

Charles Lipman – Insider Newspaper's 2005 Man of the Year

A company with one break-through product is like a rock band with one hit single. The band soon finds it must repeatedly deliver on the promise contained in that first song. Otherwise their audience will lose interest and drop away. DiversiTech was launched in 1971 as a pre-cast concrete manufacturing company with one exceptional product, the CladLite® Concrete Equipment Pad. In 1983 Charles Lipman became president. Not content with being a 'one-hit wonder'; DiversiTech has delivered on its promises to customers, partners and employees. This focus and commitment has earned it a place in the HVAC industry as one of the fastest growing manufacturers in the U.S. and, increasingly, in the world.

Under Charles' leadership, DiversiTech has grown into its role as a leading supplier to wholesale distributors, it has maintained and developed its manufacturing expertise. Between its various divisions, subsidiaries and partnerships, DiversiTech owns and manages two distribution centers (Georgia, California) and three manufacturing facilities (Texas, Georgia, and Florida) within the U.S. Through its ownership of East West Manufacturing, among others, the company also develops, engineers and manufactures product in China and Vietnam. By offering its customers a full assortment of components used for HVACR installation and maintenance, DiversiTech has become a primary product source for over 2,200 customers.

But talk to customers and you soon find that it isn't just products that make working with DiversiTech worthwhile. Every DiversiTech employee, including Charles, makes reference to the concepts of Focus, Integrity, Results, Speed and Team. Known as F.I.R.S.T., it is a set of values that directs and guides all DiversiTech relationships. As a document, it could be misconstrued as a top-down, spin-doctored 'corporate values statement'. But as Charles indicates, "F.I.R.S.T. isn't an aspirational document. It was inspired by how we work here. It was written in an effort to capture the way we go about every element of our business."

FOCUS

"As a company, DiversiTech is constantly, fluidly adapting in order to meet the needs of their customers. Charles listens. DiversiTech people listen. They make commitments and take action. And Charles really keeps his finger on the pulse of the industry."

Markel Fitchpatrick, Sales Manager, Brauer Supply.

"Experience is a great teacher, and it has certainly taught DiversiTech a few things over the years," says Charles. One keen lesson was the importance of paying close attention to its core HVAC business. As a result, large and small wholesalers can now access a range of product and a class of service few other vendors can match. A wholesaler consolidating their purchasing with DiversiTech can continue offering their preferred products; but through DiversiTech the wholesaler can now access potential discounts, lower freight costs and simplified purchasing processes. And then there's the first-level access to DiversiTech-manufactured products such as chemicals (subsidiary, Specialty Chemical), motors (Wagner Manufacturing), and other proprietary products.

Perhaps it is because it started as a manufacturing company DiversiTech owns a special credibility within this expertise. In fact, DiversiTech manufactured products comprise nearly 75% of its revenues. The range of product includes equipment mounting pads, air conditioning disconnects, whips, access valves, line tap valves, chemical cleaners, line voltage monitors, electric motors, thermostat guards, anti-vibration pads, water treatment products, and most any item a contractor needs to effectively install an air conditioning or refrigeration system.

Many DiversiTech proprietary products are highly-engineered, technically sophisticated parts and chemicals. In order to be best-in-class they require skilled, experienced people intent on bringing them to life. Still, it is important to manage development and production costs so that the product provides a truly cost-effective option to the customer. It was the need to bring quality and price into the proper balance that led to their off-shore manufacturing developments.



"Charles has always kept his entrepreneurial drive. He's always willing to think outside the box and give new ideas consideration. I was a VP with DiversiTech when we were talking about various off-shore manufacturing solutions. After about a year of discussion, in 2001, we spun off East West Manufacturing LLC, taking several DiversiTech employees with us. A lot of companies wouldn't have considered the notion, as it would have been perceived as a threat or loss to the company. The fact that East West is a stand-alone company speaks to the confidence and strength of both Charles and DiversiTech."

Scott Ellyson, CEO, East West Manufacturing LLC.

