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FAQs About CWS 2.0 and What it Means for Existing CWS Licensees

What is CWS 2.0?

CWS 2.0 is a new business model for CWS and its licensees – that is, a new way for CWS operators to buy bins and interact with CWS. We've learned from our experiences since introducing our concrete washout product line, and are making changes that will allow CWS and its operators to grow more quickly, secure more market share, and compete more effectively.

Going forward under CWS 2.0, all new markets will be open to multiple CWS operators, to ensure rapid penetration and discourage patent infringers and other competition.

Existing licensees save significantly on their license fees by converting now to the 2.0 model. These savings will give existing licensees an advantage over new entrants. And, we're creating a special certification program to distinguish our most experienced and successful licensees, and allow them to enhance their marketing. Licensees that convert to 2.0 and open their markets to new operators will also have the advantage of being able to offer service in any other 2.0 market they choose – without the need to purchase a separate license to do so!

But, aren't exclusive licenses better for CWS operators? Aren't exclusive licenses simply more valuable?

Initially, we thought that exclusive licenses would be better for our operators. We believed that exclusivity was the best way to give our first operators a head start in their markets. In practice, though, exclusivity has hurt CWS – and its licensees – by encouraging copycats and other competitors.

The concrete washout market differs from other types of businesses in which exclusivity adds clear value. For example, in traditional garbage hauling, an exclusive government contract for a region has quantifiable value. Only one operator is needed to collect that area's garbage, and the need is ongoing and predictable – so, owning that region exclusively completely locks out competitors. That's not true of a CWS exclusive contract, however. We can't lock out competitors, we can only lock out additional CWS operators. So, our exclusive licensees don't get help from other CWS operators to build out and dominate their markets – and face the risk of their profits eroding when copycats and lower quality vendors enter and compete mainly on price.

Ultimately, we believe the most value will be created for both CWS and its licensees by moving as aggressively as possible to dominate every market in which we have operators. Becoming the clear industry standard will make every operator's inventory of CWS products more valuable. We have already made excellent progress towards becoming the industry standard, and are currently the market leader. But, if we fail to aggressively build out every market, and permit inferior technologies and lower quality operations to gain a foothold, it is possible that the value of the entire category could be undercut. This has happened in other construction and hauling-related categories many times before.



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How has exclusivity encouraged copycats?

To date, copycats and knock-offs have *only* been a problem in markets where exclusivity has prevented new entrants from purchasing CWS bins. In every single case we're aware of, the company that copied our design first contacted us about buying bins legitimately. They only decided to take the legal risks associated with knocking off our products when they learned they were unable to operate as a CWS licensee.

We believe now that it was incorrect to assume that a single CWS licensee could effectively serve all demand in a major market – especially as we work to increase demand with our marketing efforts and our outreach to regulatory and environmental groups. Unless we allow additional CWS operators to serve increasing demand, every dollar we spend on marketing to builders has the potential to help competitors and, ultimately, hurt CWS and its operators.

Why can't CWS just fight the copycats in court?

We have fought – and will continue to fight – to defend our patent rights through the legal system. However, this process can take *years* – in the meantime, CWS's existing licensees can suffer the destruction of their markets by price-bombing copycats.

Besides the time involved, we must also be realistic about the potential outcome of legal efforts. Patent disputes are often settled financially, with infringing party required to pay fees to the patent-holder. Even when we prevail, we can't assume that the legal system will shut down our infringing competitors.

What's more, we may simply be unable to aggressively fight in every case. We're already involved in one suit that has diverted significant management time and attention, as well as hundreds of thousands of dollars towards legal costs. There are physical limits to how many cases we can take on at one time. Most important, both our management resources and our financial ones could be much better invested in marketing to help all of our licensees grow!

The bottom line is, while we will continue to fight patent infringement where we need to, we need to first ensure we're not encouraging it through our own business model.

Won't allowing new CWS operators hurt existing licensees, too? Wouldn't I be better off competing against knock-offs?

We believe that competing against new CWS operators has significant advantages versus competing against copycats.

First, because these new CWS operators will purchase bins through CWS, CWS will have more revenue to reinvest in marketing to help grow the market for everyone. Also, because they will be able to buy CWS bins, new operators will be likely to do that instead of infringing our patents – meaning that money that would have gone to lawyers can contribute to marketing as well.

Additionally, because these new operators will promote the advantages of the CWS system just as existing licensees do, the combined effort will greatly increase awareness of CWS's superior system. They will also be motivated, as existing



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licensees are, to maintain the margins that are possible because of the branding and differentiation of the CWS approach.

We're also introducing a new certification program that will help existing licensees further differentiate themselves: CWSPPro. By earning the CWSPPro designation, existing licensees can brand themselves "the cream of the crop" among CWS providers. To further encourage CWS 2.0 conversion, the cost of this certification will be waived for one year for existing licensees who convert to CWS 2.0.

Lastly, by converting to CWS 2.0, existing licensees will realize huge savings on future license fees – freeing up funds that can be invested in local marketing efforts.

Tell me more about CWSPPro!

CWSPPro is a new certification program we're launching for our most experienced and professional operators. Participating in the CWSPPro program will allow our top operators to promote themselves as the very best of our licensees!

We will support the CWSPPro program with significant advertising and other promotion, to help differentiate CWSPPro operators from everyone else in the market. We'll also provide CWSPPro certified operators with special marketing materials, garments, logos and medallions that they can use to set themselves apart.

Best of all, we will waive the certification fee for one year for licensees converting to CWS 2.0. And, the CWSPPro program will be limited to CWS 2.0 markets.

Bottom line it for me: what do I gain from CWS 2.0?

Benefits to your company of converting to CWS 2.0 now:

- Significant savings on license fees (typical savings are over \$1 million over the life of a CWS contract)
- Free participation in the CWSPPro certification program for one year (requires qualification). (CWSPPro will also only be available in 2.0 markets.)
- Right to enter new 2.0 markets as you see fit, without separate licensing
- Less risk of copycats and other price-bombing competition
- Help in establishing CWS as the dominant, market-leading concrete washout service provider
- Additional marketing attention from CWS

Terms for converting now?

To encourage as many current licensees to convert to CWS 2.0 now, we're offering very favorable financial terms. Companies that initiate their conversion by June 30, 2008 will simply pay the equivalent of one full year of license fees to completely retire their license fee obligations. Their licenses will convert to non-exclusive licenses that they own free and clear. AND, the fees paid for month in which they convert will contribute to the conversion total – which means most converting licensees will be able to buy out their remaining liability for just 11 months' worth of fees.



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This savings will be enormous for most licensees – typically more than \$1,000,000 saved over the life of their license agreements.

I have no competition. Why shouldn't I remain exclusive for now?

We believe that converting as many of our markets to CWS 2.0 as quickly as possible will have enormous long-term competitive advantages to CWS and its licensees – and, conversely, that moving too slowly would have big disadvantages. So, we're making it as attractive as possible for all existing licensees to convert now. The financial incentives we are offering now are extremely favorable for converting licensees. However, they are designed to encourage converting now – so, they will only be in place for a short time.

If you're concerned that your competition is being tempted to copy our design, and excited about the differentiation offered by CWSPPro, converting now will allow you to both save money and compete more effectively. And if you believe you have no threat from competition in your market, there's no reason not to convert – why not take advantage of the significant financial advantage it gives your company? If you're already dominating your local market, then converting immediately increases your profits by reducing your expenses.