

Eco-Safe Systems USA, Inc. (ESFS)



MICHAEL ELLIOT, Chairman, Chief Executive Officer and President of Eco-Safe Systems USA, Inc., has had a successful career managing a variety of companies. He was the first person to adapt the concept of timesharing to hotels, rather than condos. His company, Hideaway Beach Clubs, was the first to market 5-Star Hotels on the ocean throughout the Caribbean and Mexico. This company generated an extra \$45 million for the hotels at each of the five locations. Since then, he has successfully marketed resorts under the trade names of Rams Hill Marketing Group, Tradewinds Marketing, Interval Investments, and Global Marketing Enterprises, Inc. For the past five years, he has been instrumental in developing the products and marketing plan for Eco-Safe, which he co-founded with Mike McCluney. Mr. Elliot is co-inventor on all provisional patents held by Eco-Safe. He has also worked actively in film and television for over 40 years and still maintains active relationships with film industry personnel throughout the world.

SECTOR – POLLUTION & TREATMENT CONTROLS (AFM608) TWST: What is Eco-Safe Systems USA?

Mr. Elliot: Eco-Safe Systems USA is a leading developer of ozone water intervention systems with applications ranging from food disinfection and bioterrorism prevention, to water reclamation and water desalinization. Eco-Safe has developed patent-pending processes for delivering ozonated water for commercial, industrial and residential applications. We help food, meat, seafood, farms, growers, quick-service restaurants and supermarkets, to deliver food that is safe for the public to eat. Installing our ozonated water technology throughout the food processing chain dramatically improves food safety while achieving savings for processors in energy, labor and chemical costs.

The manufacture and processing of food is a multi-billion dollar industry that relies on government regulations and industry best practices, which reduce the risk of food contamination from accidental or deliberate means. Among all the alternatives, ozonated water intervention is the least expensive, most effective disinfectant available with broad applications across food processing chain, from farm to fork.

Washing with water alone does not kill bacteria; it serves only to spread bacteria to other surfaces. Washing with ozonated water kills bacteria on contact. In fact, it is the most potent bactericide known — it disinfects 3,000 times faster than chlorine. Ozonated water reduces bacterial contamination from salmonella, listeria, E.coli and shigella. In the area of bioterrorism, ozonated water has been declared the best weapon to kill anthrax.

Processors can also clean their facilities more effectively with cold ozonated water versus hot water, and that saves on energy and labor costs. Ozone is also environmentally friendly, using no chemicals or additives. Processors can now eliminate costly chemicals, soaps and chlorine compounds from their operation.

The use of ozone is also approved by the FDA and meets the USDA's HACCP guidelines. The National Safety Foundation has certified Eco-Safe's solutions.

The clear imperative today for processors, restaurants, grocery stores is to do more to ensure that the food we buy is safe to eat. There is a public health crisis underway. Witness the recent produce recalls and fatalities from tainted produce and E.coli. Just one E.coli outbreak can destroy a brand or an industry. How much will it cost a leading quick-serve restaurant chain to recover lost market share? It was reported that the California produce industry has lost over \$100 million in sales as a result of tainted produce. Can they recover public confidence and when? I can tell you how the industry should react: enable Eco-Safe ozonated water intervention at every point in the produce washing and cleaning process from farm to fork.

In the area of wastewater management, ozonated water also delivers huge returns. For processors and manufacturers, reusing and replenishing natural resources is not only environmentally sound, it's economically beneficial. In fact, the cost of dumping wastewater is often more expensive than the water itself. While dumping polluted water used to be a manufacturer's only choice, Eco-Safe's Ozone water-purity intervention systems now offer companies an innovative way to improve wastewater management and reclaim up to 80% of the water purchased.

Globally, water desalinization is a big issue — one that we are just beginning to address.

Finally, Eco-Safe is moving into the consumer market with a home ozone water unit.

Eco-Safe has invested over five years in research and development. Eco-Safe's industry-leading, patent-pending solutions are driving success, safety and profit for food, meat, poultry and seafood processors.

TWST: What's the agenda at this point? What are your priorities for the next 12 to 24 months? What would make that time frame a success?

