

INNOVATIONWORLD

COMPANY PROFILE

Falcon Waterfree Technologies

Falcon designs and manufactures technology for water-free urinals.

Founded: 2000

Private, financing not disclosed

Headcount: 36

1593 Galbraith Avenue SE, Suite 205

Grand Rapids, Mich. 49546

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Key location decision-maker

James Krug, President, International Division

Ph. 310.209.7250

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INNOVATIONWORLD MAPPING

CURRENT CRITICAL NEEDS

Falcon intends to open one or two small offices in China and may open a small sales office in Europe this year. The company plans to start small-scale manufacturing in China, the European Union, and Brazil, also in 2004.

CRITICAL EXPANSION FACTORS

Overseas employees are primarily needed to coordinate and support manufacturing, service, and sales efforts performed by plumbing and cleaning services partners.

COMPLEMENTARY INDUSTRIES

Urinal manufacturers, cleaning products and services companies, entities implementing water-saving technologies

GROWTH METRICS

Since it became available four years ago, the company's waterless technology has been placed in 25,000 urinals in 22 countries.

GLOBAL FACILITIES

Zurich, Switzerland: European headquarters, two staff

Frankfurt, Germany: technical coordination, one employee

Manila, Philippines: sales and support, one employee

INVESTORS

Not disclosed

PROFESSIONAL SERVICES

Legal: Jones Day; Latham & Watkins

Accounting: Ernst & Young

OTHER KEY EXECUTIVES

Marc Nathanson, Chairman

Richard Goldman, CEO

Jay Troger, President, U.S. Division

Ditmar Gorges, EVP

CUSTOMERS

Selected international installations:

Autobahn Tank & Rast, Ben Gurion

Airport, Daimler Chrysler

Corporation, Dusseldorf University,

Ford Motor Company, Heathrow

Airport, Hilton Hotels, Holiday Inn

Hotels, Intel, Japan's Bullet Train,

Legoland, MacDonald's Corporation,

Sydney Olympic facilities, Taj Mahal,

Tivoli Gardens, University of Hamburg

TRADE SHOWS/CONFERENCES

Nov. 30-Dec. 3, 2004: Pollutec, Lyon,

France

Falcon Waterfree Technologies

Falcon Waterfree Technologies holds a patent on the guts of a new kind of urinal that saves millions of gallons of water a year and makes men's restrooms both less expensive to operate and more sanitary.

Urinals that uses Falcon's technology do not flush; rather what goes into the urinal falls through a layer of liquid sealant that cuts liquid waste off from the world above. Each Falcon Waterfree urinal typically saves 40,000 gallons (151,000 liters) of fresh water per year. Operators are saved the trouble of installing and maintaining water pipes. The Falcon cartridge containing the sealant and trap for sediment is merely changed, approximately every 7,000 uses, on average three or four times a year.

Falcon has its technology installed in over 25,000 urinals (or bowls, to use the industry terminology) in 22 countries, including Daimler Chrysler Corporation, Heathrow Airport, Japan's Bullet Train, Legoland in Denmark, and the Taj Mahal in India. Customers are attracted by the cost savings and environmental benefits of waterless urinals.

At recently signed University of Colorado at Colorado Springs, the University projected savings to reach about \$20,000 per year for 60 bowls.

In 2004, Falcon plans to hire a few employees and start small-scale manufacturing in Asia and Europe. To market its products and manage manufacturing in China, Falcon intends to hire one or two people in Shanghai as early as February.

Clearly, waterless urinals promise a significant fiscal and environmental benefit, yet if Falcon has its cartridges only in 20,000 bowls it needs to reach much higher numbers before it will enjoy the kind of revenues that will support sustained company growth. The company is betting that resistance to change will prove weaker than the desire to conserve and not pay for water. TechALERT believes that Falcon has the right backing and partners to make this a good bet.

Former U.S. Vice President Al Gore was recruited to Falcon's advisory board by the company's chairman and investor, Marc Nathanson, who sold his Falcon Cable TV to Charter Communications for \$3.7 billion in 1999.

Most importantly, Falcon has partnered with large companies that manufacture urinals and maintain bathrooms.

Falcon, for its part, hires the contract manufacturers that make the cartridges that fit into the different urinals made by its partners.

"Urinals are made all over the world because they come in different local styles and are very expensive to ship," pointed out James Krug, the president of Falcon's international division.

In the United Kingdom, France, Italy, and Spain, Falcon has manufacturing partnerships with different brands of American Standard, the world's largest plumbing company with over \$8 billion in annual revenues. Other partners include plumbing company Sloan Valve, cleaning services and supply companies EcoLab (over \$3 billion in revenue) and JohnsonDiversey. These companies are an excellent service and sales channel into restrooms.

"Manufacturers handle the sales work. It gives credibility and access to the market," said Krug.

In 2004, Falcon plans to hire a few employees and start small-scale manufacturing in Asia and Europe. To market its products and manage manufacturing in China, Falcon intends to hire one or two people in Shanghai as early as February. Depending on demand, it may open a one- or two-person office in Beijing in the next 12 to 18 months. The company plans to begin manufacturing 20 thousand to 30 thousand cartridges a month in China in April or May.

"They just stamp them out like crazy," said Krug to describe the injection molding process. Sixty percent import duties are one reason to manufacture in China for that market.

In Europe, where the company already has two employees in Zurich and one in Frankfurt, Krug may start a small sales office with one or two employees in a strong central continental market or in the United Kingdom. This may happen as early as third quarter 2004, but will depend on Falcon's determination of sales opportunities. The company also plans to start manufacturing at least 150,000 units per year in the European Union in September. Krug seeks a high-quality and economical mold manufacturer.

Falcon also plans to manufacture 10 thousand to 20 thousand units in Brazil this year.

Governments often take the lead in adapting new technologies that benefit the greater good. Government contacts that may lead to orders would be of particular interest to Falcon. Krug is interested in manufacturing incentives and programs that may support water conservation. He will travel to Asia in February to plan operations in that region and would welcome introductions. **IW**

—Sean Finney