

THE DIVINER



Steve Nickolas can see things that are invisible to others –markets that nobody has tapped; products that no one has even considered, but everyone will want. Using this gift, he has poured his heart and soul into several pioneering bottled water businesses around the world. So why is he now on the sidelines after being forced out of his last company?

By Michael Roney

Steve Nickolas wedged his six-foot, six-inch frame through the doorway of his Ford Bronco. It was stuck in mud on the massive green slopes of Maui’s Haleakala volcano. He and his old high school buddy, Michael Beck, had driven to the mountain to build a self-sufficient home, complete with a Buckminster Fuller-style geodesic dome, on a small property they owned there. Nickolas stared up through the mist at one of the island’s famous rainbows floating overhead in all its cinematic glory. It seemed that there was moisture everywhere, but his throat was achingly dry – his thirst overpowering. A hurricane had blown through two days before, washing out the nearby roads, and the small creeks nearby were fouled by livestock grazing upstream. Since the storm, the two friends had been stranded, sleeping in the truck with nothing to drink.

“I literally would have given my little finger for a bottle of water,” Nickolas now remembers nearly 40 years later. In 1979, he was just 24 years old and was a recent transplant to Hawaii. He was trying new things – he and Beck had been dreaming up a slew of business ideas for their new company, Holistic Concepts – and Nickolas

was trying to move on from the life he left behind as a hard-partying political campaign consultant in California.

He especially was trying to forget that infamous night the previous October, when he blacked out at 80 miles per hour behind the wheel of his beloved 1966 Mercedes 230 SL, forcing police to close down the Santa Monica Freeway. Miraculously, he didn’t injure himself or anyone else before his vehicle ultimately ran up against a concrete barrier and screeched to a hideous metal-crunching halt, totaling the car. When he woke up, shaken but unscathed, he vowed to change his life. Within weeks, he finished his last paid political job, sold his home and moved to Hawaii, which seemed to be a purer and more welcoming place in all respects.

Nickolas didn’t die of thirst on the mountain, but his experience that day was profound. It sparked something deep in his consciousness, and from that day forward pure water was always on his mind. His spark of recognition was reinforced several months later as he floated languidly in Pacific Ocean swells, just after he had jumped off a friend’s sailboat on its way from Maui to Oahu. Surrounded by the vast

expanse, it struck him that his destiny was in fact linked to water.

Ultimately, Nickolas lived his dream. He enjoyed success as the first purveyor of bottled water throughout Hawaii, and then left his comfortable lifestyle to bring pure water to marginalized and politically unstable regions around the world. He went on to found Apani, one of the first successful bottled water brands, years before the big beverage conglomerates got into the game. From there, he moved on to unprecedented licensing deals with Major League Baseball, the National Football League, the National Basketball Association, the National Hockey League and major Hollywood studios. More recently he has been one of the leading evangelists for healthy, ultra-hydrating water through his latest project, Alkaline 88. Overall, his companies have earned hundreds of millions of dollars, spawning a \$200 billion industry.

“If you look at my career in the beverage industry, I have always tried to enter the market with a product that nobody has but everybody wants,” he says.

Given this track record, Nickolas is arguably bottled water’s foremost expert and visionary – the kind of guy who could get a leadership position with any number of companies in about 10 minutes. So why is he currently on the sidelines, having been forced out of his last venture just as it was taking off? What went wrong? The answer lies in his incredible journey to this point.

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As young Steve Nickolas started making his way in the world, he had many interests, but water wasn’t one of them – at least initially. Born in San Francisco and raised in Oakland, he worked in family restaurants and construction jobs in high school. He then earned bachelor degrees in economics and political philosophy at Claremont Men’s College, and then his master’s in government

at Claremont Graduate University, while working multiple jobs. One was a five-year gig at Anheuser-Busch, where his duties included taking care of several hot air balloons and four Model Ts. He also worked full-time in political campaigns and for various national and statewide figures, including some time as an aide to Governor Ronald Reagan in 1975.

