Argyle Security Acquisition CORP
Form S-4
December 22, 2006

As filed with the Securities and Exchange Commission on December 21, 2006

Registration No. 333-________

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

FORM S-4
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

ARGYLE SECURITY ACQUISITION CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**6770**	**20-3101079**
(State or other jurisdiction of incorporation or organization)	(Primary standard industrial classification code number)	(I.R.S. Employer Identification Number)

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200 Concord Plaza, Suite 700
San Antonio, TX 78216
(210) 828-1700
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Bob Marbut
Chairman and Co-Chief Executive Officer
Argyle Security Acquisition Corporation
200 Concord Plaza, Suite 700
San Antonio, TX 78216
(210) 828-1700
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Mitchell S. Nussbaum, Esq.	**D. Hull Youngblood, Jr., Esq.**
Loeb & Loeb LLP	

345 Park Avenue
New York, NY 10154
(212) 407-4000

Hughes & Luce LLP
111 Congress
Suite 900
Austin, TX 78701
(512) 482-6870

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective and all other conditions to the acquisition described in the proxy statement/prospectus included in this registration statement have been satisfied or waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share(1)	Proposed maximum aggregate offering price(1)	Amount of registration fee
Common Stock, par value $0.0001 per share	1,180,000	$ 7.42	$ 8,755,600	$ 936.85

(1) For the purpose of calculating the registration fee pursuant to Rule 457(f)(1), calculated based on the market value of the registrant's common stock to be issued in the merger, as established by the average of the bid and ask price for the registrant's common stock on December 18, 2006 on the Over-the-Counter Bulletin Board, which was $7.42.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

ARGYLE SECURITY ACQUISITION CORPORATION
200 CONCORD PLAZA, SUITE 700
SAN ANTONIO, TX 78216

TO THE STOCKHOLDERS OF
ARGYLE SECURITY ACQUISITION CORPORATION:

You are cordially invited to attend a special meeting of stockholders of Argyle Security Acquisition Corporation to be held on _______, 2007. At the meeting, you will be asked to consider proposals to approve the merger of a wholly-owned subsidiary of Argyle into ISI Detention Contracting Group, Inc., referred to in this proxy statement as ISI, resulting in ISI becoming a wholly-owned subsidiary of Argyle. ISI is a security solutions provider for the detention and commercial markets, employing both its own proprietary and third-party products to create fully integrated systems.

The special meeting will be held at 10:00 a.m., San Antonio, Texas, time, on ________ __, 2007, at 200 Concord Plaza, San Antonio, TX 78216. At this important meeting, you will be asked to consider and vote upon the following:

- The proposed merger of a wholly-owned subsidiary of Argyle into ISI, resulting in ISI becoming a wholly-owned subsidiary of Argyle and the transactions contemplated by the merger agreement dated December 8, 2006 among Argyle, the wholly-owned subsidiary of Argyle, and ISI;

- The adoption of Argyle’s 2007 Omnibus Securities and Incentive Plan, which provides for the grant of up to 1,000,000 shares of Argyle’s common stock or cash equivalents to directors, officers, employees and/or consultants of Argyle and its subsidiaries;

- Amending Argyle’s Second Amended and Restated Certificate of Incorporation to change Argyle’s corporate name to Argyle Security, Inc.; and

- Amending Argyle’s Second Amended and Restated Certificate of Incorporation to remove certain provisions containing procedural and approval requirements applicable to Argyle prior to the consummation of a business combination that will no longer be operative upon consummation of the merger.

Pursuant to Argyle’s Second Amended and Restated Certificate of Incorporation and the merger agreement, Argyle is required to obtain stockholder approval of the acquisition of ISI. Pursuant to the merger agreement entered into by Argyle, Argyle’s wholly-owned subsidiary, and ISI, it is a condition to the obligation of ISI to consummate the merger that the 2007 Omnibus Securities and Incentive Plan be approved by Argyle’s stockholders. If the proposal relating to the 2007 Omnibus Securities and Incentive Plan is not approved, and if ISI’s Board of Directors chooses not to waive that condition to the merger, Argyle will not be able to go forward with the acquisition of ISI, even if the proposal to approve the merger has been approved by Argyle's stockholders. Argyle’s initial stockholders have agreed to vote 956,261 of their shares in accordance with the holders of a majority of the public shares voting in person or by proxy at the meeting and have agreed to vote the 125,000 of their shares purchased in the private placement immediately prior to Argyle’s initial public offering and all shares acquired after such initial public offering in favor of all the proposals. The initial stockholders have agreed not to demand redemption of any shares owned by them.

In addition, each stockholder (other than Argyle’s initial stockholders) who votes against the acquisition has the right to concurrently demand that Argyle redeem his or her shares for cash equal to a pro rata portion of the trust account in which the net proceeds of Argyle’s initial public offering and private placement are deposited. Argyle will not be permitted to consummate the acquisition if holders of 765,009 or more of the shares purchased in Argyle’s initial public offering (which number represents 20% or more of the shares sold in Argyle’s initial public offering and private placement) vote against the acquisition and demand redemption of their shares. In the event that the acquisition is not

consummated, Argyle may continue to seek an alternative target business.

To avoid being required to liquidate, as provided in its charter, Argyle needs, by July 30, 2007, to consummate a business combination or enter a letter of intent, agreement in principle or definitive agreement relating to a business combination, in which case Argyle would be allowed an additional six months to complete it. Under its charter as currently in effect, if Argyle does not acquire at least majority control of a target business by January 30, 2008, Argyle will dissolve and distribute to its public stockholders the amount in the trust account plus any remaining net assets. Following dissolution, Argyle would no longer exist as a corporation.

Under the merger agreement, ISI Security Group, Inc., a wholly-owned subsidiary of Argyle, will merge into ISI, resulting in ISI becoming a wholly-owned subsidiary of Argyle. The current security holders of ISI will receive an aggregate of $16,300,000 and 1,180,000 shares of Argyle's common stock. In the event that ISI's earnings before interest, taxes, depreciation and amortization (EBITDA) for the year ended December 31, 2006 are greater than $4,500,000 and its backlog of orders at February 28, 2007 is greater than $80,000,000 (including inter-company amounts), Argyle will pay the stockholders of ISI an additional $1,900,000. The calculation of ISI's EBITDA is subject to an adjustment of $900,000 relating to certain events that Argyle and ISI agreed should not reduce the EBITDA calculation.

In connection with the merger, immediately prior to the merger, a debt holder will convert $10,000,000 of long term debt into shares of ISI preferred stock. Additionally, ISI will be obligated to the debt holder for approximately $6,000,000. Upon consummation of the merger, the surviving corporation will be obligated for all of ISI's outstanding liabilities, including long-term debt, up to $9,000,000 that may be outstanding pursuant to a revolving credit line, and any capitalized leases. As of September 30, 2006 there was approximately $4,700,000 outstanding under the credit line.

After completion of the acquisition, if no stockholder exercises his or her redemption rights, Argyle's current stockholders will own approximately 80.2% of Argyle's outstanding common stock (assuming no Argyle warrants are exercised). Argyle's public stockholders alone will own approximately 62.1% of the post-acquisition Argyle, its initial stockholders, including its officers and directors, will own approximately 18.1% of post-acquisition Argyle and former ISI stockholders will own approximately 19.8% of post-acquisition Argyle.

Argyle's common stock, warrants and units are quoted on the Over-the-Counter (OTC) Bulletin Board under the symbols ARGL, ARGLW and ARGLU. ISI is a private company incorporated in Delaware. Argyle expects its securities to continue to be quoted on the OTC Bulletin Board.

After careful consideration of all relevant factors, Argyle's Board of Director has determined that these proposals are fair to and in the best interests of Argyle and its stockholders, and has recommended that you vote or give instruction to vote **"FOR"** adoption of each of them.

Enclosed is a notice of special meeting and proxy statement containing detailed information concerning the acquisition, the other proposals and the meeting. This document also serves as the prospectus for ISI stockholders being offered Argyle common stock. Whether or not you plan to attend the special meeting, we urge you to read this material carefully and vote your shares.

I look forward to seeing you at the meeting.

Sincerely,

Bob Marbut
Chairman and Co-Chief Executive Officer

Your vote is important. Whether you plan to attend the special meeting or not, please sign, date and return the enclosed proxy card in the envelope provided as soon as possible. You may also vote by telephone or the Internet, as described on the proxy card.

ARGYLE SECURITY ACQUISITION CORPORATION
200 CONCORD PLAZA, SUITE 700
SAN ANTONIO, TX 78216

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ____________, 2007

TO THE STOCKHOLDERS OF
ARGYLE SECURITY ACQUISITION CORPORATION:

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Argyle Security Acquisition Corporation, a Delaware corporation, will be held at 10:00 a.m. San Antonio, Texas, time, on _____________, 2007, at 200 Concord Plaza, San Antonio, TX 78216 to consider and vote upon proposals to approve:

1. The proposed merger of a wholly-owned subsidiary of Argyle into ISI, resulting in ISI becoming a wholly-owned subsidiary of Argyle and the transactions contemplated by the merger agreement dated December 8, 2006 among Argyle, the wholly-owned subsidiary of Argyle, and ISI;

2. The adoption of Argyle's 2007 Omnibus Securities and Incentive Plan, which provides for the grant of up to 1,000,000 shares of Argyle's common stock or cash equivalents to directors, officers, employees and/or consultants of Argyle and its subsidiaries;

3. An amendment to Argyle's Second Amended and Restated Certificate of Incorporation to change Argyle's corporate name to Argyle Security, Inc.; and

4. An amendment to Argyle's Second Amended and Restated Certificate of Incorporation to remove certain provisions containing procedural and approval requirements applicable to Argyle prior to the consummation of a business combination that will no longer be operative upon consummation of the merger.

Pursuant to Argyle's Second Amended and Restated Certificate of Incorporation, Argyle is required to obtain stockholder approval of the acquisition of ISI. Pursuant to the merger agreement entered into by Argyle, Argyle's wholly-owned subsidiary, and ISI, it is a condition to the obligation of ISI to consummate the merger that the 2007 Omnibus Securities and Incentive Plan be approved by Argyle's stockholders. If the proposal relating to the 2007 Omnibus Securities and Incentive Plan is not approved, and if ISI's Board of Directors chooses not to waive that condition to the merger, Argyle will not be able to go forward with the acquisition of ISI, even if the proposal to approve the merger has been approved.

The Board of Directors has fixed the record date as the close of business on __________ __, 2007, the date for determining Argyle stockholders entitled to receive notice of and vote at the special meeting and any adjournment thereof. Only holders of record of Argyle common stock on that date are entitled to have their votes counted at the special meeting or any adjournment.

Your vote is important. Please sign, date and return your proxy card as soon as possible to make sure that your shares are represented at the special meeting. You may also vote by telephone or the Internet, as described on the proxy card. If you are a stockholder of record, you may also cast your vote in person at the special meeting. If your shares are held in an account at a brokerage firm or bank, you must instruct your broker or bank how to vote your shares, or you may cast your vote in person at the special meeting by obtaining a proxy from your brokerage firm or bank. Your failure to vote or instruct your broker or bank how to vote will have the same effect as voting against the proposals.

After careful consideration of all relevant factors, Argyle's Board of Directors has determined that these proposals are fair to and in the best interests of Argyle and its stockholders, and has recommended that you vote or give instruction to vote **"FOR"** adoption of each of them.

Dated: ___________, 2007

By Order of the Board of Directors,

Bob Marbut
Chairman and Co-Chief Executive Officer

The information contained in this proxy statement/prospectus is not complete and may be changed. Argyle may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.

Subject to completion, dated December 21, 2006

ARGYLE SECURITY ACQUISITION CORPORATION
PROXY STATEMENT FOR SPECIAL MEETING OF STOCKHOLDERS
AND
PROSPECTUS FOR 1,180,000 SHARES OF COMMON STOCK

The Board of Directors of Argyle Security Acquisition Corporation approved the merger of a wholly-owned subsidiary of Argyle into ISI Detention Contracting Group, Inc., referred to in this document as ISI, resulting in ISI becoming a wholly-owned subsidiary of Argyle. Pursuant to the terms of the merger agreement, the current security holders of ISI will receive an aggregate of $16,300,000 and 1,180,000 shares of Argyle's common stock. In the event that ISI's earnings before interest, taxes, depreciation and amortization (EBITDA) for the year ended December 31, 2006 are greater than $4,500,000 and its backlog of orders at February 28, 2007 is greater than $80,000,000 (including inter-company amounts), Argyle will pay the stockholders of ISI an additional $1,900,000. The calculation of ISI's EBITDA is subject to an adjustment of $900,000 relating to certain events that Argyle and ISI agreed should not reduce the EBITDA calculation.

This proxy statement/prospectus constitutes the prospectus for ISI stockholders being offered Argyle common stock in connection with the acquisition of ISI by Argyle, and the proxy statement for Argyle stockholders in connection with the special meeting to consider and vote on the proposed ISI acquisition and related matters.

Argyle was organized to acquire, through merger, capital stock exchange, asset acquisition or other similar business combination, a business in the security industry. ISI is a security solutions provider for the detention and commercial markets, employing both its own proprietary and third-party products to create fully integrated systems. Upon consummation of the acquisition, ISI will become a subsidiary of Argyle. The former stockholders of ISI would become holders of 19.8% of Argyle's common stock.

Argyle's common stock, warrants and units are quoted on the Over-the-Counter (OTC) Bulletin Board under the symbols ARGL, ARGLW and ARGLU. ISI is a private company organized under the laws of the state of Delaware. Argyle expects its securities to continue to be quoted on the OTC Bulletin Board.

This proxy statement/prospectus provides you with detailed information about the acquisition of ISI and the special meeting of Argyle's stockholders. We encourage you to carefully read this entire document.

You should also carefully consider the "Risk Factors" beginning on page 14.

The acquisition of ISI by Argyle is subject to approval by holders of a majority of the shares of Argyle's common stock voted, provided that a quorum exists at the meeting, at the special meeting on _____________, 2007 and any adjournment thereof.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION

TO THE CONTRARY IS A CRIMINAL OFFENSE.

This proxy statement/prospectus is dated _______, 2007 and is first being mailed to Argyle stockholders on or about, _________, 2007.

1

TABLE OF CONTENTS

	Page
Questions and Answers About the Acquisition and the Argyle Special Meeting	3
Summary	8
Risk Factors	14
Selected Historical Financial Information	23
Selected Unaudited Pro Forma Combined Financial Information	26
Comparative Per Share Information	27
Price Range of Securities and Dividends	27
The Argyle Special Meeting	29
Proposal to Acquire ISI	32
Proposal to Approve the 2007 Omnibus Securities and Incentive Plan	42
Proposal to Change Argyle's name to Argyle Security, Inc.	47
Proposal to Amend Argyle's Certificate of Incorporation to Remove Certain Provisions that Would No Longer Be Applicable to Argyle	47
Information About ISI	50
ISI Management's Duiscussion and Analysis of Financial Condition and Results of Operations	56
Information About Argyle	62
Argyle Management's Duiscussion and Analysis of Financial Condition and Results of Operations	56
Unaudited Pro Forma Condensed Consolidated Financial Statements	67
Directors And Management	81
Certain Relationships and Related Transactions	86
Beneficial Ownership of Securities	89
Shares Eligible For Future Sale	91
Argyle's Securities	91
Stockholder Proposals	99
Legal Matters	99
Experts	99
Delivery Of Documents To Stockholders	99
Where You Can Find More Information	100
Index to Financial Statements	F-1
Annexes	A-1

This proxy statement/prospectus incorporates important business and financial information about Argyle and ISI and its subsidiaries that is not included in or delivered with the document. This information is available without charge to security holders upon written or oral request. The request should be sent to:

Bob Marbut
Chairman and Co-Chief Executive Officer
Argyle Security Acquisition Corporation
200 Concord Plaza, Suite 700
San Antonio, TX 78216
(210) 828-1700

To obtain timely delivery of requested materials, security holders must request the information no later than five business days before the date they submit their proxies or attend the special meeting. The latest date to request the information to be received timely is ___________, 2007.

2

QUESTIONS AND ANSWERS ABOUT THE ACQUISITION AND THE ARGYLE SPECIAL MEETING

These Questions and Answers are only summaries of the matters they discuss. Please read this entire proxy statement/prospectus.

Q. **Why is Argyle proposing the acquisition?**

A. Argyle was formed to acquire, through merger, capital stock exchange, asset acquisition or other similar business combination, a business in the security industry. On December 14, 2006, Argyle announced that it had entered into a merger agreement with ISI, and ISI Security Group, Inc., a wholly-owned subsidiary of Argyle. Pursuant to Argyle's certificate of incorporation, Argyle is required to obtain stockholder approval for the first acquisition it enters into.

As a result of this transaction, Argyle will acquire ISI, and the former stockholders of ISI will receive 19.8% of Argyle's outstanding common stock.

ISI is a security solutions provider for the detention and commercial markets, employing both its own proprietary and third-party products to create fully integrated systems. Argyle believes that a business combination with ISI will provide Argyle stockholders with an opportunity to invest in a company with significant growth potential.

Argyle's proposed acquisition of ISI is intended to be a "business combination" under Argyle's amended and restated certificate of incorporation, or charter. In the event that the acquisition is not consummated, Argyle may seek an alternative target business, provided, however that Argyle must enter into a letter of intent or definitive agreement relating to a business combination by July 30, 2007 and complete a "business combination" by January 30, 2008, or distribute the assets held in its trust account to its stockholders and dissolve.

Q. **What is being voted on?**

A. You are being asked to vote on four proposals:

· The proposed merger of a wholly-owned subsidiary of Argyle into ISI, resulting in ISI becoming a wholly-owned subsidiary of Argyle and the transactions contemplated by the merger agreement dated December 8, 2006 among Argyle, the wholly-owned subsidiary of Argyle, and ISI;

· The adoption of Argyle's 2007 Omnibus Securities and Incentive Plan, which provides for the grant of up to 1,000,000 shares of Argyle's common stock or cash equivalents to directors, officers, employees and/or consultants of Argyle and its subsidiaries;

· Amending Argyle's Second Amended and Restated Certificate of Incorporation to change Argyle's corporate name to Argyle Security, Inc.; and

· Amending Argyle's Second Amended and Restated Certificate of Incorporation to remove certain provisions containing procedural and approval requirements applicable to Argyle prior to the consummation of a business combination that will no longer be operative upon consummation of the merger.

Pursuant to Argyle's Second Amended and Restated Certificate of Incorporation, Argyle is required to obtain stockholder approval of the acquisition of ISI. Pursuant to the merger agreement entered into by Argyle, Argyle's wholly-owned subsidiary, and ISI, it is a condition to the obligation of ISI to consummate the merger that the 2007 Omnibus Securities and Incentive Plan be approved by Argyle's stockholders. If the proposal relating to the merger and the 2007 Omnibus Securities and Incentive Plan is not approved, and if ISI's Board of Directors chooses not to waive that condition to the merger, Argyle will not be able to go forward with the acquisition of ISI.

Q. **Why is Argyle proposing to amend its certificate of incorporation?**

A. Argyle is proposing to amend its Second Amended and Restated Certificate of Incorporation at the time of the acquisition to change Argyle's corporate name to Argyle Security, Inc. and to remove those provisions regarding certain procedural and approval requirements applicable to Argyle that were only applicable prior to the consummation of a business combination. Both changes will reflect that Argyle is now an operating company.

Q. **How do the Argyle insiders intend to vote their shares?**

A. Argyle's initial stockholders have agreed to vote 956,261 of their shares in accordance with the holders of a majority of the public shares voting in person or by proxy at the meeting and have agreed to vote the 125,000 of their shares purchased in the private placement immediately prior to Argyle's initial public offering and all shares acquired after such initial public offering in favor of all the proposals. If holders of a majority of the public shares cast at the meeting vote for or against, or abstain with respect to, a proposal, the initial stockholders will cast the 956,261 shares in the same manner as such majority votes on such proposal. The initial stockholders have agreed not to demand redemption of any shares owned by them.

Q. **What vote is required to approve the acquisition?**

A. Under Argyle's certificate of incorporation, approval of the acquisition requires the affirmative vote of the holders of a majority of the shares of common stock voted at the special meeting, provided that there is a quorum. As noted above, Argyle's initial stockholders, have agreed to vote 956,261 of their shares in accordance with the holders of a majority of the public shares voting in person or by proxy at the meeting and have agreed to vote the 125,000 of their shares purchased in the private placement immediately prior to Argyle's initial public offering and all shares acquired after such initial public offering in favor of all the proposals. If the holders of 765,009 or more shares purchased in Argyle's initial public offering (which number represents 20% or more of the shares of common stock sold in Argyle's initial public offering and private placement) vote against the acquisition and demand that Argyle redeem their shares into pro rata portions of the trust account established at the time of the initial public offering (as described below), Argyle will not be permitted to consummate the acquisition pursuant to its certificate of incorporation.

Q. **What vote is required to adopt the amendments to the certificate of incorporation to change Argyle's name and to remove those**

A. Approval of the amendments to Argyle's Second Amended and Restated Certificate of Incorporation will require the affirmative vote of holders of a majority of the shares of Argyle common stock outstanding on the record date.

provisions regarding certain procedural and approval requirements applicable to Argyle prior to the consummation of a business combination that will no longer be operative upon consummation of the merger?

Q. **What vote is required to adopt the 2007 Omnibus Securities and Incentive Plan?**	A. Approval of the 2007 Omnibus Securities and Incentive Plan will require the affirmative vote of holders of a majority of the shares of Argyle's common stock voted at the special meeting, provided that there is a quorum.
Q **Who will manage Argyle and ISI?**	A. The current management teams of both Argyle and ISI will continue in their roles at each company, including Bob Marbut as Chairman and Co-Chief Executive Officer of Argyle, Ron Chaimovski as Vice Chairman and Co-Chief Executive Officer of Argyle and Sam Youngblood as Chief Executive Officer of ISI.
Q. **How much of Argyle will its current stockholders own post-acquisition?**	A. Based on the consideration to be paid to the stockholders of ISI, if no Argyle stockholders demand to redeem their shares into a pro rata portion of the IPO trust account, Argyle's pre-acquisition holders of common stock will own in the aggregate approximately 80.2% (holders of stock purchased in Argyle's initial public offering will own 62.1%) of Argyle's post-acquisition common stock.
Q. **How much dilution will Argyle stockholders experience?**	A. There are 4,781,307 shares of Argyle common stock currently outstanding, 3,700,046 (77.4%) of which are trading publicly. 1,180,000 shares will be issued for the acquisition of ISI. Therefore, all current Argyle stockholders together will own approximately 80.2% of the post-acquisition company, a reduction in percentage ownership of 19.8%. Current holders of Argyle's publicly traded common stock will own approximately 62.1%, a reduction in their percentage ownership of approximately 15.3%
Q. **Do Argyle stockholders have redemption rights?**	A. If you hold common stock purchased in Argyle's initial public offering (and you are not an initial stockholder of Argyle) and you vote against the acquisition, you will have the right to demand that Argyle redeem your shares into a pro rata portion of the trust account.
Q **If I have redemption rights, how do I exercise them?**	A. If you wish to exercise your redemption rights, you must vote against the acquisition and at the same time demand that Argyle redeem your shares for cash. If, notwithstanding your vote, the acquisition is completed, you will be entitled to receive a pro rata portion of the trust account, including any interest earned thereon until two business days prior to the consummation of the transaction (net of taxes payable, deferred underwriting fees and $600,000 of interest earned on the trust account that was removed from the trust account to fund Argyle's working capital). At September 30, 2006, there was approximately $29,073,971 in the trust account. After taking into account taxes payable of $71,926 and deferred underwriting fees of $1,442,740, you would receive approximately $7.20 if you exercised your redemption rights. You will be entitled to receive this cash only if you continue to hold your shares through the closing of the acquisition and then tender your stock certificate(s). Upon redemption of your shares, you will no longer own them. **Do not send your stock certificate(s) with your proxy card.**

Q. **Do Argyle stockholders have dissenter or appraisal rights under Delaware law?**	A. No.

Q. **What happens post-acquisition to the funds deposited in the trust account?**	A. Argyle stockholders exercising redemption rights will receive their pro rata portions of the trust account. The balance of the funds in the account will be utilized to fund the cash portion of the consideration to the ISI stockholders and any remaining funds will be retained by Argyle for operating capital subsequent to the closing of the acquisition.
Q. **What happens if the acquisition is not consummated?**	A. If Argyle does not acquire ISI pursuant to the merger of ISI into a subsidiary of Argyle, Argyle will seek an alternative business combination. As provided in its charter, Argyle is required, by July 30, 2007, to consummate a business combination or enter a letter of intent, agreement in principle or definitive agreement, in which case Argyle would be allowed an additional six months to complete the transactions contemplated by such agreement. Under its Second Amended and Restated Certificate of Incorporation as currently in effect, if Argyle does not acquire at least majority control of a target business by at latest January 30, 2008, Argyle will dissolve and distribute to its public stockholders the amount in the trust account plus any remaining net assets. In any liquidation, the funds held in the trust account, plus any interest earned thereon (net of taxes payable), together with any remaining out-of-trust net assets, will be distributed pro rata to Argyle's common stockholders who hold shares issued in Argyle's initial public offering (other than the initial stockholders, each of whom has waived any right to any liquidation distribution with respect to them). See the risk factor on page 14 of this proxy statement/prospectus relating to risks associated with the dissolution of Argyle.
Q. **When do you expect the acquisition to be completed?**	A. If the acquisition is approved at the special meeting, Argyle expects to consummate the acquisition promptly thereafter.
Q. **If I am not going to attend the special meeting in person, should I return my proxy card instead?**	A. Yes. After carefully reading and considering the information in this document, please fill out and sign your proxy card. Then return it in the return envelope as soon as possible, so that your shares may be represented at the special meeting. You may also vote by telephone or internet, as explained on the proxy card. A properly executed proxy will be counted for the purpose of determining the existence of a quorum.
Q. **What will happen if I abstain from voting or fail to vote?**	A. Abstaining from voting or not voting on a proposal (including broker non-votes), either in person or by proxy or voting instruction, will not have an effect on the vote relating to the acquisition or the 2007 Omnibus Securities and Incentive Plan, but will have the same effect as a vote against adoption of the proposals relating to the name change and the amendment to Argyle's Second Amended and Restated Certificate of Incorporation to remove certain provisions that

will no longer be applicable to Argyle once the acquisition is complete. An abstention will not count toward the 20% “against and redeeming” vote that would result in the acquisition’s abandonment, and you would be unable to exercise any redemption rights upon approval of the acquisition. If the proposal relating to the 2007 Omnibus Securities and Incentive Plan is not approved, and if ISI's Board of Directors does not waive the condition in the merger agreement that the plan be approved, Argyle will not be able to go forward with the acquisition of ISI, even if the proposal to approve the merger has been approved. To demand redemption, you must vote against the acquisition and elect to redeem your shares.

