

Security Finance Newsletter

June 2009

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Volume V, Issue 2

THE RISING TIDE

There's an old saying, "A rising tide lifts all ships." With the market steadily gaining ground and improving over the last several months, we saw a marked increase in the **Sokoloff Security Index** for the first quarter.

After falling drastically for seven straight months a market rally began March 2nd. Reflecting the rising tide in the overall market, **from March 2nd through June 1st the Sokoloff Security Index rose an astounding 37.5%, handily beating the DOW at 29.0% and nearing the NASDAQ which rose 38.2%**. Thirty-three out of the thirty-five companies listed in the Sokoloff Index had double digit share price growth. Some winners far exceeded the market's rising tide, including blue chips like **GE (NYSE:GE)** with 67% growth between March 2nd and May 1st (if this analyst had bought enough GE, she would probably own Sokoloff & Company!). Other stellar performers were **URS Corp (NYSE:URS)** with 57.4% growth and **Johnson Controls (NYSE:JCI)** with 80% growth.

The biggest overachiever of the period was **RAE Systems (AMEX:RAE)** which had 172.2% growth. Other top players were **Checkpoint Systems (NYSE:CKP)** at 80.5%, **L-1 Identity Solutions (NYSE:ID)** at 83.7% and **Gentex (NASDAQ:GNTX)** at 72.6%. All of these companies prepared for the worst and are enjoying the fact that the worst didn't come to fruition. They remained bullish and didn't

generate any surprises.

Strong management and a willingness to respond decisively to deteriorating economic conditions by moving away from business as usual and handling the crisis by defining and executing clearly set goals appeared to keep these companies going strong. Here are some excerpts from Q1 reports:

Robert Chen, RAE Systems President and CEO, "While the global economic slowdown has impacted our business, we believe trends in the regulatory compliance and energy market, including the industrial and oil production sectors, will continue to be significant long-term market drivers for us. In all of our markets, we will continue to explore and develop strategic value-added partnerships to leverage our product and market expertise."

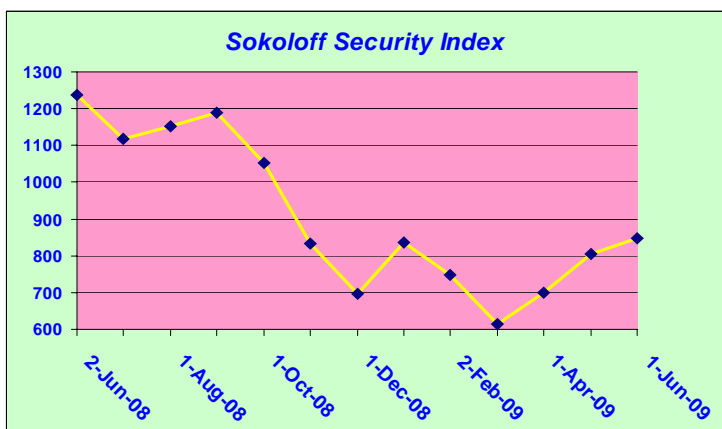
Robin van der Merwe, Checkpoint Chairman, President and CEO, "As we entered 2009 it was clear to us that the global economic slowdown would continue to impact the retail and apparel industry with limited visibility as to when the economy would turn around... we took decisive actions to cut back on discretionary spending, downsized our direct labor base at manufacturing sites where capacity was underutilized, and took specific action to improve working capital."

Stephen Roell, Johnson Controls Chairman and Chief Executive Officer, "As we indicated

three months ago, the fiscal quarter was going to be challenging due to the depressed automotive production volumes. During the quarter, we implemented additional cost reduction initiatives and actions to enhance our liquidity position. We started to see improvements in the financial performance of our Automotive Experience business toward the end of the second quarter, and we expect significantly lower operating losses in the third quarter. We believe the automotive improvement, combined with the solid profitability of our Building Efficiency and Power Solutions businesses, will enable us to report positive earnings for the remainder of 2009."

GE Chairman and CEO Jeff Immelt, "In a recessionary environment impacting every segment of the economy, we delivered first quarter business results consistent with our GE Capital investor meeting on March 19th and the framework provided last December, which included a smaller but still-profitable GE Capital and 0-5% earnings growth in our Industrial segments. Amid a continued weak economy, we're performing well and our backlog remains strong."

The chart on this page shows the star performers in the Security Industry who were able to sail ahead of the tide, racing past the DOW and the NASDAQ. They deserve kudos for sparking investor confidence and thus contributing to worldwide salvage efforts which, as of this writing, seem to be working.



