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Interviews & News!

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Commodore Applied Technologies CEO has been able to turn the company around by refocusing it on the pursuit of the low-level mixed waste treatment market, in addition to obtaining and operating several environmental services contracts for the Department of Energy and others

COMMODORE

Industrial Goods
Waste Management
(CXIA-OTC: BB)

Commodore Applied Technologies, Inc.

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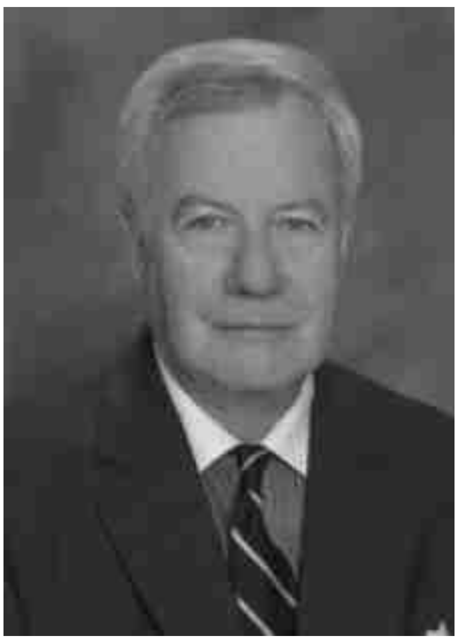

Shelby T. Brewer, Ph.D.
Chairman and CEO

BIO:
Shelby T. Brewer, Ph.D., has served on the Board of Directors of Commodore Applied Technologies, Inc. (CXIA), since May 2000 and has served as the Chairman of the Board, President and Chief Executive Officer since January 15, 2001.

From 1996 to March 2000, Dr. Brewer was President of S. Brewer Enterprises, a consulting firm he founded engaged in supporting mergers and acquisitions, arranging private and public financing, forming joint ventures abroad, repositioning established companies, and helping foster new technology enterprises. Dr. Brewer served as President and CEO of ABB Combustion Engineering's nuclear power businesses from 1985 to 1995. From 1981 to 1984, Dr. Brewer served as Assistant Secretary of Energy in the Reagan administration, holding the top nuclear post in the U.S. government. Prior to his appointment by President Reagan, Dr. Brewer achieved positions of increasing line responsibility in private industry, the U.S. Navy, and the Atomic Energy Commission.

Dr. Brewer holds Ph.D. and M.S. degrees in nuclear engineering from the Massachusetts Institute of Technology. He holds a B.S. degree in mechanical engineering and a B.A. in humanities from Columbia University.

Company Profile:
Commodore Applied Technologies, Inc. is a diverse technical solutions company focused on high-end environmental markets. The Commodore family of companies includes subsidiaries Commodore Advanced Sciences, Commodore Solution Technologies and Commodore Government Environmental Technologies. The Commodore companies provide environmental and technical services, environmental monitoring and sampling supplies, specialty Cleantech building supplies and patented remediation technologies designed to treat hazardous waste from nuclear and chemical sources.

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

CEOCFO: Dr. Brewer, please tell us about the background you bring to Commodore Applied Technologies and what attracted you initially.
Dr. Brewer: "My background is that of a nuclear physicist. I was educated at Columbia University and got my doctorate at MIT. I was also in the US Navy for four years. In 1980, President Reagan appointed me Head of Nuclear Power for his government. I was there for four years and then afterwards I served as the CEO of ABB Combustion Engineering – Nuclear Services for the next ten years. In the mid-year 2000, I joined Commodore and in 2001, was elected Chairman and CEO."

CEOCFO: What was your vision?
Dr. Brewer: "My vision when I became CEO of Commodore Applied Technologies was two-fold; first of all it was to have the company survive. The Company was in the ditch when I took it over and had some very bad news from the US Army concerning the usage of the Company's technology offerings. We had lost a contract for dismantling and treating chemical weapons, because the army wanted to incinerate them instead of using our non-thermal technology. The Company had to survive hand-to-mouth for several years. We refocused the Company on pursuing the low-level mixed waste market and we cut down expenses to the knob. We downsized, re-engineered the Company, and in the year 2004 we began to see the results of these turnaround actions. The Company was awarded a contract for the DOE Oakridge

laboratory facility, gathering and managing data on environmental concentrations of radioactive nuclides and chemical toxins in the soil, water, gravel and wild life. This contract was renewed in the year 2006 for another two-year period. Additionally, in 2006-2007 we have grown organically at the Oak Ridge laboratory facility and at a new DOE Laboratory site; Paducah, Kentucky. The Company accomplished this by acquiring contracts another company had at these locations. The second incremental improvement we made around our base core work is the acquisition of a business called Sales Solutions. This business is focused on the sale of health and safety equipment and specialty building supplies. That should generate over a million dollars in top line revenue on an annual basis."

