

# Annual Meeting Remarks

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May 6, 2008

**BasinWater** 

# Forward Statements (safe harbor)

Certain statements in this presentation contain forward-looking statements. The forward-looking statements involve a number of risks and uncertainties. A number of factors could cause our actual results, performance, achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Additional information concerning factors that could cause actual results to materially differ from those in the forward-looking statements is contained in the Securities and Exchange Commission filings of the Company, including the Company's Form 10-K and Quarterly Reports on Form 10-Q. The Company assumes no obligation to update these forward-looking statements to reflect any change in future events.

For example, in the course of this presentation and oral discussion we may make projections regarding anticipated revenue growth, profitability and demand for our systems. In addition, we may express the opinion that current reserves adequately account for costs associated with certain legacy contracts, and we may express optimism regarding a new acquisition or a new business joint venture. These projections are subject to certain risks and uncertainties and may not come to fruition or as expected.

# Who we are...today

A 'next-generation' water services company

We meet the needs for two large and growing water markets - municipal water supply and industrial processes - through our focus on providing our customers with *solutions* to their problems

A “technology+services” business model that defines, delivers and guarantees worry-free water solutions with low lifecycle costs

We are focused on 100% customer satisfaction, recurring revenue and long-term relationships



# We Call this Approach *Worry-Free Water*™

- We lead the industry with our approach to life-cycle costs
  - Melds the appropriate capital spend with long term operating costs
- Pay For Performance:
  - Guarantees life of the assets employed
  - Guarantees regulatory compliance and agreed client specifications
  - Guarantees controllable operating costs

**THIS IS THE FUTURE OF WATER DELIVERY IN THE U.S.**

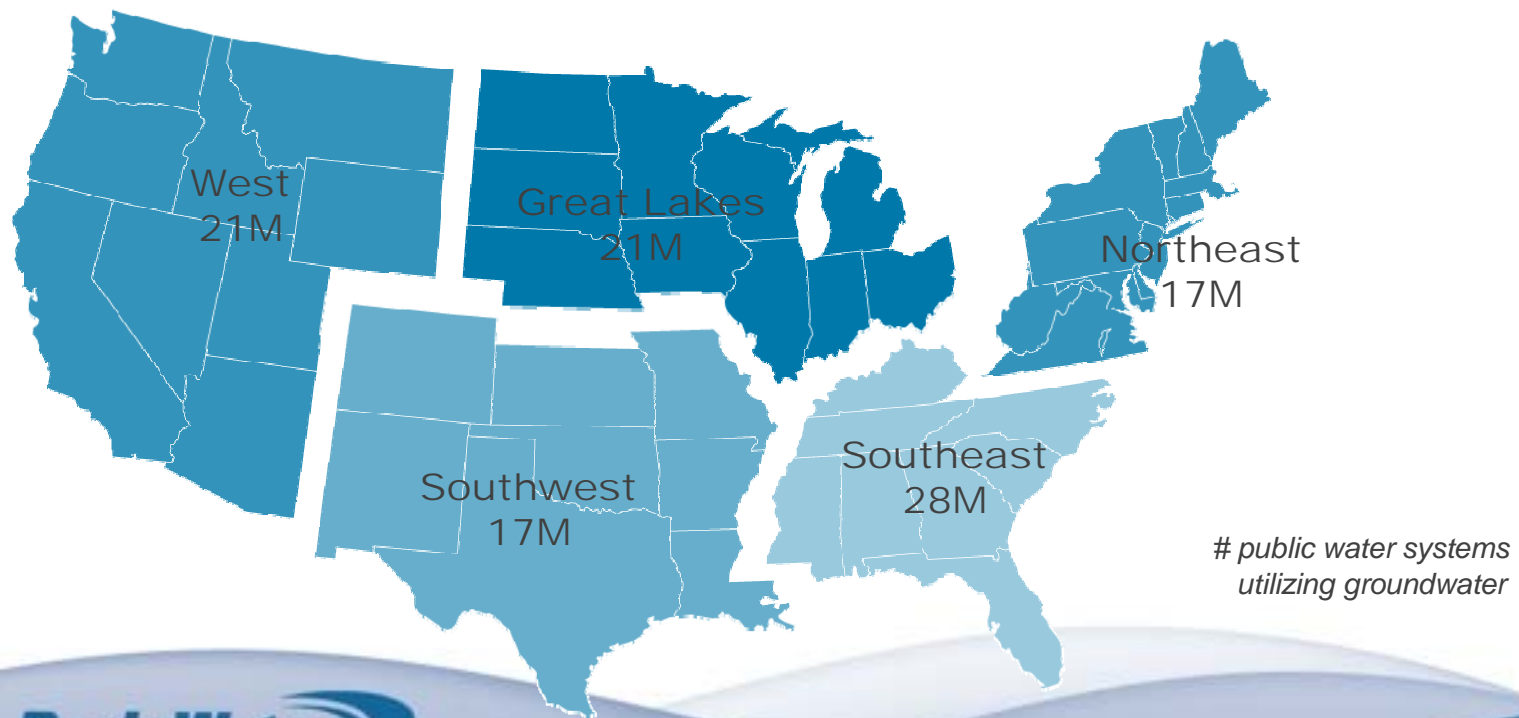
# Putting The Pieces of Our Business Together

