



New Housing Development Expansion Strategy

Better water. Pure and simple.®



Entering Residential Markets at Point of Sale

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The business strategy contained in this prospectus, the first of two (2), is predicated upon ten (10) months of observing the SOP's of Culligan Ultrapure, Inc. in Austin, Texas in the capacity of a salt and water delivery driver and household sales representative.

During this time, inefficiencies in sales and marketing were examined in comparison to potential opportunities which could expand the [Culligan™](#) brand in a formulaic and efficient manner.

The strategy, in addition to potentially facilitating [Culligan™](#) franchise dealers growth in their respective markets, could be of considerable value to any future initial public offering.

The analysis which this strategy is predicated upon would not have been possible without the benefit of talented management from likes Corey Stidham and Corey Rodriguez. Any brand would be fortunate to have these individuals as representatives and their work exemplifies how demonstrated leadership creates a work environment that improves employee morale and customer experiences with a product and employee(s).



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Introduction

The most efficient way to introduce a product into a home is at [point of sale](#).

Better understood through new corporate messaging, a water softener in a hardwater area is an [essential appliance for protecting water heaters](#) and [plumbing integrity](#). A better educated homeowner in a hardwater municipality needs to see what hardwater does to plumbing before making it fail, to understand the severity of this manageable problem. Likening water softeners to water heaters, as what oil filters are to engines, is a reasonable analogy; homeowners can grasp such a relatable concept.

The greater Austin area, like many municipalities in States with business-friendly environments, is experiencing new housing development that will continue for decades.

If there were a way to have water softeners included as a standard feature in a new housing development, homeowners would no longer regard water softeners as an optional luxury appliance. If there were a way to finance water softeners included as a standard feature in a new housing development, [without capital investment on behalf of the developer](#), Single-Family new housing [developers would be more inclined to offer one](#) manufactured and installed by a brand like [Culligan™](#). New housing developers being able to market their homes with the inclusion of an installed [Culligan™](#) water softener (in addition to the loops that some builders provide) would help sales representatives, and sales, by objectively raising the standard of construction integrity and improving the perceived value of the home - at no capital investment cost to the developer.

Facilitating a Culligan™-Developer Synergy

New housing developers don't care about the benefits of softened water.

New housing developers care about profit margins, which average 15% on a successful build.

If Culligan™ could offer installed water softeners to new housing developers at zero cost, with payment coming on the close of the development, developers would be staring at profit margins involving:

- No estimations and quotes.
- Drastically reduced and flexible logistics (Culligan™ shows up at a relatively wide-open phase to access garages).
- No capital cost or front-end accounting.
- A feature that adds to the reputation of the developer's standards.

A \$2,499.99 delivered and installed Culligan™ water softener is \$2,706.25 inclusive of tax.

A new housing developer who installs loops with every home can reasonably justify an installed Culligan™ water softener and plumbed loop connection being worth \$4,999.00 in their pricing; pricing that frequently excludes itemization, thereby reducing unqualified objections.

$$\$4,999.00 - \$2,706.25 = \$2,292.75 \div \$5,000.00 = 0.45864 \times 100 = 45.9\%$$

$$(500 \times \$2,292.75 = \$1,146,375.00)$$

∴ New Housing Developers could have a feature they can market as essential, which earns them a **46% profit margin**, but with **zero capital investment**. In a 500-home development averaging \$500,000 per home, this offering is worth **\$1,146,375.00** for a developer or a **3.06%** profit gain. 1. $(500 \times \$2,292.75 = \$1,146,375.00)$. 2. $(500 \times \$500,000.00 = \$250,000,000 \times 0.15 = \$37,500,000.00)$. $\$1,146,375.00 \div \$37,500,000.00 = 0.03057$

This pricing strategy **lowered to \$3,999.00** results in a **32.3% profit margin** for a developer, with **zero capital investment**.

$$\$3,999.00 - \$2,706.25 = \$1,292.75 \div \$3,999.00 = 0.3232 \times 100 = 32.3\%$$

∴ New Housing Developers could have a feature they can market as essential, which earns them a **32.3% profit margin**, but with **zero capital investment**. In a 500-home development averaging \$500,000 per home, this offering is worth **\$646,375.00** for a developer or a **1.72%** profit gain. 1. $(500 \times \$1,292.75 = \$646,375.00)$. 2. $(500 \times \$500,000.00 = \$250,000,000 \times 0.15 = \$37,500,000.00)$. $\$646,375.00 \div \$37,500,000.00 = 0.01723$

Home Depot doesn't have the brand identity to compete with dedicated Culligan™ water softening, nor the logistics. Culligan™ is an American manufacturer. Home Depot is a retailer that subcontracts services for the products it sells as a strategy to capture homeowner customers and brand awareness. Homeowners, if given the option, would prefer a direct relationship with a domestic manufacturer.



