VICOM INC
Form 10-Q
May 15, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
|X| SECURITIES AND EXCHANGE ACT OF 1934
FOR THE PERIOD ENDING MARCH 31, 2003
OR
|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0 - 1325

VICOM, INCORPORATED

(Exact name of registrant as specified in its charter)

MINNESOTA

(State or other jurisdiction of incorporation or organization)

41 - 1255001

(IRS Employer Identification No.)

9449 SCIENCE CENTER DRIVE, NEW HOPE, MINNESOTA 55428

(Address of principal executive offices)

TELEPHONE (763) 504-3000 FAX (763) 504-3060

www.vicominc.net Internet

(Registrant's telephone number, facsimile number, and Internet address)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

Indicate by check mark whether the registrant is an accelerated filer (as defined in rule 12b-2 of the Exchange Act).

Yes |_| No |X|

On May 7, 2003 there were 15,054,503 shares outstanding of the registrant's common stock, par value $.01 per share, and 246,181 outstanding shares of the registrant's convertible preferred stock.

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

VICOM, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	March 31,	March 31,
	2003	2002
	(unaudited)	(unaudited)
REVENUES	$ 5,871,762	$ 6,262,188
COSTS AND EXPENSES		
Cost of products and services	4,310,702	4,789,214
Selling, general and administrative	2,235,996	2,236,736
Total Costs and Expenses	6,546,698	7,025,950
LOSS FROM OPERATIONS	(674,936)	(763,762)
OTHER EXPENSE		
Interest expense	(225,687)	(365,835)
Other Income (expense)	(65,496)	19,676
Total Other Expense	(291,183)	(346,159)
LOSS BEFORE INCOME TAXES	(966,119)	(1,109,921)
PROVISION FOR INCOME TAXES	0	0
NET LOSS	(966,119)	(1,109,921)
Preferred Stock Dividends	56,471	51,726
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	(1,022,590)	(1,161,647)

LOSS PER SHARE - BASIC AND DILUTED	$ (.08)	$ (.11)
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC AND DILUTED	13,418,333	10,639,224

See notes to condensed consolidated financial statements

2

VICOM, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 2003 AND DECEMBER 31, 2002

	March 31, 2003	Dece
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 413,571	$
Accounts receivable, net	2,013,530	
Inventories, net	1,493,759	
Other Current Assets	438,984	
TOTAL CURRENT ASSETS	4,359,844	
PROPERTY AND EQUIPMENT, NET	3,137,824	
OTHER ASSETS		
Goodwill	2,748,879	
Other	165,865	
TOTAL OTHER ASSETS	2,914,744	
TOTAL ASSETS	$ 10,412,412	$
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Wholesale line of credit	$ 1,478,293	$
Current portion of long term debt	290,158	

Current portion of capital lease obligations	51,343	
Accounts payable	1,282,656	
Accrued liabilities.	840,764	
Deferred service obligations and revenue	335,758	
TOTAL CURRENT LIABILITIES	4,278,972	
LONG TERM DEBT, NET.	2,863,844	
CAPITAL LEASE OBLIGATIONS, NET OF CURRENT PORTION.	151,099	
TOTAL LIABILITIES.	7,293,915	
STOCKHOLDERS' EQUITY		
Cumulative convertible preferred stock, no par value:		
8% Class A (27,831 shares issued and outstanding)	418,252	
10% Class B (6,200 shares issued and outstanding).	62,000	
10% Class C (134,500 and 131,510 shares issued and outstanding). . . .	1,720,493	
15% Class E (77,650 and 70,000 shares issued and outstanding).	438,964	
Common stock, no par value (14,413,962 and 13,110,477 shares issued; 14,380,293 and 13,065,410 shares outstanding).	5,247,828	
Stock subscriptions receivable	(670,239)	
Options and warrants	27,195,980	
Unamortized compensation	(556,192)	
Accumulated deficit.	(30,738,589)	
TOTAL STOCKHOLDERS' EQUITY	3,118,497	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 10,412,412	$

See notes to condensed consolidated financial statements

VICOM, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THREE MONTHS ENDED MARCH 31, 2003 AND MARCH 31, 2002 (Unaudited)

