



# New Housing Development Expansion Strategy

Better water. Pure and simple.®



Entering Residential Markets at Point of Sale

Prospectus Prepared for:

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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. Special acknowledgement must be given to Corey Rodriguez, a talented manager within Culligan Ultrapure, Inc.'s operation.

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, referred to as the NHDE 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.





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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. A 500-home build @ \$500,000.00 per home = \$250,000,000.00 x 15% = **\$37,500,000.00**.

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 margin increase of over 3% involving:

- No estimations and quotes.
- No capital cost or front-end accounting.
- Drastically reduced and flexible logistics (Culligan™ shows up at a relatively wide-open phase to access garages).
- 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 and drain connection being worth \$4,999.00 in their pricing; pricing that frequently excludes itemization, thereby reducing unqualified objections.

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

500-units x \$2,292.75 = **\$1,146,375.00** with zero capital investment.  $\$1,146,375.00 \div \$37,500,000.00 = 3.06\%$  profit increase.

∴ 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**.

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

500-units x \$1,292.75 = **\$646,375.00** with zero capital investment.  $\$646,375.00 \div \$37,500,000.00 = 1.72\%$  profit increase.

∴ 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™ Franchise Dealer Cost-Opportunity

Culligan™ franchise dealers in Texas currently purchase the Aquasential SS™ from Culligan™ International for \$714.31 + \$100 freight = \$814.31.

The Aquasential SS™ is then sold for \$2,849.00 + a \$299.00 installation fee for a final sale price of \$3,148.00 + 8.25 tax (\$259.71) = 3,407.71- not including a \$300.00 discount for replacement purchases. A 20% commission\* = \$2,849.00 x .20 = \$569.80.

$$\text{Gross Profit} = \$2,849.00 - (\$814.31 + \$569.80 = \$1,384.11) = \$1,464.89$$

To accommodate a selling point of \$2,500.00, Culligan™ franchise dealers can maximize efficiency through the NHDE strategy and actually increase their regular profit as many dealers actually incur losses on installation\*\* far in excess of the \$299.00 charge.

$$\text{NHDE Strategy Gross Profit} = \$2,500.00 - \$814.31 = \$1,685.69$$

\*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 500-unit transaction can earn \$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.

$$\text{NHDE Strategy Commission} = \$2,500.00 \times .05 = \$125.00$$

\*\*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). This can also significantly reduce the cost of freight.

$$\text{NHDE Strategy Profit Before Operational Costs and EBITDA} = \$1,685.69 - \$125.00 = \$1,560.69$$

This strategy benefits franchise dealers by making units more profitable, reigning in commission in a way that still gives sales representative a huge incentive, and gains access to directly market Gold Seal Programs and other Culligan™ products to new homeowners the first day they take possession.





## Culligan™ 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 \$300.00 per day + payroll tax of 7.65% (\$22.95) = **\$322.95**. Materials for each basic installation = \$100.00 x 10 softeners = **\$1,000.00**. Vehicle costs are a conservative **\$100.00** per day.  $\$322.95 + \$1,000.00 + \$100.00 = \$1,422.95$ .  $\$1,422.95 \div 10 = \$142.30$  per installation.

This brings installation costs (which franchise dealers typically lose money on) down from \$299.00 x 10 softeners = \$2,990.00 to just \$1,422.95 for a **52.4%** savings.

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 **NHDE 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 the 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. Franchise 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 would be full liability on the part of the developer 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™ Franchise Dealer Final Cost-Opportunity

Aquasential SS™ Markup After Manufacturer Purchase =  $\$2,500.00 - \$814.31 = \$1,685.69$

Installation =  $\$142.30$  per unit.

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

Total Franchise Dealer Cost After Manufacturer Purchase =  $\$142.30 + \$125.00 = \$267.30$

Total Franchise Dealer Gross Profit =  $\$1,685.69 - \$267.30 = \$1,418.39$

Gross Profit Margin = 174% ( $\$1,418.39 \div \$814.31 = 1.7418$ )

500-unit transaction Gross Sales =  $500 \times \$2,500.00 = \$1,250,000.00$

500-unit transaction Gross Profit =  $500 \times \$1,418.39 = \$709,195.00$





## 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. No developer is in the business of promoting another company's product and any prospective homebuyer would opt for one of the countless cheaper water softeners on the market if a developer needed to sell one before including it in a new home. Culligan™ prices cannot compete with inferior products offered at Home Depot/Lowe's. 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. Developers don't want to deal with the logistics of helping another company sell its product for an incentive that means nothing in the grand scheme of a 9-figure project. Culligan™ requiring payment, or even partial payment, prior to close is not an option here.

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 receive payment approximately six (6) weeks after installations are complete. An extremely conservative 6-month production-to-payment cycle of 500 delivered and installed units is straightforward without adversely affecting ROI.

### Gross Sales

500 units x \$714.31 per unit = \$357,155.00 in Gross Sales.

