



California's sustainable source of water



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California Water

A large, rusted metal pipe with a valve is the central focus of the image. The pipe is set in a dry, agricultural field with sparse, yellowed grass. In the background, there are rolling hills under a clear blue sky. A large, spoked wheel is visible on the left side of the pipe. The overall scene suggests a water management or irrigation system in a semi-arid region.

“With the weather that’s happening in California, climate change is not a hoax. We’re dealing with it, and it’s damn serious.”

Jerry Brown | California Governor

California Drought By the Numbers

4+ years

Extreme drought.

400,000

Acres of farmland that went unplanted in 2014.

100%

Increase in MWD purchase price since 2010.

25%

Municipal water use reduction for 90% of California residents ordered by Governor Jerry Brown.



94%

Percentage of Californians who describe the drought as serious or extremely serious.

63 trillion

Gallons of groundwater depletion in California from 2013 to 2014.

0%

Water allocation for California agriculture in the Central Valley in the past two years.

California Planning for a Dry Future

Desalination plants coming online:

- Carlsbad
- Santa Barbara

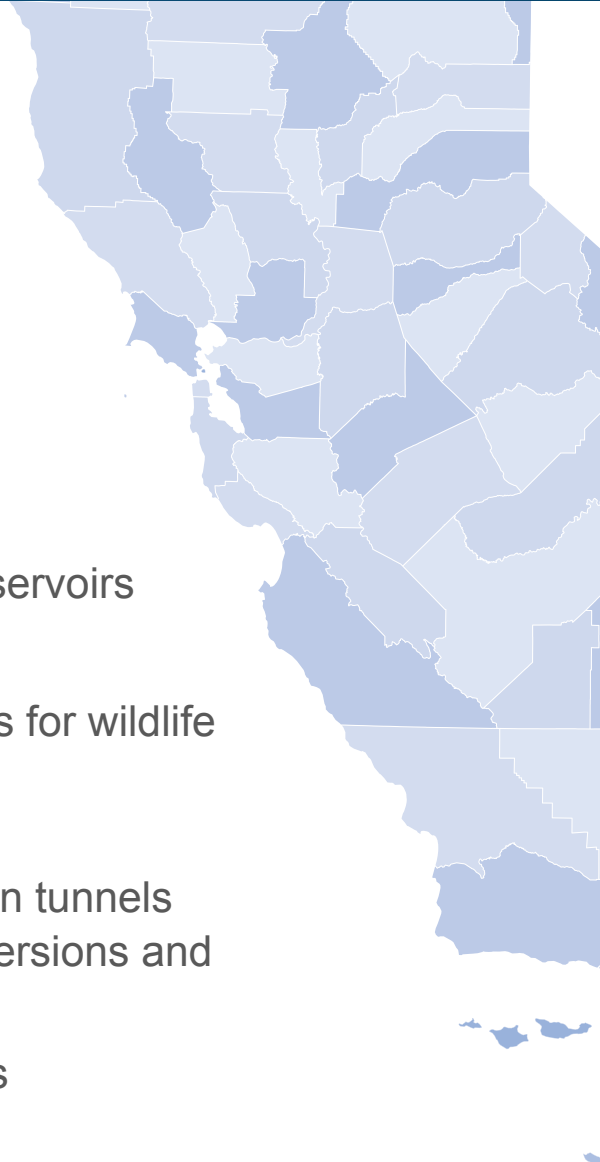
New legislation to regulate groundwater pumping for first time in state's history.

\$7.5B bond measure approved to fund water infrastructure improvements in California.

- Create additional water storage and potentially create new reservoirs
- Expand water recycling projects
- Watershed restoration programs such as increasing river flows for wildlife

Delta Tunnel Project

- \$25 billion Bay Delta Conservation Plan to create two diversion tunnels from the Sacramento-San Joaquin Delta to stabilize water diversions and repair the estuary
- Has met with significant opposition from environmental groups



Sources of Freshwater in California

California relies on a diversity of water sources to meet its needs. The state is facing rising costs and increased restrictions due to the current water shortage.

Process	Usage in California	Water Source(s)	Feasibility
Water Districts	600+ districts serve the entirety of California	Precipitation run off stored in reservoirs	<ul style="list-style-type: none"> + Cost of water is between \$100 and \$300 per acre-ft. when available for agricultural use - Water is not always available to fulfill contracts with the Bureau of Reclamation
Groundwater Pumping	<ul style="list-style-type: none"> • 38% of the state's water supply in an average year • Up to 53% of the water supply in 2014 	Aquifers	<ul style="list-style-type: none"> + Provides an onsite supply of water which eliminates costly transportation fees + Water can be pumped on an as-needed basis - Recent legislation to regulate groundwater withdrawals will limit permits for well drilling - Reserves have been depleted by 53 million acre-feet in the past decade causing land subsidence
Seawater Reverse Osmosis Desalination	<ul style="list-style-type: none"> • 11 facilities in the state • 16 proposals pending approval 	<ul style="list-style-type: none"> • Seawater • Brackish groundwater • Produced water 	<ul style="list-style-type: none"> + Generates freshwater from various sources that would otherwise be unusable - Freshwater recovery rate of only 50%. - Concentrated brine is dumped back into the ocean - High energy usage for RO desalination - High implementation and production costs
Water Recycling	250+ agencies throughout California	Municipal wastewater	<ul style="list-style-type: none"> + Improves water efficiency by reusing waste water + Untapped potential for 1.2 to 1.8 million acre-feet of treatable water per year. - Untested consumer sentiment for this source of water
Solar Desalination	Panoche Water and Drainage District in the Central Valley	Irrigation drainage and other impaired sources	<ul style="list-style-type: none"> + 93% fresh water recovery rate with zero liquid discharge capabilities + Powered by renewable energy + Modular design and unique energy requirements make it an ideal inland solution

California Farmers are Facing Dual Threats

Unreliable Water Supply

0% allocation from state and federal water projects they have relied on for decades