	THREE MONTHS END	
	MARCH 31,	
	2003	20
OPERATING ACTIVITIES		
Net loss.	$(966,119)	$(1,10
Adjustments to reconcile net loss to net cash flows from operating activities		
Depreciation and amortization	214,132	25
Amortization of deferred compensation	120,190	13
Amortization of original issue discount	114,616	21
Common stock issued for services.	0	
Warrants issued for services	321,920	
Loss on sales of property and equipment	74,137	(
Interest receivable on stock subscription receivable.	(10,826)	
Discount on preferred stock related to warrants	0	(
Changes in operating assets and liabilities:		
Accounts receivable, net.	(65,526)	5
Inventories, net.	(29,704)	
Other current assets.	(225,568)	
Other assets.	600	
Wholesale line of credit	187,910	(
Accounts payable and accrued liabilities.	(234,476)	(
Deferred service obligations and revenue.	26,029	(
Net cash flows from operating activities.	(472,685)	(
INVESTING ACTIVITIES		
Purchases of property and equipment	(92,285)	(10
Proceeds from sale of property and equipment.	0	
Collections on notes receivable	5,000	
Net cash flows from investing activities.	(87,285)	(9
FINANCING ACTIVITIES		

Proceeds from long-term debt and warrants issued with long term debt. . . .	0	60
Payments on long term debt.	(53,260)	(
Payments on capital lease obligations	(20,474)	(8
Proceeds from issuance of stock and warrants.	481,391	5
Exercise of warrants.	78,130	
Redemption of preferred stock	(2,100)	(1
Preferred stock dividends	(50,521)	(5
Net cash flows from financing activities.	433,166	50
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.	(126,804)	35
CASH AND CASH EQUIVALENTS		
Beginning of period	540,375	62
End of period	$ 413,571	$ 97
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest, net of amortization of original issue discount. . .	$ 119,489	$ 17
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Stock options issued below fair market value	0	
Issuance of preferred stock for acquisition of assets	76,500	1
Warrants issued with debt	208,447	
Conversion of preferred stock into common stock	40,000	
Current liabilities converted to stock.	92,514	
Conversion of notes payable into common stock	130,500	
Conversion of dividend into common stock.	5,950	
Reduction of stock subscription receivable	8,782	
Stock subscription receivable for issuance of common stock.	40,000	

See notes to condensed consolidated financial statements

VICOM, INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2003 and 2002

NOTE 1 - UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The information furnished in this report is unaudited and reflects all adjustments which are normal recurring adjustments and, which in the opinion of management, are necessary to fairly present the operating results for the interim periods. The operating results for the interim periods presented are not necessarily indicative of the operating results to be expected for the full fiscal year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenues and Cost Recognition
Vicom, Inc. and subsidiaries (the Company) earns revenues from four sources: 1) Video and computer technology products which are sold but not installed, 2) Voice, video and data communication products which are sold and installed, 3) Service revenues related to communication products which are sold and both installed and not installed, and 4) MultiBand user charges to multiple dwelling units.

Revenues from video and computer technology products, which are sold but not installed, are recognized when delivered and the customer has accepted the terms and has the ability to fulfill the terms.

Customer contracts for both the purchase and installation of voice and data networking technology products and certain video technologies products on one sales agreement, as installation of the product is essential to the functionality of the product. Revenues and costs on the sale of products where installation is involved are recognized under the percentage of completion method. Costs are expensed as incurred. The amount of revenue recognized is the portion that the cost expended to date bears to the anticipated total contract cost, based on current estimates to complete. Contract costs include all labor and materials unique to or installed in the project, as well as subcontract costs. Costs and estimated earnings in excess of billings are classified as current assets; billings in excess of costs and estimated earnings are classified as current liabilities.

Service revenues related to technology products including consulting, training and support are recognized when the services are provided. The Company, if the customer elects, enters into equipment maintenance agreements for products sold once the original manufacturer's warranty has expired. Revenues from all equipment maintenance agreements are recognized on a straight-line basis over the terms of each contract. Costs for services are expensed as incurred.

MultiBand user charges are recognized as revenues in the period the related services are provided.

Warranty costs incurred on new product sales are substantially reimbursed by the equipment suppliers.

Goodwill
Goodwill represents the excess of acquisition costs over the fair value of identifiable net assets acquired and was amortized using the straight-line method over ten years. The carrying value of goodwill is reviewed if the facts and circumstances suggest that it may be impaired. If the review indicates that goodwill will not be recoverable, as determined based on the undiscounted cash flows of the assets acquired over the remaining amortization period, the Company's carrying value of goodwill is reduced by the estimated shortfall of cash flows. The Company did not record any impairment charges related to goodwill during the three months ended March 31, 2003 and 2002.

