INTEGCOM CORP
Form 424B4
November 16, 2001

PROSPECTUS

[DSS LOGO]

DIVERSIFIED SECURITY SOLUTIONS, INC.

1,500,000 SHARES OF COMMON STOCK

$7.00 PER SHARE

Diversified Security Solutions, Inc. is offering 1,500,000 shares of our common stock.

This is our initial public offering and there currently is no public market for our common stock. Our common stock has been approved for listing on the American Stock Exchange under the symbol 'DVS'.

THIS INVESTMENT INVOLVES RISKS WHICH ARE DESCRIBED IN THE 'RISK FACTORS' SECTION BEGINNING ON PAGE 9.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

OFFERING INFORMATION

	PER SHARE	TOTAL
Public offering price....................................	$7.00	$10,500,000
Underwriting discounts and commissions....................	$ .70	$ 1,050,000
Proceeds to the Company...................................	$6.30	$ 9,450,000(1

We have granted the underwriter a 30-day option to purchase up to an additional 225,000 shares of common stock at the initial public offering price, minus the underwriting discount, to cover over-allotments. The underwriter is offering the shares on a firm commitment basis. The underwriter expects to deliver the shares of common stock to purchasers on November 21, 2001.

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(1) Before deducting expenses of this offering.

GUNNALLEN FINANCIAL, INC.

THE DATE OF THIS PROSPECTUS IS NOVEMBER 16, 2001

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PROSPECTUS SUMMARY

This summary highlights certain information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our common stock. You should read the entire prospectus carefully, especially the risks of purchasing our securities discussed under 'Risk Factors' and the consolidated financial statements and the notes to those statements. References to the terms 'we,' 'our,' or 'us,' refer to Diversified Security Solutions, Inc., formerly known as InTegCom Corp., and its subsidiaries.

OUR BUSINESS

We are a single source provider of diversified technology-based integrated security solutions for commercial enterprises and governmental agencies. Our two operating divisions are Integration and Manufacturing which focus on the electronic security segment of the security industry. We provide services, which include:

consulting and planning;

engineering and design;

systems integration; and

maintenance and technical support.

As a security integrator, we design, customize, install, connect and maintain closed circuit television (CCTV) and access control systems for customers in the private and public sectors under the tradenames, HBE and Henry Bros. Electronics. Either together or on a stand-alone basis, these systems detect and deter crime, prevent unauthorized entry and record evidence of infractions or accidents. They are also an effective tool in improving building and facility management. As part of an access control system, we may also install, maintain and monitor intrusion alarms and monitor alarms for building maintenance systems and fire alarm systems.

In 2001, we were ranked No. 25 in the 6th annual Top Systems Integrators Report published by Security Distributing and Marketing magazine (SDM). In 2000, we were ranked No. 40 in SDM's 5th annual Top Systems Integrators Reports. SDM ranks the top 100 largest firms selling CCTV, access control and integrated security systems.

We also manufacture, develop and assemble various security related products, which we use in our own installations and for sales to other integrators under the trade name Viscom Products.

We have recently developed mobile applications for our CCTV and digital video recorder products. We currently plan to develop products for use on armored cars, police vehicles and taxis.

We have provided services to the following markets:

transit authorities;

airports;

universities;

office buildings;

hospitals;

brokerage firms;

airlines; and

utilities.

We provide our products and services to customers in the public and private sectors through direct sales to end-users and through subcontracting arrangements. Our customers and end-users include:

	PERCENT OF OUR REVENUES	
	YEAR ENDED DECEMBER 31, 2000	NINE MONTHS ENDED SEPTEMBER 30, 2001
New York City Transit	34	3
Motorola	12	--
Silverstein Properties	5	24

Port Authority of New York & New Jersey............	2	5
Army and Air Force Exchange Services...............	2	4
Denver RTD...	25	--
San Francisco Muni.................................	--	7
Westchester County Correctional....................	--	6
Lehrer Bovis.......................................	--	10
Netversant Solutions...............................	--	5
Equinix Corp.......................................	15	3
UT-South Western Medical...........................	--	3
Network Associates.................................	--	3

Although Silverstein Properties (the lessee of the World Trade Center, including the Twin Towers) is a customer of ours, our World Trade Center related sales for the nine months ended September 30, 2001 accounted for approximately 1.3% of our aggregate revenues.

OUR INDUSTRY

According to the Security Industry Association, the $100 billion global security industry comprises manufacturers of security products ($30 billion) and providers of specialized security services ($70 billion). Key industry drivers include a growing public concern about crime, fear of terrorism, expanding global reach of U.S. corporations into less stable geographic regions and increasing economic losses from crime/fraud.

The security industry is highly fragmented and consists of a broad array of equipment manufacturers and distributors, consultants and engineers and systems integrators, most of which provide only a portion of the services required to deliver an integrated security solution. We believe that as a single source provider of security solutions we can expedite project completion and reduce our clients' manpower requirements and aggregate business project costs. In addition, we have the flexibility to respond to our clients' particular needs, whether the client requires only one of the services offered by us, various services on an ongoing basis, or a comprehensive turnkey security solution using all of our areas of expertise.

Our objective is to become a leading provider of diversified, high value-added technology-based security solutions for medium and large commercial and government facilities in the United States and around the world. Our strategy focuses on developing and maintaining long-term client relationships.

OUR GROWTH STRATEGY

Key elements of our growth strategy include:

enhancing our Mobile Digital Video Recorder (MDVR) for applications in new market segments;

expanding our marketing program;

expanding our dealer network;

expanding our corporate infrastructure;

- establishing offices in new geographic areas;
- acquiring other security systems integrators in new regions;
- continuing to develop or acquire advanced and emerging technologies and products and maintaining a high level of technological sophistication;
- continuing to expand our client base in targeted industries;
- enhancing our ability to pursue bidding opportunities on larger projects; and
- continuing to focus on providing high-value-added services.

Our management considers our forty-five year relationship with Motorola to be one of our most important assets. We sell to Motorola and its authorized service shops closed circuit television devices that we distribute or manufacture; we support Motorola, its divisions and authorized service shops with integration, consulting and maintenance services.

OUR OFFICES

Our headquarters are located at 280 Midland Avenue, Saddle Brook, New Jersey, 07663; our telephone number is (201) 794-6500. We also maintain an office for systems integration in Grand Prairie, Texas near the Dallas -- Ft. Worth Airport.

CORPORATE BACKGROUND

We were incorporated in Delaware on November 18, 1999 as InTegCom Corp., our prior name. That month, James E. Henry and Irvin Witcosky received shares of our common stock in exchange for all of their shares of three corporations they owned, HBE Acquisition Corp. (HAC), Viscom Products, Inc. (VPI), and HBE Central Management, Inc. (HCM). These entities became our wholly-owned operating subsidiaries. Messrs. Henry and Witcosky had formed HAC in 1989, VPI in 1990, and HCM in 1991, to own and operate assets acquired from certain third parties.

THE OFFERING

Common stock offered by us..............	1,500,000 shares
Common stock to be outstanding after this offering.........................	4,500,000 shares. This does not include: 150,000 shares reserved for issuance upon exercise of the underwriter's warrants; 500,000 shares reserved for issuance upon exercise of options eligible for grant under our incentive

	stock option plan, of which 75,000 have been granted; and
	225,000 shares reserved for issuance in this offering to cover over-allotments, if any, by the underwriter.
We currently intend to use the net proceeds of this offering to:.........	expand our dealer network (8.5%);
	open sales and service offices in targeted regions (8.5%);
	acquire other systems integrators and related businesses (11.4%);
	hire additional management and marketing personnel (10.2%);
	research and development (9.9%);
	repay debt (11.4%);
	sales and marketing (11.4%); and
	working capital and general corporate purposes (28.7%).
Risk factors...........................	Investing in our common stock involves a high degree of risk and immediate and substantial dilution. See 'Risk Factors' beginning on page 9.

We applied for quotation of our common stock on the American Stock Exchange (the 'AMEX'). We have been approved for listing on the AMEX under the symbol 'DVS' pursuant to an exception granted by the AMEX Committee on Securities (the 'AMEX Committee'). The AMEX Committee determined that pursuant to Section 101 of the AMEX Company Guide, we substantially complied with the applicable listing eligibility guidelines notwithstanding the fact that we did not fully meet the pre-tax income guideline of $750,000 in our last fiscal year or in two of our last three fiscal years.

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SUMMARY FINANCIAL DATA

You should read the following summary financial data together with the section in this prospectus entitled 'Management's Discussion and Analysis of Financial Condition and Results of Operations' and our financial statements and notes included elsewhere.

		NINE MO
	YEARS ENDED DECEMBER 31,	ENDED SEPTE

	1999	2000	2000 (UNAUDI
STATEMENT OF OPERATIONS DATA			
Sales	$7,556,855	$14,311,835	$10,474,102
Cost of goods sold	5,255,303	9,869,566	7,410,063
	69.54%	68.96%	70.75%
Gross profit	2,301,552	4,442,269	3,064,039
	30.46%	31.04%	29.25%
Selling, general and administrative	1,863,447	3,729,916	2,508,629
	24.66%	26.06%	23.95%
Operating income	438,105	712,353	555,410
	5.80%	4.98%	5.30%
Interest	122,340	267,455	149,853
	1.62%	1.87%	1.43%
Nonrecurring IPO costs	--	556,740	485,590
		3.89%	4.64%
Income (Loss) before taxes	315,765	(111,842)	(80,033)
Income tax (Credit)	134,909	(51,045)	14,769
Net Income (Loss)	$ 180,856	$ (60,797)	$ (94,802)
	2.39%	(0.42%)	(0.91%)
Retained earnings beginning	456,447	637,303	637,303
Retained earnings end	$ 637,303	$ 576,506	$ 542,501
Basic and diluted earnings (loss) per share	$ 0.06	$ (0.02)	$ (0.03)

The pro forma balance sheet data below as of September 30, 2001 has been adjusted to reflect the sale of common stock offered in this prospectus at the public offering price of $7.00 per share.

	AS OF SEPTEMBER 30, 2001	
	HISTORIC (UNAUDITED)	PRO FORMA
BALANCE SHEET DATA		
Total working capital	$4,021,042	$11,830,042
Total assets	7,096,012	14,905,012
Total liabilities	6,098,956	5,098,956
Total stockholder's equity	997,056	9,806,056

RISK FACTORS

An investment in our common stock involves a high degree of risk. In addition to the other information contained in this prospectus, you should carefully consider the following risk factors before investing in our securities.

RISKS RELATING TO OUR BUSINESS

WE MAY NOT BE ABLE TO DEVELOP OR ACQUIRE NEW TECHNOLOGICAL SOLUTIONS NECESSARY FOR OUR CUSTOMERS' REQUIREMENTS

Our success depends on acquiring or developing new technology to satisfy our customers' needs. Any failure or delay to deliver these advances on our part could have a negative impact on our business.

