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Interviews & News!

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Having Achieved Penetration In Three States With Customers That Include Six Banks Driving About 125 Individual Bank Locations, ERF Wireless Is Starting To Move Their Model Across The Southeast All The Way Over To Florida



Technology
Wireless Communication
(ERFW-OTC: BB)

ERF Wireless Inc.

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Dr. H. Dean Cubley
Chairman and CEO

BIO:

Dr. H. Dean Cubley, CEO

Dr. Cubley has served as director and chairman of ERF Wireless since May 2004. He has also served as a director of Eagle Broadband Inc. (f/k/a Eagle Wireless International Inc.) since March of 1996, as well as that company's chairman

of the board from March 1996 to April 2004, chief executive officer from March 1996 to October 2003 and president from March 1996 until September 2001. Dr. Cubley served as vice-president of Eagle Telecom Inc. from 1993 to March 1996. From 1984 until 1993, he was active in the telecommunications industry serving as a principal in numerous high-technology companies, including Metrocast, Microlink, TI-IN and Paging Products International.

Dr. Cubley has over 40 years experience in the telecommunications industry. From 1965 to 1984, he worked for the NASA Manned Spacecraft Center as a senior engineer or manager on all Gemini, Apollo and Shuttle programs. He was the antenna subsystems manager on all manned spacecraft programs for seven years during the Apollo Program with full project control for over \$200 million of equipment for each Apollo flight. Additionally, he was the NASA project manager on the \$500 million Apollo 17 Surface Electrical Properties Experiment, which searched for water on the surface of the moon in 1972. During his career, Dr. Cubley has authored or co-authored over fifty published articles. In addition, he is named on 15 patents and pending patent applications.

Dr. Cubley received a B.S. degree in electrical engineering from the University of Texas in 1964 and an M.S. degree from the University of Texas in 1965. In 1970, he received his Ph.D. in electrical engineering from the University of Houston.

Since 1977, Dr. Cubley has been actively engaged in the commercial telecommunications industry and has been instrumen-

tal in many of its technological advancements. He is an active member of the Institute of Electrical and Electronic Engineers (IEEE). Dr. Cubley has also been a founding partner in 23 new high-technology companies subsequent to his employment with NASA. Many of these companies have been acquired by larger companies and are currently operating in the telecommunications industry.

Company Profile:

ERF Wireless Inc. is a fully reporting public corporation (OTCBB: ERFW) that specializes in providing secure wireless and broadband product and secure service solutions to banking and commercial clients on a national and international basis. Its principals have been in the network integration, triple-play FTTH, IPTV content delivery, and Internet banking and encryption technology businesses for more than 20 years and have constructed encrypted, wireless broadband networks and fiber-to-the-home projects, as well as secure Internet banking solutions for hundreds of banks across America.

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

CEOCFO: Dr. Cubley, what was your vision for ERF Wireless when you became CEO and what is it today?

Dr. Cubley: "Initially the company was set up to be a pure wireless ISP play. It was intended to be a vehicle to go out and buy wireless ISPs, and use the economy of scale to achieve a large footprint on a nationwide basis. The model for the ISP, if they were to be bought were to be profitable. It would be all accretive revenue. The problem that the company ran into

was finding enough profitable wireless ISPs. They just were not available out there. There are thousands of small struggling wireless ISPs, but profitable ones are hard to find. When I became the CEO of the company, I moved the business strategy over to look at more of an enterprise-level wireless ISP focus; someone that had a market edge or some advantage over the market in general. That led us to acquire a company called Skyvue USA about two years ago and brought us into the wireless application for banks which is our current core technology. It's basically the use of point-to-point high-capacity wireless technology to replace T1 telephone lines that the banks need to interconnect their different bank locations back to the central bank. We have achieved a penetration of this new technology in three states. We have six bank networks operational at this point supplying high-bandwidth connectivity to approximately 125 individual bank locations. We are starting to move this model across the southeast and strategically we have focused on Texas, Louisiana, Alabama, and Mississippi, and all the way over to Florida as our initial network that we call, Southern BankNet."

CEOCFO: Why did the banks need to make the change, what is wrong with using the T1 Lines?

Dr. Cubley: "The T1s have two major disadvantages; first of all they are quite limiting in bandwidth; the T1 line is roughly 1.5 megabits per second of bandwidth. That is not nearly enough to be able to operate with today's new technology, which includes; check imaging, video conferencing, voice-over-IP, voice phone systems, all of those drive the bandwidth requirements up considerably, which brings us to the second disadvantage and that is the cost. A typical T1 line in the banks that we are dealing with in the regional banking industry is in a rural setting. It could cost as much as \$1,000.00 to \$2,000.00 a month for a single T1 line. Banks spend anywhere

from \$15,000.00 to \$30,000.00 a month for a ten to twenty branch regional bank. That is growing on a daily basis. Our advantage is to offer ten times the bandwidth for roughly half the cost."

CEOCFO: Are many of the banks looking for a change?