By combining the best talents found at-home and overseas, East West and DiversiTech are able to maintain the design and production qualities that might otherwise be lost in translation. By accessing the manufacturing capabilities found in the Far East, DiversiTech is able to offer first-class products at manufacturers' prices to the wholesale-purchasing customer. For example, due for release in early 2006 is a new condensate pump that combines the best-in-class attributes of several other models into one technically advanced unit. The new DiversiTech Condensate Pump features:

- Colored indicator lights
- An overflow safety switch with fast-on connectors
- Rubber feet and an elastomeric mounting gasket to dampen vibration and noise
- Super-strong metal hang tabs that truly support the pump's weight
- Four inlet holes to provide greater installation versatility
- Free pan pill dispenser.



Through its Specialty Chemical subsidiary, DiversiTech produces both commodity and proprietary HVAC chemicals. Its Wagner Motors division produces fractional horsepower motors for use as replacements in outdoor condensing units and indoor air handling units. And all these motors are manufactured in an ISO 9000 approved factory. All Wagner motor designs have undergone the stringent evaluation and review at Underwriter's Laboratory and have earned the privilege of the UL mark.

INTEGRITY

"DiversiTech is a company that operates with integrity from the top down. In the 14 years I've been with the company Charles Lipman has never said anything less than the truth. Even when fudging it might have been easier and done no real harm. Nothing gets sugar-coated here so employees and customers trust what gets said. If we say it, we'll do it."

Brian Jackson, Vice President - Materials, DiversiTech.

Spin-doctoring and media-messaging are common enough communication tools. However they are completely missing from the DiversiTech corporate tool box. Instead the focus is on commitment, accountability and communication. It's a powerful combination that sanctions employee efforts to solve customer problems. If a customer contacts a sales executive about a missing or damaged shipment, that Sales Executive has the authority and commitment to set the problem to rights. Says one sales executive, "It's my job to make the process from order receipt to order delivery smooth and hassle-free. Within that I can do whatever is necessary to make it happen."

For example, in 2005 a customer in the southwest phoned in around 5:00pm to order a few pallets of E-Lite® pads. Seems he had a contractor who needed them at a jobsite first thing the next morning. Unfortunately, the cutoff for truck shipments had passed several hours earlier and there was no 'standard operating procedure' that solved the dilemma. Recognizing the difficulty for what it was, the DiversiTech West Coast Distribution Center team took action. They loaded up a company truck and drove through the night. It was a round-trip total of nearly 700 miles, but the pads were ready and waiting for the contractor when he came to pick them up at 7am the next morning.

"Charles has always been one to attend to a problem personally. He'll come to our annual meetings, listen to what's being said, and talks to our members. It means a lot to our members. Here's the president of a large company and he's here to talk with you!"

Gary Daniel, President/CEO, Johnstone

Relationships built on integrity require human beings, not machines and computers. Charles leads by example, making himself available at every level of the industry. And that interaction goes well beyond the classic 'win the contract and disappear' practices that are so often part of the sales trade. DiversiTech representatives regularly stop by individual branches to check on orders, provide materials and demonstrate new product. Even DiversiTech's new phone system was designed to keep up the level of human contact. Implemented when DiversiTech moved into its new HQ last year, this phone system coordinates all DiversiTech locations in four states into a single system accessible via internal extensions. When a customer phones to place an order, the phone system identifies his or her area code and transfers the call to the proper Sales Executive. It's a simple thing, but it makes everyone's involvement that much more personal.

Charles' personal integrity influences DiversiTech in many ways. Product integrity is one expression of DiversiTech's commitment. If a product is manufactured by DiversiTech or a subsidiary, then it's fully warranted by the Company. As one wholesaler put it, "DiversiTech never says, 'Oh, that's never happened before! What did you do to it?' They are really interested in fixing the problem...and making certain that it doesn't happen again." Ever in search of ways to grow everyone's business, DiversiTech even maintains an 'Invention Portal' on its website, www.diversitech.com/invent. Anyone with a new HVAC product idea may submit their invention or product idea with confidence. The company promises to treat each idea professionally and courteously; even going so far as to admitting that an important component of an idea's commercialization is a fair compensation program for the originator!