WE ARE CURRENTLY DEPENDENT UPON A SMALL NUMBER OF CUSTOMERS FOR A LARGE PORTION OF OUR REVENUES

In the year ended December 31, 1998, New York City Transit represented 34% of our revenues, Motorola represented about 14% and Silverstein Properties represented 8%. In 1999, New York City Transit accounted for about 32% of our revenues, Motorola nearly 5% and Silverstein Properties 8%. In 2000, New York City Transit accounted for 34%, Motorola 12% and Silverstein Properties 5% of our revenues. In the nine months ended September 30, 2001, Silverstein Properties accounted for 24% of our revenues, Motorola 0% and New York City Transit 3%. The loss of or diminution of business from any of these customers could have a material adverse effect on our business, financial condition and results of operations.

ALL OF OUR ORDERS AND CONTRACTS MAY BE CANCELLED SO THERE IS A RISK THAT OUR BACKLOG MAY NOT BE FULFILLED

All of our orders and contracts are subject to cancellation by our customers at any time so we cannot be certain that our backlog will be fulfilled.

WE ARE DEPENDENT ON A FEW VENDORS, AND WE RELY ON TIMELY DELIVERIES OF EQUIPMENT FROM ALL OUTSIDE SOURCES

There are a few vendors from whom we obtain devices and software for specific access control and imaging, remote transmission, smart key and mobile applications. The loss of any one of these companies as suppliers could have a material adverse impact on our business, financial condition and results of operations if we are unable to develop or acquire new technologies from other sources. While we believe alternative vendors are available, we have not yet identified them.

Timely vendor deliveries of equipment meeting our stringent quality-control standards from all suppliers are also important to our business because each installed system requires a variety of elements to be fully functioning. The failure to deliver any critical device or component, when needed, in operating condition, can delay a project, trigger vendor penalties, halt progress payments or result in cancellation of a contract or order.

WE EXPERIENCE INTENSE COMPETITION FOR BUSINESS FROM A VARIETY OF SOURCES AND MAY BE COMPELLED ON GOVERNMENT PROJECTS TO ENGAGE IN COMPETITIVE BIDDING OR AFFIRMATIVE ACTION PROGRAMS WITH MINORITY CONTRACTORS

In systems integration, we compete for new business with large construction firms, electrical contractors, consultants in the security business and other systems integrators. In our manufacturing operations, we compete with numerous manufacturers such as -- Vicon, Sensormatic, Pelco and Phillips. Many of our competitors are much larger than we are and have greater resources.

Pursuit of government business typically involves competitive bidding under an exacting set of varied rules, where the low bidder is generally awarded the contract. Such business often involves lower profit margins than is the case with commercial business. A winning bidder may also be compelled to subcontract to or hire minority enterprises for security projects to satisfy public requirements of

affirmative action programs. In that event, we may encounter difficulties finding technologically qualified subcontractors that comply with these requirements.

WE MAY NOT BE ABLE TO INCREASE OUR BONDING

Even with the proceeds from this offering, we may not be able to increase our bonding and, therefore, we may not be able to pursue larger projects as a primary contractor.

WE RELY ON ONLY A FEW KEY EXECUTIVES

James E. Henry, Irvin F. Witcosky and Louis Massad, our three top executives, are vital to our business operations. The loss of any one of them could have a material adverse impact on our business, financial condition or results of operations. See 'Management -- Employment Agreements.'

OUR BUSINESS AND GROWTH WILL SUFFER IF WE ARE UNABLE TO HIRE AND RETAIN HIGHLY SKILLED PERSONNEL

Competition for highly skilled employees is intense in our industry. The design and manufacture of our equipment and the installation of our systems require substantial technical capabilities in many disparate disciplines from mechanics and computer science to electronics and advanced software. Our future success depends on our ability to attract, train, motivate and retain highly skilled employees. If we are unable to hire and retain skilled personnel, our growth may be restricted, the quality of our products and services diminished and our revenues and the value of your investment reduced. We may be unable to retain our skilled employees or attract, assimilate and retain other highly skilled employees in the future.

WE HAVE NOT BEEN CONSISTENTLY PROFITABLE AND MAY NOT BE PROFITABLE IN THE FUTURE

For the years ended December 31, 1999 and 2000 our sales were $7,556,855 and

$14,311,835, respectively, and our net income (loss) was $180,856 and $(60,797) (after adjusting for a one time charge of $556,740), respectively. For the nine months ended September 30, 2000 and 2001 our sales were $10,474,102 and $8,350,863, respectively. Our net income (loss) for the nine months ended September 30, 2000 and 2001 was $(94,802) and $172,192, respectively. Our profitability has not been continuous and we cannot assure you that we will be profitable in the future.

FLUCTUATIONS IN QUARTERLY RESULTS

Our quarterly results have varied significantly in the past and will likely continue to do so in the future due to a variety of factors, including the timing and nature of projects from which revenues are recognized during any particular quarter. Such fluctuations may contribute to the volatility in the market price for our common stock.

ECONOMIC DOWNTURNS OR RECESSIONS MAY DAMPEN THE DEMAND FOR OUR SECURITY SYSTEMS

Our experience indicates that during economic declines, some decisions to implement security programs and install systems are deferred or cancelled. In other cases, customers may increase their purchases of security systems because they fear more inventory shrinkage and theft will occur due to peoples' increasing economic need. We are not able to predict whether an economic slowdown will have a negative overall effect on our business, financial condition and results of operations, or the extent of any such impact.

LENGTHY SALES CYCLE

The sale of our products frequently involves a substantial commitment of resources to evaluate a potential project and prepare a proposal. In addition, approval of proposals often involves a lengthy process due to clients' internal procedures and capital expenditure approval processes. Accordingly, the sales cycle associated with our products is typically lengthy and subject to certain risks that are beyond

our control, including risks relating to clients' budgetary constraints and internal priorities and procedures.

IF WE DO NOT DEVELOP A SUFFICIENT SALES AND MARKETING FORCE, WE MAY NOT BE ABLE TO INCREASE OUR REVENUES OR IMPROVE OUR PROFITABILITY

Currently, we engage in limited marketing activities, conducted primarily by our senior management. We have obtained leads for new business mainly through recommendations from existing clients and general word of mouth rather than extensive marketing and sales campaigns. After the completion of this offering, we intend to hire an in-house sales and marketing staff. Our inability to develop an effective sales and marketing group could have a negative effect on our planned growth and profitability.

WE MAY NOT BE ABLE TO SUCCESSFULLY MAKE ACQUISITIONS OR FORM JOINT VENTURES AS A MEANS OF FOSTERING OUR GROWTH

Part of our growth strategy involves acquisitions or joint ventures with other system integrators. We may not be successful in identifying suitable candidates for acquisitions or joint ventures or in consummating transactions with them.

If we make an acquisition of a company or form a joint venture, we could have difficulty assimilating the acquired company's operations and personnel or working with the joint venturer. These difficulties could disrupt our ongoing business, distract our management and employees, and increase our expenses and charges and thus could have a material adverse impact on our business, financial condition and results of operations.

WE HAVE NO PATENTS, PATENTS PENDING OR COPYRIGHTS, AND WE MAY NOT BE ABLE TO PROTECT OUR PROPRIETARY RIGHTS AND MAY INFRINGE ON THE PROPRIETARY RIGHTS OF OTHERS

Although we are evaluating whether to file a patent application for our MDVR, we currently have no patents, patents pending or copyrights, but we regard our trade secrets and similar intellectual property as important to our success. Periodically, we help other manufacturers design products for our customers. However, our efforts to establish and protect our proprietary rights may be inadequate to prevent misappropriation or infringement of our proprietary property. If we are unable to safeguard our intellectual property rights, our business, results of operations and financial condition could be materially harmed. Third parties may bring claims of copyright or trademark infringement against us or claim that our use of certain technologies violates a patent. Third parties may also claim that we have misappropriated their technology or otherwise infringed on their proprietary rights. At present, we are not aware of any such claims. Any claims of infringement, with or without merit, could be time-consuming to defend, result in costly litigation, divert management attention, require us to enter into expensive royalty or licensing arrangements or prevent us from using important technologies or methods. These eventualities, together or alone, could damage our business, financial condition and results of operations.

CONTINUING NEED FOR ADDITIONAL FINANCING

We believe that the proceeds from this offering together with anticipated cash flows from operations will be sufficient to satisfy our working capital requirements for 36 months after this offering. We plan to incur substantial costs over the near-term in connection with our expansion plans. We may need to seek additional financing sooner than we anticipate as a result of any of the following factors:

changes in operating plans;

acceleration of our expansion plans;

lower than anticipated sales;

increased costs of expansion, including construction costs;

increased operating costs; and

potential acquisitions.

Additional financing may not be available on commercially reasonable terms, if at all.

RISKS RELATING TO THIS OFFERING

OUR MANAGEMENT WILL CONTROL APPROXIMATELY 66% OF OUR COMMON STOCK AFTER THIS OFFERING AND THEIR INTERESTS MAY BE DIFFERENT FROM AND CONFLICT WITH YOURS

The interests of management could conflict with the interests of our other stockholders. After this offering, Mr. Henry, Mr. Witcosky and Mr. Massad will beneficially own a total of approximately 66% of our outstanding common stock, without taking into account exercise of the underwriter's over-allotment option. Accordingly, if they act together, they will have the power to control the election of all of our directors and other issues for which the approval of our shareholders is required. If you purchase shares of our common stock, you may have no effective voice in our management.

WE HAVE BROAD DISCRETION TO USE THE OFFERING PROCEEDS AND HOW WE INVEST THESE PROCEEDS MAY NOT YIELD A FAVORABLE RETURN

Our management has broad discretion to use the proceeds from this offering. The failure of our management to apply these funds effectively could have a material adverse effect on our business, financial condition and results of operations and could cause the price of our common stock to decline.

YOU WILL INCUR IMMEDIATE AND SUBSTANTIAL DILUTION

You will experience an immediate and substantial dilution of $4.87 per share in the net tangible book value per share of common stock from the initial public offering price of $7.00 per share. You may also experience dilution if stock options to purchase our shares are exercised. Accordingly, existing shareholders will benefit disproportionately from this offering. If we raise additional capital through the sale of equity, including preferred stock or convertible securities, your percentage of ownership will be diluted.

UNLESS A PUBLIC MARKET DEVELOPS FOR OUR SECURITIES, YOU MAY NOT BE ABLE TO SELL YOUR SHARES

Prior to this offering, there has been no public market for our common stock. Although our common stock will be listed on the AMEX, an active trading market may not develop or be maintained. Failure to develop or maintain an active trading market could negatively affect the price of our securities. In addition, even if our common stock is listed and traded initially on the AMEX, we may fail to maintain certain minimum standards for continued listing. In such event, our common stock may be delisted and the price will no longer be quoted. This may make it extremely difficult to sell or trade our common stock. The initial public offering price has been determined between us and the underwriter of the offering. Please see 'Underwriting' for a discussion of the factors considered in determining the initial public offering price.

