

ECOLAB INC
Form 424B3
November 10, 2008

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**Filed Pursuant to Rule 424(b)(3)
Registration No. 333-155246**

The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 10, 2008

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED NOVEMBER 10, 2008

57,600,000 Shares

Ecolab Inc.

Common Stock

The shares of common stock are being sold by Henkel AG & Co. KGaA ("Henkel") and one of its subsidiaries, Henkel Corporation (together, the "Henkel selling stockholders"). We will not receive any of the proceeds from the shares of common stock sold by the Henkel selling stockholders.

Our common stock is listed on the New York Stock Exchange under the symbol "ECL". The last reported closing price on November 7, 2008 was \$36.57 per share.

The underwriters have an option to purchase a maximum of 5,795,314 additional shares from the Henkel selling stockholders to cover over-allotments of shares.

The stockholder's agreement between Ecolab and Henkel requires Henkel to use all reasonable efforts to ensure that no person purchasing shares in this offering, together with such person's affiliates or any group of which such person may be a member, shall beneficially own more than two percent of Ecolab's outstanding shares upon the closing of this offering, or five percent in the case of certain entities agreed between us and Henkel.

We have agreed with the Henkel selling stockholders that, following the completion of this offering, we will purchase from them shares of our common stock for consideration of, at our discretion, at least \$300 million. The number of shares we will acquire for a given level of consideration will be determined pursuant to a formula set forth in the stock purchase agreement between us and the Henkel selling stockholders, as described in this prospectus supplement. The Henkel selling stockholders will only sell shares in this offering if at least 43,700,000 shares are sold, and if the offering is not consummated by April 30, 2009, we will have no obligation to purchase any shares from the Henkel selling stockholders in connection with this offering. See "Selling Stockholders' Stock Purchase Agreement" on page S-13.

Investing in our common stock involves risks. See "Risk Factors" on page S-7.

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	Price to Public	Underwriting Discounts and Commissions	Proceeds to Selling Stockholders
Per Share	\$	\$	\$
Total	\$	\$	\$

Delivery of the shares of common stock is expected to be made on or about , 2008.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

**Credit
Suisse**

Goldman, Sachs & Co.

Merrill Lynch & Co.

Citi

J.P. Morgan

The date of this prospectus supplement is November , 2008.

TABLE OF CONTENTS

Prospectus Supplement

	Page
About This Prospectus Supplement	S-ii
Forward-Looking Statements	S-ii
Prospectus Supplement Summary	S-1
Risk Factors	S-7
Use of Proceeds	S-9
Capitalization	S-9
Price Range of Common Stock and Dividend Policy	S-10
Selling Stockholders	S-11
Material United States Income Tax Consequences to Non-U.S. Holders	S-15
Underwriting	S-18
Notice to Canadian Residents	S-23
Legal Matters	S-25

Prospectus

About This Prospectus	1
Where You Can Find More Information	1
Forward-Looking Statements	2
Ecolab Inc.	3
Use of Proceeds	3
Description of Common Stock	3
Legal Matters	9
Independent Registered Public Accounting Firm	9

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which contains the specific terms of this offering and certain other matters relating to Ecolab and the Henkel selling stockholders. The second part is the prospectus dated November 10, 2008, which is part of our Registration Statement on Form S-3 and contains more general information, some of which does not apply to this offering.

This prospectus supplement may add to, update or change the information in the accompanying prospectus. If information in this prospectus supplement is inconsistent with information in the accompanying prospectus, this prospectus supplement will apply and will supersede that information in the accompanying prospectus. Generally, when we refer to the prospectus, we are referring to both parts of this document combined.

It is important for you to read and consider all information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in "Where You Can Find More Information" in the accompanying prospectus.

No person is authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement or the accompanying prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. Neither the delivery of this prospectus supplement and the accompanying prospectus, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in our affairs since the date of this prospectus supplement, or that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is correct as of any time subsequent to the date of such information.

The distribution of this prospectus supplement and the accompanying prospectus and the offering in certain jurisdictions may be restricted by law. This prospectus supplement and the accompanying prospectus do not constitute an offer, or an invitation on our behalf or the underwriters or any of them, to subscribe to or purchase any of the common stock, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. See "Underwriting."

In this prospectus supplement and the accompanying prospectus, unless otherwise stated, references to "Company," "Ecolab," "we," "us" and "our" refer to Ecolab Inc. and its consolidated subsidiaries.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. This prospectus supplement and the accompanying prospectus, and the documents incorporated herein by reference, may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Additionally, we or our representatives may, from time to time, make other written or verbal forward-looking statements. In this prospectus supplement and the accompanying prospectus, and the documents incorporated by reference herein, we discuss expectations regarding our business, financial condition and results of operations. Without limiting the foregoing, words or phrases such as "will likely result," "are expected to," "will continue," "is anticipated," "we believe," "estimate," "project" (including the negative or variations thereof) or similar terminology, generally identify forward-looking statements. Forward-looking statements may also represent challenging goals for us. As such, they are based on current

expectations and are subject to certain risks and uncertainties. We caution that undue reliance should not be placed on such forward-looking statements which speak only as of the date made. In order to comply with the terms of the safe harbor, we identify for investors important factors which could affect our financial performance and could cause actual results for future periods to differ materially from the anticipated results or other expectations expressed in the forward-looking statements.

