

Security Finance Newsletter

June 2014

The information in this newsletter is provided strictly for informational purposes to Security Industry senior executives. Sokoloff & Co. makes no representations as to its accuracy. Sokoloff & Co. does not advise public investors; therefore this information should not be used for investing purposes.

Volume X, Issue 2

1st/2nd QUARTER MERGERS & ACQUISITIONS

Buyer: PALO ALTO NETWORKS (NYSE: PANW)

Seller: CYVERA is a cybersecurity company located in Tel Aviv, Israel with 55 employees.

Merger: IQINVISION & VICON. Vicon is a provider of VMS software, NVRs, and other devices based in Edgewood, NJ. IQinVision manufactures cameras, and is based in San Juan Capistrano, CA. The merger creates a \$56M company.

Buyer: KEYSTONE CAPITAL, INC.

Seller: KIDDE FIRE TRAINERS (KFT) is a business unit of **UNITED TECHNOLOGIES CORPORATION'S (NYSE: UTX) BUILDING & INDUSTRIAL SYSTEMS GROUP.** HQs are in Montvale, NJ and they design, installs and services fire training simulators and related technologies.

Buyer: COMFORT SYSTEMS USA (NYSE: FIX) provides heating, ventilation and air conditioning ("HVAC") services.

Seller: DYNA TEN is based in Fort Worth, TX and provides mechanical contracting projects, HVAC service and controls.

Buyer: DORMA is a manufacturer of access solutions.

Seller: FAIRPOINTE DATA is a manufacturer of RFID products and is based in Sunnyvale, CA.

Buyer: CORNERSTONE DETENTION PRODUCTS is a provider of services and engineered detention products.

Seller: NORMENT SECURITY, owned by **THE GORES GROUP,** is a detention contractor headquartered in Montgomery, AL.

Buyer: ZEBRA (Nasdaq: ZBRA)

Seller: MOTOROLA SOLUTIONS INC. (NYSE: MSI) ENTERPRISE BUSINESS is a manufacturer of rugged computers, tablets and scanners. 2013 sales were about \$2.5B.

Buyer: ASG is a systems integrator and alarm company.

Seller: ALARM DETECTION SYSTEMS (ADS) and AMSAFE SECURITY are both alarm companies. Amsafe is an account only purchase of 500 customers. ADS is based in Houma, LA and Amsafe is based in Ft. Lauderdale, FL.

Buyer: GUARDIAN ALARM

Seller: ADS SECURITY SYSTEMS is an alarm company based in Concord, Ohio.

Buyer: ADT (NYSE: ADT)

Seller: RELIANCE PROTECTRON is a monitoring company based in Canada with \$11 million in RMR.

Buyer: MANTECH INTERNATIONAL CORPORATION (Nasdaq: MANT)

Seller: 7DELTA INC. provides technology management solutions to the civilian and defense sectors of the U.S. government.

Buyer: ALLEGION PLC (NYSE: ALLE)

Seller: FIRE & SECURITY HARDWARE PTY LIMITED is an electromechanical locking provider in Australia.

Buyer: AT&T (NYSE: ATT)

Seller: DIRECTTV. In addition to satellite TV, DirectTV also offers security/home automation.

Buyer: HARMAN INTERNATIONAL

INDUSTRIES/THE DUCHOISSOIS GROUP

Seller: AMX LLC is a provider of hardware and software to help with the audio and visual elements. HQs are in Richardson, Texas and they employ more than 600 people.

Buyer: BAY ALARM COMPANY

Seller: SDA SECURITY is an alarm company headquartered in San Diego, CA.

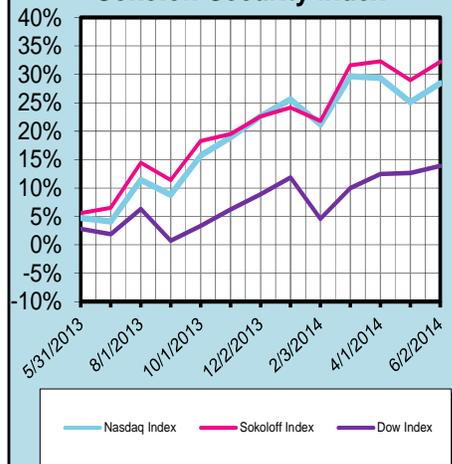
Buyer: SEAGATE TECHNOLOGY PLC (Nasdaq: STX)

Seller: AVAGO TECHNOLOGIES LIMITED (NASDAQ: AVGO) is a designer, developer and global supplier of analog, digital, mixed signal and optoelectronics components and subsystems. They are co-headquartered in San Jose, CA and Singapore.

