

Security Finance Newsletter

June 2015

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Volume XI, Issue 2

1st/2nd QUARTER MERGERS & ACQUISITIONS

Buyer: IVERIFY is a security solutions provider with real-time remote monitoring services.

Seller: CHECKVIEW is a provider of loss prevention and security services. The company is headquartered in Chanhassen, MN.

Buyer: CACI (NYSE: CACI)

Seller: LTC ENGINEERING ASSOCIATES, INC. is a provider of technical engineering solutions and services. Headquartered in Florida with approx. 50 employees their 2014 revenue was \$16 million.

Buyer: MOTOROLA SOLUTIONS (NYSE: MSI)

Seller: PUBLICENGINES is a provider of cloud-based solutions that deliver crime analysis, predictive policing and citizen engagement capabilities. The company is headquartered in Salt Lake City.

Buyer: IMPERIAL CAPITAL GROUP is a PE Firm.

Seller: ACKERMAN SECURITY is a provider of security system installation, servicing and monitoring solutions which has revenues of \$60 million and is based in Atlanta.

Buyer: SECURITY PARTNERS is a wholesale monitoring company.

Seller: 1 TIME ASSETS is a central station headquartered in Henderson, Nevada.

Buyer: CONVERGINT TECHNOLOGIES is a systems integrator.

Seller: GS SECURITY is a systems integrator headquartered in Tewksbury, MA.

Buyer: RAYTHEON (NYSE: RTN)

Seller: VISTA EQUITY sold their cyber security portfolio business **WEBSense**.

Buyer: MARLIN EQUITY PARTNERS (CSG) is an alarm monitoring company.

Seller: FIDELIS CYBERSECURITY SOLUTIONS a division of **GENERAL DYNAMICS (NYSE: GD)**.

Buyer: ATLAS HOLDINGS, LLC.

Seller: MERCHANT METALS, INC. from **OLD CASTLE, INC.** the North American arm of **CRH plc**. Merchant Metals is a fencing manufacturer/distributor.

Buyer: ALLEGION PLC (NYSE: ALLE) is a provider of security products and solutions.

Seller: BRIO INDUSTRIES, a division of **RMD INDUSTRIES PTY LTD**, is a designer and manufacturer of sliding and folding door hardware.

Buyer: MANTECH (Nasdaq: MANT)

Seller: WELKIN ASSOCIATES, LTD. a subsidiary of **COMPUTER SCIENCES (NYSE: CSC)**. Welkin is headquartered in Chantilly, VA and delivers mission-centric services in high-end systems engineering and advanced national security technology and business services.

Buyer: B-SAFE SECURITY is an alarm company and systems integrator.

Seller: SMARTIS SECURITY SYSTEMS and AMERICAN PROTECTION. Both are alarm companies based in Dover and Southern New Jersey respectively.

Merger: KABA HOLDING AG (SIX: KABN), headquartered in Rümlang, Switzerland and **DORMA HOLDING GMBH + CO.** headquartered in Ennepetal, Germany merged to become the **DORMA+KABA**

GROUP. Both companies specialize in access control.

Buyer: TASER INTERNATIONAL (Nasdaq: TASR)

Seller: MEDIASOLV SOLUTIONS CORP., is a subsidiary of **MANTECH INTERNATIONAL CORPORATION ((Nasdaq: MANT)**. MediaSolv designs, develops and delivers integrated digital evidence management systems. They have eleven employees and is based in Herndon, VA.

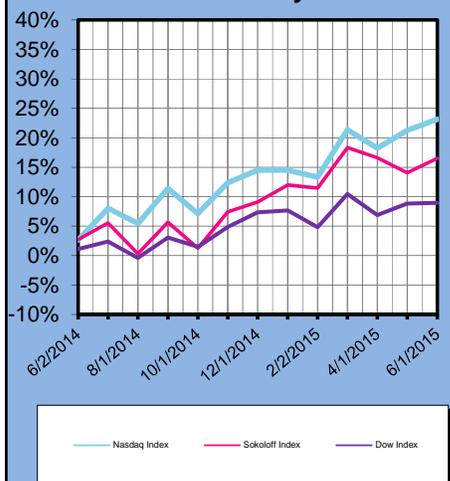
Buyer: FIRST RESPONSE is an installation, monitoring and alarm response company.

