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## Mergers And Acquisitions

### Mobile Video Outfit Refocuses

Andrew T. Gillies, 11.28.07, 6:04 PM ET

WASHINGTON, D.C. - In early 2004, Peter Durand took the top job at Integrian, a North Carolina company specializing in mobile surveillance systems for vehicles like police cars and buses. It's been a busy run since, with two venture funding rounds closed, three acquisitions, and a headcount that went from 12 to 200.

"This has been four years of 90 miles an hour every single day," says Durand, 38.

Not all decisions made at 90 miles an hour turn out well. Integrian hopes one acquisition gone amiss will help another bear fruit.

Two years ago, Integrian deployed a big chunk of its venture capital to acquire publicly listed Innovonics, a \$9 million (revenues) Australian developer of transit surveillance technology. The rationale behind the buy: Innovonics' specialty in passenger rail systems and subways would complement Integrian's strengths in camera systems for cars and buses.

"We had this goal of combining the technologies into one platform," says Durand.

A reasonable goal, given Integrian's product portfolio. The company's TransitCam product, for example, can put up to eight cameras on a city bus, recording and storing image and audio information that can be searched and analyzed.

Integrian's DigitalPatroller offering does the same for police cars. DigitalPatroller has four cameras and audio inputs that record simultaneously. Its ruggedized hard drive--shown in the accompanying image--can transmit information to a server wirelessly or get removed after a shift for upload inside a police station. Integrian has big deals with police departments such as Dallas and Raleigh, N.C. Public safety customers make up 60% of the company's top line, which should hit somewhere between \$50 million and \$100 million in 2008.

But after acquiring Innovonics in 2005, Integrian found the rail business didn't really meld with its counterparts in cars and buses. While outfitting train systems with surveillance tech can bring big dollars, the engagements are few and far between. Moreover, dealing with rail authorities around the world meant copious legal requirements, contracts running hundreds of pages long and daunting technical challenges, given widely varying train computer systems.

"You literally have to have a separate engineering team for each project," says Durand. "There is no off-the-shelf product that works for rail."

So Durand is getting out; Integrian is close to unloading the former Innovonics operations to an interested competitor. The move, Durand says, will depress revenues but cut headcount and overhead expenses in half. It will also allow Integrian to focus on making the most of another acquisition: its purchase of Signal Innovations Group in December 2006.

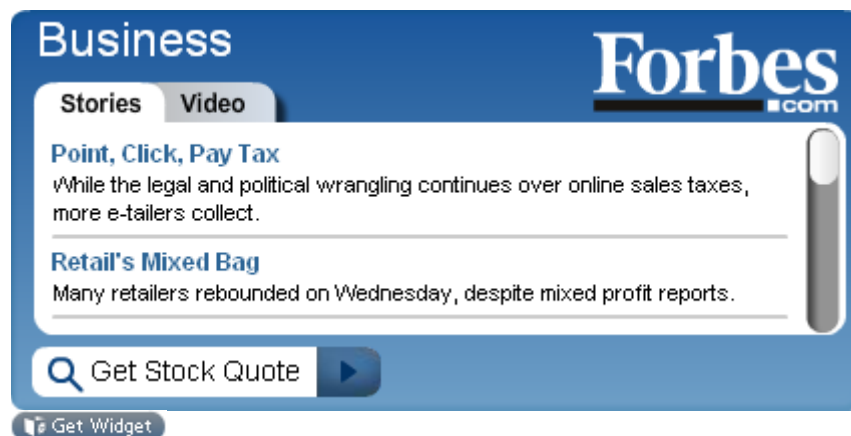
Signal Innovations specializes in data modeling methods for pattern recognition and has ties to all three U.S. military branches for projects like weapons targeting and activity recognition. Integrian has re-purposed Signal Innovation's technology to an area where it spies big potential: license plate recognition.

"Imagine 4,000 buses in New York city capturing license plates 24 hours a day," says Durand. (New York City Transit already has tapped Integrian to install surveillance equipment on 400 of its 4,500 buses.)

At the federal level, Durand sees demand for license plate recognition for homeland security, namely border and airport security. The federal government segment now makes up 15% of Integrian's business. Durand sees that number climbing to 30% within a few years. To help it get there, Integrian recently hired Robert McCashin to head its board of directors. McCashin, who also sits on the board of Argon ST, ran the federal government business for Electronic Data Systems.

Of course, there's big competition here, namely from General Electric, Verint Systems and L-3 Communications Holdings. But Durand thinks Integrian can fend them off thanks to a loyal customer base and partnerships with Dell and Motorola. The latter company is also an investor via its venture capital arm.

Could Integrian the acquirer become Integrian the acquiree? "When the timing's right," Durand says, "our board will probably take some interest in it."



The image shows a screenshot of a Forbes Business widget. At the top left, the word "Business" is written in white on a blue background. To the right, the "Forbes" logo is displayed in white, with ".com" in a smaller font below it. Below the logo, there are two tabs: "Stories" and "Video", with "Stories" being the active tab. The main content area features two article teasers. The first is titled "Point, Click, Pay Tax" in blue, with a sub-headline in black: "While the legal and political wrangling continues over online sales taxes, more e-tailers collect." The second is titled "Retail's Mixed Bag" in blue, with a sub-headline: "Many retailers rebounded on Wednesday, despite mixed profit reports." At the bottom of the widget, there is a search bar with a magnifying glass icon and the text "Get Stock Quote", followed by a blue play button icon. Below the search bar is a "Get Widget" button with a small icon.