



FOR IMMEDIATE RELEASE

Headwater Systems Announces Release of its New Watchdog Locating System

Release of Watchdog marks the Company's entrance into the active RFID market

Minneapolis, MN, May 21, 2007-- Headwater Systems, Inc. (HWS) today announced the release of its new web based Watchdog Active Radio Frequency Locating System. Watchdog is a locating and tracking system that uses a patented RFID technology to help you quickly and easily locate people and equipment within a facility.

The Watchdog System consists of two key hardware components, an active RF transmitter (tag) and the receiver. Items to be located are associated with the small active Watchdog RF tag. Strategically placed receivers pick up the signals from the tag and send the data to the server over Ethernet or by WiFi. The information is then available on any web accessible PC or workstation. The Watchdog proprietary software shows graphically and in text where the tag is located (currently and historically) in a facility.

The Watchdog tag "chirps" an RF transmission at pre-programmed rates ranging from 10 seconds to one hour between chirps. The Watchdog locating and tracking system infrastructure receives these chirps and by applying its patented technology, it determines the location of the tag within a few feet dependent upon a customer's needs for location or tracking.

Watchdog tags operate in the 418MHz frequency band. The receivers are able to register tag chirps up to 300 feet. Its state of the art technology allows the Watchdog tag to operate for long periods of time without any maintenance. Battery life can be as long as 7 years depending upon chirp rate.

HWS has developed a proprietary software that allows users to access the Watchdog System on the web. This provides customers with flexibility and accessibility to the System allowing users from anywhere in the world to see where items or people are located in a facility at a given time.

Alex Fjelstad, Chairman and CEO of HWS said, "We're very excited to bring our Watchdog product to the market. We believe that our technology is the most affordable locating system in the market thereby allowing our customers to realize a very compelling return on investment."

About Headwater Systems, Inc.

A Minneapolis, Minnesota company, HWS is in the business of providing unique solutions to the problems organizations face locating vital mobile resources within a facility or yard. The patented and proprietary Watchdog locating and tracking system enable customers to reduce the time and expense consumed by searching for misplaced items and purchasing redundant, unnecessary equipment. The Watchdog monitors the movements of items and any other critical resource.

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