



TELECONFERENCE BRIEFING

BY CEO RIGGS ECKELBERRY

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(Transcript from recording)

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Riggs:

All right. Riggs Eckelberry here this 6th of September. I promised you a briefing on WaterChain this week, and I'll get into that in a moment and also the reasons why we are pursuing our WaterChain initiative. Furthermore, next week I'll be giving you a briefing on OriginClear's technology. We have some amazing developments, new technology we'll be announcing, new technology developments that are pretty startling. But that's going to be for next week because we have a release to get out of the way first.

Now, as you know, the first part of this year was spent, by me in any case, on this crypto world with WaterChain. That became a very exciting development which we got into in January. In fact, in December we created a company called WaterChain, and we started developing the concept. Of course, it got very exciting for me. I was down in Puerto Rico for the Restart Week there. I had a lot of fun with various conferences. There was so much happening in crypto.

But, at the same time, something interesting happened in the crypto world which was that the Wild Wild West of 2017 basically came to an end. Of course, a lot of people got hurt when they bought in right at the top of Bitcoin Mania. And so many, many investors that I spoke to said, "Yes, very nice except that my kids bought and it hasn't worked out, etc." And so you have this previous wave of pretty much unregulated coin activity occurring through 2017, and then really just kind of going sideways in 2018.



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And really, what we had was the Securities and Exchange Commission stepping in and figuring it out that things had to be regulated. That it wasn't going away, but also that it should be subject to the same safeguards for investors that have been in place since the '34 Act that established the SEC in 1934. That really was what happened throughout the year.

And then a whole series of exchanges went into planning to provide security compliance tokens that the SEC would approve of. Those are pretty much going to be up and running in the fourth quarter of this year. We looked at this whole process and we basically decided to just continue to plan things out, and really to plan for this new SEC compliance stage. That's really how WaterChain has been evolving. You stopped hearing so much about it because we needed to make sure that we were compliant.

Now, the other problem that I ran into was that most normal people cannot figure out this crypto thing. They hear a lot of Jamie Dimon types say, "It's no good," and Warren Buffet, and so forth and so on. Of course, Warren Buffet is talking down Bitcoin but, at the same time, his own railway, Burlington Northern Santa Fe, is a major player in the Blockchain for Transportation Alliance which seeks to put order into the whole US transportation situation.

Why is it that Warren Buffet is on the one hand dissing on Bitcoin, and then on the other hand letting his railway get people involved in it? For example, JPMorgan where you have Jamie Dimon being totally against crypto, and yet JPMorgan itself has a very active blockchain department. How is it that these two things could coexist? That's really what I wanted to talk about a little bit, and why such things could coexist, and why does OriginClear want to do it? What does it have to do with our business model?

The analogy that I like to use is called Beyond Uber.

Everyone knows what Uber did. It basically blew up the cab industry. The cab industry was being very, very monopolistic and centralized, and Uber made sure that a lot of people got into the business of ride-hailing. As a result, Ubering has become a verb. I no longer drive to the airport. I take Uber because frankly, it's actually cheaper, so that's great.

The problem is, of course, that Uber drivers, it turns out, don't make that much money. It's hard to make good money as an Uber driver. That's in great part



because Uber itself sits in the middle, and it's a multi-billion dollar company and of course, it's there to make a profit. They are kind of the spider in the center of the web.

Now, let's fast forward to crypto. In a crypto world, you might have a coin. It's called RIDE. The RIDE coin would be put in place, so that would be a cryptocurrency. Crypto means simply it's secure and you can't have duplicates of the same thing. And so it's unique and secure. That's cryptocurrency. On one side you have all the RIDE drivers, and they would access distributed applications called DApps: one for insurance, one for bonding, one for background check, one for licensing, etc.

Once all these check boxes were checked, then automatically a driver would appear on the availability of this network. Now, on the other side you've got the riders. These riders, of course, would pretty much need just to be alive and have a credit card. And so they would appear on the other end of the RIDE network, and then this network would simply match up the riders with the drivers. Guess what, nobody in the middle, which means that the money in the whole system goes to the players; the drivers get more money and the riders get to pay less, so it's a super-efficient system.

And this is something that many people don't realize: there's nobody in charge of Bitcoin. There's nobody in charge of any true cryptocurrency because it's set up with these self-managing rules, and these self-managing processes. Basically, what we have is a process whereby a means of exchange is set up with certain rules to the game so that it's self-managing and the game just goes on.

