



# CEOCFO

## Interviews & News!

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### Early participant RFID, LTD. could have an edge in a marketplace when RFID tags replace barcodes



Technology  
RFID  
(OTCBB:RFDL)

RFID, LTD.  
1400 16th Street, Suite 400  
Denver, CO 80202  
Phone: 720-932-8119



**Nicholas Chavez**  
President

**BIO:**

Nicholas Chavez is President of RFID, LTD. Mr. Chavez has formulated and implemented business technology and supply chain models for Dell, Alcoa, Caterpillar, Nestle, Danone, and Coca-Cola during his tenure as an executive at Accenture and Fujitsu. Mr. Chavez was previously Founder and CEO of RideOn-Time.com, the first company to enable the ground transportation industry to be integrated into the online travel market in 94 cities across the United States.

**Company Profile:**

RFID, LTD. formulates, tests and deploys vendor neutral Radio Frequency Identification (RFID) solutions.

RFID, LTD.(OTCBB:RFDL) formed an organization founded out of the growing demand to support high quality, cost effective RFID “mandated compliance”. Integrating over 50 years of technology and supply chain experience, the Company understands the business objectives of small-to-medium sized DoD and Wal-Mart suppliers that are mandated to comply with RFID standards. RFID technologies have been proven in corporate and government settings for decades. Now the once dormant industry is booming with new developments and, more importantly, better ways to apply and extract value from its technology.

**Interview conducted by:**  
**Lynn Fosse, Senior Editor**  
**CEOCFOinterviews.com**

**CEOCFO:** Mr. Chavez, what was your vision when you started RFID, LTD. and where are you today?

**Mr. Chavez:** “My vision when I started the Company was to effectively service the small to medium size suppliers mandated by Wal-Mart Stores, Inc. (NYSE: WMT) to comply with Wal-Mart’s RFID standards. Wal-Mart wants all of their suppliers to comply with RFID based inventory control systems that would allow Wal-Mart to better keep track of products that they were losing due to shrinkage. Vendor theft, employee theft, or shipping issues such as something that was intended for Skokie, Illinois ending up in Gary, Indiana are considered shrinkage. Today, we are in a position to

service these small and medium sized suppliers that may not be able to afford the standard high ticket RFID technology in a cost effective manner.

**CEOCFO:** How has that played out?

**Mr. Chavez:** “Very well. Since we are also a HUBZoned company, we can additionally assist the small to medium sized suppliers for the US Department of Defense (DoD), who has also mandated RFID compliance. We are well-positioned for bids up to \$2 million for sole-source contracts. We also have the benefit of being publicly-traded and you can’t get that kind of status with the government if you are publicly traded unless you are HUBZoned company. It is my knowledge that we are the only RFID HUBZoned company that is publicly traded.”

**CEOCFO:** What would you actually provide a customer? Please give us your sense of a typical customer.

**Mr. Chavez:** “We plan to provide something called Black Box RFID™ implementations, which allows a widget manufacturer to concentrate on manufacturing widgets and not have to be experts in the RFID technology. Our implementation would include RFID software and RFID hardware including printers, tags, readers, or RFID interrogators. We would network them all together in a mandate-compliant implementation for Wal-Mart or the Department of Defense, or whoever the end-customer may be. The implementation could also give our customer’s business a sense of return on investment based on appreciation of business rules that we expect to put in place; tracking and tracing their raw materials, collapsing part of the bulky parts of their supply chain, and knowing where their inventory

is. The potential customer may be south of \$10 million in revenue a year.”

**CEO CFO:** Do you plan to have long-term contracts. What is the revenue model?

**Mr. Chavez:** “Our revenue model is based on the fact that we are not the manufacturer of the RFID hardware; we are actually a reseller for the manufacturer of the RFID hardware. Therefore, we will go in and implement the installation and then typically tend to engage for a longer-term consulting and support contract. There are four different phases: the first is the planning and pilot phase, the second is the implementation, the third is the testing, and the fourth is the run and implementation phase. A typical contract with all of those phases can take anywhere between 30 days to 2 years. We would like it if the contracts we signed were toward the longer end, because we could recognize additional revenue, however that is not necessary. If the client has a capable IT team, then there is no need to keep us around. We would like to manage the IT cost for the smaller clients so that they can get excellent value from us.”

**CEO CFO:** What is the market for RFID?

**Mr. Chavez:** “Right now the RFID market is just huge. There are about 65,000 Wal-Mart suppliers that need to comply by the end of this year. And so far, less than 2000 are in compliance with the Wal-Mart mandate. If you look at a standard implementation cost, which is anywhere between \$25,000 and \$2 million, those numbers get to be pretty staggering. The deadline is the same for the US Department of Defense; they have until January first of next year (2008), which leaves them about eight months. There are about 45,000 DoD companies and their rate of compliance is a little bit higher, but I would say it is still less than 10%. We recently have proposed a RFID-type BagChip to track airline baggage where we would be paid upon implementation, as well as for the RFID tags, and a per tag transaction fee. Based on 5 million recurring transactions a year, this is another very rewarding model.”