Mr. Elliot: Recently, *Food Processing* magazine said that food safety issues ranked at the top of the worry list for senior executives of the food processing companies. Our goal and mission

are to enable our customers with safer food processing solutions that are economical, effective and environmentally friendly. Our focus now is partnering with processors to prevent recurrences of E.coli outbreaks. We are, in fact, reaching out to as many food processors, retailers, fast food chains, and supermarkets as possible to demonstrate the benefits of ozonated water intervention. In addition, the public is becoming increasingly concerned about pathogens in the home. After all the media attention about E.coli, it's only logical. That's why we are delivering a home ozonated water intervention system so premium home developers can build this preventive measure into the home. Eco-Safe is also expanding. We started in Los Angeles and we have our main office there. We also maintain offices and demonstration machines and technicians in Hawaii and Oregon. Our plan for 2007 is to open new offices in nine cities and, through those offices, we will deliver demonstration units across the country.

TWST: What has been the funding and financing history to date? Are there any funding or financing items on the agenda?

Mr. Elliot: We recently issued a 504 stock offering to raise additional capital supporting our national expansion program. About 20% of that has been actuated. For the rest of it, we are negotiating with several individuals and companies who are asking us to fund the balance.

TWST: Introduce us to your top-level management team. Who are two or three of your key individuals?

Mr. Elliot: We have 24 staff working for us right now. Our senior management encompasses industry leaders from the business, science and food processing sectors.

Dr. Ata (Al) Baroudi, our Food Safety Czar, has over 30 years' experience in the food industry as a quality assurance executive for operating companies and the Food Safety Institute, International. Dr. Baroudi has also conducted food and poultry processing inspection training for the Department of Agriculture and the Food and Drug Administration. At the Food Safety Institute he advised YUM! Brands. He has also held executive quality assurance positions with The Vons Companies and Borden. Dr. Baroudi holds a PhD in Food Processing and Technology/Regulatory from Ohio State University and a Master's degree in Food Science and Technology/Microbiology from the University of California-Davis.

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Bill Knauer, our Director of Sales, has over 35 years' experience in consumer packaged goods, food/beverage sales, marketing, manufacturing, and distribution. He served as the National Sales Promotion Manager for the Campbell Soup Company.

Dennis R. Harp, PhD, is our Chief Scientist and Director of Education. Dr. Harp has more than 32 years' experience in public education and most recently was Director of Physics Outreach Education at Purdue University. He also is an inventor and author, and has owned and operated a variety of business for over 20 years. Dr. Harp received his doctorate from Purdue University.

TWST: What historically has been the shareholder base with the company? Has that base itself undergone any changes or transitions?

Mr. Elliot: The company was funded privately through our initial sales phase. In 2006, we reverse merged into a public company with about 275 shareholders. We are a profitable company. Our goals are to remain profitable and to grow 10 times a year. We experienced a 10 times growth rate from 2005 to 2006, and we expect to exceed that in 2007.

TWST: In your discussions with the investment community, are there any recurring questions or misperceptions? Do you feel that they understand the Eco-Safe Systems story?

Mr. Elliot: Clearly, ozone is the most effective food safety intervention available today. Do a Google search on ozone water and you'll come up with data supporting its significant advantages as a disinfectant versus chlorinated water. Look, technology has always had the potential for creating new, safety-improving products. Ozone is an example, yet, it's also one of industry's best-kept secrets and adoption has been slow. When Pasteurization was introduced, the dairy industry was slow to adopt it. In fact, there was widespread opposition to Pasteurization in the early 20th century. Naysayers were suggesting, among other things, that pasteurization was unnecessary and that consumers had a right to drink raw milk. History proved that the slow adoption of Pasteurization resulted in thousands of deaths that could have been prevented. Ozone works today. And the industry is slow to respond. We're seeing the result: an increasing incidence of E.coli outbreaks.

I see huge benefits for the public, a tremendous opportunity for processors, and an even greater opportunity for investors. The great thing about ozone intervention is that it saves processors money from day one. You can achieve improved food safety and a fast return on investment through savings on energy, labor and chemical costs. Look at the millions of dollars lost when a nationally known restaurant had an E.coli outbreak in a few locations. One outbreak now can destroy an entire brand.

Yes, the industry itself has to go through an education process, and because of that we actually install our technology at no charge. We let a prospective client do independent lab testing at our cost to prove to them the effectiveness of our system and the enormous disinfectant benefits they will reap. That has been our sales approach. In terms of the shareholders, as more people look at our company, examine our website at www.ecosafeusa.com, and understand our goals and intentions, I think they will become very enthusiastic about the investment opportunity. We have a great product, a terrific management team, and a global market.