The political thing scratched his itch for a while. It was fast-paced, sometimes exciting and, at least from the outside, seemed to be a glamorous job. However, it ended up exhausting him, both physically and emotionally. By 1978, he was working in Los Angeles, helping to manage a campaign for the California governor’s race, and was burning his candle, as he puts it, at all ends.

“The culture back then was sex, drugs, and rock and roll,” he remembers. “I had this redheaded girlfriend. She was gorgeous but she was nuts – kind of like the movie *Play Misty for Me*. Each day was high pressure, and after work there was another four or five hours of partying that had to be done. At the same time, L.A. just took away my soul. It rubbed me wrong. I felt like I was nothing but a speck in the big city, and it made me feel very sad.”

These feelings came to a head that fateful night on the freeway, which followed his after-hours consumption of several bottles of wine. The near-death experience spurred him to quit his job, sell his house in suburban Claremont and head west.

INSPIRATION

Nickolas moved to Maui the following February, and Beck followed later in the year. By 1980, they were sharing a sweet house just outside the laid-back, palm-graced town of Lahaina. “There was about 20 feet of grass, then the beach,” Nicholas remembers. Ever the entrepreneurs, they



would relax on their lanai and bat around business ideas under the theme “holistic concepts.” One of those was that self-sufficient home on Haleakala. Other ideas ran the gamut from smoothie stands and holistic fast-food or raw-food restaurants, to an edible plant business, water parks (before they existed), and supplying pure bottled drinking water.

“Steve back then was restless and very creative – very driven,” remembers Beck, who now owns an award-winning vegetarian restaurant in Scottsdale. “He liked to have fun in those days, but one part of his mind was always on becoming successful in business.”

There is no doubt that Nickolas loved Hawaii with all his heart, and that served as the spiritual trigger for putting him on his intended path. “Maui is one of these seven vortexes,” he says. “It was the 1970s. Mike and I were into healthy living – I even was on a raw-food vegetarian diet for a while. So before I even got into this business I would tell people, ‘Look, there is no health

regimen that starts without good water,’ and that’s kind of where the obsession started. “I was already looking into the importance of water and was reading books by early health food author Paul Bragg. That was one of my initial inspirations, and sometime later, when I was on that sailboat to Oahu, it hit me again: What am I going to do with my life? It was becoming pretty obvious. In fact, the universe was trying to knock me senseless, so I decided to go with the flow.”

A natural-born leader, Nickolas already had scored a prestigious day job as the main dining room manager at the Rockefeller’s Kapalua Bay Hotel, and then was hired to open and manage the main dining room at the new Hyatt Regency Maui Resort and Spa. It was there on a fateful New Year’s Eve that the Crown Prince of Saudi Arabia and members of the Pritzker family, owners of the Hyatt Hotels Corporation, both wanted the same table. Nickolas had to turn away the Pritzkers. Shortly thereafter, the resort’s manager received a letter from Hyatt’s founder, Jay Pritzker, asking “Who

is Steve Nickolas and why is he working for our organization?”

“That was the final kick in the butt,” says Nickolas. He sold his car and founded Hawaii’s first bottled water business with Beck. They called their venture The Water Man Co.

Demand was high almost from the beginning. Maui is a paradise in many ways, but back in the late-1970s, its drinking water, which came largely from stream runoff on the rainy side of the island, was cloudy and not particularly good-tasting. Seeing an opportunity, Nickolas and Beck bought a couple of high-end fractional water distillers and started making pure water in their kitchen.

“That started everything. We would either sell you a distiller, which cost around \$700, or we would sell you a five-gallon bottle of water, because that’s what most people in those days used,” Nickolas remembers.

Friends increasingly asked them, “Can we just get the water?”

So, they scaled up. Their first corporate water customer was, ironically, the Hyatt Regency resort. “Since I didn’t have a vehicle, so I hitchhiked with a couple of five-gallon bottles to make the first delivery,” Nickolas recalls. Before long, a tourist living next door invested \$150,000, and they began operating out of an old World War II Quonset Hut that sat on the side of the highway nearby.