RESULTS

"DiversiTech is focused on the quality of their people as well as on their service. Their openness to new and creative business solutions means they can solve customer problems or meet their needs. Ferguson has branches all over the country and is fed by our internal distribution network. We came to Charles and DiversiTech with a distribution concept that was custom-made to work for us and our customers. Together we worked really hard to develop and implement the concept. Since then we've had 3 or 4 years of great use. Not everyone would be that willing to look at the long-term result.

George Connolly, Director of Marketing, Residential Products, Ferguson

One of the most common measures of success is growth rate. For the past decade DiversiTech has sustained double-digit growth. Historically much of that growth may have been due to the overall development of the HVAC industry. But as the industry matures, competitive growth, that which comes from gaining market share, becomes more compelling. But DiversiTech expects to maintain its double-digit growth rates even within a more competitive environment.

DiversiTech's sales team works with a network of 30 manufacturer's representative organizations located throughout North America. In the HVAC trade channel, the Company sells only to wholesale distributors, but markets its products to both the wholesale distributor and contractors through point-of-purchase displays, detailed product catalogs and trade shows. And the Company has always maintained a 'guaranteed sales policy'. A DiversiTech customer can try any new product at no risk. If the product doesn't sell, then it can be returned for full credit. Policies like this that make it easier to try new products without endangering inventory control goals and quarterly sales results. And it makes it easier to do business with DiversiTech.

Charles and his team are always interested in projects that increase product awareness. DiversiTech commonly advertises in trade publications, provides product and personnel for counter days, and hosts training sessions for customers and employees alike. Modifying existing materials and packaging to better suit a specific market are all tasks DiversiTech is willing to undertake. Finally, there are a host of publications and tools instantly available through the DiversiTech website (www.diversitech.com). All of this has been developed especially to assist DiversiTech's customers as they work to meet their goals.



SPEED

"Every time you need something DiversiTech will go out of their way to get it. Before you know it, the product you wanted is in their catalog. I said, 'We need furnace blocks!' At the time DiversiTech didn't carry much in the line of furnace blocks. But in no time at all they had them there for us."

Larry Rosen, President, Flo-Co Supply

Not so very long ago DiversiTech stood ready to receive a boat load of product coming to Atlanta from the Far East. But a spike in sales meant that the product was in demand and customers were eager to get their shipments. In order to make the product available, DiversiTech made arrangements to have the boat dock in California. Then they hired a team of drivers to transport the entire cargo across the country. As a result, the product was in the warehouse and available to customers 2 weeks ahead of schedule. This is just one example of DiversiTech's 'need for speed'.

The phenomenal growth of the previous years meant that it was time to make a significant capital investment if DiversiTech is to make good on its future plans. Every element of the business has received attention. This includes product development, proprietary manufacturing equipment, headquarters, distribution facilities and IT infrastructure.

"DiversiTech is the fastest. And delivery is only one part of it. They give their business a personal touch. I know they want to keep me happy. Not everyone is willing to do that."

Jose Armas, Vice President, Purchasing, RefriCenter

One outstanding example is the new National Distribution Center in Conyers, Georgia. In addition to having over 10,000 pallet positions, DiversiTech has begun migrating to a comprehensive Warehouse Management System (WMS). These two improvements provide employees with a more pleasant and efficient work environment. At the same time, these upgrades make more products available, provide for faster fill rates and bring quicker order responses to the customer.



The new headquarters, located in Duluth, Georgia, is also a testament to the speed at which DiversiTech has grown. Having come from a highly-fragmented work environment, the new office space was developed with an eye towards improving functionality and productivity. Charles says, "As a growing international company, our team deserves an office environment that is in harmony with who we are and our shared future ambitions."

TEAM

"If you look at the caliber of the people they attract, the incredible quality of the people who work at DiversiTech, it speaks very highly of Charles' abilities."

Paul Johnston, Vice President Marketing & Business Development, Watsco

Charles is often described as modest, commonly deflecting praise to the people who work with him. And that praise is well-deserved, for DiversiTech employees are friendly, focused and professional. The commitment to respect others and to completing their work is clearly displayed. But DiversiTech isn't a dry, dull, work-a-day environment. One new hire recently remarked, 'The people around here laugh out loud...all the time!'