Q. **How do I change my vote?**

A. Send a later-dated, signed proxy card to Argyle’s secretary prior to the date of the special meeting or attend the special meeting in person and vote. You also may revoke your proxy by sending a notice of revocation to Bob Marbut, Argyle Security Acquisition Corporation, 200 Concord Plaza, Suite 700, San Antonio, TX 78216.

Q. **If my shares are held in "street name," will my broker automatically vote them for me?**	A. No. Your broker can vote your shares only if you provide instructions on how to vote. You should instruct your broker to vote your shares. Your broker can tell you how to provide these instructions.
Q. **Who can help answer my questions?**	A. If you have questions, you may write or call Argyle Security Acquisition Corporation, 200 Concord Plaza, Suite 700, San Antonio, TX 78216, (210) 828-1700, Attention: Bob Marbut.
Q. **When and where will the special meeting be held?**	A. The meeting will be held at 10:00 a.m. San Antonio, Texas time on ____________, 2007 at 200 Concord Plaza, San Antonio, TX 78216.

7

SUMMARY

This section summarizes information related to the proposals to be voted on at the special meeting and to the consideration to be offered to the ISI stockholders. These items are described in greater detail elsewhere in this proxy statement/prospectus. **You should carefully read this entire proxy statement/prospectus and the other documents to which it refers you.**

The Companies

Argyle Security Acquisition Corporation is a Delaware corporation incorporated on June 22, 2005 in order to serve as a vehicle for the acquisition of an operating business through a merger, capital stock exchange, asset acquisition or other similar business combination. On January 24, 2006, Argyle completed a private placement and received net proceeds of approximately $900,000. On January 30, 2006, Argyle consummated its initial public offering and received net proceeds of approximately $27.3 million. Argyle's management has broad discretion with respect to the specific application of the net proceeds of the private placement and the public offering, although substantially all of the net proceeds of the offerings are intended to be generally applied toward consummating a business combination. Of the proceeds from Argyle's initial public offering and private placement, approximately $28.7 million was deposited into a trust account. The amount in the trust account includes approximately $1.4 million of contingent underwriting compensation and $45,000 of contingent private placement fees which will be paid to the underwriters of Argyle's initial public offering if a business combination is consummated, but which will be forfeited if a business combination is not consummated.

If the acquisition of ISI is completed, the funds remaining in the trust account after payments to public stockholders who exercise redemption rights will be used to pay a portion of the acquisition consideration to the ISI stockholders. Any remaining balance will be released to the combined company. Net proceeds from Argyle's initial public offering that were not deposited into the trust account (approximately $800,000) and interest earned on the trust account that was released to Argyle ($600,000) have been used to pay expenses incurred in Argyle's pursuit of a business combination as well as general and administrative expenses.

Up to and including September 30, 2006, Argyle has incurred expenses of $372,008 for consulting and professional fees, $130,632 for stock compensation, $108,991 for franchise taxes, $60,411 for insurance expense, $44,363 for rental expense pursuant to Argyle's lease of office space and other operating and formation costs of $100,616. Up to and including September 30, 2006, Argyle's trust account has earned interest of $952,609 and its funds outside the trust account earned interest of $11,409. Until Argyle enters into a business combination, it will not generate operating revenues.

As of September 30, 2006, Argyle had $920,429 of cash outside of the trust account and accrued expenses of $166,141. Therefore, as of September 30, 2006, Argyle had $754,288, net of these liabilities, outside the trust account available for general and administrative expenses and fees and expenses required to complete the proposed ISI acquisition, including legal and accounting fees. Argyle anticipates that the costs required to consummate the acquisition will greatly exceed its cash available outside the trust account, and that Argyle will not be able to consummate the merger without receiving additional funds and/or reaching agreements with its professional service providers to defer their fees and expenses until Argyle can access the funds in trust (in addition to those fees and expenses that are included in accrued expenses). Argyle expects that these expenses would ultimately be borne by the combined company if the proposed ISI acquisition is completed. If they are not, it is possible that vendors or service providers could seek to recover these expenses from the trust account, which could ultimately deplete the trust account and reduce a stockholder's pro rata portion of the trust account upon liquidation.

The mailing address of Argyle's principal executive office is 200 Concord Plaza, Suite 700, San Antonio, TX 78216, and its telephone number is (210) 828-1700.

ISI was founded in 1976 and is headquartered in San Antonio, Texas. ISI is the parent company of several subsidiaries, including three service and solution providers in the physical security industry: ISI Detention Contracting, a Texas corporation referred to as ISI-Detention, Metroplex Control Systems, a Texas limited partnership referred to as MCS-Detention and MCFSA, Ltd, a Texas limited partnership referred to as MCS-Commercial. These operating entities, among other things, utilize proprietary and third-party hardware/software to create efficient customized physical security solutions, as well as turnkey systems to an institutional customer base comprised of public and private owners and developers of correctional facilities; construction companies; security integrators; and commercial, industrial, and governmental facilities contractors and owner/operator entities.

ISI is one of the nation's largest providers of detention equipment products and service solutions. It designs, develops plans and specifications, supplies, installs, and offers architectural and engineering assistance for a full array of detention equipment for installation in a broad range of private- and public-sector correctional and related facilities, including prisons, jails, police facilities, and courthouses, throughout the United States.

ISI-Detention's installed equipment includes security locking systems and hardware, security doors and frames, jail furniture, security glazing, and, as described below, through its MCS-Detention business unit, a complete array of proprietary electronic security systems that utilize proprietary and third-party software packages to create complete security solutions.

MCS-Detention and MCS-Commercial specialize in turnkey, security electronic systems for facilities that require unique engineering competencies and software/hardware products. They have security system integration capabilities as applied to the correctional facilities market as well as to commercial markets for development throughout the United States. The specific electronic security integration applications encompassed in these security solutions include: access control, video camera management, video image mass storage, touchscreen control and command systems, fire alarm, intercom, nurse call, sound and paging systems, video visitation, perimeter protection, guard duress, watchtour systems and remote linkage to wireless PDAs for security guard situational awareness.

ISI-Detention and MCS-Detention share office space in San Antonio. MCS-Commercial has separate sales and customer support facilities addressing the commercial security market located in Austin, Dallas, Houston and San Antonio, Texas and in Denver, Colorado.

ISI has a solid reputation with a large percentage of its correctional contracts derived from repeat customers. Since its establishment, ISI has completed more than 1,600 federal, state, county and private correctional projects and recently completed projects in 31 states during the course of one year.

The growing demands for detention facilities and security systems for the correctional and commercial markets have made ISI a sought-after source as a security solutions provider. ISI's reputation, long established customer base, proprietary products, and skilled management team favorably position it among the competitors within its markets.

The mailing address of ISI's principal executive offices is 12903 Delivery Drive, San Antonio, TX 78247, and its telephone number is (210) 495-5245.

The Merger

On December 8, 2006, Argyle, Argyle's wholly-owned subsidiary ISI Security Group, Inc. (referred to in this document as the Merger Subsidiary) and ISI entered into a merger agreement pursuant to which the Merger Subsidiary will merge into ISI and ISI will become a wholly-owned subsidiary of Argyle. Pursuant to the merger agreement, Argyle will pay ISI's security holders an aggregate of $16,300,000 and 1,180,000 shares of Argyle's common stock. In the event that ISI's earnings before interest, taxes, depreciation and amortization (EBITDA) for the year ended December 31, 2006 are greater than $4,500,000 and its backlog of orders at February 28, 2007 is greater than $80,000,000 (including inter-company amounts), Argyle will pay the stockholders of ISI an additional $1,900,000. The calculation of ISI's EBITDA is subject to an adjustment of $900,000 relating to certain events that Argyle and ISI agreed should not reduce the EBITDA calculation.

In connection with the merger, immediately prior to the merger, a debt holder will convert $10,000,000 of long term debt into shares of ISI preferred stock. Additionally, ISI will be obligated to the debt holder for approximately $6,000,000. Upon consummation of the merger, the surviving corporation will be obligated for all of ISI's outstanding liabilities, including long-term debt, up to $9,000,000 that may be outstanding pursuant to a revolving credit line, and

any capitalized leases. As of September 30, 2006 there was approximately $4,700,000 outstanding under the credit line.

Upon consummation of the merger, the former security holders of ISI securities will own 19.8% of Argyle's issued and outstanding common stock (assuming none of Argyle's stockholders exercise redemption rights with respect to the acquisition).

9

At the closing of the merger, each of the security holders of ISI will enter into a lock-up agreement with Argyle with respect to the shares that they acquire pursuant to the merger so that they will not be able to sell the shares (except to family members or affiliates) until the specified times expire. The holders of 440,288 of such shares will not be able to sell such shares until the earlier of six months after the closing of the acquisition or November 1, 2007, whichever is earlier. The holders of the remainder of the shares will not be able to sell their shares until January 24, 2009.

Procedure

Under Argyle’s certificate of incorporation, a majority of the votes cast at a meeting of stockholders must approve the proposed acquisition. Promptly after obtaining approval from its stockholders to proceed with the acquisition of ISI (unless public stockholders owning 20% or more of the total of the shares sold in Argyle’s initial public offering and private placement vote against the acquisition and request redemption of their shares into pro rata portions of the trust account pursuant to Argyle’s certificate of incorporation), Argyle, Merger Subsidiary and ISI will consummate the merger.

Argyle’s public stockholders owning up to 20% of the total shares of common stock sold in Argyle’s initial public offering and private placement may vote against the proposals and elect to redeem their shares for a portion of the trust account. (If holders of shares purchased in Argyle’s initial public offering owning 20% or more of the shares of common stock sold in Argyle’s initial public offering and private placement so elect, Argyle’s Board of Directors will abandon the acquisition, notwithstanding approval of a majority of its stockholders). If the maximum permissible number of shares elect redemption without Argyle being required to abandon the acquisition, as of _______, 2007, a total of approximately $___ million of the trust account would be disbursed, leaving approximately $23.5 million available for the acquisition of ISI and the payment of liabilities. Even if the maximum number of shares permitted to be redeemed were redeemed, Argyle would still have enough cash available in the trust account to consummate the merger.

In connection with the initial public offering, Argyle’s current officers and directors agreed to indemnify Argyle for debts and obligations to vendors that are owed money by Argyle for services rendered or products sold to Argyle, but only to the extent necessary to ensure that certain liabilities do not reduce funds in the trust account. The obligations remain in effect and extend to transaction expenses to be incurred in connection with Argyle’s seeking to complete the ISI acquisition. Since these obligations were not collateralized or guaranteed, however, Argyle cannot assure you that its officers and directors would be able to satisfy their obligations if material liabilities are sought to be satisfied from the trust account.

Fairness Opinion

In determining to recommend that holders of Argyle’s securities vote for the merger proposal, the Board of Directors of Argyle considered the fairness opinion of its financial advisor, Giuliani Capital Advisors, to the effect that as of December 8, 2006, and based upon and subject to the assumptions, qualifications and limitations set forth in the written opinion, the merger consideration as stipulated in the merger agreement was fair from a financial point of view to Argyle. The full text of Giuliani Capital Advisors’ written opinion, dated December 8, 2006, is attached as Annex A to this proxy statement/prospectus. We urge you to read the opinion and the section "Fairness Opinion" beginning on page 36 of this proxy statement/prospectus carefully for a description of the procedures followed, assumptions made, matters considered and limitations on the reviews undertaken. Giuliani Capital Advisors’ opinion is directed to the Board of Directors of Argyle and does not constitute a recommendation to the Board of Directors or to the holders of Argyle’s securities as to how such person should vote or act on any of the proposals set forth in this proxy statement/prospectus.

If the Acquisition Is Not Approved

If Argyle does not consummate the business combination with ISI, it will continue to seek another target business until it is required to liquidate and dissolve pursuant to its certificate of incorporation. As provided in its certificate of incorporation, Argyle is required, by July 30, 2007, to consummate a business combination or enter a letter of intent, agreement in principle or definitive agreement relating to a business combination, in which case Argyle would be allowed an additional six months to complete the transactions contemplated by such agreement. Under its certificate of incorporation as currently in effect, if Argyle does not acquire at least majority control of a target business by at latest January 30, 2008, Argyle will dissolve and distribute to its public stockholders the amount in the trust account plus any remaining net assets. See the risk factor on page 21 of this proxy statement/prospectus relating to risks associated with the dissolution of Argyle.

Conditions; Termination. Approval of the acquisition of ISI by holders of a majority of the votes cast at a meeting of stockholders is a condition to Argyle's consummating the acquisition. The holders of Argyle common stock issued prior to its initial public offering have agreed to vote 956,261 of their shares in accordance with the holders of a majority of the public shares voting in person or by proxy at the meeting and have agreed to vote the 125,000 of their shares purchased in the private placement that took place immediately prior to Argyle's initial public offering and all shares acquired after such initial public offering in favor of all the proposals. Additionally, if holders of 765,009 or more of the shares purchased in Argyle's initial public offering (which number represents 20% or more of the shares of Argyle common stock issued in Argyle's initial public offering and private placement) vote against the acquisition and exercise their right to redeem their shares for cash, the acquisition may not be consummated.

Amendments to the Certificate of Incorporation. The Argyle Board of Directors has also determined that it is in Argyle's best interests to amend its Second Amended and Restated Certificate of Incorporation to (i) change its name to Argyle Security, Inc., and (ii) remove those provisions regarding certain procedural and approval requirements that are no longer applicable once Argyle acquires ISI, both of which will be implemented upon consummation of the merger.

The 2007 Omnibus Securities and Incentive Plan. The 2007 Omnibus Securities and Incentive Plan reserves 1,000,000 shares of Argyle common stock for issuance in accordance with its terms. Argyle currently anticipates that it will grant up to ____________ shares pursuant to awards under the 2007 Incentive Plan to members of the ISI management team, current officers, directors and consultants of Argyle and new employees of Argyle to be hired after the merger. However, at this time, Argyle's Board of Directors has not approved the issuance of any such awards and is not under any contractual obligation to do so. Assuming the anticipated grants are made, there will be at least ___________ shares remaining for issuance in accordance with the plan's terms. The purpose of the plan is to enable Argyle to offer its employees, officers, directors and consultants, and the employees, officers, directors and consultants of its subsidiaries, whose past, present and/or potential future contributions to Argyle have been, are or will be important to the success of Argyle, an opportunity to acquire an equity interest in Argyle. It is also designed to create incentives to motivate employees to significantly contribute toward growth and profitability, to provide Argyle executives, directors and other employees and persons who, by their position, ability and diligence are able to make important contributions to Argyle's growth and profitability, with an incentive to assist Argyle in achieving Argyle's long-term corporate objectives and to attract and retain executives and other employees of outstanding competence. The various types of incentive awards that may be provided under the plan will enable Argyle to respond to changes in compensation practices, tax laws, accounting regulations and the size and diversity of its business.

All officers, directors, employees and consultants of ISI and Argyle will be eligible to be granted awards under the plan. No allocations of shares that may be subject to awards have been made. All awards will be subject to the approval of Argyle's Board of Directors or compensation committee.

We encourage you to read the plan in its entirety. A copy of the 2007 Omnibus Securities and Incentive Plan is attached as Annex B to this proxy statement/prospectus.

The Merger Agreement and Related Documents. The merger agreement, the form of the proposed amendments to Argyle's Second Amended and Restated Certificate of Incorporation, the 2007 Omnibus Securities and Incentive Plan and the fairness opinion of Giuliani Capital Advisors are annexed to this proxy statement/prospectus. We encourage you to read them in their entirety, as they are the key legal documents underlying the acquisition. They are also described in detail elsewhere in this document. The merger agreement, which is attached as Annex D in this prospectus/proxy statement, is incorporated by reference into this prospectus/proxy statement.

Management. The current management of ISI and its subsidiaries is led by Mr. Sam Youngblood. Upon consummation of the acquisition, Argyle intends that ISI's management will remain substantially the same, while

Argyle's management team and Board of Directors will also remain substantially the same.

Argyle Special Meeting

Date, Time and Place. The special meeting of Argyle’s stockholders will be held at 10:00 a.m., San Antonio, Texas, time, on _____________, 2007, at 200 Concord Plaza, San Antonio, TX 78216 .

Voting Power; Record Date. You will be entitled to vote or direct votes to be cast at the special meeting, if you owned Argyle common stock at the close of business on _____________________, 2007, the record date for the special meeting. You will have one vote for each share of Argyle common stock you owned at that time. Warrants to purchase Argyle common stock do not have voting rights.

Votes Required. Approval of the proposals relating to the acquisition and the incentive plan will require the approval of a majority of the votes cast at a meeting of stockholders, and the amendment to Argyle’s Second Amended and Restated Certificate of Incorporation to change Argyle’s corporate name to Argyle Security, Inc. and the amendment to Argyle’s Second Amended and Restated Certificate of Incorporation to remove certain provisions containing procedural and approval requirements applicable to Argyle prior to the consummation of a business combination that will no longer be operative upon consummation of the merger will require the affirmative vote of holders of a majority of Argyle’s outstanding common stock. Pursuant to Argyle’s Second Amended and Restated Certificate of Incorporation, Argyle is required to obtain stockholder approval of the acquisition of ISI. Pursuant to the merger agreement entered into by Argyle, Argyle’s wholly-owned subsidiary, and ISI, it is a condition to the obligation of ISI to consummate the merger that the 2007 Omnibus Securities and Incentive Plan be approved by Argyle’s stockholders. If the proposal relating to the merger and the 2007 Omnibus Securities and Incentive Plan is not approved, and if ISI’s Board of Directors chooses not to waive that condition to the merger, Argyle will not be able to go forward with the acquisition of ISI, even if the proposal to approve the merger has been approved by Argyle's stockholders.

Argyle will not be authorized to complete the acquisition, if holders of 765,009 or more shares of Argyle common stock sold in its initial public offering (which number represents 20% or more of the shares in the initial public offering and private placement) vote against the acquisition and demand that Argyle redeem their shares into pro rata portions of the trust account.

Under Delaware law and Argyle’s bylaws, no other business may be transacted at the special meeting.

At the close of business on _____________, 2007, there were 4,781,307 shares of Argyle common stock outstanding (including the 1,081,261 shares held by Argyle's officers and directors and their respective affiliates, which not purchased in Argyle’s initial public offering). Each Argyle common share entitles its holder to cast one vote per proposal.

Redemption Rights. Under its certificate of incorporation, a holder of Argyle common stock (other than an initial stockholder) who votes against the acquisition may demand that Argyle redeem his or her shares for cash, but such stockholder will only receive the redemption amount if the acquisition is subsequently consummated. Argyle's stockholders who purchased shares in its initial public offering would still be entitled to receive a portion of the trust account in the event of a liquidation of Argyle. This demand must be made in writing at the same time the stockholder votes against the acquisition, on the form of proxy card voted against the acquisition. If you so demand, and the acquisition is approved and consummated, Argyle will redeem your shares into a pro rata portion of the trust account, net of taxes payable, less amounts payable to the underwriters in Argyle’s initial public offering and the amounts representing the net proceeds of Argyle's private placement that occurred immediately prior to Argyle’s initial public offering, as of two business days prior to the consummation of the acquisition. You will be entitled to receive cash for your shares only if you continue to hold your shares through completion of the acquisition and then tender your stock certificate(s) to Argyle. If you exercise your redemption rights, you will no longer own these Argyle shares. **Do not send your stock certificate(s) with your proxy card.**

The acquisition will not be consummated if holders of 765,009 or more shares of Argyle common stock sold in its initial public offering (which number represents 20% or more of the shares sold in the initial public offering and private placement) exercise their redemption rights.

If the acquisition is not consumated and Argyle is not required to dissolve pursuant to the terms of its Second Amended and Restated Certificate of Incorporation, it may seek another target business to acquire.

Appraisal Rights. Under the Delaware General Corporation Law, appraisal rights are not available to Argyle's stockholders in connection with the acquisition.

Proxies; Board Solicitation. Your proxy is being solicited by the Argyle Board of Directors on each proposal being presented to stockholders at the special meeting. Proxies may be solicited in person or by mail, telephone or other electronic means. If you grant a proxy, you may still vote your shares in person, if you revoke your proxy before the special meeting.

Significant Stockholdings. The holdings of Argyle's directors and significant stockholders are detailed in "Beneficial Ownership of Securities."

Argyle'sRecommendation; Interests of Argyle's Management

After careful consideration, Argyle's Board of Directors has determined that the acquisition and the other proposals presented at this meeting are fair to, and in the best interests of, Argyle and its stockholders. The Board of Directors has approved and declared advisable the proposals, and recommends that you vote or direct that your vote to be cast "FOR" the adoption of each.

When you consider the recommendation of the Board of Directors, you should keep in mind that the members of the Board of Directors have interests in the acquisition that are different from, or in addition to, yours. These interests include the following:

- If the proposed acquisition is not completed, and Argyle is subsequently required to liquidate, the shares owned by Argyle's directors will be worthless because the shares will no longer have any value and the directors are not entitled to liquidation distributions from Argyle. In addition, the possibility that Argyle's officers and directors will be required to perform their obligations under the indemnity agreements referred to above will be substantially increased.

- All rights of Argyle's officers and directors to be indemnified by Argyle, and of Argyle's directors to be exculpated from monetary liability with respect to prior acts or omissions, will continue after the acquisition. However, if the acquisition is not approved and Argyle subsequently liquidates, its ability to perform its obligations under those provisions will be substantially impaired since it will cease to exist. If the ISI acquisition is ultimately completed, the combined company's ability to perform such obligations will be substantially enhanced. As noted above, however, the potential indemnity liability of Argyle's officers and directors will increase before they know whether their indemnity obligations will be called upon or not.

- Argyle's and ISI's financial, legal and other advisors have rendered services for which they may not be paid if the acquisition is not approved, and certain of them may have the opportunity to provide additional services to Argyle in the future.

Certain U.S. Federal Income Tax Consequences

U.S. federal income tax consequences of this acquisition are described in summary form on page 40 of this proxy statement/prospectus.

Quotation/Listing

Argyle's common stock (ARGL), warrants (ARGLW) and units (ARGLU) are quoted on the Over-the-Counter (OTC) Bulletin Board.

Accounting Treatment

Argyle will account for the acquisition of ISI as a purchase. The purchase price will be allocated to the various tangible and intangible assets and assumed liabilities based upon an appraisal.

Regulatory Matters

The acquisition and related transactions are not subject to any federal or state regulatory requirement or approval, including the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (HSR Act).

RISK FACTORS

You should carefully consider the following risk factors, together with all of the other information included in this proxy statement/prospectus, before you decide whether to vote or direct your vote to be cast to approve the acquisition.

Risks related to ISI's Business

Budget constraints of federal, state and local governments could reduce ISI's revenues.

Contracts for which federal, state or local governments are the ultimate customer account for 60% of ISI's business. The detention systems segment, the largest business segment, outfits correctional facilities and courthouses. Many state and local governments operate under very tight budget constraints. These budget constraints could cause them to delay, reduce the scope of, or cancel pending projects, which could reduce ISI's revenues.

ISI's failure to obtain and/or maintain required local/state licenses could reduce ISI's revenue.

A portion of ISI's business depends upon obtaining and maintaining required licenses. Its failure to obtain or maintain required licenses could result in the termination of certain of its contracts or cause it to be unable to bid or re-bid on certain contracts. In addition, ISI and/or its employees may be required to maintain certain facility security clearances. If ISI or its employees were found not to be in compliance, ISI could be excluded from bidding on certain contracts, removed from projects and/or fined, all of which would adversely impact ISI's financial condition and good standing.

ISI operates under fixed price contracts, and its failure to accurately estimate its costs may reduce its profitability.

Much of ISI's revenues result from fixed price contracts. If ISI does not accurately estimate its costs on projects, it could suffer losses on fixed price contracts. Unanticipated increases in the cost of raw materials could also result in ISI losing money on contracts. If ISI suffers losses on its contracts, its profitability will be reduced. In addition, the reserves that ISI takes under these contracts are recognized under the "percentage of completion method of accounting." This method requires considerable judgment and, as a result, the estimates derived at any point in time could differ significantly and result in material discrepancies between the reserves and the financial reality of the applicable contract.

ISI's ability to obtain payment and/or performance bonds is critical to its ability to conduct business.

In the conduct of its business, ISI is often required by its customers to obtain performance and/or payment bonds, mostly in the detention segment of the business. If ISI is unable to obtain such bonds for any reason, or if the terms of such bonding agreements, particularly collateral requirements of the bonds, are not within the company's financial means, it would significantly diminish ISI's ability to secure new contracts, and consequently its financial performance and its revenues would decline.