OUR STOCK PRICE MAY FLUCTUATE, WHICH MAY MAKE IT DIFFICULT TO RESELL YOUR SHARES AT ATTRACTIVE PRICES

The market price of our common stock may be highly volatile. The market prices of securities of other technologically oriented companies of similar size have been extremely volatile. Factors that could cause volatility in our stock price include:

fluctuations in our quarterly operating results;

changes in the market valuations of other security or technology companies and stock market prices and volume fluctuations generally;

economic conditions specific to the security industry;

announcements by us or our competitors relating to new services or technologies, significant acquisitions, strategic relationships, joint ventures or capital commitments;

applicable regulatory developments; and

additions or departures of our key personnel.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $8,809,000 from the sale of the securities in this offering at an initial public offering price of $7.00 per share. If the underwriter exercises its over-allotment option in full, we will receive net proceeds of approximately $10,179,000. These amounts are derived after deducting estimated underwriting discounts, commissions, fees and expenses of approximately $1,691,000 ($1,896,000, if the over-allotment option is exercised in full), payable by us. We currently intend to utilize the net proceeds of this offering substantially as follows:

	AMOUNT	PERCENT (%)
Sales and marketing	$1,000,000	11.4%
Expand our dealer network	750,000	8.5
Open additional sales and service offices	750,000	8.5
Acquire other systems integrators and related businesses	1,000,000	11.4
Hire management and marketing personnel	900,000	10.2
Research and development	875,000	9.9
Repay debt	1,000,000	11.4
Working capital and general corporate purposes	2,534,000	28.7
Total	$8,809,000	100%

SALES AND MARKETING

We intend to actively solicit new customers and business by exhibiting at trade shows, advertising in trade magazines and setting up a sales group to solicit prospective customers.

EXPAND OUR DEALER NETWORK

We intend to use a portion of the proceeds of the offering to identify experienced and qualified dealers and enroll them as distributors for our products and services.

OPEN ADDITIONAL SALES AND SERVICE OFFICES

We intend to open new offices in selected areas of the United States. These locations have not been determined as of yet, but the primary factors in their selection will be the extent business prospects and qualified personnel are available. We believe that having a presence in specific geographic markets will enhance our ability to develop new or additional business.

ACQUIRE OTHER SYSTEMS INTEGRATORS AND RELATED BUSINESSES

Although none have been identified, we will seek to acquire other systems integrators in the security industry and related businesses. We intend to target companies that are of smaller or similar size than we are in geographic areas other than our current locations in an effort to meet our customers' needs in those geographic areas.

HIRE MANAGEMENT AND MARKETING PERSONNEL

We plan to hire additional management and marketing personnel in order to grow our business. Since we have not actively marketed our services and products in the past, it will be necessary to hire qualified personnel with marketing and sales experience in selling security or technical devices.

RESEARCH AND DEVELOPMENT

Our research and development needs to be expanded so that we can maintain a competitive advantage. We cannot assure you that our competitors will not succeed in developing technologies, products and processes that are superior to ours or that render our products, processes and services

obsolete. We cannot assure you that we will be able to identify, develop and offer products and services necessary to compete successfully in our marketplace.

REPAY DEBT

We anticipate paying off $1,000,000 of our outstanding bank debt.

USE BALANCE FOR WORKING CAPITAL AND GENERAL CORPORATE PURPOSES

We anticipate that our working capital needs will increase substantially as our business grows. Consequently, as we expand, we expect to utilize more funds to pay for, among other things, increased purchases from vendors, additional salaries and wages, professional fees and expenses and other operating costs.

The increase in our equity and improvements in our balance sheet resulting from this offering should also enable us to increase our bonding capabilities in order to compete for larger projects. The anticipated uses of proceeds described above are estimates only and may be revised from time to time to meet our requirements. Based upon our management's judgments, we may re-allocate such amounts from time to time among these categories or to new categories if we believe this to be in our best interest. In the event that the underwriter's over-allotment option is exercised, we will realize additional net proceeds which will be added to working capital.

Pending full utilization of the net proceeds of this offering, we intend to make temporary investments in United States government or federally insured securities. We believe that the net proceeds from this offering plus anticipated cash flows from operations will be adequate to satisfy our working capital requirements and sustain our operations for 36 months after this offering.

DIVIDEND POLICY

We have never declared or paid any cash or stock dividends on our capital stock. We presently intend to reinvest earnings to fund the development and expansion of our business and hence do not anticipate paying cash dividends on our common stock in the foreseeable future. The declaration of dividends will be at the discretion of our board of directors and will depend upon our earnings, capital requirements and financial position, general economic conditions and other pertinent factors.

CAPITALIZATION

The following table sets forth our capitalization at September 30, 2001 on an actual basis and on an as adjusted basis to give effect to the issuance and sale of the 1,500,000 shares of common stock at the initial public offering price of $7.00 per share in this offering and the initial application of the estimated net proceeds.

	SEPTEMBER 30, 2001	
	ACTUAL (UNAUDITED)	ADJUSTED
Indebtedness		
Short-term debt, due to bank and others, including current portion of long term debt....................	$ 43,870	$ 43,870
Long-term debt due to bank and third parties...........	3,750,892	2,750,892
Stockholder's equity		
Preferred Stock, par value $.01 per share; 2,000,000 shares authorized, none issued		
Common Stock, par value $.01 per share; 10,000,000 shares authorized, 3,000,000 shares issued and outstanding; 4,500,000 as adjusted...................	30,000	45,000

Additional paid-in capital	243,800	9,037,800
Deferred stock-based compensation	(26,042)	(26,042)
Retained earnings	749,298	749,298
Total stockholders' equity	$ 997,056	$9,806,056

The above table includes our:

bank debt in the aggregate of $3,703,252 with interest at the bank's prime rate, which will vary, plus 1/2% under a credit agreement dated September 8, 1999, as amended. Under this arrangement we may borrow up to $2,250,000 for working capital, up to $250,000 for equipment purchases and up to $1,500,000 for special projects. Repayment of the working capital line must be made by October 1, 2002 and repayment of the equipment line must be made in monthly installments starting July 1, 2002 and ending July 1, 2005. Interest payments on existing notes are due monthly. These notes are currently secured by all of our assets and are personally guaranteed by two of our top officers. Upon completion of this offering, we expect our bank to eliminate the security and guarantee arrangements.

debt due to third parties in the aggregate amount of $78,620 under two promissory notes due December 1, 2003 bearing interest at 10% per year. This debt is personally guaranteed by Mr. Henry and Mr. Witcosky.

However, the above table does not include:

up to 225,000 shares of common stock issuable upon the exercise of the underwriter's over-allotment option;

500,000 shares of common stock reserved for issuance under our incentive stock option plan; and

up to 150,000 shares of common stock issuable upon the exercise of the underwriter's warrants.

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DILUTION

As of September 30, 2001, our net tangible book value was $792,000, or approximately $.26 per share of common stock. Net tangible book value per share represents the amount of our total tangible assets less total liabilities, divided by the number of shares of common stock issued and outstanding.

After giving effect to the sale of the 1,500,000 shares of common stock at the offering price of $7.00 per share in this offering, and after deducting estimated underwriting discounts and offering expenses, our pro forma net tangible book value at September 30, 2001 would have been $9,601,000 or $2.13 per share of common stock. This represents an immediate increase in net tangible book value of $1.87 per share of common stock to existing stockholders and an immediate dilution in net tangible book value of $4.87 per share of common stock, or approximately 70%, to new investors.

The following table illustrates this per share dilution:

Assumed initial public offering price per share of common stock	$7.00
Net tangible book value per share prior to the offering	$ .26
Increase in net tangible book value per share attributable to the offering	$1.87
Pro forma net tangible book value per share after the offering	$2.13
Dilution of net tangible book value per share to investors in the offering	$4.87

If the underwriter's over-allotment option is exercised in full, our pro forma net tangible book value as of September 30, 2001 would have been approximately $10,971,000 or $2.32 per share of common stock after giving effect to the offering. This represents an immediate increase in net tangible book value of $2.06 per share of common stock to existing stockholders and an immediate dilution in net tangible book value of $4.68 per share of common stock, or approximately 67%, to new investors.

The following table summarizes on a pro forma basis, as of September 30, 2001, the number of shares of common stock purchased from us, the total consideration paid and the average price per share paid by existing holders of our common stock and investors in this offering, assuming the sale of all 1,500,000 shares offered by this prospectus at the price indicated above. The calculations are based upon the total consideration given by new investors and existing stockholders before any deduction of underwriting discounts and offering expenses payable by us.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders	3,000,000(1)	67%	$ 274,000	3%	$ .09
New investors	1,500,000	33	10,500,000	97	7.00
Total	4,500,000	100%	$10,774,000	100%	

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(1) After giving effect to the reverse stock split described in Note 6 to our audited financial statements included elsewhere in this prospectus.

SELECTED FINANCIAL INFORMATION

The historical selected financial data as of December 31, 2000 and for the years ended December 31, 1999 and 2000 are derived from and should be read in conjunction with our audited financial statements and their notes included elsewhere in the prospectus. The historical selected financial data as of September 30, 2001 and for the nine months ended September 30, 2000 and 2001 are derived from and should be read in conjunction with our unaudited financial statements and their notes included elsewhere in this prospectus. The data presented below should also be read in conjunction with 'Management's Discussion and Analysis of Financial Condition and Results of Operations'.

Shares of common stock outstanding have been restated to reflect the reverse stock split described in Note 6 to the accompanying financial statements.

	YEAR ENDED DECEMBER 31,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	2000	2000	2001
			(UNAUDITED)	
STATEMENT OF OPERATIONS DATA				
Sales	$7,556,855	$14,311,835	$10,474,102	$8,350,863
Cost of goods sold	5,255,303	9,869,566	7,410,063	5,133,687
	69.54%	68.96%	70.75%	61.47%
Gross profit	2,301,552	4,442,269	3,064,039	3,217,176
	30.46%	31.04%	29.25%	38.53%
Selling, general and administrative	1,863,447	3,729,916	2,508,629	2,773,743
	24.66%	26.06%	23.95%	33.22%
Operating income	438,105	712,353	555,410	443,433
	5.80%	4.98%	5.30%	5.31%
Interest	122,340	267,455	149,853	154,113
	1.62%	1.87%	1.43%	1.85%
Nonrecurring IPO costs	--	556,740	485,590	--
		3.89%	4.64%	
Income (loss) before taxes	315,765	(111,842)	(80,033)	289,320
Income tax (credit)	134,909	(51,045)	14,769	116,528
Net income (loss)	$ 180,856	$ (60,797)	$ (94,802)	$ 172,792
	2.39%	(0.42)%	(0.91)%	2.07%
Retained earnings beginning	456,447	637,303	637,303	576,506
Retained earnings end	$ 637,303	$ 576,506	$ 542,501	$ 749,298
Earnings (loss) per share	$ 0.06	$ (0.02)	$ (0.03)	$ 0.06

	AS OF DECEMBER 31,		AS OF SEPTEMBER 30,	
	1999	2000	2000	2001
			(UNAUDITED)	
BALANCE SHEET DATA				
Total working capital	$1,900,153	$ 2,220,629	$ 3,233,157	$4,021,042

Total assets....................	3,715,549	4,783,780	4,725,712	7,096,012
Total liabilities...............	2,866,946	3,975,141	3,956,286	6,098,956
Stockholders' equity............	848,603	808,639	769,426	997,056

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. These statements are not historical facts, but rather are based on our current expectations, estimates and projections about our industry, our beliefs and assumptions. Words including 'may,' 'could,' 'would,' 'will,' 'anticipates,' 'expects, 'intends,' 'plans,' 'projects,' 'believes,' 'seeks,' 'estimates' and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which remain beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. These risks and uncertainties are described in 'Risk Factors' and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We are not obligated to update these statements or publicly release the result of any revisions to them to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of financial condition and results of operations should be read in conjunction with our financial statements and their notes appearing elsewhere in this prospectus. Our results for the nine months ended September 30, 2001 are not necessarily indicative of our results for the 2001 fiscal year.