"I can't remember a time when we were not doing business with DiversiTech. The quality of the product and the quality of the people is outstanding. And Charles is a hoot! He's one of the funniest, most entrepreneurial people you could ever meet. It's a pleasure to be a DiversiTech customer"

Bud Mingledorff, CEO/President, Mingledorff's

Rapport is often mentioned as one of the keys to mutual success. DiversiTech regularly invites customers and partners to HQ to discuss industry trends, changing roles and service developments. And it's not uncommon for Charles to meet them at the airport. After all, the time spent in the car is another opportunity to 'just talk about things.' The recently launched DiversiTech Co-Pilot™ program extends that rapport deeper into the industry. Initiated by the Product Development Team, the program matches an HVAC contractor with a DiversiTech engineer for 1-2 days. As a Co-Pilot™ participant, the contractor gets advance notification and samples of new DiversiTech product. The DiversiTech engineer gets a first-hand education regarding the contractor's daily challenges and some indication about what kinds of products might help. Contractors interested in joining the program can register at www.diversitech.com/co-pilot.

Collaboration is another vital quality that supports successful teamwork. DiversiTech management and employees attend industry conferences and events not just to exhibit DiversiTech products, but to listen to customers and to explore new business opportunities as well. Several DiversiTech ventures had their beginnings at HVAC conferences. Scott Ellyson, East West Manufacturing, first met Charles at the International Expo in Atlanta. The recently announced joint venture (DiversiTech UK Limited) with Pump House Pumps in England began with meetings at two international exhibitions, one in Mexico and one in

Germany. In each of these situations, it was DiversiTech's willingness to collaborate that eventually led to a successful relationship for everyone involved.

"Charles is very involved. He knows the customers, their relationships and buying habits. And he seems to enjoy it! DiversiTech uses their expertise to look at the pieces of a customer's puzzle and come up with a solution. That makes it easier for us to solve problems for our end users. That kind of attitude adds value up and down the chain."

Markel Fitchpatrick, Sales Manager, Brauer Supply

F.I.R.S.T. AND LAST

"Charles is a very honest, very sincere person. When he makes an agreement, it can be accepted on a handshake. His vision has taken us from our beginning as a small, concrete pad manufacturer to being a benchmark HVAC supplier."

Jim Kirby, Senior Vice President - Sales, DiversiTech.

The qualities contained by F.I.R.S.T. have propelled DiversiTech Corporation to become North America's largest manufacturer of equipment pads. DiversiTech is also a leading manufacturer and supplier of components and related products for the HVACR industry. Under Charles' leadership, the Company has grown to become one of the 100 largest privately owned businesses in Atlanta. With headquarters in the Atlanta, Georgia metropolitan area, and manufacturing and distribution facilities in the U.S. and the Far East, DiversiTech is set to continually grow its market share. Under its own name, and through successful subsidiaries including Specialty Chemical and Wagner Manufacturing, DiversiTech manufactures a wide range of mechanical, electrical, chemical, and structural parts for HVACR systems.

Because he acts to maintain his values, Charles has earned a reputation as a trustworthy business man, a good listener and an astute entrepreneur. He began his work career after graduating from the University of South Carolina and enlisting in the Air Force Reserve. He initially worked as an insurance claims representative and, in 1969, launched a private law practice that continued successfully until he joined DiversiTech in 1983. In addition to his leadership of DiversiTech Charles serves on the Board of Directors for the Atlanta Chapter of the Cystic Fibrosis Foundation. He and his wife, Eva, have two children, Andrew (32) and Emily (19). Along with his team, Charles has proven that DiversiTech is not a one-hit-wonder but a high-quality performer, repeatedly delivering on the promise of that first success. Charles recognizes that, in his role as the front man for an organization he may set the tone but, it is the entire group that keeps making the hits. For these reasons, he has been named HVAC Insider Newspaper's 2005 Man of the Year.

