

Sent: Monday, February 17, 2003 10:59 AM

Subject: BIZ BANK: SELLING THE BUSINESS - BUYING COMPETITORS - MERGING...WHEN IS IT TIME?

Dear Aquathin Dealer Online;

In the past several months, I have received several calls from both larger and smaller Aquathin Dealers who have asked my opinion concerning inquiries they've received regarding merging with another company, acquiring another company, and selling to another company. Ladies and gentlemen, such inquiries are a testimony to our mutual efforts, success, and the future of our industry. We all should feel very very good about our positions, what we have achieved and where we are going.

Here at Aquathin Corp. USA we also get such inquiries.....weekly ! This is my standard answer. "There is no way we would consider selling the company today, knowing what it will be worth 10 years from now".

Today, no other industry receives more media attention (newspapers, radio, television, internet) concerning the sad state of the world's water and environment....all free news heightening the awareness of the complexity of a serious problem that requires a cost effective solution by each individual family. Yes the public fears hard evidence such as chemicals, heavy metals, bacteria, toxic landfills. The public has also feared potential but unproven issues i.e. a water system meltdown due to Y2K, and most recently the thought of terrorist attempts to poison municipal plants. When you live in Washington D.C. or near Heathrow Airport in London and see anti aircraft guns and tanks on the street corners, you tend to wonder about the safety at the water plants and unprotected distance between the plant and what comes out of your tap and shower. I hear it. We did not build Aquathin on scare tactics...but one cannot refute their presence. I personally believe terrorism will be in check in 1 - 2 years. But I've also sent you NewsBulletins detailing the \$650 Billion cost to repair our domestic water systems....and that in and of itself is the value of our industry.

Regarding M & A: The following comments have been provided to those Dealers who have asked about mergers and acquisitions:

I would respectfully recommend that you seriously consider enhancing your marketing with the monies you thought about using to purchase a competitor, or received from a competitor wishing to merge with you. Here are a few reasons:

1. Purchasing or being any part of a competitor buys headaches (you know about the other systems) causing additional investment in damage control which takes time and money from

what you've already grown into a sound successful fabric....which could be bled to death. And don't permit ego to drive a compulsion to buy someone else out.

2. You stated that you would ween the customers from the competitor to our products. History and experience shows that we're going to get those customers anyway. Its just a matter of time.

When the customer realizes what they purchased is not what they expected in the way of quality and / or performance and / or dealer service....they do not go back to tap water. They head straight for the Yellow Pages (marketing) to find better service, better quality, better performance. The combination of our technology and excellent Dealers makes for zero competition.

3. Increasing marketshare with strong product and brand deters market entry from wouldbe competitors. Afterall how could they compete except for price....and that restarts the cycle mentioned in #2 above.

4. How to use your money wisely to grow marketshare...

(A) Increase your Yellow Page books (you don't have to have the largest ad...you need a recognizable effective ad). Keep "Aquathin" in your marketing..."A" comes first and you move to the front of the pack in the Yellow Pages.

(B) Get yourself and Team involved in Kiwanis, Rotary, Lions, Optimist Clubs. These members are cut from the same cloth of all the people you want to meet.

(C) Get into more regional home shows, garden shows.

(D) Farm your referrals.

(E) Make use of Aquathin University for training your new staff. We can take any green tinhorn and in three days, turn them into a water treatment professional anyone would be pleased to employ. We also have the "roadshow" version of A.U. where we come to the Dealer.

(F) Make use of our website or create your own. Put it on your stationary, business cards, invoices. Get your Customers on the mailing list.

Look at it this way. While you are investing in building your marketshare using the above referenced recommendations, you are also using other local competitors' money to grow market awareness for water treatment. GE has failed at Home Depot....Culligan Dealers do not know where the Mother Company is going...Ecowater has lost a large percentage of their dealers (again). Their clients will become your clients.

I trust you receive this email in the spirit with which it is offered. I am tremendously excited about the future.

Warmest regards,

FOR THE BEST TASTE IN LIFE
Think Aquathin..AquathinK !!
Celebrating our 23rd Birthday in 2003 !!!
(visit the allnew <http://www.aquathin.com>)

"Alfie"
Alfred J. Lipshultz, President

P.S. When responding please continue 'REPLY' to include all previous correspondences on this subject.