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Part I Financial Information

Item 1. Financial Statements

Consolidated Balance Sheets as of March 31, 2005 (Unaudited) and December 31, 2004

Consolidated Statements of Operations for the three months ended March 31, 2005 (Unaudited) and March 31, 2004 (Unaudited)

Consolidated Statements of Cash Flows for the three months ended March 31, 2005 (Unaudited) and March 31, 2004 (Unaudited)

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Part 1. Financial Statements

DIVERSIFIED SECURITY SOLUTIONS, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

ASSETS

CURRENT ASSETS

Cash and cash equivalents  
 Accounts receivable-net of allowance for doubtful accounts- \$426,000 in 2005  
 and \$357,500 in 2004  
 Inventory  
 Costs in excess of billings and estimated profits  
 Deferred tax asset  
 Prepaid expenses and income tax receivable  
 Other assets

Total current assets

PROPERTY AND EQUIPMENT - net of accumulated depreciation of \$1,503,472  
 in 2005 and \$1,383,703 in 2004

GOODWILL

INTANGIBLE ASSETS - net of accumulated amortization of \$346,285 in 2005  
 and \$310,491 in 2004

DEFERRED TAX ASSET

OTHER ASSETS

TOTAL ASSETS

LIABILITIES & STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable  
 Accrued taxes and expenses  
 Billings in excess of costs and estimated profits  
 Deferred income  
 Current portion of long term debt  
 Deferred tax liability

Total current liabilities

LONG-TERM DEBT, LESS CURRENT PORTION

DEFERRED TAX LIABILITY

TOTAL LIABILITIES

STOCKHOLDERS' EQUITY

Preferred stock, \$.01 par value; 10,000,000 shares authorized; no shares issued  
 Common stock, \$.01 par value; 10,000,000 shares authorized;  
 5,739,398 shares issued and outstanding in 2005 and 2004  
 Additional paid in capital  
 Deferred compensation  
 Accumulated deficit

TOTAL EQUITY

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TOTAL LIABILITIES & STOCKHOLDERS' EQUITY

The accompanying notes are an integral part of these statements

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DIVERSIFIED SECURITY SOLUTIONS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
Unaudited

	For the three months end March 31,	
	2005	2004
	-----	-----
Revenue	\$8,613,074	\$5,413,074
Cost of revenue	6,429,293	4,413,074
	-----	-----
Gross profit	2,183,781	1,000,000
	-----	-----
Operating Expenses:		
Selling general & administrative expenses	2,050,750	1,000,000
	-----	-----
Operating profit (loss)	133,031	0
	-----	-----
Interest income	3,753	0
Interest (expense)	(19,821)	0
	-----	-----
Net income (loss) before tax expense (benefit)	116,963	0
Tax expense (benefit)	54,666	0
	-----	-----
Net income (loss) after taxes	\$62,297	( )
	=====	=====
 BASIC EARNINGS (LOSS) PER COMMON SHARE:		
Basic Profit (Loss) Per Common Share	\$0.01	( )
	=====	=====

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Weighted Average Common Shares	5,739,398	5
	=====	=====
DILUTED EARNINGS (LOSS) PER COMMON SHARE:		
Diluted Profit (Loss) Per Common Share:	\$0.01	
	=====	=====
Weighted Average Diluted Common Shares	5,739,398	5
	=====	=====

The accompanying notes are an integral part of these statements

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DIVERSIFIED SECURITY SOLUTIONS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Unaudited

	For th
	2005
	----
Cash flows from operating activities:	
Net income (loss)	\$62,
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	155,
Bad debt expense	68,
Stock option expense	35,
Deferred income taxes	43,
Changes in operating assets and liabilities:	
Accounts receivable	(455,
Inventories	(49,

