

Security Finance Newsletter

September 2014

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Volume X, Issue 3

2nd/3rd QUARTER MERGERS & ACQUISITIONS

Merger: TYCO INTERNATIONAL LTD. (NYSE: TYC) merged with **TYCO INTERNATIONAL PLC**, a newly-formed Irish public limited company (**TYCO IRELAND**). TYCO IRELAND becomes TYCO's publicly-traded parent company.

Buyer: CHECKALT is a provider of payment and item processing solutions.

Seller: ERAS is a subsidiary of **DIEBOLD** (NYSE: DBD) and is based in Miami. ERAS delivers item and payment processing solutions.

Buyer: CANON

Seller: MILESTONE SYSTEMS is a provider of IP video management software with 2013 revenue of \$72.5 million and 350 employees globally. They are based in Copenhagen, Denmark.

Buyer: LOCKHEED MARTIN (NYSE: LMT)

Seller: DEPOSITION SCIENCES, INC. is a subsidiary of **ADVANCED LIGHTING TECHNOLOGIES, INC.** DS is a provider of thin film coatings for use in aerospace and defense products. The company is located in Santa Rosa, CA with approximately 85 employees.

Buyer: 3XLOGIC is an intelligent video surveillance provider.

Seller: SONITROL PRODUCT AND DEVELOPMENT RESEARCH GROUP, owned by **STANLEY SECURITY**, is based in Colorado and is a provider of audio intrusion alarms, monitored video, access control and fire detection.

Buyer: DIEBOLD (NYSE: DBD)

Seller: CRYPTERA A/S researches and develops secure payment technologies. The company is headquartered in Copenhagen, Denmark and employs around 80 people.

Buyer: LOCKHEED MARTIN (NYSE: LMT)

Seller: ZETA ASSOCIATES, INC. specializes in technology that powers critical national security missions. The company has about 350 employees

and is based in Fairfax, VA.

Buyer: AECOM TECHNOLOGY CORPORATION (NYSE: ACM) is an engineering design firm.

Seller: URS CORPORATION (NYSE: URS) is a provider of engineering, construction, and technical services. They are headquartered in San Francisco, CA with more than 50,000 employees and TTM Revenue of \$10.72B.

See Sokoloff Case Study at www.sokoloffco.com/transactioncasestudy/07-13-14.php

Buyer: ASG is an alarm company.

Seller: LAREDO ALARMS has 30 employees and is headquartered in Laredo, Texas.

Buyer: SECTOR ALARM

Seller: G4S PLC to sell **G4S SWEDEN**. G4S Sweden provides manned security and security systems to customers across Sweden.

Buyer: B SAFE is an alarm company and system integrator.

Seller: ALARM SURVEILLANCE TECHNOLOGIES is an alarm company based in Ambler PA.

Buyer: ALCYON FINANCIAL LIMITED is a financial investment firm.

Seller: ALLEGION PLC (NYSE: ALLE) divested its **UK DOORS & SERVICE BUSINESS**.

Buyer: FIMI OPPORTUNITY FUND is a private equity fund in Israel.

Seller: KI CORPORATION LIMITED sold 40% of their shares of **MAGAL SECURITY SYSTEMS, LTD** (Nasdaq: MAGS). This makes the PE firm MAGS' largest shareholder.

Buyer: KABA GROUP (Berlin: KABN)

Seller: DORSET KABA which includes the acquisition of the businesses **MARS INDUSTRIES PVT LTD., DORSET INDIA PVT LTD.** and **MODTECH INDUSTRIES**. Dorset Kaba operates in two product areas within the Indian market – builders' hardware and security systems.

Buyer: ANIXTER INTERNATIONAL, INC. (NYSE: AXE) is a security distributor.

Seller: TRI-ED is a security distributor headquartered in Woodbury, NY with over 600 employees.

See Sokoloff Case Study at www.sokoloffco.com/transactioncasestudy/08-11-14.php

Buyer: SAFE SECURITY is an alarm company.

Seller: SAFEGUARD SECURITY's ALARM BUSINESS. The deal brings 300 employees and 1.5 million in RMR.

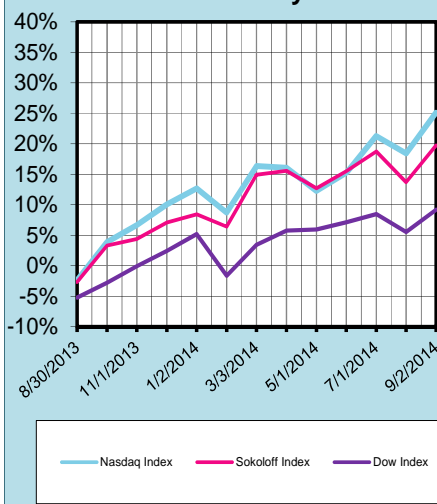
Buyer: ADVANCED CABLING is a systems integrator.

Seller: 1ST RESPONSE is a systems integrator and a Honeywell CSS dealer. The company is headquartered in Little Rock, Arkansas.

Buyer: KOFAX (Nasdaq: KFX) is a provider of smart process applications for the business critical First Mile of customer interactions.

Seller: SOFTPRO GMBH provides signature verification, fraud prevention and electronic signature software and services. They are headquartered in Boeblingen, Germany with approx. 80 employees and 2013 revenues of \$13.3 million.