VICOM, INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2003 and 2002

Stock-Based Compensation

In accordance with Accounting Principles Board (APB) Opinion No. 25 and related interpretations, the Company uses the intrinsic value-based method for measuring stock-based compensation cost which measures compensation cost as the excess, if any, of the quoted market price of the Company's common stock at the grant date over the amount the employee must pay for the stock. The Company's general policy is to grant stock options at fair value at the date of grant.

Pursuant to APB No. 25 and related interpretations, $120,190 and $130,428 of compensation cost has been recognized in the accompanying consolidated statements of operations for the three months ended March 31, 2003 and 2002, respectively. Had compensation cost been recognized based on the fair values of options at the grant dates consistent with the provisions of Statements of Financial Accounting Standards (SFAS) No. 123 "Accounting for Stock-Base Compensation", the Company's net loss and loss attributable to common stockholders and basic and diluted loss per common share would have been increased to the additional pro forma amounts:

	Three Months Ended March 31	
	2003	2002
Loss attributable to common stockholders	$ (1,022,590)	$ (1,161,647)
Pro forma loss attributable to common shares	$ (1,433,587)	$(1,209,853)
Basic and diluted net loss per share:		
As reported	$ (0.08)	$ (0.11)
Pro forma loss attributable to common shares	$ (0.11)	$ (0.11)
Stock-based compensation:		
As reported	$ 120,190	$ 130,428
Proforma	$ 410,997	$ 48,206

In determining the compensation cost of the options granted during the three months ended March 31, 2003 and 2002, as specified by SFAS No. 123, the fair value of each option grant has been estimated on the date of grant using the Black-Scholes option pricing model and the weighted average assumptions used in these calculations are summarized as follows for March 31:

	2003	2002
Risk-free interest rate	3.00%	4.40%
Expected life of options granted	10 years	10 years
Expected volatility range	170%	170%
Expected dividend yield	0%	0%

Net Loss per Share
Basic net loss per common share is computed by dividing the loss attributable to common stockholders by the weighted average number of common shares outstanding for the reporting period. Diluted net loss per common share is computed by dividing loss attributable to common stockholders by the sum of the weighted average number of common shares outstanding plus all additional common stock that would have been outstanding if potentially dilutive common shares related to common share equivalents (stock options, stock warrants, convertible preferred shares, and issued but not outstanding restricted stock) had been issued. All options, warrants, convertible preferred shares, and issued but not outstanding restricted stock during the three months ended March 31, 2003 and 2002 were anti-dilutive.

6

VICOM, INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2003 and 2002

NOTE 3 - LIQUIDITY

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern that contemplates the realization of assets and satisfaction of liabilities in the normal course of business. For the three months ended March 31, 2003 and 2002, the Company incurred net losses of $966,119 and $1,109,921, respectively. At March 31, 2003, the Company had an accumulated deficit of $30,738,589. The Company's ability to continue as a going concern is dependent on it ultimately achieving profitability and/or raising additional capital. Management intends to obtain additional debt or equity capital to meet all of its existing cash obligations and fund commitments on planned MultiBand projects, however, there can be no assurance that the sources will be available or available on terms favorable to the Company. Management anticipates that the impact of the actions listed below, will generate sufficient cash flows to pay current liabilities, long-term debt and capital lease obligations and fund the Company's future operations:

1. Continued reduction of operating expenses by controlling payroll, professional fees and other general and administrative expenses.

2. Solicit additional equity investment in the Company by either issuing preferred or common stock.

3. Continue to market MultiBand services and acquire additional multi-dwelling unit customers.

4. Control capital expenditures by contracting MultiBand services and equipment through a landlord-owned equipment program.

NOTE 4 - NOTES PAYABLE

During the three months ended March 31, 2003, the Company reached an agreement to convert $962,000 of its note payable with Pyramid Trading Limited Partnership to equity. Terms of the conversion state that the note will be converted to equity over a 14 month period at a price generally equivalent to a 10% discount to market price. The Company issued an additional 253,000 5-year warrants at an exercise price of $1.00 with the note payable extension. These warrants, valued at $208,447, will be expensed over the remaining term of the note agreement.