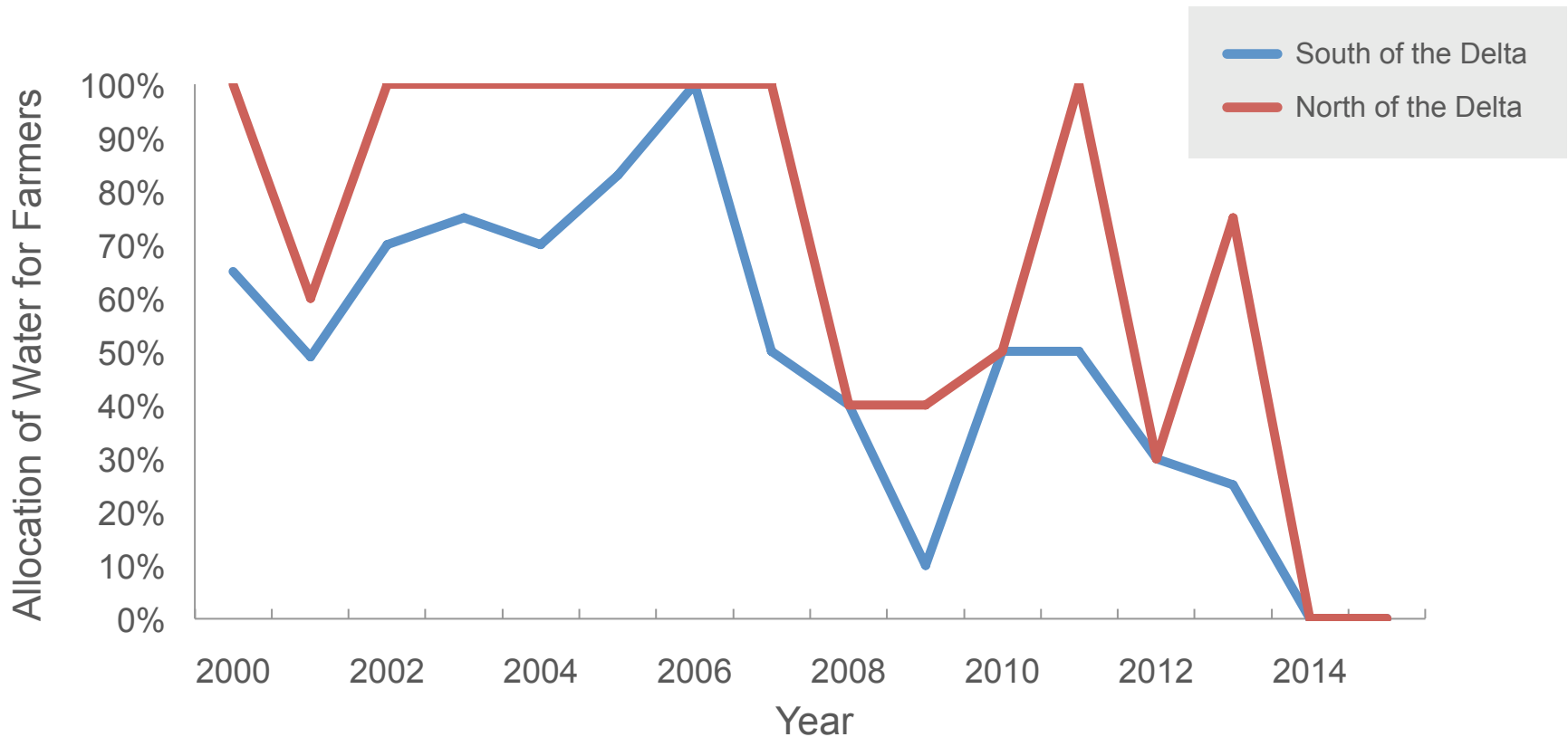


Impaired Agricultural Land

Salt impaired cropland that is taking the nation's most productive agricultural land out of production

Inconsistent Water Supply for California Farmers

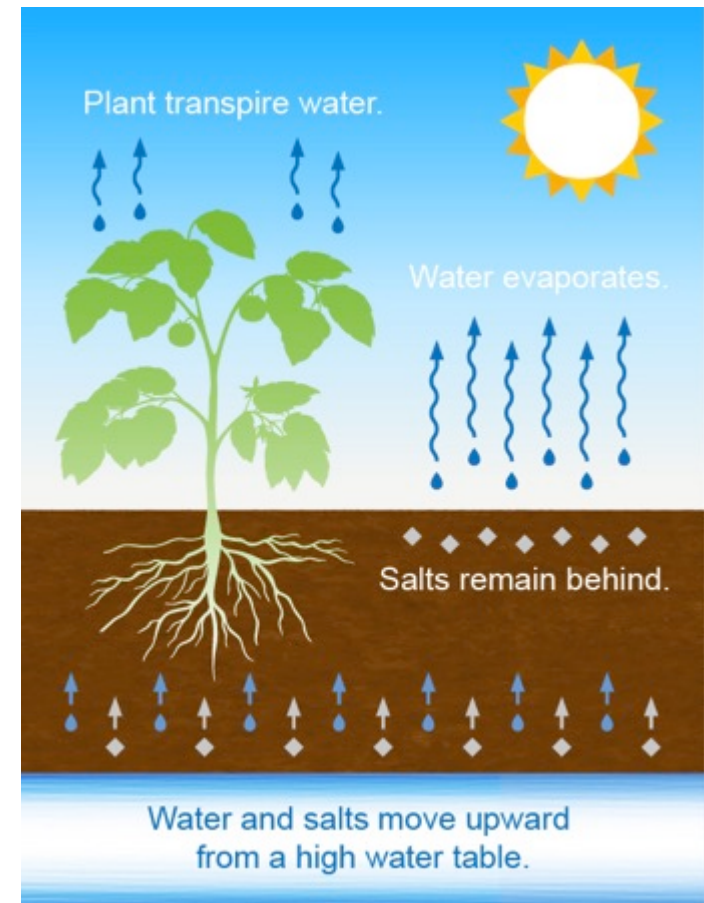
Relying on the Central Valley Project and the Bureau of Reclamation for delivered water can be inconsistent or unpredictable for farmers making crop planning difficult. The past two years saw a 0% allocation for agricultural water in areas both north and south of the delta forcing some farmers to fallow land.