Some of the factors which could cause results to differ from those expressed in any forward-looking statement are set forth under Item 1A in our most recent Form 10-K and subsequent reports on Forms 10-Q, each of which is incorporated by reference herein, and include:

the vitality of the markets we serve;

the impact of economic factors, such as the worldwide economy, interest rates and foreign currency exposure;

our ability to develop competitive advantages through innovation;

fluctuations in raw material costs;

restraints on pricing flexibility due to contractual obligations;

pressure on operations from consolidation of customers, vendors or competitors;

the impact of acquisitions, divestitures and investments to develop business systems or to optimize our business structure;

changes in regulations or accounting standards;

the costs and effects of complying with laws and regulations relating to the environment and to the manufacture, storage, distribution, sale and use of our products;

the occurrence of litigation or claims, acts of war, terrorism, severe weather or public health epidemics;

the loss or insolvency of a major customer, supplier or distributor;

our ability to attract and retain high caliber management talent; and

other uncertainties or risks reported from time to time in our reports to the Securities and Exchange Commission (the "SEC").

You should carefully consider all of the information in or incorporated by reference in this prospectus supplement prior to investing in our securities. Except as may be required under applicable law, we undertake no duty to update our forward-looking statements.

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us and this offering. It does not contain all of the information that may be important to you in deciding whether to purchase our common stock. We encourage you to read the entire prospectus supplement, the accompanying prospectus and the documents that we have filed with the SEC that are incorporated by reference herein and therein, including the financial statements and notes thereto, prior to deciding whether to purchase our common stock.

Ecolab Inc.

Incorporated in Delaware on February 18, 1924, Ecolab is a leading global developer and marketer of premium products and services for the hospitality, foodservice, healthcare and industrial markets. We provide cleaning and sanitizing products and programs, as well as pest elimination, maintenance and repair services primarily to hotels and restaurants, healthcare and educational facilities, quick-service (fast-food and other convenience store) units, grocery stores, commercial and institutional laundries, light industry, dairy plants and farms, food and beverage processors and the vehicle wash industry. A strong commitment to customer support is a distinguishing characteristic of our business.

Our business is based upon our three reportable segments.

United States Cleaning & Sanitizing Segment

The "United States Cleaning & Sanitizing" segment is comprised of seven business units which provide cleaning and sanitizing products and programs to United States markets.

Institutional: Our Institutional Division is our largest division and sells specialized cleaners and sanitizers for washing dishes, glassware, flatware, foodservice utensils and kitchen equipment, for on-premise laundries (typically used by hotel and health care customers) and for general housekeeping functions, as well as food safety products and equipment, dishwasher racks and related kitchen sundries to the foodservice, lodging, educational and healthcare industries, and water filters to the foodservice industry. The Institutional Division also provides pool and spa treatment programs for hospitality and other commercial customers. The Institutional Division manufactures and markets various chemical dispensing device systems, which are made available to customers, to dispense our cleaners and sanitizers. In addition, the Institutional Division markets a lease program comprised of energy-efficient dishwashing machines, detergents, rinse additives and sanitizers, including full machine maintenance.

Kay: Our Kay Division (which consists of certain wholly-owned subsidiaries of Ecolab Inc.) supplies chemical cleaning and sanitizing products primarily to national and regional quick-service restaurant chains. Kay's products include specialty and general purpose hard surface cleaners, degreasers, sanitizers, polishes, hand care products and assorted cleaning tools. Products are sold under the "Kay" brand or the customer's private label. In addition, Kay supports its product sales with employee training programs and technical support designed to meet the special needs of its customers. Kay's customized cleaning and sanitation programs are designed to reduce labor costs and product usage while increasing sanitation levels, cleaning performance, equipment life and safety levels. Through Kay's stand-alone Food Retail business, it supplies cleaning and sanitizing products to the food retail (i.e., grocery store) industry.

Food & Beverage: Our Food & Beverage Division addresses cleaning and sanitation at the beginning of the food chain to facilitate the production of products for human consumption. The Division provides detergents, cleaners, sanitizers, lubricants and animal health products, as well as cleaning systems, electronic dispensers and chemical injectors for the application of chemical products, primarily to dairy plants, dairy farms, breweries, soft-drink bottling plants, and meat, poultry and other food processors. The Food & Beverage Division is also a leading developer and marketer of antimicrobial products used in direct contact with meat, poultry, seafood and produce during processing

in order to reduce microbial contamination on those surfaces. The Division also designs, engineers and installs CIP ("clean-in-place") process control systems and facility cleaning systems for its customer base.

