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U.S. Microbics is on the precipice of major expansion-operations in Mexico over the next couple of years that should dramatically change the nature of the company applying their technology for soil and, groundwater clean-up and agriculture growth enhancement

U.S. MICROBICS INC.

**Environmental
Biotechnology
(BUGS:OB)**

U.S. Microbics, Inc.

**6451 El Camino Real Ste. C
Carlsbad, CA 92009
Telephone: 760-918-1860 x102**



**Robert Brehm
Chairman and CEO**

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

BIO: Robert C. Brehm has served as CEO since July 19, 1997. He has a double engineering degree in electrical engineering and computer science and an MBA from UC Berkeley in Finance and Accounting. Mr. Brehm has operated a

large chemical production facility for a Fortune 500 company, owned several software companies, a finance company, and an investor relations company. He fully understands the scientific aspects of the microbial technology business as well as the business, marketing, promotion and financial requirements for success in a public enterprise. His skill, knowledge and expertise are invaluable for the roll-out of the company.

Company Profile:

U.S. Microbics Inc. (BUGS.OB) is a business development and holding company that acquires, develops, and deploys innovative environmental technologies for soil, groundwater, and carbon remediation; air pollution reduction; modular drinking-water system development and deployment; and agricultural enhancement.

U.S. Microbics provides proprietary products and services for applications in the global bioremediation, waste water treatment, and regenerative agriculture markets using "Pay-for-Performance" solutions that treat the source of the environmental problem better, faster, cheaper and safer than conventional methods. With the use of biotechnology-based solutions, parents and their children and grandchildren will enjoy cleaner water and soil and healthier plants sooner rather than later.

Key product lines offered are:

Bio-Raptor™ & Microbial Application System™ Products

The **Sub-Surface Waste Management Bio-Raptor™** is a patented bioremediation shredder, sprayer, conveyor system for cleaning up hydrocarbon contami-

nated soils. It treats soil contamination on-site, slashing costs, maximizing material treatment surface area and aeration, reducing retention time, minimizing potential liability through on-site treatment and elimination of contaminant transportation-related risks and site downtime.

Remediline™ - Bioremediation Products

The microbial blends for bioremediation of hydrocarbons, animal waste, and green waste using the **Bio-Raptor™** and the **Microbial Application System™** for above ground remediation have been proven over the past 30 years in a variety of environmental situations.

Bi-Agra™ - Agricultural Growth Enhancement Products

The key benefits of the agricultural products include a dramatic increase in seed germination and survival rates, less water and fertilizer usage, greener turf applications, fruit and vegetable harvests that can be picked sooner, have higher weight and yields and a lower mortality rate due to healthier plants.

CEOCFO: Mr. Brehm, what was your vision when you started with U.S. Microbics, and where are you today?

Mr. Brehm: "Our vision dates back to 1997 when Bugs acquired the microbial technology, with about a twenty-year legacy behind it. Our goal was to feed the world and clean up the messes of water. At that time, we started to go into the soil remediation business before we went into the agricultural business because you have to have clean water before you can have vegetables and plants and food growth that will work. Today we are on

the precipice of a major expansion of the company, primarily in work outside the United States, which is much more receptive to actually solving environmental problems. Our operations in Mexico over the next couple of years should dramatically change the nature of the company and allow us to apply our technology first for soil and ground water and then for agriculture growth enhancement.”

CEO CFO: Will you tell us about the Mexico project?

Mr. Brehm: “In the United States, over the past thirty years, only about 20% of all the environmental projects have ever been completed. That is a sad commentary on our industry but that is the way the industry works; they do not really want to solve a problem, they just want to extend the solution forever and ever and ever. That “pay-for-effort, study the problem forever” concept started in 1970 when the environmental protection agency was formed.”

“Mexico in 2004 enacted the similar environmental laws that we enacted back in the 1970’s in the U.S., and created their own Environmental Protection Agency. They now want to enforce these environmental laws according to their agreements under NAFTA and The World Trade Organization treaties. However, they do not want to repeat all of the problems that have plagued the U.S. environmental market over the last thirty years, so they have taken a fresh look and decided to implement technologies that have been approved by their EPA and BUGS is one of the first five approved clean-up technologies and the only known biotechnology solution. We have been invited down to Mexico to put together an environmental plan for the entire country. We are in the process of doing that so they can accurately assess what their problem is, determine the magnitude and figure out a solution that will solve it which is cost effective and environmen-

tally friendly. Our technology and our engineering services interact perfectly with that concept so I think we are going to have a bright future in Mexico.”