Facing the Challenge of Rising Salinity

The Problem:

- Naturally occurring mineral salts, including boron and selenium, are abundant in California's Central Valley soil.
- Irrigation increases build up of these minerals as the crops soak up the freshwater and leave them behind in the soil.
- Excess water is applied to the crops to help remove the over-abundant minerals from the soil and increase crop health. The high water table in the region demands that this saltwater (called drainage water) be removed from the land.
- Without the proper channels for removing irrigation drainage water, surrounding land and freshwater systems become impaired by high levels of salinity increasing risks to the natural wildlife and vegetation as well as causing contamination of freshwater aquifers.



Irrigation Drainage Lacks Solution

Without an efficient treatment method, excess build up of irrigation drainage water fallows land and impairs the surrounding natural habitats.

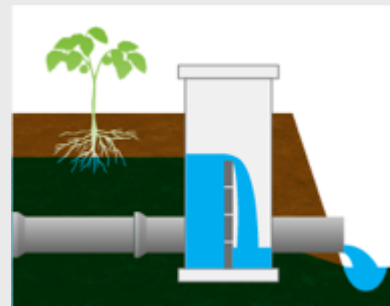
Current methods of treatment



Tree planting



Crop rotation using salt-tolerant plants



Subsurface tile drainage to lower the water table



Diverting drainage into designated areas (fallowed land) or into waterways

California's Central Valley


- Irrigation in the Grasslands Watershed, an area of the Central Valley comprised of several different water districts, has contributed to selenium and other naturally occurring minerals from the soil to leech into shallow groundwater.
- This impaired groundwater is drained away from crops and, in the past, has been diverted to the San Joaquin River for discharge. However, excess selenium in the water supply is toxic to natural wildlife.
- Grasslands were placed on California's Clean Water Act (CWA) preventing irrigation drainage from being diverted into the San Joaquin River. This will cause the area of unusable drainage land area to grow if no other solution can be found for the impaired water.



Size of Problem

- California's Central Valley contains about 15.8 million acres of farmland. Even with efficient irrigation methods, this land accumulates irrigation drainage which is usually discharged into the river system or drainage areas of land.
- The total amount of treatable water in the Central Valley: 1 million acre-feet or 18% of the 6 million acre-foot supply and demand gap for water in California.
- Degraded soils don't store as much atmospheric carbon dioxide, leaving more of the greenhouse gas to contribute to climate change.

There is a total of 1.3 million acres of salt impaired land in California's Central Valley

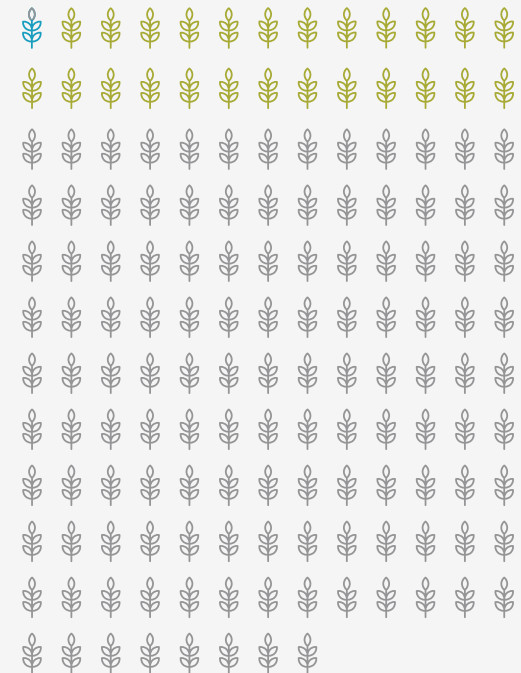
 = 10,000 acres of impaired land



Panoche
7,000 acres



Westlands
200,000 acres



HydroRevolutionSM

Project Overview

Entity Name:

WaterFX Hydro 1, Inc.,
dba HydroRevolutionSM



Project Description:

We are raising funds through a registered security to finance the construction of a large scale solar desalination plant treating water through solar thermal distillation to be constructed for the Panoche Water and Drainage District in Firebaugh, California.

Who's Behind the Project:

WaterFX builds and operates distributed water reuse systems powered by renewable energy.

- The company's Aqua4TM solar powered water distillation system purifies impaired water from any source.
- WaterFX Hydro I, Inc., a California Corporation, was incorporated in 2015 to own and operate WaterFX's flagship project, HydroRevolutionTM in Firebaugh, California.
- The Company licenses the Aqua4TM system from WaterFX for the production of water.

HydroRevolutionSM

HydroRevolution will treat irrigation drainage from the Panoche Water and Drainage District in California's Central Valley.