Textile Care: Our Textile Care Division provides chemical laundry products and proprietary dispensing systems, as well as related programs, to large industrial and commercial laundries. Typically these customers process a minimum of 1,000,000 pounds of linen each year and include free-standing laundry plants used by institutions such as hotels, restaurants and healthcare facilities as well as industrial and textile rental laundries.

Healthcare: Our Healthcare Division provides infection prevention and healthcare offerings to hospital, acute care and long-term care markets in the United States.

Vehicle Care: Our Vehicle Care Division provides vehicle appearance products which include soaps, polishes, sealants, wheel and tire treatments and air fresheners. Products are sold to vehicle rental, fleet and consumer car wash and detail operations. Brand names utilized by the Vehicle Care Division include Blue Coral®, Black Magic® and Rain-X®.

Water Care Services: Water Care Services provides water and wastewater treatment products, services and systems for commercial/institutional customers (full service hotels, cruise ships, hospitals, healthcare, commercial real estate, government and commercial laundries), food and beverage customers (dairies, meat, poultry, food processing and beverage) and other light industry.

United States Other Services Segment

The "United States Other Services" segment is comprised of two business units: Pest Elimination and GCS Service.

Pest Elimination: Our Pest Elimination Division provides services for the detection, elimination and prevention of pests to restaurants, food and beverage processors, educational and healthcare facilities, hotels, quick-service restaurant and grocery operations and other institutional and commercial customers. In addition, through our EcoSure Food Safety Management business, we provide customized on-site evaluations, training and quality assurance services to foodservice operations.

GCS Service: GCS Service provides commercial cooking and refrigeration equipment repair and maintenance services for restaurant and other foodservice operations. Repair services are offered for in-warranty repair, acting as the Manufacturer's Authorized Service Agent, as well as after-warranty repair. In addition, GCS Service operates as a distributor to repair service companies and end users.

International Segment

We conduct business in approximately 70 countries outside of the United States through wholly-owned subsidiaries or, in the case of Israel and Venezuela, through joint ventures with local partners. In other countries, selected products are sold by our export operations to distributors, agents or licensees, although the volume of those sales is not significant in terms of our overall revenues. Our largest International operations are located in Europe, Asia Pacific, Latin America and Canada, with smaller operations in Africa and the Middle East.

In general, the businesses conducted internationally are similar to those conducted in the United States but are managed on a geographic basis. The businesses which are similar to the United States' Institutional and Food & Beverage businesses are the largest businesses in our International operations. They are conducted in virtually all our International locations and, compared to the United States, constitute a larger portion of the overall business. Kay also has sales in a number of International locations. A significant portion of Kay's international sales are to international units of

United States-based quick-service restaurant chains. Consequently, a substantial portion of Kay's international sales are made either to domestic or internationally-located third-party distributors who serve these chains.

Our Pest Elimination business continues to expand its geographic coverage. Since 2001, we have entered markets in Australia, Brazil, China, Costa Rica, France, Indonesia, Ireland, Malaysia, the Philippines, Singapore, South Africa and the United Kingdom, primarily through acquisitions.

Our other businesses are conducted less extensively in our International locations. However, in general, most of the principal businesses conducted in the United States are operated in Canada.

Relationship with the Henkel Selling Stockholders

In December 1989, Ecolab sold 1,100,000 shares of convertible preferred stock to HC Investments, Inc., a subsidiary of Henkel, as an initial step in establishing a business relationship with Henkel. In July 1991, Ecolab and Henkel formed a joint venture (the "Joint Venture") that combined the companies' respective European industrial and institutional cleaning and sanitizing businesses. In connection with the formation of the Joint Venture, HC Investments, Inc. converted its Ecolab convertible preferred stock into Ecolab common stock. In addition, at the same time, Ecolab acquired Henkel's industrial and institutional cleaning and sanitizing businesses in 19 countries outside of Europe. In June 1991, Ecolab and Henkel entered into a stockholder's agreement governing Henkel's ownership of approximately 24% of Ecolab's outstanding shares. In November 2001, Ecolab acquired from Henkel the 50% of the Joint Venture that Ecolab did not own for \$433 million. As a part of that transaction, Henkel agreed to continue to provide to Ecolab's European businesses certain services and products, including administrative services and contract manufacturing and supply agreements.

In February 2008, Henkel announced its intention to sell some or all of its investment in Ecolab. In July 2008, all three directors designated by Henkel resigned from Ecolab's board of directors. Subsequently, on November 10, 2008, we entered into an amendment to the stockholder's agreement and a stock purchase agreement with the Henkel selling stockholders, as described below. This prospectus supplement was filed pursuant to these agreements to enable the Henkel selling stockholders to sell their Ecolab stock. Ecolab and Henkel employed Credit Suisse Securities (USA) LLC and Rothschild, respectively, as financial advisors in connection with entering into these arrangements.