**CEO CFO:** Why would companies choose RFID, LTD. and how do you reach your potential customer?

**Mr. Chavez:** “I expect people to choose us by word-of-mouth as well as by referrals that come from my personal network in the industry. And since the RFID market is such a very tight market, we utilize something that has been coined in a different industry called ‘co-petition’. If we know that someone can do a part of the implementation a little bit faster than we can, we will bring them in for that aspect of the contract. There are other entities that would do the same for us. Therefore, it is a very organic type of model. We do almost zero advertising so you will not see us advertising in the Wall Street Journal or New York Times anytime soon.”

**CEO CFO:** Will you tell us more about the potential in the airline market?

**“Anything and everything that you look at has a barcode on it. In the next decade, those barcodes should all be RFID tags. You pick up your bottle of wine, soy sauce, vitamins, magazines, and your children’s cereal, everything on your cars; they will all have RFID tags on them. RFID tags will be ubiquitous, they will be everywhere. Entities like us at RFID, LTD. that participate aggressively and early can possibly gain huge market share.” - Nicholas Chavez**

**Mr. Chavez:** “as noted before, there are 5 billion transactions in that market per year. The baggage loss rate is costing the North American airline industry somewhere in the area of \$1 billion per year. So it is a huge cost saving target for them if they can lower the number of pieces lost. The early movers like us are going to get recognition in the industry simply by improving the level of customer service, simply by reducing the number of bags lost. We have so far been in contact with a regional airline and a national airline as well as several airports to begin testing. They appear to be very excited about the possibilities. We have been down in the guts of the airports analyzing the operations and seeing exactly how and where RFID can fit in to begin to manage the \$1 billion loss per year. Perhaps we can bring it down.”

**CEO CFO:** Please tell us about your recent agreement with 3M.

**Mr. Chavez:** “Our deal with the 3M Company (NYSE: MMM) is very exciting. 3M is a \$23 billion operation that has been around for more than one hundred years. We are just a little baby Company that has been around only two years that expects to be one of the potential leaders in the commercialized RFID market. We have HUBZoned certification, which allows us to possibly get 3M Track and Trace RFID products into government agencies. By that I mean if we could score a sole-source contract and place 3M hardware; having us do it is a lot easier than 3M bidding against other RFID manufacturers. We have license to sell to governments in the 48 contiguous states as well as legal and medical offices. A good example of how it would be implemented: using a hand-held RFID responder, a busy law firm would be

able to find a law file for a case just minutes before they are supposed to be in court. When seconds count and an emergency medical operation needs to happen immediately, the busy medical firm would be able to find the patient’s file in seconds as opposed to minutes to see if there are any allergies to certain medications. We are very excited about servicing and helping in these two industries.”

**CEO CFO:** In areas such as legal and medical, are people ready for RFID? The concept has been around for quite a while; why is this the right time?

**Mr. Chavez:** “The technology has decreased in price to the point where it actually makes sense to look at RFID as opposed to bar codes. A barcode costs fraction of a penny, whereas an RFID tag will cost between .10 and .20 cents depending on the functionality of the tag. But we have built return on investment (ROI) models that show dramatic cost savings. A very compelling example notes costs for top line attorneys or doctors and their administrative teams. Implementation of RFID shows savings equaling one and two full-time administrative employees per year. These firms will typically get their ROI anywhere

between 8 and 18 months and continue to save for years afterwards.”

**CEO CFO:** When things start moving faster and deadlines are looming, how do you plan to take care of all of those who want your services?

**Mr. Chavez:** “If you look at the major issues in the RFID market now, talent constraint is number one. If you wanted to find a parallel, all you would have to do is look toward the end of 1999 and see that everyone was trying to comply with Y2K. There were not enough programmers along with the related spike in employee costs and other related costs. The RFID skill set needed is a very valuable commodity and yes, there are not enough people out there. But, far be it from me to try to explain how Wal-Mart may react. I

don’t know if it is possible to implement so many thousands of entities between now and the end of the year, but we expect to do our absolute best.”

**CEO CFO:** What is the financial picture for RFID, LTD.?

**Mr. Chavez:** “Even though publicly traded, we are a non-reporting Company. But we have filed financials with Standard & Poor’s (a division of The McGraw-Hill Companies, Inc. – NYSE: MHP).”

**CEO CFO:** Why should potential investors be interested?

**Mr. Chavez:** “Anything and everything that you look at has a barcode on it. In the next decade, those barcodes should all be RFID tags. You pick up your bottle of

wine, soy sauce, vitamins, magazines, and your children’s cereal, everything on your cars; they will all have RFID tags on them. RFID tags will be ubiquitous, they will be everywhere. Entities like us at RFID, LTD. that participate aggressively and early can possibly gain huge market share.”

**CEO CFO:** In closing, what should readers remember about RFID, LTD.?

**Mr. Chavez:** “Just keep an eye on the Company because those airline contracts that I have talked about might be coming to light very soon. We are excited about that as well as a couple of partnerships that we plan to announce soon. The news surrounding the RFID, LTD. should be very exciting to watch.”



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