

Applied Digital Buys IT Integrator

Applied Digital Solutions, the company that developed an implantable RFID chip is purchasing an IT systems integrator.

July 22, 2002 -- Not long ago, Applied Digital Solutions, Inc. of Palm Beach, Fla., was getting a lot of press attention. In the aftermath of Sept. 11, journalists were keenly interested in its VeriChip Corp. subsidiary, which had developed an RFID chip that can be implanted in people. It also proposed a standard for storing medical information about the person with the implant in a database.

Applied Digital is still getting a lot of attention, but these days most of it is bad. On July 12, the company was delisted from the Nasdaq because it failed to meet the exchange's listing qualifications. The company has also been the target of several class-action lawsuits by angry investors, who have seen the company's shares plummet to 35 cents.

But Applied is not giving up. Yesterday, it said that it is acquiring most of the outstanding shares in SysComm International Corp., an IT integration and consulting company based in Fairfield, N.J. Applied already owns 52 percent of SysComm. After the deal is completed, Applied's stake will rise to more than 90 percent. Terms of the deal weren't announced.

Both companies' boards of directors have approved the transaction, and the two companies have signed a letter of intent. The transaction is still subject to the approval of SysComm's outside shareholders and Applied Digital's senior secured creditor. Upon completion of the transaction, SysComm will be merged with VeriChip Corp.

The purpose of the merger is to marry the VeriChip technology with a company that has complementary technology and operational experience. Applied Digital wants to make VeriChip the standard in using radio frequency identification technology for security, financial, identification and healthcare applications.

"The commercial and government customer uses we envision will require advanced systems integration, project management and database application integration -- all core strengths of SysComm," says Scott Silverman, president of Applied Digital. "That's why SysComm is an ideal choice to merge with VeriChip."

VeriChip was announced on Dec. 19, 2001. It is an RFID device, similar to those that have been implanted in cows for decades. Applied envisions information about a person's health being stored in a database. When the person has an emergency, the RFID tag can be scanned and the emergency response team can have instant access to health records.

The problem with the system, aside from the fact that most people don't want to have an RFID chip in their body, is that every hospital in a given country would have to sign on to use the VeriChip standard for it to work. The company got television and print coverage when the first family was implanted with these chips earlier this year. But it has not said how many individuals have undergone the procedure since then.