TELECONFERENCE BRIEFING
BY CEO RIGGS ECKELBERRY
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(Transcript from recording)

Riggs: Okay. Riggs Eckelberry here and I'm happy to be giving you the conference call with the CEO briefing of the 29th of November. Hope you all had a great Thanksgiving. I'm going cover two things in this briefing.

One is what I called the "herding cats problem" this morning in the CEO newsletter. Which is the story of how we somehow got together a slate of acquisitions. We got ourselves to a point where we have perhaps, you know, some amazing news to give you over the next few weeks.

So let's go back to December of last year when we were looking at how to get companies in, and we got with an investment bank in New York City, a very good one. A member of the New York Stock Exchange. They said, well, we'll be happy to help you, but we're only going to do it if you somehow come up with a need for $10 million in cash.

Now, you know, our valuation is two, three, four million dollars, depending on where we're at, but it's not, you know, anywhere near that. Because to pay $10 million in cash, well you're logically coming up with a company that, you know, may be five or 10 times as much. I'm not going to tell you exactly and I'm not even going to say it's exactly 10 million, because it's not. So, I'm just talking about the orders of magnitude here. Raising a million dollars is not something that Wall Street will do for you. Raising $5 million is not what they'll do for you. It begins at $10 million and that was the key to why we were not really getting anywhere with acquiring companies after we acquired our first one in 2015. Because that first one was done with all stock.

So, why do you need cash to acquire a company? Well mainly it's because if you're trying to acquire a bigger company than you and you try and use stock, pretty soon that company's going to own you. So, you want to do it with debt. Debt is non-dilutive. It's good for shareholders and the debt is of course secured by the profits of the target. It's called a leveraged buyout. That was invented, gosh, 60, 70 years ago, as a way to make mergers and acquisitions happen.

We basically have a situation where you're able to use debt to acquire a company, and that debt can be as much as needed, as long as the target is strong. So, you can actually acquire companies that are much, much bigger than you. In this case, you get as far as, let's say, $10 million raised as debt and that allows you to get companies that are much bigger than that. That are in the range of, who knows. I'm not even going to get into that. I don't really want to get into the guessing game here, because we have disclosure issues.

But one of the things that's for sure, we weren't going to go run around and get companies that were huge. We had to assemble it from a series of companies. So Bill Charneski went out and started acquiring these companies and basically getting them to agree to do a deal. Like, look, if I can do this, and if I can bring you this amount of cash and this amount of upside and all the good value, and doing his persuasive thing, then eventually, he got these people to agree to letters of intent that were non-binding. If they were binding, we would have had to disclose it and we haven't, so everything that was done was non-binding.

So what happened is that he started trying to acquire these different companies, and all these different companies would , you know, he'd get one and he'd run to get the other one, and then the first one would start falling out and he'd come back and prop them up again. So, herding cats. That's what it turned into. He was amazing. Bill Charneski is a very dogged man and he managed to get to the fourth quarter with all of these, what we call a slate or basket of acquisitions, in place with non-binding letters of intent, all set, and added up to at least $10 million in cash needed to make the acquisition. Again, the exact amount I'm not getting into, but that's what the order of magnitude was.

Then what happened in the last weeks of Q3 was we acquired a relationship with TCA Capital, which is part of a half a billion dollar fund, called TCA Global

Master Credit, you can look it up. They are a fund, and they're also an investment bank. So, we got with them and we made a deal and they got very excited. They looked at this and they said, oh, this is great.

Well, I can't get into the current state of where things are at, but here's the thing, there's a lot of cash running around in the economy right now. There are billions trying to find a customer. Somebody who will borrow. Origination is the problem. Origination means actual deals. There's lots of money sitting there. If you could originate a deal, if you can come up with a use of funds, then you're very popular right now. Because people are having a hard time putting money to work in a way that they won't lose their money and that they'll actually make money.

So, TCA's had a very good success so far in finding ways to get these deals funded. Where we are precisely, I can't get into. Because it is a private situation, but let me put it this way, the deals are good, the money is there, the willingness is there from all parties, everybody's ready to do it, and so we think that there's going to be some good acquisitions done in the near future.

I can't get into more than that because, frankly, I don't know if it could be next week or a month from now. It's not something that I currently control, and if I did, I wouldn't be telling you. So, we are just going to have to leave it at that.

So that's the situation, what I call the herding cats story that I talked about this morning.