First solar
desalination plant
of its size



Generates freshwater
for local water district



Treats impaired
agricultural
drainage water



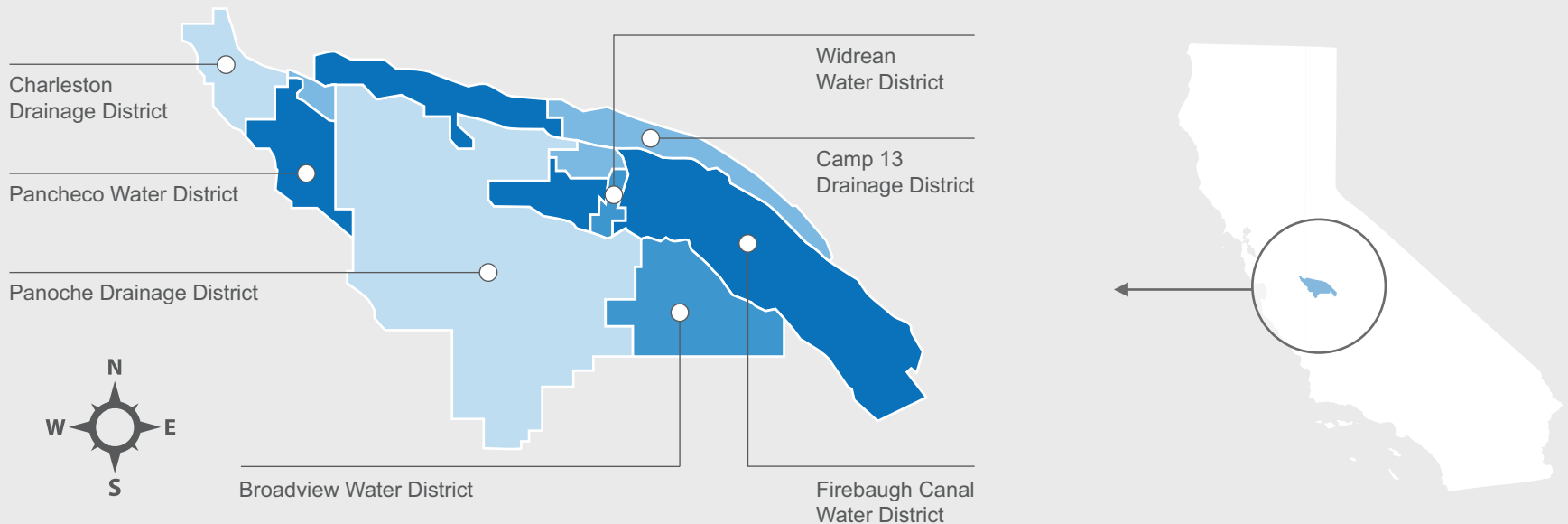
Restores salt
impaired land
to productivity



Drainage Area to Be Treated

Panoche is part of the Grasslands Drainage Area spanning 100,000 acres in the Central Valley and is comprised of several water districts.

Irrigating the areas mineral and salt rich soils contributes to selenium leaching into shallow groundwater.



HydroRevolutionSM/Panoche Partnership

The HydroRevolution plant, to be constructed in Firebaugh, CA for the Panoche Water and Drainage District, is an expansion of the demonstration project previously operated by WaterFX on that site. A contract is in place between WaterFX and the district for the sale of all water produced by the HydroRevolution plant.

- HydroRevolution plant will treat subsurface drainage water that is removed from farmland in the Panoche Drainage District and contains high levels of salt
- The treated water will be available for use by the water district
- The project will operate under a 15-year water agreement
- Will be constructed on a 75-acre site owned by the water district and leased to HydroRevolutionSM
- The project will eventually be able to treat up to 5,000 acre-feet of water per year (1 acre-foot = 325,853 gallons)
- Generates enough water for 10,000 homes or 2,000 acres of cropland

HydroRevolutionSM Development Schedule

The first major milestone for the project is the Front-End Engineering and Design, which is expected to be completed in August 2015. The Detailed Engineering phase, including construction plans and preliminary purchasing of equipment and acquisition of permits will begin in August. Construction of the plant will officially begin in November 2015 and tested in May 2016 so that the system may be fully operational by June 2016.

	2015						
Month	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Front-End Engineering	■						
Bankable Feasibility Study Report		■					
Detailed Engineering			■				
Early Procurement				■			
Site Preparation			■				
Final Procurement						■	

	2016						
Month	Jan	Feb	Mar	Apr	May	Jun	Jul
Final Procurement	■						
Construction	■						
Commissioning					■		
Full Operation						■	

Management and Board of Directors



Aaron Mandell

- Founder and the Chairman of the Board of Directors at WaterFX™ and a Member of the Board of Directors at HydroRevolutionSM.
- Engineer and entrepreneur who co-founded WaterFX, Oasys, Altarock, Coskata and GreatPoint.



Dr. Matthew Stuber

- Head of WaterFX™ process systems engineering efforts, including the Aqua4™.
- Chief Technical Advisor to the HydroRevolutionSM.
- PhD in chemical engineering from the Massachusetts Institute of Technology (MIT).



Sarah Clark Woolf

- Board member.
- Runs Water Wise, a water management company for farmers in the central San Joaquin Valley.
- Director, Board of Westlands Water District.



Bruce Marlow

- Board member.
- 41-year veteran of energy industry AREVA.
- Developed Conam from a \$2.5 million company in 1980 into a \$40 million organization in 7 years.

Our Partners

Panoche Water and Drainage District (PWD)

A California Water District encompassing approximately 38,000 acres on the west side of the San Joaquin Valley.

Irrigation in the Panoche area began in 1912 using groundwater. The District entered a long-term water service contract with the US Bureau of Reclamation in August, 1955.

PWD owns, operates, and maintains more than 50 miles of canals and pipelines, and several pump stations through which it delivers irrigation water to 67 farming entities.



Estimated annual value of the agricultural crops produced within the District in 2013 was approximately \$227 million from 97,000 acres of farmland.



Engineering company founded in 1966

Extensive experience in engineering, procurement and construction (EPC) project execution for both small and large-scale projects (>\$300 million)

History of developing green-energy technologies and energy-saving designs in legacy technologies, including:

- Biomass/waste-to-energy
- Geothermal Solar
- Low-grade energy recovery
- Carbon capture, and other carbon-emission reducing applications



WaterFX™ Company Overview

WaterFX™ Backgrounder

WaterFX™ was founded in December, 2012 by Aaron Mandell and Dr. Matthew Stuber.

The Aqua4™ system created by WaterFX is a modular solar desalination unit that uses solar thermal distillation to purify sources of impaired water.

The company launched a demonstration project with Panoche Water District in the summer of 2013. The project successfully operated for a 6 month period until March 2014 and data was collected on the Aqua4™.

The HydroRevolution facility proposed in this DPO will be an expansion of the demonstration project.