If ISI is unable to design, manufacture, and market its product offerings in a timely and efficient manner, it may not remain competitive.

Some of ISI's markets are characterized by continuing technological advancement, changes in customer requirements, and evolving product standards. In particular, the detention segment specializes in the development, implementation, and support of complex, integrated software systems, and accordingly, ISI devotes a substantial amount of resources to product development. To compete successfully, ISI must develop and market new products that provide

increasingly higher levels of performance and reliability. Product development is highly uncertain and ISI cannot guarantee that it will successfully develop new products. ISI's inability to develop and market these products or to achieve customer acceptance of these products could limit its ability to compete in the market.

In addition, ISI offers a wide variety of products. If the design, manufacturing or marketing of a product, or products, is not successful and ISI must allocate more resources to ensure the products' success, it could lower the profitability of the product, or products, or affect customer perceptions as to the quality of the products and services being offered.

ISI is subject to substantial government regulation that could cause delays in the delivery of its products and services and may subject the company to audits or other similar review processes.

As a contractor and subcontractor to agencies of various federal, state and local governments, ISI is obligated to comply with a variety of regulations governing its operations and the workplace. Unforeseen problems in the performance of contracts could cause the loss of licensing to do business within a particular city, county, state, or other governmental entity resulting in ISI losing contracts with that entity. In addition, changes in federal, state and local laws and regulations may impact ISI's ability to secure new contracts or require it to make costly changes to its operations which could reduce its profitability in order to obtain contracts.

ISI's inability to effectively integrate acquisitions could reduce its profitability.

ISI has made a number of acquisitions in recent years, which require that it integrate operations and systems and personnel from those businesses into the company. This process requires, among other things, that ISI continually evaluate its operational and financial systems and controls and enhance those systems and controls as necessary. If ISI is unable to successfully integrate these acquisitions, it would reduce its profitability and detract from future growth opportunities.

ISI may need additional financing for bonding requirements, working capital, and capital expenditures and additional financing may not be available on favorable terms.

In order to operate the business, ISI may need to obtain additional surety bonds, maintain working capital, or make significant capital expenditures. In order to do any of those things, ISI may need to obtain additional capital. Therefore, ISI's ability to operate and grow is dependent upon, and may be limited by, among other things, the availability of financing arrangements. If ISI is not able to obtain the additional capital necessary to pursue new projects or maintain its operations it may not be able to grow as quickly as it plans. In addition, even if ISI is able to obtain additional financing, the additional financing may not be on terms which are favorable to ISI and could hamper ISI's profitability.

ISI could potentially incur liability to clients and others.

ISI's involvement in the public security and justice business exposes it to potential liability claims from its clients. Its products are used in applications where their failure could result in serious personal injuries or death. In the area of corrections, prisoners are generally viewed as litigious. ISI has sought ways to minimize losses from these sources by obtaining product liability and professional liability insurance policies; however, a successful claim could result in liability in excess of coverage limits or the cancellation of insurance coverage and result in ISI having to pay a large amount of its working capital to cover those claims.

ISI is reliant upon key personnel.

ISI depends on the expertise, experience and continued services of its senior management and key employees. ISI's operations and most decisions concerning the business of ISI will be made or significantly influenced by such individuals. The loss of members of senior management or key employees could result in the deterioration or loss of relationships with certain customers or suppliers, which could result in a material loss of business for ISI.

15

ISI's quarterly revenue, operating results and profitability will fluctuate.

ISI's revenue, operating results and profitability may fluctuate and the changes in contract mix, together or individually, may contribute to the material variability of ISI's quarterly revenue, operating results or profitability. Such volatility may not meet the expectations of management, securities analysts or investors, which in turn may result in significant fluctuations in the market price of Argyle's common stock after the acquisition is consummated.

ISI is in a competitive industry with well financed competitors.

As a result of increasing consolidation in the corrections and security industries and increasing attention from venture funds and private equity groups, many of ISI's competitors, some of which were already larger and more well financed than ISI, have grown and obtained significant financing. Accordingly, ISI expects competition to increase in the near future. ISI also expects that some of its competitors will feel increasing pressure to underbid government and commercial projects, in order to deploy their workforces and maintain or step up their activity levels. This may make it more difficult for ISI to prevail on competitive bids for projects to the degree ISI has historically experienceed, to increase revenue, or to maintain profitability.

Most of ISI's new contracts are subject to competitive bidding.

Most governmental agencies and many commercial customers require that their significant contracts be competitively bid. Typically they utilize the "Request for Proposal" (RFP) method where several competitors submit their sealed proposals for a particular project, or the "Request for Qualifications" (RFQ) process where competitors submit their qualifications for consideration by the customer. Some contracts are open for bidding, using the standard "Straight Bid" process where the detailed specifications for a project are published and contractors submit a "Bid" or fixed price, for the contract to build the project. Other competitive bidding processes are also utilized. ISI's success in responding to an RFP, RFQ, Straight Bid, or other competitive bidding process is dependent upon the quality of its estimating process, knowledge of the industry, knowledge of its customers and other factors requiring significant judgment and expertise. Because of the nature of the bidding process, ISI cannot know if it will be successful on any given bid, which makes it difficult to accurately forecast the timing of projects and budget the allocation of resources. To the extent ISI has made significant capital expenditures in the development and estimating of a contract or project, ISI may not recover its entire capital investment in that project.

When seeking competitive bids, one of the factors that most governmental entities and commercial customers evaluate is the financial strength of the bidders. To the extent they believe ISI does not have sufficient financial resources, ISI will be unable to effectively compete for contracts.

ISI's ability to win new contracts depends on many factors outside of ISI's control.

ISI's growth in the corrections industry is generally dependent upon its ability to win new contracts. This depends on a number of factors ISI cannot control, including crime rates and sentencing patterns in various jurisdictions. Accordingly, the demand for security related goods and services for new correctional facilities could be adversely affected by the relaxation of enforcement efforts, leniency in conviction and sentencing practices or through the legal decriminalization of certain activities that are currently proscribed by criminal laws. For instance, changes in laws relating to drugs and controlled substances or illegal immigration could reduce the number of persons arrested, convicted and sentenced, thereby potentially reducing demand for new correctional facilities to house them. Similarly, reductions in crime rates could lead to reductions in arrests, convictions, and sentences requiring new correctional facilities.

Furthermore, desirable locations for proposed correctional facilities may be in or near populated areas and, therefore, may generate legal action or other forms of opposition from residents in areas surrounding a proposed site. Such actions could substantially delay a correctional project or cause the project to be reduced in scope or be eliminated completely.

ISI offers some bids for new contracts directly to government agencies and commercial customers as a direct contractor to provide the security solutions for a project. In other instances, ISI provides its bid for security solutions to a general contractor, who adds ISI's pricing to all the other pricing for an entire project. In those instances ISI is a subcontractor to the general contractor. The owner of the project (the governmental entity or commercial owner) will choose whether they wish to receive bids only from general contractors, or whether they wish to receive bids separately from the entities providing security solutions, such as ISI and its competitors. When ISI is acting as a subcontractor to a general contractor, ISI has far less control and input over the final price for the project submitted to the owner by the general contractor than when ISI submits a bid directly and such circumstances therefore reduce the ability of ISI to win contracts.

Governmental agencies may investigate and audit ISI contracts and, if any improprieties are found, ISI may be required to refund revenues, pay unexpected taxes, forego anticipated revenues and/or may be subject to penalties and sanctions, including prohibitions on ISI's bidding in response to competitive bidding processes.

Governmental agencies and most commercial customers will have the authority to audit and investigate ISI's contracts with them. As part of that process, some governmental agencies review ISI's performance on the contract, its pricing practices, change orders, other compliance with the terms of the contracts, and applicable laws, regulations and standards. If the agency determines that ISI has improperly classified a specific contract as non-taxable, ISI could be required to pay sales, use or other taxes for which no reserve was created at the time the bid was submitted by ISI. If the agency determines that ISI has improperly billed the governmental entity in violation of the terms of the contract, ISI could be required to refund revenues, or forgo anticipated revenues. If a government audit uncovers improper or illegal activities by ISI or ISI otherwise determines that these activities have occurred, ISI may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or disqualification from doing business with the government.

If ISI fails to satisfy its contractual obligations, ISI's ability to compete for future contracts will be limited.

ISI's failure to comply with contract requirements or to meet its clients' performance expectations when performing a contract could injure ISI's reputation, which, in turn, would impact ISI's ability to compete for new contracts. ISI's failure to meet contractual obligations could also result in substantial actual and consequential damages. In addition, ISI's contracts often require ISI to indemnify clients for ISI's conduct that causes losses to the client. Some contracts may contain liquidated damages provisions and financial penalties related to performance failures. Although ISI has liability insurance, the policy limits may not be adequate to provide protection against all potential liabilities.

Negative media coverage, including inaccurate or misleading information, could injure ISI's reputation and its ability to bid for government contracts.

The media frequently focuses its attention on contracts with governmental agencies. If the media coverage regarding the contracts for the design, development, construction, financing or operation of a new correctional facility project is negative, it could influence government officials to slow the pace of building a correctional project or cause the cancellation of a planned correctional facility.

Jails, prisons and other public correctional projects may prompt higher than normal media scrutiny. In that atmosphere, inaccurate, misleading, or negative media coverage about ISI could harm its reputation and, accordingly, ISI's ability to bid for and win new contracts.

ISI often incurs significant costs before receiving related revenues, which could result in cash shortfalls and a risk of not recovering ISI's investment.

ISI may choose to provide engineering, design, development and other pre-contract assistance to prospective customers for a prospective project, without written commitments to use its assistance or pay for that assistance. ISI may not be able to obtain contracts regarding these projects on a timely basis, if at all. To the extent ISI does not obtain contracts in such circumstances, ISI could be unable to recover its investment.

The actual cost of performing a contract may exceed the estimated cost of performance.

The process of estimating the cost of performing a contract is not an exact mathematical calculation. It is made up of many complex factors, including the judgment, experience and expertise of ISI's personnel. Many conditions can bring about unexpected increases in the costs to perform a contract, and not every possible condition can be described. However, the following items are illustrative of the types of events that can cause the actual cost of performing a contract to exceed the estimated cost of performance: a mistake in the estimating process, purchasing and returning the wrong part and re-purchasing the correct part, unexpected increases in the cost of goods or services, overcoming unexpected field conditions, resolving problems caused by defaulting vendors, project manager failures to document and seek approval for change orders, and incurring unexpected and unrecoverable costs to resolve conflicts with customers. If the estimated cost of performance of a contract exceeds the actual cost of performance for any reason, then not only may the estimated earned gross margin on a contract be eroded, but a loss can be incurred reducing the liquidity and profitability of ISI.

Risks Relating to the Acquisition

The combined company's working capital could be reduced if stockholders exercise their redemption rights.

Pursuant to Argyle's Second Amended and Restated Certificate of Incorporation, holders of shares purchased in Argyle's initial public offering (other than Argyle's initial stockholders) may vote against the acquisition and demand that Argyle redeem their shares into pro rata portions of the trust account, net of taxes payable, as of the record date. Argyle and ISI will not consummate the acquisition if holders of 765,009 or more shares exercise these redemption rights. To the extent the acquisition is consummated and holders have demanded to so redeem their shares, there will be a corresponding reduction in the amount of funds available to the combined company following the acquisition. As of __________ 2007, the record date, assuming the acquisition is approved, the maximum amount of funds that could be disbursed to Argyle's stockholders upon the exercise of their redemption rights is approximately $___ million.

If outstanding warrants are exercised, the underlying common shares will be eligible for future resale in the public market. "Market overhang" from the warrants results in dilution and has an adverse effect on the common stock's market price.

Outstanding warrants and unit purchase options to purchase an aggregate of 4,200,046 shares of common stock issued in connection with Argyle's initial public offering will become exercisable after consummation of the ISI acquisition. If they are exercised, a substantial number of additional shares of Argyle common stock will be eligible for resale in the public market, which could adversely affect the market price.

Registration rights held by Argyle's initial stockholders who purchased shares prior to Argyle's initial public offering may have an adverse effect on the market price of Argyle's common stock.

Argyle's initial stockholders who purchased common stock prior to its initial public offering are entitled to demand that Argyle register the resale of their shares at any time after they are released from escrow. If such stockholders exercise their registration rights with respect to all of their shares, there will be an additional 1,081,261 shares of common stock eligible for trading in the public market. The presence of these additional shares may have an adverse effect on the market price of Argyle's common stock.

Argyle's directors and officers have interests in the acquisition that are different from yours, because if the acquisition is not approved, their shares may become worthless.

In considering the recommendation of Argyle's Board of Directors to vote to approve the acquisition, you should be aware that Argyle's directors, officers and original stockholders have agreements or arrangements that provide them with interests in the acquisition that differ from, or are in addition to, those of Argyle stockholders generally. Argyle's original stockholders, including its directors and officers, are not entitled to receive any of the funds that would be distributed upon liquidation of the trust account. Therefore, if the acquisition is not approved, these original shares may become worthless. The personal and financial interests of directors and officers may have influenced their motivation in identifying and selecting a target business and in timely completion of a business combination. Consequently, their discretion in identifying and selecting a suitable target business may result in a conflict of interest when determining whether the terms, conditions and timing of a particular business combination are appropriate and in the best interests of Argyle's stockholders.

Because Argyle does not intend to pay dividends on its common stock, stockholders will benefit from an investment in Argyle's common stock only if it appreciates in value.

Argyle has never declared or paid any cash dividends on its shares of common stock. Post acquisition, Argyle currently intends to retain all future earnings, if any, for use in the operations and expansion of the business. As a result, Argyle does not anticipate paying cash dividends in the foreseeable future. Any future determination as to the declaration and payment of cash dividends will be at the discretion of Argyle's Board of Directors and will depend on factors Argyle's Board of Directors deems relevant, including among others, Argyle's results of operations, financial condition and cash requirements, business prospects, and the terms of Argyle's credit facilities and other financing arrangements. It is likely that the debt financing arrangements Argyle puts into place in connection with the acquisition will prohibit Argyle from declaring or paying dividends without the consent of its lenders. Accordingly, realization of a gain on stockholders' investments will depend on the appreciation of the price of Argyle's common stock. There is no guarantee that Argyle's common stock will appreciate in value.

Argyle's securities are quoted on the Over-the-Counter Bulletin Board, which may limit the liquidity and price of its securities more than if the securities were quoted or listed on the Nasdaq market.

Argyle's securities are quoted on the Over-the-Counter Bulletin Board, a NASD-sponsored and operated inter-dealer automated quotation system. Quotation of Argyle's securities on the Over-the-Counter Bulletin Board will limit the liquidity and price of its securities more than if the securities were quoted or listed on Nasdaq.

Risks to Argyle's Stockholders

Argyle may choose to redeem its outstanding warrants at a time that is disadvantageous to the warrant holders.

Subject to there being a current prospectus under the Securities Act of 1933, Argyle may redeem all of its outstanding warrants at any time after they become exercisable at a price of $.01 per warrant, upon a minimum of 30 days prior written notice of redemption, if and only if, the last sale price of Argyle's common stock equals or exceeds $11.50 per share for any 20 trading days within a 30 trading day period ending three business days before Argyle sends the notice of redemption. Calling all of Argyle's outstanding warrants for redemption could force the warrant holders:

- To exercise the warrants and pay the exercise price for such warrants at a time when it may be disadvantageous for the holders to do so;
- To sell the warrants at the then current market price when they might otherwise wish to hold the warrants; or
- To accept the nominal redemption price which, at the time the warrants are called for redemption, is likely to be substantially less than the market value of the warrants.

Argyle's warrant holders may not be able to exercise their warrants, which may create liability for Argyle.

Holders of the warrants Argyle issued in its initial public offering and private placement will be able to receive shares upon exercise of the warrants only if (i) a current registration statement under the Securities Act of 1933 relating to the shares of its common stock underlying the warrants is then effective and (ii) such shares are qualified for sale or exempt from qualification under the applicable securities laws of the states in which the various holders of warrants reside. Although Argyle has agreed to use its best efforts to maintain a current registration statement covering the shares underlying the warrants to the extent required by federal securities laws, and Argyle intends to comply with such agreement, Argyle cannot assure that it will be able to do so. In addition, some states may not permit Argyle to

register the shares issuable upon exercise of its warrants for sale. The value of the warrants will be greatly reduced if a registration statement covering the shares issuable upon the exercise of the warrants is not kept current or if the securities are not qualified, or exempt from qualification, in the states in which the holders of warrants reside. Holders of warrants who reside in jurisdictions in which the shares underlying the warrants are not qualified and in which there is no exemption will be unable to exercise their warrants and would either have to sell their warrants in the open market or allow them to expire unexercised. If and when the warrants become redeemable by Argyle, Argyle may exercise its redemption right even if Argyle is unable to qualify the underlying securities for sale under all applicable state securities laws. Since Argyle's obligations in this regard are subject to a "best efforts" standard, it is possible that, even if Argyle is able to successfully assert a defense to a claim by warrant holders due to the impossibility of registration, a court may impose monetary damages on Argyle to compensate warrant holders due to the change in circumstances that led to Argyle being unable to fulfill its obligations.

Failure to complete the acquisition could reduce the market price of Argyle's common stock and may make it more difficult for Argyle to attract another acquisition candidate, resulting, ultimately, in the disbursement of the trust proceeds, causing some investors to experience a loss on their investment.

If the acquisition is not completed for any reason, Argyle may be subject to a number of material risks, including:

i. The market price of its common stock may decline to the extent that the current market price of its common stock reflects a market assumption that the acquisition will be consummated;

ii. Costs related to the acquisition, such as legal and accounting fees and the costs of the fairness opinion, must be paid even if the acquisition is not completed; and

iii. Charges will be made against earnings for transaction-related expenses, which could be higher than expected.

Such decreased market price and added costs and charges of the failed acquisition, together with the history of failure in consummating an acquisition, may make it more difficult for Argyle to attract another acquisition candidate, resulting, ultimately, in the disbursement of the trust proceeds, causing investors to experience a loss on their investment. As discussed herein, if the acquisition is not consummated, it is more likely than not that Argyle will be forced to dissolve and liquidate.

If holders of 765,009 or more of the shares of Argyle's common stock purchased in Argyle's initial public offering (which number represents 20% or more of the common stock sold in Argyle's initial public offering and private placement) decide to vote against the acquisition and opt to convert their shares to cash, Argyle may be forced to dissolve and liquidate, stockholders may receive less than $8.00 per share, and Argyle's warrants may expire worthless.

Under the terms of Argyle's Amended and Restated Certificate of Incorporation, if holders of 765,009 or more of the shares of Argyle's common stock purchased in Argyle's initial public offering (which number represents 20% or more of the common stock issued in its initial public offering and private placement) decide to vote against the acquisition and opt to convert their shares to cash, Argyle may ultimately be forced to dissolve and liquidate. Although Argyle will continue to search to acquire an operating company in the security sector, Argyle's certificate of incorporation requires Argyle to liquidate if it does not complete a business combination by July 30, 2007, or January 30, 2008 if Argyle enters into a letter of intent, an agreement in principle or a definitive agreement to complete a business combination prior to July 30, 2007, but is unable to complete such business combination by such date. Argyle signed a definitive agreement with ISI on December 8, 2006, and therefore has until January 30, 2008 to complete the acquisition. If Argyle does not consummate the acquisition of ISI by that time, it will be forced to dissolve and liquidate in accordance with the provisions of Delaware law.

In any liquidation, the net proceeds of Argyle's initial public offering and private placement and the deferred underwriting compensation held in the trust account, plus any interest earned thereon (net of taxes payable and $600,000 of interest earned on the trust account that was released to fund Argyle's working capital), will be distributed on a pro rata basis to the holders of Argyle's common stock issued in Argyle's initial public offering. As of September 30, 2006, and assuming Argyle expended all of the funds not in the trust account, the per share liquidation price would be approximately $7.84, or $0.16 less than the price ($8.00 per unit) that Argyle sold each unit for in its initial public offering. The proceeds deposited in the trust account could, however, become subject to the claims of Argyle's creditors which could be prior to the claims of Argyle's public stockholders. Argyle cannot assure you that the actual per share liquidation price will not be less than $7.84, plus interest (net of taxes payable), due to claims of creditors. Furthermore, there will be no distribution with respect to Argyle's outstanding warrants and, accordingly, the warrants will expire worthless.

Under Delaware law, Argyle's dissolution requires the approval of the holders of a majority of its outstanding stock, without which Argyle will not be able to dissolve and liquidate and distribute Argyle's assets to its public stockholders.

Pursuant to Delaware law, Argyle's dissolution requires the affirmative vote of stockholders owning a majority of Argyle's then outstanding common stock. Soliciting the vote of Argyle's stockholders will require the preparation of preliminary and definitive proxy statements, which will need to be filed with the Securities and Exchange Commission and could be subject to its review. This process could take a substantial amount of time, ranging from 40 days to several months.

As a result, the distribution of Argyle's assets to the public stockholders could be subject to a considerable delay. Furthermore, Argyle may need to postpone the stockholders' meeting, resolicit its stockholders or amend its plan of dissolution and liquidation to obtain the required stockholder approval, all of which would further delay the distribution of its assets and result in increased costs. If Argyle is not able to obtain approval from a majority of Argyle's stockholders, Argyle will not be able to dissolve and liquidate, and Argyle will not be able to distribute funds from its trust account to holders of its common stock sold in its initial public offering, and these funds will not be available for any other corporate purpose. In the event Argyle seeks stockholder approval for a plan of dissolution and liquidation and does not obtain such approval, Argyle will nonetheless continue to pursue stockholder approval for its dissolution. However, Argyle cannot predict whether its stockholders will approve its dissolution in a timely manner or will ever approve its dissolution. As a result, Argyle cannot provide its initial stockholders with assurances of a specific timeframe for the dissolution and distribution.

Argyle's stockholders may be held liable for claims by third parties against Argyle to the extent of distributions received by them.

Under the Delaware General Corporation Law, stockholders may be held liable for claims by third parties against a corporation to the extent of distributions received by them in a dissolution. If Argyle complied with certain procedures set forth in Section 280 of the Delaware General Corporation Law intended to ensure that Argyle makes reasonable provision for all claims against it, including a 60-day notice period during which any third-party claims can be brought against Argyle, a 90-day period during which Argyle may reject any claims brought, and an additional 150-day waiting period before any liquidating distributions are made to stockholders, any liability of a stockholder with respect to a liquidating distribution would be limited to the lesser of such stockholder's pro rata share of the claim or the amount distributed to the stockholder, and any liability of the stockholder would be barred after the third anniversary of the dissolution. However, it is Argyle's intention to make liquidating distributions to its stockholders as soon as reasonably possible after dissolution, should it occur, and, therefore, Argyle does not intend to comply with those procedures. As such, Argyle's stockholders could potentially be liable for any claims to the extent of distributions received by them in a dissolution and any such liability of Argyle's stockholders will likely extend beyond the third anniversary of such dissolution. Accordingly, Argyle cannot assure you that third parties will not seek to recover from its public stockholders amounts owed to them by Argyle.

If third parties bring claims against Argyle, the proceeds held in the trust account could be reduced and the per share liquidation price received by stockholders could be less than $7.84 per share.

Although Argyle intends to pay amounts owed to creditors from amounts not held in trust, Argyle cannot assure you that those funds will be sufficient to cover such claims and obligations. Although Argyle has sought to have vendors, potential target businesses, consultants or other entities with which Argyle does business execute valid and enforceable agreements waiving any right, title, interest or claim of any kind in or to any monies held in the trust account for the benefit of Argyle's public stockholders, not all have executed such agreements. Those parties who have not entered into such agreements may have claims they will attempt to assert, and those who have may claim that the

waiver is unenforceable or assert claims based on fraudulent inducement, breach of fiduciary responsibility or other similar claims.

21

As of September 30, 2006, Argyle has not received a waiver letter from the State of Delaware, its independent auditor and certain miscellaneous service providers, with aggregate claims in the amount of approximately $159,709. To the extent that creditors, even those who have executed a waiver of claims against the trust account, or ISI bring a claim and attempt to have it satisfied out of the trust account, the proceeds available to Argyle's stockholders from the trust account could be reduced.

Argyle's current officers and directors have agreed, pursuant to an agreement between Argyle and Rodman & Renshaw LLC, the underwriters of Argyle's initial public offering, that, if Argyle liquidates prior to the consummation of a business combination, they may be personally liable to ensure that the proceeds of the trust account are not reduced by the claims of vendors or other entities that are owed money by Argyle for services rendered or products sold to Argyle. Argyle cannot assure you, however, that they will be able to satisfy those obligations.

Additionally, if Argyle is forced to file a bankruptcy case or an involuntary bankruptcy case is filed against Argyle which is not dismissed, the proceeds held in the trust account could be subject to applicable bankruptcy law, and may be included in Argyle's bankruptcy estate and subject to the claims of third parties with priority over the claims of Argyle's stockholders. To the extent any bankruptcy claims deplete the trust account, Argyle cannot assure you that it will be able to return to Argyle's public stockholders at least $7.84 per share.

Argyle's Board of Directors has had Limited Ability to Evaluate the Target Business' Management.

Although Argyle closely examined the management of ISI, Argyle cannot assure you that its assessment of ISI's management will prove to be correct, or that future management will have the necessary skills, qualifications or abilities to manage its business successfully. Essentially, all of the serving management of ISI will be involved with the management of the Merger Subsidiary, will remain with the combined company, and will for the most part run its day to day operations. Argyle's current Board of Directors will remain directors of Argyle subsequent to the acquisition.