OVERVIEW

In 1989, James E. Henry and Irvin Witcosky formed HBE Acquisition Corp. (HAC). HAC began operations by acquiring certain assets from the Communications Group, Inc. (CGI). Prior to being sold to CGI in 1985, such assets had been owned by Henry Brothers Electronics, which was established in 1952. In 1990, Messrs. Henry and Witcosky formed Viscom Products, Inc. (VPI) to purchase assets and inventory of the former Motorola CCTV factory. In 1991, Messrs. Henry and Witcosky formed HBE Central Management, Inc. (HCM) to purchase the assets and accounts of a systems integrator and its central station monitoring system. In 1995, HAC purchased the assets of a systems integrator in Grand Prairie, Texas (near the Dallas-Ft. Worth Airport). In 1999, we exchanged shares of our common stock for all of the issued and outstanding shares of capital stock of HAC, VPI and HCM, resulting in HAC, VPI and HCM becoming our wholly-owned subsidiaries. On July 5, 2001, we changed our name from InTegCom Corp. to Diversified Security Solutions, Inc. HAC (t/a Henry Bros. Electronics or HBE) operates our systems integration business and provides overall administration for all of our subsidiaries. VPI supervises and controls the manufacturing and assembly of our closed circuit television equipment. HAC handles our alarm monitoring business.

Our largest customer, New York City Transit, accounted for 34%, 32%, and 34% of our revenues in each of the fiscal years ended December 31, 2000, 1999 and 1998 respectively. We anticipate that New York City Transit will account for a significant portion of our future revenues. Five other customers each accounted for from 2% to 25% of our revenues during the same periods.

RESULTS OF OPERATIONS

COMPARISON OF NINE MONTHS ENDED SEPTEMBER 30, 2001 TO NINE MONTHS ENDED SEPTEMBER 30, 2000

Since our business tends to be seasonal, most of the jobs are usually processed by us in the latter half of the calendar year.

Sales. Sales for the nine months ended September 30, 2001 totaled $8,350,863 representing a decrease of 20.3% or $2,123,239 from $10,474,102 for the nine months ended September 30, 2000. The decrease in revenues was primarily due to project delays attributable in part to the general economic downturn and, to a lesser extent, the events of September 11, 2001. Since the events of September 11, 2001, we have experienced an increase in the number of inquiries from commercial and governmental entities regarding our products and services. This increased interest in security products and services may result in our achieving increased revenues in future periods if we are successful in attracting new customers or obtaining additional projects from existing customers.

Cost of Goods Sold. Cost of goods sold for the nine months ended September 30, 2001 decreased to $5,133,687, or 61.5% of revenues from $7,410,063, or 70.8% of revenues, for the nine months ended September 30, 2000. This reduction was attributable to a different product mix and more efficient labor utilization.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the nine months ended September 30, 2001 increased to $2,773,743 or 33.2% from $2,508,629 for the nine months ended September 30, 2000. Most of the increase resulted from increase in staffing and related costs to reposition us for potential growth and our public offering.

Operating Income. Operating income for the nine months ended September 30, 2001 decreased to $443,433 from $555,410 for the nine months ended September 30, 2000. As a percentage of sales, operating income remained the same at 5.3% for both periods.

Interest Expense. Interest expense increased to $154,113, or 1.9% of sales, for the nine months ended September 30, 2001 from $149,853, or 1.4% of sales, for the nine months ended September 30, 2000. The $4,260 increase was primarily due to a higher level of borrowing due to additional operating costs associated with hiring more personnel in anticipation of future growth.

Nonrecurring IPO Costs. Nonrecurring IPO costs from our previous attempt to go public in the amount of $485,590 were charged to operations in the nine months ended September 30, 2000.

Net Income. Net Income for the nine months ended September 30, 2001 totaled $172,792, or 2.1% of sales as compared to a loss of ($94,802), or (.9%), of sales for the nine months ended September 30, 2000. The net loss for the nine months ended September 30, 2000 was caused by the nonrecurring IPO costs of $485,590 that were charged to operations. Without taking into effect the nonrecurring IPO costs of $485,590 for the nine months ended September 30, 2000, net income for the nine months ended September 30, 2001 would have decreased as compared to net income for the nine months ended September 30, 2000 as a result of a decrease in sales and increases in interest expense and selling, general and administrative expenses.

COMPARISON OF YEAR ENDED DECEMBER 31, 2000 TO YEAR ENDED DECEMBER 31, 1999

Sales. Sales increased to $14,311,835 for the year ended December 31, 2000 from $7,556,855 for the year ended December 31, 1999. The increase of $6,754,980, or 89.4%, was derived principally from sales both to new customers and increased business from existing customers. Our sales to our existing customers comprised 60% of our revenues for the year ended December 31, 2000, and our sales to our new customers accounted for 40% of our revenues for the year ended December 31, 2000. Our five largest customers accounted for 66% of revenues for the year ended December 31, 2000 compared with 61% of revenues for the year ended December 31, 1999.

Cost of Goods Sold. Cost of goods sold increased to $9,869,566, or 69.0% of revenues, for the year ended December 31, 2000 from $5,255,303, or 69.5% of revenues, for the year ended December 31, 1999. This increase was primarily due to normal yearly fluctuations in sales, costs and margins.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $3,729,916, or 26.1% of sales, for the year ended December 31, 2000, from $1,863,447, or 24.7% of sales, for the year ended December 31, 1999. Most of the increase resulted from an increase in management compensation and increased hiring in anticipation of future growth.

Operating Income. Operating Income for the year ended December 31, 2000 increased to $712,353 from $438,105 for the twelve months ended December 31, 1999. As a percentage of sales, operating income decreased by 0.8% from 5.8% for the twelve months ended December 31, 1999 to 5.0% for the comparable period in 2000.

Interest Expense. Interest expense increased to $267,455, or 1.9% of sales, for the year ended December 31, 2000 from $122,340, or 1.6% of sales, for the year ended December 31, 1999. Our borrowing pattern for both years was essentially the same.

Nonrecurring IPO Costs. Nonrecurring IPO costs from our previous attempt to go public in the amount of $556,740 were charged to operations in the twelve months ended December 31, 2000.

Net Income. For the year ended December 31, 2000, our net loss totaled ($60,797), or (.4%) of sales, as compared to net income of $180,856, or 2.4% of sales, for the year ended December 31, 1999. The principal cause of the loss for the year ended December 31, 2000 was the $556,740 of nonrecurring IPO costs charged to operations.

LIQUIDITY AND CAPITAL RESOURCES

Since our inception, we have financed our operations through bank debt, loans and equity from our principals, loans from third parties and funds generated by our business. As of September 30, 2001, we had $322,313 in cash.

Net Cash Used in Operating Activities. Net cash used in operating activities amounted to $1,704,513 for the nine months ended September 30, 2001 compared to $774,381 for the nine months ended September 30, 2000. The principal cause of the increase in cash used was an increase in accounts receivable of $2,143,075 and an increase of accounts payable, accrued expenses and income taxes of $234,298 offset by an increase in inventory of $106,422. Our operations for the year ended December 31, 2000 provided $338,306 in cash compared to $277,761 used in the year ended December 31, 1999. The principal components of the increase in cash provided by operations in the year ended December 31, 2000 were a loss of $60,797, depreciation and amortization of $190,986 and increase in payables and accruals of $753,506 offset by an increase in inventory of $558,977.

Net Cash Used in Investing Activities. Net cash used in investing activities was $260,641 for the nine months ended September 30, 2001 compared to $147,751 for the nine months ended September 30, 2000. Net cash used in investing activities increased to $199,861 for the year ended December 31, 2000 from $171,785 for the year ended December 31, 1999. The increase was primarily attributed to additional purchases of new computer software and equipment related to the expansion of our business.

Net Cash Provided From Financing Activities. Net cash provided from financing activities increased to $1,719,900 for the nine months ended September 30, 2001 compared to $1,345,729 for the nine months ended September 30, 2000. The increase was principally caused by additional borrowings. Net cash provided by financing activities was $289,059 for the year ended December 31, 2000 compared to $392,838 for the year ended December 31, 1999.

We have applied for a loan from the United States Small Business Administration in the amount of $1,500,000. If this loan is approved, we intend to use the proceeds from the loan for working capital and general corporate purposes. On or about November 3, 2001, we were informally advised by the Small Business Administration, via telephone, that our loan application has been approved to the extent of $759,000, subject to the completion of closing documentation for the loan by the Small Business Administration. As of the date of this prospectus, we have not received such closing documentation. The loan will have an 11 year term, be subordinated and bear interest at a rate of 4% per annum.

Our capital requirements have grown substantially since our inception with the growth of our operations and staffing. We expect our capital requirements to continue to increase in the future as we seek to expand our operations. See the section in this prospectus entitled 'Use of Proceeds.'

We adopted an incentive stock option plan on December 23, 1999. Under this plan, we have granted options covering 75,000 shares of our common stock to our employees at an exercise price equal to $5.625 per share. These options vest at the rate of 33 1/3% for each year of continuous employment the optionee has with us.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement No. 141 Business Combinations and Statement No. 142 Goodwill and Other Intangible Assets. These statements are effective July 1, 2001 for business combinations completed on or after that date. These statements become effective for us on January 1, 2002 with respect to business combinations completed on or before June 30, 2001. We have not completed any business combinations since these statements went into effect and our management cannot currently assess what effect the future adoption of these pronouncements will have on our financial statements.