The business grew very quickly. They hit \$1 million in revenue within 18 months, and soon were contacted by others on the Big Island and Kauai, and expanded from there. They sold out their entire inventory every day for years, bringing in \$2.5 million to \$3 million at the company’s peak. Nickolas and Beck also ran a Culligan water softener business that brought in another million and a half dollars. Go with the flow, indeed.

ACCELERATION

Always in demand as an expert, Nickolas traveled a lot more in the 1980s. From Egypt, Kenya and Nigeria to the Marshall Islands, Israel and the West Bank, he built at least 50 bottling plants around the world – some of them in less than 30 days.

“I came in with my crew. We built the equipment. We marketed. We trained. We saved entire countries from illness by bringing them pure water at a time when no one else would go there and do it,” he says.

At times the situations got tense. “I fled Nigeria thinking I would have died if I had stayed there one more night. Killings were frequent and random, and nobody seemed to care. I was in Manila right after President Ferdinand Marcos was deposed, and was awakened in the middle of the night by what sounded like machine-gun fire in front of my hotel. Another time I was almost carjacked,” Nickolas remembers. “We built a plant in the West Bank where there was a roadblock at the entrance to a guarded industrial area, and if you weren’t loaded up with the appropriate number of weapons, they wouldn’t let you in. In fact, I built some of the first plants that had bomb shelters.”

While Nickolas’s traveled, Beck ran the Hawaii business until in 1983, when he returned to the mainland to start one of the country’s first check-cashing operations, after which Nickolas kept The Water Man Co. thriving from afar.

Then, in 1991, the introduction of those quart-sized recyclable polyethylene terephthalate (PET) bottles that are so common today opened a new door, elevating Nickolas’s career to a whole new level. They truly revolutionized the water business, and he once again was in the right spot at the right time, positioned to lead the innovation.

He moved to Arizona to franchise his bottled-water business. “I was tired of

building all of these plants under different agreements and different partners, so I hired a franchise consultant in Los Angeles,” he says. All of my companies at that point were still using the name ‘The Water Man,’ but my consultant explained to me that there happened to be thousands of companies across the United States with the same name. In fact, he showed me a large list of local plumbing companies, all called ‘The Water Man,’ to prove his point.” The consultant then told Nickolas that the best approach for a franchising name was to use an acronym.

A month or so later, Nickolas was meeting again with his franchise consultant, brainstorming new names. At the time, the marketplace was heating up for bottled spring waters such as Evian. “The consultant said, ‘Steve, what’s going to make your water special?’ A recent Jacques Cousteau documentary played in my head and I said ‘You know, there is no longer any pure water on the planet, but the water we make is *as pure as nature intended*.’ I threw that out and he comes back to me and says ‘APANI’! It was the perfect acronym and name for the company,” he recalls now.

“Shortly thereafter, there was an article written about me in one of the Hawaii business magazines, about me leaving the islands and going to the mainland to start the company. So this guy I went to college with calls me and says ‘Steve, I had no idea that you speak Himalayan.’ I ask ‘what are you talking about?’ and he tells me ‘I just came back from hiking in the Himalayas, and there the word ‘apani’ means pure water.’” Perfect.

As fate would have it, Nickolas’s franchising partner at the time bailed out on him before that business got off the ground. So, he switched gears again, focusing on national distribution for Apani. He really didn’t have a choice. He was driven. With

that vision of Maui’s rainbows still in his head, he was led onward.

INNOVATION

One of Nickolas’s initial ideas for Apani was to allow people to sample his water using those small PET bottles (a new idea in those days), so he gave them away at events.

As part of this effort, he approached the San Francisco Giants for a deal at their new facility in Scottsdale for 1991 spring training. “It was a competitive situation,” he remembers. “I was sitting there with a guy from the Giants, and I said ‘what do you think if I put your logo on this bottle and you can sell it at the convenience stands beside the five-gallon bottles that you use for your training camp?’ He agreed, so we assembled 36 cases of water with the team’s logo, and that was the start of the sports branding – and the very first custom label ever made in the water business.”

By the seventh inning of the first game, all 36 cases were sold out. Nickolas was thrilled. After everyone left, he was looking for used bottles under the stands, but didn’t find any. Everybody has taken them home for souvenirs. He shared that information with his attorney at that time, Joe Garagiola Jr.