SELECTED HISTORICAL FINANCIAL INFORMATION

We are providing the following financial information to assist you in your analysis of the financial aspects of the acquisition. We derived the December 31st historical information concerning ISI from its audited consolidated financial statements and the nine-month information from its unaudited financial statements. We derived historical information concerning Argyle from its audited financial statements for the year ended December 31, 2005 and from its September 30, 2006 unaudited financial statements. The information is only a summary and should be read in conjunction with each company's historical consolidated financial statements and related notes contained elsewhere herein. The historical results included below and elsewhere in this proxy statement/prospectus are not indicative of the future performance of ISI, Argyle or the enterprise resulting from the acquisition.

ISI HISTORICAL FINANCIAL INFORMATION

Selected Consolidated Statements of Operations Data

	For the year ended December 31,					For the nine months ended September 30,
($ in thousands)	2001	2002	2003	2004	2005	2006
Revenue	$ 20,385	$ 27,620	$ 34,726	$ 40,175	$ 39,234	$ 41,234
Cost of revenue	13,675	19,670	25,082	30,571	30,865	32,573
Gross profit	6,710	7,950	9,644	9,604	8,369	8,661
Selling and marketing expenses						
General and administrative expenses	6,374	6,892	6,342	6,496	6,908	6,249
Management special bonus				5,151		
Total operating (expenses) income, net	6,374	6,892	6,342	11,647	6,908	6,249
Income/(loss) from operations	336	1,058	3,302	(2,043)	1,461	2,412
Interest income	192					
Interest expense		59	0	813	3,178	2,780
Other income/(loss)		105	(55)	(85)	8	0
Income/(loss) before income taxes	528	1,104	3,247	(2,941)	(1,709)	(368)
Income tax expense (benefit)	218	486	1,165	(894)	(526)	10

Net income/(loss)	$ 310	$ 618	$ 2,082	$ (2,047)	$ (1,183)	$ (378)

23

Consolidated Balance Sheet Data

(in thousands)	December 31, 2001	2002	2003	2004	2005	September 30, 2006
Cash and cash equivalents	$ 1,816	$ 1,502	$ 868	$ 1,308	$ 416	$ 254
Total current assets	9,703	10,792	12,130	14,084	16,254	25,946
Non-current assets	2,865	3,008	3,743	5,554	5,633	6,157
Total assets	$ 12,568	$ 13,800	$ 15,873	$ 19,638	$ 21,887	$ 32,103
Total current liabilities	6,361	7,022	6,199	8,853	10,731	19,551
Total long-term liabilities	1,087	1,039	1,853	21,931	23,485	25,260
Total liabilities	$ 7,448	$ 8,061	$ 8,052	$ 30,784	$ 34,216	$ 44,811
Total stockholders' equity	$ 5,120	$ 5,739	$ 7,821	$ (11,146)	$ (12,329)	$ (12,708)

ARGYLE HISTORICAL FINANCIAL INFORMATION

	Nine Months Ended September 30, 2006	Period from June 22, 2005 (inception) to September 30, 2005	Period from June 22, 2005 (inception) to Year Ended December 31, 2005	Period from June 22, 2005 (inception) to September 30, 2006
Revenues	$ -	$ -	$ -	$ -
Interest income on trust account	952,609	-	-	952,609
Net income/(loss)	71,066	(4,358)	(7,743)	63,323
Net loss allocable to holders of non-redeemable common stock	(81,875)	(4,358)	(7,743)	(89,618)
Net income/(loss) per share - basic and diluted	$ 0.02	$ (0.00)	$ (0.01)	$ 0.02
Weighted average number of shares outstanding - basic and diluted	4,375,600	937,500	937,500	2,951,666
Net income/(loss) per share exclusive of shares and related interest subject to possible redemption - basic and diluted	$ (0.02)	$ (0.00)	$ (0.01)	$ (0.04)
Weighted average number of shares outstanding exclusive of shares subject to possible redemption - basic and diluted	3,692,197	937,500	937,500	2,551,303

	At December 31, 2005	**At September 30 2006**
Total assets (including cash deposited in trust account in 2006)	$ 304,353	$ 30,063,620
Total liabilities	287,096	1,660,807
Common stock and deferred interest subject to possible redemption	-	5,612,376
Stockholders' equity	17,257	22,790,437

SELECTED UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

The following selected unaudited pro forma financial information combines Argyle's historical balance sheet and that of ISI as of September 30, 2006, giving effect to the transactions described in the purchase agreement as if they had occurred on September 30, 2006. Additionally, the financial information combines (i) Argyle's historical statement of operations from inception (June 22, 2005) to December 31, 2005 with those of ISI for the year ended December 31, 2005 and (ii) Argyle's historical statement of operations for the nine months ended September 30, 2006 with those of ISI, in each case giving effect to the acquisition as if it had occurred on January 1, 2005. The following selected unaudited pro forma condensed combined financial information is intended to provide you with a picture of what Argyle's business might have looked like had the acquisition been completed on or as of the dates specified above. The combined financial information may have been different had the acquisition actually been completed on or as of those dates. You should not rely on the selected unaudited pro forma condensed combined financial information as being indicative of the historical results that would have occurred had the acquisition occurred or the future results that may be achieved after the acquisition. The following selected unaudited pro forma condensed combined financial information has been derived from, and should be read in conjunction with, the Unaudited Pro Forma Condensed Consolidated Financial Statements and related notes thereto starting on page 67.

The following unaudited pro forma condensed financial information has been prepared using two different levels of approval of the acquisition by Argyle's stockholders, as follows:

- Assuming No Redemption of Shares: This presentation assumes that no stockholders exercised their redemption rights; and
- Assuming Redemption of 19.99% of Shares: This presentation assumes that holders of only 19.99% of Argyle's outstanding common stock exercise their redemption rights.

(in thousands, except per share data)	**At September 30, 2006**	
	Assuming No Redemption of Shares	**Assuming Redemption of 19.99% of Shares**
Total assets	$ 74,226	$ 68,613
Line of credit	$ 4,663	$ 4,663
Long-term debt	$ 6,088	$ 6,088
Stockholders' equity	$ 37,080	$ 31,468

(in thousands, except per share data)	**For the Year Ended December 31, 2005**		**For the Nine Months Ended September 30, 2006**	
	Assuming No Redemption of Shares	**Assuming Redemption of 19.99% of Shares**	**Assuming No Redemption of Shares**	**Assuming Redemption of 19.99% of Shares**
Revenue	$ 39,234	$ 39,234	$ 41,234	$ 41,234
Operating income/(loss)	$ (1,063)	$ (1,063)	$ 454	$ 454
Net loss	$ (1,394)	$ (1,394)	$ (142)	$ (257)
Net loss per share:				
Basic	$ (0.23)	$ (0.27)	$ (0.02)	$ (0.05)
Diluted	$ (0.23)	$ (0.27)	$ (0.02)	$ (0.05)

26

COMPARATIVE PER SHARE INFORMATION

The following table sets forth selected historical per share information and unaudited pro forma combined information as of September 30, 2006 and for the nine months then ended for Argyle and ISI giving effect to the acquisition as if it had occurred on September 30, 2006. Argyle is providing this information to aid you in your analysis of the financial aspects of the acquisition. The unaudited pro forma combined share information should be read in conjunction with the historical financial statements of Argyle and ISI and the related notes thereto included elsewhere in this proxy statement/prospectus.

The unaudited pro forma combined per share information does not purport to represent what the actual results of operations of Argyle and ISI would have been had the acquisition taken place on the dates noted, or to project Argyle's or ISI's results of operations that may be achieved after the acquisition.

	In thousands, except per share data		
	ISI	Argyle	Pro Forma Combined Company
Weighted average shares of common stock outstanding:			
Assuming no redemptions			
Basic	.10491	4,376	5,961
Diluted	.10491	4,376	6,917
Assuming maximum redemptions			
Basic	-	3,692	5,197
Diluted	-	3,692	6,152
Book value—assuming no redemptions	$ (12,708)	$ 28,403	$ 37,080
Book value—assuming maximum redemptions	-	22,790	31,468
Book value per share—assuming no redemptions			
Basic	$ (121,132)	$ 6.49	$ 6.22
Diluted	(121,132)	6.49	5.36
Book value per share—assuming maximum redemptions			
Basic	-	$ 6.17	$ 6.06
Diluted	-	6.17	5.12
Earnings/(loss) per share—assuming no redemptions			
Basic	$ (3,606)	$ 0.02	$ (0.02)
Diluted	(3,606)	0.02	(0.02)
Earnings/(loss) per share—assuming maximum redemptions			
Basic	$ -	$ (0.02)	$ (0.05)
Diluted	-	(0.02)	(0.05)

PRICE RANGE OF SECURITIES AND DIVIDENDS

Argyle

Argyle's common stock, warrants and units are quotedon the OTC Bulletin Board under the symbols ARGL, ARGLW and ARGLU, respectively. The closing price for these securities on December 13, 2006, the last trading day before announcement of the acquisition, was $7.41, $1.36 and $8.75, respectively. The closing price for the securities on _______ __, 2007, the most recent trading day practicable before the date of this proxy statement/prospectus, was

$___, $___ and $___, respectively

Argyle units commenced public trading on January 30, 2006, and common stock and warrants commenced public trading on March 2, 2006. The table below sets forth, for the calendar quarters indicated, the high and low bid prices for the securities as reported on the OTC Bulletin Board in U.S. dollars. These quotations reflect inter-dealer prices, without markup, markdown or commissions, and may not represent actual transactions.

	Common Stock		**Warrants (US$)**		**Units**	
	High	**Low**	**High**	**Low**	**High**	**Low**
2006						
First Quarter	7.55	7.25	1.35	0.93	8.85	7.90
Second Quarter	7.45	7.22	1.56	1.02	8.86	8.00
Third Quarter	7.30	7.14	1.08	0.88	8.30	8.00
Fourth Quarter (through December 14)	7.44	7.15	1.55	0.75	8.80	7.94

Holders of Argyle common stock, warrants and units should obtain current market quotations for their securities. The market price of these securities could vary at any time before the acquisition is completed.

Argyle anticipates that its securities will continue to be quoted on the OTC Bulletin Board post acquisition. There can be no assurance that a trading market will develop for these securities.

Holders of Argyle. As of November 30, 2006, there were of record six holders of common stock, four of warrants, and one of units. Argyle believes the number of beneficial holders of each of these securities is significantly greater than the number of record holders.

Dividends. Argyle has not paid any dividends on its common stock to date and does not intend to pay dividends prior to the completion of a business combination.

ISI

ISI securities are not publicly traded.

Holders. As of November 30, 2006, there were of record three holders of ISI common stock, and one holder of warrants. Immediately prior to the consummation of the merger between ISI and the Merger Subsidiary (assuming the merger is approved by Argyle's stockholders), $10,000,000 of ISI's debt will be converted into ISI preferred stock, the holder of which will then receive a portion of the cash consideration to be paid to the ISI stockholders in the merger.

Dividends. As part of a recapitalization transaction in October 2004, ISI distributed $16,935,340 to its stockholders. ISI does not intend to pay any other dividends in the foreseeable future.

Post Acquisition

The payment of dividends by the combined company in the future will be contingent upon revenues and earnings, if any, capital requirements and general financial condition subsequent to completion of the acquisition. The payment of any dividends subsequent to that time will be within the discretion of the Board of Directors serving at that time. It is the present intention of the Board to retain all earnings, if any, for use in business operations and, accordingly, it does not anticipate declaring any dividends in the foreseeable future. Loans or credit facilities may also limit the combined company's ability to pay dividends.

THE ARGYLE SPECIAL MEETING

Argyle is furnishing this proxy statement/prospectus to its stockholders as part of the solicitation of proxies by the Board of Directors for use at the special meeting in connection with the proposed acquisition of ISI. This document provides you with the information you need to know to be able to vote or instruct your vote to be cast at the special meeting.

Date, Time and Place. Argyle will hold the special meeting at 10:00 a.m., San Antonio, Texas, time, on ____ __, 2007, at Concord Plaza, San Antonio, TX 78216 to vote on the proposals.

Purpose. At the special meeting, holders of Argyle common stock will be asked to approve:

· The proposed merger of a wholly-owned subsidiary of Argyle into ISI, resulting in ISI becoming a wholly-owned subsidiary of Argyle;

· The adoption of Argyle's 2007 Omnibus Securities and Incentive Plan, which provides for the grant of up to 1,000,000 shares of Argyle's common stock or cash equivalents to directors, officers, employees and/or consultants of Argyle and its subsidiaries;

· Amending Argyle's Second Amended and Restated Certificate of Incorporation to change Argyle's corporate name to Argyle Security, Inc.; and

· Amending Argyle's Second Amended and Restated Certificate of Incorporation to remove certain provisions containing procedural and approval requirements applicable to Argyle prior to the combination of a business combination that will no longer be operative upon consummation of the merger.

Pursuant to Argyle's Second Amended and Restated Certificate of Incorporation, Argyle is required to obtain stockholder approval of the acquisition of ISI. Pursuant to the merger agreement entered into by Argyle, Argyle's wholly-owned subsidiary, and ISI, it is a condition to the obligation of ISI to consummate the merger that the 2007 Omnibus Securities and Incentive Plan be approved by Argyle's stockholders. If the proposal relating to the 2007 Omnibus Securities and Incentive Plan is not approved, and if ISI's Board of Directors chooses not to waive that condition to the merger, Argyle will not be able to go forward with the acquisition of ISI even if the proposal to approve the merger has been approved.

Argyle's Board of Directors determined that the acquisition of ISI, the adoption of the 2007 Omnibus Securities and Incentive Plan, the amendment to Argyle's Second Amended and Restated Certificate of Incorporation to change of Argyle's name to Argyle Security, Inc. and the amendment to Argyle's Second Amended and Restated Certificate of Incorporation to remove certain provisions containing procedural and approval requirements applicable to Argyle prior to the combination of a business combination are fair to and in the best interests of Argyle and its stockholders, approved and declared each of them advisable, and recommends that Argyle stockholders vote **"FOR"** the acquisition, the adoption of the 2007 Omnibus Securities and Incentive Plan, the amendment to the Second Amended and Restated Certificate of Incorporation to change Argyle's name and the amendment to the Second Amended and Restated Certificate of Incorporation to remove certain provisions which will no longer be applicable after the acquisition is complete. The Board of Directors has also determined that the fair market value of ISI is at least 80% of Argyle's net assets, which is necessary to satisfy the provisions of its certificate of incorporation enabling it to consummate the acquisition.

The special meeting has been called only to consider approval of the acquisition, the approval of the 2007 Omnibus Securities and Incentive Plan, the amendment to Argyle's certificate of incorporation to change Argyle's name and the amendment to Argyle's certificate of incorporation to remove certain provisions which will no longer be applicable

upon consummation of the acquisition. Under Delaware law and Argyle’s bylaws, no other business may be transacted at the special meeting.

Record Date; Who is Entitled to Vote. The “record date” for the special meeting is ____ __, 2007. Record holders of Argyle common stock at the close of business on the record date are entitled to vote or have their votes cast at the special meeting. On the record date, there were 4,781,307 outstanding shares of Argyle common stock, of which 3,700,046 shares were sold to the public in Argyle’s initial public offering. Each common share is entitled to one vote per proposal at the special meeting. Argyle’s warrants do not have voting rights.

Pursuant to letter agreements with Argyle, Argyle's initial stockholders have agreed to vote 956,261 of their shares in accordance with the holders of a majority of the public shares voting in person or by proxy at the meeting and have agreed to vote the 125,000 of their shares purchased in the private placement immediately prior to Argyle's initial public offering and all shares acquired after such initial public offering in favor of all the proposals. If holders of a majority of the public shares cast at the meeting vote for or against, or abstain with respect to, a proposal, the initial stockholders will cast the 956,261 shares in the same manner as such majority votes on such proposal. No initial stockholders will demand redemption of any shares owned by them.

Vote Required. Approval of the acquisition and the proposal to adopt the 2007 Omnibus Securities and Incentive Plan will require the affirmative vote of a majority of the shares present in person or by proxy at the meeting, and the change in Argyle's name and the amendment to the certificate of incorporation will require the affirmative vote of holders of a majority of Argyle's outstanding common stock. Argyle's Board of Directors will abandon the acquisition, however, if holders of 765,009 or more of the shares of common stock issued in Argyle's initial public offering (which number represents 20% of the total shares sold in Argyle's initial public offering and private placement) vote against the acquisition and exercise their right to cause Argyle to redeem their shares into a pro-rata portion of the trust account established at the time of Argyle's initial public offering. In addition, pursuant to the merger agreement entered into by Argyle, Argyle's wholly-owned subsidiary and ISI, it is a condition to the obligation of ISI to consummate the merger that the 2007 Omnibus Securities and Incentive Plan be approved by Argyle's stockholders. If the proposal relating to the merger and the 2007 Omnibus Securities and Incentive Plan is not approved, and if ISI's Board of Directors chooses not to waive that the condition to the merger
relating to the approval of the plan by Argyle's stockholders, Argyle will not be able to go forward with the acquisition of ISI.

Abstaining from voting or not voting on a proposal (including broker non-votes), either in person or by proxy or voting instruction, will not have an effect on the vote relating to the acquisition or the 2007 Omnibus Securities and Incentive Plan, but will have the same effect as a vote against adoption of the proposals relating to the amendments to Argyle's Second Amended and Restated Certificate of Incorporation to change Argyle's name and to remove certain provisions containing procedural and approval requirements applicable to Argyle prior to the consummation of a business combination that will no longer be operative upon consummation of the merger. An abstention will not count toward the 20% "against and redeeming" vote that would result in the acquisition's abandonment, and you would be unable to exercise any redemption rights upon approval of the acquisition. If the proposal relating to the 2007 Omnibus Securities and Incentive Plan is not approved, and if ISI's Board of Directors chooses not to waive the condition to the merger relating to the approval of the plan by Argyle's stockholders, Argyle will not be able to go forward with the acquisition of ISI.

Voting Your Shares. Each share of common stock that you own in your name entitles you to one vote per proposal. Your proxy card shows the number of shares you own.

There are three ways to vote your shares at the special meeting:

· *By signing and returning the enclosed proxy card*. If you vote by proxy card, your "proxy," whose names are listed on the proxy card, will vote your shares as you instruct on the card. If you sign and return the proxy card, but do not give instructions on how to vote your shares, your shares will be voted as recommended by the Argyle Board **"for"** approval of each proposal.

· *By telephone or on the Internet*. You can vote this way by following the telephone or Internet voting instructions included with your proxy card. If you do, you should not return the proxy card.

· *You can attend the special meeting and vote in person*. We will give you a ballot when you arrive. If your shares are held in the name of your broker, bank or another nominee, however, you must get a proxy from the broker, bank or

other nominee. That is the only way we can be sure that the broker, bank or nominee has not already voted your shares.

Redemption Rights. Any holder of shares that were purchased in Argyle's initial public offering who votes against the acquisition may, at the same time, demand that Argyle redeem his or her shares into a pro rata portion of the funds in the trust account. If so demanded and the acquisition is consummated, Argyle will redeem the shares. If the holders of 765,009 or more shares issued in Argyle's initial public offering vote against the acquisition and demand redemption of their shares, Argyle will not have authority to consummate the acquisition. You will only be entitled to receive cash for these shares if you continue to hold them through the closing of the acquisition and then tender your stock certificate(s) to Argyle. If you exercise your redemption rights, then you will be exchanging your shares for cash and will no longer own these shares. **Do not send your stock certificate(s) with your proxy.**

The closing price of Argyle's common stock on September 29, 2006 was $7.27, and the amount of cash held in the IPO trust account on September 30, 2006 was approximately $29.1 million. If a public stockholder would have elected to exercise redemption rights on such date, he or she would have been entitled to receive approximately $7.20 per share.

Questions About Voting. If you have any questions about how to vote or direct a vote in respect of your Argyle common stock, you may call Bob Marbut or Ron Chaimovski of Argyle, at (210) 828-1700. You may also want to consult your financial and other advisors about the vote.

Revoking Your Proxy and Changing Your Vote. If you give a proxy, you may revoke it or change your voting instructions at any time before it is exercised by:

- Sending another proxy card with a later date;
- Notifying 200 Concord Plaza, Suite 700, San Antonio, TX 78216, Attention: Bob Marbut, in writing before the special meeting that you have revoked your proxy; or
- Attending the special meeting, revoking your proxy and voting in person.
- If your shares are held in "street name," consult your broker for instructions on how to revoke your proxy or change your vote.

Broker Non-Votes. If your broker holds your shares in its name and you do not give the broker voting instructions, National Association of Securities Dealers, Inc. (NASD) rules prohibit your broker from voting your shares on the acquisition and the proposed amendment certificate of incorporation. This is known as a "broker non-vote."

Solicitation Costs. Argyle is soliciting proxies on behalf of the Argyle Board of Directors. This solicitation is being made by mail, but also may be made in person or by telephone or other electronic means. Argyle and its respective directors, officers, employees and consultants may also solicit proxies in person or by mail, telephone or other electronic means. In addition, ISI stockholders, officers and directors may solicit proxies in person or by mail, telephone or other electronic means on Argyle's behalf. These persons will not be paid for doing this.

Argyle has not hired a firm to assist in the proxy solicitation process but may do so if it deems this assistance necessary. Argyle will pay all fees and expenses related to the retention of any proxy solicitation firm.

Argyle will ask banks, brokers and other institutions, nominees and fiduciaries to forward its proxy materials to their principals and to obtain their authority to execute proxies and voting instructions. Argyle will reimburse them for their reasonable expenses.

Stock Ownership. Information concerning the holdings of certain Argyle stockholders is set forth above in the Summary and below under "Beneficial Ownership of Securities."

PROPOSAL TO ACQUIRE ISI

General

Pursuant to the merger agreement entered into by and among Argyle, the Merger Subsidiary and ISI, the Merger Subsidiary will, if and as soon as practicable after stockholders approve the acquisition, merge with and into ISI, with ISI being the surviving corporation and ISI being a wholly-owned subsidiary of Argyle.

On December 8, 2006, Argyle, Argyle's wholly-owned subsidiary ISI Security Group, Inc. (referred to in this document as the Merger Subsidiary) and ISI entered into a merger agreement pursuant to which the Merger Subsidiary will merge into ISI, and ISI will become a wholly-owned subsidiary of Argyle. Pursuant to the merger agreement, Argyle will pay ISI's security holders an aggregate of $16,300,000 and 1,180,000 shares of Argyle's common stock. In the event that ISI's earnings before interest, taxes, depreciation and amortization (EBITDA) for the year ended December 31, 2006 are greater than $4,500,000 and its backlog of orders at February 28, 2007 is greater than $80,000,000 (including inter-company amounts), Argyle will pay the stockholders of ISI an additional $1,900,000. The calculation of ISI's EBITDA is subject to an adjustment of $900,000 relating to certain events that Argyle and ISI agreed should not reduce the EBITDA calculation.

In connection with the merger, immediately prior to the merger, a debt holder will convert $10,000,000 of long term debt into shares of ISI preferred stock. Additionally, ISI will be obligated to the debt holder for approximately $6,000,000. Upon consummation of the merger, the surviving corporation will be obligated for all of ISI's outstanding liabilities, including long-term debt, up to $9,000,000 that may be outstanding pursuant to a revolving credit line, and any capitalized leases. As of September 30, 2006 there was approximately $4,700,000 outstanding under the credit line.

Upon consummation of the merger, the former holders of ISI securities will own 19.8% of Argyle's issued and outstanding common stock (assuming none of Argyle's public stockholders exercise redemption rights with respect to the acquisition).

At the closing of the merger, each of the security holders of ISI will enter into a lock-up agreement with Argyle with respect to the shares that they acquire pursuant to the merger so that they will not be able to sell the shares (except to family members or affiliates) until the specified times expire. The holders of 440,288 of such shares (which does not include any officers or directors of ISI) will not be able to sell such shares until the earlier of six months after the closing of the acquisition or November 1, 2007, whichever is earlier. The holders of the remainder of the shares issued to the ISI stockholders (which will consist of all of the officers and directors of ISI) will not be able to sell their shares until January 24, 2009.

The merger agreement provides that Argyle will, within 30 days after the closing of the merger, file a registration statement relating to the resale of the shares of Argyle's common stock acquired by the stockholders of ISI, and that Argyle will use its commercially reasonable best efforts to have the registration statement declared effective by the SEC within 150 days after the closing of the merger.

The closing of the merger is subject to certain conditions, including the approval of the transaction by Argyle's stockholders and holders of fewer than 765,009 of the shares of Argyle's common stock sold in Argyle's initial public offering exercising their right to redeem their shares of common stock for cash. The stockholders of ISI will also be entitled to indemnification from Argyle if certain events occur, as described in the merger agreement. In the event that the merger is not consummated by July 1, 2007, either party may terminate the merger agreement without reason.

We sometimes refer to the Merger Subsidiary and ISI together, after giving effect to completion of the acquisition, as the "combined company."

Argyle anticipates that the costs required to consummate the acquisition will greatly exceed its available cash outside of trust, and that Argyle will not be able to consummate the merger without receiving additional funds and/or reaching agreements with Argyle's professional service providers to defer their fees and expenses (in addition to those fees and expenses that are included in accrued expenses). Argyle expects these expenses would ultimately be borne by the combined company from the funds held in trust if the proposed ISI acquisition is completed. If it is not, they would be subject to the potential indemnification obligations of Argyle's officers and directors to the trust account related to expenses incurred for vendors or service providers. If these obligations are not performed or are inadequate, it is possible that vendors or service providers could seek to recover these expenses from the trust account, which could ultimately deplete the trust account and reduce a stockholder's current pro rata portion of the trust account upon liquidation.