POWERING PAST THE TIDE			
Company	Stock Price as of March 2, 2009	Stock Price as of May 1, 2009	Growth over the Period
RAE	0.36	0.98	172.2%
ID	4.05	7.44	83.7%
CKP	6.72	12.13	80.5%
JCI	10.38	18.68	80.0%
GNTX	7.56	13.05	72.6%
IR	12.99	21.90	68.6%
GE	7.60	12.69	67.0%
LCRD	2.51	4.15	65.3%
NSSC	0.92	1.50	63.0%
URS	28.00	44.07	57.4%
SWK	24.89	38.95	56.5%
PONE	2.00	3.04	52.0%

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Profile: Jack Smith, Proximex Corp.

Proximex specializes in perimeter security, with a suite of software surveillance products which help manage operations in fields such as corporate security, the Defense Industry and Public Safety & Security.

CEO of Proximex, Jack Smith talks about his company.

How did Proximex get its start and what was the vision?

Both CTO **Ken Prayoon Cheng** and I are Silicon Valley veterans. We began Proximex in 2004 to apply our successes and knowledge of the IT world to the physical security industry. We came from an IT Security company called **NetIQ** which created connectors for IT systems that brought all technologies into one single platform. This situation parallels the security industry today, as there are many disparate security systems that need to be combined into an enterprise-class, scalable platform for maximum impact.

The vision of Proximex was to integrate these systems and improve information sharing to enhance the efficiency and effectiveness of these systems as well as help organizations improve incident visibility, enhance security operations, and reduce business risk.

The first version of our product **Surveillint** was released to high acclaim at the ISC West 2006 exhibition in Las Vegas, Nevada, and at the AAAS 2006 Airport conference in San Diego, California.

What is the corporate culture of the company and how do you secure and find talent?

Proximex has a reputation among its partners and customers for fair dealing and we strive to create a win-win situation for all. We encourage an easy to work environment while demanding hard work of all. Our constant goal is to bring the best we have to offer to the table, whether it's in sales, engineering, marketing or finance. The Proximex sales and support team is made up of seasoned veterans from the IT and physical security space that understand the convergence that is taking place in the marketplace and are helping to direct partners and end users to navigate this evolution.

How do you train your talent? What types of programs do you have to keep your employees up to date on the rapidly changing security IT world?

We put our internal sales and support personnel through the same administrative training that we provide to our end users and partners that use and install our systems. We interface with industry consultants on a regular basis to stay current with their perspective of the industry. We also have weekly staff meetings where we exchange information about our market, our partners and our end users and discuss best practices.

We hire only the best and brightest engineers that work well with others as a team. We plan and design

our products in a way that we are always looking ahead to have the right person available for the necessary tasks. For new hires, we assign him/her to a lead engineer for at least 3 to 6 months. This helps the hire to intricately understand all the components of the Proximex platform. Managers assign projects that challenge the engineer to improve the product, not just incrementally, but using Proximex approaches and quantum improvement. **As a Microsoft Gold Certified Partner, we are allocated 35 hours of consultant time per year. We use it all so we can be up-to-date on Microsoft's newest technologies.**

Tell us about your partner program.

The Proximex Partner Program offers two types of partnerships and more than 30 companies have joined one or both venues.

Systems, DRS, Epsilon, SDI, Consiliant, SAIC, Lanair, Quantum Secure and Tech Systems.

Our second type of partner is a technology partner.

These companies bundle their product and service offerings with all or select features of Proximex Surveillint to establish best-of-breed integration via joint development and testing. Vendors can also build their own solutions using the Proximex software developer's kit (SDK). The following companies are members of the Proximex Partner Program as Technology Partners: **Augusta Systems, Bosch, Cisco, Hirsch, Lenel, March Networks, ICx Vision Systems, NEC, NICE, Object Video, Pelco, SightLogix, Software House, Verint and Vidient.**

Can you explain a little about the role of physical security information management (PSIM) in the industry and how Proximex is an innovator in this area?

Physical Security Information Management (PSIM) is the ability to bring together all types of security systems, such as access control, video cameras, biometrics, mass notification and communications and more, into one centralized command-and-control center. The challenge of a best-of-breed solution is to be able to integrate old and new systems together in an easy and intelligent way that also efficiently manages alarms and helps security personnel respond properly.

