

**Sent:** Wednesday, February 08, 2006 6:54 PM

**Subject:** DEALER SENSITIVE BULLETIN: RECENT SALES OF CULLIGAN AND RAINSOFT...AND MY OPINION WHAT THIS MEANS TO YOU.

**Importance:** High

**THIS IS A DEALER SENSITIVE NEWSBULLETIN**

Dear Aquathin Dealer OnLine;

*I have had conversations and shared opinions with several Authorized Aquathin Dealers concerning the very recent reports of the sale of Rainsoft and Culligan [ see articles below ], and made the decision to prepare this NewsBulletin for you in accordance with Aquathin's policy toward keeping all Authorized Aquathin Dealers abreast of industry news and technology updates. This email is sent strictly to Aquathin Dealers and does not include Dealer's Sales, Tech Staff or Customers. And while every email i.e. Forum Q & A, Aqua Q, Splash, Biz Bank, Tech Bank, that we have sent is permitted to be reprinted for your Team's ongoing education, training and discussions, this is the first NewsBulletin we are prohibiting for reprint so that it is not potentially integrated and misused in a Sales Presentation. The commentary contained within is my opinion based upon observation, facts, experience, instinct, in the keen desire to be able to anticipate what we are going to see in the future.*

*On January 17, 2006, I sent you a Splash NewsBulletin, again further detailing the exponential growth and potential, in the water purification and filtration market. Well if the world looks so rosey, while have Rainsoft and Culligan sold themselves? And who did they sell to and for how much? For those of us that have been around for a while, we know about the many problems besetting Rainsoft and Culligan. For Rainsoft, issues include the "type" of dealer they choose, the hard pressure sales techniques, the heavy system costs and finance charges, defective product issues...including purchasing the Erie valve design, and a host of negative PR in most every state, along with many of their dealers going in and out of business...that even their advertising use of high profile reputations of Mrs. America, Florence Henderson and Paul Harvey could not ultimately sway their own dealers or the market.*

*Culligan carried a debt burden over \$1 billion dollars as reported in the early 1990's mainly from multiple sales of the company prior to the 1980's and eventually going public to avoid bankruptcy. Later Culligan was acquired in U.S. Filter's attempt to de-fragment the industry, but ended up in a house full of overlapping companies and continued lack of direction. U.S. Filter fluffed up the features, benefits and good faith / intangible assets of itself and sold to Vivendi who seriously overpaid at \$7 billion dollars much of which included more debt. Vivendi, itself in trouble, sold U.S. Filter to Veoli, a large global environmental company, at a great loss...but Veoli did not dig deep enough to see the many issues. Veoli shortly after the purchase tried to resell U.S. Filter but no takers. Eventually they broke it up and auctioned it off in pieces...Culligan was the last piece and no takers for an added length of time...and certainly creating no confidence at the dealer level. Problems that exist at Culligan include the parent company selling Culligan filters direct to hardware stores, refrigerator manufacturers and big box stores...selling commercial systems factory direct to end users and offering commissions to dealers, multiple corporate owner change over a relatively short period, all undermining their dealer trust and network. Culligan has not produced anything new of any consequence in 30 years. And many of their dealers simply live off their*

2000 to 4000 softener rentals as well as whenever they do buy some new equipment, too often its not Culligan. The only division at Culligan that was profitable as I was told eight years ago, was their international bottled water division.

Both Rainsoft and Culligan sold to industry outsiders...when most of the mergers and acquisitions (M & A) have been from within. It is my opinion that both companies were sold to outsiders in a smoke and mirrors presentation, who have a knowledge deficit over the too many things that are broken within both those companies. Well, the new owners of Culligan are getting an education resulting in closing and selling off the parent company headquarters of many years, and firing 200 employees...and no amount of "global" spin on this foundation undermining event can provide any positive slant to its dealers...especially when everyone knows that Culligan has operated internationally for many years.