Background

Argyle Security Acquisition Corporation is a Delaware corporation incorporated on June 22, 2005 in order to serve as a vehicle for the acquisition of an operating business through a merger, capital stock exchange, asset acquisition or other similar business combination. On January 24, 2006, Argyle completed a private placement and received net proceeds of approximately $900,000. On January 30, 2006, Argyle consummated its initial public offering and received net proceeds of approximately $27.3 million. Argyle's management has broad discretion with respect to the specific application of the net proceeds of the private placement and the public offering, although substantially all of the net proceeds of the offerings are intended to be generally applied toward consummating a business combination. Of the proceeds from the offerings, approximately $28.7 million was deposited into a trust account. The amount in the trust account includes approximately $1.4 million of contingent underwriting compensation and $45,000 of contingent private placement fees which will be paid to the underwriters of Argyle's initial public offering if a business combination is consummated, but which will be forfeited if a business combination is not consummated.

If Argyle does not consummate the business combination with ISI, it will continue to seek another target business until it is required to liquidate and dissolve pursuant to its certificate of incorporation. As provided in its certificate of incorporation, Argyle is required, by July 30, 2007, to consummate a business combination or enter a letter of intent, agreement in principle or definitive agreement relating to a business combination, in which case Argyle would be allowed an additional six months to complete the transactions contemplated by such agreement. Under its certificate of incorporation as currently in effect, if Argyle does not acquire at least majority control of a target business by at latest January 30, 2008, Argyle will dissolve and distribute to its public stockholders the amount in the trust account plus any remaining net assets.

Shortly after Argyle's initial public offering in January 2006, it actively started to seek a target business for a business combination. In the months after Argyle's initial public offering, Argyle's management reviewed information on over 100 companies in its search for a target business. On June 29, 2006, Argyle engaged Giuliani Capital Advisors as its advisor to assist Argyle in its search for a suitable target business.

On October 3, 2006, James M. Raines left a message for Bob Marbut, Chairman and Co-Chief Executive Officer of Argyle Security Acquisition Corporation, at the Argyle corporate office in San Antonio. Mr. Marbut, who was traveling and unable to return the call until October 4, was an acquaintance of Mr. Raines.

On October 4, 2006, during their initial conversation, Mr. Raines told Mr. Marbut that, on September 30, 2006, Mr. Raines had spoken with Sam Youngblood, Chief Executive Officer of ISI. Mr. Youngblood told Mr. Raines, who from time to time had acted as an advisor to ISI, that ISI was in the process of exploring alternatives that would provide financial and other support to facilitate ISI's growth strategy. Mr. Marbut indicated an interest in discussing the possibility that Argyle's strategy and ISI's strategy might be sufficiently compatible to allow an acquisition of ISI by Argyle.

A follow-up conference call was held the following day, October 5, 2006. The call included Mr. Raines, Mr. Marbut, Ron Chaimovski (Vice Chairman and Co-Chief Executive Officer of Argyle), and Mark Mellin and Alan Wachtel, both consultants to Argyle. As a result of this telephonic meeting, Mr. Marbut expressed an interest to Mr. Raines in meeting with Mr. Youngblood.

On October 6, 2006 Messrs. Youngblood, Marbut, Raines, and Mellin met at the ISI corporate office in San Antonio. Other members of ISI's senior management later joined the meeting, which lasted four hours. As a result, Messrs. Marbut and Youngblood agreed to pursue the possibility of Argyle's acquiring ISI in order to determine expeditiously whether or not this was mutually feasible for both companies.

On October ___, 2006, a non-disclosure agreement was then signed by Argyle and ISI. In the subsequent weeks, preliminary information on ISI and its business was shared with Argyle. Both Argyle and ISI then engaged legal counsel (Loeb & Loeb LLP for Argyle and Hughes Luce for ISI), and information was provided to the respective independent auditors of Argyle and ISI (Ernst & Young for Argyle and Padgett, Stratemann & Co. for ISI).

During the week of October 9, 2006, Messrs. Marbut and Youngblood communicated frequently via telephone and e-mail. They, along with Mr. Chaimovski, had face-to-face meetings on October 16 and 17, 2006 in San Antonio.

Argyle continued to perform preliminary due diligence between October 9, 2006 and October 31, 2006. During this time, a letter of intent was also being negotiated by the parties.

Messrs. Chaimovski, Marbut, Wachtel and Youngblood met in New York on October 24 and 25, 2006. Argyle's director Gen. (ret.) Wesley K. Clark joined them for the October 24, 2006 meeting.

On October 25, 2006, another of Argyle's consultants, Graham Wallis, joined the continuing discussions via telephone. They focused on the details of ISI's businesses. These meetings were also attended by Robert "Butch" Roller and Walter Wallace, president and vice president, respectively, of MCS-Commercial, the subsidiary of ISI that deals with the commercial marketplace.

The Argyle Board of Directors met in New York on October 30, 2006, at which time Mr. Youngblood gave a presentation on ISI, followed by an independent presentation by Giuliani Capital Advisors on valuation. Also in attendance for some of the meetings on October 30, 2006, including a portion of the Argyle Board meeting, was David Jones, of William Blair Mezzanine Capital Fund III, L.P., a significant debt holder in ISI. Mr. Jones expressed his firm's support for the contemplated transaction.

In the executive session that followed the Argyle Board meeting on October 30, 2006, the Argyle Board of Directors unanimously agreed to pursue a possible transaction. A letter of intent was also approved. It was signed by the parties on the same day.

On the following day, the Argyle team again met with Messrs. Youngblood, Roller and Wallace to continue to increase their understanding of ISI's businesses and growth opportunities, particularly in the commercial area. During these meetings Argyle and ISI developed a schedule for executing formal due diligence, the negotiation of a merger agreement and the creation of proxy/registration documents to file with the SEC.

Formal and intensive due diligence began on November 6, 2006 at the ISI corporate offices and continued until the definitive merger agreement was finalized. The Argyle due diligence team included Messrs. Marbut, Chaimovski, Mellin, Wachtel, and Wallis; representatives of Loeb & Loeb; representatives of Giuliani Capital Advisors; and representatives of Ernst & Young.

From November 6, 2006 through December 8, 2006, various representatives of Argyle and ISI were in constant communication in connection with due diligence and the negotiation of a definitive agreement.

Due diligence was physically conducted at ISI's corporate office, MCS-Detention's facility, and MCS-Commercial facilities in Dallas, Denver, and San Antonio. Customer contacts were made with both ISI-Detention/MCS-Detention and MCS-Commercial customers. The ISI Detention/MCS Detention customers contacted included: Hensel Phelps, Dinosaur Valley and White Construction Companies, and all gave opinions about ISI that ranged from very favorable to extraordinary. Those MCS-Commercial customers that were contacted included Travelport Data Center and Littleton (Colorado) Public Schools; their opinions were also very favorable.

Beginning on October 7, 2006 and continuing on average on a weekly basis through December 7, 2006, Mr. Marbut communicated (primarily by email) with members of the Argyle Board on the progress of the due diligence effort, merger agreement negotiations, and the preparations of this proxy statement/prospectus.

The results of the due diligence process were reported at a meeting of the Argyle Board of Directors in New York on December 8, 2006. This was followed by Messrs. Chaimovski and Marbut making a presentation of the definitive

merger agreement for the proposed ISI transaction. The Board then met with Walter Bailey and Anthony Sehnaoui of Giuliani Capital Advisors to receive an analysis of the proposed transaction. The Argyle Board then approved the merger agreement.

The definitive merger agreement was signed on December 8, 2006 and publicly announced on December 14, 2006.

Board Consideration and Approval

While no one factor determined the final agreed upon consideration in the acquisition, Argyle's Board of Directors reviewed various industry and financial data, including certain valuation analyses and metrics compiled by Argyle and Giuliani Capital Advisors in order to make its determination that the consideration to be paid to the ISI stockholders was reasonable and that the acquisition was in the best interests of Argyle's stockholders. Argyle's Board of Directors also reviewed and considered certain analyses provided by Giuliani Capital Advisors in order to determine that the merger consideration is fair from a financial point of view to Argyle.

Argyle's officers and consultants conducted a due diligence review of ISI that included an industry analysis, a description of ISI's existing business model, inspections of company premises, review of corporate records and files, on-site visits to selected jobs-in progress, in-depth meetings with three levels of ISI management, interviews with major ISI customers, a valuation analysis and financial projections in order to enable the Board of Directors to ascertain the reasonableness of the consideration. On December 8, 2006, Giuliani Capital Advisors and Argyle's executive officers completed a Board presentation relating to the acquisition. During its negotiations with ISI's major stockholders, Argyle did not receive services from any financial advisor other than Giuliani Capital Advisors.

Interest of Argyle's Management in the Acquisition. When you consider the recommendation of Argyle's Board of Directors that you vote in favor of the acquisition, you should keep in mind that Argyle's officers and directors have interests in the acquisition that are different from, or in addition to, yours. These interests include the following:

· If the acquisition is not approved and Argyle is therefore required to liquidate, the shares owned by Argyle's officers and directors will be worthless because they will not be entitled to receive any of the assets held in the trust account. In addition, the possibility that the members of the Board of Directors will be required to perform their obligations under the indemnity agreements referred to above will be substantially increased.

· Warrants to purchase Argyle common stock held by Argyle's directors and officers are potentially exercisable upon consummation of the acquisition.

· All rights specified in Argyle's certificate of incorporation relating to the right of directors and officers to be indemnified by Argyle, and of Argyle's directors and officers to be exculpated from monetary liability with respect to prior acts or omissions, will continue after the acquisition. If the acquisition is not approved and Argyle liquidates, it will not be able to perform its obligations under those provisions. If the ISI acquisition is ultimately completed, the combined company's ability to perform such obligations will probably be substantially enhanced, and the possibility that the members of the Board of Directors will be required to perform their obligations under the indemnity agreements referred to above will be lessened.

· Argyle's financial, legal and other advisors have rendered services for which they may not be paid if the acquisition is not approved, and certain of them may have the opportunity to provide additional services to Argyle in the future. In connection with the ISI negotiations, the drafting of the merger agreement and this proxy statement/prospectus, Argyle's counsel, Loeb & Loeb LLP, has provided approximately $92,587 of services for which it has not been paid and is entitled to be reimbursed by Argyle for approximately $500 of out-of-pocket expenses as of November 30, 2006. In connection with due diligence and review of this proxy statement/prospectus, Argyle's independent auditor, Ernst & Young LLP, has billed approximately $28,500 of services through November 30, 2006 for which it has not been paid. If a business combination is completed, Giuliani Capital Advisors will be entitled to receive from Argyle a transaction fee of $_______ and is owed a fee of $200,000 for its fairness opinion. In addition, Rodman & Renshaw LLC, the representative of the underwriters in Argyle's initial public offering will receive deferred underwriting fees of approximately $1.4 million from the trust account.

35

Argyle's Reasons for the Acquisition and Its Recommendation. Argyle's Board of Directors concluded that the acquisition is in the best interests of Argyle's stockholders.

The Board of Directors considered a wide variety of factors in connection with its evaluation of the acquisition. In light of the complexity of those factors, the Board did not consider it practicable to, nor did it attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its decision.

In considering the acquisition, Argyle's Board of Directors gave considerable weight to the factors discussed below.

Satisfaction of 80% Test. It is a requirement that any business acquired by Argyle have a fair market value equal to at least 80% of Argyle's net assets at the time of acquisition, which assets shall include the amount in the trust account. Based on the financial analysis of ISI generally used to approve the transaction, Argyle's Board of Directors determined that this requirement was met and exceeded.

To determine the value of ISI, the Board of Directors first determined that as of September 30, 2006, Argyle had $28,402,813 in net assets (total assets minus total liabilities). The consideration being paid to ISI's security holders, which Giuliani Capital Advisors determined was fair from a financial point of view to Argyle, is, at minimum, $16,300,000 and 1,180,000 shares of Argyle's common stock. Based on the closing price of Argyle's common stock on October 27, 2006, the trading day before the term sheet was signed, the fair market value of the common stock to be issued to ISI's stockholders was $8,496,000 ($7.20 per share), for a total consideration of $24,796,000, which is over 87% of Argyle's net assets at the time that the letter of intent was executed. Therefore, the 80% test was satisfied.

Fairness Opinion

The Board of Directors has received a written fairness opinion, dated December 8, 2006, from Giuliani Capital Advisors LLC to the effect that, as of the date of the opinion, the merger consideration as stipulated in the merger agreement is fair from a financial point of view to Argyle.

THE FULL TEXT OF GIULIANI CAPITAL ADVISORS' FAIRNESS OPINION, WHICH SETS FORTH THE ASSUMPTIONS MADE, GENERAL PROCEDURES FOLLOWED, MATTERS CONSIDERED AND METHODS EMPLOYED BY GIULIANI CAPITAL ADVISORS IN ARRIVING AT ITS OPINION, IS ATTACHED AS ANNEX A TO THIS PROXY STATEMENT/PROSPECTUS.

Giuliani Capital Advisors' written opinion is addressed to the Board of Directors in connection with its consideration of the merger agreement, and the merger and does not constitute a recommendation to the Board of Directors or to any holders of Argyle's securities as to how to vote or act on any of the proposals set forth in this proxy statement/prospectus. Holders of Argyle's securities are urged to and should read the opinion in its entirety.

In arriving at its opinion, Giuliani Capital Advisors:

- Reviewed a draft of the merger agreement which, for the purposes of the opinion, Giuliani Capital Advisors assumed, with Argyle's permission, to be identical in all material respects to the executed agreement (which had been executed by the parties prior to the delivery of the written opinion);
- Reviewed certain publicly available information about ISI;
- Reviewed information furnished to Giuliani Capital Advisors by ISI's management, including certain audited financial statements and unaudited financial analyses, projections, budgets, reports and other information;

36

- Held discussions with various members of senior management of ISI concerning historical and current operations, financial condition and prospects, including recent financial performance;
- Reviewed the valuation of ISI based on the terms of the merger agreement;
- Reviewed the valuations of publicly traded companies that Giuliani Capital Advisors deemed comparable in certain respects to ISI;
- Reviewed the financial terms of selected acquisition transactions involving companies in lines of business that Giuliani Capital Advisors deemed comparable in certain material respects to the business of ISI;
- Prepared a discounted cash flow analysis of ISI on a stand-alone basis;
- Assisted in negotiations and discussions related to the proposed merger between ISI and Argyle; and
- Conducted such other quantitative reviews, analyses and inquiries relating to ISI as considered appropriate in rendering the opinion.

These analyses were prepared primarily based on information that was obtained from publicly available sources, as well as on information that was provided by, or on behalf of, ISI. Giuliani Capital Advisors' opinion was necessarily based on market and economic conditions and other circumstances as they existed on, and could be evaluated as of, the date of the opinion. Giuliani Capital Advisors' opinion does not provide or imply any conclusion as to the likely trading range of any security issued by any party following the approval of the merger. This may vary depending upon, among other things, factors that generally influence the price of securities.

As of the date of the opinion, neither Giuliani Capital Advisors nor its affiliates held any securities of Argyle or ISI, nor did any of the members or officers of Giuliani Capital Advisors serve as a director of Argyle or ISI. Further, Giuliani Capital Advisors has been engaged by Argyle to render financial advisory services in connection with the merger and will receive a fee contingent upon the successful consummation of the merger. Subsequent to its engagement, Giuliani Capital Advisors also introduced Argyle to other potential targets for a business combination, for which Giuliani Capital Advisors was not compensated as no agreement was reached. Giuliani Capital Advisors may provide investment banking and related services to Argyle in the future.

The following is a summary of the material analyses Giuliani Capital Advisors performed while preparing its fairness opinion.

Comparable Company Analysis

Comparable company analysis is a method of valuing an asset relative to publicly traded companies with similar products/services, similar operating or financial characteristics or servicing similar markets or markets displaying certain key similarities. Giuliani Capital Advisors analyzed the enterprise values as multiples of Sales and EBITDA of fourteen publicly traded companies from the U.S. and the European markets that participate in the access and video control solution, security integration, and non-security sector-specific integration industries. The table below summarizes the results of this analysis:

	Enterprise Value as a Multiple of					
	Sales			EBITDA		
	LTM	2006 YE	2007 YE	LTM	2006 YE	2007 YE
Aggregate Mean	1.5x	1.5x	1.3x	13.5x	12.9x	10.3x

Aggregate Median	1.0x	1.2x	1.0x	13.4	13.1x	10.2x

Based on this analysis, Giuliani Capital Advisors determined that the merger consideration is within or below the range of enterprise values implied by the multiples of the selected comparable companies.

Comparable Transaction Analysis

Comparable transaction analysis is a method of valuing an asset relative to recent merger and acquisition transactions involving companies having similar products/services, similar operating or financial characteristics, similar security technology attributes, or servicing similar markets. Giuliani Capital Advisors compared enterprise values implied by fourteen comparable merger transactions in the access and video control solutions and integration transactions which occurred between October 2003 and September 2006 as multiples of sales and EBITDA. The analysis indicated the following multiples:

	Enterprise Value as a Multiple of	
	LTM Sales	LTM EBITDA
Mean	2.9x	14.7x
Median	1.9x	14.1x

Based on this analysis, Giuliani Capital Advisors determined that the merger consideration is within or below the range of enterprise values implied by the multiples of the selected comparable transactions.

Discounted Cash Flow Analysis

Discounted cash flow analysis is a method of valuing an asset as the present value of the sum of (i) its unlevered free cash flows over a forecast period and (ii) its theoretical terminal value at the end of the forecast period. Giuliani Capital Advisors calculated the future cash flows of ISI according to the financial projections for the fiscal years 2007 through 2009 as provided by ISI or assumed in accordance with Argyle management’s views. The terminal values of ISI were calculated based on projected EBITDA for 2009 and multiples ranging from 7.5x to 11.5x. Giuliani Capital Advisors used discount rates ranging from 12.5% to 22.5%. Giuliani Capital Advisors used such discount rates based on its judgment of the estimated weighted average cost of capital of comparable publicly traded companies, as well as adjustments relating to factors deemed specific to ISI, a privately held company, and used such multiples based on a range determined by the lowest comparable company’s trading multiple increasing by 1.0 intervals in order to encompass the broader comparable companies’ trading multiples range as well as to capture the lower end of the range of multiples paid in precedent transactions. Based on this analysis, the implied enterprise values of ISI ranged upwards from $75,400,000.

Based on this analysis, Giuliani Capital Advisors determined that the merger consideration was within or below the range of enterprise values implied by the ISI discounted cash flow analysis.

Analysis of the Historical Trading Activity of Argyle’s Common Stock

Giuliani Capital Advisors analyzed the historical prices and trading activity of Argyle’s common stock on the OTC Bulletin Board. Since the date when Argyle’s common stock commenced trading on the OTC Bulletin Board, such date being March 2, 2006, until December 6, 2006, the price of Argyle’s common stock ranged from $7.15 to $7.55, with an average daily volume of approximately 12,159 shares. For the 90 trading days ended December 6, 2006, the price of Argyle’s common stock ranged from $7.15 to $7.39, with an average daily trading volume of approximately 9,173 shares. For the ten trading days ended December 6, 2006, the price of Argyle’s common stock ranged from $7.27 to $7.38, with an average daily trading volume of approximately 35,848 shares.

The closing price of $7.38 of Argyle's common stock on December 6, 2006 was, in Giuliani Capital Advisors' analysis, determined to be a representative price for Argyle's common stock, as it relates to Argyle's status as a special purpose acquisition company prior to the announcement of its merger with ISI. Giuliani Capital Advisors used this price to calculate the value of the merger consideration, which will be partially paid in Argyle's shares of common stock.

General Matters Regarding Fairness Opinion

The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to particular circumstances and, therefore, such an opinion is not susceptible to summary description. Furthermore, Giuliani Capital Advisors did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Giuliani Capital Advisors' analyses must be considered as a whole. Considering any portion of such analyses and of the factors considered without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the conclusions expressed in the opinion.

In its analysis, Giuliani Capital Advisors made a number of assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of ISI, Argyle and Giuliani Capital Advisors. Any estimates contained in these analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those set forth in the analysis. In addition, analyses relating to the value of ISI do not purport to be appraisals or to reflect the prices at which securities of Argyle may be sold after the merger is approved.

Giuliani Capital Advisors' opinion is for the use of the Board of Directors of Argyle in its deliberation of the merger and does not constitute a recommendation to the Board of Directors or to any holder of Argyle's securities as to how such a person should vote or act with respect to any of the proposals set forth in this proxy statement/prospectus. The opinion does not address the merits of the decision of the Board of Directors to enter into the merger transaction as compared to any alternative business transactions that might be available to Argyle nor does it address the underlying business decision to engage in the merger transaction.

Giuliani Capital Advisors is a nationally recognized investment banking firm that is continually engaged in providing fairness opinions and advising in connection with mergers and acquisitions, leveraged buyouts, recapitalizations and private placement transactions. The Board of Directors retained Giuliani Capital Advisors based on such qualifications, as well as recommendations from other companies that had engaged members of Giuliani Capital Advisors' engagement team for similar purposes and Giuliani Capital Advisors' ability to perform research and render a fairness opinion within the required timeframe.

The Board of Directors entered into an engagement letter agreement with Giuliani Capital Advisors as of December 8, 2006, pursuant to which Giuliani Capital Advisors agreed to render an opinion as to the fairness from a financial point of view of the proposed merger to Argyle. Under the engagement letter, a fee of $200,000 was payable to Giuliani Capital Advisors upon delivery of its opinion (in addition to a financial advisory fee contingent upon the successful consummation of the merger). Argyle will also reimburse Giuliani Capital Advisors for its reasonable out-of-pocket expenses in connection with its activities under the engagement letter, including reasonable fees and disbursements of its legal counsel. Argyle has also agreed to provide customary indemnification to Giuliani Capital Advisors against certain liabilities arising out of its engagement.

Conclusion of Argyle's Board of Directors. After careful consideration of all relevant factors, Argyle's Board of Directors determined that the acquisition is fair to and in the best interests of Argyle and its stockholders. The Board of Directors has approved and declared the proposal advisable and recommends that you vote or give instructions to vote "FOR" the approval of the acquisition.

The foregoing discussion of the information and factors considered by the Argyle Board is not meant to be exhaustive, but includes the material information and factors considered by it.

Certain U.S. Federal Income Tax Consequences of the Merger

The following discussion is a general summary of the material U.S. federal income tax consequences of the merger to Argyle and to current holders of its common stock, as well as to the holders of the stock of ISI, who are "United States persons," as defined in the Internal Revenue Code of 1986, as amended (referred to in this proxy statement/prospectus as the "Code") and who hold such stock as a "capital asset," as defined in the Code. The discussion does not purport to be a complete analysis of all of the potential tax effects of the merger. Tax considerations applicable to a particular stockholder will depend on that stockholder's individual circumstances. The discussion addresses neither the tax consequences that may be relevant to particular categories of stockholders subject to special treatment under certain U.S. federal income tax laws (such as dealers in securities, banks, insurance companies, tax-exempt entities, mutual funds, and foreign individuals and entities) nor any tax consequences arising under the laws of any state, local or foreign jurisdiction. In addition, the discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold stock through such entities.

The discussion is based upon the Code, U.S. Department of the Treasury regulations, rulings of the Internal Revenue Service ("IRS"), and judicial decisions now in effect, all of which are subject to change or to varying interpretation at any time. Any such changes or varying interpretations may also be applied retroactively.

Because of the complexity of the tax laws and because the tax consequences to Argyle or any particular stockholder may be affected by matters not discussed herein, stockholders are urged to consult their own tax advisors as to the specific tax consequences of the merger, including tax reporting requirements, the applicability and effect of foreign, federal, state, local and other applicable tax laws and the effect of any proposed changes in the tax laws.

Tax Consequences to Argyle and its Current Stockholders

Neither Argyle nor the current holders of its common stock should recognize gain or loss as a result of the merger for U.S. federal income tax purposes.

Tax Consequences to Stockholders of ISI

Gain or Loss on Merger. Amounts received by stockholders of ISI pursuant to the merger generally will be treated as full payment in exchange for their shares of stock in ISI. As a result, a stockholder of ISI generally will recognize gain or loss for U.S. federal income tax purposes equal to the difference between (1) the amount of cash and the fair market value of stock received by such stockholder pursuant to the merger and (2) such stockholder's tax basis in its stock in ISI.

A stockholder's gain or loss generally will be computed on a "per share" basis, so that gain or loss is calculated separately for blocks of stock acquired at different dates or for different prices. The amounts received by a stockholder of ISI pursuant to the merger generally will be allocated proportionately to each share of stock owned by such stockholder. The gain or loss recognized by such stockholder in connection with the merger generally will be a capital gain or loss, and will be a long-term capital gain or loss if the share has been held for more than one year, and a short-term capital gain or loss if the share has not been held for more than one year. Long-term capital gain of non-corporate taxpayers may be subject to more favorable tax rates than ordinary income or short-term capital gain. The deductibility of capital losses is subject to various limitations.

Back-Up Withholding. Unless a stockholder of ISI complies with certain reporting and/or Form W-9 certification procedures or is an exempt recipient under applicable provisions of the Code and Treasury Regulations, he, she or it may be subject to back-up withholding tax with respect to any payments received pursuant to the merger. The back-up withholding tax is currently imposed at a rate of 28%. Back-up withholding generally will not apply to payments

made to some exempt recipients such as a corporation or financial institution or to a stockholder who furnishes a correct taxpayer identification number or provides a certificate of foreign status and provides certain other required information. If back-up withholding applies, the amount withheld is not an additional tax, but generally is allowed as a credit against the stockholder's U.S. federal income tax liability.

Anticipated Accounting Treatment

Argyle will account for the acquisition of ISI as a purchase. The purchase price will be allocated to the various tangible and intangible assets and assumed liabilities based upon an appraisal.

Regulatory Matters

The acquisition is not subject to the Hart-Scott-Rodino Act or any federal or state regulatory requirement or approval, except for filings necessary to effectuate related transactions with the state of Delaware.