There are several reasons why Proximex is an innovator in PSIM. **The Proximex Surveillint user interface is unique in that it appeals to all levels of security users within an organization, including operators, supervisors and executive management.** Its Business Logic Manager, an industry first, allows companies the flexibility to set their own security policies and procedures on how to handle and respond to alarms. **Proximex was also the first to offer video pursuit technology, called EZ Track.** EZ Track makes tracking suspects across multiple camera views as easy as the click of an arrow. Users can track suspects backwards in time and catch up in real time. **Another first is the company's mobile solution, PocketSurveillint.** PocketSurveillint expands the reach of Surveillint to officers in the field – saving significant time by removing the need to translate incident information verbally and risk miscommunication. Finally, the Surveillint open architecture allows legacy security

systems to be integrated quickly and easily with new technologies and products, saving organizations significant time and money.


No other PSIM provider has attained Gold Certified Partner status within Microsoft's Partner Program. This level of partnership recognizes the expertise and impact Proximex has in the technology marketplace.

What goes into the life cycle of a new product? Can you give us a brief rundown from start to finish?

There are several steps that Proximex uses to develop a new product:

A) Requirements Gathering and Concept Generation. Proximex constantly gathers feedback


This notice appears as a matter of record only.



UTC Fire & Security


A United Technologies Company

Has acquired a stake in



Alba Control Systems Limited, India

The undersigned advised Alba Control Systems Limited.



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Our first type of partnership is designed for channel and OEM opportunities. Systems integrators and OEMs of all levels are bidding and reselling Proximex Surveillint to all types of companies, from large enterprises with an urgent need

"The beauty of the Proximex solution is that it appeals to any size and type of organization that needs to manage security information, improve operational efficiencies and reduce security risk."

for security systems management to smaller organizations who are implementing their first company-wide security system. The following companies have joined the Proximex Partner Program as Channel & OEM Partners: **Siemens, Lockheed Martin, Johnson Controls, ADT, Dakota security**

from the market, its customers and partners to drive new product concepts. This information comes from several sources:

- Customer feedback for current and future requirements
- Partner and consultant feedback from current projects and future projects
- Standards committees (SIA, DHS, GSO/GSI, ITIL others) to define new technologies both for PSIM products and for individual subsystem technologies – i.e. information sharing standards, interface standards, new video analytics standards, etc.
- Market and technology trends are considered by speaking with industry analysts and trusted advisors.
- Technology partnerships that include looking at demand and marketshare for different technology providers and determining which technologies need to be integrated with Surveillint.
- Internal R&D investigations - with a strong pedigree in building scalable, open, enterprise class solutions, Proximex's own R&D team also provides an excellent source for product and architectural enhancements.

After this first step, ideas are vetted internally and concepts developed and tested with customers.

B) Business Case Development and Assessment. A business case is based on the product concept to determine viability in the market, forecasts and channels. Product development costs are estimated and financial forecasts are developed to determine feasibility.

C) Product Definition. Once the decision has been made to move forward on the project, additional discussions with customers, partners and the market are performed that result in a product requirements document (PRD) to further describe the features and capabilities that will be delivered in the product. If time permits, prototypes and mock-ups are created and focus groups are developed during this phase to further define the product.

D) Product Development and Testing. Once the product has been defined, discussions are held with engineering and development teams to assess timelines, delivery dates and tradeoffs to fully define the scope of the release. Development and testing plans are created and development begins on the product. During the testing cycle, beta testing is typically performed to provide real-world feedback on the product functionality. Feedback from the beta testing is incorporated as a part of the test cycle.

E) Product Launch. Before the product becomes generally available, product launch and marketing plans are developed to announce the product publicly and generate leads.

Jack Smith
CEO Proximex Corporation

Previous to Proximex, Mr. Smith was the co-founder, inventor and CTO at Hotmail, the first Web-based email service. After Hotmail was sold to Microsoft in 1997, he served as co-founder and CEO of Akamba Corporation where he invented and marketed the first Web server accelerator card that boosted server performance by 300 percent.



Tell us about a difficult job Proximex took on and how Proximex was able to make it a success.

A large technology manufacturer wanted to migrate their underlying access control and video management systems to a different manufacturer's products. The company didn't want to spend time and money to remove and replace all of their legacy equipment, nor did they want to have two systems running in their Security Operations Center (SOC),

appeals to any size and type of organization that needs to manage security information, improve operational efficiencies and reduce security risk. Proximex Surveillint is scalable enough to handle thousands of cameras, sensors, etc. However, it is also chosen by organizations with only dozens of cameras but that forecast the need for additional security systems as they grow.

What are Proximex's plans for growing the company?

Proximex will continue to grow by its persistent dedication to its partners and by their increased business in the PSIM space. Further, by obtaining additional financing, Proximex will accelerate its growth and expand its partner relationships in the U.S. and abroad.

Where do you feel the future of the security industry is heading?