CEOCFO: You have a few segments of your business, what technology does Commodore have that is causing people to show interest and use your services?

Dr. Brewer: "At Commodore, the technology side is really where the gold ring opportunities lie, because this can generate gross margins in excess of 50%. The solvated electron technology, SET, is quite simple and we have full patent rights on it; seventeen patents, domestic and international. The process is simple. You take anhydrous ammonia and mix it with elemental sodium, which produces a solution of a sea of free electrons. To this solution, you add hazardous waste that you are trying to neutralize. The SET process reacts instantly with the waste without any additional heat. The alternative waste treatment technology is incineration. This causes bad stuff to go up the smoke stack. However, the SET technology does not have a stack or emissions of any kind. One of the most salient features is that the SET technology is designed to be mobile; the only one with a nationwide portable EPA permit. Most importantly, the SET process is very economical. The alternatives treatment technologies for treating certain types of hazardous waste range from $30 to $104 dollars a pound. Our cost basis is about $4.00 a pound, so we have plenty of margin that we can bring to the bottom line. Last year in 2006, the DOE sponsored a demonstration project for us and that rekindled interest in SET on the part of DOE and its contractors. Now we are feeling a market pull to replace incinerators and to treat large quantities of mixed waste (radioactive and chemically toxic) such as that located at the Portsmouth, Ohio facility. We are on the verge of breaking out. We intend to have our stock double or triple by the end of the year as well as operating well in the black."

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CEOCFO: How do you get there?

Dr. Brewer: "You get there by getting these jobs like Legacy Management for example, which is a recent engineering services contract that is put out to bid. We are on what I consider to be on the winning team, a $200 million job for five years. Our part of that could be as high as $5 million a year in sales, which would double our volume. We expect to have that announced or concluded very soon. The next big opportunity is to treat mixed waste at several DOE laboratory sites. That potential is several million pounds. If we were to charge $10.00 a pound for the treatment that would bring $90 million of revenue to the Company over the next few years. They are not the small incremental improvements that I mentioned before, but represent very large "golden ring" opportunities. That is how we get to the numbers I have targeted."

CEOCFO: Do you have the personnel and the resources to address a large number of projects as you are able to win them?

Dr. Brewer: "That is a nice problem to have and the answer is yes; we will have to expand our current staff. For example if we emerge on the winning team for the Legacy Management contract, its work scope is located is all over the United States – 97 sites. All of these sites have to be monitored for radioactive materials and toxic materials for a very long time as the real estate is turned over for other end uses. The Company will certainly going to have to be nimble and quick when we win this contract. We will have to hire people at those sites to perform the work, which we will manage. Yes we will have to expand our staff as our revenue base expands."

CEOCFO: Are there qualified people easily available?

Dr. Brewer: "On the sampling work we have what I consider to be the premier people in the industry. We have 35 employees working at Oakridge. There are others that we can lure from what little competition we have. There are enough qualified people around to fill our needs as we expand our business."

Mr. DeAngelis: "Additionally as we win contracts, we are usually replacing someone else that had operated those contracts previously. What happens is you have a pool of resumes that are transferred into the new contracting company; something that is very common in this industry. We do not see ourselves having a staffing problem on the environmental services side at all."

Dr. Brewer: "On the SET technology side, we have the core "brains" in the Company. We kept them in the Company through thick and thin. If we need to train more operators on SET, people who can actually operate the machine, we can do so. At the moment, we have what we need. We are ready."

Mr. DeAngelis: "We not only have the personnel, but we have the machinery that is fully built and paid for. We can process 10 tons a day on one machine, 2 tons a day on another, several others at 500 pounds per batch. We built this equipment over the last ten years; expending a tremendous amount of money for us; over $60 million. We are fully commercial. We have had numerous industrial clients to date, job sizes ranging from several hundred pounds to 400,000 pounds. The fact that we are getting a second look at this from the DOE is perfect timing for us. We come in ready and able to site a machine and start processing mixed waste immediately."

