

Letter from the President

May 2008

"About Eltron Water Systems"

Eltron Water Systems (EWS) is now one year old. As you may tell from our [Web site](#), the company exists to take some of Eltron R&D's water-relevant technologies to market. I thought it might be worthwhile to explain why we have gone to the expense and taken on the challenges of setting up a new company to do this.



First and foremost, I believe strongly that EWS, an organization focused on manufacturing and marketing, must be managed very differently from an R&D company like Eltron R&D. Manufacturing and marketing requires leanness, efficiency, minimization of mistakes and risks, etc. in order to be competitive. However, if we managed an R&D group this way, we would kill it very quickly. If our researchers are not making mistakes, then they aren't "pushing the envelope" and they won't be developing novel products and technologies.

R&D is a non-linear process. Often, the latest scheme doesn't work quite right, so we have to figure out why not and head in a different direction, sometimes a significantly different direction. We have lots of "re-dos" as well. As you might imagine, if we tried to manage a production-oriented group with this mindset, it would not be competitive. ("Gee boss, I know we were supposed to manufacture a thousand widgets this month. But we made some really neat changes to the production line...that we know you'll like...and because of that we only made three widgets.")

Eltron Water is in a building next door to Eltron R&D. The two companies are separated by 50 feet, which sometimes can be the longest 50 feet in the world. Assuming we have world-class people in both organizations (and I believe we do), the real trick to making it all work is how we manage the interface between the organizations. Time will be our judge, but I am pleased with our progress to-date.

Within a few months, Eltron Water will introduce its first product to the market. We have a device that generates paracetic acid (PAA) on-site. PAA is used today as a biocide and disinfectant in concentrations of well under 100 ppm. It is even effective at killing really "nasties" like anthrax. Currently, PAA is bought at high concentrations and then diluted for use. Not only do we expect to produce it on-site for a much lower cost than bulk PAA, but we will enable users to avoid the expense and safety risks of storing and diluting for use high concentration PAA. We are targeting traditional markets for PAA such as hard surface cleansers and "clean in place" applications – equipment cleaning in dairy farms, restaurants, etc. We also will break into some new markets for PAA application, for example cooling tower water treatment (as a biocide, replacing chlorine), produce and meat disinfectants, and membrane cleaning. This system is a culmination of 15 years of R&D and I am excited about the prospects of it as our first commercial product.

In the coming months, I will tell you about other water-related products we are pushing through the pipeline. All of us in EWS are proud to be making a contribution to a "greener" world (even though water is not green) whether it is cleaning up water or enabling customers to use less of the water they have. However, I am a firm believer in capitalism and I believe our worth to society will be not be judged by how green we are, but by how effective we are in the marketplace with our products. This is why we have created Eltron Water Systems and why we will continue to develop our technologies.

If you have any questions or comments about our water or R&D companies, please give me a call or drop me an [email](#).

Paul Grimmer