In addition in June 2001, the FASB issued Statement No. 143 Accounting for Asset Retirement Obligations, effective for years beginning after June 15, 2002, and in August 2001 Statement No. 144 Accounting for Impairment or Disposal of Long-Lived Assets effective for years beginning after December 15, 2001. Management has reviewed the conclusions of Statements 143 and 144 in connection with our current business plan and cannot currently assess what effect the future adoption of these pronouncements will have on our financial statements.

BUSINESS

GENERAL

We are a single-source provider of diversified technology-based integrated security solutions for commercial enterprises and governmental agencies.

We also manufacture, develop and assemble various security related products, which we use in our own installations and for sales to other integrators under the trade name Viscom Products.

INDUSTRY OVERVIEW

We believe the security industry is a growing, rapidly evolving industry sector and that its growth is spurred by the continual evolution of technology that provides both security and convenience. We believe that the $100 billion market for security products and services is growing rapidly due to the following factors:

- many existing security systems are becoming technologically obsolete and inadequate, or consist of internally incompatible subsystems creating the need for their re-engineering, upgrading and integration;

- technological advancements provide the opportunity to increase the scope and cost-efficiency of many routine security tasks, such as the replacement of guards with electronic surveillance;

- the proliferation of computers and advanced communications systems has created a new and growing security need to prevent the misuse of proprietary information and other intellectual property;

- a number of highly publicized acts of terrorism have heightened corporate

- and government officials' awareness of an increased need for physical safety;
- growing public concern about crime;
- expanding global reach of U.S. corporations; and
- increasing economic losses from crime and fraud.

The security industry is highly fragmented and consists of a broad array of equipment manufacturers and distributors, consultants and engineers and systems integrators, most of which provide only a portion of the services required to deliver an integrated security solution. Due to the limited number of single-source providers, the implementation of a medium or large-scale security project has traditionally been performed by a number of different parties. A company interested in establishing or enhancing a security system typically retains a consulting firm to define objectives, analyze requirements, and prepare engineering and design specifications. The security specifications are then distributed to systems integrators to obtain proposals to implement the project. The systems integrators in turn, engage software and hardware manufacturers and installation contractors to perform the components of the project. In addition, companies seeking to implement security systems at multiple locations may have to purchase separate systems for each location from different vendors. This approach often causes client frustration with project delays, cost inefficiencies, lack of vendor accountability and incompatible subsystems. In addition, we believe that as security systems are becoming more technologically advanced, clients are recognizing that their in-house personnel lack the skills and time necessary to coordinate their security projects and that outsourcing such responsibilities offers significant cost and efficiency advantages.

OUR SOLUTION

We believe that as a single-source provider of diversified technology-based integrated security solutions we can expedite project completion and reduce our clients' manpower requirements and manpower costs. The continually evolving security requirements of commercial and government entities, together with rapidly advancing technology, provide numerous opportunities for us to assist our clients with their security needs.

We offer a full range of security services, consisting of:

- consulting and planning;
- engineering and design;

- systems integration; and
- maintenance and technical support.

We believe that the following key attributes provide us with a sustainable competitive advantage:

experience and expertise;

technological sophistication;

quality control; and

strong list of references.

Our strategy consists of the following components:

expand our network of distributors and regional offices;

maintain and develop long-term relationships with clients;

focus on high value added services;

capitalize on our position as a single source provider of security solutions;

continue to expand our client base in targeted industries;

enhance our ability to pursue bidding opportunities; and

maintain a high level of technological sophistication.

At the beginning of each new client relationship, we designate one member of our professional staff as the client service contact. This individual is the point person for communications between us and the client and often acts as the client's project manager for all of its security needs. Our engagement may include one or more of the elements described below.

Consulting and Planning. Security consulting and planning are the initial phases of determining a security solution for a project. We have developed a planning process that identifies all systems, policies and procedures that are required for the successful operation of a security system that will both meet a client's current needs and accommodate its projected future requirements. Our consulting and planning process includes the following steps:

identify the client's objectives and security system requirements;

review the existing security system plan;

survey the site, including inventory of physical components and software and evaluation of client's existing infrastructure and security system;

identify and prioritize the client's vulnerabilities;

develop and evaluate system alternatives;

recommend a conceptual security plan design;

estimate the cost of implementing the conceptual plan; and

develop a preliminary implementation schedule.

As a result of this process, we provide the client with a master plan for security services which recommends an effective security solution that addresses routine operating needs as well as emergency situations.

We believe that our comprehensive planning process enables our clients to budget for their security requirements on a long-term basis, identify opportunities for cost reduction and prepare for future risks.

Engineering and Design. The engineering and design process involves preparation of detailed project specifications and working drawings by a team of our engineers, systems designers and computer-aided design system operators. These specifications and drawings detail the camera sensitivity requirements, layout of the control center, placement of cameras, cardreaders and other equipment and electrical requirements. Throughout our engineering and design process, our goal is understanding our client's operational preferences in order to design a system that is functional, cost-effective and accommodates the client's present and future requirements. In addition, we attempt to incorporate our clients' existing personnel, equipment and other physical resources into the system design.

When retained as a single-source provider for turnkey security solutions, we also select the system components required under the specifications and drawings we have prepared. To minimize development costs, to the extent possible, we recommend that our customers buy off-the-shelf devices and software purchased from other vendors as well as those manufactured by us and only recommend custom equipment when absolutely necessary. Where off-the-shelf equipment and software are not available or applicable, we create the missing link and incorporate it into the system.

We have made a strategic decision not to represent any equipment manufacturer exclusively, thereby maintaining objectivity and flexibility in equipment selection. We believe that our technical proficiency with the products of a wide range of manufacturers enables us to select components that will best meet a project's requirements.

Systems Integration. The systems integration process involves:

- work scope planning and scheduling;
- equipment procurement;
- construction plans and drawings;
- custom systems modeling and fabrication;
- facility installation;
- project progress billings;
- hardware, software and network integration; and
- system validation and testing.

In addition to these basic integration services, we provide engineering services to enhance the compatibility of the clients' subsystems. We prepare technical documentation of the system and operations manuals and provide on-site training to client personnel.

Under the supervision of our project manager, our technicians install hardware, integrate hardware and software, and validate and test the system. The aspects of systems integration that do not require a high level of technical expertise, such as wire installation and basic construction, are typically performed by our subcontractors.

Subsystems or components that may be integrated in a security system include the following:

- access control systems, which are designed to exclude unauthorized personnel from specified areas;

- intrusion detection systems, which detect unauthorized door and window openings, glass breakage, vibration, motion, noise and alarms and other peripheral equipment;

- closed circuit television systems, which monitor and record entry and exit activity or provide surveillance of designated areas;

- critical condition monitoring systems, which provide alarm monitoring and supervision of various systems and facilities; and

- fire detection systems, intercoms, public address and network connectivity which can expand a local security system into a closely controlled worldwide system.

Maintenance and Technical Support. We provide maintenance and technical support services on a scheduled, on-call, or emergency basis. These services include developing and implementing maintenance programs both for security systems designed, engineered, or integrated by us and for existing systems.

MANUFACTURE AND SUPPLY

In our manufacturing and assembly operations, we produce equipment primarily for CCTV installations and our dealer network. These products are marketed under the trade name Viscom Products. We design and engineer all of these devices, purchase their components from third parties and assemble and test the final products.

We rely on many manufacturers of different sizes and capabilities located throughout the United States. Certain equipment and software used in our systems are obtained from sole sources. We have occasionally experienced delays in deliveries of equipment and may experience similar problems in the future. In an attempt to minimize these problems, we constantly monitor our inventory, particularly with

respect to equipment that is generally more difficult to obtain. However, any interruption, suspension or termination of component deliveries from our suppliers could have a material adverse effect on our business. Although we believe that there will be alternate sources or alternate designs available, time would be required to find substitutes or redesign the system.

Our design, engineering and assembly facilities are located in our Saddle Brook, New Jersey headquarters. At present, we have not secured Underwriters' Laboratory approval of our manufactured products or met the quality management and assurance standards of an international rating organization (ISO 9000) due to our low production volume. As volumes increase and customers' needs require, we may seek to obtain UL approval as well as qualify under ISO 9000.

We have not taken any substantial measures to qualify under these standards. Meeting such criteria involves a long, complicated process of new planning, documentation and other factors. We may not achieve these standards or may not increase the sales of our products in the future even if they are met.

WARRANTIES AND MAINTENANCE

We offer warranties on all our products, including parts and labor, that range from one year to four years depending upon the type of product concerned. For products made by others, we pass along the manufacturer's warranty to the end-user. For the years ended December 31, 1999 and 2000, net expenses attributable to warranties were approximately $58,268 and $64,094, respectively. For the nine months ended September 30, 2000 and 2001, net expenses attributable to warranties were approximately $46,200 and $45,170, respectively.

On non-warranty items, we perform repair services for our products sold either at our New Jersey or Texas facilities or at customer locations. For the years ended December 31, 1999 and 2000, we generated revenue from maintenance services of approximately $550,882 and $516,051, respectively. For the nine months ended September 30, 2000 and 2001, revenue from maintenance services was approximately $174,149 and $290,288, respectively. For the years ended December 31, 1999 and 2000, the percentage of our revenues attributable to maintenance services was 7% and 4%, respectively. For the nine months ended, the percentage of our revenues attributable to maintenance services was 4% and 5%, respectively. Our devices generally have an operating life in excess of 5 years.

MARKETING

Our marketing activities are conducted on both national and regional levels. We obtain engagements through direct negotiation with clients, competitive bid processes and referrals. At the national level, we conduct analyses of various industries and target those with significant potential demand for security solutions. At a regional level, under the supervision of senior management, each office develops and implements a marketing plan for its region. The plan identifies prospective clients within the region and sets forth a strategy for developing relationships with them. Each regional office works with the headquarters in expanding relationships with existing national clients to include facilities within the region.

We have identified several key industries or facility types that we believe have substantial and increasing requirements for security services, including telecommunication and technology companies, corporate complexes and industries and facilities for which security systems are required by regulation. We have developed expertise in the security regulations applicable to airports, pharmaceutical companies, prisons and nuclear utilities.

We are in the process of extending our security expertise and equipment sales for CCTV to mobile transit operations -- including buses and trains, armored cars, police cars and wagons, fire engines and taxis. Until recently, attempts to harness analog cameras and VCR's to on-board vehicles were crude and only marginally reliable and mobile applications of digital video recorders have been slow to develop.

Our marketing strategy emphasizes developing and maintaining long-term relationships with clients so that we can provide additional services as the clients' security requirements evolve. We undertake significant pre-assessment of a prospective client's needs before an initial contact is made. A long-term relationship typically begins with an engagement to provide consulting and planning or maintenance and technical support services. Consulting and planning assignments place us in an advantageous position, often as the client's project manager, to be engaged to implement the plan ultimately adopted

by the client. Engagements for maintenance and technical support enable us to identify new requirements as they arise.