Seller: ESDS CORPORATION is based in Beaverton, Oregon provides security systems for the commercial, industrial and governmental markets.

Buyer: ELBIT SYSTEMS LTD (Nasdaq: ESLT) develops and supplies a range of airborne, land, and naval systems and products.

Seller: NICE SYSTEMS' (Nasdaq: NICE) INTELLIGENCE DIVISION offers solutions for generating intelligence from communications.

Sokoloff Security Index



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AN INTERVIEW WITH MARK JARMAN, PRESIDENT INOVONICS

This quarter, Sokoloff & Company interviews **Mark Jarman, President of Inovonics**. Inovonics is a provider of wireless sensor networks for the security, utility and senior care markets. They further supply wireless and IP network design and systems engineering support. Inovonics was founded in 1986 and pioneered the use of 900 MHz wireless technology for critical wireless applications.

How did you get started in the wireless area, what is your background?

I had some exposure to wireless products in the early '80s for **Colorado Electro Optics** (CEO). I did assembly, test and ultimately some tuning of wireless-sensor products as a job to pay for my education in molecular and cellular biology. CEO was eventually collapsed into **Linear Corporation** (now **Nortek**). From there, I went on to do some cell biology research at the University of Colorado. Rather than starve as a scientist, I added a marketing MBA from DePaul University and progressed through sales, business development, investor relations and some M&A work before landing at Inovonics in 2000. When I talk to young people about career paths, I always counsel that they focus on something technical as an undergrad because I believe it can open more doors for one's future than anything else.

What is unique about Inovonics compared to other companies in the same space?

A key difference is that we chose decades ago to be most expert at commercial wireless. There are competitors in the commercial wireless security space but I do not believe any of them have our depth of experience.

Inovonics doesn't just protect schools with their intrusion detection products, they also educate. Talk about some of the programs Inovonics has implemented for security directors in order to prevent hostile situations.

Thanks you for that recognition! We do have passion for mitigating the recurring terrible events that have played out in our country's schools. We encourage the sale of fixed and mobile panic alarm systems to affect an early alert when something goes wrong in an educational setting and we're the only company I know of that can reliably cover any size campus with wireless coverage.

One of our employees with school-aged children asked themselves, as most of us have, "Why are these events happening to begin with?" He spent a lot of time doing research on his own and then shared his thinking with his manager and ultimately the executive team. We saw an opportunity to popularize a new concept that would give us a role in violence prevention. Upstream of the violence, there are usually a series of hazing or bullying events that occur in the institution. If they were stopped on the spot, it could head off the development of an angry student acting out violently.

Many times there are faculty members who see these events, but they aren't confident that they can intervene because they are alone and the bullying can happen with a threatening group. A lower-level, but ur-

gent alarm to bring supporting faculty or on-site authorities to the scene can play a significant positive role in reducing the incidents or at least the impact.

Inovonics sponsored a panel including **Barbara Colorado**, an internationally recognized speaker and author in the areas of parenting, teaching, school discipline and non-violent conflict resolution. Also included were a security director from Littleton Public Schools and a school administrator from Douglas County here in Colorado. The group spoke about this subject at ISC West in 2014. It was a real success and we continue to work with these folks today.

Inovonics also deals in the utility sub metering space. Tell us about the challenges faced by owners of multi-tenant commercial and residential properties and how

ability for your area of responsibility is critical, so if the job isn't getting done and all measures have been taken to enable success, we make a change. I look at the business like a ship at sea – everyone is relying on everyone else to make the mission succeed. There's no room for being a stowaway or not pulling your weight. We encourage transparency about project status, successes and failures and business performance.

