

# Security Finance Newsletter

September 2010

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Volume VI, Issue 3

## 2nd QUARTER ANNOUNCED MERGERS & ACQUISITIONS

**Buyer: FLIR SYSTEMS** (NASDAQ: FLIR) designs, manufactures, and markets thermal imaging and stabilized camera systems.

**Seller: ICXT** (NASDAQ: ICXT) is a developer of advanced sensor technologies for homeland security, force protection and commercial applications.

\* \* \*

**Buyer: IDENTIVE GROUP** (NASDAQ: INVE) is a provider of products, services and solutions for the security, identification and RFID industries.

**Seller: ROCKWEST TECHNOLOGY GROUP** is a privately held identification and security solutions provider. The company was founded in 1999 and is based in Denver, Colorado with branch offices in California, Arizona and New Mexico, employing 43 people.

\* \* \*

**Buyer: L-1 IDENTITY SOLUTIONS** (NYSE: ID) is a provider of identity solutions and services including Biometrics/Enterprise Access and Secure Credentialing solutions, as well as Enrollment and Government Consulting services.

**Seller: RETICA SYSTEMS, INC.** is based in Waltham, Massachusetts. The company develops iris-based identity management and face capture systems that enables customers to identify multiple people simultaneously in the United States and internationally.

\* \* \*

**Buyer: COOPER INDUSTRIES PLC** (NYSE: CBE) is a global manufacturer and seller of electrical products and tools in the United States and internationally.

**Seller: EKA SYSTEMS, INC.** is a provider of secure, reliable and adaptive RF wireless networking technologies for smart grid communication applications. The company has approximately \$200 million in annual revenues.

\* \* \*

**Buyer: GEO GROUP, INC.** (NYSE: GEO) specializes in the management of correctional, detention, and mental health and residential treatment facilities in the United States, Canada, Australia, South Africa, and the United Kingdom.

**Seller: CORNELL COMPANIES** (NYSE: CRN) is a provider of corrections and treatment programs. The company employs over 4000 people, is headquartered in Houston, Texas, and had revenues of \$412 million in 2009.

\* \* \*

**Buyer: GTCR** is a private equity firm that manages more than \$8 billion in equity capital.

**Seller: PROTECTION ONE, INC.** (NASDAQ: PONE) is a provider of electronic security services to the residential, commercial and wholesale markets. Based in Lawrence, Kansas they have 2600 employees and had \$368 million in revenues for 2009.

\* \* \*

**Buyer: HONEYWELL** (NYSE: HON) is a Fortune 100 and diversified technology and manufacturing company which serves customers worldwide with aerospace products and services; control technologies for buildings, homes and industry; automotive products; turbochargers; and specialty materials.

**Sellers: MATRIKON, INC.** (TSX: MTK.TO), **SPERIAN PROTECTION**, and **AKUACOM**. **MATRIKON** specializes in software that helps industrial manufacturers operate their plants safely, reliably and efficiently. Matrikon's sales were approximately \$80 million for the 12 month period ending in February 2010. **AKUACOM** is a smart grid services provider based in San Rafael, California. **SPERIAN PROTECTION** supplies personal protection equipment.

\* \* \*

**Buyer: THE GEO GROUP**

(NYSE: GEO) provides government outsourced services that specialize in correctional, detention, and mental health residential treatment facilities.

**Seller: ADELANTO, CALIFORNIA.** GEO acquired a 650-bed Correctional Facility from the city of Adelanto for \$28 million.

\* \* \*

**Buyer: FJC TECHNOLOGY SOLUTIONS** is a security integrator and guard company out of Floral Park, NY. They are a division of **FJC SECURITY SERVICES** and had 2009 revenues of around \$165 million.