“Joe says ‘why don’t you just go to Major League Baseball and get a license with all the teams?’ I thought that was a great idea and asked him to help me do that. He came back just a couple of weeks later and said he had gotten a deal – \$5,000 for all of MLB!” That was a sweet deal indeed compared to today’s licensing deals, which can run into hundreds of millions of dollars.

Nickolas then forged a royalty deal with the NBA. That one cost him more, but once again he had tapped into a fertile new market. Like all great entrepreneurs, he had a gift for recognizing a need, *a desire*, before his future customers even knew it

themselves. In fact, when it comes to the water business, you can say that Steve Nickolas is a diviner. “I just love this idea of pioneering new ideas and finding these little niches that can be exploited,” he says.

Apani’s private-label water thrived in professional sports until the big beverage conglomerates moved in later in the 1990s. In one such move, Pepsi paid \$50 million just for rights in Texas Stadium, and things escalated from there. “The guy representing the Cowboys says ‘Steve, I can keep you in but I need at least \$250,000 and promotional signage from you.’ Considering that I had 70 or 80 stadiums, I just couldn’t afford it,” Nickolas recalls.

In 1995, an investor took over Apani and forced Nickolas out. “I was screwed, and that was my first major crisis in business,” Nickolas says now. Yet Apani had been his greatest business success yet, at its peak generating \$36 million in annual revenue. Coca-Cola eventually licensed the name, changed it to Dasani, and brought its full marketing muscle to bear.

It was time to move on. Nickolas did some consulting, and ultimately pioneered custom-labeled water in Hollywood, where he signed up Disney, DreamWorks, Sony, Universal, Warner Brothers and Marvel Comics – a venture he called Bottled Water Images. “I had 50 dead Hollywood celebrities that I could use, from the three stooges to Elvis Presley,” he says.

In fact, Nickolas was the first person to ever convince Disney to allow one of its characters to be put on a food or beverage product. “They had a specific policy prohibiting it because they did not want any of their characters to be associated with something you did not like,” he notes. “So, if you did not like orange juice, that would have been a problem. I was able to break that only because I was able to convince them that water was so universally liked that no one is *not* going to like it!” One year,

Bottled Water Images generated over \$24 million in sales.

From there, he took the custom label concept to businesses of all sizes, from small law firms to Las Vegas casinos. “I’d explain to those guys how their logo on a bottle of water was essentially a little billboard sitting on every conference table, kitchen counter and desk. Water as a souvenir became a big thing, so this idea really took off.” There was a point at which Nickolas had an average of 150 custom labels in a development at any one time, with thousands produced overall.

Success was his, but there was more adventure to come.

TRIBULATION

Nickolas spent the late 1990s and early 2000s as a hired gun – filling in as needed with an assortment of bottled water companies while continuing his career-long quest to bring pure and healthy products to market. He continued to expand his reach in an effort to fund and market innovative food ingredients around the world through his companies, Beverage Science Laboratories and Food Science Laboratories.

He also launched The Healthy Food Project, Inc., a non-profit dedicated to promoting the development of healthy foods and beverages for the public use, and in 2010 founded Innovative Food and Beverage Consultants, which was focused on developing lines of appetizing and nutritious food and beverage products that are lower in sodium, preservatives and flavoring, with clearer labeling for consumers.

Working with his longtime engineer, Doug Horn, he ultimately developed and patented a tasteless vitamin water under the brand Impact, and sought \$6 million to launch the product. However, he says, nobody wanted to invest in something they couldn’t taste. He subsequently pitched the

patent to consumer products giant Procter & Gamble, taking over 17 trips to their R&D center, and appearing before its rigorous scientific review committee. Things were looking good, but when his champion at P&G was transferred to Geneva, the project stalled.

The Mayo clinic was excited to apply his concept to nutraceutical compounds, particularly calcium absorption for women's health, but that didn't work out either. "The beauty of water is that you can take your medicine as water, tea, or through anything that requires the addition of water, such as prepared foods – but it's not cheap," Nickolas points out. In 2011, he hired a banking company to help provide financing, but that was short-circuited when its principal, Russell Armstrong, the estranged husband of *Real Housewives of Beverly Hills* star Taylor Armstrong, committed suicide.