CEO CFO: What are the challenges in working with Mexico?

Mr. Brehm: “Some of the challenges are the same as working in the United States. Whenever you are bringing on an alternative technology and a new way of doing things, there are three cornerstones to that challenge; one is financial, the second is technology and the third is political; whether you can get the political people behind you to affect that change. In our case, Vicente Fox, current president of

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Mexico, will be out of office in approximately 22 months and I believe and he wants to leave a legacy for his political party and himself that shows that he did something beneficial the people of Mexico. He has chosen the environmental area to show that his administration can solve a major health concern caused by lax environmental enforcement of prior administrations. In addition to establishing their own Environmental Protection Agency program (SEMARNAT), they have also instituted substantial funding to solve environmental problems. Thirdly, we have very good political contacts up to the highest level of the country now, which was the piece that we were missing in the

United States. We also have a pro-active government that who wants to see the problem solved, not just prolonged for many years. We have been able to get the technology and the politics together, plus we have an established credit line through our public subsidiary, Sub-Surface Waste management (OTC: SSWM) and many interested investors waiting for significant news, which gives us with all the ingredients to create a successful, profitable operation in Mexico.”

CEO CFO: Will you tell us about the magnitude of the environmental problem in Mexico?

Mr. Brehm: “The magnitude of the problem is significant. PEMEX, the Mexican National Oil Company, which provides approximately 80% of the revenue for the entire country, wants to spend about \$3 billion dollars over the next five years to clean up their mess. They have currently allocated about \$1.1 billion to do that. Currently, there are very few vendors who tap into that funding. We have been given the opportunity, by meeting with the top officials in the PEMEX subsidiaries, to pick prime projects that are of deep concern. We expect significant project revenue over the next couple of years from both

PEMEX work and State government work related to the environment. throughout Mexico. It is interesting to note that most of Mexican water is classified as contaminated in different degrees of contamination. There appears to be very few areas classified as “clean water” in the country, and that is why most of us in the U.S. that go down and drink the water, get sick. Therefore, BUGS is going to help solve that problem for the locals and for tourists.”

CEO CFO: What are you going to do in the way of equipment, personnel and technology to affect these projects?

Mr. Brehm: “We are going to be forming a new company in Mexico as that is required to get contracts in Mexico, by having partners down there. Our philosophy, which we already utilized in Mexico, is to have a Mexican partner. We have a philosophy of teach, train and transfer, which means that we will teach our partners how to use the technology, train them on the intricacies of how to order different types of equipment and transfer the technology to them so that they can follow their own problems. We are providing engineering services and proprietary microbial blends for clean-up and they are utilizing local labor and contracting sources to solve their problem. They like that joint work process, we like that process, and we do a split on the revenue and earnings so that it works. We have chosen Grupo Bartlett as our labor vendor, which was owned by the largest power plant contractor in the United States and the world, as well as Mexico. They are our partners down there and they provide all the labor and the equipment. We provide the technology and the microbial products. By doing that, we do not have to spend a lot of money on capital, equipment but still get the job done and stimulate the local economy as well.”

CEOFCO: Are you working with partnerships in other countries as well?

Mr. Brehm: “Yes, we have announced a partnership in Germany and they are currently looking to get bids on particular projects. We have also announced a partnership with C-TRADE USA, with a joint venture company called Worldwide Water Systems and that is to put pure water machines in various countries around the world. That project is moving along too, so the partnership concept has worked well for us because it gives the people in the country the ability to control their own destiny with superior U.S. technology and project management techniques, which most countries do not have. It is very exciting, both emotionally as we help others and financially as we see the company grow and prosper for our shareholders. It has taken us a long time to find which market our technology is readily accepted. It turns out it is our neighbor to the south.”

CEOFCO: You just announced a new patent for carbon reactivation technology; will you tell us about that?