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Costs in excess of billings and estimated profits	(778,
Other assets	(219,
Prepaid Expenses and income tax receivable	68,
Accounts payable	774,
Accrued expenses	(306,
Billings in excess of cost and estimated profits	194,
Customers deposits	(7,
Deferred Income	--
	-----
Net cash provided by (used in) operating activities	(413,
	-----
Cash flows from investing activities:	
Purchase of property and equipment	(56,
	-----
Net cash used in investing activities	(56,
	-----
Cash flows from financing activities:	
Payments on revolving bank line	--
Payments of bank loans	(40,
Capitalized lease payments	(8,
	-----
Net cash used in financing activities	(49,
	-----
Increase (decrease) in cash and cash equivalents	(518,
Cash and cash equivalents - beginning of period	3,154,
	-----
Cash and cash equivalents - end of period	\$2,636,
	=====
Supplemental disclosure of cash flow information: Amount paid for the period for:	
Interest	\$19,
Taxes	\$54,
Non-cash investing and financing activities:	
Value of stock options issued to employees	\$303,

The accompanying notes are an integral part of these statements

DIVERSIFIED SECURITY SOLUTIONS, INC. AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS

1. Basis of Presentation

Diversified Security Solutions, Inc., the ("Company") and its subsidiaries, are systems integrators providing design, installation and support services for a wide variety of security, communications and control systems. The Company specializes in turnkey systems that integrate many different technologies. Systems are customized to meet the specific needs of its customers. The Company markets nationwide with an emphasis in the New York,

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Dallas, Phoenix and Southern California metropolitan areas. Customers are primarily medium and large businesses and governmental agencies. The Company derives most of its sales from project installations and to a smaller extent, maintenance service revenue. In April 2004, the Company completed its acquisition of Airorlite Communications, Inc. ("Airorlite"). Airorlite specializes in designing, manufacturing and maintaining wireless communications equipment used to enhance and extend emergency radio frequency services and cellular communications for both fixed and mobile applications. The table below shows the sales percentages by geographic location for the three months ended March 31, 2005 and 2004 as follows:

	Three Months Ended March 31,	
	2005	2004
New Jersey/ New York	60%	46%
California	22	36
Texas	12	12
Arizona	5	6
	-----	-----
Total integration	99	100
Specialty products and services	1	-
	-----	-----
Total revenue	100%	100%
	===	===

The Company's headquarters are located in Saddle Brook, New Jersey. Sales and service facilities are located near Dallas Fort Worth Airport, Phoenix Arizona Airport, Fullerton, California and three facilities in the New York City metropolitan area (two in Saddle Brook, New Jersey)., During the third quarter of 2003, the Company's subsidiary, Viscom Products ("Viscom"), restructured its operations to begin outsourcing the manufacturing of its products to a third party. Viscom will continue to sell and maintain product installations.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles in the United States of America for full year financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal, recurring nature. Operating results for the three-month period ended March 31, 2005, are not necessarily indicative of the results that may be expected for the year ended December 31, 2005. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto that are included in the Company's Annual Report on Form 10-KSB for the fiscal period ended December 31, 2004.

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DIVERSIFIED SECURITY SOLUTIONS, INC. AND SUBSIDIARIES  
 NOTES TO FINANCIAL STATEMENT (CON'T)

2. Net Income (Loss) Per Share - The computation of basic earnings (loss) per share is based upon the weighted average number of shares of common stock outstanding during the period. The computation of diluted earnings per share includes the dilutive effects of common stock equivalents including stock options and warrants.

3. Stock Based Compensation - In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock Based Compensation- Transition and Disclosure". SFAS No. 148 provides alternative methods of transitions to SFAS No 123's fair value method of accounting for stock based employee compensation, but does not require companies to use fair value method. It also amends the disclosure provisions of SFAS No. 123 and APB No.25 to require, in the summary of significant policies, the effect of an entity's accounting policy with respect to stock based employee compensation on reported net income and earnings per share in annual and interim financial statements. The provision of this statement is effective for fiscal years ending after December 15, 2002, and interim reporting periods beginning after December 15, 2002. Accordingly, the fair value of all options granted on and after January 1, 2003 is to be charged against income over the vesting period. Those issued prior to adoption are accounted for under the intrinsic value method in accordance with APB No. 25. The Company adopted the perspective method as permitted by SFAS No. 148 on January 1, 2003.