Culligan™ International Profit Cost-Opportunity

Financials are hard to project here as manufacturing costs are concealed.

Franchise dealers in Texas currently sell an excellent water softener for \$3,199.00 + a \$299.00 installation fee for a final sale price of \$3,498.00 + 8.25 tax (\$288.59) = **\$3,786.59** - not including a **\$300.00** discount for replacement purchases. Assuming a 40% markup after purchasing a softener from Culligan™ International, franchise dealers pay \$2,285.00 for a softener and generate a gross profit of \$914.00, not factoring in installation or discounts.

To accommodate a selling point of \$2,500.00, both Culligan™ International and franchise dealers can forego upfront profit margins to capitalize on volume sales and profit that would otherwise not take place. Culligan™ capping the price at \$2,000.00 per softener allows franchise dealers to make a fair 25% markup, or \$500 per softener (\$450 after installation*). This strategy benefits both parties as franchise dealers gain access to directly market **Gold Seal Programs** and other Culligan™ products the first day homeowners take possession.

The \$2,500.00 selling point can be attained by Culligan™ International foregoing \$285.00 in gross sales and franchise dealers foregoing \$414.00.

*For the purpose of this strategy model, a \$299.00 installation fee isn't applicable. Culligan™ International can have exact orders of softeners shipped directly to a final phase construction site with franchise dealer technicians dedicated to the site being able to efficiently install softeners ([see page 8.](#))



Franchise Dealer Cost-Opportunity

Markup After Manufacturer Purchase = **\$500.00** ($\$2,500 - \$500 = \500.00)

Installation = **\$50.00** per unit.

Commission* = 5% = **\$125.00** per unit.

Total Franchise Dealer Cost After Manufacturer Purchase = **\$175.00**

Total Franchise Dealer Gross Profit = $\$500.00 - \$175.00 = \$325.00$

Total Profit Margin = **16.25%** ($\$325.00 \div \$2,000.00 = 0.1625$)

500-unit transaction Gross Sales = $500 \times \$500.00 = \$250,000.00$

500-unit transaction Gross Profit = $500 \times \$325.00 = \$162,500.00$

*Volume commission rates are currently 10%. For a strategy like this, reliant on **Culligan™** International financing and the infrastructure of the franchise dealer, a 5% commission is more than justifiable given the large number of units that can be sold in a single negotiation. A sales representative who can negotiate a, say, 250-unit transaction with a developer can earn a \$31,250.00 commission. A 500-unit transaction in an identical process is worth \$62,500.00. The sales representative can further gain the exclusive right (subject to manager approval) to market additional products and services to every home at a **regular commission rate**.

At present, franchise dealers incorporate sales representatives soliciting new homeowners **after** they've moved into their homes. It's a highly inefficient strategy and one that is subject to a raft of competitors conducting the same inefficient practice. Current culture frowns upon direct door-to-door marketing and the tactic can harm the reputation of a brand. Culture has changed with people now having a security camera incorporated into their doorbell. Door knocking was relevant in an era when manufactured products were novel and exciting in a civilization with limited visual media communication. In many ways, consumers seventy-five years ago relied on door-to-door salesmen to be informed of new innovations like can openers, fans, watches, cleaning products and the like; door-to-door salesmen always had the latest and greatest thing, frequently to help manufacturers gauge interest and/or prove sales to retailers. Door-to-door sales peaked with the advent of mass retail and better advertising. We live in a different time now where homeowners only want people on their property who have a directly paid-for-reason to be on their property. **However, franchise dealers know their community culture best.**

The revenue franchise dealerships stand to earn through the sale of **Gold Seal Programs** and additional **Culligan™** products after owner occupancy is tremendous. The following page outlines how dealers can drastically reduce installation costs related to this strategy.

Franchise Dealer Installation Savings

To keep the cost of a water softeners at a price that will properly incentivize new home developers to include a [Culligan™](#) water softener as a standard appliance in every home they build in a new community, cost efficiency (that doesn't need to affect SOP with regular residential installations) is required.

A well-trained technician, dedicated to a development, could install ten (10) softeners per day. Paid a daily wage of \$250.00 per day + \$250.00 per day for the cost of installation materials and vehicle expenses, makes \$500.00 per install day reasonable.

This brings installation costs down from $\$299.00 \times 10 \text{ softeners} = \$2,990.00$ to just \$500.00 or [16.72% of the cost of a normal installation](#).

The price of a single installation can be reduced to [\\$50.00](#) per unit. ($\$500 \text{ per day} \div 10 = \50.00).

One (1) technician could install a community of 500 homes in two (2) weeks or a community of 1,000 homes in a month; the net takeaway is this strategy doesn't have to short staff a franchise dealership of technicians or cost a lot of money to incorporate into franchise dealer operations.