Mr. Brehm: “That patent has been pending for three years. The concept is simple to understand as everybody is familiar with how a coffee maker works. There is coffee put into a filter, water goes through it and you have your coffee at the bottom. We have a very similar process, but we put activated charcoal, very similar to the charcoal that is in your water filter, and when that gets clogged, you throw it away and get a new filter, however large business cannot throw it away, they have to clean it. We have a process where we take that carbon filter and put it into something similar to a coffee maker and we run water and bacteria, also called bugs, through it and in less than a couple of days, that charcoal is 100% clean and can be reused. It is a dynamic change to the industry in terms of a cleaning carbon. The alternative is to take the carbon out and send it to a carbon roaster, which is a big incinerator and they burn the contaminants out, going into the air, which isn’t good for the environment and then they give you back about 70% of the carbon that you gave them forcing the user to buy more. We have essentially cut out the recycling cost to the entire carbon user industry. It is a good opportunity to us to show people that there is a different way of doing things and there is an economic incentive to do it.”

CEOFCO: Will you tell us about the financial picture at BUGS?

Mr. Brehm: “It is improving as always. We have a \$6 million credit line through our subsidiary. In Mexico, we are already doing about \$1½ million project in Mexico. We expect to do more starting in 90 days. We have a credit line available in case we need that. We have the support of many of our investors and approximately 5000 shareholders in BUGS and three or four hundred in Sub-Surface Waste Management. They have all been good supporters of us over the years just like any biotech company who brings a new vaccine to market; often taking twenty years. It has taken eight years for us to find a market that would accept our technology and we have good support with shareholders and a good credit line. With the technology and the political support, we now have all the pieces of the puzzle.”

CEOFCO: Is there any direct competition?

Mr. Brehm: “When you clean up contamination, there are three ways to do it; we call it the three B’s, you burn it bury it or bug it. Typically if you want to get rid of contamination in soil, you dig it up, put it in the incinerator and burn it. That is being phased out, although it is still popular in Asia, but causes massive air pollution. The second method is to dig it up, put it in someone else’s backyard; that is what is done with landfills. In Mexico and other countries, they are realizing that hydrocarbons are all hazardous materials and you cannot put them in landfills anymore and you cannot burn them. There is only one effective method to get rid of contamination and that is called Bugging it (also called bioremediation). The process is fairly simple to understand; you put Mother Nature’s natural bacteria in a recipe on the contaminate and what they do is literally eat it up and the excrete carbon dioxide and water. Over time, the contamination will be completely gone. Mother Nature can do that in approximately 50 to 100 years, and we typically do it in a period of less than a year. That is the way Mexico has decided to do the majority of their waste treatment. The technology has to be approved by Mexico. Currently, we are the only known bioremediation company that has an approved technology down there. There will be more. People have not figured out how to get approved and do business in Mexico. We have been able to go to the highest levels and work ourselves down the chain rather than up the chain. As a result, there are classical competitors that only offer the classical solutions, which is bury and burn. We probably won’t see much competition over the next few years as we have an opportunity to be first in the market and to make sure our solution is the one of choice. Any environmental clean-up process that is approved in Mexico is usually approved throughout Central and South America. Magazines and financial reporting news agencies in South America do interviews with us to see how our technology can be used in their country.”

CEOFCO: Why should potential shareholders be interested and what should they know that they might not realize when they first look at the company?

Mr. Brehm: “Investors have to understand that the environment is a concern for the entire world and water, clean air, and clean soil are important for all of

mankind's future. This world is supposed to have nine billion people by the year 2050 and the way that we are growing food using polluting fertilizer and not enforcing environmental polluters, we will not be able to sustain that population growth. We have to do things differently. What we have chosen to do is utilize Mother Nature's forces to provide more

food production and to clean up soil and ground water all around the world. That basic idea will not go away and how fast or slow it is implemented depends on investor interest and political acceptance of an alternative way of doing things. I think with the increased environmental awareness, people will readily accept change or die. Investors should look at the progress

we are making and the contracts we are getting and try to ride the wave with us because I think it is going to be a fun ride over the next five years. If people would like to get a hold of us they can find us on our website at www.bugsatwork.com; they can learn about this technology and how to contact us."

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