PROPOSAL TO APPROVE THE
2007 OMNIBUS SECURITIES AND INCENTIVE PLAN

Background

Argyle's 2007 Omnibus Securities and Incentive Plan (referred to below as the 2007 Incentive Plan) has been approved by Argyle's Board of Directors and will take effect upon consummation of the merger, provided that the merger and the 2007 Incentive Plan are approved by the stockholders at the special meeting.

Under the terms of the 2007 Incentive Plan, 1,000,000 shares of Argyle common stock are reserved for issuance in accordance with its terms. Argyle currently anticipates that, shortly after the merger, it will grant up to approximately ____________ shares pursuant to awards under the 2007 Incentive Plan to members of the ISI management team, current officers, directors and consultants of Argyle and new employees of Argyle to be hired after the merger. However, at this time, Argyle's Board of Directors has not approved the issuance of any such awards and is not under any contractual obligation to do so. Assuming that the anticipated grants are made, there would be at least approximately ___________ shares remaining for issuance in accordance with the 2007 Incentive Plan's terms. The purpose of the 2007 Incentive Plan is to assist Argyle in attracting, retaining and providing incentives to its employees, officers, directors and independent contractors, or the employees, officers, directors and independent contractors of its affiliates, whose past, present and/or potential future contributions to Argyle have been, are or will be important to the success of Argyle and to align the interests of such persons with Argyle's stockholders. It is also designed to motivate employees and to significantly contribute toward growth and profitability, to provide incentives to Argyle's executives, directors, employees and independent contractors who, by their position, ability and diligence are able to make important contributions to Argyle's growth and profitability. The various types of incentive awards that may be issued under the 2007 Incentive Plan will enable Argyle to respond to changes in compensation practices, tax laws, accounting regulations and the size and diversity of its business.

All officers, directors and employees of ISI and Argyle will be eligible to be granted awards under the 2007 Incentive Plan. No allocations of shares that may be subject to awards have been made. All awards will be subject to the approval of Argyle's Board of Directors or its compensation committee.

Description Of The Plan

A summary of the principal features of the 2007 Incentive Plan is provided below, but is qualified in its entirety by reference to the full text of the 2007 Incentive Plan, which is attached to this proxy statement/prospectus as Annex B.

Administration

Awards

The 2007 Incentive Plan provides for the grant of distribution equivalent rights, incentive stock options, non-qualified stock options, performance share awards, performance unit awards, restricted stock awards, stock appreciation rights, tandem stock appreciation rights and unrestricted stock awards for an aggregate of not more than 1,000,000 shares of Argyle's common stock, to directors, officers, employees and independent contractors of Argyle or its affiliates. If any award expires, is cancelled, or terminates unexercised or is forfeited, the number of shares subject thereto, if any, is again available for grant under the 2007 Incentive Plan. The number of shares of common stock, with respect to which stock options or stock appreciation rights may be granted to a participant under the 2007 Incentive Plan in any calendar year cannot exceed 150,000.

Assuming the merger is completed, there would be approximately ___ employees, directors and consultants who would be entitled to receive awards under the 2007 Incentive Plan. Future new hires and new consultants would be eligible to participate in the 2007 Incentive Plan as well.

Administration of the 2007 Incentive Plan

The 2007 Incentive Plan is administered by Argyle's Board of Directors or its compensation committee. Among other things, the Board or, if the Board delegates its authority to the committee, the committee, has complete discretion, subject to the express limits of the 2007 Incentive Plan, to determine the employees, directors and independent contractors to be granted awards, the types of awards to be granted, the number of shares of Argyle common stock subject to each award, if any, the exercise price under each option, the base price of each stock appreciation right, the term of each award, the vesting schedule and/or performance goals for each award that utilizes such a schedule or provide for performance goals, whether to accelerate vesting, the value of the common stock, and any required withholdings. The committee may amend, modify or terminate any outstanding award, provided that the participant's consent to such action is required if the action would materially and adversely affect the participant. The committee is also authorized to construe the award agreements and may prescribe rules relating to the 2007 Incentive Plan.

Options

The 2007 Incentive Plan provides for the grant of stock options, which may be either "incentive stock options" (ISOs), which are intended to meet the requirements for special U.S. federal income tax treatment under the Code, or "nonqualified stock options" (NQSOs). Options may be granted on such terms and conditions as the committee may determine; provided, however, that the exercise price of an option may not be less than the fair market value of the underlying stock on the date of grant and the term of the option may not exceed ten years (110% of such value and five years in the case of an ISO granted to an employee who owns (or is deemed to own) more than 10% of the total combined voting power of all classes of capital stock of Argyle or a parent or subsidiary of Argyle). ISOs may only be granted to employees. In addition, the aggregate fair market value of common stock underlying one or more ISOs (determined at the time of grant) which are exercisable for the first time by any one employee during any calendar year may not exceed $100,000.

Restricted Stock

The 2007 Incentive Plan provides for restricted stock awards. A restricted stock award under the 2007 Incentive Plan is a grant or sale of Argyle common stock to the participant, subject to transfer restrictions and forfeiture in the event that conditions specified by the Board or committee in the award are not satisfied prior to the end of the applicable restriction period under the award. Dividends, if any are declared by Argyle, will be paid on the shares during the period of restriction. The purchase price for each share of restricted stock may not be less than the par value of a share of Argyle's common stock.

Unrestricted Stock Awards

The 2007 Incentive Plan provides for unrestricted stock awards. An unrestricted stock award under the 2007 Incentive Plan is a grant or sale of Argyle common stock to the participant that is not subject to transfer or forfeiture restrictions, in consideration for past services rendered thereby to Argyle or an affiliate or for other valid consideration.

Performance Unit Awards

The 2007 Incentive Plan provides for performance unit awards. Performance unit awards under the 2007 Incentive Plan entitle the participant to a cash payment upon the attainment of specified individual or company performance goals.

Performance Share Awards

The 2007 Incentive Plan provides for performance share awards. Performance share awards under the 2007 Incentive Plan entitle the participant to shares of Argyle's common stock upon the attainment of specified individual or company performance goals.

Distribution Equivalent Right Awards

The 2007 Incentive Plan provides for distribution equivalent right awards. A distribution equivalent right award under the 2007 Incentive Plan entitles the participant to receive bookkeeping credits, cash payments and/or Argyle common stock distributions equal in amount to the distributions that would have been made to the participant had the participant held a specified number of shares of Argyle common stock during the period the participant held the distribution equivalent right. A distribution equivalent right may be awarded under the 2007 Incentive Plan as a component of another award, where, if so awarded, such distribution equivalent right will expire or be forfeited by the participant under the same conditions as under such other award.

Stock Appreciation Rights (SARs)

The 2007 Incentive Plan provides for the award of stock appreciation rights, or SARs. The award of an SAR under the 2007 Incentive Plan entitles the participant, upon exercise, to receive an amount, in cash or Argyle common stock or a combination thereof, equal to the increase in the fair market value of the underlying Argyle common shares between the date of grant and the date of exercise. SARs may be granted in tandem with, or independently of, options granted under the 2007 Incentive Plan. An SAR granted in tandem with an option under the 2007 Incentive Plan (i) is exercisable only at such times, and to the extent, that the related option is exercisable; (ii) expires upon termination or exercise of the related option; and (iii) the related option may be exercised only when the value of the stock subject to the option exceeds the exercise price under the option. An SAR that is not granted in tandem with an option is exercisable at such times as the committee may specify.

Additional Terms

Except as provided in the 2007 Incentive Plan, awards granted under the 2007 Incentive Plan are not transferable and may be exercised only by a respective participant during the participant’s lifetime or by the participant’s guardian or legal representative. Each award agreement will specify, among other things, the effect on an award of the disability, death, retirement, authorized leave of absence or other termination of employment of the participant. Argyle may require a participant to pay Argyle the amount of any required withholding in connection with the grant, vesting, exercise or disposition of an award. A participant is not considered a stockholder with respect to the shares underlying an award until the shares are issued to the participant.

Amendments

Argyle’s Board of Directors may at any time amend, alter, suspend or terminate the 2007 Incentive Plan; provided, that no amendment requiring stockholder approval will be effective unless such approval has been obtained, and provided further that no amendment of the 2007 Incentive Plan or its termination may be effected if it would materially and adversely impair the rights of the applicable participant without the participant’s consent.

Certain U.S. Federal Income Tax Consequences of the 2007 Incentive Plan

The following is a general summary of the U.S. federal income tax consequences under current tax law to Argyle and to individual participants in the 2007 Incentive Plan who are individual citizens or residents of the United States of distribution equivalent rights, ISOs, NQSOs, performance share awards, performance unit awards, restricted stock awards, stock appreciation rights, and restricted stock awards granted pursuant to the 2007 Incentive Plan. It does not purport to cover all of the special rules that may apply, including special rules relating to limitation on the ability of Argyle to deduct certain compensation, special rules relating to deferred compensation, golden parachutes, participants subject to Section 16(b) of the Exchange Act and the exercise of an option with previously-acquired shares. In addition, this summary does not address the state or local income or other tax consequences inherent in the acquisition, ownership, vesting, exercise, termination or disposition of an award under the 2007 Incentive Plan or

shares of Argyle common stock pursuant thereto.

A participant generally does not recognize taxable income upon the grant of an NQSO or an ISO. Upon the exercise of an NQSO, the participant generally recognizes ordinary income in an amount equal to the excess, if any, of the fair market value of the shares acquired on the date of exercise over the exercise price thereunder, and Argyle will generally be entitled to a deduction for such amount at that time. If the participant later sells shares acquired pursuant to the exercise of an NQSO, the participant generally recognizes a long-term or a short-term capital gain or loss, depending on the period for which the shares were held. A long-term capital gain is generally subject to more favorable tax treatment than ordinary income or a short-term capital gain.

Upon the exercise of an ISO, the participant generally does not recognize taxable income. If the participant disposes of the shares acquired pursuant to the exercise of an ISO more than two years after the date of grant and more than one year after the transfer of the shares to the participant, the participant generally recognizes a long-term capital gain or loss, and Argyle is not entitled to a deduction. However, if the participant disposes of such shares prior to the end of the required holding period, all or a portion of the gain is treated as ordinary income, and Argyle is generally entitled to deduct such amount.

In addition to the tax consequences described above, a participant may be subject to the alternative minimum tax, which is payable to the extent it exceeds the participant's regular tax. For this purpose, upon the exercise of an ISO, the excess of the fair market value of the shares over the exercise price thereunder is a preference item for purposes of the alternative minimum tax. In addition, the participant's basis in such shares is increased by such excess for purposes of computing the gain or loss on the disposition of the shares for alternative minimum tax purposes. If a participant is required to pay an alternative minimum tax, the amount of such tax which is attributable to deferral preferences (including any ISO adjustment) generally is allowed as a credit against the participant's regular tax liability in subsequent years. To the extent the credit is not used, it is carried forward.

A participant generally does not recognize income on the receipt of a performance share award until the shares are received. At such time, the participant recognizes ordinary compensation income equal to the excess, if any, of the fair market value of the shares over any amount paid by the participant for the shares, and Argyle is generally entitled to deduct such amount at such time.

A participant who receives an unrestricted stock award recognizes ordinary compensation income upon receipt of the award equal to the excess, if any, of the fair market value of the shares over any amount paid by the participant for the shares, and Argyle is generally entitled to deduct such payment at such time.

A participant who receives a restricted stock award generally recognizes ordinary compensation income at the time the restriction lapses equal to the excess, if any, of the fair market value of the stock at such time over any amount paid by the participant for the shares. Alternatively, the participant may elect to be taxed upon receipt of the restricted stock based on the value of the shares at the time of grant. Argyle is generally entitled to a deduction at the same time as ordinary compensation income is required to be included by the participant and in the same amount. Dividends received with respect to restricted stock are generally treated as compensation, unless the participant elects to be taxed on the receipt (rather than the vestings) of the restricted stock.

A participant generally does not recognize income upon the grant of an SAR. The participant has ordinary compensation income upon exercise of the SAR equal to the increase in the value of the underlying shares, and Argyle will generally be entitled to a deduction for such amount.

A participant generally does not recognize income for a performance unit award or a distribution equivalent right award until payments are received. At such time, the participant recognizes ordinary compensation income on any cash payments received, and Argyle is generally entitled to deduct such amount at such time. If a participant receives a distribution of Argyle common stock in connection with a distribution equivalent right award, at such time the participant will recognize ordinary compensation income equal to the fair market value of the ordinary compensation income equal to the fair market value of the shares, and Argyle is generally entitled to deduct such amount at such time.

Equity Compensation Plan Information

The following table sets forth aggregate information regarding Argyle's equity compensation plans in effect as of December 31, 2005:

Plan category	Number of securities to be issued upon exercise of outstanding options (a)		Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (c)
Equity compensation plans approved by security holders	0		0	0
Equity compensation plans not approved by security holders(1)	135,938	$	0.027	0
Total	135,938	$	0.027	0

(1) On July 13, 2005, Argyle issued options to its officers, directors and their affiliates to purchase a number of shares of Argyle's common stock as would be necessary to maintain their percentage ownership in Argyle after the offering in the event the underwriters in its initial public offering exercised their over-allotment option. Such options were exercisable at $0.027 per share only if and only to the extent that the over-allotment option was exercised. On February 1, 2006, Argyle issued 18,761 shares of its common stock upon exercise of these options. The remainder of the options expired unexercised.

Conclusion of Argyle's Board of Directors. After careful consideration of all relevant factors, Argyle's Board of Directors has determined that the proposal to adopt the 2007 Omnibus Securities and Incentive Plan is in the best interests of Argyle and its stockholders. Argyle's Board of Directors has approved and declared advisable the proposal and recommends that you vote or give instructions to vote "FOR" the proposal.

PROPOSAL TO CHANGE NAME TO ARGYLE SECURITY, INC.

Pursuant to the merger agreement, Argyle proposes to amend its Second Amended and Restated Certificate of Incorporation to change its corporate name from Argyle Security Acquisition Corporation to Argyle Security, Inc. upon consummation of the merger. If the merger proposal is not approved, the name change amendment will not be presented at the meeting. In addition, if the merger is not subsequently consummated, Argyle's Board of Directors will not effect the name change.

In the judgment of Argyle's Board of Directors, if the acquisition is consummated, the change of Argyle's corporate name is desirable to reflect the fact that Argyle would then be an operating business. A copy of the amended and restated certificate of incorporation as it would be filed if the proposal to change Argyle's name and to amend Argyle's certificate of incorporation (pursuant to the immediately subsequent proposal) is attached to this proxy statement/prospectus as Annex C.

Stockholders will not be required to exchange outstanding stock certificates for new stock certificates if the amendment is adopted.

Conclusion of Argyle's Board of Directors. After careful consideration of all relevant factors, Argyle's Board of Directors determined that the proposal to amend Argyle's Second Amended and Restated Certificate of Incorporation to change Argyle's name to Argyle Security, Inc. is in the best interests of Argyle and its stockholders. The Board of Directors has approved and declared the proposal advisable and recommends that you vote or give instructions to vote "FOR" the approval of the name change.

PROPOSAL TO AMEND ARGYLE'S CERTIFICATE OF INCORPORATION TO REMOVE CERTAIN PROVISIONS THAT WOULD NO LONGER BE APPLICABLE TO ARGYLE

Argyle proposes to amend its Second Amended and Restated Certificate of Incorporation to remove those provisions of Argyle's Second Amended and Restated Certificate of Incorporation that will no longer be operative upon consummation of the merger (which constitutes a business combination for purposes of Argyle's Second Amended and Restated Certificate of Incorporation), but which were applicable at the time of Argyle's formation as a blank-check company. In order to accomplish this, the text of Article Sixth except for the text of paragraph (E) will be deleted in its entirety. If the merger proposal is not approved, this proposal will not be presented at the meeting. In addition, if the merger is not subsequently consummated, Argyle's Board of Directors will not effect this amendment to Argyle's Second Amended and Restated Certificate of Incorporation.

Article Sixth of Argyle's certificate of incorporation currently reads as follows:

"The following provisions (A) through (E) shall apply during the period commencing upon the filing of this Certificate of Incorporation and terminating upon the consummation of any "Business Combination," and may not be amended during the "Target Business Acquisition Period." A "Business Combination" shall mean the acquisition by the Corporation, whether by merger, capital stock exchange, asset or stock acquisition or other similar type of transaction, of an operating business ("Target Business"). The "Target Business Acquisition Period" shall mean the period from the effectiveness of the registration statement filed in connection with the Corporation's initial public offering of securities ("IPO") up to and including the first to occur of (a) a Business Combination or (b) the Termination Date (defined below).

(A) Prior to the consummation of any Business Combination, the Corporation shall submit such Business Combination to its stockholders for approval regardless of whether the Business Combination is of a type which normally would require such stockholder approval under the GCL. In the event that a majority of the shares cast at the meeting to approve the Business Combination are voted for the approval of such Business Combination, the

Corporation shall be authorized to consummate the Business Combination; provided that the Corporation shall not consummate any Business Combination if the holders of 20% or more of the Transaction Shares (as defined below) exercise their redemption rights described in paragraph B below.

(B) In the event that a Business Combination is approved in accordance with the above paragraph (A) and is consummated by the Corporation, any stockholder of the Corporation holding shares of Common Stock issued in the IPO (the "IPO Shares") who voted against the Business Combination may, contemporaneous with such vote, demand that the Corporation redeem his IPO Shares into cash. If so demanded, the Corporation shall, promptly after consummation of the Business Combination, redeem such shares into cash at a per share redemption price equal to the quotient determined by dividing (i) the amount in the Trust Fund applicable to the net proceeds from the sale of the Transaction Shares (as defined below), inclusive of any interest thereon (exclusive of taxes payable and interest released to the Corporation used to fund the Corporation's working capital), calculated as of two business days prior to the consummation of the Business Combination, by (ii) the total number of IPO Shares. "Transaction Shares" shall mean the IPO Shares, together with any shares of Common Stock issued by the Corporation in a private placement either concurrently with or within four business days prior to the IPO (the "Placement Shares"). "Trust Fund" shall mean the trust account established by the Corporation at the consummation of its IPO and into which, among other funds, a certain amount of the net proceeds of the IPO is deposited.

(C) In the event that the Corporation does not consummate a Business Combination by the later of (i) 18 months after the consummation of the IPO or (ii) 24 months after the consummation of the IPO in the event that either a letter of intent, an agreement in principle or a definitive agreement to complete a Business Combination was executed but was not consummated within such 18 month period (such later date being referred to as the "Termination Date"), the officers of the Corporation shall take all such action necessary to dissolve and liquidate the Corporation as soon as reasonably practicable. In the event that the Corporation is so dissolved and liquidated, only the holders of IPO Shares shall be entitled to receive liquidating distributions and the Corporation shall pay no liquidating distributions with respect to any other shares of capital stock of the Corporation.

(D) A holder of IPO Shares shall be entitled to receive distributions from the Trust Fund only in the event of a liquidation of the Corporation and/or the Trust Fund or in the event he demands redemption of his shares in accordance with paragraph (B), above. In no other circumstances shall a holder of IPO Shares have any right or interest of any kind in or to the Trust Fund. A holder of Placement Shares shall not have any right or interest of any kind in or to the Trust Fund.

(E) The Board of Directors shall be divided into three classes: Class A, Class B and Class C. The number of directors in each class shall be as nearly equal as possible. At the first election of directors by the incorporator, the incorporator shall elect a Class C director for a term expiring at the Corporation's third Annual Meeting of Stockholders. The Class C director shall then elect additional Class A, Class B and Class C directors. The directors in Class A shall be elected for a term expiring at the first Annual Meeting of Stockholders, the directors in Class B shall be elected for a term expiring at the second Annual Meeting of Stockholders and the directors in Class C shall be elected for a term expiring at the third Annual Meeting of Stockholders. Commencing at the first Annual Meeting of Stockholders, and at each annual meeting thereafter, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election. Except as the GCL may otherwise require, in the interim between annual meetings of stockholders or special meetings of stockholders called for the election of directors and/or the removal of one or more directors and the filling of any vacancy in that connection, newly created directorships and any vacancies in the Board of Directors, including unfilled vacancies resulting from the removal of directors for cause, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum (as defined in the Corporation's Bylaws), or by the sole remaining director. All directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified. A director elected to fill a vacancy resulting from the death, resignation or removal of a director shall serve for the remainder of the full term of the director whose death, resignation or removal shall have created such vacancy and until his successor shall have been elected and qualified."

If this proposal is approved by stockholders, Article Sixth will read in its entirety as follows:

"The Board of Directors shall be divided into three classes: Class A, Class B and Class C. The number of directors in each class shall be as nearly equal as possible. At the first election of directors by the incorporator, the incorporator shall elect a Class C director for a term expiring at the Corporation's third Annual Meeting of Stockholders. The Class C director shall then elect additional Class A, Class B and Class C directors. The directors in Class A shall be elected for a term expiring at the first Annual Meeting of Stockholders, the directors in Class B shall be elected for a term expiring at the second Annual Meeting of Stockholders and the directors in Class C shall be elected for a term expiring at the third Annual Meeting of Stockholders. Commencing at the first Annual Meeting of Stockholders, and at each annual meeting thereafter, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election. Except as the GCL may otherwise require, in the interim between annual meetings of stockholders or special meetings of stockholders called for the election of directors and/or the removal of one or more directors and the filling of any vacancy in that connection, newly created directorships and any vacancies in the Board of Directors, including unfilled vacancies resulting from the removal of directors for cause, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum (as defined in the Corporation's Bylaws), or by the sole remaining director. All directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified. A director elected to fill a vacancy resulting from the death, resignation or removal of a director shall serve for the remainder of the full term of the director whose death, resignation or removal shall have created such vacancy and until his successor shall have been elected and qualified."

In the judgment of Argyle's Board of Directors, if the acquisition is consummated, the amendment to Argyle's Second Amended and Restated Certificate of Incorporation to remove those provisions of Argyle's Second Amended and Restated Certificate of Incorporation that will no longer be operative upon consummation of the merger is desirable to reflect the fact that Argyle would then be an operating business. A copy of the amended and restated certificate of incorporation as it would be filed if the proposal to amend Argyle's certificate of incorporation and to change Argyle's name (pursuant to the immediately preceding proposal) is attached to this proxy statement/prospectus as Annex C.

Conclusion of Argyle's Board of Directors. After careful consideration of all relevant factors, Argyle's Board of Directors determined that the proposal to amend Argyle's certificate of incorporation is in the best interests of Argyle and its stockholders. The Board of Directors has approved and declared the proposal advisable and recommends that you vote or give instructions to vote "FOR" the approval of the amendments to Article Sixth which remove certain paragraphs that were applicable to Argyle only until such time as Argyle consummated a business combination.

INFORMATION ABOUT ISI

ISI's History and Current Business

ISI is the parent company of several subsidiaries, including three solution providers in the physical security industry: ISI Detention Contracting (referred to as ISI-Detention), Metroplex Control Systems (referred to as MCS-Detention), and Metroplex Fire and Security Alarms (referred to as MCS-Commercial).

1. **ISI-Detention** designs, engineers, supplies, installs, and maintains a full array of detention systems and equipment targeting correctional facilities throughout the United States.

2. **MCS-Detention**'s expertise lies in designing, engineering, supplying, installing, and maintaining complex, customized security, access control, video, and electronic security control system solutions at correctional and governmental facilities.

3. **MCS-Commercial** designs, engineers, supplies, installs, and maintains professional security, access control, video and fire alarm system solutions for large commercial customers.

These operating companies utilize proprietary development and third-party software to create customized efficient security and hardware solutions, as well as turnkey systems, to an institutional customer base comprised of public and private owners and developers of correctional facilities, construction companies, commercial and industrial facilities and governmental buildings.

ISI has made a concerted effort to become the total solutions provider of security and detention for the corrections design/build market. In the security industry, a "total solutions provider" means that a vendor has the ability to design customized solutions for a wide range of security needs, and provide all of the hardware and software for those solutions, rather than designing a wide array of solutions, but only actually fulfilling the design in one or two areas. If a customer selects a series of security vendors, each providing a separate and independent system that addresses only a limited security need, then the numerous systems required to provide overall security can cause many unanticipated problems in operations, maintenance, and upgrades. ISI, as a "total solutions provider," can provide its customers with one source for a wide range of security solutions that are tested and proven to work together.

ISI's operating units provide a range of products as well as value-added services such as design assistance to architects, engineers and owners through writing specifications, providing CAD documents, equipment selection and vendor recommendation. The breadth of its offerings has enabled ISI to establish a leadership position in the design/build corrections market; in turn, this recognized expertise in providing customized, high-level solutions to the most demanding of customers has allowed ISI to acquire projects in other security-sensitive sectors, such as the healthcare industry, water treatment plants, federal courthouses and upscale private commercial buildings.

Through ISI's design assistance and performance, ISI develops relationships that make repeat business with customers more likely.

Customers

ISI's diverse customer base consists primarily of contractors, construction companies and architects catering to publicly and privately run detention facilities and commercial construction. For fiscal 2005, ISI generated 8% of its revenue from its top customer, 16% from the top two and 21% from the top three. For fiscal 2005, ISI's largest client was Kelso/Gillbane representing $3.3 million of revenues. Other large clients represented 8%, 5% and 4% of revenues in fiscal 2005, respectively.