Not included in these financials would be a bonus incentive for a technician. Additionally, technicians should get paid what they would have if they finished ahead of schedule, or still get paid a regular hourly rate if they take longer but do a great job. Quality technician work sets the stage for a positive customer relationship with their franchise dealer; no one has time for installation oversights. Appreciated technicians are invaluable to franchise dealers and the [Culligan™](#) brand and perform their jobs with an enhanced standard of care when they are appreciated. Dealers know this, but it can't be repeated enough.

Such installations would be excellent training opportunities for technicians in training to observe.

Explicit in any contract with a developer will be full liability for the full value of product + shipping costs related to softeners stored on a developer site before, during, and after installation - up to the time of owner occupancy. This isn't a concern for developers as they are accustomed to routinely securing stockpiles of equipment and materials worth \$1M+.



Culligan™ International Financing Structure (6 Months)

This strategy is reliant on Culligan™ International financing the sale of water softeners until the date a property closes. Developers are not in business to buy and resell items that many people believe are optional. Homeowners can be informed of the need for a water softener and will gladly pay for one that comes installed with a new home, but they need their qualifying home improvements financed into one (1) manageable package, i.e., their mortgage.

As homes typically close thirty (30) days after occupancy, proper coordination between a Culligan™ sales representative, their franchise dealership management and a developer can facilitate a window to deliver and install water softeners in a new development and get paid approximately six (6) weeks after installations are complete.

An extremely conservative 6-month production-to-payment cycle of 500 delivered and installed units is fairly straight forward without adversely affecting ROI.

Gross Sales

500 units x \$2,000 per unit = \$1,000,000.00 in Gross Sales.

Profit Opportunity @ estimated 10% profit margin

500 x \$200.00 = \$100,000.00

Loan Amount: 500 x \$2,000.00 = \$1,000,000

Interest Rate: 4.99%

∴ \$1,000,000 financed for 6 months @ 4.99% = $4.99\% \div 2 = 2.495\%$ = $\$1,000,000.00 \times 0.02495 = \$24,950.00$

Loan Cost = \$24,950.00

Profit After Loan Cost

$\$100,000.00 - \$24,950.00 = \$75,050.00$

Adjusted Profit Margin

7.5%

∴ 1,000 franchise dealers conducting one (1) 500-unit new development sale annually would generate \$75,050,000.00 in profit and \$1B in Gross Sales for Culligan™ International.

$1,000 \times \$75,050 = \$75,050,000.00$.

$1,000 \times \$1,000,000.00$ in sales per deal = \$1,000,000,000.00 in Gross Sales.



Culligan™ International Financing Incentive

Marketing and selling water softeners and salt to aftermarket homeowners is extremely time consuming and is frequently reliant on lead generation via advertising revenue.

Trying to have developers finance 150-500+ pieces of equipment with payment within 90 days of installation amounts to a traditional, and unappealing, sales pitch in this instance; it's also unfeasible with Culligan's™ quality and price point at any serious scale. Developers could purchase and install much cheaper and poorer quality water softeners of their own with a markup (and some will if a market trend is established with this strategy), but developers would rather have a relationship with a quality brand to save on logistics, help their own sales team and bolster the reputation of their construction integrity.

Culligan™ International investing in the production, delivery and installation of water softeners in exchange for contractually agreed payment upon the closing of every pre-sold home a water softener is installed in would give Culligan™ franchise dealers:

- Complete and fair monopoly over an entire neighborhood and/or community.
- A strong likelihood of gaining salt contracts and stable salt revenue.
- New and verified customers ranging from 150-500+ in numbers via **1 negotiation process**.
- Stronger visible presence on roadways and in neighborhoods during salt deliveries.
- More efficient route coordination and improved customer service on delivery days.

The application of targeted a new housing development expansion strategy in markets with markedly high levels of hardwater, as set forth in this prospectus, could readily serve as a beachhead for the industrial and commercial expansion of the Culligan™ brand within those markets.



Culligan™ International's backing with a major merchant bank positions it to dominate the water softening and water purification industry like no other competitor. This strategy in this prospectus compliments the potential of deep financial reserves that can be employed to spurn growth in emerging residential markets domestically and throughout the Culligan™ International network of franchise dealerships.



Client Acquisition

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]



Requirements to Ground Test Strategy in Austin, Texas

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]





Summation

I hope this strategy can be given serious consideration and properly explored by the individuals this prospectus was addressed to.

There's a viable opportunity to capture new market share and cement the Culligan™ brand firmly in the minds of communities and consumers for decades to come.

Sincerely,

A handwritten signature in black ink, consisting of a stylized 'Z' or 'K' shape.

