

Sirit, a provider of UHF electronic toll payment systems and high-frequency products for product authentication and tracking, will likely gain a stronger foothold in the UHF market through the purchase.

By Mary Catherine O'Connor

Apr. 6, 2006—Suffering under mounting debt it couldn't repay, Toronto-based RFID interrogator provider [SAMSys Technologies](#) announced late last week that it had put itself up for sale. Today, [Sirit](#), a competing RFID technology firm also based in Toronto, made public its plans to buy the firm. "We're very excited about this opportunity," states Norbert Dawalibi, Sirit's president and CEO.

Dawalibi says SAMSys' customers and partners should rest assured Sirit will support them in maintenance and upgrades for their installed base of SAMSys products. "We believe [the purchase] will make Sirit a stronger company, and we will work with SAMSys' customers, suppliers and partners," he says. "We are not buying this company in order to turn around and sell the chairs and computers. That's not what we're trying to do. We want to integrate that company within our operations at Sirit."



Norbert Dawalibi, Sirit's
president and CEO

Sirit says it has entered into an agreement with SAMSys and the holder of its outstanding debts to acquire the firm's assets and undertakings through a court-appointed receivership process. The firm says it is purchasing the company and assets, but not its debt. "We do not have to deal with the liabilities or debt that is associated with [SAMSys]," Dawalibi claims.

The transaction, pending approval by Ontario Superior Court of Justice, must be completed by Apr. 13, after which the two public companies, both traded on the Toronto Stock Exchange, would reveal the terms of the deal. Dawalibi says the tight timetable is important. "It's an uncertain time for [SAMSys] buyers, customers and partners, so we want to get this done as soon as possible so that hopefully, no one will miss a beat here."

"SAMSys has been struggling recently, and I think this is a pretty straightforward deal," says Mike Liard, RFID research program director for research firm [Venture Development Corp.](#) "Sirit's strength is in high-frequency products, and SAMSys has strength in UHF. I think Sirit will try to leverage that."

A strong player in the UHF interrogator market, SAMSys recently told *RFID Journal* about a major product announcement it plans to make at [RFID Journal LIVE!](#) in early May (see [SAMSys to Unveil RFID Reader Platform](#)). Built with the objectives of lowering deployment costs and increasing product flexibility, the platform is reportedly based on core reader modules that SAMSys and original equipment manufacturers would use to create interrogators in a variety of form factors for different applications.

"We see this new product development as a key asset, and it is something we will be integrating into our product line," says Dawalibi. "We have products that SAMSys didn't have, and SAMSys had stuff that we didn't have, so it will become a much richer and stronger product line that we will be offering to customers of both companies."

The SAMSys product line includes a strong base of UHF products designed for Electronic Product Code (EPC) applications in open-loop supply chains. Sirit's core competency in UHF technology has been in automatic vehicle identification for electronic toll collection and parking control. It also sells a growing line of reader modules, designed for embedding in handheld devices, but more of these operate in the high-frequency (13.56 MHz) band than in UHF. An early provider of a Gen 2 reader upgrade, SAMSys launched the "Tru Blue Gen 2" program in February 2005 to address users' concerns about Gen 2 reader compatibility (see [SAMSys Announces Reader Upgrade Policy](#)).

Late last summer, SAMSys secured \$6 million in debt financing from [Wellington Financial](#). In September, it "closed an offering of \$3 million in common stock and warrants ("Unit") and \$1 million in Convertible Unsecured Subordinated Debentures ("Convertible Debentures") on a private placement basis," according to SAMSys' Web site. A story posted by [TechFinance.ca](#), a Canadian financial news site, reported that Wellington demanded repayment last week, forcing SAMSys into a quick sale.

Earlier this week, a SAMSys spokesperson declined to comment on the firm's decision to sell itself. The company has also not responded to requests for comment on the pending sale to Sirit.

In its first quarter 2006 financial disclosures, SAMSys reported that it had slowed its cash burn and had generated \$1.2 million in revenue for the first fiscal quarter, down from \$1.4 million for the corresponding quarter of 2005—a 12.8 percent decrease. The firm's CFO, George Kypreos, also noted that SAMSys was seeking means of satisfying its debt and had not ruled out a merger or acquisition. The company, at the time, was anticipating the new reader platform to generate increased OEM sales, providing increased margins over direct sales to end users. It also expected the new platform to lower its manufacturing costs.

Late last year, Tom Dzierzk became president and CEO of SAMSys. He replaced founder and chairman Cliff Horwitz, who assumed the role of president in August 2004 to fill a vacancy.