50

Competition

The security services industry is a large and competitive market. ISI competes for contracts based on its strong client relationships, successful past performance record, significant technical expertise and specialized knowledge. It often competes against defense contractors, as well as specialized information technology consulting and outsourcing firms. ISI-Detention's competitors include Norment Security Group (part of Compudyne), Cornerstone Detention Products, Sierra Steel, CCC Group, G-S Company, and Pauly Jail Building Company. Certain of ISI's competitors do not have their own integral electronic systems hardware/software capability and purchase their needs from MCS-Detention. There are also several smaller regional companies that compete with ISI-Detention. MCS-Detention's competitors for its hardware/software solutions include: Norment Security Group, Stanley Integrator (part of Stanley Works), ESi Companies, Southwest Communications, and Accurate Controls. MCS-Commercial faces a much broader array of competitors but is either the leader or among the leaders in its selected geographic markets. Its significant competitors include: Koetter, Siemens, DSS, Fire Alarm Services, Fire Alarm Control Services, Tyco, Chubb and Lone Star. Management does not expect competition in any of the sectors to decline in the foreseeable future.

Employees

As of October 31, 2006, ISI had 249 full-time employees. Future success will depend significantly on ISI's ability to attract, retain and motivate qualified personnel. ISI is not a party to any collective bargaining agreement, has not experienced any strikes or work stoppages and considers its relationship with its employees to be satisfactory.

Facilities

ISI's corporate headquarters, where all corporate functions are housed, is located at 12903 Delivery Drive in San Antonio, Texas. These facilities of approximately 16,000 square feet also house the headquarters for ISI-Detention and MCS-Detention. The headquarters for MCS-Commercial and the San Antonio Regional Office of MCS-Commercial are located in a leased building of approximately 8,000 square feet at 12918 Delivery Drive in San Antonio, Texas, across the street from the ISI corporate headquarters. These two buildings, comprising approximately 24,000 square feet, are leased by ISI for approximately $16,667 per month. MCS-Detention occupies an additional building located at 12902 Flagship in San Antonio, Texas, of approximately 7,000 square feet, for approximately $7,000 per month. MCS-Commercial also conducts operations in Austin, Dallas and Houston, Texas, and Denver, Colorado. The Austin facilities are located at 8711 Burnett Road, Suite D-40, Austin, Texas, 78757 and are comprised of 400 square feet of warehouse space, 800 square feet of office space for combined square footage of 1200 square feet, at a current monthly cost to ISI of $960.00. MCS-Commercial conducts its operations in these offices. The Dallas facilities are located at 2472 Southwell Road, Dallas, Texas, 75229, and are comprised of 650 square feet of warehouse space, 14,350 square feet of office space, for a combined square footage of 15,000 square feet, at a current monthly cost to ISI of $5,000.00. The Denver facilities are located at 7388 South Revere Parkway, Unit 603, Centennial CO, 80112, Denver, Colorado, comprised of 1,100 square feet of warehouse space and 6,680 square feet of office space, for a combined square footage of 7,780 square feet, at a current monthly cost to ISI of $4,250.71. The Houston facilities, as of December 27, 2006, will be located at 10624 Rockley Road, Houston, Texas, 77009, and are comprised of 900 square feet of warehouse space, 4,328 square feet of office space for combined square footage of 5,228 square feet, at a monthly cost to ISI, commencing on April 1, 2007, of $3,398.20. No rental is due for the period of December 27, 2006 to March 31, 2007. The current lease for office space for the Houston facilities was acquired in a 2005 acquisition, and was scheduled to terminate by its own terms on December 31, 2006. The move to new facilities in Houston is not a material event for ISI.

Legal Proceedings

ISI and its subsidiaries are not presently subject to any material litigation, and management is not aware of any threatened material litigation. ISI is a party to routine litigation and administration proceedings that arise from time to

time in the ordinary course of business, none of which, individually or in the aggregate, is expected to have a material effect on ISI's financial situation or ability to operate.

ISI-Detention

ISI-Detention's management has been involved in furnishing and installing detention equipment in more than 1,600 correctional facilities since the company's inception in 1976. Its expertise and track record position ISI-Detention favorably among the nation's leading providers of products and solutions for correctional facilities. Its custom design systems meet local standards and are in full compliance with the applicable standards of the American Correctional Association, a volunteer organization whose standards for correctional facility design, operation and construction are the recognized industry benchmark for quality and safety.

ISI-Detention offers a complete array of electronic security system solutions revolving around electronic locking systems and hardware, security doors and frames, jail furniture, security glazing and other security-based systems. Whether acting as prime contractor or as a subcontractor for projects spanning all levels of security, ISI-Detention consistently has repeat business from its customers.

ISI-Detention's product offerings include security locking systems, security hollow metal doors and wall panels, security windows, security glass and glazing, security furnishings and accessories, design support and full installation capabilities.

Beginning in the design phase, ISI-Detention works with architects, engineers and contractors to help design and develop plans and specifications for a given correctional facility. During this stage of development, ISI-Detention writes specifications for specific locking systems, analyzes particular conditions and requirements, and recommends proprietary or third-party products that correspond to the needs of that correctional facility, depending inter alia on the type of security that is required and the underlying budget.

When competitive bids are solicited in connection with the construction of a correctional facility, ISI-Detention bids for the detention equipment portion of the overall project as a direct contractor or as one of the subcontractors for a general contractor. The furnished and installed package proposed by ISI-Detention typically includes security locking systems and hardware, security hollow metal (doors and frames), detention furniture (tables, bunks, benches, mirrors, etc.), security electronic controls (closed circuit television, intercom, etc.) and security glass and glazing. By providing this complete package furnished and installed, ISI-Detention is able to provide an extended warranty program and insure that all the pieces and components are fully integrated and inter-operate correctly.

MCS-Detention and MCS-Commercial

Metroplex Control Systems (or MCS) was formed in 1988 in Dallas and was subsequently acquired by ISI in 2000. After the acquisition, MCS was restructured into two separate subsidiary entities (each under its own management): MCS-Detention and MCS-Commercial. MCS-Detention shares its headquarters with ISI and also has a neighboring 7,000 square foot facility. MCS-Commercial currently operates out of its own San Antonio headquarters and five regional offices. The offices in Austin, Houston and Denver resulted from acquisitions made by ISI. The operations in Dallas and Denver were enhanced and complemented by the acquisition of several Edward Systems Technology centers.

MCS-Detention specializes in turnkey installations for public and privately owned/operated detention facilities. MCS-Commercial has built a parallel business targeting commercial and industrial facilities.

MCS-Detention designs, manufactures, supplies, installs and maintains access control, video and integrated electronic control systems to correctional and government facilities throughout the United States. It also provides the above goods and services to detention market integrators, electrical contractors and competitors that lack their own in-house electronic solutions.

52

MCS Products and Solutions

MCS-Detention and MCS-Commercial offer turnkey installations, using components which cover the full spectrum of electronic security and low voltage systems. Included in their offerings are access control, closed circuit television (including cameras, camera management, and video image mass storage), detention control, fire alarm, intercom, perimeter protection, sound/paging, video visitation and other custom designed systems. Experience in planning, installation and service, combined with state-of-the-art equipment and some exclusive products, provides MCS-Detention and MCS-Commercial with a distinct advantage in marketing and developing customized solutions for clients.

The products and services of MCS-Detention and MCS-Commercial provide solutions for system integration, including a software suite called TotalWerks, a proprietary mnemonic-based code compiler called OneFab, user-friendly touch screens, personal digital assistant (PDA) wireless control/displays, Internet Protocol (IP)-based hardened control panels, Programmable Logic Controllers (PLC)-based door control systems, access control systems (IP-based proprietary and third-party), watchtour devices, perimeter protection, panic and duress systems, nurse call systems, closed circuit television (including proprietary DVRs), fire alarm and video visitation systems.

The OneFab development suite contains three programs: the OneFab application, the OneMessage Client and the OneFab simulator. These proprietary development tools allow MCS-Detention and MCS-Commercial engineering and fabrication staffs to write software for, processor input and output simulation, point confirmation and the ability to test each processor input and output point before the project leaves the factory.

The OneFab application's "drag and drop" graphical user interface (GUI) environment uses custom macros for different security features. These macros can be re-used on different projects, thereby cutting development time by as much as 75% versus its competitors' products. These macros are all stored and classified in a digital library and can be retrieved and re-used at will. The OneFab application can then convert data from a spreadsheet-type environment into fully commented PLC ladder-logic. Converting 25,000 lines of ladder-logic in less than 16 seconds is typical for a OneFab application. Changes can be made to spreadsheet data and then re-compiled without having to understand PLC ladder-logic.

MCS Markets

MCS has developed a strong competence in both markets it serves, Detention and Commercial, in large part due to its team's expertise in particular fields of the security industry. Supported by its sophisticated engineering and software design capabilities and solutions, MCS has developed a strong reputation for technical leadership. This reputation has been further enhanced among its customer base by the superior operating performance of its deployed solutions.

MCS has been selling products and providing the services necessary to support these products for over 17 years. MCS also uses a mobile OneLink satellite van that allows the firm to establish a live connection with the system programmers anywhere in the United States. This means quicker installations, modifications and additions to the systems as needed or required. With over 900 installations nationwide, management believes that MCS has established itself as a leader in the security market.

MCS Employees

MCS management's attention to recruiting, employee retention, training and support has enhanced the company's ability to develop increasingly advanced proprietary technological solutions while demonstrating a service-oriented culture. In addition, MCS has evolved into a widespread organization with multiple offices, a structured sales organization and demonstrable service and maintenance abilities. MCS has 207 employees, multiple offices and multiple turnkey installation crews, 7,000 square feet of onsite fabrication area and a separate quality control room.

53

Market

Detention Market

At the end of 2005, there were 2,320,359 prisoners being held in federal or state prisons or in local jails or juvenile facilities. Statistically, 1 in every 136 U.S. residents was in prison or jail in 2005. The latter was an increase of 2.7% from year end 2004. The average growth in both the prison and jail populations during the previous ten years has been approximately 3% per year. At the end of 2005, state prisons were operating between 1% below and 14% above capacity, and federal prisons were operating at 34% above capacity. As a result of this situation, some states have had to ship their excess prisoners to other states where detention facilities have some excess capacity to absorb additional prisoners. Management believes that ISI is well positioned to take advantage of the continued growth in population in detention facilities. The statistics presented above were obtained from publicly available U.S. Department of Justice Bureau of Justice Statistics Bulletins.

Commercial Security Market

The North American electronic security market reached $23.8 billion by the end of 2005, of which 70% was in the commercial/industrial sector - MCS-Commercial’s market. The fastest growing sectors within that market are video (10% per year) and access control (8-9% per year), both areas in which MCS-Commercial competes. MCS-Commercial also competes in the fire protection area. MCS-Commercial is also able to design and provide fire alarm products and services. The fire alarm market is a potential catalyst for garnering video and access control business because of the unique licensing requirements mandated by state and local authorities which oversee an industry that is focused more on life-safety than on property protection. Many of the organizations vying for commercial/industrial business lack the fire alarm certification licensing needed to provide a total system solution.

Note: The statistics presented above were obtained from documents originally published by JP. Freeman & Co., IMS Research, and The Freedonia Group, market research organizations serving the physical security industry

Business Strategy

Solutions Focus

In the detention sector, concentrating on the design/build market offers the company the following advantages applicable to the detention market customer base:

- Develops a customer relationship at the initiation of projects, thereby maximizing the probability of success in the sales opportunity.

- Limits the exposure to competition, since the project requirements can be written around unique company product capabilities.

- Positions the company on the “customer’s side of the table” for a consolidated team sales effort relative to the facility operator/owner.

- Avoids the “low bidder take all” sector of the market in which reduced margins are typical in order to position the company for better margin returns.

Key Alliances

In the detention sector, creating, maintaining and enhancing key alliances with prime contractors involved in the development and construction of detention facilities is critical for the development of a steady and recurring revenue stream in a market that is steadily growing.

In the commercial sector, the focus is to develop alliances with very large and multi-site regional or national organizations that will then utilize the company's capabilities for their security needs in growth/expansion projects and/or in many locations, so as to provide a steady and profitable revenue stream for the company.

Geographic Expansion and Strategic Acquisitions

In both sectors of the business, the acquisition of comprehensive video development/manufacturing capability that can be tightly integrated with the company's other products will greatly enhance the competitive posture of the company in capturing business and will also result in more of the project revenue remaining in-house for enhanced margin.

In the commercial sector, either acquisition of existing solution providers in some of the larger metropolitan markets in the U.S., or internal expansion to address those markets, will greatly enlarge the company's national footprint and better enable it to service the multi-site organizations that are being sought as customers. External acquisitions will give the company access to new customers in the regions that are of interest and would give the company a running start as opposed to the slower build-up that would ensue from internal expansion.

Marketing Initiatives

ISI intends to develop a market for its integrated detention electronic security solution that is developed utilizing ISI's proprietary software system. ISI plans to focus on two markets not significantly penetrated at this time -- the Midwest and the Northeast -- by establishing a local sales presence in these markets to sell ISI's detention solutions to contractors and integrators there. It has enlisted the support of a very strong sales professional with a background in the detention systems market to spearhead this effort.

Sales and Marketing

The ISI Sales and Marketing organization and structure can be characterized as follows:

- Niche target market focused sales and marketing to maximize return.
- Dedicated national account selling team with impressive credentials to capture larger scale and multi-site commercial security opportunities.
- Dedicated selling team to sell the company's hardware/software solutions to organizations that compete with the parent but that lack their own in-house capabilities and to organizations operating in portions of the national market not currently addressed by ISI.
- Highly motivated and organized sales organization that is keyed to profitability, rewards excellence, and that quickly weeds out non-performers.

Competitive Strengths

ISI management believes that it has a number of strengths versus the organizations with which it competes:

- Ability to react to changing technological needs.
- A software platform that lends itself to very rapid adaptation to the specific requirements of individual facilities and to the use of the two major operating systems in the market-Windows and Linux, with minimal effort.
- A broad array of software drivers that allow the company's solutions to utilize a wide variety of security system peripherals from many different third-party suppliers
- A solid reputation in both the detention and the commercial market sectors with its customers for on-time project execution, security solution performance and customer service that results in a significant amount of repeat business

being garnered.

- A number of ISI's competitors for entire detention facilities that do not have in-house electronic system solutions purchase their electronics systems from ISI based upon their knowledge that ISI has leading edge solutions, including touchscreen and PDA wireless control for the detention industry, plus a software development process that provides timely and efficient security solutions for customers.

Research and Development

A software development team within MCS provides the operating arms of the company with new features and capabilities in developing security solutions.

Government Regulations

Various states within the United States require companies performing the type of work performed by ISI in detention facilities to be licensed. ISI maintains active licenses in every state in which it does do business that requires licensing. Outside of detention facilities, many states and local municipalities require companies that provide turnkey electronic security systems for commercial facilities to obtain and maintain special security licenses. ISI has and maintains its security licensing in every locale where required and where business is being conducted by the company. ISI's management believes that the acquisition will have no material adverse affect upon the licensing of ISI or its subsidiaries.

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

Results of Operations for Nine Months Ended September 30, 2006 and 2005

Revenues. ISI had revenues of $41.2 million and $28.4 million for the nine months ended September 30, 2006 and 2005, respectively, representing an increase of $12.8 million or 45%. As discussed below, revenues have increased across all areas of ISI's business.

Revenues from ISI-Detention were $14.7 million for the nine months ended September 30, 2006, or 81% higher than 2005. ISI-Detention is largely a construction driven-business. Much of its revenues are obtained by working on new and retrofit construction projects in the corrections industry, as opposed to sources of recurring revenue. As such, the increase in revenue experienced by this segment is largely attributable to ISI-Detention participating in a greater number of new projects than it did in the previous year.

Revenues for MCS-Detention were $9.9 million for the nine months ended September 30, 2006 and $7.3 million for the nine months ended September 30, 2005. This represents an increase of 36% in revenue. As with ISI-Detention, MCS-Detention obtained much of its revenue by working on new and retrofit construction projects in the corrections industry, as opposed to sources of recurring revenue. As such, the increase in revenues experienced by this segment is also attributable to MCS-Detention participating in a greater number of new projects.

Revenues from the MCS-Commercial segment were $16.6 million for the nine months ended September 30, 2006 and $13.0 million for the nine months ended September 30, 2005. This represents a $3.6 million, or 28%, increase. A significant portion of the increase is due to the acquisition of Instant Photo, Inc. in November 2005.

Expenses. ISI had cost of sales of $32.6 million for the nine months ended September 30, 2006 and $22.7 million for the nine months ended September 30, 2005. This is an increase of $9.9 million or 44%. Gross margin percentage was 21% for the nine months ended September 30, 2006 and 20% for the nine months ended September 30, 2005.

The cost of goods sold for ISI-Detention for the nine months ended September 30, 2006 was $11.8 million and $6.1 million for the nine months ended September 30, 2005, which is an increase of $5.7 million or 93%. This increase is due to increased sales of products resulting from the construction projects previously discussed. The gross margin percentage decreased to 20% for the nine months ended September 30, 2006, down from 25% for the same period for 2005. The reduction in gross profit margin resulted from an increase in production costs on the backlog of work that was sold in prior years.

The cost of goods sold for MCS-Detention for the nine months ended September 30, 2006 was $7.4 million, an increase of $2.2 million from the $5.2 million reported in the same period for 2005. The gross profit percentage was 25% for the nine months ended September 30, 2006 as compared to 28% for the same period in 2005. Similar to ISI-Detention, the reduction in gross profit margin resulted from an increase in production costs on the backlog of work that was sold in prior years.

The cost of goods sold for MCS-Commercial for the nine months ended September 30, 2005 was $13.4 million, an increase of $2 million from the $11.4 million in the same period for 2005. The gross profit percentage was 19% for the nine months ended September 30, 2006, as compared to 13% for the same period in 2005. The increase in gross profit margin resulted from a change in estimating procedures that raised MCS-Commercial's estimated cost of performance to more accurate levels and an increase in service revenues which carry a higher gross profit margin.

Selling, general and administrative expenses for ISI were $6.2 million for the nine months ended September 30, 2006, an increase from $4.9 million for the same period of 2005. The increase is primarily due to additional administrative needs of ISI due to the overall increase in business.

Selling, general and administrative expenses for ISI-Detention were $2.5 million for the nine months ended September 30, 2006, an increase of $.4 million or 19% from $2.1 million for the same period of 2005. The increase is primarily due to additional administrative needs as a result of the growth in ISI-Detention business.

Selling, general and administrative expenses for MCS-Detention were $1.2 million for the nine months ended September 30, 2006 and $1.1 million for the same period of 2005. Significant additional expense was not required to support the 36% increase in revenue.

Selling, general and administrative expenses for MCS-Commercial were $2.5 million for the nine months ended September 30, 2006 and $1.6 million for the same period of 2005. This is an increase of $.9 million or 56%. This increase resulted from higher levels of marketing, sales and training expenses.

Interest expense for ISI was $2.8 million for the nine months ended September 30, 2006, an increase of $.4 million or 17% from $2.4 million for the same period of 2005.

As a result of the above, there was a small income tax provision for the nine months ended September 30, 2006, as compared to an income tax benefit of $.5 million for the nine months ended September 30, 2005.

ISI reported a net loss of $0.4 million for the nine months ended September 30, 2006 as compared to a net loss of $1.1 million for the same period of 2005. Weighted average number of shares outstanding, basic and diluted, for September 30, 2006 was 104.91, and for September 30, 2005 was 104.91. Income (Loss) per share, basic and diluted, for September 30, 2006 was $(3,606.03) and for September 30, 2005 was $(10,778.78).

Results of Operations for Years Ended December 31, 2005 and 2004

Revenues. ISI had revenues of $39.2 million and $40.1 million for the years ended December 31, 2005 and December 31, 2004, respectively, representing a decrease of $.9 million or 2%. As discussed below, the decrease occurred primarily due to reduced income at ISI-Detention, offset by increases in revenue from MCS-Commercial.

Revenues from ISI-Detention were $11.0 million for the year ended December 31, 2005, a decrease of $3.8 million from the $14.8 million recorded for the year ended December 31, 2004. ISI-Detention is largely a construction driven business. A signifcant portion of its revenues is obtained by working on new and retrofit construction projects in the corrections industry, as opposed to sources of recurring revenue. As such, the increase or decrease in revenue experienced by this segment is largely attributable to ISI-Detention's participation in such projects. The years 2004 and

2005 were slow bidding periods for ISI. Although the gross amount of construction in the corrections area remained relatively flat between 2004 and 2005, the types of projects that ISI solicits, namely large-scale medium to maximum security installations, declined significantly in 2004 and 2005. This situation was further compounded by the general state and local governmental budget deficits which caused these governmental units to rethink and delay many of their pending corrections projects.

Revenues for MCS-Detention were $10.9 Million for the year ended December 31, 2005 and $11.0 million year ended December 31, 2004. This represents a decrease of 1% in revenues. As with ISI-Detention, MCS-Detention obtains much of its revenues by working on new and retrofit construction projects in the corrections industry, as opposed to sources of recurring revenues. The years 2004 and 2005 were also slow bidding periods for MCS-Detention for the same reasons disclosed above for ISI-Detention.

Revenues from the MCS-Commercial segment were $17.3 million for the year ended December 31, 2005 and $14.4 million for the year ended December 31, 2004. This $2.9 million dollar increase in revenues was primarily attributable to an imcreased sales staff.

Expenses. ISI's cost of sales of $30.9 million for the year ended December 31, 2005 increased $0.3 million or 1% from $30.6 million during the same period of 2004. Gross margin percentage was 21% for December 31, 2005 and 24% for December 31, 2004. The decrease in this percentage was caused primarily by the reallocation of sales commissions to cost of sales.

The cost of goods sold for ISI-Detention was $8.7 million for the year ended December 31, 2005, compared to $11.6 million for the same period in 2004 as a result of the overall reduction in business. This decrease was consistent with the decrease in ISI-Detention sales for the same periods.

The cost of goods sold for MCS-Detention was $7.3 million for the year ended December 31, 2005 and $7.5 million for the year ended December 31, 2004, a decrease of $0.2 million or 3%. The gross margin percentage for MCS Detention for the 12 months ended December 31, 2005 of 32% was consistent with 2004 results.

The cost of goods sold for MCS-Commercial was $14.9 million for the year ended December 31, 2005 and $11.6 for the year ended December 31, 2004, a difference of $3.3 million or a 28% increase. This increase was primarily due to the increased sales. The gross margin percentage for the 12 months ended December 31, 2005 was 14% as compared to 20% for the 12 months ended December 31, 2004. This decrease was due primarily to the reallocation of sales commission cost to cost of sales from selling, general and administrative expenses.

Selling, general and administrative expenses for ISI were $6.9 million for the year ended December 31, 2005, an increase of $0.4 million, from $6.5 million for the same period of 2004. There was an additional special management bonus of $5.2 million in the year ended December 31, 2004; this special bonus was incurred during the recapitalization of ISI in October 2004.

Selling, general and administrative expenses for ISI-Detention were $2.9 million for the year ended December 31, 2005, an increase of $0.6 million from $2.3 million for the same period of 2004. This change was primarily the result of increased marketing and sales efforts which have led to increased sales in 2006.

Selling, general and administrative expenses for MCS-Detention were $1.7 million for the year ended December 31, 2005, an increase of $0.4 million or 31% from $1.3 million for the same period of 2004. This increase was the result of additional sales and marketing efforts which led to increased sales in 2006.

Selling, general and administrative expenses for MCS-Commercial were $2.2 million for the year ended December 31, 2005, a decrease of $0.7 million or 24% from $2.9 million for the same period of 2004. This decrease occurred because sales commissions were reallocated to cost of sales and significant cost cutting actions were taken to reduce overall selling, general and administrative costs.

Interest expense for ISI was $3.2 million for the year ended December 31. 2005, an increase of $2.4 million from $0.8 million for the same period of 2004. This increase was due to ISI entering into a subordinated mezzanine debt instrument and a warrant agreement in connection with the recapitalization of ISI in October 2004.

As a result of the above, the $.5 million tax benefit for the year ended December 31, 2005 was approximately $.4 million lower than the benefit in 2004. The tax benefit in 2005 was primarily attributable to the increased interest expense, and in 2004, primarily attributable to the special management bonus.

ISI reported a net loss of $1.2 million for the year ended December 31, 2005 and a net loss of $2.0 million for the year ended December 31, 2004. The weighted average number of shares outstanding, basic and diluted, for December 31, 2005 was 104.91, and for December 31, 2004 was 104.91. Income (Loss) per share, basic and diluted, for December 31, 2005 was $(11,281.12) and for December 31, 2004 was $(19,512.47).

Results of Operations for Years Ended December 31, 2004 and 2003

Revenues. ISI had revenues of $40.1 million and $34.7 million for the years ended December 31, 2004 and December 31, 2003, respectively, representing an increase of $5.4 million or 16%.

Revenues from ISI-Detention were $14.8 million for the year ended December 31, 2004, an increase of $1.6 million or 12% from the $13.2 million earned in 2003. ISI-Detention is largely a construction driven business. Much of its revenues are obtained by working on new and retrofit construction projects in the corrections industry, as opposed to sources of recurring revenues. As such, the increase in revenues experienced by this segment is largely attributable to its greater participation in such projects.

Revenues for MCS-Detention were $11.0 million for the year ended December 31, 2004 and $8.0 million for the year ended December 31, 2003. This represents an increase of 38% in revenues. As with ISI-Detention, much of MCS-Detention's revenues are obtained by working on new and retrofit construction projects in the corrections industry, as opposed to sources of recurring revenues. As such, the increase in revenues experienced by this segment is largely attributable to greater participation in projects than in the previous year.

Revenues for MCS-Commercial were $14.4 million for the year ended December 31, 2004 and $13.5 for the year ended December 31, 2003. This represents a $0.9 million increase in revenues, or an increase of 7%.

Expenses. ISI's cost of sales of $30.5 million for the year ended December 31, 2004 increased by $5.4 million or 22% from $25.1 million during the same period of 2003. Gross margin percentage was 24% for the year ended December 31, 2004 and 28% for the year ended December 31, 2003 results.

