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DMC: One More For The Movies

Document Security Systems, Inc. (AMEX: DMC, \$8.01) announced on August 01, 2005 that the company was suing the European Central Bank ("ECB") and seeking to recover damages "at a rate of a reasonable royalty" based on a claim that every Euro banknote in circulation infringes on DMC's patent "covering anti-counterfeiting technology."

That is a pretty lofty statement for a company that went public in November 1985 as a "developer and producer of theatrical motion pictures" and was incorporated in 1983 as Thoroughbreds, Inc. Very lofty indeed, for a company that tried, unsuccessfully to cash in on the dotcom mania and then produced such forgettable B-list fare as "The Godmother" and "Freak Talks About Sex."

DMC, which was formerly known as New Sky Communications ("New Sky") changed its name to Document Security Systems on February 3, 2003 subsequent to New Sky's acquisition of three businesses, which were and remain a group of tiny, low margin, low growth printing and paper distribution companies with immaterial sales.

Prior to New Sky's entry into what it calls "the document security business," it had 2,238,975 shares outstanding with a market value of a mere \$358,236. Currently DMC has 12,844,313 shares outstanding and a market value of about \$102.8 million.

In 2002, New Sky acquired Document Security Consultants, Inc., as well as "all of the corporate stock" of Lester Levin, Inc. and Thomas M. Wicker Enterprises Inc. in August of 2002.

In 2002, New Sky also completed a private placement of 5,000,000 shares of at a price of \$0.10 a share, or a total of just \$500,000. According to the Form 10-Q for the period ended June 30, 2002 New Sky had no revenues, and no cash prior to the acquisition of the above noted "security document" and printing companies.

New Sky paid \$72,000 in cash and issued 125,000 shares of common stock for Document Security Consultants. Document Security Consultant's President David Wicker, a former bookbindery foreman, is now DMC's Vice President of Operations and Technology.

The Wicker family connection continued with the purchase of Thomas M. Wicker Enterprises, Inc ("TMW") for 1,000,000 shares, which at the time of their issuance had a market value of \$140,000. After the acquisition, Thomas Wicker, formerly an auto mechanic, assumed the title of Director of Research and Development and is currently the Chief Technology Officer at DMC.

The biggest deal was received by Patrick White, a longtime business associate of the Wickers for the acquisition of Lester Levin, Inc., which was doing business as Patrick Printing. For Lester Levin, Inc., New Sky issued 750,000 shares of stock with a market value of \$105,000, and the assumption of \$324,921.26 in debt.

To round out DMC's executive "Dream Team" after the acquisitions, New Sky employed Patrick White as President,

Chief Executive Officer ("CEO") and Chairman.

The developer of the technology which DMC claims the ECB is infringing upon is Ralph Wicker, who is the late father of David and Thomas Wicker. Ralph and Thomas Wicker unsuccessfully sued the United States Treasury Department in 1995 claiming that the U.S. \$100 bill unveiled in 1995 infringed upon intellectual properties covered by Ralph Wicker's patents.

The lawsuit against the United States Treasury Department in fact had the opposite effect. As a result of the lawsuit against the United States Treasury Department certain claims of the Wicker's Patent numbers 5,018,767 and 5,193,853 were found to be invalidated due to obviousness and the case was dismissed. The dismissal and resulting in the invalidation of these certain claims, was upheld on appeal.

When announcing DMC's lawsuit against the ECB, Tom Wicker stated "Our father, Ralph Wicker, was the original inventor of these technologies. He passed away knowing that many governments and corporations were infringing on our patents but our family lacked the resources to enforce these rights. We joined forces with Document Security Systems in part so that we would have the resources and corporate structure to not only address what we consider to be the wrongful use of our technologies but also to provide a platform for marketing and licensing our newer and more powerful anti-counterfeiting technologies in the future."

If the Wickers have valid claims against governments, and banks and major institutions in the Checks and Forms industry it is almost incredulous to think that they would use a former B-list production house with no cash, funding resources, and a long list of failed schemes, as a platform to validate their late father's claims.

Maybe the Wicker's are in the wrong business and should have stuck with DMC's movie production roots. To hear the Wickers tell their story it has all the makings of a great film. Unfortunately for investors, as we learn at a young age, the movies are all about make-believe.