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Interviews & News!

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Pioneering Technology, An “Energy Smart” Product Innovation Company, Is Focused On Developing Thermo-Based Technologies That Help Make Everyday Mainstream Appliances Safer, Smarter And/Or More Energy Efficient



**Technology/Energy Efficiency
Electric and Gas Appliances
(TSX:V-PIO)**

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**Kevin Callahan
President and CEO**

BIO:

Mr. Callahan is President and Chief Executive Officer of Pioneering Technology Inc. and its subsidiaries. Mr. Callahan has been a partner in Upstream Capital Inc., a private investment company, since August 2002 and President of The Upstream Group Inc., a private company working with emerging business ventures, since March 2001.

Mr. Callahan worked with EcomPark Inc., a public venture investment firm, as an advisor and as President of one of their investee companies from March 2000 to March 2001. From November 1994 to March 2000, Mr. Callahan worked in consumer products marketing with BBDO Canada, a division of BBDO Worldwide as Vice-President, Group Director. Mr. Callahan has over 15 years of consumer goods product development and marketing experience globally.

Company Profile:

Pioneering is an "Energy Smart" product innovation company based in Mississauga, Ontario, that engineers and brings to market energy smart solutions for consumer products making them safer, smarter and/or more efficient. Pioneering products and trademarks include Safe-T-element®, Powergrill™, Battery Eliminator®, Safe-T-sensor™, Powerpak™ and the Hydro-free Furnace Fan™.

Pioneering's flagship product the patented Safe-T-element cooking system, engineered to save energy and help prevent the number one cause of household fires in North America - stove top cooking fires, is being adopted by multi-residential housing providers throughout North America. The product is available as a retrofit for existing electric coiled stove tops and pre-installed on new stoves.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Callahan, what is the vision for Pioneering Technology?

Mr. Callahan: "Pioneering Technology is what we dub an "Energy Smart" product innovation company. Our focus until recently has been on the research and development of thermo-based technologies that help make everyday mainstream appliances safer, more energy efficient and/or more convenient. When I say thermo based, all of the patented technologies that we have developed to date are focused on product categories like stoves, microwaves, fireplaces, barbecues, furnaces and other gas appliances. Specifically, we focus on solutions that cus-

tomers need or want. We identify problems that currently exist with mainstream products and then develop solutions and/or we identify opportunities that exist in the marketplace and then create products or product component solutions that satisfy these customer needs or wants. Our focus primarily is to sell or license these patented technologies to original equipment manufacturers (OEMs) however in some instances we manufacture the products ourselves and distribute them through existing third party distribution channels."

CEOCFO: Will you give us some specific examples of what you are doing?

Mr. Callahan: "At present we are focusing most of our efforts on a product called Safe-T-element that was developed for electric coiled stoves. The number-one cause of fire in North America is related to a stovetop or more specifically unattended cooking. This technology was developed to actually prevent a fire from starting in the first place and it also helps to reduce the amount of energy required to cook. We sell this product into multi-residential facilities throughout the United States primarily senior's facilities, university and college housing, low-income housing and most recently to the military. It is sold to those institutions where people are at greater risk than the general population when it comes to household fires. In the United States alone thousands die every year, hundreds of thousands are injured with an annual price tag directly and indirectly of over \$7 billion."

CEOCFO: How do you stop a fire before it happens?

Mr. Callahan: “We control the overall temperature of the stove. It is a patented system, which includes cast iron plates that are attached to each of the existing coils, and a patented control board that monitors and controls the temperature of each plate. Typical electric coiled stoves in the U.S. go up to about 1400 degrees Fahrenheit when all you really need is 212 degrees to boil water. At about 660 degrees, common household materials will ignite; for instance if a pan of oil is left on the stovetop on high for as little as 8 minutes it will reach a flashpoint and start a fire. A fire on top of the stove will spread very quickly. Our Safe-T-element controls that high temperature at just below 660 degrees so oil will not ignite. That means that you could leave the stovetop element on all night and it wouldn’t catch fire. In fact, you could literally leave a piece of paper on the element all night and it wouldn’t catch fire. The Safe-T-element allows more than enough heat to cook effectively and efficiently. In addition, by virtue of the way the Safe T element works, controlling the high-end temperature by cycling the stove top on and off much like an oven does the stove is actually off for a good percentage of the cooking time. Therefore, it saves energy. For a multi-residential property manager it is very attractive because it reduces or eliminates unattended cooking fires, it reduces the amount of electricity, or energy use, and it serves to help reduce insurance related premiums. It is a win/win/win for the property owner.”

CEOCFO: Why do stoves go to such high temperatures in the first place?