Amendment to Stockholder's Agreement

On November 10, 2008, Ecolab and Henkel entered into an amendment (the "Amendment") to the stockholder's agreement that governs Henkel's equity ownership in Ecolab. Pursuant to the Amendment, we agreed to waive our right of first refusal and to meet with potential investors in connection with up to two registered public offerings of Ecolab common stock owned by the Henkel selling stockholders over a period of up to 18 months (the "Amendment Offerings") and to permit sales to certain persons that, together with such person's affiliates or any group of which such person may be a member, would beneficially own up to five percent of Ecolab's outstanding shares upon the completion of an Amendment Offering. Other than sales to permitted five percent purchasers, Henkel is required to use all reasonable efforts to ensure that no person purchasing shares in this offering, together with such person's affiliates or any group of which such person may be a member, would beneficially own more than two percent of Ecolab's outstanding shares upon the completion of such offering. In addition, during such 18-month period, Henkel and its affiliates may sell their shares of Ecolab common stock pursuant to Rule 144 of the Securities Act, subject to the terms and conditions described in "Selling Stockholders Stockholder's Agreement" in this prospectus supplement.

The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Amendment, a copy of which has been filed as an exhibit

to our Registration Statement on Form S-3 filed on November 10, 2008. See "Selling Stockholders' Stockholder's Agreement" in this prospectus supplement.

Stock Purchase Agreement

Also on November 10, 2008, we entered into a stock purchase agreement with the Henkel selling stockholders, pursuant to which we agreed to purchase from them, following the completion of this offering, shares of our common stock for consideration of, at our discretion, between \$300 million and \$500 million. The number of shares we will acquire for a given level of consideration will be determined pursuant to a formula set forth in the stock purchase agreement between us and the Henkel selling stockholders, as described in "Selling Stockholders' Stock Purchase Agreement" in this prospectus supplement. We may purchase in excess of \$500 million of shares of our common stock from the Henkel selling stockholders at a price per share equal to the price to the public, less underwriting discounts and commissions. We intend to finance the stock purchase with available cash and the proceeds of an issuance of commercial paper under our existing commercial paper program and may also utilize committed bank lines. The Henkel selling stockholders will only sell shares in this offering if at least 43,700,000 shares are sold, and if the offering is not consummated by April 30, 2009, we will have no obligation to purchase any shares from the Henkel selling stockholders in connection with this offering, but we will remain obligated to purchase shares of common stock in connection with a potential second offering by the Henkel selling stockholders, subject to the same terms and conditions as described for this offering.

The foregoing description of the stock purchase agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the stock purchase agreement, a copy of which has been filed as an exhibit to our Current Report on Form 8-K filed on November 10, 2008. See "Selling Stockholders' Stock Purchase Agreement" in this prospectus supplement.

Corporate Information

Our principal executive offices are located at 370 Wabasha Street North, St. Paul, Minnesota 55102. Our telephone number is (651) 293-2233. Our Internet website address is www.ecolab.com. The information contained on our website is not incorporated by reference in this prospectus supplement or the accompanying prospectus.

The Offering

Common stock offered by the Henkel selling stockholders	57,600,000 shares, or 63,395,314 shares if the underwriters fully exercise their option to purchase additional shares.
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Common stock to be held by the selling Henkel selling stockholders immediately after this offering and our purchase of shares from the Henkel selling stockholders	5,795,314 shares, or no shares if the underwriters fully exercise their over-allotment option to purchase additional shares.
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Common stock to be outstanding immediately after this offering and our purchase of shares from the Henkel selling stockholders	238,182,839 shares.
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New York Stock Exchange symbol for our common stock	"ECL"
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Dividends	We have paid common stock dividends for 71 consecutive years. We declared cash dividends of \$0.13 per share in December 2007 and February, May and August 2008. We review our dividend policy periodically and the declaration of any future dividends will necessarily depend upon our earnings and financial requirements and other factors within our board's discretion. See "Risk Factors The declaration of future dividends is at the discretion of our board of directors and is not guaranteed" and "Price Range of Common Stock and Dividend Policy" in this prospectus supplement.
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Use of proceeds	We will not receive any proceeds from any sale of common stock by the Henkel selling stockholders. See "Use of Proceeds," "Selling Stockholders" and "Underwriting" in this prospectus supplement.
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Risk factors	Investing in our common stock involves risks. Potential investors are urged to read and consider the risk factors relating to our business and an investment in our common stock set forth under "Risk Factors" in this prospectus supplement as well as other information we include or incorporate by reference in this prospectus supplement and the accompanying prospectus.
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The number of shares of common stock to be outstanding after this offering and after our purchase of shares from the Henkel selling stockholders is based on 247,480,077 shares outstanding as of October 31, 2008, and:

assumes that we will purchase 9,297,238 shares of our common stock from the Henkel selling stockholders for a total purchase price of \$300 million (calculated using the formula set forth in the stock purchase agreement using the last reported sales price for our common stock on the NYSE on November 7, 2008, \$36.57, as the price per share at which the underwriters purchase the shares from the Henkel selling stockholders);

excludes 19,242,500 shares of common stock issuable upon exercise of stock options outstanding as of October 31, 2008, at a weighted average exercise price of \$34.25 per share; and

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excludes 8,989,115 additional shares of common stock reserved for future grants or awards under our equity compensation plans.