Obviously, it has to be designed right. And that's the job of the group that would put together the thing called RIDE. They get paid by having a little micro penny on each transaction. Now, they wouldn't have to worry about being paid more than a fraction of a penny on these transactions. Why? Because they wouldn't be doing anything except, of course, the initial marketing of the concept and so forth. The thing would pretty much run on its own. They wouldn't have to make sure that criminals weren't doing the driving and so forth because those would be implemented as automatic process. By embedding this in there, they would have a viable cryptocurrency.

Now, where does blockchain come in? All that blockchain is, is a registry. Each record on the blockchain is simply a single line with a pointer; it points to information somewhere. For example, if you had somebody calling for a ride,



that might be a blockchain entry, and that would get a confirm from the drivers. You can imagine how blockchain would be used as a way to basically ensure that everyone is kept honest in the system. Blockchain is really the way that you regulate these decentralized transactions.

And then the crypto part is really the part that creates something of value that can't be hacked into and that has true uniqueness. Each coin is unique unto itself just like the serial numbers on a dollar bill. Why would you have a crypto for RIDE? Because it's impossible to actually program rules into US dollars. US dollars just sit there. They don't have any kind of smarts.

These cryptocurrencies exist for the simple reason that you need something with smarts. It needs to be understood and be set up with rules of a particular game, a particular activity. And so that's the RIDE coin. That would be Beyond Uber. As you can see, if done right, it would pretty much blow Uber out of the water. I'm not advocating for that and I'm certainly not saying it should happen, but that gives you a good illustration of what this looks like.

Now, WaterChain. I'm not going to get into the business model of WaterChain now because where it has evolved to is well beyond what you will see on the website and in the downloadable materials. It is beautifully simple. Our strategic consultant who's been working on this, Tom Marchesello, is just brilliant. He's been involved with a couple of very successful coin offerings, and he's put together something simple and elegant.

But we have to file a patent on it or update the patent really that was filed in January. And then we also need to get it into a public-ready form. So I won't get into the business model itself, but suffice it to say that WaterChain implements a solution embracing the supply and demand relationship. But I CAN tell you where it will play. I've talked to you a number of times about how the market for water is moving out towards the edge, into self-treatment.

It's called "in situ," that's the Latin word for on-site. On-site water treatment is growing. That's because not only are the municipalities overloaded and the country's infrastructure falling apart, but it's becoming a good idea financially for people to have their own water treatment systems. OriginClear's Modular Water Systems division, which is run by Dan Early, has a number of real estate developments in their pipeline as prospective clients in the upcoming contracts.



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These real estate developers are putting together developments of 200 or 300 homes. There's going to be a golf course, and maybe a lake or whatever. They have a choice of either hooking up to the sewage system and running a sewage line or an on-site system. In the first case, all the greywater and blackwater gets flushed down to the municipality which treats it and does whatever it wants to do to it. Or, they could instead have an on-site water treatment system which Modular Water Systems provide. It's a packaged prefab system that gets trucked on-site and plugged in and is designed to be incredibly easy to run.

After all, Dan Early has built systems for the Army's forward operating bases in Afghanistan where an 18 year-old has to run the water treatment plant for an entire base. So it has to be simple. This unit gets delivered on-site, it gets plugged in, and now the real estate development treats the water and then uses the result to irrigate the golf course. Not only did you now end up with a very ecological outcome because you're recycling, and isn't that great, but you're also no longer paying for all that virgin water to be poured onto a golf course.

Because it is decentralized, all of a sudden you have somebody who has to treat his own water, and therefore has a reason to reuse it. When municipalities try to do that they run into political problems. Look at San Diego where you have the 'toilet to tap' concept. People are hating that because they just don't want to hear about it. Okay, 'toilet to tap' is its own thing, but that's where municipalities run into trouble. Whereas with an individual operator, let's say a rural school, real estate development, community center, factory, or a concentrated animal factory operation- C.A.F.O., an on-site system is optimal.

The CAFO might have tens of thousands or even millions of chickens and they've got manure effluent and so forth. If they do a good job of cleaning it on-site, not only will the downstream results be much cleaner, but they'll be able to reuse the water, and the manure can become fertilizer and all that great stuff.

There's a lot of reasons why water treatment is moving to the edge. It's the same reason that people are putting solar panels on their roofs because, frankly, it's cheaper than buying your energy from the central utility which, of course, has overhead and has to serve people night and day whereas you're only worried about yourself. That is really the brilliant part about decentralization.

When we put WaterChain in place, we're really enabling transactions from \$2,000 per transaction at the bottom end, such as a system for a home, all the



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way up to about a million dollars which would be a very large system for, let's say, a huge factory or something like that. They don't get much bigger than that in this decentralized world. And so it's basically a way to think about it.