"A good idea alone isn't enough," Nickolas explains. "You've got to monetize it and make it a business. Even if you have a patent, you need to bring value by creating a technology cash flow. That is essential to success, and everyone whose business you are going to disrupt is going to fight you tooth and nail."

By that point, he had partnered with a CPA located in his office building, Richard Wright, who would figure heavily in the next turbulent chapter of his career.

TRUST AND BETRAYAL

In business and life, the individuals around you are hugely important. If something is off, they could bring you down faster than anything else. "If you don't have all of your assets, including your people, on the same page, disaster will follow," says Nickolas. And that is what happened with his most recent major bottled water venture.

In May 2013, Nickolas and Wright founded the Alkaline Water Company to

produce and market water with pH level greater than seven. The partners were bullish. Pure alkaline water was generating buzz as a key factor in promoting good health (including improved digestion, preventing bone loss and boosting the immune system), with coverage increasingly appearing in national media, including *Health & Fitness*, *The Huffington Post*, *The Washington Post* and many other publications. The Mayo Clinic and the Cleveland Clinic even weighed in. Given the lack of scientific studies, its health benefits were disputed in some quarters, but everyone was curious.

The partners used a sophisticated electrolysis process to purify Phoenix-area tap water and bring its pH up to 8.8, incorporating 84 trace materials Himalayan salt, then packaging it as Alkaline 88. "Alkaline water produced through electrolysis is very similar to what you would get in nature if you could drink water right after it has experienced the charge of lightning," Nickolas explains. "It basically breaks up the water clusters that by nature tend to group, which assists the water molecule in penetrating the cell wall when you drink it. Water itself has no nutrients, but with an alkaline pH, it can improve their distribution and absorption throughout the body."

Working through major nationwide distributors, they initially sold Alkaline 88 in one-gallon bottles that could be transported anywhere across the country. The venture took off, and shortly after their launch they expanded to bottles of multiple sizes. In the first year, the company booked revenue of \$600,000, and then jumped to \$7.5 million in 2014. By 2016, Alkaline 88 was generating \$12 million in annual sales through 35,000 stores throughout all 50 states.

Given Alkaline 88's success, Nickolas had every expectation that he would remain

at the helm of the company, capping his career by guiding it to market dominance. As *USA Today* reported in 2016, 19 companies in the Standard & Poor's 500 market index whose founders were still the CEOs on average gained 97.5 percent over the previous three-year period, blowing away the 31 percent gain clocked during the same period by the S&P overall. Over snapshot periods of 15 years, founder standouts have included Jeff Bezos (4,381 percent), Michael Del (3,389 percent) and Larry Ellison (2,650 percent).

Nickolas saw himself in the same light, but trouble was brewing. As time went on, his relationship with Wright rapidly turned sour. "My greatest talent is to bring a company into existence and grow it to the point where it is self-maintaining," Nickolas states. "The problem is at that point a lot of people show their greed and are their real selves.

"Over the course of two years, I allowed my partner at Alkaline to gain more and more of a control over the finances of the business. He did this by bringing in one of his compadres – a guy named David Guarino, who took control of the company's finances. They systematically began to cut me out of the financial reporting systems of the business."

Nickolas claims that this was not hard for them to do since his focus was on operations and sales, and he spent an average of four days a week on the road closing deals. "So when I'd come to the office and ask for certain information, for whatever reason it was not immediately available, couldn't be had, whatever. When I would ask for these reports, the biggest excuse was always 'well you know, we're preparing for our quarterly audit, and David just isn't ready to create those, but as soon as he's finished getting ready for the auditor, you'll have them.' Then they never showed up."

Nickolas says that whenever he approached Guarino about seeing the reports, "he would flip out. He would start banging the desk, slam doors and shout 'I'm just going to quit if you don't appreciate what I'm doing.' And I said "Okay David. Quit. Get the hell out of here. Then, an hour later, he's still there and Ricky is still supporting him."