Sokoloff Security Index



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**AN INTERVIEW WITH
RICH ERICKSON
MANAGING DIRECTOR
RED OAK GROWTH PARTNERS**

This quarter, Sokoloff & Company interviews **Rich Erickson, Managing Director of Red Oak Growth Partners** to discuss how their June 2013 investment in **Card Scanning Solutions (CSSN)** is going. CSSN provides Identity Solutions for reading data from driver licenses, medical cards, passports and other official documents. Rich serves as Chairman of CSSN.

Red Oak Growth Partners is a Private Equity firm which invests in technology and business services companies in North America.

Tell us about what drew you to CSSN, what was special about the company?

CSSN was a profitable and growing bootstrapped business with over a decade long history of serving vertical Integrated Software Vendors and Applications software providers who were repeatedly using their products. There was a solid core operating team who had gotten the business to scale and wanted to further accelerate the opportunity for growth.

We found the solutions/technology the company had developed to extract data in real time from difficult to read identity documents was differentiated with a fantastic list of name brand customers who'd integrated their products into their own solutions. And finally we saw significant growth opportunities in their installed base as well as an emerging Mobile/Cloud opportunity we could take advantage of.

Tell us about how you have been growing CSSN and what new verticals

the company is expanding into.

There are two vectors we've been concentrating on – vertical solutions and new product initiatives.

On the new product side we've been focusing on the whole mobile and cloud area – the ability to capture identity from what the industry calls “Bring Your Own Device” products. These are items such as personal iPads, PC's and phones that an employee brings to

“We see the biggest opportunity in these businesses at the convergence of online transactions and physical ID requirements.”

vergence of online transactions and physical ID requirements.

A good example is when opening a new bank account on line. The Bank needs to know who you are and verify ID for compliance, a process in the industry called “Know Your Customer” or KYC. We have the ability to help facilitate that through our mobile and cloud solutions in an expeditious way for our Banking Software providers. This can also be applied to E-Commerce and Subscription based Web Payment applications. It's an enormous market due to the compliance requirements put into place by the Patriot Act.

What changes have you made in the running of daily operations of CSSN?

This was a well-functioning successful business before we invested; our opportunity is to enhance it. In an effort to expand sales and marketing, we brought in a VP of Sales, and additional sales and marketing employees. We are also in the process of rebranding the company and will be releasing a new brand to the market soon. From a product perspective we've worked with the company to focus around the new mobile and cloud offerings as well as ID verification ser-

vices.

What has your primary focus been in the last year for CSSN?

Enhancing the sales and marketing and rebranding the business.

What goals do you have for CSSN in the next five years?

The company has the opportunity to carve its own unique niche in what we

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Red Oak Growth Partners

INSIGHT VENTURE PARTNERS



Have invested in



The undersigned advised Card Scanning Solutions, Inc.



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work. This is an emerging and exciting opportunity which provides the ability to capture and provide results from the cloud in a business model that includes subscription and transaction revenue. That's a huge new opportunity for the business.

On the vertical side, CSSN has had significant strength in the core markets of banking, auto, healthcare and building management. We see the biggest opportunity in these businesses at the con-

would describe as the leading supplier of identity management solutions for both online and offline customer interaction. Our solutions are oftentimes the first thing that a consumer touches when interacting with our ISV customer's applications. Our ability to identify, verify and authenticate that consumer gives us an opportunity to be a leader in that segment of the market.

What do you primarily look for when investing in companies?

CSSN was right in our sweet spot. Like CSSN, we're looking for companies with high repeat recurring revenue, that are profitable, growing, bootstrapped (no institutional investment), and a management team looking to stay with the company. We like technology-enabled, information services, or services businesses with low capital intensity that are enabled by workflow or software that allows them to scale.

What sets Red Oak apart from the thousands of other PE companies in the US - how do you differentiate yourselves?

I think at the end of the day what makes us unique is that we have a hands-on approach. Our strategy is to have a small portfolio of companies (less than five) that we invest in, but to be highly active in them. We like to work collaboratively with management on business strategy, sales and marketing execution, operation excellence and corporate development.

Rich Erickson, Founder/Managing Director, Red Oak Growth Partners and Chairman, Card Scanning Solutions.



Rich is a proven technology executive and investor with almost 30 years of experience. He previously served as a General Partner with Investment Fund, Update Partners where he was involved in a host of investments including serving on the Board of Directors for Acclaris, Jobs2Web (sold to SAP/Successfactors), Redvision, Interactions and RES Software.

Further, we've been operators in software technology businesses ourselves, so we have experience in running the types of companies we acquire. We

more operational expertise in the Partnership. Over the last 10 years I've fully transitioned to the Investment side and haven't looked back. I've really enjoyed dealing with very smart entrepreneurs and founders, getting to see diverse business models and constantly seeing new innovations.

What is the most exciting thing about acquiring a new company?

We're investing in growing successful businesses so it's exciting to build on what they've established. We get the opportunity to share our business skills and experiences to enhance them and hopefully show them some new opportunities and perspectives that they may have not been aware of that can accelerate their business-that's a lot of fun! Last year, Sokoloff & Co. represented CSSN and arranged for a major investment by a syndicate led by Red Oak Growth Partners.

**Contact
Sokoloff & Company**

**Please contact Bernie Walko,
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for a confidential consultation about
your company's merger and
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Has acquired



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wear both hats as ex-operators and investors.

Tell us about your background.

I spent 25 years as an entrepreneur in both private and public companies and in various differing positions including CEO of a Public Company. The last portfolio company I ran was invested in by my previous firm. After selling it to another Public Company I was asked to join that PE firm to provide

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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)