Profit Opportunity @ estimated 10% profit margin

500 x \$71.43 = \$35,715.00

Loan Amount: 500 x \$714.31 = \$357,155.00

Interest Rate: 4.99%

∴ \$357,155.00 financed for 6 months @ 4.99% =  $4.99\% \div 2 = 2.495\%$  =  $\$357,155.00 \times 0.02495 = \$8,911.02$

Loan Cost = \$8,911.02 or \$17.82 per unit ( $\$8,911.02 \div 500 = \$17.82$ )

### Profit After Loan Cost

$\$71.43 - \$17.82 = \$53.61 \times 500 = \$26,805.00$

### Adjusted Profit Margin

$\$53.61 \div \$714.31 = 0.0750 \times 100 = 7.5\%$

∴ 1,000, 500-unit new housing development deals executed annually would generate \$26,805,000 in profit for Culligan™ International and \$1.25B in Gross Sales for the Culligan™ brand.

1,000 x \$26,805.00 = \$26,805,000.

1,000 x 500 = 500,000 x \$2,500.00 per unit = \$1,250,000,000.00 in Gross Sales.



## Culligan™ International Financing Incentive

Marketing and selling water softeners and salt to homeowners in established communities 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

Procuring housing developers as clients requires a highly targeted strategy, in and of itself, to make contact and establish effective communication with the right associates.

Phone calls are, by and large, ignored. Receptionists are frequently difficult to reach. Emails are often filtered or ignored. LinkedIn has become ineffective out of network. In-person solicitations are generally unwelcome and are disruptive to office work. It is a fact that the technology promised to provide greater connectivity has led to technology that is disruptive in the literal sense and disconnecting for many reasons as a result.

The most impactful and economical way to reach a new home developer with a proposal is to send a brief pitch via local courier. Couriered packages, in the eyes of receptionists and executive assistants, indicate a clear sense of importance and stand a significantly higher chance of being reviewed. This will be my primary form of contact, supported by phone and email. Given a timeframe of two (2) months, I can effectively solicit no less than 200 developers in Austin and the surrounding area with the **NHDE strategy**. Marketing materials would need to be provided by **Culligan™** International, along with the cost of courier fees. A discounted flat rate of \$20.00 anywhere in the greater Austin Area is possible.  $\$20.00 + 8.25\% \text{ tax} (= \$1.65) = \$21.65 \times 200 = \$4,330.00$ .

Getting noticed and having effective messaging isn't enough to gain the business of housing developers. Old fashioned relationships predicated on in-person meetings are required for people who construct things for a living, before any serious consideration can be given to testing a new business endeavor.

As such, prospects need to be welcomed to a formal business lunch at one of **Culligan Ultrapure Inc.'s** accounts, Perry's or Carve. Lunch for 2-3 people at either of these chain steakhouses ranges from \$200.00-\$300.00. Lunch keeps the alcohol price down (I don't drink myself) and increases the likelihood of ideas being explored in earnest. The offer of proper lunch can help ensure the right individual(s) are present.

If 200 lunches were had at approximately \$300.00 inclusive of tax, the cost would be \$60,000.00. More than likely, 50 meetings, including follow-up's, will take place at the total expense of **\$15,000.00**.



## Requirements to Ground Test in Austin, Texas

This strategy falls outside the role of a household sales representative and is a full-time commitment that would coincide well with the strategy for water softening as revenue stream for REIT's, outlined in the second prospectus.

As this strategy is beyond the logistics and financial means of [Culligan Ultrapure, Inc.](#), I propose it best to be employed and salaried by [Culligan™](#) International, while being able to maintain contact with [Culligan Ultrapure Inc.'s](#) Regional Manager, Randy Strauss, and the [C&I](#) Division's lead sales representative, Bo Vandergriff.

A correct title is important. Developers dealing with an effective consultant directly tied to [Culligan™](#) International gives the impression that the proposition comes with weight and the potential for meaningful Corporate Leadership connections to be made. Having the title of Director of Commercial Assets in Austin, Texas for [Culligan™](#) International has the kind of cache needed to gain traction with prospective clients.

Success with this can be quantified by a single transaction of a signed covenant to include [Culligan™](#) water softeners as a standard home appliance in a new home development of no less than 500 units - in less than eight (8) weeks from the time of a formal introduction with a new client, for a project no further out than six (6) months from the stage of sales agents or online sales and promotions being active in the real estate market. Many projects close up to three (3) years after first selling to the public, while fast projects close in two (2) years from the date of first presale.

Great success with this can be measured by 5-10 deals being negotiated in one (1) year. New ideas bring opportunity; however, they also bring risks with respect to delivery capabilities and execution.

To this end, the strategy being offered to any new developments with unsold inventory would be an effective way to establish relationships and test contracts/agreements/ordering/processing and the host of logistical requirements that come with largescale contract fulfillment.

The role requires my having exclusive access to new housing developers for a period of no less than one (1) year and a salary commensurate with the role of a business development strategist in the capital city of the State with the country's second largest economy. Any commissions resulting from developer sales would come from [Culligan Ultrapure, Inc.](#) and could be directed to [Culligan™](#) International as a condition of a salaried employment contract.







## Summation

I hope **NHDE strategy** can be explored by the individuals this prospectus was addressed to and leads to a meaningful discussion with all parties including myself.

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 'T' and 'W'.

Ted Wakim  
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