The other thing is that there's an amazing story about this small town in Louisiana, 250 people, and it turns out that they have terrible water problems. The reason why it got interesting, as I discussed on the MoneyTV show today, is that there's a very smart man who has been going around exposing these problems in rural America, and he was the one involved with Flint, Michigan. This was brought to me by one of our investors. What's very interesting is this gentleman was given, finally, which it took him a long time, but he finally got $2 million out of the EPA to study this town of 250 people.

Guess what? We could actually solve the problem of this town with that same $2 million. So, whether it would be as one unit processing all the water or more elegantly, which is the way we're going, is with a portable or a single unit in each home of that town.

Now, let's step back a bit. Why do we have a problem in America? This researcher, and I quote this all in the CEO update, in the CNN article that came out he said, we are a third world country when it comes to water. That's surprising to a lot of people. Because we're accustomed to not having any water problems.

But I can tell you right down the street here in Compton, literally our headquarters is within five miles of this place, the water's terrible. And there's nothing they can do about it. Why? Because for years now, the utility, the city sewage plant has been saying, guys, we need to spend money because the thing is falling apart and the city council basically kicked the can down the road. Now they've got bad water. Now, guess what? They're blaming the utility and the utility's going, well, you know, no money, no cleaning.

This problem is not going to go away soon. We have a major political problem in this country. Which is, that we're not getting stuff done. I'm not getting into reasons why. You can open your Facebook or the TV any day and find out why. Everybody's at each other's throats and maybe it'll get fixed one of these days or maybe it won't, but the fact is that things are not getting funded.

Let me just take an example that's not about water. Right now in California we've got a high-speed rail project. It's going to cost billions. Money's being put into it. Guess what? It's happening at a snail's pace. Somebody's buying land in the farms. It's being built in the middle of the farm country. Why? Because nobody could figure out how to get it started in L.A. or San Francisco, so they're building the middle first. They're building out in Fresno and somehow they'll have a high speed line going from nowhere to nowhere, and they'll say this is wonderful.

But on top of it, they're buying land at a pace that will take the entire career of the people involved. This is perfect from the point of view of the bureaucrats and the people who have the contracts. Hey, this is going to take care of me and my family for a long time. So, you know, we have these problems with getting things done at this centralized level.

So what's going to happen? What's going to happen with a lack of public transport, mass transit in L.A.? What's going to happen with the lack of a high-speed rail system, et cetera? Guess what? We have a self-driving car coming along. So, people are just going to take care of themselves and there's going to be these ways to get from A to B that don't involve you having to drive your car, but some kind of vehicle shows up. You step into it. It goes somewhere and delivers you. That's where it's going to go. We're not going to have to ask government to do it. We'll do it because Google does it, or because Uber does it, or whatever.

That's what's going on in water. We have an abdication of the central water treatment mandate and responsibility. Because we have a hundred-year-old water infrastructure, it's not being updated fast enough. It's going to cost a quarter trillion dollars in America to fix it and that money is not going to be spent. If it's spent, it'll be very slow. It'll take decades, because that's the current system.

The solution is going to be: people take care of their own problems. People are going to clean their own water. You have some activists saying we have to clean the water in this Louisiana town, but it's not going to happen. It's just going to go round and around. They've still got problems in Flint. Finally, Elon Musk had to go do a bunch of donations. Because after years of the problem in Flint and people are showing up from right to left, from, you know, you name it. Every single candidate in town showed up in Flint, Michigan. But Flint still had a problem. Still has to this day. So, the action has got to be taken by the people who have the problem to solve the problem themselves.

Second thing is that the home itself is becoming a smart home. Increasingly, let's say you get a Nest thermostat. The Nest thermostat is actually the hub of Google's smart home. Everything gets certified as "Works with Nest". Your fridge, your water heater, all these different things are hooked into Nest. The webcam that looks out for people outside, all that stuff is all interconnected. It's going to end up being under one system. There's a lot of competition, we've got Amazon in there, we got a bunch of stuff.

The point is that home is becoming smart. So stupid solutions like septic tanks, which are terrible for reasons I got into in my last CEO update, are going to go away and we're going to end up with water treatment systems for the home that are part of the smart home, you know, Works with Nest, concept.

So that they'll be adaptive systems and they will be, you know, you can manage them remotely and all that kind of the good stuff, and they'll be relatively cheap. I'm not saying that, you know, one of these units is gonna be 5 or $10,000 tomorrow. It's going to take mass production. But once there is mass production of what I call the Aquappliance™, that's kind of my working word for it, it's going to get down to those price points, and now all of the flush water is going to go into this system.

