



TELECONFERENCE BRIEFING

BY CEO RIGGS ECKELBERRY

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(Transcript from recording)

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Riggs: All right. This is going to be the last briefing of the year, and it's been quite a year. It's been an amazing year, and I'm glad you've been with us for the ride. We have a lot of exciting things happening, so I'll get into it right now.

For starters, we have this thing about pig farms. You know that a few months ago, gosh, I think it was late 2016 we got involved with Montajes Longares in Spain, which is a large pork producer who decided to get into the business of cleaning the lagoons for all of the producers on the Spanish peninsula.

In fact, there's a video that describes how they tested it and proved that our process works. They've gone ahead and began to implement that, and it's going very, very well in Spain. [\(click here to watch video report\)](#)

This led to the development in Illinois. This is really good because the U.S. generally is pretty conservative about this kind of thing. To have it start happening in the U.S. is very, very cool.

Let me just read a little bit from what JL wrote:

"Performance of the EWS™ with Advanced Oxidation™ on animal farming effluents as demonstrated by Depuporc" (Depuporc is the joint venture that was created by our



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Spanish licensee who is currently installing the first system near Zaragoza) has caught the eye of several stakeholders in the animal farming market.

“Pig farms in developed countries are facing environmental regulations that prevent them from discharging effluents directly into waterways. For them a simple solution is to discharge manure into large lagoons where water evaporates and solids gradually settle and degrade through the slow natural biological processes. It's subject to other farming regulations that can also contribute some of this manure to fertilize crops.

“A major problem that pig farmers have in the northern part of the U.S. Midwest is that in winter with frost they cannot spread this manure onto fields. More stringent regulations make field spreading more and more difficult, anyway. As a result, lagoons do not empty at the rate they were expected to.

“Most pig farmers’ ponds then are almost full. With a major hurricane, or even heavy rain, they risk overflow of their ponds. This is a significant liability as it was demonstrated during the recent hurricanes (remember Hurricane Florence). Their business is at stake.

By the way, [I was just asked] who the name of that pig farmer in Spain is. The company they created is called Depuporc, D-E-P-U-P-O-R-C, Depuporc. It's a licensee of OriginClear. It's a venture of a company called Montajes Longares.

Anyway, back to the story here.

“Farmers need a solution to treat that manure that remains in the ponds, and possibly to decrease the level of these ponds to offset the overflow risk. We're working with a local partner in Illinois, who while prepping for a license agreement with us, has hooked up with an opinion leader in the industry. This is a farm owner who plans to have his first unit deployed in Spring of 2019.”

Here's what's cool, this system would be an industry standard, combining Electro Water Separation™ with Advanced Oxidation, EWS+AOx™, with downstream polishing. In other words, we do the clarification and then there's a step of polishing it, which means removing the last little bits, for a daily treatment capacity of approximately 30,000 gallons per day, which is a chunk.

The system will bring several benefits. It will treat the effluent into products such as gray water for non-drinking use like washing things and so forth, possibly treating water for



[animal drinking purposes], and concentrated nutrients for the crops. Of course, reduce the overall water consumption, and gradually empty the ponds to alleviate the overflow risk.

That's the general story, because we saw in Hurricane Florence in North Carolina and throughout the Carolinas there were terrible problems with the lagoons overflowing. That just created a big, big issue.

We've discussed this in the past, we've had a CEO update about it where we had raw manure to clear water. I'll have the link put up in the transcript for this talk ([video here](#)). Basically, what this illustrates is that we have a nice win in our licensing technology. We've now really developed strengths in the pig farm area, which means really any agricultural area is a strength of ours.

We're making progress with oil and gas. As I mentioned before, we have a working system doing disinfection of oil wells in Texas and more to come. We've got action going on with the landfills, the landfill black water. That's been in progress both in Southeast Asia and now Florida Atlantic University is helping us to research it for the US.

Still in oil and gas, we have deals pending with two national oil companies in the world, and that's pretty exciting. There's a lot happening with the licensing thing.