We employ a variety of pricing strategies for our services. Proposals for consulting services are priced based on an estimate of hours multiplied by standard rates. Systems integration engagements are priced based upon the estimated cost of the components of the engagement, including subcontractors and equipment, plus a profit margin. Pricing for engineering and maintenance services vary widely depending on the scope of the specific project and the length of engagement. All proposals are reviewed by our senior management. Many projects require that the primary contractor obtain a performance bond in the amount of the contract. The amount of bonding that we are able to obtain depends upon the level of our working capital and net worth. We believe that our ability to compete for larger projects as a primary or independent contractor, rather than through a subcontract arrangement, has been constrained by our inability to obtain adequate bonding. We believe that the proceeds of the offering will enable us to increase our current bonding limits of $10 million and thus enhance our ability to bid for larger projects as a primary contractor which is generally more profitable than participation as a subcontractor.

We are evaluating several opportunities to expand our operations through joint ventures or partnerships with local and international companies, acquisition of similar businesses and expansion of our dealer network.

CUSTOMERS

We provide our products and services to customers in the public and private sectors through direct sales to end-users and through subcontracting agreements. Our clients and end-users are state and city government transit and transportation agencies, owners and operators of urban office buildings, public utilities, universities, large industrial and technology corporations, airlines, banks, oil companies, insurance and telecommunications companies, brokerage houses and retailers.

The table below sets forth the approximate percentage of aggregate revenues from each of our largest customers/end-users for the years ended December 31, 1998, 1999 and 2000 and the nine months ended September 30, 2001.

NAME OF CUSTOMER/END-USER	YEAR ENDED DECEMBER 31, 1998	1999	2000	NINE MONTHS ENDED SEPTEMBER 30, 2001
New York City Transit	34%	32%	34%	3%
Motorola	14%	5%	12%	0%

Silverstein Properties........................	8%	8%	5%	24%
Port Authority of New York & New Jersey.........	2%	5%	2%	5%
Army and Air Force Exchange Services...........	6%	2%	2%	4%
Denver RTD....................................			25%	0%
San Francisco Muni............................				7%
Westchester County Correctional................				6%
Lehrer Bovis..................................				10%
Netversant Solutions..........................				5%
Equinix Corp..................................			15%	3%
UT-South Western Medical......................				3%
Network Associates............................				3%

Although Silverstein Properties (the lessee of the World Trade Center, including the Twin Towers) is a customer of ours, our World Trade Center related sales for the nine months ended September 30, 2001 accounted for approximately 1.3% of our aggregate revenues.

As reflected in the above table, from period to period the revenue mix among our customers shifts and changes.

BACKLOG

Our backlog consists of written purchase orders and contracts we have received for product deliveries and engineering services. All of these orders and contracts are subject to cancellation at any time. As of October 15, 2001, our backlog was approximately $14,400,000 compared to a backlog of

approximately $4,800,000 as of October 1, 2000. The $14,400,000 backlog includes a $4,000,000 commitment from the New York Metropolitan Transit Authority. San Francisco Muni accounts for approximately 17% of the $14,400,000 backlog and a third customer, Port Authority of New York & New Jersey accounts for approximately 38% of the $14,400,000 backlog. Included in the $14,400,000 backlog are two purchase orders issued by the Port Authority of New York & New Jersey for an aggregate amount of $5,571,882, which were issued to us after one of our competitors, Mosler, Inc., filed for bankruptcy on August 3, 2001. We presently expect to manufacture and/or deliver most of the devices and systems, and perform the installation services comprising our $14,400,000 backlog within the next 15 months, although there can be no assurance that we will complete any or all of the orders comprising our backlog within the anticipated time frame, or at all.

ENGINEERING, RESEARCH AND DEVELOPMENT

We maintain an engineering staff consisting of 7 individuals whose functions include the improvement of existing products, modification of products to meet customer needs and the engineering and development of new products and applications. Engineering and development expenses were approximately $145,000 and $160,000 for the years ended December 31, 1999 and 2000, respectively, and $136,000 and $134,000 for the nine months ended September 30, 2000 and 2001, respectively. We typically retain all rights to the products developed for a specific customer and may use them again in other applications. Currently, we are working to complete customized camera housings with call station and control features. The customized camera housings are designed to match architecturally the up-scale lobbies and spaces where they are installed.

We recently completed development of MDVR hardware parts utilizing software from Sungjin C&C, a Korean software company. Previously we purchased a complete assembly of MDVR for buses and manufactured a camera and bus interface set of hardware.

COMPETITION

The security industry is highly competitive. We compete on a local, regional and national basis with systems integrators, consulting firms and engineering and design firms. We will compete with different companies depending upon the nature of the project and the services being offered. For example, we have competed with ADT, Siemens, Simplex, Diebold and Mosler for systems integration work. Many of our competitors have greater name recognition and financial resources than we do. Our competitors also include equipment manufacturers and vendors that also provide security services. For our MDVR products for buses, our competition is Prima Facie, Inc. We may face future competition from potential new entrants into the security industry and increased competition from existing competitors that may attempt to develop the ability to offer the full range of services offered by us. We believe that competition is based primarily on the ability to deliver solutions that effectively meet a client's requirements and, to a lesser extent and primarily in competitive bid situations, on price. We cannot assure you that we will be able to compete successfully in the future against existing or potential competitors.

Our ability to compete for larger projects as a primary contractor has been constrained by our inability to obtain adequate bonding. Bonds are usually required in all government-related projects and private construction or capital improvement projects above $100,000. Insurance companies, which offer bonding of system integrators on these projects consider, among other things, the net worth of applicants in providing varying bond amounts. Generally, the higher the net worth of a qualified applicant, the bigger the bond possible. To date, no claims have been filed against us or our insurance coverage regarding the services we have performed on our projects.

Should our business continue to grow, we anticipate the need to increase our bonding capabilities to assume larger projects and customers. The capital infusion resulting from the completion of this offering should improve our financial condition which will likely increase our ability to obtain higher levels of bonding and thus enhance our ability to compete for larger projects.

EMPLOYEES

As of October 15, 2001, we had 67 full time employees including our officers, of whom 10 were engaged in manufacturing, 29 in systems installation and repair services, 8 in administration and financial control, 7 in engineering and 9 in marketing and sales.

None of our employees are covered by a collective bargaining agreement or are represented by a labor union. We consider our relationship with our employees to be satisfactory.

The design and manufacture of our equipment and the installation of our systems require substantial technical capabilities in many disparate disciplines from mechanics and computer science to electronics and advanced software. We emphasize continued training for new and existing technical personnel. Accordingly, we conduct training classes and seminars in-house, send select employees to technical schools and avail ourselves of training opportunities offered by equipment manufacturers and other specialists on a regular basis.

PROPERTIES AND FACILITIES

We lease a 17,055 square foot facility in Saddle Brook, New Jersey, for our corporate headquarters, integration operations and our manufacturing plant. This facility is a one-story, modern brick building in a commercial-industrial area. The lease on this space, which has been extended three times, terminates on June 30, 2006, and provides for a fixed annual rent of $98,400 until that date, payable in equal monthly installments of $8,200. We are also responsible for the cost of property taxes, utilities, repairs, maintenance, alterations, cleaning and insurance. These facilities should meet our operational needs for the foreseeable future.

We also lease a 4,200 square foot office facility, in Grand Prairie, Texas, near the Dallas -- Ft. Worth Airport. A single-story, cinder block building in an office complex, this space is leased until January 31, 2004 at a fixed annual rental of $41,300, payable in equal monthly installments of $3,442 with additional costs to us for insurance, repairs and alterations, utilities, taxes and cleaning.

LEGAL PROCEEDINGS

We know of no material litigation or proceeding, pending or threatened, to which we are or may become a party.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

Our current directors and executive officers are as follows:

NAME	AGE	POSITION
James E. Henry..........	48	President, Chief Executive Officer and Director
Irvin F. Witcosky.......	63	Executive Vice President, Secretary and Director
Louis Massad...........	63	Vice President, Treasurer, Chief Financial Officer and Director
Leroy Kirchner..........	59	Director
Robert S. Benou.........	67	Director

James E. Henry co-founded HAC in 1989, VPI in 1990 and HCM in 1991, and served as the president, chief executive officer and director of each entity until the date of the share exchange which resulted in our owning all of the issued and outstanding shares of capital stock of HAC, VPI and HCM. Mr. Henry is also one of our co-founders and has served as our president, chief executive officer and director since our formation. A graduate of the University of New Hampshire with a bachelor of science degree in electrical engineering, he worked on a part-time basis for Henry Bros. Electronics (HBE) as a technician from 1968 to 1978 servicing and installing CCTV, audio and radio communication systems. A full time employee starting in 1978, Mr. Henry continued to work for HBE as a systems engineer until 1989. During this period, he designed, integrated and installed extensive and sophisticated communication and control systems in microwave, laser, fiber optic and infrared technologies for larger corporations, utilities and government agencies in the New York Metropolitan Area. Then in 1989 he and Mr. Witcosky arranged for HAC to purchase certain assets of HBE from Communication Group Inc. Mr. Henry has continued to design, install, integrate and market security and communications systems as well as manage the research and development while serving as our chief executive officer and a director.

Irvin F. Witcosky co-founded HAC in 1989, VPI in 1990 and HCM in 1991, and served as the executive vice president, secretary and director of each entity until the share exchange which resulted in our owning all of the issued and outstanding shares of capital stock of HAC, VPI and HCM. Mr Witcosky is also one of our co-founders and has served as our executive vice president, secretary and director since our formation. A graduate of California Polytechnic University with a bachelor of science degree in aeronautical engineering, Mr. Witcosky entered the workforce at the Naval Weapons Center as a civilian engineer. Thereafter, from 1960 to 1974, he became involved in research, development, testing and production of rocket-assisted projectiles for naval guns and guided missiles, including the Agile missile. As a recipient of a special Michelson Laboratories Award of Fellow in Ordinance Science and co-inventor on a Navy patent for a new rocket propellant, Mr. Witcosky managed and coordinated six Navy laboratories and upwards of 100 engineers on various projects along with the civilian contractor's personnel at Thiokol and Hughes Aircraft.

From 1974 to 1983, Mr. Witcosky founded and ran Photoscan, a CCTV company for security systems in Salt Lake City, Utah and from 1977 to 1981 he formed another corporation, Beehive Video, a video specialty concern for industrial and retail markets, where he acted as president.

From 1978 to 1981 Mr. Witcosky served as president of PSA, the security industry buying co-op in which we are member/owners. He later worked for VCS, Inc., the former Motorola CCTV factory purchased by VPI in the capacity of vice president of marketing from 1981 through 1986.

Since 1987, Mr. Witcosky has served as a vice president and general manager at HBE where he supervises, coordinates, performs and manages designs, sales, quotations, operations and administration.

Louis Massad became our vice president, treasurer and chief financial officer in 1999. He holds bachelor of science and masters degrees in accounting from Cairo University in Egypt and a masters in business administration in finance from Long Island University. From 1960 to 1970, Mr. Massad worked as an auditor for a foreign certified public accounting firm in its overseas offices.

