

"Enviro-Solutions has a key technology that will reduce the cost of water clean up to the carpet mills in the southeast," Greenberg said.

Aqua-Chem and Enviro-Solutions began their relationship in 2010 when they developed a project to treat and reuse water at carpet manufacturing facilities. Typically these facilities discharge spent water into storm sewers with little or no treatment, Gensterblum explained to AWI. With the technology the two companies developed, using reverse osmosis to abstract back constituents, dyes used in the carpet manufacturing process are removed, producing potable quality water. Using this technology, approximately 85 percent of a plant's water can be reused.

David Gensterblum reflected on the evolution of the partnership, saying Enviro-Solutions "had the relationship with the textile firms and we had the solution and the technology and the wherewithal to put this together."

This acquisition builds on those of the last three years. Aqua-Chem acquired Specific Equipment Company, a seawater reverse osmosis (RO) systems provider for industrial and offshore applications in 2009 and Matrix, which focuses on land-based RO, in 2008.

#### COMPANY NEWS

## Mueller Water Looks to Plug 2010 Revenue Hole

Company hopes a leak detection acquisition may bring needed turnaround

Mueller Water Products shares are struggling to bounce back after a first quarter net loss of \$12.1 million, posted on February 1st, contributed to a 17 percent decline.

For the quarter ended December 31st, 2010, sales declined 8.1 percent, from \$313.1 million to \$287.6 million, compared with the first quarter of 2010.

"You just haven't seen the uptick in demand that they've probably been hoping for," commented Gerry Sweeney, an analyst at Boenning & Scattergood.

CEO Greg Hyland blamed reduced municipal spending, high inventory and rising commodity prices for the company's poor performance.

John Pensec, Mueller's director of corporate communications, advised paying closer attention to second quarter earnings. "In our second half of the year, which coincides with the construction season, we'll have a much better sense of what's going on there," he commented.

The stock's decline erased some of the gains Mueller had made after a 52-week low of \$2.27 on August 30th.

One bright spot: on January 4th the company announced it had acquired Echologics, a Canadian leak detection startup that has risen to prominence astonishingly quickly.

Marc Braken, vice president and general manager of Echologics, said the company began with a simple strategy: find the

cities that were "early adopters" of new technology, and show them what it could do.

"We did a lot of free work to gain those crucial early adopter testimonial clients," Bracken said, adding that the company can precisely pinpoint leaks and structural deficiencies so that cities need only fix what's broken. "We can show you're actually making money on our services."

While the company does not divulge current revenues, Echologics reached \$1 million in revenues by its third year of operations (2006), and has served clients as diverse as East Bay MUD, Thames Water and the government of Hong Kong.

Analysts see Mueller's foray into leak detection as a way to tide its U.S. Pipe division over until municipal spending recovers.

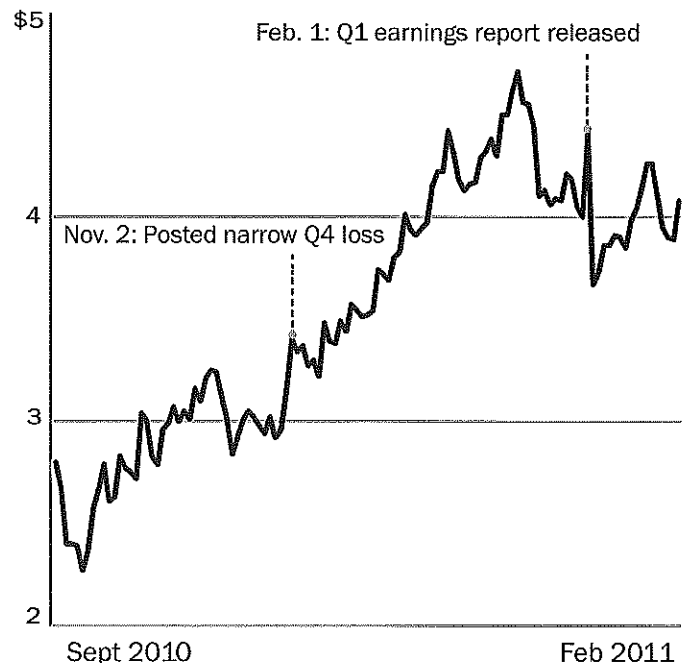
"U.S. Pipe is still struggling. Its performance is glacial in its improvements," commented Michael Gaugler, an analyst with Brean Murray Carret.

When confronted with main breaks, a cash-strapped city is more likely to plug a few leaks than to replace the entire pipe.

So while cities continue to underinvest in their infrastructure, it makes sense for Mueller to provide band-aid solutions to cities waiting out the tough times.

"This year should be better than previous years. I think some of the municipal budgets are coming more in line," Gaugler commented. "Whenever you think municipal budgets will recover, that's when you'll see capital expenditure that is preventative and not reactionary."

#### MUELLER WATER SHARES



Source: Yahoo Finance