Note there are some successful Culligan and Rainsoft dealers in spite of the parent company issues. However, sales of the parents certainly can indicate not enough successful dealers. I highly doubt that outsider owners can turn around and fix the many and seemingly permanent broken aspects that have existed in both companies for so long...and M & A industry insiders must have felt the same way which is why no takers. Now neither Culligan nor Rainsoft have ever been considered competition or a power brand to Aquathin Dealers. In fact, most all Aquathin Dealers report one time or another of taking dissatisfied Culligan and Rainsoft customers and making them satisfied Aquathin Customers. Here's what I expect: the chronic lack of direction in these two companies, failure to reinvest in the future, mutual lack of loyalty issues between HQ and dealer, a feeling of doom and gloom is assumed and will translate into deeper lack of customer service and or dealer businesses closings. When customers can no longer tolerate what they perceive as inability to provide what was initially guaranteed...or feel mistreated...even abused, they don't go back to tap water. They go to the Yellow Pages and the internet for greater stability, esteemed reputation, knowledge driven, service oriented...AND NOBODY DOES IT BETTER THAN YOU ! I believe Culligan and Rainsoft will eventually find the same destiny as Sunbeam, Arthur Anderson, Eastern Airlines...all companies with hidden agendas, misguided administration, integrity issues, lack of direction, lack of focus on customer management systems and paid little attention to the Big Picture of market requirements and how to get there...preferring egotistical almost fanatical bloviating about their "self perceived laurelled" name, resting on their "self perceived weight of brand". Ladies and gentlemen, it is my opinion that a flow of Culligan and Rainsoft customers are coming your way, primed to enjoy The Aquathin Experience.

What do you AquathinK?

Warmest regards to all...as well, your comments are always welcome and very much appreciated.

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"Alfie"

Alfred J. Lipshultz, President

**P.S. "Splash NewsBulletins", "Forum Q & A", "Allergic Reaction", Biz Bank, Tech Bank and Quote Bank... ARE ALL FREE services to all Authorized Aquathin Dealers and their clients to keep you abreast of technology updates and industry news.**

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Company - 1/31/2006 3:48:12 PM

## Culligan to move HQ, lay off 200

NORTHBROOK, IL — Culligan International Co. is closing its longtime manufacturing operation just outside Northbrook, IL, according to a Jan. 26 article in the [Sun-Times](#).

The company is selling the 40-acre property, which also includes its corporate headquarters, and the 300 workers at the company's head office will be shifted to another location in the Chicago area, the article said.

According to the article, 200 other employees who do manufacturing at the Northbrook site will be laid off by year-end.

Culligan President Mark Seals told the *Sun-Times* that the layoffs are not a sign of financial stress, but a shift away from in-house manufacturing of items such as filters, valves, tanks and pumps.

Culligan, with its network of more than 1,000 dealers, has provided water treatment products and services since its founding in Northbrook in 1936 by Emmett Culligan, the article said.

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Company - 12/28/2005 1:29:44 PM

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## Aquion purchased by investment firm

LAKE FOREST, IL — [Aquion Water Treatment Products, LLC](#) has been purchased by the private equity investment firm [Waud Capital Partners, LLC](#), executives of both companies announced in a recent Aquion press release.

Aquion, based in Elk Grove Village, IL, is the umbrella firm for several well-known manufacturers in the water treatment industry: RainSoft Water Treatment Systems, Erie Water Treatment Controls, and ClearWater Tech, the release said.

Terms of the transaction were not disclosed, but the release said that Waud typically invests in companies with enterprise values between \$30 million and \$150 million.

No major changes at Aquion are expected immediately; the purchase marks Waud's first entry into the water treatment market, according to an Aquion spokeswoman.

Founded in 1993, Lake Forest-based Waud has more than \$400 million of capital under management and specializes in purchases of private, middle-market companies; its stable includes companies involved in security alarm monitoring, production of low-voltage lighting, legal services, and pharmaceuticals, the release said.

Waud Managing Partner Reeve Waud said in the release that Waud was attracted to Aquion by the latter's "deep understanding" of the water treatment industry, its success rooted in a strong dealer network, reputable brands and broad array of products.

Waud Partner Matthew Clary added in the statement that Waud plans to use "organic growth and acquisitions" to partner with Aquion's management team to build "the world's premier water treatment company."