We use a lot of lean principles - visual management, customer determines value, learn by doing, get the waste out and problems are opportunities - in our product development process and across the company to enable anyone to see where we are performance-wise. That all sounds pretty serious, and we are, but we also bring a yoga instructor in twice each week for two classes each day to give people an opportunity to recharge in a convenient way. I participate whenever I can, but it's been tough to get to class lately!

We also have several annual company events for the summer and holiday season in which most people participate and we always celebrate new product releases in a big way. My staff and I host a cook-out, dress up in aprons and hats and handle the prep and distribution for all who helped realize the vision; and that's everyone.

How do you find, train and retain talent?

It's the hardest and most important thing we do; as I'm sure every business leader would agree. Our success rests squarely on the performance and talent of our people. I use my network extensively and often feed candidates to hiring managers.

My team does the same thing so we're all looking for the best talent across departments. I love to see people move up from within the business and we have some examples that are inspiring. We are just under 70 people, so upward mobility requires a real commitment from an individual to pursue outside resources for education to reach a "next level," but Inovonics has a generous tuition reimbursement program.

If you want it badly enough and put in the work, there's a successful career here for you. We also have a robust on-boarding process that provides new employees a tool to navigate the organizational structure through direct interaction that they manage themselves. We believe this provides a comfortable new-job engagement.

Finally, we celebrate long-term employees every year and it's my favorite Inovonics event. Service awards are given to 5-year, 10-year, 15 and 20-year employees. At 10 years we give you a net-bonus of \$2,000 to do whatever you want and a kind of roasting about your work life and personal interests in front of the whole company and your immediate family. It's a tradition that goes back to the founders of Inovonics.

Tell us about R&D for your company, how do you decide on new products and what is the process?

Anyone can bring an idea to the table, and the sales and product management teams bring ideas in from customer interactions. We have an "Opportunity

"... we're the only company I know of that can reliably cover any size campus with wireless coverage."

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Inovonics helps them save money.

It's a great space because the property owner improves portfolio value and performance, the service provider (our dealer,) gets an RMR out of each sale, and the implementation of sub metering results in water and other utility conservation. Everyone wins. Inovonics sells utility meter sensors and the commercial-grade wireless network to capture the consumption data. Again, our range and reliability are keys to our success. We continually advance the software and connectivity options our customers need to manage thousands of remote locations daily. The demand for apartment housing is strong and the need to conserve utility use is in the news every day, so we see a bright future for ourselves and our customers and dealers.

What is the corporate culture at Inovonics?

It is one of the most apolitical cultures I think you could ever find. We achieve this by empowering people to be candid and feel safe. With that said, account-

Mark Jarman, President, Inovonics



Funnel” process with the leaders of sales, marketing, engineering and finance all coming together to evaluate ideas that have been proposed. We approve or eliminate the opportunity from being explored further. Then a quarterly cycle of strategy refresh and looking at the funnel results where the current product roadmap gets considered and we make course corrections if appropriate.

The pointy end of the spear for us is our product management team, who are charged with gaining a deep understanding of the market and their customers’ pain points. We utilize Voice-Of-The-Customer techniques extensively to vet whether we have a solution or not, and we know if a product will be successful before it launches.

Product managers ultimately bring requirements into the business and then engineering takes a crack at satisfying the requirements. There are usually a number of cycles between the product managers and the engineering team, and then we always go back out into the field to confirm that our hypothesis is correct – the customer will buy what we know we can make, and at a price we can both live with.

During design we have regular stand up meetings – at least every other week – where anyone can attend. It’s an open forum where questions are asked and solutions are generated between designers, executives, and product management.

How do you market your products?