Modular Water Systems right now has a multi-million dollars pipeline of business. It's dependent upon these customers, like the real estate developments, having the money to fund their system. Now, there's good return on investment for these systems within two, three, four years, but you still have to find the capital. Imagine if all of a sudden capital was no longer an issue. If you could just tap into the cryptocurrency WaterChain set up to get your system funded, having met certain criteria. Again, this can be set up with distributed applications that are managed by real people, so you get actual verification because you don't want the system to be gamed.

That's how things could happen if you actually enable these transactions to occur without requiring conventional bank capital. That would dramatically speed up the business that Dan Early is doing with Modular Water. This is why WaterChain is of interest to OriginClear, because it is a financing mechanism for the very business that we are finding ourselves in. It has this amazing upside because Dan really figured out how to create a simple, robust, inexpensive package that is markedly less expensive than conventional water treatment systems. It's also faster to build, more reliable, and can be trucked on-site and so forth.

And so not only does he have something good, but we have an opportunity to dramatically speed it up. That's the beauty of the WaterChain concept. Now, I want to just say that I've managed to keep WaterChain away from the OriginClear staff, and this is a good thing because that kind of stuff can be very distracting. I was able to run it as a side project, and it has a very small team of mostly legal, PR and content, with a little design strategy and so forth. We're able to run this inexpensively. The next step is going to be to take it out into very crypto specialized markets for initial financing.

I basically learned this year that regular investors, people like you and me, typically don't know what to make of a crypto investment. They might be interested but they don't know how to judge it, and that's normal. That's kind of like the internet in 1992 or something like that before the browser. I mean, it just wasn't there. And so it's hard for people to understand the value of it, and that's very true of the crypto world.



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As a result, you're not going to be offered to invest in WaterChain anytime soon for the simple reason that this is going to be done with a very small offering. We're very careful to disclaim that this might never happen. That WaterChain, for all I know, could be shut down any day. I really don't want to set up expectations that it's going to be huge because we don't want to start a speculative bubble around WaterChain. It's a project, it has a tremendous fundamental value to OriginClear because of that synergy with our Modular Water product line.

We have a business model that we like very much that has been refined throughout the year by some very hardworking people. We see this as something that has value but, again, we may never get this thing funded. We may not succeed at that, and also it may become just too distracting. That's another possibility. It's all very well that I have done this as a side project, but things are getting very, very busy here at OriginClear where we have a lot of business growing.

We're just amazed at the growing activities in OriginClear. Our existing Progressive Water Treatment subsidiary, as you recall, we announced that there was a doubling of revenue between the first half of 2017 and the first half of 2018 and a quadrupling of gross profits. Progressive Water is growing and it continues to look really good on the forecast.

And then now we got this new thing, Modular Water, which is just going gangbusters. We love Dan, not only is he an incredibly skilled Specifying Engineer, so he can really help the client put together a package that will get financed and so forth, but in addition he's just a tremendous visionary for what he does. He's got a grasp of the power of what he's created and he's also built a really great body of patents that really protect the idea, and we're very privileged to have licensed this exclusively for the world.

What I'm getting at here is that I like WaterChain, it's a good project. It's been going on for a while and it's now refined, and the costs are not out of sight for us. We can pretty much proceed on this without too much destruction, but it may happen that it just gets too busy for me to do justice to it, or you may find that for whatever reason markets aren't ready for it, etc. That's my lengthy disclaimer to tell you to not rely on the WaterChain phenomenon, but I did want to explain where it is at.



I'm always interested in getting questions. You can get those questions answered even after this briefing, because obviously ideas will come up, "What about this, and what about that? And how come this, and how about that?" You're more than welcome to ask.

I'm just going to wrap this up by saying that September has begun really well. We're very happy with our progress commercially. We're going to be, as I say, announcing more technology advances which I will discuss in next week's call. It's going to be very, very interesting I guarantee you.

Jean-Louis Kindler, the president of our technology division, is going to Oman at the end of the week. He may get a deal going that literally, we were working on with the parties over there before the Oil Crash. Everything was frozen at the Oil Crash, and now we're going back there. I'm only telling you this as an anecdote. I'm not saying that any big deal is going to happen. But it kind of tells you that if you have lasting power, then deals can be done.

People recognize that we're still here. We lasted through the Oil Crash. As oil and gas comes back, we're now bidding in a number of countries, not just Oman. That's very, very good, and I wish him Godspeed, and to break a leg in Oman and come back with some business.

And aside from that, again, I want to wish you a wonderful weekend. Thank you for being so supportive of the organization, and we look forward to speaking to you next week. If you're ever interested in communicating with me directly, you can always send an email to ceo@originclear.com. Thanks again.

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