Dr. Brewer: "You might say if it is so good, why have you been through thick and thin and why have you been in a turn-around process? The answer is that the US Army and the DOE has historically favored the incineration of hazardous waste. Incineration is an expensive proposition and it is politically hazardous because you are putting stuff up the smoke stack and the local population does not like it. Recently as Jim said, the DOE decided to have another look at our technology, because one of their incinerators is not working well and also causing a political raucous in the state of Tennessee. That is just one opportunity; there are other opportunities in Hanford, Washington and Idaho Falls, Idaho. We expect for this business to take off and be a viable competitor among the mixed waste treatment entities."

CEOCFO: What has you convinced that the US market is going to go full throttle on environmental concerns at this point in time?

Dr. Brewer: "The market we are speaking of is the DOE's Environmental Management program, which has been and is ongoing at roughly $10 billon a year. The funding will go north of that as they bite in and start treating major quantities of waste. This is a program that could go on twenty or thirty years. It is cleaning out the legacy waste from the Manhattan Project and the weapons programs, which followed World War II. It is an article of national policy that those sites that were contaminated in the buildings and the soil and everything will be rendered back to its original pristine state. What kind of a figure can you put on it? It is certainly north of $1 trillion and it could be north of $2 trillion. It is built into the law of the land, the appropriations cycles. It is a market that is growing and will be very bountiful for the next twenty or thirty years."

CEOCFO: What is the financial picture at Commodore?

Dr. Brewer: "The financial situation is that we are not break-even yet, and we still require some injections of cash on a monthly basis. However, we expect that to go away by the end of the year. We have a fair amount of overhang on the balance sheet, which Jim can describe."

Mr. DeAngelis: "We have approximately $7.9 million of debt. We have a $3.88 million worth of convertible preferred to the same party. We have had a single party financing us and the majority of our growth since 1999. It is a terrific financier, a great source for us: The Shaar Fund Limited. They have stood by us and helped us develop the technology, the equipment, retain key personnel and now they are seeing the fruits of their labor as we are winning long-term, multi-year contracts from A-plus clients. The conversion terms on the debt is a 10-day look back at 100% of the market – no discount. The Shaar Fund invests in publicly traded entities and will be a partner in our continued growth going forward. They have stood behind us with a letter of credit, equipment financing and any operating cash short-falls that we may have. The Company is not looking for money, we are lucky in that aspect. We do have debt on our books that is sizeable, but with our increased revenue stream that we expect by the end of the year and into next year, the debt ratio will be more that of a normal operating mature company. We will grow to a forty-five million dollar a year company revenue wise and have about ten million dollars of debt and then we will work that off with cash flow. It is a very manageable situation for us with a very friendly investor."

CEOCFO: Why should potential investors be ready to go into Commodore now, and what might people miss when they look at the company?

Dr. Brewer: "The Commodore stock at roughly .20 cents a share is grossly undervalued; .60 cents a share is what we should be valued at looking at the competitors in our industrial sector. The investing public should understand the trajectory of Commodore over the past ten years. It has weathered hell and high water and now it is on the verge of breaking out. I mentioned the two or three gold ring opportunities of which we will know the results soon. That alone should break us into $1.00 a share territory. The management has stood with it, myself, Jim and Mack Jones, all these years and we are not about to pause and let the thing go into dreamland. This is a turnaround that is here and now and is happening."

Mr. DeAngelis: "Even more to that point, management has made big sacrifices over the years to keep this dream alive. It is a very important technology solving a very important problem for both the US and other countries. We have deferred much of our salary over the years, upwards of 30% to 100% depending on the timing. All of our options are keyed in at much higher prices, so we are on the exact correct side of the table as any shareholder coming into this company. There is a lot of intrinsic value that has not been unlocked yet. People have viewed us as a company that is questionable because of lack of long term contracts, but we eliminated that concern as of 2005 as we added the EDAM contract in Oakridge is worth $5 million a year. Add to that the Legacy Management contract will be worth another $5 million a year, and incremental growth of another $2 million a year. Now the near-term possibility of another technology contract will bring it $15 million to $20 million a year. It is an exciting time to be part of this company that has blue chip management, a great board of directors, and all the stars aligned as we go forward. We have a capital-financing source. We are not a typical company within this nanocap space as we are really quite disciplined and have things in place for dramatic growth."

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