Unless otherwise expressly stated or the context otherwise requires, the information in this prospectus supplement assumes no exercise of the underwriters' over-allotment option to purchase up to 5,795,314 additional shares of common stock from the Henkel selling stockholders.

S-5

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth summary consolidated financial and other data as of and for the periods presented. The summary consolidated financial and other data as of and for the five years ended December 31, 2007 has been derived from our audited consolidated financial statements. The summary consolidated financial and other data as of and for the nine months ended September 30, 2008 and 2007 has been derived from our unaudited financial statements. The following data should be read in conjunction with the entire prospectus supplement, including the information contained under "Risk Factors," and the accompanying prospectus and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes and the other financial and statistical information included in our Annual Report on Form 10-K for the year ended December 31, 2007 and our Quarterly Report on Form 10-Q for the period ended September 30, 2008, which are incorporated by reference into this prospectus supplement and the accompanying prospectus.

	For the nine months ended September 30,		For the year ended December 31,				
	2008	2007	2007	2006	2005	2004	2003
(in thousands)							
Operations:							
Net sales							
United States	\$2,368,600	\$2,097,100	\$2,801,300	\$2,562,810	\$2,327,454	\$2,135,660	\$2,014,767
International (at average rates of currency exchange during the year)	2,285,600	1,932,700	2,668,300	2,333,004	2,207,378	2,049,273	1,747,052
Total	4,654,200	4,029,800	5,469,600	4,895,814	4,534,832	4,184,933	3,761,819
Cost of sales(1)	2,371,400	1,975,300	2,691,700	2,416,058	2,248,831	2,033,492	1,846,584
Selling, general and administrative expenses	1,715,700	1,533,700	2,090,900	1,868,114	1,743,581	1,657,084	1,459,818
Special charges, sale of business and merger expenses	(5,600)	27,800	19,700			4,467	408
Operating income	572,700	493,000	667,300	611,642	542,420	489,890	455,009
Gain on sale of equity investment							11,105
Interest expense, net	46,100	37,900	51,000	44,418	44,238	45,344	45,345
Income from continuing operations before income taxes	526,600	455,100	616,300	567,224	498,182	444,546	420,769
Provision for income taxes	158,500	141,300	189,100	198,609	178,701	161,853	160,179
Net income	\$ 368,100	\$ 313,800	\$ 427,200	\$ 368,615	\$ 319,481	\$ 282,693	\$ 260,590
Financial position:							
Current assets	\$1,894,200	\$1,605,000	\$1,717,300	\$1,853,557	\$1,421,666	\$1,279,066	\$1,150,340
Property, plant and equipment, net	1,161,300	1,019,800	1,083,400	951,569	868,053	866,982	769,112
Goodwill, intangible and other assets	2,058,400	1,638,400	1,922,100	1,614,239	1,506,909	1,570,126	1,309,466
Total assets	5,113,900	4,263,200	4,722,800	4,419,365	3,796,628	3,716,174	3,228,918
Current liabilities	1,338,000	1,322,000	1,518,300	1,502,730	1,119,357	939,547	851,942
Long-term debt	859,400	569,900	599,900	557,058	519,374	645,445	604,441
Postretirement health care and pension benefits	405,500	441,200	418,500	420,245	302,048	270,930	249,906
Other liabilities	277,700	228,700	250,400	259,102	206,639	262,111	201,548
Shareholders' equity	2,233,300	1,701,400	1,935,700	1,680,230	1,649,210	1,598,141	1,321,081

(1)

Includes special charges (income) of \$(106) in 2004 and \$(76) in 2003.

RISK FACTORS

You should carefully consider the following risk factors, the risk factors described in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007 and Item 1A of Part II of our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008, as well as the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, before making an investment decision. These risks and uncertainties are not the only ones facing us. There may be other risks that a prospective investor should consider that are relevant to such investor's own particular circumstances or generally.

Risks Related to Our Common Stock

The price of our common stock may fluctuate significantly, which could negatively affect us and holders of our common stock.