In the meantime, Nickolas says, brokers were not getting their commissions, contractors were not being paid on time, and vendor payments were being strung out well past their due dates. "I would go down to the finance department and ask 'Hey what's going on with this person?' and 90 percent of the time Guarino would just blow up. 'What the hell are you doing? What are you talking to these people for? Are you trying to make me look bad? What the hell is going on with you?! Get away from me you SOB!'"

Things got progressively worse between Nickolas, Wright and some of the partner's hires, who saw Nickolas as a somewhat intimidating presence. "Hey, I'm six-foot-six and Greek; not a touchy-feely type of guy," he allows. The situation came to a head on November 8, 2016, when Nickolas was called into a board meeting and summarily booted out of the company. As it turned out, Canadian investment group to which he had taken his concerns just a few days before had sided with Wright and Guarino. He was shocked and heartbroken, but on advice of counsel, packed up his office and left the premises.

A flurry of lawsuits shot back and forth for the next several months. A small army of attorneys hauled in big bucks while Nickolas despaired over what had been taken from him. He and Alkaline 88 reached an initial settlement agreement in October, 2017, but Nickolas now claims that his ex-partners aren't honoring its terms, so the lawyers are going to stay busy for the foreseeable future.

Naturally, he is bitter about the entire episode, but also philosophical. “In Hawaii, I had a fleet of trucks but we never got tickets. I knew all of the politicians. I was able to build lots of trust. I know now that you can’t take it for granted. I did, and when I left the islands, I exposed myself to individuals I should never have trusted.

“I thought that at one point all of what I had done was from my effort only, and I was wrong. It is largely the people around you that help you accomplish your greatest goals. It’s all about trusting people. This was just the right project with the wrong group. The fact that I didn’t see it sooner...well, I can live with that.”

GO WITH THE FLOW

Despite the ups and downs, the great successes and bitter betrayals, Steve Nickolas’s timing has mostly been impeccable. Throughout his career, he has followed his passion, applied his instincts and has won. True to his vision, the bottled water business has grown at double digits for the length of his career (20 percent every quarter from 1993 to 2005), and is expected to reach \$280 billion in worldwide sales by 2020, according to Zion Market Research. Yes, the rainbow gods of Haleakala have been kind.

“I’ve had spiritual events surrounding water, and it was almost like there was someone guiding me to this industry,” he explains. “Even with this Alkaline project I feel like I am being escorted. That’s the energy that drives me.”

For now, Nickolas has created the Raintree Media Group, which is focused on video production services and original programming. Still, the health benefits of bottled water remain his first and foremost passion, and he keeps his hand in the industry.

One of his ongoing missions has been to work with the FDA to get a formal

certification for alkaline water. “All other waters have very scientific definitions, whether they are ‘spring,’ ‘artesian,’ ‘mineral,’ or ‘purified,’ but there is no regulated standard for alkaline water,” he explains. “This is something that the consumers ultimately need, and is necessary for the industry to grow properly you don’t want companies to put out shabby products.”

Going forward, Nickolas will surely continue to be a force wherever he turns his attention. “I don’t like small, and every business in which I’ve been involved has been designed to grow big. They don’t all get to that point, but they all start with big dreams,” he states. “As an everyday manager I suck – I’m just bored with that, but as a strategic leader I’m off the charts.”

His lessons learned? “In any endeavor, it’s best that you allow things to naturally fall in place rather than trying to *make* them occur. ‘Go with the flow’ may sound like a pun, but for me it has been a great discipline. It allows you to overcome a lot of negative stuff, because it values *a process*, not a single event, such as the death of a close friend or someone stealing your company from you. ‘You feel good about the path you’re on, don’t you? Well, then just keep going. Life will work itself out.’”

And, despite everything, he remains not just a battle-scared business guy, but a true believer, *a diviner* – forever faithful to the spiritual force that has guided him from Maui’s rainbows to the high-tech purification systems he has built in the Arizona desert – and still inspiring him every day with fresh ideas for the water business. “Alkaline 88 is today by far the most healthful premium water on the market,” he continues to insist. “But there will be something else down the road in another few years, and I hope to be part of that.”