Based upon the fair value method to measure compensation expense, the Company's proforma effects for the three months ended March 31 follows:

	2005 ----	2004 ----
Net Income (Loss) as reported	\$62,297 =====	(\$101,132) =====
Stock based- employee compensation expense included in reported net income (loss), net of related tax expense	19,127	--
Total stock-based employee compensation expense determined under fair valued based, net of related tax effects	(20,760) -----	(3,419) -----
Pro forma net Income/(Loss)	\$60,664 =====	(\$104,551) =====
Loss per share:		
Basic and diluted - as reported	\$0.01	(\$0.02)

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	=====	=====
Basic and diluted - proforma	\$0.01	(\$0.02)
	=====	=====

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DIVERSIFIED SECURITY SOLUTIONS, INC. AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENT (CON'T)

4. Related Party Transaction

A corporation of which a director of the Company was an officer was paid consulting fees and reimbursement of expenses in amount of approximately \$5,500 for the three months ended March 31, 2004.

5. Segment Data

Selected information by business segment is presented in the following tables for the quarters ended March 31:

Revenue	2005	Percentage of Total	2004	Per of
	-----	-----	-----	-----
Total Integration	\$8,428,267	98%	\$5,528,165	
Specialty Products and Services	184,807	2%	139,328	
	-----	-----	-----	-----
Total Revenue	\$8,613,074	100%	\$5,667,493	
	=====	=====	=====	=====

Operating Profit (Loss)	2005	2004
	-----	-----

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Total Integration	\$732,945	\$127,923
Specialty Products and Services	(283,100)	(16,704)
Corporate	(316,814)	(259,346)
	-----	-----
Total Operating Profit (Loss)	\$133,031	\$(148,127)
	=====	=====

Selected balance sheet data by business segment is presented at March 31:

Total Assets	2005
	-----
Total Integration	\$18,390,824
Specialty Products and Services	2,582,629
Corporate	2,861,147
	-----
Total Assets	\$23,834,600
	=====

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DIVERSIFIED SECURITY SOLUTIONS, INC. AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENT (CON'T)

5. Contingent Liabilities

From time to time, the Company is subject to various claims with respect to matters arising out of the normal course of business. In management's opinion, none of these claims are likely to have a material effect on the Company's financial statements.

Critical Accounting Policies

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Disclosure of the Company's significant accounting policies is included in Note 1 to the consolidated financial statements of the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004. Some of these policies require management to make estimates and assumptions that may affect the reported amounts in the Company's financial statement.

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### Forward Looking Statements

When used in this discussion, the words "believes", "anticipates", "contemplated", "expects", or similar expressions are intended to identify forward looking statements. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Those risks and uncertainties include changes in interest rates, the ability to control costs and expenses, significant variations in recognized revenue due to customer caused delays in installations, cancellations of contracts by our customers, and general economic conditions which could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company undertakes no obligation to publicly release the results of any revisions to those forward looking statements that may be made to reflect events or circumstances after this date or to reflect the occurrence of unanticipated events.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Results of Operations

Three Months Ended March 31, 2005 and March 31, 2004

Sales - Sales for the three months ended March 31, 2005 were \$8,613,074 representing an increase of \$2,945,581 or 52.0 % as compared to \$5,667,493 for the three months ended March 31, 2004. This increase was related to the Company's integration business which was partially offset by an \$87,000 decrease in the specialty products and services business. Three of the four regions within the integration business experienced double digit revenue growth in the 2005 quarter versus the prior year while the California region revenue declined 4% in the 2005 quarter versus the same quarter in 2004.

Cost of Sales - Cost of sales for the three months ended March 31, 2005 was \$6,429,293 as compared to \$4,388,786 for the three months ended March 31, 2004. The gross profit margin for the three months ended March 31, 2005 was 25.4 % as compared to 22.6 % for the three months ended March 31, 2004. This improvement was attributed to lower material and direct labor in the 2005 quarter as compared with the same quarter of the prior year.

Selling, General and Administrative Expenses - Selling, general and administrative expenses were \$2,050,750 for the three months ended March 31, 2005 as compared to \$1,426,834 for the three months ended March 31, 2004. This

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increase of 43.7% or \$623,916 was primarily attributed to the increased costs associated with headcount of approximately \$500 thousand related to revenue growth.