During 1970 and 1971, he was employed as a senior auditor at First Fidelity Bank of Newark, New Jersey. From 1971 to 1974, he served as a controller to Magnus Organ Corp., a manufacturer of electronic organs. During the 1974-1976 period, Brunswick Corporation, a manufacturer of products and equipment, employed him as a controller of one of its divisions. In 1976 to 1981 he held the positions of vice president of finance and treasurer of Mediscience Technology Corp., a publicly held company that manufactured medical equipment. From 1981 to 1982, the Beattie Manufacturing Company, a carpet manufacturer, employed Mr. Massad as its controller, chief financial officer and a director. Then in 1982 he began working for Computer Power Inc., a publicly held manufacturer of power supply equipment for computers and emergency lighting equipment. There, he worked continuously until 1996 as vice president of finance, controller, and director. From 1996 to 1999 he functioned as an independent accountant and financial advisor to several companies, including us.

Since 1995, Mr. Massad has been a director of Conolog Corporation, a publicly-held company that manufactures electronic components and subassemblies for communication equipment.

Leroy Kirchner was elected to our board of directors in December, 1999. Having earned bachelor of science and masters in business administration degrees from Fairleigh Dickinson University, he had continuously worked in various capacities for Motorola Inc., primarily in sales and marketing from 1966 through 1998. Between 1992 to 1996, he served as a Motorola vice president in charge of dealer sales for the eastern U.S. where he managed over 300 dealers and directed a nation-wide task force to increase specialized mobile radio sales. From 1996 through 1998, he also functioned as vice president and strategist for a Motorola subsidiary engaged in sales of related radio equipment and systems. From 1999 to the present, Mr. Kirchner has acted as an independent consultant to the communications industry.

Robert S. Benou was elected to our board of directors in June, 2001. He has been a director of Conolog Corporation since 1968 and served as its President from 1968 until May, 2001 when he was elected Conolog's Chairman and Chief Executive Officer. Mr. Benou is a graduate of Victoria College and holds a BS degree from Kingston College, England and a BSEE from Newark College of Engineering, in addition to industrial management courses at Newark College of Engineering.

BACKGROUND INFORMATION ABOUT CERTAIN KEY EMPLOYEES

Theodore Gjini was elected Vice President in December, 1999. Mr. Gjini also serves as operations manager and supervises the coordination of our personnel and their activities in sales and marketing, project installations and maintenance. He has acted in that capacity as well as sales engineer and project manager for us since 1988.

A graduate of New Jersey Institute of Technology with a bachelor of science degree in electrical engineering and William Paterson College with a masters in business administration, he previously worked for Allied Signal Corporation as a research technician during 1986 and as a security officer for Nabisco from 1985 to 1988.

Emil J. Marone has worked continuously for us since 1965 as a hospital communication system specialist, security systems supervisor, systems engineer, and quality control specialist and currently our Corporate Technology Officer.

In his current position, he is responsible for the development of special products and testing procedures as well as quality assurance and management. He holds an associate science degree from Bergen County Community College and has attended New Jersey Institute of Technology and Fairleigh Dickinson University taking courses in mathematics, computer sciences and engineering.

Gerard Romolo joined us in 1994 and has worked as a technician, manufacturer's liaison, project manager and quality control specialist. He has attended Orange and Ulster Counties Boces taking courses in electronics and Orange County Community College studying accounting and business administration. He has received other training and certification from the National Burglar Fire Alarm Association, Edicon, PSA, Lenel, Mavix, Sungjin, Intellikey and MDI in alarms, computers and software.

From 1988 to 1994, he worked for Prontronics Fire & Alarm Company, Inc. as a quality control manager, trouble-shooter and installer. In 1986 to 1988, he was employed by Rickel Home Center as a department manager supervising employees, ordering products and maintaining all other aspects of his department.

Carl J. Erickson joined us as chief systems engineer in December, 1999. From 1998 through 1999, he served as a project manager for Lockheed Martin on the new Austin/Bergstrom International Airport in Texas. In this position, he supervised the design and installation of the power distribution, access control, CCTV, gate control and control center systems. He also coordinated and managed the subcontractors, the local Lockheed team, negotiated contracts and administered and supervised the construction effort.

Between 1987 and 1998, Texas Instruments/Raytheon employed him as a project manager. In this capacity, he managed the development, design and installation of fire detection, CCTV, intercom, card access, paging and other systems for a wide variety of corporate and government projects. A graduate of Brigham Young University with a bachelor of science degree in electrical engineering, Mr. Erickson has in prior years acted as a consultant to architectural and engineering firms, contractors and owners for communications, electronic control and security systems located in airports, hotels, hospitals, penal institutions, malls and corporate facilities.

Robert H. Greenquist joined VPI in 1991 and has continuously worked as a production and engineering manager. In these capacities, he has been in charge of electro-mechanical and analogue designs of equipment and oversees engineering, manufacturing and quality control activities.

From 1986 to 1991, he served as president of Alpha-Tronics, an engineering consulting firm specializing in analogue designs. During 1976 to 1986, he owned and operated Research Development Corp., a research and development consulting firm to manufacturers of high-end assemblies for echo cardiology and medical imaging equipment as well as avionics equipment in large commercial jet aircrafts. Between 1965 and 1976, he owned and operated GHV Electronics, Inc., a manufacturer of audio/visual products, where he also functioned as a design engineer for new products.

Alberto Sid has acted as an engineering manager with VPI since early 1995.

Before that he held positions of director of research and development and hardware engineering manager at Graphex Imaging Systems, Inc., a manufacturer of imaging, plotter and scanner products, from 1991 until his employment by VPI. In 1989 to 1991, he served as president of Telec Research and Engineering, a start-up manufacturer of products using robotic controls, high-resolution positioning devices, multiprocessors and smart light fixtures.

From 1984 to 1989, he was a senior technical specialist at Scitex America Corp., where he lent technical, maintenance and marketing support to customers. A graduate of Technion Israel Institute with a bachelor of science degree in electrical engineering, Polytechnic University of New York with a masters degree in computer science, and New York Institute of Technology with an MBA, he worked for several Israeli companies from 1978 to 1984 as a technical specialist, project leader, design engineer and electronic technician.

Charles R. Adams, Jr. started working for us in 1995 and has continued until the present. In our Texas office, he oversees service and installation projects, interfacing with customers, general contractors, architects and vendors.

From 1993 to 1995, he was employed as a service and installation supervisor for Ogden Government Services. During 1984 to 1993, he worked for Walker Engineering as foreman on projects involving security conduits, hook-ups for airport lighting, power distribution, lighting and wiring. Previously, he held positions as a wirer and electronic technician at Cal Electric, Tristar Electric and Western Electric from 1971 to 1984.

Inge Foley has served as our office manager from 1989 to the present. In this position, she has supervised the office staff, acted as a controller and overseen the purchase of equipment and parts for us.

Having attended Rutgers University to study business administration, she had worked previously, starting in 1966 to 1989, as a sales administrator and an operations manager for Tele-Measurement, Inc., another security systems integrator.

Jane McCallum has, since 1998, managed our Texas office where she is responsible for the administration, finance, budgeting and purchasing. In 1996 to 1998, she served as a staffing manager for Personal Touch Home Care, Inc., a concern that provides nursing service to patients in their homes. In

1995 to 1996, she acted as business service manager of RedBird Health, Inc., another health care company, where she supervised the office and clerical staff, billing and accounts payable and receivable.

From 1990 to 1995, she was employed by Techcord Consulting Group, Inc., a security consultant, as office manager in charge of marketing, public relations, payroll, collections and invoices. Starting in 1982 to 1989, she acted as a clerical and collection supervisor for GTE directories and oversaw public relations, training and office finances.

BOARD COMPOSITION

At each annual meeting of our stockholders, all of our directors will be elected to serve from the time of election and qualification until the next annual meeting election. In addition, our bylaws provide that the authorized number of directors, which is a minimum of three and a maximum of fifteen, may be changed only by resolution of the board of directors. For a period of three years following the effective date of our initial public offering, GunnAllen Financial Inc., our underwriter, will have the right to have one representative attend each meeting of our board of directors and each meeting of any committee thereof and to participate in all discussions of each such meeting.

Each officer is elected by, and serves at the discretion of, our board of directors. Each of our officers and directors, other than non-employee directors, devotes his full time to our affairs. Our non-employee directors devote such time to our business as is necessary to discharge their duties. There are no family relationships among any of our directors, officers or key employees.

BOARD COMMITTEES

We have established both a compensation committee and an audit committee. A majority of the members of each committee are independent, outside directors. The audit committee reviews with our independent public accountants the scope and adequacy of the audit to be performed by the independent public accountants, the accounting practices, our procedures and policies, and all related party transactions. The compensation committee recommends to our board of directors the compensation to be paid to our officers and directors, administers our incentive stock option plan and approves the grant of options under the plan. We have appointed Messrs. Benou, Witcosky and Kirchner as the members of both committees.

DIRECTORS' COMPENSATION

Directors who are also our employees receive no additional compensation for attendance at board meetings. Non-employee directors will receive $500 for attendance at each board meeting or any committee meeting they attend unless the board and committee meetings are held on the same day, in which case they should be considered as one and paid accordingly. Also, non-employee directors will be reimbursed for their travel, lodging and other out-of-pocket expenses related to their attendance at board and committee meetings. Additional compensation for non-employee directors may be arranged for special projects. No directors' fees have been paid to date. We anticipate that our board of directors will hold regularly scheduled meetings on a quarterly basis.

EXECUTIVE COMPENSATION

The following table sets forth the total compensation paid to our president and chief executive officer and each other executive officer whose 2000 compensation equaled or exceeded $60,000.

SUMMARY COMPENSATION TABLE

ANNUAL COMPENSATION

NAME AND PRINCIPAL POSITION	YEAR(S)	SALARY AND BONUS($)
James E. Henry	2000	148,500
President and CEO	1999	60,000
	1998	60,000
Irvin F. Witcosky	2000	148,500
Executive Vice President	1999	60,000
	1998	60,000
Louis Massad	2000	121,000
Vice President and CFO		

EMPLOYMENT AGREEMENTS

Messrs. Henry and Witcosky are serving as our President and Executive Vice President, respectively, under written employment contracts for five years which commenced January 1, 2000. These agreements provide for an initial annual compensation of $135,000, unspecified bonuses approved by the board of directors and the compensation committee, an increase of 10% in compensation in each of the third, fourth and fifth years and a one-year non-competition covenant covering the security business that commences after termination of employment.

Mr. Massad has entered into a five year written employment contract with us which commenced January 1, 2000. His initial annual compensation under such contract is $110,000, and it also provides for unspecified bonuses and a 10% increase per annum in each of the third, fourth and fifth years.

Each of the above employment agreements provided for termination by us in the event our initial public offering was not completed by July 31, 2000. The agreements were not terminated at the time and have since been amended to delete that provision.