The market price of our common stock after this offering may fluctuate significantly from time to time as a result of a variety of factors, many of which are beyond our control. The factors described under "Forward-Looking Statements" in this prospectus supplement and the other risk factors described in this section, among other factors, may cause the market price of our common stock to change. Broad market and industry factors may adversely affect the market price of our common stock, regardless of our actual operating performance. As a result, our common stock may trade at prices significantly below the offering price.

Shares eligible for future issuance or sale may cause our common stock price to decline, which may negatively impact your investment.

Issuances or sales of substantial numbers of additional shares of our common stock, including in connection with future acquisitions, if any, or the perception that such issuances or sales could occur, may cause prevailing market prices for shares of our common stock to decline and may adversely affect our ability to raise additional capital in the financial markets at a time and price favorable to us. As of the date of this prospectus supplement, our restated certificate of incorporation provides that we have authority to issue up to 400,000,000 shares of our common stock. As of October 31, 2008, 247,480,077 shares of our common stock were issued and outstanding, and there were 80,452,195 shares of our common stock issued and held in treasury. Also as of such date, there were approximately 28,231,615 shares of our common stock reserved for issuance under our equity compensation plans or pursuant to individual option grants or stock awards. The selling stockholders named under "Selling Stockholders," who will collectively own 2.4% (or 0.0% of our shares outstanding if the underwriters exercise their option to purchase additional shares in full) of our shares upon the completion of the offering and our purchase of shares from the Henkel selling stockholders, may elect to sell any of their remaining shares of our common stock pursuant to the terms of the stockholder's agreement between us and Henkel. See "Selling Stockholders" in this prospectus supplement.

The Company and the Henkel selling stockholders have agreed that, without the prior written consent of the underwriters, we and they will not, directly or indirectly, sell any shares of common stock not subject to this offering or exercise any of their options for 90 days after the date of this prospectus supplement, subject to certain exceptions, including sales of stock by the Henkel selling stockholder to us pursuant to the stock purchase agreement. These agreements, however, can be waived by the underwriters in their sole discretion. Future sales or a perception that such sales may occur could reduce the market price for our common stock.

The declaration of future dividends is at the discretion of our board of directors and is not guaranteed.

We have paid common stock dividends for 71 consecutive years. However, the declaration of dividends is at the discretion of our board of directors and is not guaranteed. The amount of common stock dividends, if any, will depend upon the rights of holders of any outstanding shares of our

preferred stock, our results of operations and financial condition, future capital expenditures and investments and other factors that our board of directors considers relevant. As a result, there can be no assurance that future dividends will be paid or, if paid, will be comparable with past dividends.

Our corporate documents and Delaware law contain provisions that could discourage, delay or prevent a change in control of our company, even if some stockholders might consider such a development favorable, which may adversely affect the price of our common stock.

Certain provisions in our restated certificate of incorporation and by-laws, which are described under "Description of Common Stock" in the accompanying prospectus, may discourage, delay or prevent a merger or acquisition involving us that our stockholders may consider favorable. For example, our restated certificate of incorporation provides for a staggered board of directors, whereby directors serve for three-year terms, with approximately one-third of the directors coming up for reelection each year. Having a staggered board of directors makes it more difficult for a third party to obtain control of our board of directors through a proxy contest, which may be a necessary step in an acquisition of us that is not favored by our board of directors. In addition, our certificate of incorporation authorizes our board of directors to issue shares of preferred stock to which special rights may be attached, including voting and dividend rights. With these rights, preferred stockholders could make it more difficult for a third party to acquire us.

In addition, certain other provisions of our corporate documents regarding special meetings of stockholders, advance notice requirements for stockholder proposals and director nominations, amendments of our restated certificate of incorporation and by-laws and supermajority approval of stockholders for certain business combinations, each of which is described under "Description of Common Stock Certain Anti-takeover Matters" in the accompanying prospectus, may also discourage, delay or prevent a merger or acquisition involving us that our stockholders may consider favorable.

We are also subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law. Under these provisions, if anyone becomes an "interested stockholder," we may not enter into a "business combination" with that person for three years without special approval, which could discourage a third party from making a takeover offer and could delay or prevent a change of control. For purposes of Section 203, an "interested stockholder" means, generally, someone owning 15% or more of our outstanding common stock or an affiliate of ours that owned 15% or more of our outstanding common stock during the past three years, subject to certain exceptions as described in Section 203. See "Description of Common Stock Certain Anti-takeover Matters Business Combinations" in the accompanying prospectus.

USE OF PROCEEDS

We will not receive any proceeds from any sale of common stock by the Henkel selling stockholders. See "Selling Stockholders" and "Underwriting."