Aqua4™ Technology

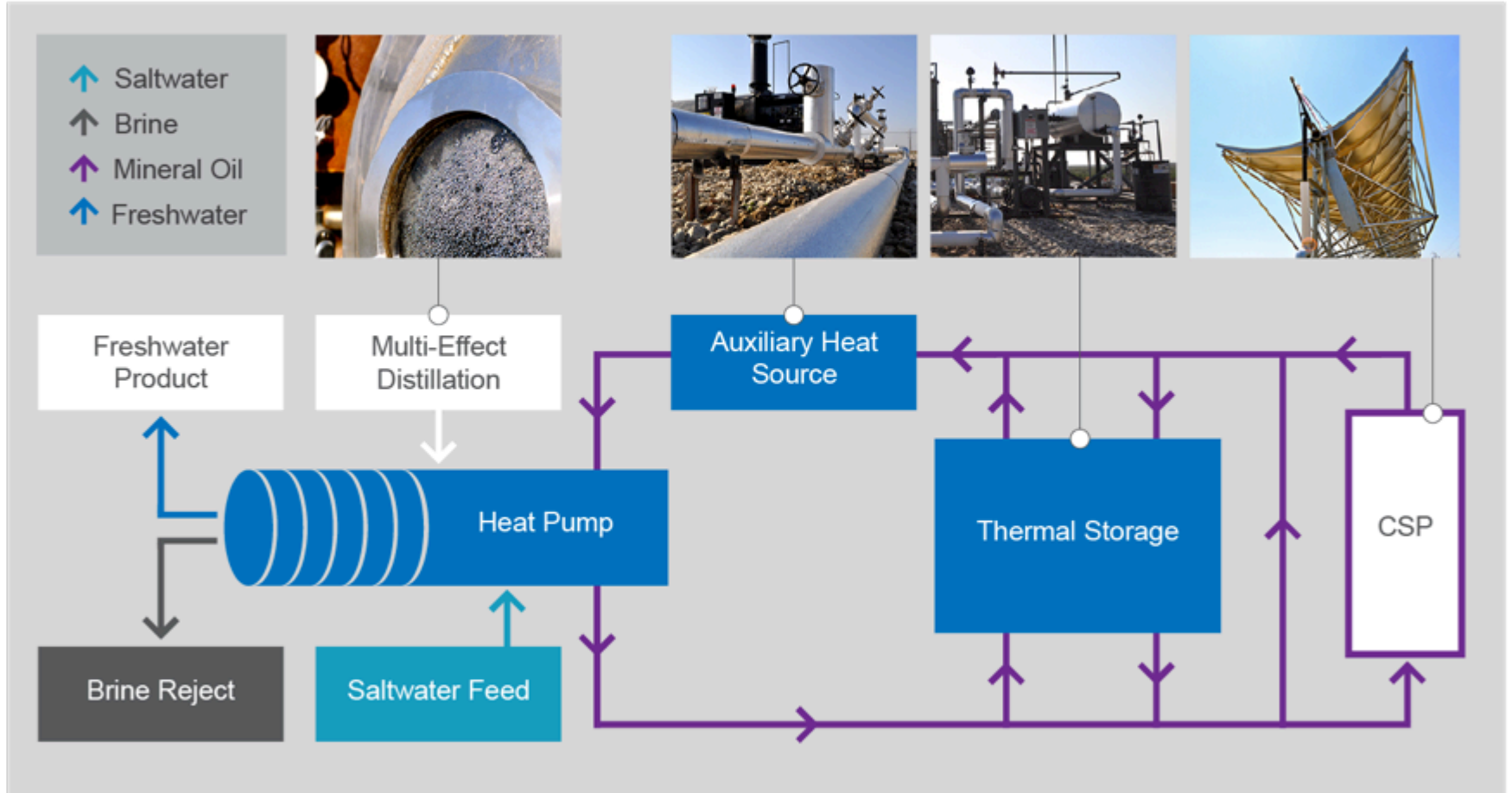
- **Solar Thermal Collector** – Maximizes solar energy used to generate heat for system.
- **Heat Transfer System** – Mineral oil carries the solar heat to an absorption heat pump that optimizes the efficiency and heat utilization.
- **Multi-effect Distillation System (MED)** – Evaporates freshwater from the source water being treated; can treat impaired water sources with up to 100,000 ppm TDS (total dissolved solids).
- **Solar Thermal Storage** – Capture excess heat for operation during times when there is no available solar energy, allowing the system to operate consistently 24/7.