One of our goals in 2019 will be to rev this up. Licensing is great, it's cheap because you have JL, who is a very good licensing manager, supported by an engineering team in China and so forth, but it's very slow. One of the things we plan to do is actually begin to take this technology ourselves into the market as opposed to letting other people manufacture it, etc.

When Ray Dolby first invented Dolby noise reduction, he didn't build any audio receivers. He licensed them out, and that was fine. In water, we don't have fast enough adoption, so we need to kick it along. That means that we are going to need to start building systems ourselves, and having resellers of units that we manufacture.

It's also going to help us have more revenue, because in licensing you only get a small fraction of the revenue for you called a royalty. If you're selling systems then you get more revenue, and that's really, really good. That's the technologies division, which is going along fine.



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The other update that I've got from Modular Water, our superstar Dan Early reported that he's just killing it. He reported on a session where he was with an organization that basically gets a lot of projects going with consulting engineers. They generate a lot of projects.

They were blown away because they could literally carbon copy his stuff and make dozens of these, literally like hotcakes, and replicate this over 50 of these organizations. They're called Manufacturer's Reps, and what they want is something they can replicate so they can go to engineers and go, "Hey, here's a deal that you want to put out to bid. Here's our standard thing."

They push it out, and they're done. They move onto the next one, next one, next one, next one. That's really the potential that we're working on there.

As I mentioned to you before, where we're going also is to get more and more into what's called managed services. That is where you really own a customer for a long, long time because you're not only delivering a piece of equipment, you're also doing the management of it using connected devices called "Internet of Things" devices, IoT devices.

These devices report events to a network operating center and a lot of management can be done offline by the support organizations. That means you don't have to have a lot of people onsite. It's very, very good for people who are stuck with running things themselves, but it's not their core business. They're in the animal farming business, so they need to have somebody running it.

They'll have a local janitor, but a water expert can be remote. This is called DBOO. A lot of people do design and build, but a lot of people don't do the own and operate. Design, build, own, operate; that is the full gamut.

We're in talks with an organization that puts these together, these structures. They get them financed and so forth. The financing of these operations is really, really doable. Why? Because you can prove that the customer has a multi-year lifecycle because you put in place these contracts. That's the cool part.

I'm actively working with a group that puts these together. They are a financial and consulting organization that gets these packages put together so you can prove to the funders that you've got this asset. The minute you've got an asset, you can then finance against it.



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That's the other thing that's going on.

Also at, Modular Water, we've got this brewery initiative. I told you about how we sold a brewery right here in Southern California in three days flat. Now we've got a full-on brewery marketing campaign going on nation-wide, but primarily focusing on the Southwest for now, which is going to go after, again, selling like hotcakes, identical units of breweries. That's what's going on in Modular Water and it's going extremely well.

The final major, major element is the acquisition situation. Right now we are right on track, this is the point where there's a whole lot of whole lot of sausage-making. The acquisition package is solid, all of the targets, what's called targets, which is the company you acquire; are all well documented, all their financials are known, all the initial due diligence is done and so forth.

The lender is up for it in principle, and now we're just connecting the dots to make a deal happen. We will not be able to disclose this for a little while yet for the simple reason that there is still an element of uncertainty, cannot tell you we will get these things done at this time. So, nobody go banking on this.

But, it's clear that, I can tell you right now, the deal is live. It's good to go and we are full speed ahead on it. I'm in as much anticipation and suspense as you are about it, we are doing what we can. Bill Charneski and I are feeding materials into the machine. The machine's working hard to get deals done. I really can't get into more than that, but I'm very optimistic about how it will define our 2019.

What will we have in 2019? We're going to have a company that is making more revenue. Why? Because we're expanding OriginClear technologies out of licensing and into doing its own stuff. Because Modular Water will continue to expand its product line, and its sales, and getting into vertical markets like breweries, getting into automating offerings with Manufacturer's Reps, etc, and just getting its network out there.