The future of the security industry is moving quickly beyond physical security and into the realms of building management and IT security integration. This includes areas like data intrusion, employee and identity management. Proximex is well poised for the future as we are aggressively moving our solution into these technical areas through our exceptional engineering team and partnerships with other technology leaders. Close relationships with our partners and customers also give us insight into what areas we need to deliver now, near-term and long-term future.

Contact
Sokoloff & Company

Please contact Mark Schwartz,
Managing Director,
New Business Development
for a confidential consultation
about your company's merger
and acquisition needs.
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This notice appears as a matter of record only.



A subsidiary of Orad Group Ltd. 

has been acquired by



Cool down.
Fire Protection by
MINIMAX

The undersigned advised Orad Group Ltd.



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which would impact their operational efficiency, training costs and SOC footprint. They elected to install Proximex Surveillint and, as a result, the company now has one command-and-control system. This system allows the company's operators to view all of the underlying technologies cohesively in one, easy-to-use visual interface and the company was able to automate many of the tedious tasks their operators had to manually perform prior to installing Surveillint. **The company estimates that the Proximex installation is saving them tens of thousands of dollars per month in saved hardware and software purchases and personnel costs.**

What is Proximex doing to weather the downturn in the economy?

The beauty of the Proximex solution is that it

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While at our website, surf around.
There's plenty of useful information, including our archive of M&A Transaction Case Histories.

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

SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC SECURITY COMPANIES

Q1 2009 Reports and Stock Prices as of May 19, 2009

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. Comparative values for each company are expressed as: **EVS**, which is Enterprise Value divided by Sales and **P/E**, Price to Earnings (market cap divided by earnings). **EVM** 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.

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.