NOTE 5 - STOCK WARRANTS

Stock warrants activity is as follows for the three months ended March 31, 2003:

	Number of Warrants	Weighted Ave Exercise Pr
Warrants outstanding - December 31, 2002	4,327,396	
Granted	1,081,025	
Canceled or expired	0	
Exercised	(76,290)	
Warrants outstanding - March 31, 2003	5,332,131	

The warrants granted during the three months ended March 31, 2003 were awarded for common stock, preferred stock, for services rendered, and in connection with notes payable.

VICOM, INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31, 2003 and 2002

NOTE 6 - BUSINESS SEGMENTS

Following is Company business segment information for the three months ended March 31, 2003 and 2002:

	Vicom	CTU	MultiBa
Quarter ended March 31, 2003			
Revenues	$ 0	$ 5,636,642	$
Loss from operations	(406,421)	(54,894)	(2
Identifiable assets	3,318,261	5,182,571	1,
Depreciation and amortization	11,725	106,944	
Capital expenditures	0	36,645	
Quarter ended March 31, 2002			
Revenues	$ 0	$ 6,161,581	$
Loss from operations	(424,480)	(87,275)	(2

Identifiable assets	3,231,228	5,374,184	3,
Depreciation and amortization	2,417	119,917	
Capital expenditures	0	39,820	

NOTE 7- SUBSEQUENT EVENT

During February 2003, the Company incorporated a new subsidiary, Multiband USA, Incorporated (MB USA). This subsidiary was set up as part of a 50% owned joint venture agreement with PACE Electronics, Inc. (PACE) with the Company having the right to elect two of the three board of directors. As part of the joint venture agreement, the Company, at its sole option and discretion, shall have the right, but not the obligation to convert one Vicom common share for every ten shares of MB USA issued to PACE.

On April 25, 2003, the Company, through MB USA, purchased certain video equipment assets from Suncoast Automation, Inc for $450,000. The Company also purchased related rights to video subscribers and rights of access agreements.

FORWARD-LOOKING STATEMENTS

From time to time, the Company may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, product pricing, management for growth, integration of acquisitions, technological developments, new products, and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements including those made in this statement. In order to comply with the terms of the Private Securities Litigation Reform Act, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or Company's forward-looking statements.

The risks and uncertainties that may affect the operations, performance, developments and results of the Company's business include the following: national and regional economic conditions; pending and future legislation affecting IT and telecommunications industries; market acceptance of the Company's products and services; the Company's products and services; the Company's continued ability to provide integrated communication solutions for customers in a dynamic industry; and other competitive factors.

Because these and other factors could affect the Company's operating results, past financial performance should not necessarily be considered as a reliable indicator of future performance and anticipated future period results.

8

ITEM 2.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATION

GENERAL

Vicom, Incorporated (Vicom) is a Minnesota corporation formed in September 1975. Vicom is the parent corporation of two wholly-owned subsidiaries, Corporate Technologies, USA, Inc. (CTU), and MultiBand, Inc. (MultiBand) and one partially-owned subsidiary, Multiband USA, Inc.

Vicom completed an initial public offering in June 1984. In November 1992, Vicom became a non-reporting company under the Securities Exchange Act of 1934. In July 2000, Vicom regained its reporting company status. In December, 2000, Vicom stock began trading on the NASDAQ stock exchange under the symbol VICM.

Vicom's website is located at: www.vicominc.net.

Vicom recently expanded its efforts to establish itself within the rapidly evolving telecommunications and computer industries. Effective December 31, 1998, Vicom acquired the assets of the Midwest region of Enstar Networking Corporation (ENC), a data cabling and networking company. In late 1999, in the context of a forward triangular merger, Vicom, to expand its range of computer products and related services, purchased the stock of Ekman, Inc. d/b/a Corporate Technologies, and merged Ekman, Inc. into the newly formed surviving corporation, Corporate Technologies, USA, Inc. (CTU). CTU provides voice, data and video systems and services to business and government. MultiBand, Inc. was incorporated in February 2000. MultiBand, Inc provides voice, data and video services to multiple dwelling units (MDU's). Multiband USA, Inc. was formed in February, 2003 in partnership with Pace Electronics, a video wholesaler, and provides the same services as Multiband, Inc.