Buyer: XENTRY SYSTEMS INTEGRATION a division of **MATRIX SYSTEMS**

Seller: ACREE DAILY INTEGRAED SYSTEMS s a systems integrator based in Columbus, Ohio.

Sokoloff Security Index



The Security Finance Newsletter is a service of Peter A. Sokoloff & Co. It is distributed quarterly to owners, CEOs, CFOs and corporate development executives in the Security Industry.

The Security Finance Newsletter is a copyright of Peter A. Sokoloff & Co. © 2014. Permission to reprint/distribute excerpts of the full newsletter is granted, provided the following attribution is included: "Reprinted with permission. © 2014 Peter A. Sokoloff & Company, Glendale, California."



Peter A. Sokoloff & Co.
Investment Bankers and Financial Advisory
a limited liability organization

550 North Brand Blvd. Suite 1650 Glendale, CA 91203
(818) 547-4500, fax (818) 547-4388, www.sokoloffco.com

AN INTERVIEW WITH JIM COLEMAN, PRESIDENT SECURITY-NET/OPERATIONAL SECURITY SYSTEMS

This quarter, Sokoloff & Company interviews **Jim Coleman, President of Security-Net and Operational Security Systems.** Security-Net is a national organization of Systems Integrators that work together to deliver business to customers across the US. Operational Security Systems is an access control Systems Integrator that specializes in electronic protection systems.

Tell us about Security-Net and the impetus for the organization.

Security-Net was established in 1993 by a group of integrators with major corporate clients that needed national support. The premise was simple: treat each member's clients as your own. The initial motivation to organize was to protect large local accounts (usually corporate headquarters) that national integrators were wooing with the advantage of nationwide coverage.

What advantage does being part of Security-Net give to your Systems Integrator members?

Meeting four times a year fosters a trust level among members which allows a sharing of best practices, lessons learned and much more. Observations of suspected industry trends are verified or discredited with opinions from a wider perspective. Relationships with manufacturers and distributors are broadened and reach higher into these supplier organizations because of the composite revenues collectively accrued from Security-Net members. Knowledge of contemporaneous industry events and occurrences are shared through a pervasive web of industry relationships nurtured by our members.

What advantages does the customer receive by using a Systems Integrator that is part of Security-Net?

Security-Net has invested in and developed national account software that allow our member companies to fulfill a customer's

needs across geographic areas that transcend their own footprint and allow status information of simultaneous efforts to be seamlessly collected and reported to the managing member as well as the client. These same tools can be used by members for clients not needing the resources of other SN members.

How does a Systems Integrator get to be a part of Security-Net – i.e. are there standards they must abide by to be in the organization?

Membership offers are extended by Security-

“Security-Net endeavors to have representation in all significant US and Canadian markets.”

underrepresented or lead with product lines that are not well represented.

- We look for a compatibility or personal chemistry - someone who will interact well with the other members.

- Prospective member offices are visited to gain a sense of how operations are run and how employees are treated.

- Members pay an initiation fee and quarterly dues.

- Membership is to the individual not the company and a change of corporate ownership requires resignation.

- Members are expected to attend all meetings.

How did you get your start and what brought you to presiding over Security-Net?

While at Georgia Tech, I had helped a fraternity brother resolve a security problem at his family's bedspread manufacturing plant by installing an alarm system. This led to several other word of mouth opportunities and a small side business while still in school. I asked numerous alumni at homecoming occasions “what would you do different” in your career planning. Their answers had a recurring theme: The dream of equity ownership and pursuing entrepreneurial opportunities was curtailed by the responsibilities of marriage, mortgages, children and the inability to forego salaries for the several years it often takes to get a new venture off the ground.

