

# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

## RTICA Corporation (RTN.V)

**WARREN ARSENEAU**, President of RTICA corporation is an experienced executive and consultant with internationally recognized expertise in recycling plastics. His work and innovation produced practices and principles that are now industry standards. In recent years, he has contributed extensively to technical discussions on recycling and on plastics. Mr. Arseneau is the Founder of RTICA and its predecessor company. He developed the concept and technology to produce insulating materials from recycled plastics. Mr. Arseneau is the President of both RTICA Inc. and RTICA Corporation. His business experience includes business development, M&A and turnaround roles in medium-sized private and large public companies.

### SECTOR – RESIDENTIAL CONSTRUCTION

**(MAW619) TWST: Could we begin with a historical sketch and an overview of RTICA?**

**Mr. Arseneau:** RTICA™ Corporation is a junior market public company trading on the Canadian Venture Exchange or CDNX in Canada. We have been around for several years with one purpose, to develop and commercialize a high-performance plastic insulation to replace fiberglass and plastic foams. Our product is made primarily from recycled PET, the polymer most commonly seen in soft drink bottles.

We have a pilot plant in Stoney Creek, Ontario, which is about halfway between Buffalo, New York, and Toronto, Ontario. Our plant and offices occupy 10,000 square feet and we have 15 full-time employees. The company has a patent in Canada and the United States and Europe. It also has a patent pending in Canada and the United States as well as two in process. Essentially, we take plastic waste from the global commercial recycling industry, and through a proprietary process, make it into insulating materials. Under the brand name RTICA® these are used in residential, small

commercial, and industrial construction segments for thermal and acoustic insulation as well as in manufacturing applications.

We're most of the way through our building code approval in Canada and the United States and have shipped a couple hundred thousand pounds of product in the last three months for market development and testing needs. We expect commercial shipments to begin in September of this year.

**TWST: What are the advantages of your product over the traditional methods?**

**Mr. Arseneau:** They center on ease of use. The most significant is RTICA's greatly simplified industrial hygiene features. It's very soft to feel with no irritating effects. The polymer that we use, polyethylene terephthalate, is commonly used in the textile industry where it is known as polyester. A polyester fleece sweater or a polyester fleece jacket is made from the same polymer as RTICA®.

Two of the most common materials in the construction sector of the insulation market today are mineral fibers and cellulose, both of which have more complicated industrial hygiene issues, relating to managing respirable fiber levels and nuisance dust. Most people are familiar with the itch associated with fiberglass or rock wool. RTICA doesn't itch!

On top of that, it's immune to moisture effects and isn't attractive to rodents or as a host for mold. It installs very easily and without dust. Professional contractors install most of the insulation in North America, and it's very easy for them to handle and use.

**TWST: What about price?**

**Mr. Arseneau:** On a per hour basis, we're competitive with the competing materials.

**TWST: What is your game plan for the next two or three years?**

**Mr. Arseneau:** We're scaling up our plant in southern Ontario. At the same time, we're negotiating with potential joint venture partners to establish a commercial scale plant either in the Northeast, the Southeast or the Southwest; the three possible sites that we've selected. Our plan is to have two plants operating at around 50 million pounds a year of product about a year from now.

**TWST: Is anybody using the product right now?**

**Mr. Arseneau:** Yes. We have a following of insulation contractors which have been part of our organization, for the last year, helping us with field trials and product development.

**TWST: What is the response? How do people feel about it?**

**Mr. Arseneau:** It's met everyone's expectations. The product development and building code system is fairly complicated so we've had a market interface for over a year. And as we've gone to larger volumes and larger installations, we validated our initial expectations and everybody really likes our product.

**TWST: Do you expect to do as much business in the US as in Canada?**

**Mr. Arseneau:** I would think in the early stages of the company we'll do 90% of our business in the United States.

**TWST: Can you give me some idea of the benchmarks, or the milestones that you hope to be passing in the next two or three years?**

**Mr. Arseneau:** Our goal is to have our market development plant here in Stoney Creek operating at about 5 million pounds a year and to have a full-scale commercial plant at another site operating at the level of 50 million pounds a year by the end of 2002. Beyond that we hope to be able to establish multiple plants in Canada and the United States within the next several years, and we also hope to be able to license the technology outside of North America.

