



## TELECONFERENCE BRIEFING

BY CEO RIGGS ECKELBERRY

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(Transcript from recording)

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Riggs:

Good evening, and it's Riggs on the line. It's a pleasure to talking to you again. We are about to discuss the great thing that we were finally able to announce this week. I've been teasing it for weeks now. But we finally got approval from compliance over at TCA for announcements we made. It's a very conservative announcement, but I think it says what it should say, which is that we have lined up a direct funder. In other words, a fund, a 500 million dollar fund, that is on board to assist us in making acquisitions. Now, they also have an investment banking side, which is the side that helps us. The side that lends the money, obviously, is about, "Does the deal make sense?" and so forth. One side does the helping and the other side does the lending.

And what's great about TCA Global Master Fund is that they are a hard asset lender, which means that it's not about the stock. It's about the value of the asset. So, they're lending against the strength of the target company, which is generally net profits and so on, but also sometimes the assets, the equipment, et cetera, where that applies. They look for companies that have a proven record of making profits in a very stable business, because the loan is essentially repaid from the profits that are brought in, into OriginClear.

Now, our main focus is on a, what we call, transformative acquisition. There are really two kinds. Transformative is one that completely changes the nature of the company. Let's say, for example, that if you went from five million dollars



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revenue to 50 million dollars revenue, just for instance, that would be transformative. But if you went from five million to seven million, it's a good thing, but that's what's called accretive, which means it layers on. We believe that we have a mix of such opportunities in front of us. We have a slate of opportunities. I can't disclose at what stage they are. And I also can't talk about any particular qualitative measures. But I can tell you that these are very stable, growing water service companies.

Right now, the water industry's doing extremely well. There's a lot of business being generated, mostly from all this point of use water treatment that's occurring, which I've been talking about for a long time. Increasingly, for example, when things went from mainframes to PCs, there were a lot more PCs than there were mainframes. So it created a lot more spending by people. It went from, let's say, a multi-billion dollar industry to a multi-trillion dollar industry, just because of the sheer number of units. The same thing with cell phones. Just to give an example, you could either do mass transit in L.A., or you can just have a bunch of self-driving cars. There are millions of cars. There's only going to be one train system, so there's always going to be more money in the millions of cars than in the one train system, even if the one train system is four billion dollars. It's the nature of these decentralized resources.

And that's what's happening to water. You're getting a breakdown of water treatment, where the high-pressure water mains are blowing up because they've been neglected. As a result, the users: industrial, commercial, agricultural, residential, are forced to do their own treatment. But, in addition, there's a good thing about that, which is they can then reuse the water. We've found that a housing development, 200 or 300 homes that we typically bid a Modular Water system for, let's say, half a million dollars, is going to repay that investment in as little as a year in a high-cost area like California. So, well worth it. That's driving a huge trend toward the edge, water treatment at the edge.

These companies are growing and we have the unique ability to go after companies that are relatively small. New York hedge funds want to buy companies that do a hundred million dollars. Less than that is not worth the trouble. Well, we'll talk to a company that does two, three, four million dollars and we won't turn away from much bigger companies. The question really comes down to, how can we possibly absorb a company that, let's say, completely hypothetically, is a 50 million dollar company? How can we do that? It's done because we're using debt and that debt is secured by the target. It's called a leveraged buyout. So, even though there's a stock component, the bulk



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of the money being put out is in cash and that cash is on a loan that is on pretty good terms, actually. The interest is good. I mean, money is cheap these days, so there's a lot of it and people want to put the money to work. What we found is that the deals can be readily done.

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Now, what happened this week with this announcement, which, of course, reflected an agreement that was made some time before that, is that we're now not going to a company and going, "Hey, we want to acquire you, and once we have a deal with you, then we're going to turn around and go find the finance." Now it's changed. We have a funder now. We're not saying the funder has guaranteed the deal but in principle, they will take a deal that meets their parameters and they'll do the deal. It's a non-binding relationship from that point of view, but we have compensation agreements set up. They know they make the money if they do the deal. They are the default lender. They are our direct lender and what they will do is, now we can go to a company and say, "Let's do a deal. By the way, we have the financing. We could close this if your books are in good shape, we could close it this quarter." It gives us the power of the golden rule: he who has the gold makes the rules, and it is a dramatic shift for us.

Back in 2015 we bought a company and we were able to do it with all stock, because Marc Stevens very much fell in love with our technology and that's worked out well. This year we brought in Modular Water and that was done, again, with no cash up front, although I had to spend a lot of money to fund the creation of, basically, a company around Dan Early. To do that, we launched a private placement, which has been extremely successful. That has given us the war chest to do this with. I've been able to fund the bridge to revenues.

