



TELECONFERENCE BRIEFING

BY CEO RIGGS ECKELBERRY

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(Transcript from recording)

SAFE HARBOR STATEMENT

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Riggs:

Okay everybody. This is the 21st of March. Riggs Eckelberry, CEO OriginClear and I'm going to bring you up to date on what's been going on and how we are doing. And we have about 26 of you on the phone, so welcome aboard!

This morning I was on our weekly [MoneyTV](#) show and was able to invite the new vice-president of Modular Water Systems onto the show, [Tom Marchesello](#) and Tom is just a fantastic executive, who last year was involved with me on the [WaterChain](#) project and continues to be involved with it. But he is, right now, helping us to unload a lot of deal flow from [Dan Early](#), who has got his hands full with business.

Dan also recruited another pre-sales engineer who we will get to know as well. So we know have added two people to the [Modular Water Systems](#) team. And right away Dan got some business. If you watched last week's MoneyTV you heard about this deal, that out of a blue a major hotel chain contacted us to handle all of their water treatment issues worldwide, specifically because they often have hotels in very disconnected places. You know, coral reefs, that kind of thing.

So Tom's talking to them. He also put out his first major bid after just a few days on the job, a \$200,000 bid. So it's fair to say that he's a vital part of the team and I recommend you watch the [MoneyTV show that we did](#).



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Also, there was a really fun thing where, because the TV show will appear tomorrow, which is [World Water Day](#), we had a Declaration of Water Independence, which was a lot of fun. And really the truth is that [according to the EPA](#) today, the fact is that between one and three million people die each year from dirty water and that's not going to get solved by doing massive, huge central projects that cost billions, trillions.

Where are the billions and trillions? But more importantly, where is the time to do these things? Anybody who was around LA during the time that [the LA subway was built, it took forever](#) and then what did we get? A single tube creation. Not bad, but it took a long time.

So that's the way it happens these days. I'm not going to get into why, but the fact is the big, central projects are history. So self-help, self water treatment, user initiatives are key and that is what we call water decentralization or water independence. And so, I put up this [Declaration Of Water Independence](#). That was fun.

But really what's happening now, and this is your March update, is that we'll be issuing guidance soon on how we did last year versus the year before and then we'll be able to issue some guidance on how we are doing in the quarter, which is not yet done. But it looks good. Looks really good. And then we'll be able to issue some guidance how we expect 2019 to look and from indications early in the year, it looks like we are running, [as we announced](#), almost three times more in terms of sales than last year's monthly run rate.

Let's be a bit conservative about this and say that I would be super happy if we had a doubling of our sales. Remember that a public company, or any company that runs on the Generally Accepted Accounting Principles (GAAP) have to count things by what's called the job method, meaning sales are tracked on accrual and that is when you get a sale of \$500 000, let's say. Okay, great. And you even took some money in on it. That's great too.

That sale is not complete and remains a liability until the day you have shipped it or commissioned it and now you're owed the balance. You may not have been paid in full, but that's a different story. But you did deliver it and that is called Recognized Revenue.



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Recognized Revenue in water runs a good deal behind sales, because it takes 90 days or whatever it takes to build the thing and install it. Even when it's modular, pre-packaged things like ours, you still take a little bit of time, and so that's where I'm not going to go out on a limb and say that we're going to triple our revenues 2019 over 2018, only because when things go up, the up-ness is delayed and that's the thing to remember. That when things start to improve, they get more and more offset in time. And so I've learned that lesson to not jump up and down and say how wonderful things are when it's actually going to take a little time to be realized.

Nonetheless, our sales are well up, 2017 to 2018. They're well up 2018 to the beginning of 2019 and we expect 2019 to be as much as double 2018. And I'm only saying this because Modular Water Systems is an additional unit added onto Progressive Water. They are actually part of the same company, [Progressive Water Treatment Inc.](#) is the company in Texas and Modular Water is actually technically part of that company.

But what we've done with Modular Water is we've given it the potential to double the total revenue between those two units. Whether the revenue will actually be recognized in 2019 I cannot tell you for sure. And also, there are other things like if you bring in some particularly large deals that are township-level deals and those are much larger.

So we'll let that be in the realm of uncertainty, but know that we have a substantial increase that we'll be discussing in the near future from 2017 to 2018. And then we have another increase that's occurring from 2018 to 2019 as I speak.

So, what are the requirements? Well, the first requirement of course is that we staff up for this. It's all very well to start getting sales, but that creates an immediate problem, because you run out of people to handle the design, the drawing, the deal, the project management, the engineering, the building, you name it, right? There's a flurry of things to be done and we basically maxed out on Dan Early's bandwidth in the early part of this year and we had to rapidly start adding to it.

So we already have a pretty good team here in LA that's supporting him on the administrative side and marketing side. We added Tom Marchesello, as I mentioned, and we also added [Robb Litos](#) who is based on the East Coast with



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Dan, helping him with the bid responses and so on, presales. And we'll continue to add to that.

In addition, we plan to continue to add equipment to help build things at Progressive Water Treatment. Now right now, Modular Water builds partly at Progressive Water Treatment, but also at other specialized plastic fabricators. We have about three of them all over the country and these jobs are shopped out to the fabricators and they're expert and know what they're doing. But there's an extra cost when you shop these things out. And also, the money that you spend to a plastic fabricator in Tennessee is not money that's going to go to our own company - Progressive Water.