*“We're a small company and there are advantages to aligning ourselves with companies from the raw material sector or the construction material industry. We are strong in the product development and the technology side, and have a good handle on the distribution component of our business.”*

**TWST: And you mentioned some partnerships and alliances?**

**Mr. Arseneau:** Yes, we're a small company and there are advantages to aligning ourselves with companies from the raw material sector or the construction material industry. We are strong in the product development and the technology side, and have a good handle on the distribution component of our business. However we believe finding a partner with manufacturing and implementing skills is an attractive option that we are actively pursuing.

**TWST: What problems or difficulties could arise for you? What might you worry about?**

**Mr. Arseneau:** Like other small companies we always worry about capital. We exist today because of the support of our shareholders. We acknowledge their support and work hard at maintaining it.

The building code system throughout the world is very complicated. It's a combination of vested interests, peer pressure and bureaucratic systems, without an organized method of being able to deal from one jurisdiction to another. We've been at it for a few years and are in the final stages, but it can always throw you a curve ball.

Energy prices are critical to our business. We believe energy conservation is a good business. If energy costs were to retreat to less than half of the level they are today, the market for insulating materials would suffer and we may have to adjust our plan.

In a business that's \$200 million a year, we don't have to worry about raw materials. However, we are working on an alternate plan for raw materials in the event we become very large.

**TWST: Could you talk about the expertise and background of some of the senior people in the company?**

**Mr. Arseneau:** I'm the Founder of the company. My background is as a business development executive at a large multi-discipline Canadian company. Prior to that I ran a medium-size, multi-disciplined private company, focusing on mergers and acquisitions.

RTICA Corp. has a technology manager with a Master's Degree in engineering who is very innovative and handles all our technology activities. Our Vice President of Sales and Marketing has 25 years in the insulation industry in the United States, having worked for two of the five largest fiberglass manufacturers. Basically, that's the starting team although we have also a very strong and diversified bench.

**TWST: Is there anything in the company that you feel you're going to have to strengthen within the next year or so?**

**Mr. Arseneau:** Yes, we're looking for a Controller or a CFO with corporate finance and regulatory-securities experience. The control issue is critical because we are expanding operations and have systems to implement. As an early stage public company, corporate finance activities occupy a lot of time.

Next year we will add a manufacturing executive because we will have two operations and, hopefully, be considering others. We can never have enough strong people in the engineering, project management and scientific side, so we're always on the lookout for key technical people.

**TWST: The company is not yet profitable?**

**Mr. Arseneau:** No, we are pre revenue until this fall.

**TWST: When might you expect to be profitable?**

**Mr. Arseneau:** Our plan is for 2003.

**TWST: How are you doing for cash, and what is your burn rate like?**

**Mr. Arseneau:** If we were one of the major insulation producers with billions of dollars of sales, downturns in the economy would affect us. However, with our expectations for the first few years, I don't think we're affected as much by the economy.

*“RTICA is a product that is firmly entrenched in the energy conservation industry where there is a reasonable payback for the consumer on making conservation upgrades to homes. The industry is stable and, worldwide, very large.”*

**Mr. Arseneau:** We have cash reserves to last us to the end of 2001. We are financing our next step right now.

**TWST: Is Stoney Creek a good strategic location for what you need to do?**

**Mr. Arseneau:** Yes. We are, by truck, a half an hour from the US border, and within 500 miles there are probably 70-80 million people we can service. Southern Ontario has upwards of 6 million people and Western New York a couple of million people, both of which are an hour's drive. Although we have a strong regional market we're also not so far from Windsor/Detroit, Chicago or even the Eastern Seaboard.

**TWST: What should long-term investors focus on when reading your annual report?**

**Mr. Arseneau:** RTICA is a product that is firmly entrenched in the energy conservation industry where there is a reasonable payback for the consumer on making conservation upgrades to homes. The industry is stable and, worldwide, very large. The global insulation market is close to US\$18 billion annually, growing at 4.5% a year, so there's a substantial increase in the size of this industry annually. We feel we're a part of that and that we have a chance to have a reasonable percentage of the insulation market in the foreseeable future.