CAPITALIZATION

The following table sets forth, as of September 30, 2008, our short-term debt and capitalization on an actual basis and as adjusted to give effect to our purchase of shares of our common stock from the Henkel selling stockholders upon the completion of this offering (the "stock purchase") and the issuance of our commercial paper to fund the stock purchase. For purposes of the table below, we have assumed a total purchase price of \$300 million and a corresponding increase in commercial paper of \$300 million. We currently intend to finance the stock purchase with available cash and the proceeds of an issuance of commercial paper under our existing commercial paper program and may also utilize committed bank lines. Accordingly, the amount of commercial paper we issue in connection with the stock purchase could be less, or if we elect to purchase more than \$300 million of our common stock, greater than the amount shown below. Similarly, if we elect to purchase more than \$300 million of our common stock, the amount of treasury stock would increase accordingly.

You should read the information in this table in conjunction with the entire prospectus supplement, including the information contained under "Risk Factors," and the accompanying prospectus and with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements and the related notes in our Quarterly Report on Form 10-Q for the period ended September 30, 2008, which is incorporated by reference into this prospectus supplement and the accompanying prospectus.

	At September 30, 2008	
	Actual	As Adjusted
	(dollars in millions)	
Short-term debt:		&nbef">/s/ Randal J. Kirk