Dr. Cubley: "The banks are looking for a solution; they just do not know what it is they are looking for. They know that costs are going through the roof and their bandwidth requirements are going up. There are not a lot of alternatives to the telephone company out there other than

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- Dr. H. Dean Cubley

ERF Wireless. We have looked for other competition and we are yet to find it anywhere in the U.S. I am sure it will occur at some point, but right now we believe we are the only alternative that the banks have to the telephone companies for two reasons: one, we have not been able to find anyone else; and, two, we believe we have the only technology that has already been passed by the federal regulators that is acceptable to transmit bank data over a wireless network. We know of a number of banks that have tried wireless without getting that regulatory approval first and those banks that have tried, have been

asked to use it only as a backup system. We have taken the other approach, we went to the federal regulators and we got them comfortable with our technology before bringing it to the banks. We also have several patents pending on the technology along with a number of patents that have been filed. We work with the banks to satisfy all of the regulatory requirements on every bank we implement."

CEOCFO: Business is doing well; what has been going on in terms of financials and what you see for the future of ERF Wireless?

Dr. Cubley: "Our business plan calls for us to progressively grow quarter-over-quarter revenue at a fairly substantial pace for the next couple of years. We have gone from a start-up company in 2004 to last year's revenue of \$1.7 million. We are on track this year to do somewhere between \$5 and \$8 million. We are targeting financial growth next year based on our business plan. We are on a fast revenue enhancement program. We have been able to secure financing. The initial financing for the company came from several different sources; private financing from my family interests as it was my family that started the company. There has been somewhere between \$6 and \$8 million worth of financing to date. We also received \$1.5 million worth of financing from one institutional source. More recently, we have received \$2 million of financing from another institutional source. Therefore, the financing has been available. We are trying to leverage as much as possible debt and non-diluting type of financing. We have another \$10 million lease line available to us for U.S. BankNet and another \$1 million lease to provide equipment for various parts of our company. Overall we think that we are on track to provide a value for our stock holders."

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CEOCFO: What is involved in terms of infrastructure for what you do?

Dr. Cubley: “The infrastructure itself for the bank is owned by the bank. They make a capital equipment purchase, we install it and we maintain it for them. That infrastructure consists of high-capacity Motorola radio equipment; wireless equipment. We use Motorola equipment exclusively. We also, when necessary, install what is called monopole towers for some bank locations and that is necessary if we are in a heavy tree environment where we have to get above a tree line to communicate. Our typical wireless range is about 35 miles. Beyond that, we would do a relay; but we have networks now spanning across the state of Louisiana. It goes from the southern part of it almost to the northern border. Therefore, wireless is competitive with the wireline. It is just that the technology hasn’t been previously thought of in terms of being applied to the banking industry, but we plan to change that.”

CEOCFO: Do you plan to go beyond the initial three states?

Dr. Cubley: “We are already quoting systems in a number of other states across the southeast. Our plan is to eventually take our technology nationwide, but we are growing it gracefully, building our networks across the southeast and then we will expand into other regions. We are using Motorola service centers to do most of the installation. We sub-contract the installation network out to Motorola service centers and use the trained Motorola people.”

CEOCFO: Banking tends to be a follow-the-leader industry, so I would expect there is a lot of incremental benefit from each new bank you sign up!

Dr. Cubley: “Absolutely! First of all credibility is important because bankers are about as conservative a group as you will find. Therefore, our task for the first two years of the company was to get some early adopter-type banks as customers to get the systems up and operational and to let the other bankers see what we are doing. We have done that, as we have gotten six networks up. We are now getting unsolicited calls from bankers all across the country, who are looking at what we have done. They have seen it through some of the publications that we have been in, and heard about it from other bankers. This is a process that takes a while to complete, but once you get to the critical mass there, the only thing that will be holding us back is our ability to quickly respond to the larger number of banks that we get.”

CEOCFO: Do you anticipate increasing staff or building up to allow for that?

Dr. Cubley: “We have a plan that calls for us to increase our staff but not in the linear fashion with the level of business that we plan to achieve. We plan to multiply our capability out there through a well-planned program of outsourcing, mostly through Motorola. This allows us to be more in the role of project management rather than doing all the hands-on work. That is the only way we see that it makes sense for us to grow this business through putting our project managers in place to cover a region and then subbing it out to well qualified Motorola dealers to do the work. We probably only have to increase our current staffing level by 5 to 10%.”

CEOCFO: Why should potential inves-

tors be interested and what might they miss about ERF Wireless?

Dr. Cubley: “When an investor looks at a company they should look at a longer term objective rather than just what they see in a snapshot. We are not yet on a national market, but we plan to be there very quickly. We lose a number of investors because we are not trading on Nasdaq, Amex or NYSE. We trade on the bulletin board, but that will change. The other thing the investors need to look at is if we are achieving our growth goals and we are. We are on track with our business plan. I think if investors look back over the last three years they will see that we have had several hundred percent growth on an annual basis, which is what they should be looking at. If they want to trade in and out of our stock, certainly they can make a profit. Sometimes we see changes of 20 or 25% a day, but it is not the short-term trading we are interested in; it is the long-term investors who see where we are going.”

CEOCFO: What should readers remember most from the interview?

Dr. Cubley: “I think what anyone looking at this company should remember is that we have a unique position now as a small company. We are in an industry that is looking for our services and demanding our services. We have no competition and the only barrier to a bank moving into a customer position with us is just convincing them that we can be there and cut their costs, and as we grow that will become easier with every new bank we put on. The next bank will be an easier sale than the previous one.”



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