INCENTIVE STOCK OPTION PLAN

On December 23, 1999, our directors and shareholders approved the adoption of our Incentive Stock Option Plan (the 'Plan'). Under the Plan, options to purchase a maximum of 500,000 shares of our common stock may be granted to our officers and other key employees. Options granted under the Plan are intended to qualify as incentive stock options as defined in the Internal Revenue Code of 1986, as amended.

Our board of directors has appointed three of its members as the compensation committee to administer the Plan. This compensation committee determines which persons are to receive options, the number of options granted and the options' exercise prices. The compensation committee may also prescribe the rules and regulations for administering the Plan, and it is this committee which decides questions arising under the Plan or any of its rules and regulations.

The maximum term of any option is ten years, and the option price per share may not be less than the fair market value of our shares at the date the option is granted. However, options granted to persons owning more than 10% of our voting shares (or a combination of our voting shares and those of any subsidiary of ours) will have a term not in excess of five years, and the option price per share will not be less than 110% of fair market value.

An optionee may exercise these options only if and to the extent that these options are vested at that time. Unless otherwise determined by our compensation committee, vesting generally occurs at the rate of 33 1/3% per year of continuous employment with us.

As of the date of this prospectus, we have granted options covering a total of 75,000 shares to our employees at an exercise price of $5.625 per share.

Options granted under the Plan are not transferable other than by will or by the laws of descent and distribution. Options granted under the Plan are protected by anti-dilution provisions which both

modify the number of shares issuable under it and adjust the exercise price of an option to account for stock dividends, stock splits and the like.

Despite the term of an option, it will expire when an optionee's employment ends. The precise timing depends on the reason for the termination of employment. In the event of retirement or disability, the option extends for three (3) months afterwards. In the case of death it runs for a year after termination, while in the case of voluntary termination, the option expires upon termination. When an optionee's employment is terminated involuntarily, the option runs for 30 days, except if the involuntary termination is for cause, in which case the option expires as of the date of the event which triggers the termination.

The Plan will terminate on December 23, 2009 or on such earlier date as the board of directors may determine. Any option outstanding at the termination date will remain outstanding until it expires or is exercised in full, whichever occurs first.

If shares received under the Plan qualify as an Incentive Stock Option within the meaning of the Internal Revenue Code of 1986, as amended, and if the shares acquired are not disposed of by the optionee within two years from the date of the grant of the option nor within one year from the transfer of the shares to the optionee, then no income is recognized by the optionee upon receipt of the option or its exercise. If the shares are disposed of within either the first two years of the option's grant or one year from the acquisition of the shares, then compensation income in the amount of the difference between the value of the shares at the time they were acquired and the price actually paid for them will be recognized by the optionee in the year of the disposition, and an equal deduction will be allowed to us.

If the aggregate fair market value of the shares of common stock (determined at the time the option is granted) with respect to which incentive stock options are exercisable for the first time by such optionee during any calendar year exceeds $100,000, then only the first $100,000 of such options so exercised will be treated as incentive stock options and any excess over $100,000 so exercised shall be treated as options which are not incentive stock options. This rule is applied by taking options into account in the order or sequence in which they are granted.

SIMPLE IRA PLAN

On October 1, 1999, we adopted a Simple IRA Plan for our employees to accommodate their pension needs. Under this plan, we shall contribute on behalf of each participant for the plan year an amount equal, dollar for dollar, to that amount which these participants contribute to their retirement accounts under the plan.

Our matching contributions are limited to 2% of each participant's compensation or $6,000, as adjusted, whichever is less. Each employee may elect to make contributions to his retirement account by means of reductions from his salary or his personal contribution of a specific dollar amount not to exceed $6,000. From time to time, the U.S. Secretary of the Treasury may adjust these limitations on both our matching contributions and the employees' contributions for cost of living increases. The employees' portion of his account vests immediately in full and cannot be forfeited. Our contributions under this plan are generally deductible for the taxable year for which they were made.

LIMITATIONS OF LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

Our certificate of incorporation and bylaws limit the liability of directors and officers to the maximum extent permitted by Delaware law. We will indemnify any person who was or is a party, or is threatened to be made a party to, an action, suit or proceeding, whether civil, criminal, administrative or investigative, if that person is or was our director, officer, employee or agent or serves or served any other enterprise at our request.

In addition, our certificate of incorporation provides that a director shall not be personally liable to us or our stockholders for monetary damages for breach of the director's fiduciary duty. However, the certificate does not eliminate or limit the liability of a director for any of the following reasons:

breach of the director's duty of loyalty to us or our stockholders;

acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law;

the unlawful payment of a dividend or unlawful stock purchase or redemption; and

any transaction from which the director derives an improper personal benefit.

We intend to purchase and maintain directors' and officers' insurance in the amount of $2,000,000. This insurance will insure directors against any liability arising out of the director's status as our director, regardless of whether we have the power to indemnify the director against the liability under applicable law.

We have been advised that in the opinion of the Securities and Exchange Commission insofar as the indemnification provisions referred to above may be invoked to disclaim liability for damages arising under the Securities Act, these provisions are against public policy as expressed in the Securities Act and are, therefore, unenforceable.

CERTAIN TRANSACTIONS

In 1999, Messrs. Henry and Witcosky exchanged the shares of common stock they held in HAC, VPI and HCM for shares of our common stock. The exchanged shares represented all the outstanding stock of HAC, VPI and HCM. Before the exchange Mr. Henry and Mr. Witcosky each owned 50% of the shares of HAC, VPI and HCM and immediately after the exchange they each owned 50% of our outstanding shares of common stock. The value of the underlying assets did not change as a result of the exchange, and only the form, not the substance, of the principals' corporate ownership changed. The transaction was accounted for as a transfer between enterprises under common control and, as a result, the assets and liabilities transferred were accounted for at historical cost in a manner similar to a pooling of interests.

In the early 1990's, Messrs. Henry and Witcosky and HAC had orally agreed to settle an open matter with Alfred Albrecht, and Security Management System, Inc. (SMS), a privately held company owned by Mr. Albrecht. Mr. Albrecht and SMS were parties to a former joint venture with Mr. Henry, Mr. Witcosky and HAC. The settlement related to the joint venture's asset acquisition from CGI. In the settlement Messrs. Henry and Witcosky and HAC agreed to repay Mr. Albrecht's $50,000 loan with accrued interest, to resolve product and component sales between SMS and HAC and to extinguish any equity claims Mr. Albrecht might have against HAC. The settlement agreement was memorialized in writing in December, 1999. Under these arrangements, we are obligated to repay an aggregate of $128,685, plus accrued interest to Mr. Albrecht at the rate of 10% per annum until December 1, 2003 in monthly installments under two promissory notes. Mr. Henry and Mr. Witcosky are also obligors under these notes. In addition, Mr. Witcosky paid Mr. Albrecht $40,000 to extinguish any possible equity claim regarding the originally contemplated joint venture.

On December 30, 1999, Messrs. Henry and Witcosky each sold 60,000 shares of our common stock (a total of 120,000 shares) to Mr. Massad for an aggregate of $24,000 under restrictive conditions which are no longer applicable involving his continued employment with us. On or about the same date, Messrs. Henry and Witcosky each also transferred 15,000 shares of our common stock, totaling 30,000 shares, to John, Ray and Hartford Henry, Mr. Henry's father and uncles, as a gift to them in appreciation of a long-standing loan on extremely favorable terms to Mr. Henry and Mr. Witcosky, which enabled them to buy back the original CCTV business from CGI.

Under a bank loan agreement between us and Hudson United Bank dated September 1, 1999, Mr. Henry and Mr. Witcosky have personally guaranteed up to $2,250,000 of our potential indebtedness to the bank, plus accrued interest. Upon completion of this offering, we anticipate that these guarantees will be eliminated.

POLICY REGARDING LOANS AND OTHER AFFILIATED TRANSACTIONS

We currently have and intend to maintain at least two independent directors on our board of directors. We anticipate that future material affiliated transactions and future loans and loan guarantees with our officers, directors, 5% shareholders, or their respective affiliates will be on terms that are as favorable to us as those generally available from unaffiliated third parties, and that all such future transactions and loans, and any forgiveness of such loans, shall be approved or ratified by a majority of our independent directors who do not have an interest in the transactions and who will have access, at our expense, to our attorneys or an independent legal counsel. We do not intend to make any future loans to or guarantee loans on behalf of our officers, directors and employees, other than (i) advances for travel, business expense, and similar ordinary operating expenditures; (ii) loans or loan guarantees made for the purchase of our securities; and (iii) loans for relocation.

PRINCIPAL STOCKHOLDERS

The table below sets forth information with respect to the beneficial ownership of our common stock, as of the date of this prospectus for the following persons:

- each person known by us to be the beneficial owner of more than 5% of our common stock;
- each of our directors;
- each of our executive officers; and
- our executive officers and directors as a group.

Beneficial ownership has been determined in accordance with the rules and regulations of the Securities and Exchange Commission and includes voting or investment power with respect to the shares. Unless otherwise indicated, the persons named in the table have sole voting and investment power with respect to the number of shares indicated as beneficially owned by them. Common stock beneficially owned and percentage ownership are based on 3,000,000 shares outstanding before this offering and 4,500,000 shares to be outstanding after the completion of this offering, assuming no exercise of the underwriter's over-allotment option.

The address of each beneficial owner is c/o Diversified Security Solutions, Inc., 280 Midland Avenue, Saddle Brook, New Jersey 07662.

NAME, ADDRESS AND TITLE OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENTAGE OF COMMON STOCK BENEFICIALLY OWNED	
		BEFORE OFFERING	AFTER OFFERING
James E. Henry, CEO, President and Director(1)	1,425,000	47.5%	31.7%
Irvin F. Witcosky, Executive Vice President, Secretary and Director	1,425,000	47.5%	31.7%
Louis Massad, CFO, Treasurer and Director	120,000	4.0%	2.6%
Leroy Kirchner, Director	--	--	--
Robert S. Benou, Director	--	--	--

All executive officers and directors as a group (5 persons)	2,970,000	99.0%	66.0%

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(1) Disclaims beneficial ownership of 30,000 shares owned by John, Ray and Hartford Henry, his father and uncles.

DESCRIPTION OF SECURITIES

Our authorized capital stock consists of 10,000,000 shares of common stock, par value $.01 per share, and 2,000,000 shares of preferred stock, par value $.01 per share, the rights and preferences of which may be established from time to time by our board of directors. Assuming no exercise of the underwriters' over-allotment option, upon completion of this offering, there will be 4,500,000 shares of our common stock issued and outstanding and no preferred stock outstanding.

This description of our securities is a summary and does not contain all the information that may be important to you. For more complete information, you should read our certificate of incorporation, as amended, which is filed as an exhibit to the registration statement of which this prospectus forms a part.

COMMON STOCK

Holders of our common stock are entitled to one vote for each share held on