Mr. Callahan: “An electric coiled stove is a fairly simplistic product; it hasn’t changed much over the past ten or fifteen years. There has been the introduction of ceramic cook-tops and obviously, gas is popular in some areas. There are also some new stoves referred to as having induction heating. In multi-residential facilities, they can neither afford the high price tag that comes along with those products nor are they durable enough in those environments. Consider that in low-income housing they are pretty tough on their stoves as well as are university college students. The point is not much has been done. The electric coiled stove is

viewed by the industry as a low margin product. Stove manufacturers are focused more on creating new high-end products where there are big margins. We had originally taken this technology to OEMs like General Electric, Whirlpool, Electrolux, and we heard pretty much the same thing from all of them. ‘Number one it is a low margin product, number two we don’t believe there is a market for it, number three you are adding cost which makes us less competitive and number four, we recognize that this is a big problem but nobody is forcing us to do anything about it.’ That is because there isn’t legislation in place that suggests the stove manufacture has to do anything to the stove to make it safer. As far as they are concerned, stoves are safe and that it is the misuse of the stove that causes the problem. When I say misuse, it is usually accidental. It is a senior citizen, who answers the phone and forgets that he or she is cooking something on the stove, or a university student turns the stove on and leaves the apartment and doesn’t come back for three hours or somebody throws something on the stove late at night and then falls asleep. It is typically in those situations where the stove is left unattended where the most serious problems tend to happen. The reality is virtually everyone has experienced a stove top cooking fire at one time or another.”

CEOCFO: How is this safety feature physically implemented?

Mr. Callahan: “Historically, it has been only available as a retrofit product that we supply to Property and Facility Managers. The Safe-T-element kits typically cost about \$179 and then they need to be installed by a qualified technician. Recently the product has been made available pre-installed on new stoves so multi-residential facilities, which are replacing old stoves with new ones, can now buy the stove with the technology already preinstalled. That is a big advantage to them because they can save on cost and or buy the product within their existing annual new appliance budgets. Our ultimate goal is still to take this back to the OEM and show them that we have proven that there is huge demand and Customers are willing to pay for the benefits recognizing that over time the

product will more than pay for itself. It is well known that this is a huge problem, and if the OEMs were to factory install this at source, we could bring down the cost considerably and save United States tax payers billions of dollars a year. It would prevent countless injuries and even save lives. It is the number one cause of fire and injury and it is the second leading reason why seniors are institutionalized. Quite frankly as the baby boom keeps moving forward the government can’t afford to support institutionalizing all these people so there is a real push to keep people living independently longer and this is the kind of product that allows that to occur.”

CEOCFO: How do you reach your potential audience?

Mr. Callahan: “We have a distribution network that includes some large distributors and smaller dealers who are already selling related products into these multi-residential organizations. An example of one of those companies would be a MacGray, which sells laundry, refrigerators and microwaves to all of the channels that we are in. We have another partner, University Electronics that sells appliances into the university industry. Pioneering is a product innovation company, not a sales and marketing organization, so we have focused on partnerships with those who are already selling related products and they love it because it is a real value-add for them. In many instances because the technology is so unique and viewed as the solution many of these multi-residential institutions have been looking for it functions as a Trojan horse for other products that our distribution partners sell.”

CEOCFO: Please tell us about the agreement with Ann Arbor in Michigan.

Mr. Callahan: “As awareness of the product grows in the various channels we are in we are now finding that because of the magnitude of the problem that as awareness for our product grows city, state and federal officials are specifying the technology for new building and revitalization projects or in some instances like Ann Arbor actually mandating the technology for city owned properties. Pioneering is working at the state level with the fire prevention community and

now states like Washington and Virginia are actually endorsing the technology and working towards writing the technology into the building code guidelines as a means to reducing their number one cause of fire. What they are saying is, 'Ok, we know this is a huge problem; we want to stop the problem. Therefore, stoves that are going to go into our housing authorities or into our state or city-owned buildings are going to include this technology – it protects our citizens, protects our properties and it lessens exposure and insurance costs.' It is a major breakthrough and we are getting more and more calls from various institutions as to how they go about doing the same thing. Many of these institutions don't have big budgets and as such they have been applying for grants and have been receiving them from the likes of Homeland Security, through FEMA's fire prevention and safety grants program; through HUD in the form of state or federal affordable housing tax credits; at the local level via the Office of Community Development (OCD) and through subsidies or incentives from power companies for delivering energy efficiency. It is a very exciting time for this product and when I say that I believe it is just a matter of time before many of these states legislate it across the board as a mandated technology. That doesn't necessarily mean our technology but any technology that helps prevent these fires from occurring in the first place – fortunately for us our product is patented and there is no real competition."

CEOCFO: Please tell us a little more about some of the other products that you are looking at and making or would like to make available.

Mr. Callahan: "All of Pioneering's products are about managing and controlling heat. We have commercialized a few other products to date and have many others in development. One of these products, the Battery Eliminator, was designed for gas fireplaces and what it does is take the wasted heat in a fireplace, as there is always a pilot that is on in a fireplace, (at least in the majority of the

country) and we take that heat and convert it to electricity so that it can run all the controls in the fireplace in place of batteries or the need to be hard wired. That means you are taking wasted energy and converting it into useful energy. Therefore, you are saving energy, saving time, and providing convenience and safety. This technology is currently licensed to Skytech Systems Inc., a leading controls OEM in the U.S. We intend to take this platform technology to other product categories when time and resources permit.