Interest Income - Interest income for the three months ended March 31, 2005 was \$3,753 as compared to \$1,525 for three months ended March 31, 2004. This increase was due to having a higher average cash balance to invest in the 2005 period versus the same period of the 2004.

Interest Expense - Interest expense for the three months ended March 31, 2005 was \$19,821 as compared to \$24,808 for the three months ended March 31, 2004. The decrease is due to having a lower average debt balance for the three Months ended March 31, 2005 as compared to the three months ended March 31, 2004.

Net Loss - As a result of the factors noted above, for the three months ended March 31, 2005 and 2004, our net income was \$62,297 and a net loss of \$101,132, respectively. This resulted in basic and diluted net income per share of \$0.01 on weighted average common shares outstanding of 5,739,398 for the three months ended March 31, 2005 as compared to basic and diluted loss per

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share of \$0.02 on weighted average common shares outstanding of 5,130,540 for the three- months ended March 31, 2004.

### Liquidity and Capital Resources

As of March 31, 2005, we had cash and cash equivalents \$2,636,208. We have a revolving line of credit in the amount of \$3,500,000 with Hudson United Bank ("HUB") of which \$1,170,000 is outstanding as of March 31, 2005. This revolving line of credit became due on May1, 2005 but has been extended by HUB to July 1, 2005 during which period the Company anticipates completing the negotiation of new line of credit that will meet its needs. The Company also has a term loan with HUB which is being repaid monthly at the rate of \$13,483 and matures November 1, 2005. Our working capital was \$8,946,818 as of March 31, 2005.

During the three months ended March 31, 2005, net cash used in operating activities was \$413,096. We purchased property and equipment of \$56,620. The total debt service payments for the quarter ended March 31, 2005 were \$49,048.

Our capital requirements have grown substantially as a result of the growth of our business. As a result, we sold 553,333 shares of our common stock in July 2004 receiving net proceeds of \$3,081,350. We are also in discussions with HUB regarding additional financing commitments that we believe if agreed to by HUB, should be sufficient to meet our capital requirements for the next twelve months. However, we may seek additional equity and or debt financing to enable us to grow our operations.

### Item 3. Controls and Procedures

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### (a) Evaluation of Disclosure Controls and Procedures

Pursuant to Rule 13a-15 under the Securities and Exchange Act of 1934 as amended, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, of the design and operation of the Company's disclosure controls and procedures as defined under Rule 13a-15(e) under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures

- (i) are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings;
- (ii) are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms; and
- (iii) include controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Security Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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### (b) Change in Internal Controls over Financial Reporting

As required by Rule 13a-15(d), the company's executive management including the Chief Executive Officer, the Chief Operating officer and the Chief Financial Officer, also conducted an evaluation of the Company's internal control over financial reporting to determine whether any change occurred during the Company's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there have been no changes in the Company's internal control over financial reporting during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

## Part II - Other Information

### Item 1. Legal Proceedings

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Not applicable

Item 2. Changes in Securities

Not applicable

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits and Report on Form 8-K

(a) Exhibits

Number	Description
31.1	Rule 13a-14(a) 15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) 15d-14(a) Certification of Chief Operating Officer
31.3	Rule 13a-14(a) 15d-14(a) Certification of Chief Financial Officer
32	Section 1350 Certification

(b) Reports on Form 8-K

On February 25, 2005, the Company filed an 8-K reporting an Item 2.02 event in a press release dated February 22, 2005, announcing the Company's financial results for the fourth quarter of its 2004 fiscal year and for the full 2004 fiscal year.

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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SIGNATURE

Date: May 11, 2005

/s/ JAMES E. HENRY

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James E. Henry  
Chairman, Chief Executive Officer, Treasurer and Director

Date: May 11, 2005

/s/ IRVIN F. WITCOSKY

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Irvin F. Witcosky  
Chief Operating Officer, President and Director

Date: May 11, 2005

/s/ PHILIP A. TIMPANARO

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Philip A. Timpanaro  
Chief Financial Officer