The way that it has happened is that we put in place a private placement. I must say that Devin and Ken, who work for me on this, have done a fabulous job. Because we've been able to raise the money for all of these expenses related to creating a company around Dan Early, and also going after these acquisitions. Because even though we have the fund behind us, each acquisition still represents a chunk of money for legal and auditing costs. The audit, basically, is about validating that the bookkeeping is correct. It's very tax-focused, et cetera, and very disclosure focused and it costs six figures. We have to do that for each and every acquisition or we can't take out the loans.

We've done roughly 75% of this round so far. We've banked, I think 1.5 million dollars out of the two million. There's very little room left in this thing. I'm just



going to repeat the contact numbers. Then I'll talk some more about this situation we're in. 323-939-6645. And Ken is at extension 201. Devin is at extension 116. Ken 201, Devin 116. They will be happy to talk to you about this.

It's really interesting, because, again, we don't formally comment on stock price and so forth, but there's been a lot of interest in the company. It seems that the stock is doing well. The time to invest in this private placement is when the stock price is low. Because, essentially, you are getting a repayment of your investment, secured by our intellectual property, which has an eight million dollar valuation, formally made. You have, essentially, a lien against this intellectual property. You have a secured agreement, as we call it and you get 8% per year, paid quarterly, as a dividend. Then, you get this bonus, which is half of your investment gets granted as shares. Well, if the share price is low, you'll get a lot more shares. It's definitely a buy low, sell high situation. I don't think that it's smart to wait because if this company manages to achieve a transformative acquisition anytime soon, then the game changes. Even an accretive acquisition would help us achieve profitability. The Company really is on the verge of being able to operate profitably. Any one of these could make it happen.

That's the fantastic change that occurred this week. I've been going as fast as possible with Bill Charneski who is Mergers&Acquisitions. He got caught out on a vacation to Spain. So, he's working out of hotels on Spanish Wi-Fi and he's keeping the whole machine going. Yesterday, I did a day trip to Dallas for a pretty interesting meeting. All I can say is, it was worth a day trip. You know how horrible those things are, but it was worth doing. Worth sitting through a three-hour flight each way on American Airlines in economy class. Felt like a coffin, but it was worth it!

Now, we also are doing interesting things with Modular Water. I think that we're going to be bringing in more talent. I know that we're hiring more engineering talent. Looks like we've got some people coming in very, very soon to back up Dan Early. Also, an engineering staff to back up Progressive Water, and also here at headquarters. Lots of engineering staff coming on board. Your investments make it possible for us to invest in what we have to do, which is get these engineers on board, in order to get the products sold and so forth.

Back on Monday morning, I put out a CEO update, which is really, really significant for Modular Water. That is that there's a terrible problem with,



especially in rural America, with the quality of the drinking water. Because of runoff from all the fertilizer, you're getting a lot of nitrates in the water, and a lot of the RoundUp®, the stuff called glyphosate, which has been shown to create brain and other cancers, and generally is not removed by municipal sewage systems. It's increasingly a fact that houses have got to get an incoming purification system for themselves. You're going to also want to purify the effluent which comes out. Why? Because you then can sprinkle your lawn with that water, and in places like California, that's extremely good. One of our guys met with a doctor who grows vegetables on a plot in California, on his home plot. He's got a bunch of land. And he pays \$12,000 a month for his water, because he's not an agricultural user. He gets hit with the domestic prices. Point is, you hit these punitive tiers, and all of a sudden, you're paying way too much. Well, probably, his system would pay for itself in one month. I don't know what the flow through is. But that's pretty terrible for him.

Let's talk a little bit about the biggest problem we have in America, which is, it's about 21 million septic tanks out there. You cannot get an FHA loan if your house has a well distance violation. Now, you're going to connect to a sewage plant. Fine. But if you're three miles from the sewage plant, what are you going to do, put in three miles worth of pipe? That's completely ridiculous. So, these waste water treatment plants for the home are an absolute necessity. How many solutions are there to this 21 million septic-systems problem? Well, there's not a lot of them. We have the elegant one, because one of these little units, about the size of a coffin, they're thermoplastic, so they last, let's say, a hundred years or more. They can be buried in the ground, a landscaping feature. And it takes care of business. You don't have to be a master water expert to maintain it, because Dan Early is very, very good about designing systems that an 18-year-old can operate as with the systems he's sold to the military.