Another product called the Powergrill is for the barbeque industry. We have created a new valve system for grills. Typically, when you buy a barbeque, within two or three months after you have owned

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it, the starter breaks and the next thing you know you are leaning over the top of the grill with a match with the gas billowing out. The problem with this is that the gas catches fire and you wind up singeing your eyebrows or worse. What our product does is to limit, control and maintain a steady low-flow of gas into the grill and lighting a pilot flame so you get an even, safe light every time. This is a solution that we think is something that can and should be universally adopted by the barbeque industry to make barbequing safer. However, Pioneering's real marketing hook right now for this product is by virtue of the way that our patented valve system works. You can also operate it by remote control so you can light your grill from a distance. You can control it from the house or over on the patio; control the temperature and things of that nature. We are currently working with Weber to in-

troduce that product to the market at the end of this summer or shortly thereafter.

We have another product we are about to introduce which is for microwaves. Our university and college channel said to us after presenting them with the Safety-Telement, 'Ok this is great, it solved our stove problem, now we have a big problem with microwaves.' The problem is that college students all have microwaves in their dorms and they throw popcorn in, leave the room, the popcorn may not catch on fire but it will generate considerable smoke and will set the room and, often, the building alarm off. When the alarm goes off the fire department has to show up, universities and colleges are not set up to have large trucks racing through the campuses and probably more importantly, after a student has heard the alarm go off at two o'clock in the morning more than a few times they stop getting up and leaving the building and that is when the real tragedies might occur. The Pioneering device called the Safe-T-sensor senses the first sign of smoke, shuts the microwave off and then resets it BEFORE the alarms go off.

One other very exciting product that is worth mentioning and is currently in development is for the furnace industry. It is an offshoot of the technology we created for fireplaces whereby we take wasted heat from the furnace burners, heat that normally goes up the stack or the flue and we convert it to electrical power. This means you can take your furnace off the electrical grid, which, depending upon what state you are in has, huge implications in terms of electricity usage and power company supply and demand management. In addition, in those instances when there are blackouts in various areas your furnace will continue to operate, which may save lives. We had an issue in Quebec a few years ago where the power was out for a couple of weeks and some seniors died during that period."

CEOCFO: What is the financial picture like for you today?

Mr. Callahan: "One of the challenges for a company like ours is getting the right, influential, people to adopt new technology. They look at it and say, 'Wow this is great; got to have it.' However, they are reluctant to be the first to try it or the first to implement it. I will use the Safe-T-element stove technology as an example. We have attracted about 180 customers at this point; many are big multi-residential facilities, representing a pipeline of about \$30 or \$40 million in potential. However, they all begin by saying give me five or ten of them. I want to try them at my facility before I make a huge investment. Well, we have spent the last year doing many of these "trials" and now we are starting to see some of these organizations ordering big volumes. When you see cities like Ann Arbor and others saying we are going to mandate the Safe-T-element, it takes some of the fear out of new technology and gives it credibility so now other people are stepping up. Pioneering has always been an undercapitalized company; we are very lean, and, therefore, very resourceful. We are not currently cash flow positive but we are working very hard to get there." We are expecting big things in the months and years to come."

CEOCFO: Why should potential investors be looking at Pioneering Technology today?

Mr. Callahan: "Because our market cap is significantly lower than what it should be in terms of our overall potential. We trade on the Toronto Venture Exchange in Canada. Our current focus has been primarily to get our ducks in a row on the business side. We always figured that if we get the right products where they need to be introduce them in the market place and deliver the sales the stock price will follow. As CEO and major shareholder of the Company, I now realize that we need to spend more effort in keeping shareholders abreast of everything that is going on in the company large or small because it has an impact on our ability to do things down the road. I believe that there has never been a better time to buy this particular stock given the traction we are now getting in the market place and the many other products we have in the development pipeline"

CEOCFO: What should people remember most about Pioneering Technology?

Mr. Callahan: "We are a technology Company that is focused on improving

products that people use every day. To some investors who may think that our products lack the sex appeal of other technology companies out there consider the following. We are not creating technology that will take ten or fifteen years to commercialize and by that time may even be obsolete, we are developing technology that can and is being commercialized now. These are solutions for real problems and opportunities that exist in the marketplace today in mainstream product categories that have virtually 100% penetration. These are solutions that people want and now in some cases are demanding.

We are a young company with many great things going on right now. Over time, it is our goal to see some of these technologies on every appliance in the United States. It may be a lofty goal, but one that we believe is achievable and certainly worth striving for."

For more information visit: www.pioneeringtech.com



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