They would have taken greater risks before the encumbrance of greater responsibilities. With little understanding of business, marketing or working capital, I looked at my engineering degree as an insurance policy in case I failed as a nascent security integrator. We were lucky with timing as the demand for integrated security burgeoned. Good margins and the reinvestment of profits resulted in strong organic growth and a sustaining customer base. I started Operational Security Systems directly after graduating from Georgia Tech with a degree in Electrical Engineering in 1972.

This notice appears as a matter of record only.

Red Oak Growth Partners

INSIGHT VENTURE PARTNERS

 **EGIS**
CAPITAL PARTNERS

Have invested in

CSSN
Card Scanning Solutions

The undersigned advised Card Scanning Solutions, Inc.

 **Peter A. Sokoloff & Co.**
Investment Bankers and Financial Advisory
a limited liability organization

550 North Brand Blvd. Suite 1650 Glendale, CA 91203
(818) 547-4500, fax (818) 547-4388 www.sokoloffco.com

Net to a prospective Integrator after several criteria are met:

- A strong reputation in the industry for customer service, technical and engineering credentials, financial stability and personal integrity are prerequisites, as is having been in business for at least four years and achieving a consistent operation revenue level of at least five million dollars.

- A prospective member must operate in a geographic area in which Security-Net is

As for Security-Net, I agreed to serve the 2014-2015 presidential term as the middle segment of a six year leadership pact with the immediate past president and the current president elect. I further agreed to guide Security-Net toward similar strategic goals.

How do you divide your time and energy between both Security-Net and your systems integration business? Do they complement one another?

Life gets a little busier and To-Do lists are worked more aggressively! Procrastination has a shorter half-life and pondering becomes an appreciated luxury!

My company gets top priority but Security-Net is often top of mind. The opportunities for Security-Net, from a perspective of composite scale alone, present compelling goal objectives that transcend the possibilities available to our members individually. Convincing a group of 18 Chief Executives to agree to a common path is simultaneously challenging and rewarding. **The friendships developed over the years are quite unique in our industry and make belonging to Security-Net a point of pride for members, both current and past.**

How does Operational Security Systems differentiate itself from other Systems Integrators in the arena?

We have traditionally gravitated toward clients with both larger and more complicated needs (since there are fewer competitors in this segment). Our long standing perspective observes: "Where there's mystery there's margin".

As our industry matures, products, solutions and services become more commodity-like - seeking new mysteries has become more challenging.

Do you ever have members competing with each other? If so, how does this impact Security-Net?

Jim Coleman - President, Security-Net and Operational Security Systems

Jim founded Operational Security Systems in 1972 after graduating from Georgia Tech with a degree in Electrical Engineering. He also serves as the President of Security-Net and on the advisory boards of several system manufacturers in the industry. In addition he has authored numerous technical articles for industry magazines.



Security-Net endeavors to have representation in all significant US and Canadian markets. Members compete with one another only occasionally and usually coordinate to minimize those occurrences. The degree of trusted communications can be stifled if members have chronic competitive conflicts. **We work hard to choose mem-**

What do you find exciting about the Security industry?

Over the past four decades, security integrators have used technology in systems installed in the premises of their clients, often to improve the efficiency of guard personnel. Today we are using technology to improve the efficiency of our own organizations. Creating new organizational models that allow security integrators to thrive in today's competitive marketplace is exciting.

Where do you see Security-Net as well as your own business five years from now?

As the market continues to mature, smaller integrators will be challenged to thrive because of margin pressures. Larger integrators will develop processes to become more efficient and provide a spectrum of services and offerings to meet the needs of larger accounts with demanding requirements. Security-Net will develop the tools and processes to allow its members to offer higher end services at lower overhead rates than the large national integration concerns. Some members will sell their companies as an exit strategy.

Contact Sokoloff & Company

Please contact Bernie Walko,
Managing Director
for a confidential consultation about
your company's merger and
acquisition needs.
818-547-4500
bwalko@sokoloffco.com

Do you receive our free weekly e-mail Security Newsletter Update? If not, please adjust your spam filter or sign up easily on-line at www.sokoloffco.com.

While at our website, surf around. There's plenty of useful information, including valuation case studies and our archive of newsletters tracking historical industry performance.

"Always do right. This will gratify some people and astonish the rest."
- Mark Twain (1901)

This notice appears as a matter of record only.

dmn

DMN Ltd., UK

Has been acquired by

THE GORES GROUP

The undersigned advised DMN Ltd.