So we are tooling up Progressive Water to handle everything that's being done for Modular Water Systems throughout the country at these specialty fabricators. I've got a budget to do that and what that means is that we'll have a substantial increase in profit margins between the current state, which let's say is roughly 50% profit in gross margins. And perhaps as much as 75% gross margins if we can tool up internally and end up with everything happening at Progressive Water Treatment.

So that's the situation there. Now I also wanted to discuss a couple other things. My good friend, [Jean-Louis Kindler](#), JL, who has been with us for about five years and who was with a joint venture of ours in France before that, has moved on to be CEO of a company that he helped create many years ago that has now become quite advanced. He remains on the board of directors of our company and very closely involved, and he's also helping to put [Bill Charneski](#) in charge of the [OriginClear Technology Division](#), which is starting to get some traction in some key areas.

Now the technology division has been very slow to develop, and that's primarily because we've just done this general licensing approach like here, take our technology and use it. But what we learned over time was that the water industry is not very much into new things, so it's very hard to get someone else to convince someone *else* to buy your technology. So, what we've done is we've decided, okay, let's take the areas that are home runs for us, where we're already doing well, where we did find partners who are getting traction for us, and let's make those the applications that we focus on.



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And those key applications are [oil and gas](#) water cleanup, which is what we've done for years, and also [manure effluent](#) cleanup. Cleaning up the poop. And those two areas are already happening for us worldwide and we're going to be rolling them out as specific application areas and not just general licensing. And there is revenue attached to that this year in terms of forecasts. So Bill Charneski will be in charge of that.

Also Bill, who remains president of the OriginClear Group, has done amazing work to recruit manufacturer's reps and [we did a release](#) a couple weeks ago on that. Manufacturer's reps are key to the development of a company. They are your channel partners, they bring in the business. And it turns out that people really like Modular Water Systems and they want to represent it and so Bill has gone around and been training up these manufacturer's reps all over the country and they are already feeding us business. We're starting to have a regular advance business, which is being reinforced by these channel partners. So that is what's happening on the rep side of things and Bill will be continuing that.

Now I also wanted to cover this fantastic partnership that I discussed a couple weeks ago in a [CEO update](#) and on [MoneyTV](#), which is this strategic partnership with [Aspen Water](#). A wonderful company that has developed a very, very strategic set of relationships with the US government at the US military level and also at the [Federal Emergency Management Agency level, FEMA](#). And their rapid deployment systems routinely get sent out to places like Puerto Rico for the hurricane and so forth. They are amazing.

So what's important about Aspen Water is they have very consciously refused to go beyond a certain size. They like to go up to a size that will fit into a helicopter or a small truck or van and that's as big as they go, because anything bigger than that is not really for a disaster, it's more for perhaps mobile, but with a slower deployment.

So, for example, when it came to the opportunity to sell systems to clean latrine water at Forward Operating Bases in Afghanistan and so forth, they turned to Modular Water Systems and we have a system for them to do that; and also very large scale desalination has been designed by Progressive Water Treatment for Aspen Water. So we have this partnership and we like each other very much and that is actually a relationship that's been developed closely by Bill Charneski.



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The other thing that's going on is you've been wondering whether we're ever going to get an acquisition done and the answer is yes. It takes longer than you could possibly think it could take and that is because of the time it takes once people agree in principle to something. The time it takes to get to a point where you can officially announce it. And there's a whole lot of things, basically called due diligence, things that go on that people are running around like mad and then spending late hours, staying up all night and all that kind of stuff that we basically cannot discuss specifically. But I assure you that it is happening and we also have other interesting things going on such as a potential large-scale initiative south of the border for Latin America, which is for us brand new territory.

So what I like about the current situation we're in, is that we're no longer relying on the Hail Mary pass of an acquisition. That remains part of the funnel, but we're not dependent on it, because essentially the "acquisition" we made last year, which is more of an acqui-hire, is turning out very well. Dan Early brought a legitimate reputation and a potential customer base and patents and so forth to us, and those are turning into real business. It takes months for it to happen. That's the nature of these water industry deals. But once they start rolling, then you overcome the lag and you're cranking.

There's no question about it, I believe we're going to have an up year this year over last year. Last year was an up year over the year before. The only real question is by how much and I believe we will have some very good news during the year, but we're going to be up regardless. There's a term called black swan. A black swan event. A black swan event is something that, you know, how rare is a black swan? Well, pretty rare. So, a black swan event is something that happens that you can't predict and that's what we're working on with the acquisitions and they remain absolutely in play. They are happening, but I'm not able to discuss them publicly and name them as deals to the world, because that's the nature of it. You just cannot disclose these things until they are Definitive, as we say.

So that's the basic situation as it's been going on for us. I'm extremely pleased with the operating teams, both in Texas as well as up in Roanoke, Virginia area where Dan Early is and in Los Angeles with the addition of Tom Marchesello in Southern California.



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So I love how the team is going. We've kept it tight. We are now investing in plant and tooling and I think you will have an opportunity to get involved with that on a basis that will be extremely interesting to you. I feel sure of that.

Well, that's about it for today and the opportunity now is to tell you who to call to find out about this wonderful thing. And as always you'd call 323-939-6645. Extension 201 for Ken or 116 for Devin. 323-939-6645.

Thank you for listening. It's always a pleasure talking to you and do tune in to the [MoneyTV show](#) that will show up soon on Facebook and also on our website. Thank you so much and I'll catch you next month.

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