**TWST: Would there be instances where it wasn't new construction but where somebody would like to upgrade what they've got?**

**Mr. Arseneau:** Yes, that's an important part of our program. In laymen's terms, the demand for insulation swings back and forth between being dominated by new house construction and renovations. The cycle oversimplified is, when new house construction is strong renovations are a little slower and when new house construction slows renovations are a little stronger. Since both markets are important to us, RTICA has been developed for both new homes and renovations.

**TWST: You said that if energy prices are high it's good for you. What about the economy in general? Is a downturn bad, good or indifferent to you?**

**TWST: What should investment community know about your stock?**

**Mr. Arseneau:** We filed a registration statement in the United States in January and one in Ontario in October for private placements, so there is financial information on EDGAR and the Canadian equivalent, SEDAR. We've got a good shareholder base including a combination of investors from the energy sector, financial institutions, investors from the industry, as well as the Founders and management of the company. Our liquidity is improving. We've steadily improved the number of shares that we've traded over the years that we've been a public company.

We've basically met our targets although we are behind on our timeline. The problem we see with being a small company is that there's no elasticity in the timeline. We can't spend more to get a project done faster so it's very difficult to make things happen on time. All of the problems we encounter extend the timeline. Although we have basically done what we've said we were going to do, we are taking longer than we would like. The product however is very, very intriguing. Anybody who has worked with mineral fibers would touch this product and intuitively realize it will work.

We have a good following from the industry. Customers are interested in converting their operations and their applications to our product. We have a sound, independent Board and a strong management team and Board of Directors.

That being said, we have a complicated project. We've taken a tiger by the tail with limited resources, trying to enter a large market known for its inertia and strong incumbents. But on balance, we think we have a valuable company with significant upside potential.

**TWST: What are two or three reasons an investor — a long-term investor, in particular — should be paying attention to RTICA?**

**Mr. Arseneau:** I think energy conservation, environmental concerns, and a combination of recycling and industrial hygiene issues. We are also industrial high-tech as our process is at the leading edge of plastics processing technology. We are in a market that is large and is well established. I think those would be the reasons.

**TWST: You said that 90% of your business will be in the US. Will the Canadian share increase as time goes by?**

**Mr. Arseneau:** The Canadian share may increase, but on balance it will probably maintain a 90/10 ratio US/Canada. We are focusing on the US initially because professional contractors in the United States are more organized. There are groups in the US that we've been able to work with on product development and market testing so it's convenient for us to continue to work with them. We have pressure to put the product into Canada as well, but this is not our priority. We have chosen to introduce RTICA through US professional contractors to gain their support and the credibility of our product on larger projects. Our second step is to introduce RTICA to the retail side. For us it is easier to deal with the US market first.

**TWST: There's a ton of environmental awareness out there, but how does this actually translate into the daily practices of professional contractors? How much do they care?**

**Mr. Arseneau:** If the company gets very large or we meet our goals, we're going to have to deal with a different set of marketing issues. But initially, in a market that's several billion dollars annually in the United States and our expectations are reasonably modest. The construction industry is changing. Ten years ago it was 70% of the people in the category of "give me the lowest price," and the entity looking at the total-value-added picture was in the minority. But skilled people are harder to find and successful construction companies are always looking to reduce labor costs with more sophisticated methods. This works in the favor of

new materials that do more and are easier to use. Gradually the industry is becoming modularized where the advantages of our product are even more important. We also see a growing segment within the market that listens to the overall story.

**TWST: Is there anything you'd like to add?**

**Mr. Arseneau:** We have a Website, and we'd be glad to send people samples. You put the product in your hands, and you'll understand what we're talking about!

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

**WARREN ARSENEAU**

President

Rtica Corporation

999 Barton Street

Stoney Creek, Ontario L8E 5H4

Canada

(905) 643-8669

(905) 643-1442 - FAX

[www.rtica.com](http://www.rtica.com)

e-mail: [rtica@rtica.com](mailto:rtica@rtica.com)