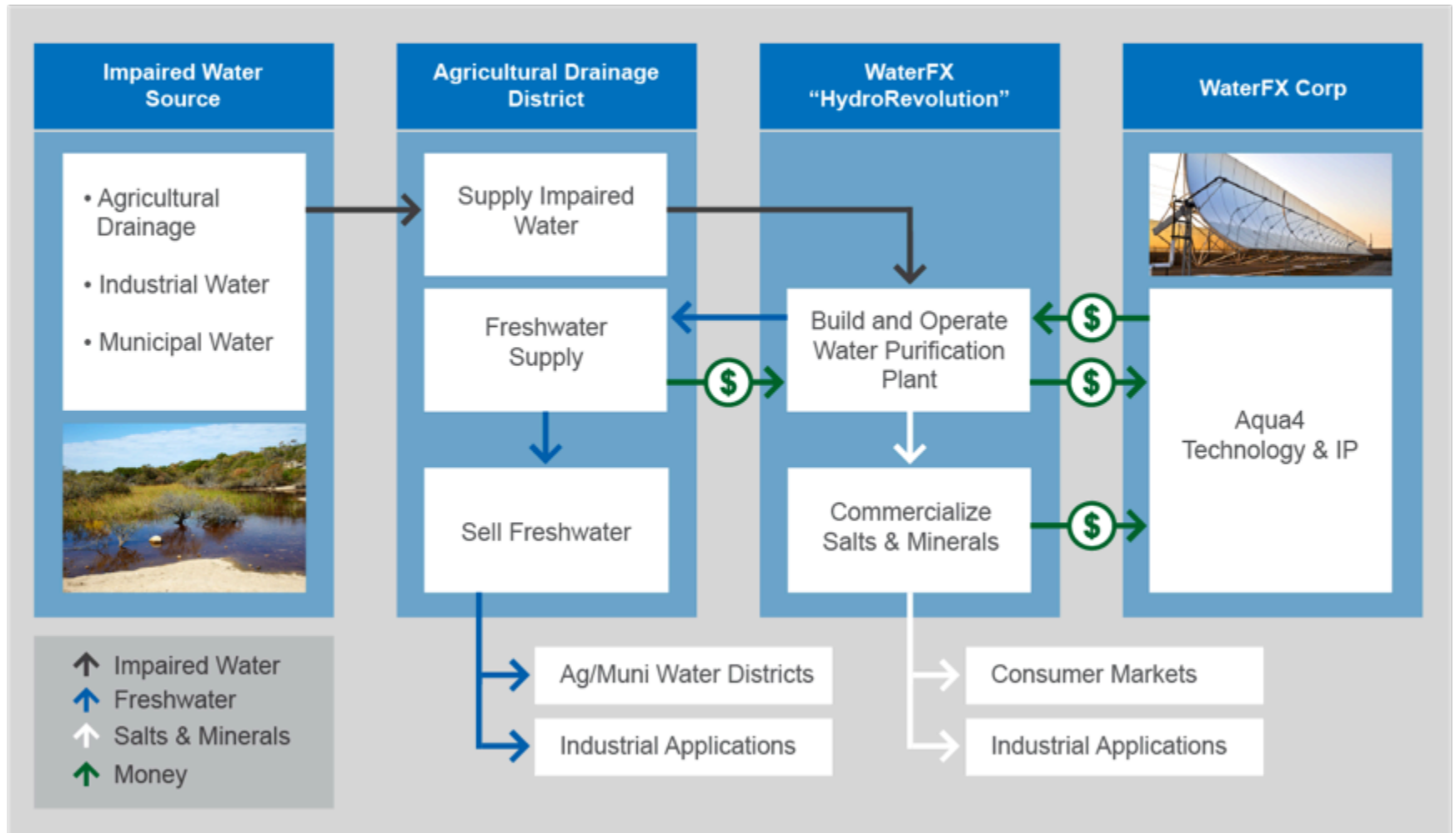
Aqua4™ Capabilities

- Ability to treat a variety of sources of salt impaired water
- Generates freshwater at a total operating cost of \$450/acre-foot
- Modular design makes the system scalable to meet required water needs
- Open source design allows faster development of the technology which will drive down implementation costs in the future

How the Aqua4 Systems Works



Business Model



Successful Demonstration Project

WaterFX was contracted by Panoche Water District in 2013 to treat irrigation drainage water because of the district's obligation to find a solution for impaired water that wouldn't pollute the river system or fallow any additional land.

Objectives

- Prove the viability of the Aqua4 technology. Could solar energy be used to power the plant effectively? Was the distillation method adequate for treating drainage water?
- Demonstrate the economic benefits of the Aqua4 system which operates at 50% lower energy cost than other desalination plants.

Results

\$450

The operating cost per acre-foot of water.

Aqua4's performance was compared to other water treatment solutions used by Panoche such as RO desalination which failed to be able to treat drainage water due to membrane scaling.

>90%

The percentage of demonstrated high water recovery rates compared to 50% recovery rates possible for most RO desalination solutions.



Benefits of WaterFX™ Technology

The benefits of using WaterFX technology have applications beyond water treatment. The HydroRevolution facility will serve four key functions:



Treat Impaired Water

Agricultural Benefits:
Local, reliable source for water.

Environmental Benefits:
Restores impaired ecosystems.



Return Land to Productivity

Agricultural Benefits:
Increases agricultural economy.

Environmental Benefits:
Restores impaired land.



Reduce Reliance on Water Delivery

Agricultural Benefits:
Predictability for managing consistent yields for agriculture.

Environmental Benefits:
Reduces reliance on groundwater pumping. Reduces energy consumed in delivering water.



Generate Fresh Water

Agricultural Benefits:
Increased supply of freshwater.

Environmental Benefits:

- Reduced carbon emissions from energy used for water delivery.
- Reduced ground water pumping.

WaterFX™ Featured In:



theguardian

Forbes

TIME

BUSINESS
INSIDER

The New York Times

San Francisco Chronicle

Water Experts on WaterFX™

“This solar plant could be a very important part of where we want to be in terms of being self-sufficient in valley.”

Dennis Falaschi | Manager | Panoche Water District

“This situation right now is a killer, and anything that adds to a potential water supply is good.”

Mike Stearns
Fourth generation farmer
in the Central Valley

“Freshwater generation is just an added benefit for WaterFX, the real goal is treating the longstanding problem of irrigation drainage.”

Heather Cooley | Director of Water Program
Pacific Institute

“It does seem like this system is in a great location and area with a lot of sunlight, where reverse osmosis doesn't make sense large-scale.”

Daniel Choi | Analyst | Lux Research

Comparables

Overview

The closest technology comparable to the Aqua4 system is RO desalination. However, the Aqua4 system is unique in its process and has a broader range of applications than most other desalination technologies including:




Aqua4 System

- Utilizes solar energy for a significantly lower operating cost
- Ability to treat various water sources which may cause scaling in membrane technologies
- Ideal for inland use and not limited to regions near a large power source
- Higher fresh water recovery rate
- Capable of achieving zero liquid discharge