As of March 31, 2003, CTU was providing telephone equipment and service to approximately 800 customers, with approximately 10,000 telephones in service. In addition, CTU provides computer products and services to approximately 2,100 customers. MultiBand, as of March 31, 2003, had approximately 1,300 customers. Telecommunications systems distributed by Vicom are intended to provide users with flexible, cost-effective alternatives as compared to systems available from major telephone companies, including those formerly comprising the Bell System and from other interconnect telephone companies.

CTU provides a full range voice, data and video communications systems and service, system integration, training and related communication sales and support activities for commercial, professional and institutional customers, most of which are located in Minnesota and North Dakota. CTU purchases products and equipment from NEC America, Inc. (NEC), Siemens Enterprise Networks (Siemens), Cisco Systems, Inc. (Cisco), Nortel Networks Corp. (Nortel), Tadiran Telecommunications, Inc. (Tadiran), and other manufacturers of communications and electronic products and equipment. CTU uses these products to design telecommunications systems to fit its customers' specific needs and demands.

SELECTED CONSOLIDATED FINANCIAL DATA

	DOLLAR AMOUNTS AS A PERCENTAGE OF REVENUES	
	THREE MONTHS ENDED	
	March 31, 2003 (unaudited)	March 31, 20 (unaudited)

REVENUES	100%	100%
COST OF PRODUCTS & SERVICES	73.4%	76.4%
GROSS MARGIN	26.6%	23.6%
SELLING, GENERAL & ADMINISTRATIVE	38.1%	35.7%
OPERATING LOSS	-11.5%	-12.1%
INTEREST EXPENSE & OTHER, NET	-5.0%	-5.5%
LOSS BEFORE TAXES	-16.5%	-17.7%
INCOME TAX	0	0
NET LOSS	-16.5%	-17.7%

The following table sets forth, for the period indicated, the gross margin percentages for Corporate Technologies USA, Inc. and MultiBand, Inc.

	THREE MONTHS ENDED MARCH 31, 2003	THREE MONTHS ENDED MARCH 31, 2002
GROSS MARGIN PERCENTAGES:		
CORPORATE TECHNOLOGIES USA, INC.	25.2%	22.9%
MULTIBAND, INC.	1.4%	.6%

RESULTS OF OPERATIONS

Revenues

Revenues decreased 6.2% to $5,871,762 in the quarter ended March 31, 2003, as compared to $6,262,188 for the quarter ended March 31, 2002.

Revenues for (CTU) decreased 8.5% in the first quarter of fiscal 2003 to $5,636,642 as compared to $6,161,581 in the first quarter of fiscal 2002. This decrease in CTU's revenues resulted primarily from CTU's desire to increase gross margins versus maintaining top line revenues.

Revenues for MultiBand, Inc. increased 133.7% to $235,120 as compared to $100,607 in the first quarter of fiscal 2002. This increase is due to expansion of MultiBand services to five additional properties.

Gross Margin

The Company's gross margin increased 6% or $88,086 to $1,561,060 for the quarter ended March 31, 2003, as compared to $1,472,974 for the similar quarter last year. For the quarter ended March 31, 2003, as a percent of total revenues, gross margin was 26.6% as compared to 23.6% for the similar period last year. This increase in gross margin percentage is primarily due to an

increase in service sales and recurring subscriber revenues which have better margins than equipment sales.

Gross margin for Corporate Technologies USA, Inc. increased by 2.6% to $1,479,587 for the quarter ended March 31, 2003, as compared to $1,441,399 in the first quarter of fiscal 2002. This increase is due to the above mentioned service and subscriber sales.

Gross margin for MultiBand, Inc. for the quarter ended March 31, 2003 increased 116.8% to $81,473 as compared to $37,575 in the first quarter of fiscal 2002 reflecting on the increase of revenue being billed.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased slightly to $2,235,996 in the quarter ended March 31, 2003, compared to $2,236,736 in the prior year quarter. Selling, general and administrative expenses were, as a percentage of revenues, 38.1% for the quarter ended March 31, 2003 and 35.7% for the similar period a year ago.

Interest Expense

Interest expense was $225,687 for the quarter ended March 31, 2003, versus $365,835 for the similar period a year ago, reflecting a decrease in the Company's long term debt that resulted in a considerable decrease in the amortization of original issue discount expense. Amortization of original issue discount was $114,616 and $210,983 for the three months ended March 31, 2003 and 2002.