The cost of goods sold for ISI-Detention of $11.6 million for the year ended December 31, 2004 increased $2.1 million or 22% from $9.5 million during the same period of 2003. The gross margin decreased to 22% for the 12 months ended December 31, 2004 as compared to 28% for the 12 months ended December 31, 2003, primarily as a result of pricing pressure within the industry.

The cost of goods sold for MCS-Detention was $7.5 million for the year ended December 31, 2004 and $5.4 million for the year ended December 31, 2003, an increase of $2.1 million or 39%. The gross margin percentage for the year ended December 31, 2004 of 32% was consistent with 2003.

The cost of goods sold for MCS-Commercial was $11.6 million for the year ended December 31, 2004 and $10.1 for the year ended December 31, 2003 a difference of $1.5 million or a 15% increase. The gross margin for the year ended December 31, 2004 was 20% as compared to 25% for the year ended December 31, 2003.

Selling, general and administrative expenses for ISI were $6.5 million for the year ended December 31, 2004, an increase of $0.2 million or 3% from $6.3 million for the same period of 2003. There was an additional special management bonus of $5.2 million in the year ended December 31, 2004. This special bonus was incurred during the recapitalization of the company in October 2004.

Selling, general and administrative expenses for ISI-Detention were $2.3 million for the year ended December 31, 2004, as compared to $2.2 million for the same period of 2003.

Selling, general and administrative expenses for MCS-Detention were $1.3 million for the year ended December 31, 2004, as compared to $1.2 million for the same period of 2003.

Selling, general and administrative expenses for MCS-Commercial were $2.9 million for the years ended December 31, 2004 and 2003.

Interest expense for ISI was $0.8 million for the year ended December 31, 2004. There was no significant interest expense in 2003. The 2004 interest expense is the result of the debt incurred in 2004 associated with the recapitalization of ISI.

As a result of the above, a tax benefit of $.9 million was recorded in 2004 as compared to an expense of $1.2 million in 2003. The tax benefit in 2004 was primarily due to the interest expense on debt and the special management bonus described above.

Net Loss. ISI reported a net loss of $2.0 million for the year ended December 31, 2004 and a net income of $2.1 million for the year ended December 31, 2003. The weighted average number of shares outstanding, basic and diluted, for December 31, 2004 was 104.91, and for December 31, 2003 was 100.00. Income (Loss) per share, basic and diluted, for December 31, 2004 was $(19,512.47), and for December 31, 2003 was $20,817.48.

Liquidity and Capital Resources

ISI's primary liquidity needs are for financing working capital and for the purchase of computers and related equipment and vehicles. ISI has relied primarily on its cash flow from operations and its line of credit facility to fund its capital and liquidity needs. ISI expects that the combination of cash flow from operations and the available borrowing capacity on its credit facility will meet its normal working capital and capital expenditure requirements for at least the next 12 months.

Cash and working capital. The following table sets forth ISI's cash and working capital, defined as current assets less current liabilities, as of December 31, 2004 and 2005 and September 30, 2006, respectively:

	December 31, 2004	December 31, 2005	September 30, 2006
		(in thousands)	
Cash and cash equivalent	$ 1,308	$ 416	$ 254
Working capital	5,230	5,523	6,395

ISI considers cash and liquid investments with maturities of three months or less to be cash equivalents. ISI maintains minimal cash balances and has substantially all available cash credited against its borrowings under its line of credit.

Credit facility. In December 2006, ISI amended its credit facility to increase its line of credit to $9 million and extend the maturity date of the line of credit to October 21, 2008. The line of credit is secured by all tangible and intangible assets of ISI, excluding vehicles. Interest is payable quarterly and is calculated at the lender's base rate (greater of prime or federal funds rate) plus 0.5%, or 350 basis points in excess of LIBOR for the applicable period. The outstanding balance of the line of credit, which is recorded as a long-term liability, as of December 31, 2004 and 2005 and September 30, 2006, was $4,429,335, $4,450,850 and $4,662,850, respectively. The agreement contains restrictive and affirmative covenants as well as the following financial covenants:

- ISI shall not permit the ratio of its EBITDA minus non-financed capital expenditures to its fixed charges to be less than 1.10 to 1.00.

- ISI shall not permit the ratio of its aggregate indebtedness for money borrowed from the line of credit lender, equipment lessors or other lenders (including guaranties and capitalized leases, but excluding any indebtedness subordinated to the line of credit lender) to EBITDA to exceed 1.75 to 1.00.

Subordinated debt. Gross proceeds of $15,300,000 were received from a subordinated lender in 2004 and were allocated $11,335,104 to debt and $3,964,896 to a common stock warrant based on an assessment of fair values. Additional funds totaling $651,609 were advanced in 2005. The total debt of $15,951,609 is due and payable in one payment in October 2011. The debt discount of $3,964,896 is being accreted as interest expense over the life of the debt. Interest is payable quarterly and is computed on the total debt, non-discounted, at a rate of 11.58%. The outstanding balance of the subordinated debt as of December 31, 2004 and 2005 and September 30, 2006 was $11,445,240, $12,757,665 and $13,275,777, respectively. The subordinated notes are unsecured, contain restrictive and affirmative covenants as well as the following financial covenants:

· ISI shall not make capital expenditures during any fiscal year in excess of $600,000.

· ISI shall have a fixed charge coverage ratio of not less than 1.00 to 1.00.

· ISI shall have a leverage ratio of not more than 2.00 to 1.00.

Operating cash flows. Net cash used in operations was $0.7 million and $0.1 million for the year ended December 31, 2005 and nine months ended September 30, 2006, respectively. Net cash used in operations is attributable to a net loss of $1.2 million and $0.4 million for the year ended December 31, 2005 and nine months ended September 30, 2006, respectively, adjusted by the following non-cash items included in net income and the following working capital changes:

	Year Ended December 31, 2005	Nine Months Ended September 30, 2006
	(in thousands)	
Non-cash items:		
Interest accretion and fair value adjustment of stock warrants	$ 920	$ 902
Depreciation and amortization of property and equipment	1,004	498
Deferred income taxes	(78)	—
Working capital charges which contributed to cash used in operations:		
(Increase) Decrease in assets:		
Contracts and other receivables	$ (2,677)	$ (8,330)
Inventory	(454)	31
Refundable income taxes	531	(169)
Costs and estimated earnings in excess of billings on incomplete contracts	(681)	(1,386)
Deposits and other assets	(9)	—
Increase (Decrease) in liabilities:		
Accounts payable and accrued liabilities	2,241	5,387
Billings in excess of costs and estimated earnings on incomplete contracts	(298)	3,378

Investing activities. Net cash used in investing activities was $766,867 and $345,613 for the year ended December 31, 2005 and nine months ended September 30, 2006, respectively. Net cash used in investing activities is primarily related to purchases of property and equipment.

Financing activities. Net cash provided by financing activities was $558,515 and $250,513 for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively. Cash provided by financing activities primarily related to additional long-term borrowings in 2005 and additional line of credit borrowings in

2006.

Acquisition by Argyle. ISI's acquisition by Argyle is expected to be consummated in the first half of 2007, assuming that Argyle's stockholders approve the acquisition. If the acquisition is consummated, and ISI can provide no assurance that the acquisition will be consummated, the ISI line of credit will remain in place, and the debt to the subordinated lender will be reduced to $5,951,609, with an anticipated due date of 18 months after the closing of the transaction.

Although projects vary in size and duration, ISI's management believes that its backlog of orders is a key indicator of how future revenues will trend. Historically, over 90% of ISI's revenues have been generated from the backlog. The following table shows ISI's backlog of orders at the end of the periods shown:

	ISI Backlog					
Date	**ISI Detention**	**MCS Detention**	**MCS Commercial**	**Consolidated[1]**	**Intercompany Elimination**	**Backlog**
12/31/2003	$ 15,026,143	$ 10,085,849	$ 6,646,742	$ 31,758,733	$ (5,042,596)	$ 26,716,137
12/31/2004	14,308,348	6,829,299	8,870,082	30,007,729	(4,166,421)	25,841,308
9/30/2005	37,011,837	16,870,344	7,667,101	61,549,283	(9,305,791)	52,243,492
12/31/2005	33,522,159	14,697,586	9,410,114	57,629,859	(12,190,414)	45,439,445
9/30/2006	47,402,373	18,984,696	9,429,238	75,816,308	(10,769,159)	65,047,149

(1) The February 28, 2006 Backlog as defined in the merger agreement will be calculated on this column before intercompany eliminations. This is consistent with past practices.

Contractual Obligations and Commercial Commitments. ISI has various contractual obligations that will affect its liquidity. The following table sets forth the contractual obligations of ISI as of September 30, 2006:

	Payment Due by Period						
	Total ('000)	**Within Remainder of 2006 ('000)**	**2007 ('000)**	**2008 ('000)**	**2009 ('000)**	**2010 ('000)**	**Thereafter (RMB '000)**
Operating lease commitments	$ 154.1	$ 10.3	$ 41.1	$ 41.1	$ 31.7	$ 21.1	$ 8.8
Real Property Leases	271.1	33.6	112.5	95.0	30.0	0.0	0.0
Total contractual obligations	425.2	43.9	153.6	136.1	61.7	21.1	8.8

Off-Balance Sheet Arrangements

ISI does not have any off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

ISI's exposure to market risk primarily relates to changes in interest rates for borrowings under its line of credit. Borrowing under this line of credit accrue interest at a variable rate. Based upon ISI's borrowings under the facility in 2005, a hypothetical 10% increase in interest rates would have increased interest expense by approximately $34,000 and would have decreased annual cash flow by a comparable amount.

INFORMATION ABOUT ARGYLE

Argyle's History and Business Plans

Argyle Security Acquisition Corporation is a Delaware corporation that was incorporated on June 22, 2005 in order to serve as a vehicle for the acquisition of an operating business through a merger, capital stock exchange, asset acquisition or other similar business combination. To date, Argyle's efforts have been limited to organizational activities, completion of its initial public offering and the evaluation of possible business combinations. Argyle does not currently have any operations.

On January 24, 2006, Argyle completed a private placement of 125,000 units to Ron Chaimovski, one of its Co-Chief Executive Officers, and Argyle New Ventures, LP, an entity controlled by Bob Marbut, Argyle's other Co-Chief Executive Officer, and received net proceeds of $892,500. On January 30, 2006, Argyle consummated its initial public offering of 3,700,046 units (which includes 75,046 units sold as part of the underwriter's over-allotment option). Each unit in both the private placement and the public offering consisted of one share of common stock and one redeemable common stock purchase warrant. Each warrant entitles the holder to purchase from Argyle one share of Argyle's common stock at an exercise price of $5.50. Argyle's common stock and warrants started trading separately as of March 2, 2006.

The net proceeds from the sale of Argyle's units, after deducting certain offering expenses of approximately $2,387,706, including underwriting discounts of approximately $1,836,022, were approximately $28,212,662. Approximately $27,344,346 of the proceeds from the initial public offering and the private placement was placed in a trust account for Argyle's benefit. Except for $600,000 in interest that was earned on the funds contained in the trust account and that was released to Argyle to be used as working capital, and the amounts that may be released to Argyle for the payment of taxes, Argyle is not be able to access the amounts held in the trust until it consummates a business combination. The trust account also contains $1,377,016 of the compensation of Argyle's underwriters in its initial public offering which will be paid to them only in the event of a business combination. The amounts held outside of the trust account are being used by Argyle to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. The net proceeds deposited into the trust fund remain on deposit in the trust account earning interest. In connection with the initial public offering and the private placement, Argyle's officers and directors placed all the shares owned by them before the private placement and the initial public offering into an escrow account. Except in certain circumstances, the shares held in escrow may not be released prior to January 24, 2009.

The Initial Public Offering and Trust Account. The funds held in the trust account are not to be released until the earlier of the consummation of a business combination or liquidation of Argyle, although, as noted elsewhere in this proxy statement/prospectus, claims might be made against Argyle as a result of extending the period in which it may complete a business combination in order to avoid liquidation (or in other circumstances not now anticipated by Argyle). The trust account contained approximately $29,073,971 as of September 30, 2006. If the acquisition is consummated, the trust account, reduced by amounts paid to stockholders of Argyle who do not approve the acquisition and elect to redeem their shares of common stock into their pro rata shares of net funds in it, will be released to Argyle.

Fair Market Value of Target Business. Pursuant to Argyle's Second Amended and Restated Certificate of Incorporation, the initial target business that Argyle acquires must have a fair market value equal to at least 80% of Argyle's net assets at the time of such acquisition, determined by Argyle's Board of Directors based on standards generally accepted by the financial community, such as actual and potential sales, earnings, cash flow and book value. Argyle is not required to obtain an opinion from an investment banking firm as to fair market value if its Board independently determines that the target business has sufficient fair market value.

Limited Ability to Evaluate The Target Business' Management. Although Argyle closely examined the management of ISI, Argyle cannot assure you that its assessment of ISI's management will prove to be correct, or that future management will have the necessary skills, qualifications or abilities to manage its business successfully. Essentially, all of ISI's current management will remain with the combined company, and will for the most part run its day-to-day operations. Argyle's current Board of Directors will remain directors of Argyle subsequent to the acquisition.

Stockholder Approval of Business Combination. Provided that a quorum exists, Argyle will proceed with the acquisition only if a majority of the shares of common stock voted at the special meeting are voted in favor of the acquisition and if the 2007 Incentive Plan is approved or the Board of Directors of ISI chooses to waive the condition

to the merger that the 2007 Incentive Plan be adopted. The holders of Argyle common stock issued prior to its initial public offering have agreed to vote 956,261 of their shares in accordance with the holders of a majority of the public shares voting in person or by proxy at the meeting and have agreed to vote the 125,000 of their shares purchased in the private placement that took place immediately prior to Argyle's initial public offering and all shares acquired after such initial public offering in favor of all of the acquisition. Additionally, if holders of 765,009 shares of Argyle's common stock purchased in Argyle's initial public offering (which number represents 20% or more of the shares of Argyle common stock issued in Argyle's initial public offering and private placement) vote against the acquisition and exercise their right to redeem their shares for cash, the acquisition will not be consummated.

If Argyle does not consummate the business combination with ISI, it will continue to seek another target business until it is required to liquidate and dissolve pursuant to its certificate of incorporation. As provided in its Second Amended and Restated Certificate of Incorporation, Argyle is required, by July 30, 2007, to consummate a business combination or enter a letter of intent, agreement in principle or definitive agreement relating to a business combination, in which case Argyle would be allowed an additional six months to complete the transactions contemplated by such agreement. Under its Second Amended and Restated Certificate of Incorporation as currently in effect, if Argyle does not acquire at least majority control of a target business by at latest January 30, 2008, Argyle will dissolve and distribute to its public stockholders the amount in the trust account plus any remaining net assets.

Redemption rights. Each holder of public shares who votes against the acquisition has the right to have his or her public shares redeemed to cash, if the acquisition is approved and completed.

The actual per share redemption price will be equal to the amount in the trust account, inclusive of any interest, as of two business days prior to the consummation of the acquisition, less taxes payable, $600,000 of interest released to us from the trust account to fund our working capital and the payment of the deferred underwriting fees, divided by the number of shares issued in Argyle’s initial public offering and the private placement, which, as of September 30, 2006 would be $7.20 per share. An eligible stockholder may request redemption at the time the vote is taken with respect to the acquisition, but the request will not be granted unless the stockholder votes against the acquisition and the acquisition is approved and completed. Any request for redemption, if made by proxy prior to the date of the special meeting, may be withdrawn at any time up to the date of the meeting. Funds to be distributed to stockholders who elect redemption will be distributed promptly after consummation of the acquisition. Any stockholder who redeems stock into a portion of the trust account still has the right to exercise any warrants to purchase Argyle common stock that he or she owns. Argyle will not complete the acquisition if holders 765,009 or more of shares of Argyle’s common stock purchased in Argyle’s initial public offering (which number represents 20% or more of the shares of Argyle common stock issued in Argyle’s initial public offering and private placement) vote against the acquisition and exercise their redemption rights.

If the Acquisition is Not Consummated. If Argyle does not consummate the business combination with ISI, it will continue to seek another target business until it is required to liquidate and dissolve pursuant to its Second Amended and Restated Certificate of Incorporation. As provided in its certificate of incorporation, Argyle is required, by July 30, 2007, to consummate a business combination or enter a letter of intent, agreement in principle or definitive agreement relating to a business combination, in which case Argyle would be allowed an additional six months to complete the transactions contemplated by such agreement. Under its Second Amended and Restated Certificate of Incorporation as currently in effect, if Argyle does not acquire at least majority control of a target business by at latest January 30, 2008, Argyle will dissolve and distribute to its public stockholders the amount in the trust account plus any remaining net assets.

Competition. If the acquisition is completed, Argyle will become subject to competition from competitors of ISI. For more information of the competition ISI faces, please see the section entitled, “Information About ISI—Competition” elsewhere in this document.

Facilities. Argyle maintains executive offices at Concord Plaza, Suite 700, San Antonio, TX 78216. The base rental cost for this space is approximately $5,500 per month. Argyle considers its current office space adequate for current operations.

Employees

Argyle has two officers. They are not obligated to contribute any specific number of hours per week on Argyle’s affairs, and they devote only as much time as they deem necessary to Argyle’s affairs. Argyle has no other employees.

64

Periodic Reporting and Audited Financial Statements

Argyle has registered its securities under the Securities Exchange Act of 1934 and has reporting obligations, including the requirement to file annual and quarterly reports with the SEC. In accordance with the requirements of the Securities Exchange Act of 1934, Argyle's annual report contains financial statements audited and reported on by Argyle's independent accountants.

Legal Proceedings

Argyle is not currently a party to any pending material legal proceedings.

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

The following discussion should be read in conjunction with Argyle's financial statements and related notes thereto included elsewhere in this proxy statement/prospectus.

Forward Looking Statements

The statements discussed in this proxy statement/prospectus include forward looking statements that involve risks and uncertainties, including the risks detailed from time to time in Argyle's reports filed with the Securities and Exchange Commission.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

Results of Operations for the Nine-Month Period Ended September 30, 2006

Argyle reported net income of $71,066 for the nine-month period ended September 30, 2006, before the deduction of $152,941 of interest income, net of taxes, attributable to common stock subject to possible redemption. Argyle incurred a net loss of $4,538 for the period from inception (June 22, 2005) through September 30, 2005. Argyle's net income consists of interest earned on the trust account.

Argyle's trust account earned interest of $952,609 for the nine months ended September 30, 2006 and its funds outside the trust account earned interest of $11,409. Until Argyle enters into a business combination, it will not generate operating revenues. Argyle had no funds in trust as of September 30, 2005.

For the nine months ended September 30, 2006, Argyle incurred expenses of $372,008 for consulting and professional fees, $130,632 for stock compensation, $108,991 for franchise taxes, $60,411 for insurance expense, $44,363 for rental expense pursuant to Argyle's lease of office space and other operating costs of $92,873.

Results of Operations for the Period from June 22, 2005 (inception) to December 31, 2005

Argyle had a net loss of $7,743 for the period ended December 31, 2005 as a result of formation and operating costs. Additionally, deferred offering costs of approximately $295,000 were incurred in 2005. These costs consisted of professional fees of approximately $203,000, road show and travel expenses of approximately $25,000, and regulatory and filing fees of approximately $67,000. Argyle had no income in 2005. Until Argyle enters into a business combination, it will not have revenues and will continue to incur losses due to management's expenses relating to locating a target business to acquire.

Liquidity and Capital Resources

On January 24, 2006, Argyle completed a private placement of 125,000 units to its executive officers and their affiliates and received net proceeds of approximately $900,000. On January 30, 2006, Argyle consummated its initial public offering of 3,700,046 units (which includes 75,046 units sold as part of the underwriter's over-allotment option). Each unit in both the private placement and the public offering consisted of one share of common stock and one redeemable common stock purchase warrant. Each warrant entitles the holder to purchase from Argyle one share of Argyle's common stock at an exercise price of $5.50 per share commencing on the later of the completion of a business combination or January 24, 2007 and expiring January 24, 2011. Argyle's common stock and warrants started trading separately as of March 2, 2006.

The net proceeds from the sale of Argyle's units, after deducting certain offering expenses of approximately $2.4 million, including underwriting discounts of approximately $1.8 million, were approximately $28.2 million. Approximately $27.3 million of the proceeds from the initial public offering and the private placement was placed in a trust account for Argyle's benefit. Except for reimbursement of taxes payable and $600,000 in interest from the trust account that was released to Argyle in September 2006 for working capital, Argyle will not be able to access the amounts held in the trust until it consummates a business combination. The $29.1 million held in trust as of September 30, 2006 includes approximately $1.4 million of underwriter's and placement agent's compensation from Argyle's private placement and initial public offering that will be paid to the underwriters and placement agent only in the event of a business combination. The amounts held outside of the trust account are available to be used by Argyle to provide for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. As of September 30, 2006, Argyle had approximately $920,000 outside the trust account to fund its working capital requirements.

Argyle expects to use up to approximately $20,000,000 (including transaction costs) of the net proceeds of the initial public offering to acquire ISI. After paying off any expenses relating to the identification and evaluation of prospective acquisition candidates, the structuring, negotiation and consummation of the business combination and paying for the redemption of the stock of any of Argyle's stockholders who choose to exercise their redemption rights, the amounts remaining from Argyle's initial public offering will be used by the company as working capital.

Argyle estimates that it will have sufficient funds outside of the trust account to operate through the second quarter of 2007, assuming that a business combination is not consummated prior to such time. At this time, Argyle does not believe that Argyle will need to raise additional funds in order to meet the expenditures required for operating its business. However, if Argyle does not consummate a business combination by the middle of 2007, the costs required to consummate a business combination will exceed its available cash outside of trust, and it will not be able to engage in a business combination without receiving additional funds and/or reaching agreements with Argyle's professional service providers to defer their fees and expenses until after the merger is consummated. Argyle expects these expenses would ultimately be borne by the combined company if a business combination were completed.

As of February 1, 2006 Argyle entered into a lease for Argyle's office space in San Antonio, Texas and began to pay a base rental of approximately $5,500 per month. The lease terminates on January 31, 2007. In connection with its operations, in March 2006, Argyle paid an outstanding obligation to a consultant for approximately $53,000 and is currently paying approximately $24,000 per month in consulting fees for services assisting Argyle in the identification of a target business and with securities compliance. The consulting agreements entered into thus far may be terminated by either party for any reason upon 15 days notice.

Off Balance Sheet Arrangements

Argyle does not have any off-balance sheet arrangements.

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UNAUDITED PRO FORMA

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated balance sheet combines Argyle's historical balance sheets and those of ISI as of September 30, 2006, giving effect to the transactions described in the purchase agreement as if they had occurred on September 30, 2006. The following unaudited pro forma condensed consolidated statements of operations combine (i) Argyle's historical statement of operations for the nine months ended September 30, 2006 with those of ISI and (ii) Argyle's historical statement of operations from inception (June 22, 2005) to December 31, 2005 with those of ISI for the year ended December 31, 2005, in each case giving effect to the acquisition as if it had occurred on January 1, 2005.

The unaudited pro forma condensed consolidated financial statements have been prepared using two different levels of approval of the transaction by the Argyle stockholders, as follows:

- Assuming Maximum Approval: This presentation assumes that no stockholder exercised their redemption rights

- Assuming Minimum Approval: This presentation assumes that holders of 19.99% of Argyle's common stock exercised redemption rights

Under the purchase method of accounting, the preliminary purchase price has been allocated to the net tangible and intangible assets acquired and liabilities assumed, based upon preliminary estimates. Management estimates that a substantial portion of the excess purchase price will be allocated to non-amortizable intangible assets. These estimates are subject to change upon the finalization of the valuation of certain assets and liabilities.

Argyle is providing this information to aid you in your analysis of the financial aspects of the acquisition. The unaudited pro forma condensed consolidated financial statements described above should be read in conjunction with the historical financial statements of Argyle and ISI and the related notes thereto. The pro forma adjustments are preliminary and the unaudited pro forma information is not necessarily indicative of the financial position or results of operations that may have actually occurred had the acquisition taken place on the dates noted, or Argyle's future financial position or operating results.

Argyle Security Acquisition Corporation

Unaudited Pro Forma Condensed Consolidated Balance Sheet
September 30, 2006
Assuming Maximum Approval

Assets		Argyle		ISI		Pro Forma Adjustments			Pro Forma Combined
Cash	$	920,429	$	254,483	$	$29,073,971	a	$	
		-		-		(20,000,000)	c		
		-		-		(1,422,740)	e		
		-		-		(2,084,447)	g		6,741,696
Cash and cash equivalents, held in trust		29,073,971		-		(29,073,971)	a		-
Contract receivables (net of reserve for doubtful accounts of $264,488)		-		20,155,844		698,786	g		20,854,630
Other receivables		-		377,098		-			377,098
Prepaid expenses		29,333		-		-			29,333
Inventory		-		324,464		-			324,464
Refundable federal income taxes		-		655,843		-			655,843
Costs and estimated earnings in excess of billings on incomplete contracts		-		4,178,225		-			4,178,225
Total current assets	$	30,023,733	$	25,945,957	$	(22,808,401)		$	33,161,289
Deferred income taxes		34,442		-		-			34,442
Property and equipment									
Land and buildings		-		2,645,438		-			2,645,438
Furniture, fixtures and equipment		6,520		2,506,579		-			2,513,099
Vehicles		-		1,767,351		-			1,767,351
	$	6,520	$	6,919,368	$	-		$	6,925,888
Accumulated depreciation and amortization		(1,075)		(3,195,984)		-			(3,197,059)
Net property and equipment	$	5,445	$	3,723,384	$	-		$	3,728,829
Other assets:									
Tradename		-		-		4,912,000	c		4,912,000
Customer relationships		-							