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Current Rank*	Previous Rank*	Company	Symbol	Stock Price 5/19/2009	52 Week Range	Market Cap 5/19/2009	2006 Revenue (000s)	2007 Revenue (000s)	2008 Revenue (000s)	1st Q 08 Revenue (000s)	1st Q 09 Revenue (000s)	Over Q1 2008 Incr/Descr	P/E	EVS	EVM
1		1 Cogent, Inc.	COGT	11.28	7.88-14.40	1,018	101,657	105,794	125,861	24,631	31,034	26.0%	25.69	5.67	15.21
2		2 General Electric Co.	GE	13.70	5.87-32.70	145,085	163,391,000	172,488,000	182,515,000	42,228,000	38,411,000	-9.0%	8.90	3.37	19.53
3		3 Flir Systems, Inc.	FLIR	25.50	18.81-45.49	3,838	575,000	779,397	1,076,974	236,906	271,986	14.8%	18.41	3.17	9.99
4		7 Gentex Corporation	GNTX	11.75	6.50-19.41	1,628	572,267	653,933	923,800	177,970	931,832	423.6%	54.40	2.29	11.50
5		4 Teaser Corp.	TASR	4.27	2.54-7.73	264,33M	67,718	100,727	92,846	22,487	24,605	9.4%	N/A	2.24	39.33
6		5 L-1 Identity Solutions Inc.	ID	8.97	3.23-17.22	794,44M	164,386	389,507	562,872	115,996	150,189	29.5%	N/A	2.04	17.80
7		6 Protection One, Inc.	PONE	2.23	83-10.12	56,45M	270,552	347,871	372,021	91,577	93,002	1.6%	N/A	1.43	6.93
8		9 The Geo Group	GEO	16.80	10.98-26.96	858,85M	860,882	976,299	1,043,006	262,454	259,061	-1.3%	14.23	1.27	8.32
9		10 Zebra Technologies Corp.	ZBRA	20.61	16.00-38.47	1,228	759,524	868,279	976,700	246,277	192,609	-21.8%	N/A	1.18	6.68
10		11 Brady Corporation	BRC	22.53	14.39-40.00	1,168	1,018,436	1,362,631	1,523,016	381,909	276,733	-27.5%	11.88	1.02	5.89
11		14 United Technologies Corp.	UTX	52.30	37.40-74.25	49,278	47,829,000	54,759,000	58,681,000	13,958,000	12,249,000	-12.2%	11.19	1.01	6.60
12		12 The Stanley Works	SWK	35.63	22.61-50.79	2,828	4,018,600	4,360,500	4,426,200	1,071,000	913,000	-14.8%	9.97	1.00	6.88
13		15 First Advantage Corp.	FADV	12.93	6.99-20.90	772,68M	797,801	824,271	779,963	202,279	203,018	0.4%	23.94	0.92	5.70
14		17 Honeywell	HON	33.09	23.06-62.99	24,618	31,367,000	34,589,000	36,556,000	8,895,000	7,570,000	-14.9%	9.62	0.88	7.47
15		28 Siemens AG	SI	73.68	43.89-123.81	63,84B	84,651,000	92,241,000	98,453,000	24,908,000	26,093,000	4.8%	N/A	0.86	28.65
16		22 LaserCard Corp.	LCRD	3.98	2.05-8.64	48,17M	39,857	32,270	37,008	7,285	14,676	102.3%	N/A	0.84	18.40
17		13 L-3 Communications Holdings	LLL	74.10	57.12-111.40	8,648	12,477,000	13,961,000	14,901,000	3,506,200	3,636,000	3.7%	9.40	0.83	6.97
18		18 Ingersoll Rand	IR	22.07	11.46-46.66	7,048	8,033,700	8,763,100	13,227,400	2,163,300	2,932,900	35.6%	N/A	0.83	7.64
19		23 Tyco International	TYC	27.17	15.17-47.22	12,868	17,336,000	18,477,000	20,199,000	4,863,000	4,150,000	-14.7%	N/A	0.81	5.15
20		19 Napco Security Systems, Inc	NSSC	1.29	0.1-5.18	24,63M	69,548	66,202	68,367	16,222	14,024	-13.5%	N/A	0.77	N/A
21		20 Lockheed Martin Corp.	LMT	80.54	57.41-120.30	31,328	39,620,000	41,862,000	42,731,000	9,983,000	10,373,000	3.9%	10.33	0.76	5.97
22		8 ManTech International	MANT	37.56	32.86-62.06	1,348	1,137,000	1,448,000	1,870,000	425,072	449,570	5.8%	14.13	0.75	8.00
23		21 Henry Bros Electronics	HBE	6.75	4.30-7.52	40,39M	42,132	57,852	62,358	15,906	15,308	-3.8%	25.96	0.73	11.54
24		16 Icx Technologies, Inc.	ICXT	4.46	3.60-9.24	154,99M	90,160	171,739	36,253	47,784	47,784	31.8%	N/A	0.66	N/A
25		34 RAE Systems, Inc.	RAE	1.18	28-2.18	70,14M	67,721	90,836	95,383	17,869	19,113	7.0%	N/A	0.62	30.22
26		24 Diebold	DBD	24.95	19.02-40.29	1,658	2,940,000	2,947,481	3,170,080	691,908	663,150	-4.2%	21.73	0.61	6.24
27		30 Checkpoint Systems, Inc	CKP	13.76	6.06-26.49	534,86M	687,775	834,156	917,082	209,620	158,950	-24.2%	N/A	0.60	6.39
28		26 OSI Systems	OSIS	18.01	10.15-26.16	313,23M	452,686	532,284	623,088	156,708	144,095	-8.0%	25.73	0.55	7.31
29		27 Northrop Grumman Holdings	NOC	48.29	33.81-76.80	15,628	30,148,000	31,828,000	33,887,000	7,724,000	8,320,000	7.7%	N/A	0.54	4.76
30		25 Magal Security Systems Ltd.	MAGS	4.40	3.79-9.30	45,99M	63,600	72,375	No report	26,290	No report	N/A	36.07	0.49	8.73
31		31 Johnson Controls	JCI	19.95	8.35-36.00	11,868	32,236,000	34,624,000	38,062,000	9,406,000	6,315,000	-32.9%	N/A	0.49	9.58
32		33 ActivIdentity Corp.	ACTI	2.36	1.07-3.04	108,12M	53,375	59,553	59,009	16,631	16,130	18.3%	N/A	0.47	N/A
33		29 JRS Corporation	JRS	47.40	19.94-49.10	3,948	4,222,869	5,383,007	10,086,289	2,259,027	2,520,638	11.6%	15.82	0.45	7.99
34		32 Brinks Company	BGO	28.28	18.19-73.00	1,298	2,837,600	2,735,000	3,164,000	792,800	732,500	-7.6%	8.44	0.41	4.12
35		35 Richardson Electronics, Ltd.	RELL	3.80	2.47-7.00	68,06M	529,097	557,291	568,409	138,866	110,316	-20.6%	N/A	0.16	5.83
36		36 AuthenTec	AUTH	1.85	1.26-14.23	52,95M	33,174	52,344	63,948	15,514	7,038	-54.6%	N/A	0.00	1.59
				817.42			489,562,117	529,366,122	571,772,419	135,290,927	128,310,271	Quarterly			
				<i>Growth over previous period</i>			4.9%			8.1%			8.0%		
										-10.2%			12.92%		
										Average			18.73		
										Median			14.23		
													0.4%		
													0.82		
													10.69		



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