Peter A. Sokoloff & Co.
Investment Bankers and Financial Advisory
a limited liability organization

550 North Brand Blvd. Suite 1650 Glendale, CA 91203
(818) 547-4500, fax (818) 547-4388 www.sokoloffco.com

bers that are complementary when they operate in the same markets. On rare occasion a member will resign if strategic plans foretell unavoidable conflict.

How is the landscape of security systems integration changing and what challenges do you see ahead?

The market is maturing. End users have become more knowledgeable. Competition is stronger, and margins that were reduced in the recent recession will not easily rebound.

SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC SECURITY COMPANIES Q1 2014 Reports and Stock Prices as of May 27, 2014 USA LISTED COMPANIES

Sokoloff & Company compiles a quarterly review of selected public security companies (and companies that dedicate a portion of their business to Security) and compares how each is valued by the public marketplace. The companies are ranked comparatively by EVS, which is Enterprise Value divided by Sales. Other comparative indicators shown are P/E, Price to Earnings (market cap divided by earnings) and EVM, which is Enterprise Value Multiple; the Enterprise Value divided by EBITDA (Earnings Before Taxes, Interest, Depreciation and Amortization). All multiples are based on trailing twelve months (TTM) numbers through the most recently reported quarter.

Changed from last quarter: CACI International, Inc. (NYSE: CACI) was added.

Note: The quarterly revenue percentage column is the increase (or decrease) from the same quarter in the previous year. Where fiscal year has differed from calendar year, the most recently reported information is used.

This information is provided strictly for informational purposes to industry senior executives. Sokoloff & Co. makes no representations as to its accuracy. Sokoloff & Co. does not advise public investors; therefore this information should not be used for investing purposes.