Net Loss

In the first quarter of fiscal 2003, the Company incurred a net loss of $966,119 compared to a net loss of $1,109,921 for the first fiscal quarter of 2002. A decline in operating losses for the first quarter of 2003 versus the similar period a year ago was primarily due to the above mentioned increase in gross margin.

Liquidity and Capital Resources

Available working capital, for the three months ended March 31, 2003, increased slightly over the similar period last year. Vicom experienced a significant decrease in accounts payable for the period ended March 31, 2003 versus year end due to a reduction in Multiband payables. Accounts receivable increased slightly for the period ended March 31, 2003, compared to the prior year period.

Inventories increased slightly over last year's year end balance.

Management of Vicom believes that, for the near future, cash generated by sales of stock, and existing credit facilities, in aggregate, are adequate to meet the anticipated liquidity and capital resource requirements of its Corporate Technologies USA, Inc. business for the next twelve months. Significant continuation of the Company's MultiBand, Inc.'s build-out is highly dependent on securing additional financing for future projects. Management believes that while future build-out financing is available, there is no guarantee that said financing will be obtained.

Capital Expenditures

The Company used $92,285 for capital expenditures during the three months ended March 31, 2003, as compared to $105,533 in the similar period last year. Capital expenditures consisted of equipment acquired for internal use.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

IMPAIRMENT OF LONG-LIVED ASSETS

The Company's long-lived assets include property, equipment and leasehold improvements. The estimated fair value of these assets is dependent on the Company's future performance. In assessing for potential impairment for these assets, the Company considers future performance. If these forecasts are not met, the Company may have to record an impairment charge not previously recognized, which may be material. During the three months ended March 31, 2003 and 2002, the Company did not record any impairment losses related to long-lived assets.

IMPAIRMENT OF GOODWILL

We periodically evaluate acquired businesses for potential impairment indicators. Our judgements regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance of our acquired businesses. Future events could cause us to conclude that impairment indicators exist and that goodwill associated with our acquired businesses is impaired. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations. During the three months ended March 31, 2003 and 2002, the Company did not record any impairment losses related to goodwill.

INVENTORIES

We value our inventory at the lower of the actual cost or the current estimated market value of the inventory. We regularly review inventory quantities on hand and record a provision for excess and obsolete inventory. Rapid technological change, frequent new product development, and rapid product obsolescence that could result in an increase in the amount of obsolete inventory quantities on hand characterize our industry.

ITEM 3. QUANTITIVE AND QUALITIVE DISCLOSURE ABOUT MARKET RISK

Vicom is not subject to any material interest rate risk as any current lending agreements are at a fixed rate of interest.

ITEM 4. CONTROLS AND PROCEDURES

Within 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14(c) of the Securities Exchange Act of 1934. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in alerting them in a timely basis to material information relating to the Company required to be disclosed in the Company's periodic SEC reports. There have been no significant changes in the Company's internal controls or in other factors which could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART II. OTHER INFORMATION

ITEM 4. LEGAL PROCEEDINGS

As of March 31, 2003, Vicom was not engaged in any legal proceedings whose anticipated results would have a material adverse impact on the Company.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits
None
(b) Reports on Form 8-K.
None

SIGNATURES

Pursuant to 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.

VICOM, INC.
Registrant

Date: May 15, 2003 By:

/s/ James L. Mandel
Chief Executive Officer

Date: May 15, 2003 By:

/s/ Steven M. Bell
Chief Executive Officer
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James Mandel, Chief Executive Officer of Vicom Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vicom Incorporated;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function);

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 15, 2003

/s/James Mandel
Chief Executive Officer

14

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven Bell, Chief Financial Officer of Vicom Incorporated, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vicom Incorporated;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function);

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 15, 2003 Signature:

/s/Steven Bell
Chief Financial Officer

Exhibit 99.1

Vicom, Inc.

Certification Pursuant to 18 U.S.C. Section 1350
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with this Quarterly Report Form 10-Q, Vicom, Inc. (the "Company") for the period ended March 31, 2003, I, James L. Mandel, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. This Periodic Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2003 By:

/s/ James L. Mandel
Chief Executive Officer

In connection with this Quarterly Report Form 10-Q, Vicom, Inc. (the "Company") for the period ended March 31, 2003, I, Steven M. Bell, Secretary and Treasurer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. This Periodic Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2003 By:

/s/ Steven M. Bell
Chief Financial Officer