TWST: What are the key metrics or milestones that investors should focus on as they track your performance? What matters?

Mr. Elliot: What matters are actual sales. Our ozonated water process works. An investor should look at our company

from the standpoints of, "How are we growing?" and "How is the market for Eco-Safe products growing?" For 2007, we are promoting several new products. The R-1000 is being launched for the restaurant industry, including quick-serve restaurants, which have been the focus of recent E.coli outbreaks. The Flo/Pure® Complete Home Water System has been launched for the consumer home market. Flo/Pure is the first of its kind water-purity intervention system designed to deliver better-than-bottled water quality to every tap in the house. At present Flo/Pure is designed for installation in new, premium homes, and will be marketed by new-home builders. And we are looking at applications in ways to specifically bring the technology to everyone and to help everyone in terms of what their needs are — their home water needs, their industrial water needs, and their commercial water needs. Numerous markets are absolutely necessary for us to address. As a company, we will expand our scope as we raise the financial capital to sustain it. We have focused on food disinfection throughout the food chain — from farm to fork, water reclamation and water desalinization. That's where we have started. In years that come, we will take ozonated water intervention into hospitals, cruise ships, and other industries, which desperately need effective disinfectant solutions.

TWST: What compels investors today not only to include your company as part of their current portfolios but also as part of their longer-term investment strategies?

Mr. Elliott: We are in the midst of a public health crisis. People are getting sick and dying after eating fresh produce and tacos. Things are getting worse, not better. The on-going media coverage is finally driving processors and restaurants to improve regulatory compliance and disinfectant solutions. We offer preventive measures that will enable the food processing industry to live up to its responsibility to deliver food that is safe to eat. Safe food is what ozonated water intervention helps ensure. Let's solve this crisis once and for all. This represents an incredible market opportunity for investors, and one that will only grow. Safe food and water for the planet — the market doesn't get much bigger than that.

TWST: What are the benefits of ozone and how does it work?

Mr. Elliott: Food harvesters, processors, supermarkets and restaurateurs need to react responsibly to the public health crisis, and ozonated water intervention is by far the most effective, affordable treatment. By injecting ozone into the water system, we are allowing the ozone to come in contact with every known pathogen, such as E. coli, which is very much in the news right now. When the ozonated water touches the E. coli or any other pathogen, it kills it on contact. Now, that makes washing and rinsing fish, vegetables, produce, or meat much more effective. It ensures that the cutting boards, sinks, the floors, people's hands, and the walls are properly disinfected. And processors will save money because the disinfectant capability of our system reduces the actual

pathogens to virtually zero, so they won't have to scrub with soap or chemicals anymore.

The real point is this: even if the source of a particular bacterial outbreak is found, there are thousands of other ways deadly bacteria can and will find their way into the food chain. Powerful, safe disinfection is the only sensible option. Ozone is the most potent bactericide known and it creates no harmful by-products. It is more powerful than chlorine and acts over 3,000 times faster.

When employees wash their hands in ozonated water, the hands are not just clean, they are bacteria-free. Ozone kills bacteria on contact. The FDA has declared its use safe. And bacteria don't grow resistant to ozone. Ozone splits open the bacterial cell and it dies.

TWST: What do you consider to be the competitive market?

Mr. Elliott: Ozonated water is the most effective antimicrobial disinfectant available with a great return on investment. While ozone has been around for quite a while, only recently has the food industry begun to adopt it largely as a result of regulatory rulings over the past seven years in favor of ozone water intervention. Eco-Safe is building systems that will last 15-20 years. We are dedicated to high efficiency and a strong return on investment. Our solutions will save our customers money and make the food supply safer.

TWST: What might be the tipping point, the signal that the acceleration is underway? Will that be over the next year or two?

Mr. Elliott: Witness the public health crisis underway — recurring E.coli outbreaks and the impacts on well-established restaurant chains and the California produce industry. The tipping point is occurring and we are witnessing it. The great thing is Eco-Safe Systems USA is ready with the solutions that will ensure that the food we eat is safe to eat. Therefore, our goals are to ramp up our office expansion and engage in licensing deals for the use of our technology overseas. Right now, we have negotiations underway in a half a dozen countries. There isn't a country in the world that doesn't have food safety and water problems, and the needs are enormous. So there are phenomenal opportunities for Eco-Safe to grow, via merger with other companies, acquiring other companies and licensing our technology worldwide.

TWST: Thank you. (DWA)

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