I think that's a huge, huge number that presents itself, which is the home market. Lots of numbers in the home market. But here's what's more interesting: Nest was sold to Google for 3.2 billion dollars. All Nest was, was an intelligent thermostat that you could literally dial in. Let's say it's the middle of winter, and you want to keep your bedroom warm, but the rest of the house goes cool. You're going to save a bundle of money. The Nest system not only can do that room by room, but intelligently figures it out. It kinda says, "Yeah, I'll figure it out. I'll do it for you." It figures out there are humans in one place and not in another and it takes care of business. It's basically what's called a smart home. There's a bunch of things that go into this smart home. For example,



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thermostats and appliances and so forth, water heaters. I admire a lot the TruTankless people, who have a great, great, great new design for inline water heating. They, of course, are interfaced with the Nest interface and various others and we plan to do the same.

Now, let's say that someone has a service contract to manage 10,000, 20,000 home units. They're doing it just like they manage an alarm system. They do it from central office. They can dial in things, and change them. "Oh, looks like the alkalinity went up," do whatever the system can't do automatically. When you have a connected system, it enables remote management. It also, enables smart, adaptive management, so the thing wouldn't even have to have a human compensate for excess alkalinity or whatever. It would just simply do it properly. But let's say, "Oh. You know what? There's a lot of fouling going on because of a lot of sediment in the water," well, then it would warn, "You know, we're going to have to replace that filter sooner rather than later."

There's just a tremendous opportunity here, because the minute you move from a conventional space like water to a high-tech space, now you turn into a Silicon Valley play. And it dramatically changes what I would call the sex factor for something like this. Because, I mean, look what happened with any number of these plays, where you have these scooters. They've got little electric units. They're now becoming all the rage because it was a high tech Silicon Valley play. We have this sort of "halo" of a high-tech play that can occur.

I want to start really capitalizing Modular Water properly. You'll be hearing more about that, about how we're going to give it the kind of resources to do some major consumer roll outs and so forth.

I told you how much I admire Elon Musk, well, think of OriginClear, it's kind of an Elon Musk. It has all these ideas. We come up with these ideas, and they basically, over time, turn into very interesting plays. We have WaterChain, which is a crypto. I'm not saying crypto's happening this year, but it's definitely a multi-trillion dollar play over time. Then we've got these Modular Water systems, both at the industrial level and at the home level. So, these various things become jewels in the crown, you might say, that become ventures of ours. If we really, really think of ourselves as a high-tech play, then not only are we highly disruptive, but the valuations become very, very interesting. Because Wall Street values technology plays differently than analog plays.



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Just look at Tesla, right, which is an amazing car company. Not only is Tesla a darling of Wall Street, but if you look, if you've ever driven in a Tesla, there's almost nothing there. It's basically a frame with an electric motor, and you don't have to maintain a darn thing. Of course, there's no oil changes and stuff. The moving parts are a fraction of what there are in a regular car. But they're selling them for the same price. So, in the end, Elon will have a vast, vast profit margin. That's the leverage factor of technology. If you can leverage technology to push through the work, ask Bezos at Amazon what technology's done for him. He's got a huge, huge lead on everybody else, because everything that he's done. He has storage. Well, he leases out the storage. That's the digital storage that he has, the Amazon storage system, the cloud. He needed that, but guess what? He's also renting it out. So, every single thing that they do gets leveraged into general use.

So, we have this amazing multiplication effect with technology, which is what Wall Street recognizes, where there's software or there's particularly breakthrough hardware, or new ways of doing things that are highly efficient. I think that it's very, very smart for us to start positioning as more and more of a tech play. And it's real, because of the very real situation that Modular Water finds itself in, which is really in the perfect storm for these connected systems both in the home and in industry, residential, et cetera.

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That's just brief coverage of the main highlights for the week. We're powering towards the end of the year. It's crazy times. We're trying to get some last things done. I urge you, if you're an accredited investor, to take a piece. Even a small piece of the current round is very, very smart for you. But it will also help us achieve our very ambitious goals that we've set for ourselves. We're going to have a chance to really do some amazing things. You'll see Money TV sometime tomorrow or over the weekend, where I talk about the TCA relationship, which I think is a good and long term one that will do us a lot of good.

Again, I want to thank you for listening in. It's always a pleasure talking to our fans. We're going to have ... Again, the numbers are 323-939-6645. Ken is at extension 201, and Devin is at extension 116 and they'll be happy to tell you all about this. Do join us. Thank you very much. Have a great evening and enjoy your weekend. Good night.



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