduced revenue level
- insufficient resources / management to maintain corporate governance & internal control procedures
- Company overbilled on military contract
- CEO accepted responsibility and resigned
- Needed to restate financials, Cease Trade Order (CTO), internal distraction and lack of sales
- Severe cash crunch





Jan -11 Turnaround Plan & Building the Board

Jan -11 Turnaround Plan

- Needed to resolve overbilling issue with customer & retain goodwill
- Get agreement with creditors to forbear & restructure debts
- Arrange working capital to complete contract
- Restate financials, get through audit, bring quarterly filings up to date and obtain revocation of CTO
- Win renewal of the key military contract
- Build order book of other business
- Raise long-term working capital



Role of Board in Plan

- **Need to rebuild board for several reasons:**
 - **To restore internal controls and governance discipline**
 - **additional strategic brainpower to provide guidance for turnaround and growth plans**
 - **Credibility and confidence-building with suppliers, customers, financiers**
 - **To meet public company regulatory requirements**
 - **Contacts for equity raise**



Objectives to Guide Selection of Individuals

- Looking for view of business from different perspectives
- Broad and complimentary range of skills and experience
- Credibility with different groups of stakeholders



Evaluation of Existing Board Members

Jordan Grant

- President of Seaton Group – core business is land development with investments in related businesses including Seprotech
- Broad experience in business generally, but not in water industry other than Seprotech Board
- Provides perspective of key customer groups – land developers, golf course & resort operators
- Stepping in as acting CEO, so no longer considered independent director
- Strong on general deal-structuring, strategic skills, weak on operations in this type of business.
- Only available on a part-time basis



Evaluation of Existing Board Members (cont'd)

Harry Marshall

- President of Castle Environmental
- Vast experience in water industry, including building companies selling water equipment, turnkey solutions
- Familiar with range of technologies and competitors
- Provides industry perspective and knowledge
- Able to provide operational advice and guidance to management



Evaluation of Senior Management

President and COO

- Recently promoted from within company
- Strong operational experience/skills
- Good at managing people
- Experience in both production and sales
- Lack of dealmaking, general business experience – needs guidance in this area

Vice President – Business Development

- Strong dealmaking, strategic experience/skills
- Strong financial analysis & negotiating skills
- Able to fill gaps left by part-time CEO



Evaluation of Senior Management

Chief Financial Officer

- Recently hired - discovered the overbilling issue
- Experienced public company CFO – familiar with requirements of securities regulators
- Background is banking, not accounting
- Conservative/realistic outlook
- Experience in raising capital for venture companies (particularly Bio-tech)
- Excellent deal structuring experience/skills
- Experience in helping to grow companies to next level



New Board Choices

Denis Douville

- Retired senior public servant, military officer and consultant to government
- Provides insight into perspective of key client – Canadian Military and PWGSC during bidding process for renewal of key contract
- Provides credibility in government circles
- Inexperienced in private business but very experienced in putting together complicated and technical strategic plans (eg. Cdn. Space agency)
- nothing taken for granted – insightful, “out-of-the-box” questions asked.



New Board Choices

Bill Touzel

- CEO of mid-sized consulting engineering firm with strong practice in the water field.
- Chartered Accountant – agreed to act as Chair of Audit Committee
- Provides perspective of key interface group – consulting engineers.
- Familiar with the company and the business
- Has strong business skills
- Has built/run company next step up from Seprotech (125 employees, 12 offices, revenues \$'0,000,000s)



New Board Choices

Mark Stirling

- **Outgoing VP Investments with Venture Capital Fund**
- **Provides perspective of investment industry.**
- **On Board of a number of other venture firms – can share the benefit of their experiences**
- **Also has operational background as COO/CFO of several firms - experienced in building businesses two steps up from Seprotech ie. \$ '00,000,000 level, '000 employee level.**
- **Has contacts and credibility amongst peers on Bay Street**



Remaining Gaps to be Filled

Remaining Stakeholder Perspectives / Experience sets not represented:

- **Infrastructure Contractor**
 - contractors are frequent customers or partners in turn-key projects
- **Environmental Regulator –**
 - business entails ongoing need to meet regulatory requirements,
 - ideal candidate would be former senior regulator with technical background in the water field
- **Lawyer**
 - someone familiar with corporate/securities & IP law



Remaining Gaps to be Filled

- **Gender and Racial Diversity**
 - Board is currently all white male
 - Preference would be given to qualified candidates who both fill the experience/perspective gaps and provide some diversity





Seprotech™
Water. Pure and Simple

Summary

Well-Rounded Board

- People bringing different perspectives also bring credibility with stakeholders who share those perspectives
 - different customer/market groups
 - venture capital/ investment bankers
 - consulting engineers, contractors, environmental and securities regulators
- Range of business size experiences from limited, to similar companies, to companies that have grown to next stage.
- Range of type of experiences from operational and technological to broad business and dealmaking.
- Independence - need people to ask the difficult questions.



Thank You

Jordan Grant, Board Chair & Interim CEO

Seprotech Systems Inc. TSX-V: SET

- www.seprotech.com
- 2378 Holly Lane
Ottawa, ON
K1V 7P1
- 613-523-1641