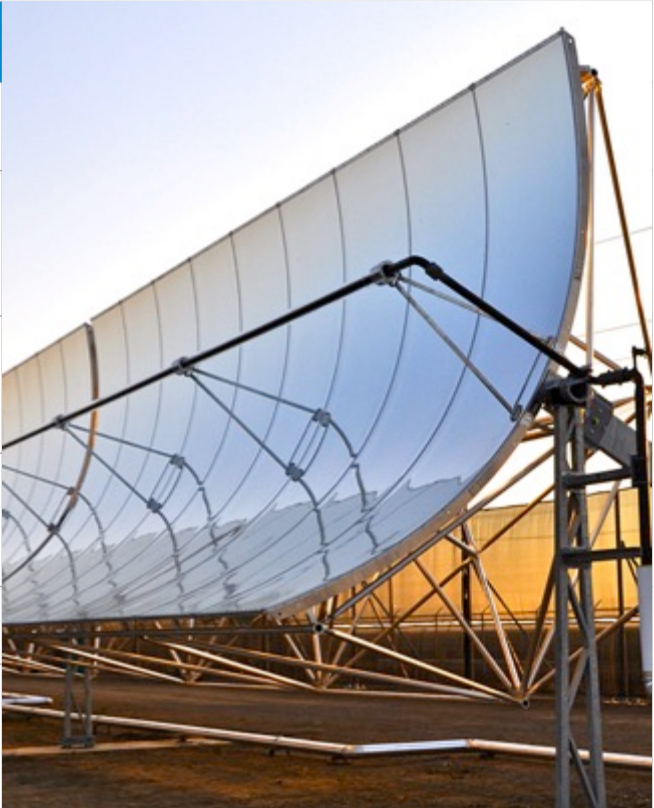
RO Desalination vs. Solar Distillation

Compared with RO desalination, the Aqua4 solar distillation method is proven to be a more cost effective solution that is better for the environment because of its reduced carbon footprint and zero discharge capabilities.

	Reverse Osmosis Desalination	
Operating Costs	About \$900/acre-foot at the Carlsbad desalination facility	
Location Requirements	Usually limited to coastal regions and close proximity to a large power source	
Energy Consumption	High energy consumption, requires close proximity to a large power or fuel supply	
Environmental effects	<ul style="list-style-type: none">• Large carbon footprint due to energy consumption• 100% of briny discharge is released back into the ocean in super concentrated form	
Water recovery efficiency	50% for most seawater desalination plants	
Source of Water	<ul style="list-style-type: none">• Most commonly utilizes seawater• Not an effective solution for irrigation drainage due to membrane scaling	

RO Desalination vs. Solar Distillation

Compared with RO desalination, the Aqua4 solar distillation method is proven to be a more cost effective solution that is better for the environment because of its reduced carbon footprint and zero discharge capabilities.

	Solar Distillation	
Operating Costs	\$450/acre-foot	
Location Requirements	<ul style="list-style-type: none">• Modular design makes it scalable• Land requirements for solar energy make it an ideal treatment for inland sources of impaired water	
Energy Consumption	<ul style="list-style-type: none">• Runs on renewable, solar energy• Heat pump recovers waste heat in order to increase energy efficiency	
Environmental effects	High water recovery rate and capable of producing zero discharge	
Water recovery efficiency	Over 90%	
Source of Water	<ul style="list-style-type: none">• Ideal for irrigation drainage• Can also treat seawater, produced water, groundwater, and other impaired sources	

Top 3 Desalination Competitors

Californians are turning to desalination as a potential solution to the drought. Several new plants are under construction while some previously unused plants are being reopened. HydroRevolution's solar thermal distillation is one of the only water treatment solutions viable for inland, agricultural regions.

Company	Water Treatment Method	Main Operational Plants	Industry
IDE Technologies	Seawater reverse osmosis desalination	<ul style="list-style-type: none"> • Carlsbad project in San Diego, CA • Operates multiple large-scale, desalination plants worldwide 	<ul style="list-style-type: none"> • Resorts and islands • Municipal • Industrial • Agricultural
Poseidon Water	RO Desalination	<ul style="list-style-type: none"> • Carlsbad project in San Diego • Huntington Beach Project • They operate a total of 9 plants in coastal regions of the US 	Municipal
GE	RO Desalination	Offers a variety of products for sale worldwide	<ul style="list-style-type: none"> • Commercial • Chemical processing • Mining • Municipal • Pharmaceuticals • Power

HydroRevolutionSM Financials

Investing Offering

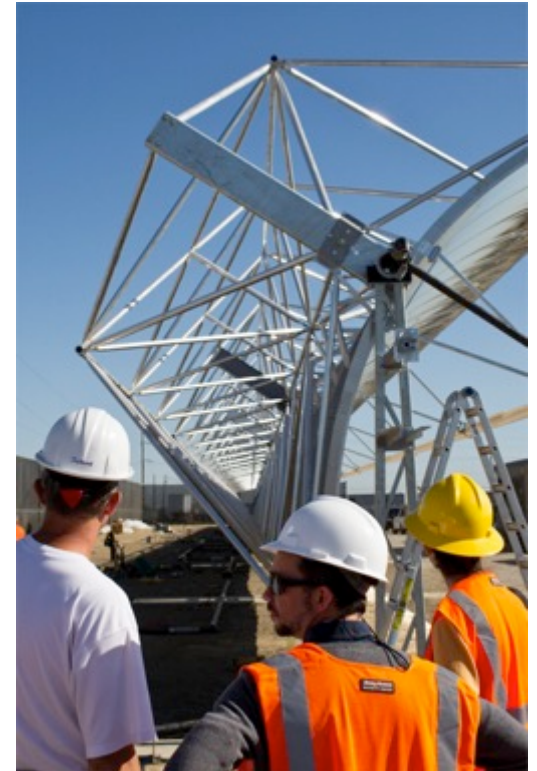
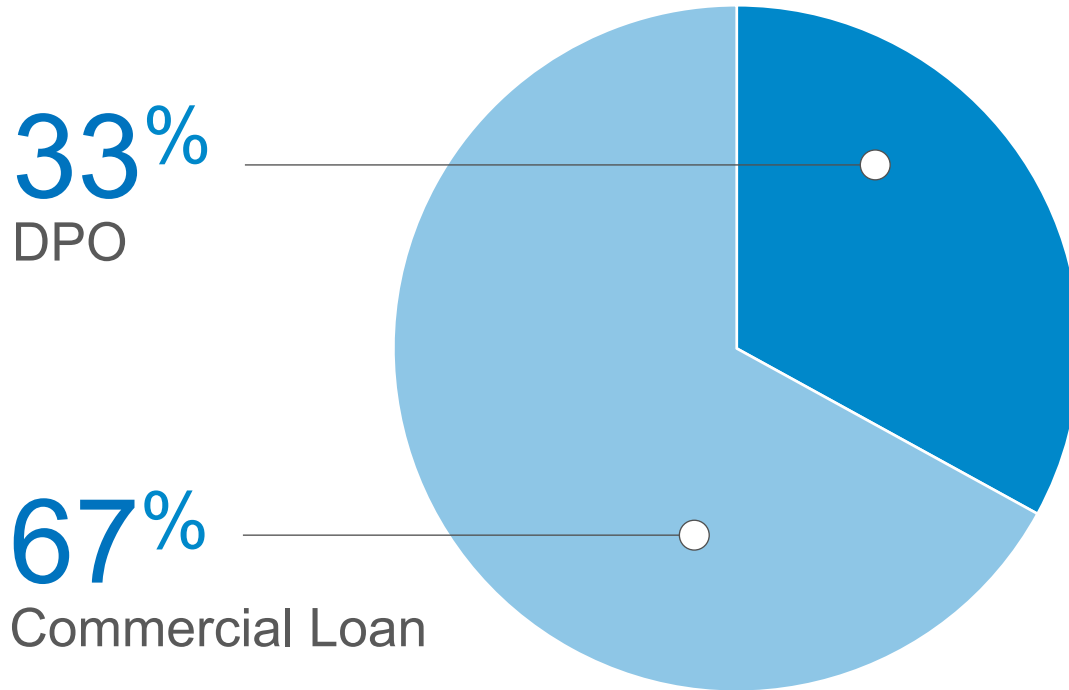
- We are offering up to 2,000,000 shares of Series A Preferred Stock through registration by permit in California, also known as as Direct Public Offering or DPO.
- Cost per share: \$5
- The Preferred Shares will be entitled to receive cumulative dividends at a rate of 6 percent per year.
- Refer to Offering Memorandum for full details.