The security industry buys our product primarily from major distributors, or from manufacturer partners that buy our products and sell them to their dealers paired with the manufacturer’s control panel (e.g. Bosch). Some of the national dealers like Tyco, Siemens, and Johnson Controls buy from us directly, and some through distribution. We have 7 different territories with professionals supporting the national dealer branches and the distribution branches, and many times we will make dealer calls to train or support them as it enhances the “pull through” from distribution.

In senior care, we sell through VARs, or Value Added Resellers. The VARs may sell direct or through their own dealers, depending upon their model. In sub metering we partner closely with our reseller network of around 100 customers, and they do the sale and support to the multifamily property owners, usually, REITs, or Real Estate Investment Trusts.

What do you see as the future for wireless networks?

Now that’s a big question! I think it’s important to view wireless networks in the broadest context to answer you properly. What I mean by that is that cellular networks, Wi-Fi networks, industrial wireless networks that use Inovonics’ or any of a number of other proprietary protocols, all have independent operations. They all have interdependent operations as well, and I believe there will be more of exactly that, so that wireless communications of different types and capabilities will be essentially transparent to most of us. Even now most people aren’t aware

In 2006, Mark was appointed President of Inovonics. Jarman has more than 16 years of business development, M&A, investor relations, and business management experience in a variety of industries including wireless, aerospace, pharmaceuticals, and biotechnology. He earned his undergraduate degree in Molecular Biology from the University of Colorado and an M.B.A. from DePaul University in Chicago.

whether they are surfing the Internet on the cellular or Wi-Fi wireless infrastructure. The result is extraordinary mobility, and that’s becoming less extraordinary and more expected by users.

There’s already a very significant Internet of Things (IoT) and we increasingly expect that of our watches, exercise equipment, audio/visual systems and even

(NEMA), Underwriter’s Laboratories (UL), the National Fire Protection Association (NFPA), and International Building Codes (IBC) to ensure that technology is properly utilized, so that people aren’t put in unsafe conditions because of the misapplication of technology. There’s also some issues around cyber security to worry about with battery powered endpoints that may not have robust enough firewall technology to avert a cyber-attack through a seemingly harmless IoT sensor.

Where do you expect Inovonics to be five years from now, what are your goals?

I expect to be able to achieve double-digit CAGR over the next 5 years, at a minimum. We have strengthened our product management and engineering teams, and the product development cycles are going to come much faster – because they have to for survival – in this consumer-product-driven world.

We will have enterprise-level solutions for protection of mobile employees in dangerous or violent workplaces that enable immediate calls to action and location information time stamped for easy understanding by responders of what is going on in a facility, and where exactly it is going down. I expect all this information to be integrated seamlessly with video, audio and access information such that a complete picture is readily available for analysis and response.

Users will know how and when to protect themselves and their coworkers by locking down, or exiting safely in a secure direction or path. Our seniors housed on campuses for their care will have health monitoring, wander and fall detection and even protection, and helpful reminders about mealtime, medication compliance and likely stimulating activities all enhanced by wireless technologies. I also expect to participate very deeply in energy management applications that enable all of us to more thoughtfully use the resources we have.

Sokoloff & Company

Please contact Bernie Walko,
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“Always do right. This will gratify some people and astonish the rest.”

- Mark Twain (1901)

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money transfers for paying bills. Underneath all that, there are appropriate and inappropriate applications of specific wireless technologies. To be more specific, a shared network of Wi-Fi routers in a hospital, even a non-public one, has a lot of users with different needs. Electronic Health Records data gathering and deployment using a tablet in the hands of a caregiver is a real productivity-enhancing technology application. But multiply that times the number of patients being served and include the type of files being accessed, from the pharmacy or radiology (an MRI, an X-ray,) and you can see a pretty massive burden of data transfer that goes up and down during a shift.

Organizations need to think twice before utilizing that same network for life-safety applications like fire sensors, nurse call alarms, code blue alarms or even mobile duress calls for guards or police. Regulations and codes haven’t caught up to the technology. We’re working to move that ball forward with the National Electronic Manufacturing Association