Three, the acquisition game, I'm quite sure it's going to happen. How it's going to happen and when is to be seen. Let me put it this way; if you're a realtor, your number one challenge is to get a listing. If you've got a listing, then your odds of making money are pretty good because that thing is going to sell. It's been put up for sale and you managed to get the listing, the deal's going to happen.



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You can't bank on it, but really 90% of your work is done. Now you just have to market it. Getting acquisition targets is very similar. This is Bill Charneski's amazing work, once you manage to get these people to agree to a non-binding term sheet, the, "Okay, this looks good", then you don't officially have a "listing", but you have something in your hand which you can then take to lenders.

If it's a strong company, it's the basis for the financing. The key to a small company buying big companies is that the big companies themselves are valuable, so they are the asset that the lender lends against. If you have these people and they've agreed to be acquired, in principle, non-binding (if it's binding we have to disclose it, so we're not saying it's binding). If these people have agreed to it, a general deal structure, then the second part is doable.

I'm not going to say it's not hard, it's hard just like it's hard to sell houses in the real estate market. At least if you have the listing, then you've got the opportunity to deliver and get your commission. That's where we are today.

Very exciting time, very pleased with the performance of the team. It's just unbelievable how hard people are working inside the organization. Of course, I'm constantly yelling at everybody and trying to keep my cool because this fantastic thing's happening and I just want to accelerate it.

There's this wonderful thing called Steve Jobs Time, which you may have heard about, in which literally Steve Jobs asks a developer, "How long is it going to take to get this new feature done?" They'd say, "Three months." "Okay, you've got three weeks." The crazy thing is, they'd get it done in three weeks. They'd be like, "What?" They called it Steve Jobs Time.

I'm trying to be like that, while also not completely annoying people. What we're doing is important, we are going from being aspirational to operational right now. It's a very exciting time, people are realizing it, there's an excitement in the air. We feel that we know all the parts and motion we've got our finger on. We know what's happening, we know how to pull the levers to make things happen, and we're pulling them.

Stay tuned, this is an exciting time. There's just a few more days in the current offering. I was talking to one of my lawyers and he was like, "Oh my God, I know too much so I can't invest. This deal is incredible. Literally you're going to go ahead and return all the investment in two years, less than two years, September 2020, You're going to pay out



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eight percent cash dividend, and you're going to grant a stock grant today, for the value of half your investment. That's called a no-brainer."

I said, "Well yes, but of course they are taking a risk." He said, "Yes, but you're guaranteeing it with your patent portfolio. It seems like it's a very doable thing." He thought it was just an amazing deal. I do too, a lot of people will agree with that. It's been a very, very successful offering.

We have two or three units left to go, so I strongly recommend you call Ken or Devin. I'm going to give the phone numbers, 323-939-6645 extension 201 is Ken. 323-939-6645 extension 116 is Devin. They will get me if you want to talk to me about it, they will arrange for me to be on the call. I'm very happy to discuss your questions, your concerns, what-ifs, all that stuff.

Really what we've done with this offering, as much as possible, is reduce the risk to as much as can be done. There's always risk in any investment, of course. With the secured promise to pay you back the principle, the dividends, and the stock grant today; it's pretty much as good as it gets.

I strongly recommend you take a piece of it. If you can't take a full unit, take a fractional unit. We'll be happy to discuss it, we want to get you in. We want you to be part of our expansion into 2019.

That's it, we reached the end of our discussion. It's been a lot of fun doing these briefings. We'll start up again on the, not the 27th, but the weekend after which is the 3rd of January. There won't be any Money TV until then either. We're all on break, but I'll be working, the team will be working. I will be available to talk to you any time, don't hesitate.

Remember, that if you hit reply on any CEO update that I send you, it comes in to my inbox and I will talk to you. I'm busy, but I do try to answer everybody. Thank you very much everyone, happy holidays to you all. Have a great, great New Year, and here's to a great 2019 together. Goodbye for now.

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