- We have transformed Basin Water from a single product offering to a broad spectrum of solutions for groundwater treatment and industrial processes
  - MPT acquisition
  - Rohm & Haas Alliance
  - Continuing Internal Innovations (e.g. BION)
- We developed management systems and depth
  - Installed business systems
  - Implemented fiscal controls
  - Transformed operations to focus more on customers than a technology

# The Last Piece



- Now we are putting in place an experienced and professional sales and marketing team
- 13 today with strong process engineering support, project 20 by year-end.



# Sales Organization Designed for Success

- Get the right people on the bus and fill the pipeline
- Qualify prospects by identifying need, the customer's urgency and our ability to solve
- Establish relationships: “gotta know the territory”
- Understand the competing alternative and price accordingly
- Educate customers on the value of a full lifecycle cost analysis
- Design and propose the best offering
- **Close the Deal!**



# Benefits to Basin Water

- **Targets:**
  - **30% or better gross margin on equipment sales**
  - **Each \$1 million of equipment sales yields continuing, annual revenue stream of \$200K - \$300K in service for life of the service agreement**
  - **Each account manager secures \$3 million to \$5 million in capital equipment sales annually**
- **Predictable, ongoing and growing revenue stream emerges from contracted service fees**
- **We build relationships that create additional business – best source of new business is often an existing customer**



# A Real-World Test of Our New Business Model

- Large water utility acquired multiple systems to remove nitrate contamination from wells
- Relationship soured due to service issues
- Our new management systems and focus on customer needs resolved customer's concerns
  - Reporting
  - Intense communication with customers
  - Efficient use of staff
  - Rapid response to problems
  - Demonstrated that WSAs are valuable
- Outcome: Happy customer, new business

# Growing Organically and Through Partnerships

- Building a comprehensive suite of “technology+services” offerings
  - Acquired MPT
  - Created Rohm & Haas Alliance
  - Entered into a sales agreement with Purifics ES, Inc.
  - Continue internal technological development of enhanced treatment processes

# Benefits to Basin Water of MPT Acquisition

- Central regeneration capacity expands to competitively serve customers with lower flows
- Platform to enter and penetrate the industrial markets
- Provide a foothold in the Southeast
- Experience with synergistic and complimentary technologies, such as membrane, precipitation, etc.



## Benefits to Basin Water of the Rohm and Haas Alliance

- Vast technical strength and expanded process knowledge
- Significant cost savings for achieving technical infrastructure
- Market intelligence and geographic reach
- Joint Development Projects
- Enhances Basin Water reputation & market recognition

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# What Rohm & Haas sees in Basin Water

- Opportunity to derive value by placing their technology into Basin's "Pay-for-Performance" business model
- Leverage Basin's presence in municipal water and select industrial markets
- A recurring revenue stream

**They *like* the Basin Water Business Model**

**ROHM AND HAAS** 

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## Additional Technology

- Purifics MOU provides us with Photo-Cat technology, an advanced process for destroying organics
  - Addresses concerns about pharmaceutical and endocrine disruptors in our water supply
- BION internally developed and patented
  - Regenerates resins that have been exhausted through perchlorate removal
  - Allows multiple re-uses rather than incineration.

# We Have the Right Business Model

- Differentiated from competitors through our low life cycle cost and pay for performance business model
- Creates a long-term, predictable revenue stream through service agreements
- Supports our goal to maximize shareholder value over the long term

# Need Time to Execute Under the Business Model

- Long-lead time for new contracts (typically range from 6 to 18 months); “lumpy sales flow”
- New sales team of experienced professionals, but still “learning the territory”
- We have the right people doing the right things to grow the business – it will take some time to gain visibility to the revenue stream and to build sales
- Thus, although Q1 2008 revenues will be greater than Q1 2007, revenues won’t match Q4 2007
  - Seasonally – Q1 is normally slow

# Financial Outlook

- Cash “burn rate” should improve compared with Q1 – expect sufficient cash to continue to fund operations
- Expect organizational leverage through revenue growth and prudent manufacturing decisions



- Each new system sold is expected to build service backlog, and begin to produce recurring revenue with long-term duration

# Your Management's Philosophy

- Identify customers' needs, meet those needs with *“technology+service”* – and meet them profitably!
- Open and transparent financial reporting and communication with investors
- Our goal is to build the most successful performance based, water treatment services company on the planet
- That will allow us to maximize shareholder value
- Our focus is on the long term, not quarter-to-quarter results

# Questions And Answers

Thank you

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