Now there's been all this talk about gray water systems. Hey, if we could only grab the gray water, the shower water, the dishwasher water, et cetera, and treat it and use it for irrigation. Guess what? American homes don't have the plumbing to handle gray water separately. American homes send all the gray water and the flush water into one drain pipe, and separating them is not easy. So instead, fine. Just treat all the water, and that's the model here. All the flush water goes into a central system, it's elegantly packaged so it's not huge, it's relatively inexpensive, and it turns out water that's certainly clean enough for irrigation. In California, that's a big deal.

You know, I once had a house, you know, where we had a quarter acre, and yet we were spending $800 a month on water. Why? Because in L.A., water rates are very punitive. This is true for a lot of users. A lot of us are spending $800, $900, $1,000 a month for water, which is ridiculous.

So we're going to have to have a better system. Where the water is treated, the flush water comes out, it can be used for irrigation, that in turn allows you to water your lawn, and save a heck of a lot of money. Think about it. If you're saving $500, $600, $700 a month, your $10,000 or $20,000 unit, whatever it costs, and again, I'm not getting into costing right now, it's going to pay for itself. Then you'll be pretty well off for a long, long time.

This is true, for example, of breweries. We're right now working in the brewery space. These microbreweries in California are required to treat their own water. They cannot fail to treat their own water. That's by law in California. Well, their water bills are huge and we can help. We can dramatically reduce the water bills through the re-use of this water.

Okay, so in that case it's not irrigation, you have to get to potable water and, you know, make it super, super clean because if it's going to be re-used from the brewing process, then it has to be quite clean, obviously.

We're solving that problem with microbreweries and that's a business of ours very, very similar to what happens in a home. Now what I'm getting at here is that these towns all over America that have a problem, these homes that are stuck with the problem, they're going to have a simple solution which is onsite water treatment in a compact unit.

That is where we're going with this. It's very exciting. I love it. You know, we think we're going to do a lot of damage with this. Now, is this going to happen immediately? No. I'm talking about this Modular Water in the Home™ system because we do have the technology, it is patented, we have the design. But there's no way that I'm going to let Dan Early work on that right now. Because Dan has got to sell a lot of 500,000 or million-dollar systems to justify the existence of his division.

If you want to buy a home water system from OriginClear right now, it's going to cost $50,000. At the very least. It's a complex problem. It's harder than a brewery because a brewery only has beer waste. But a home has, you know, fecal matter and so forth. So, we're not going to go in that market. We're talking about industrial systems.

The first system we sold to a brewery in Maine back in July, August was a $60,000 system. We can sell a lot of those and ultimately, given the size of the market, it's probably a market worth 20, 30, $40 million that we could achieve ourselves. And that's just breweries that we can get to.

There's more to it than that. There's housing developments, there's commercial office complexes, there's rural schools, there's all these different types of users that all need their own treatment systems and we have the solution with Modular Water Systems. Prefab, make it in the factory, truck it out, drop it in the ground. That's going to be our focus in the short-term.

How's that going? It's going very well. I'm very pleased with how Dan Early is doing. We're going to have a lot of, we're going to do a lot of damage with these systems.

So, we're coming close now to the end of the year. We've done really, really well with the current offering. It is funding all of our efforts. When we make an acquisition, it's all very well that somebody goes and brings us, you know, 5, 10, $15 million, whatever it is, but we have to pay the legal and audit bills internally. So that adds up. It's definitely in the six-figure range and in order to maintain our momentum we need to raise that money and you are the people who are our accredited investors who are helping us make it happen.

So, the raise has been going very well. We have a small amount left that has not been committed. I would love to bring you in before the end of the year. We're going to go ahead and bring in Ken Berenger and Devin Angus. Ken Berenger, (323)939-6645 and he's at Extension 201. And Devin Angus is (323)939-6645, Extension 116.

Find out from them what the deal is. We've taken all of the shared risk out of it and we think it's a very conservative investment with a tremendous upside for you, the credit investor.

I'm available to answer any questions. Because I'm actually the one who is offering these shares as the CEO and I am personally involved with every single transaction that we do on this private placement. So please feel free to request conversation with me. Ken and Devin will be happy to arrange it and I'd love to hear from you. I'd love to have your feedback. Your support in this period of transition is huge. Dramatically, I could not do it without your help, and that's a fact.

I want to thank you all, I hope you had a great Thanksgiving. As we race forward into the Christmas period, remember that December is a full month. We do plan to get a lot done in it and we're here hard at work and we'd love to get you involved further.

Thank you so much everyone, and have a good night.