Randal J. Kirk

Manager

THIRD SECURITY STAFF 2010 LLC

By:
/s/ Randal J. Kirk

Randal J. Kirk

Manager

EXHIBIT INDEX

- Exhibit 1 Series A Convertible Preferred Stock Purchase Agreement, dated December 29, 2010, by and among Transgenomic, Inc. (the “Company”), Third Security Senior Staff 2008 LLC, Third Security Staff 2010 LLC, and Third Security Incentive 2010 LLC (filed as Exhibit 4.1 to the Company’s Current Report on Form 8-K, dated December 28, 2010, and incorporated herein by reference)
- Exhibit 2 Form of Warrant (filed as Exhibit 4.2 to the Company’s Current Report on Form 8-K, dated December 28, 2010, and incorporated herein by reference)
- Exhibit 3 Certificate of Designation of Series A Convertible Preferred Stock dated as of December 28, 2010 (filed as Exhibit 3.1 to the Company’s Current Report on Form 8-K, dated December 28, 2010, and incorporated herein by reference)
- Exhibit 4 Registration Rights Agreement, dated December 29, 2010, by and among the Company, Third Security Senior Staff 2008 LLC, Third Security Staff 2010 LLC, and Third Security Incentive 2010 LLC (filed as Exhibit 4.3 to the Company’s Current Report on Form 8-K, dated December 28, 2010, and incorporated herein by reference)
- Exhibit 5 Joint Filing Agreement, dated as of January 10, 2011, by and among Randal J. Kirk, Third Security Senior Staff 2008 LLC, Third Security Staff 2010 LLC, and Third Security Incentive 2010 LLC (filed with Original Schedule 13D)
- Exhibit 6 Convertible Promissory Note Purchase Agreement by and among Transgenomic, Inc.; Third Security Senior Staff 2008 LLC; Third Security Staff 2010 LLC; and Third Security Incentive 2010 LLC dated December 30, 2011 (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K, dated January 6, 2012, and incorporated herein by reference)
- Exhibit 7 Convertible Promissory Note by and between Transgenomic, Inc. and Third Security Senior Staff 2008 LLC dated December 30, 2011 (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K, dated January 6, 2012, and incorporated herein by reference)
- Exhibit 8 Convertible Promissory Note by and between Transgenomic, Inc. and Third Security Staff 2010 LLC dated December 30, 2011 (filed as Exhibit 10.3 to the Company’s Current Report on Form 8-K, dated January 6, 2012, and incorporated herein by reference)
- Exhibit 9 Convertible Promissory Note by and between Transgenomic, Inc. and Third Security Incentive 2010 LLC dated December 30, 2011 (filed as Exhibit 10.4 to the Company’s Current Report on Form 8-K, dated January 6, 2012, and incorporated herein by reference)
- Exhibit 10 Form of Warrant issued by Transgenomic, Inc. to Third Security Senior Staff 2008 LLC; Third Security Staff 2010 LLC; and Third Security Incentive 2010 LLC on February 3, 2012 (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K, dated February 7, 2012, and incorporated herein by reference)
- Exhibit 11 Registration Rights Agreement by and among Transgenomic, Inc., certain investors and the Investors (filed as Exhibit 10.4 to the Company’s Current Report on Form 8-K, dated February 7, 2012, and incorporated herein by reference)
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- Exhibit 12 Joint Filing Agreement, dated as of February 7, 2012, by and among Randal J. Kirk, Third Security Senior Staff 2008 LLC, Third Security Staff 2010 LLC, and Third Security Incentive 2010 LLC (filed with Original Schedule 13D)
- Exhibit 13 Securities Purchase Agreement by and among Transgenomic, Inc. certain investors and the Investors, dated January 25, 2013 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K/A, dated January 30, 2013, and incorporated herein by reference)
- Exhibit 14 Form of Warrant issued by Transgenomic, Inc. to certain investors and the Investors (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K/A, dated January 30, 2013, and incorporated herein by reference)
- Exhibit 15 Registration Rights Agreement by and among Transgenomic, Inc., certain investors and the Investors (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K/A, dated January 30, 2013, and incorporated herein by reference)
- Exhibit 16 Joint Filing Agreement, dated as of January 31, 2013, by and among Randal J. Kirk, Third Security, LLC, Third Security Senior Staff 2008 LLC, Third Security Staff 2010 LLC, and Third Security Incentive 2010 LLC
- Exhibit 17 Securities Purchase Agreement by and among the Company and the Investors, dated March 5, 2014 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K/A, dated March 5, 2014 and filed on March 6, 2014, and incorporated herein by reference)
- Exhibit 18 Registration Rights Agreement by and among the Company and the Investors (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K/A, dated March 5, 2014 and filed on March 6, 2014, and incorporated herein by reference)
- Exhibit 19 Joint Filing Agreement, dated as of March 7, 2014, by and among Randal J. Kirk, Third Security, LLC, Third Security Senior Staff 2008 LLC, Third Security Staff 2010 LLC, Third Security Incentive 2010 LLC and Third Security Staff 2014 LLC
- Exhibit 20 Securities Purchase Agreement by and among the Company and the Investors, dated January 6, 2016 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, dated January 6, 2016 and filed on January 11, 2016, and incorporated herein by reference)
- Exhibit 21 Registration Rights Agreement by and among the Company and the Investors (filed as Exhibit 4.1 to the Company's Current Report on Form 8, dated January 6, 2016 and filed on January 11, 2016, and incorporated herein by reference)
- Exhibit 22 Joint Filing Agreement, dated as of January 12, 2016, by and among Randal J. Kirk, Third Security, LLC, Third Security Senior Staff 2008 LLC, Third Security Staff 2010 LLC, Third Security Incentive 2010 LLC and Third Security Staff 2014 LLC
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- Exhibit 23 Call Option Agreement by and between Third Security Senior Staff 2008 LLC, Third Security Staff 2010 LLC, Third Security Incentive 2010 LLC, Third Security Staff 2014 LLC and BV Advisory Partners, LLC dated April 7, 2017
- Exhibit 24 Call Option Agreement by and between Third Security Senior Staff 2008 LLC, Third Security Staff 2010 LLC, Third Security Incentive 2010 LLC, Third Security Staff 2014 LLC and Kuzven Precipio Investor, LLC dated April 7, 2017
- Exhibit 25 Joint Filing Agreement, dated as of April 11, 2017, by and among Randal J. Kirk, Third Security, LLC, Third Security Senior Staff 2008 LLC, Third Security Staff 2010 LLC, Third Security Incentive 2010 LLC and Third Security Staff 2014 LLC
- Exhibit 26 Joint Filing Agreement, dated as of June 12, 2017, by and among Randal J. Kirk, Third Security, LLC, Third Security Senior Staff 2008 LLC, Third Security Staff 2010 LLC, Third Security Incentive 2010 LLC and Third Security Staff 2014 LLC
- Exhibit 27 Certificate of Designation of Series A Senior Convertible Preferred Stock contained within the Third Amended and Restated Certificate of Incorporation, as amended (filed as Exhibit 3.1 to Item 5.03 to the Company's Current Report on Form 8-K, dated June 29, 2017 and filed June 30, 2017)
- Exhibit 28 Investors' Rights Agreement, dated as of June 28, 2017, by and among Transgenomic, Inc., the Investors and Incentive 2010 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, dated June 29, 2017 and filed June 30, 2017)
- Exhibit 29 Termination and Tenth Amendment to Loan and Security Agreement, by and among the Company, Third Security Senior Staff 2008 LLC, Third Security Staff 2010 LLC, and Third Security Incentive 2010 LLC dated February 2, 2017 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, dated and filed February 2, 2017)
- Exhibit 30 Joint Filing Agreement, dated as of July 3, 2017, by and among Randal J. Kirk, Third Security, LLC, Third Security Senior Staff 2008 LLC and Third Security Staff 2010 LLC
- Exhibit 31 Conversion Agreement by and between Third Security Senior Staff 2008 LLC and Precipio, Inc. dated August 28, 2017
- Exhibit 32 Conversion Agreement by and between Third Security Staff 2010 LLC and Precipio, Inc. dated August 28, 2017
- Exhibit 33 Conversion Agreement by and between Third Security Incentive 2010 LLC and Precipio, Inc. dated August 28, 2017
- Exhibit 34 Form of Warrant by and between Third Security Senior Staff 2008 LLC, Third Security Staff 2010 LLC, and Third Security Incentive 2010 LLC dated August 28, 2017
- Exhibit 35 Joint Filing Agreement, dated as of September 5, 2017, by and among Randal J. Kirk, Third Security, LLC, Third Security Senior Staff 2008 LLC and Third Security Staff 2010 LLC
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