Current Rank	Previous Rank	Company	Symbol	Stock Price 5/27/2014	52 Week Range	Market Cap 5/27/2014	(000s) Revenue 2011	(000s) Revenue 2012	(000s) Revenue 2013	(000s) Revenue 1st Q 14	Over Q1 2013 1st Q 14	P/E	EVS	EVM	
1	2	Roper Industries, Inc.	ROP	142.20	119.10-142.81	14.19B	2,797,089	2,993,489	3,238,128	834,052	13.1%	25.48	4.78	14.79	
2	1	Taser Corp.	TASR	13.48	8.43-20.83	726.11M	90,028	114,753	137,831	36,185	18.9%	39.65	4.57	20.05	
3	3	Gentex Corporation	GNTX	29.71	21.29-34.41	4.33B	1,023,762	1,099,560	1,171,864	335,739	24.6%	17.48	3.36	10.15	
4	4	Flir Systems, Inc.	FLIR	34.76	23.58-37.42	4.92B	1,544,062	1,405,358	1,496,372	351,542	0.8%	32.22	3.12	14.85	
5	8	ADT	ADT	32.40	27.93-46.05	5.65B	3,110,000	3,228,000	3,309,000	837,000	1.9%	18.76	3.02	7.30	
6	5	Verint	VRNT	46.34	32.35-49.99	2.48B	726,799	782,648	839,542	255,745	11.7%	46.81	2.97	16.44	
7	7	Zebra Technologies Corp.	ZBRA	73.17	42.51-75.32	3.69B	983,488	996,168	1,038,159	288,268	21.7%	24.44	2.97	14.45	
8	9	The Geo Group	GEO	33.88	30.11-37.52	2.43B	1,407,172	1,479,062	1,522,074	393,137	4.2%	20.31	2.59	13.80	
9	10	Tyco International*	TYC	43.65	31.70-44.10	20.13B	10,557,000	10,403,000	10,647,000	2,487,000	0.5%	26.26	1.96	12.95	
10	11	United Technologies Corp.	UTX	115.85	90.30-120.66	106.20B	55,754,000	57,708,000	62,626,000	14,745,000	2.4%	18.74	1.93	10.66	
11	12	Honeywell	HON	92.36	76.15-95.91	72.33B	36,529,000	37,665,000	39,055,000	9,679,000	3.8%	18.51	1.86	11.21	
12	13	Napco Security Systems, Inc	NSSC	6.22	4.20-7.70	120.79M	71,392	70,928	71,386	17,272	0.6%	27.64	1.73	18.69	
13	16	Stanley Black & Decker	SWK	87.40	73.77-92.76	13.64B	9,435,500	10,147,900	11,001,200	2,640,800	6.6%	24.29	1.59	11.41	
14	17	Brady Corporation	BRC	27.90	24.07-35.68	1.44B	1,339,597	1,068,688	1,152,109	309,577	2.3%	N/A	1.36	9.79	
15	15	OSI Systems	OSIS	57.97	39.00-78.50	1.16B	656,100	792,990	802,047	203,956	2.8%	31.68	1.29	8.44	
16	18	Siemens AG	SI	97.45	73.08-101.35	82.46B	93,672,000	103,466,000	101,440,000	23,912,000	-1.9%	17.95	1.23	12.09	
17	19	Lockheed Martin Corp.	LMT	162.95	103.04-168.41	51.33B	46,499,000	47,182,000	45,358,000	10,650,000	-3.8%	16.85	1.20	9.62	
18	20	Northrop Grumman Holdings	NOC	120.17	80.12-126.00	25.73B	26,412,000	25,218,000	24,661,000	5,848,000	-4.2%	13.45	1.14	7.49	
19	21	L-3 Communications Holdings	LLL	118.43	82.60-121.43	10.21B	13,157,600	13,146,300	12,629,000	2,971,000	-6.7%	14.03	1.09	9.06	
20	22	Diebold	DBD	38.00	27.89-41.45	2.45B	2,835,848	2,991,693	2,857,491	688,293	8.6%	N/A	0.87	11.36	
21	23	Johnson Controls	JCI	48.86	34.40-52.50	32.45B	40,833,000	41,955,000	42,730,000	10,463,000	3.6%	24.10	0.87	9.36	
22	New	CACI International, Inc.	CACI	71.86	60.16-80.77	1.69B	3,577,780	3,774,473	3,681,990	900,393	-0.6%	13.20	0.83	9.00	
23	24	Checkpoint Systems, Inc	CKP	12.93	11.94-18.25	538.86M	763,749	689,920	689,738	147,406	-0.5%	N/A	0.70	6.82	
24	25	Identive Group	INVE	6.99	4.9-8.26	529.06M	102,708	72,361	75,610	17,160	7.6%	N/A	0.68	N/A	
25	26	Anixter International, Inc.	AXE	100.30	73.23-115.84	3.28B	6,146,900	6,253,100	6,226,500	1,523,800	2.2%	16.16	0.64	10.36	
26	28	ManTech International	MANT	30.06	24.70-31.32	1.12B	2,869,982	2,582,295	2,310,072	452,033	-30.0%	N/A	0.49	6.68	
27	27	Magi Security Systems Ltd.	MAGS	3.43	3.10-4.44	55.38M	88,591	77,697	51,517	12,509	-7.0%	N/A	0.48	N/A	
28	29	URS Corporation	URS	45.08	41.62-55.79	3.11B	9,545,000	10,972,500	10,990,700	2,537,000	-9.5%	16.51	0.46	7.13	
29	30	Brimks Company	BCO	26.87	24.25-35.73	1.30B	3,766,000	3,735,000	3,942,000	992,000	4.3%	88.10	0.39	4.26	
30	31	Vicon Industries, Inc.	VIL	2.61	2.50-4.35	11.75M	47,182	49,652	39,846	7,037	-19.0%	N/A	0.14	N/A	
31	14	Mace Security International	MACE	0.38	.30-.59	20.64M	13,858	8,690	8,018	1,682	-23.3%	N/A	N/A	N/A	
Sokoloff Index											376,356,187	392,130,225	395,799,394	94,537,586	
Growth over previous period											Over Year 2011	Over Year 2012	Over Q4 2013		
1,723.66											4.2%	0.9%	-4.6%		
Growth over previous period											Average	Median			
Over the diversified Tyco International conglomerate.											1.2%	25.77	1.68	11.04	
*Yearly revenues declined due to the break up of the diversified Tyco International conglomerate.											2.2%	20.31	1.26	10.36	



Peter A. Sokoloff & Co.
Investment Bankers and Financial Advisory
a limited liability organization

550 North Brand Blvd., Suite 1650
Glendale, CA 91203
www.sokoloffco.com

Phone: 818-547-4500
Fax: 818-547-4388