	Accredited	Non-accredited
Investor Requirements	CA Resident	CA Resident
Minimum Individual Investment Amount	1000 shares (\$5,000)	400 shares (\$2,000)
Dividend Terms	<ul style="list-style-type: none"> • Cumulative dividends at the annual rate of 6%, prior and in preference to the payment of any dividend on the common stock. • In the event that eight accrued dividends on the Preferred Stock remain unpaid, the holders of record of the outstanding shares of Preferred Stock, will have the right to elect a majority of the directors of the Company. 	
Voting Rates	The Preferred Stock is non-voting	

*No investor may invest more than 10% of his/her net worth exclusive of homes, cars and furnishings.

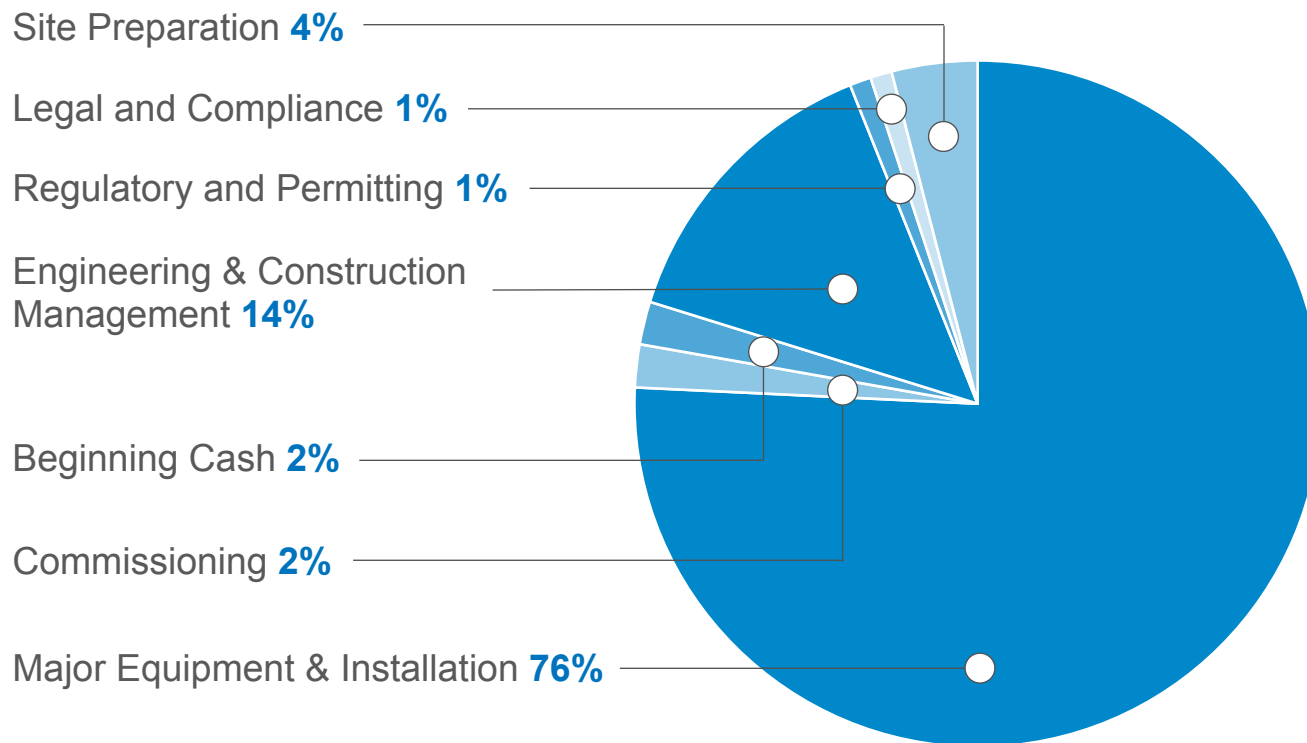
Source of Funds

The total cost to build the plant is \$30 million. We are targeted to raise \$10 million from investors and, as a result, secure a \$20 million project debt loan.



Use of Funds

HydroRevolution Inc. intends to use the proceeds from the sale and issuance of its Securities, along with the issuance of debt financing as follows:



*This budget scenario assumes that the Company is able to raise \$10,000,000 from investors and, as a result, secure a \$20,000,000 project debt loan. In this scenario, the Company would proceed with its current project plan without revision.

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