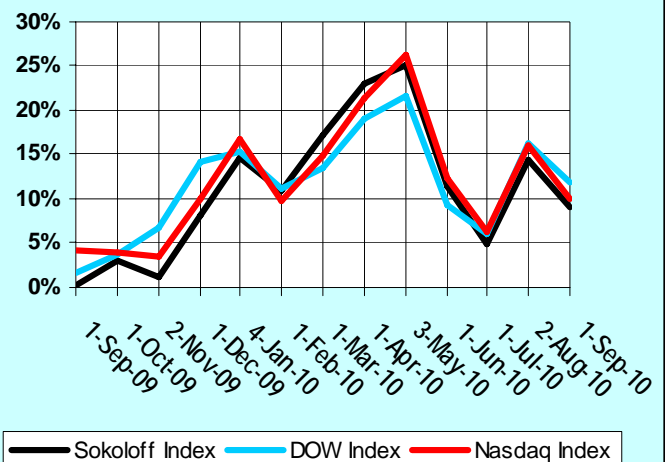
**Seller: CHAMPION FIRE DETECTION** is a fire installation business and an **EDWARDS** dealer. The company will be rebranded as **SAFEWAY FIRE & PROTECTION COMPANY**.

\* \* \*

**Buyer: AFA PROTECTIVE SYSTEMS** is a central station fire alarm company and has 13 offices across the East Coast and South East. Yearly revenues are approximately \$25 million.

**Seller: KRATOS SOUTHEAST.** AFA acquired the alarm assets of the company when Kratos decided to divest its alarm operations in that area.

## Sokoloff Security Index



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## *From Jerusalem to the Olympics* **Josef Brikman, Mer Security**

**MER Security** is a provider of surveillance and perimeter security solutions to a wide variety of industries including transportation, college and university campuses, and hospitals and correctional facilities. They also specialize in protecting high risk events such as international sporting and cultural events. Recently they won *Mass Transit* magazine's **Top Tech Innovations for 2010** for their **Secure-M PSIM** (Physical Security Information Management) product. This quarter, Sokoloff & Company speaks with **President, Josef Brikman** about the company.

### *Tell us the background of MER.*

Mer is part of a multinational organization that has been involved in the security and surveillance industry for the last 20 years. Based in New Jersey since 2000, we have over 1,200 employees worldwide with annual revenue of 170 million dollars.

**The company provided the first PSIM (Physical Security Information Management) solution before it was even called PSIM.** In 1999, when Pope John Paul II announced that he would visit Jerusalem, we were called upon to provide a solution for the highly sensitive areas of the city as well as to upgrade all security measures. We started with a video surveillance system which was highly successful. It became a leading national project and an excellent representative of a truly PSIM solution. Since then, our products have continued to grow through added features and modules.

One example of this is **Mabat 2000**. Mabat 2000 is an intricate network of surveillance cameras which offer a PSIM solution for the Old City of Jerusalem. It's monitored directly from the Israeli Police Force's headquarters through our Secure-M platform and is instrumental in preserving the peace and security of the residents and visitors of this ancient and ethnically diverse city. Other top implementations were the 2004 Olympics in Athens and the 2009 Summit of the Americas where President Obama and many heads of state gathered.

### *What is the corporate culture of the company and how do you find and retain employees?*

Mer corporate culture is based on many years of working closely with surveillance, safety, and IT customers in the security arena and several of the solutions we provide are in response to the market's challenges and requirements.

We have team leaders who communicate across a

matrix of departments and employees company-wide to answer specific customer needs. This improves the way input comes in from different parts of the company, from direct or indirect contact with the customers to our R&D center and marketing. All divisions work closely to achieve the best solutions, capabilities, service and experience for the customer.

**Most employees have been with the company for a long time because we provide a challenging environment and place them at the edge of security technology.** They're always encouraged to excel and are willing to work as hard as needed. This really proved true during the Fifth Summit of the Americas in Trinidad.

*This notice appears as a matter of record only.*



Wellsco INC.

has been acquired by



**Infotech**  
Creating Business Impact

*The undersigned advised Infotech Enterprises Ltd.*



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Unparalleled security challenges abounded and we only had 5 months lead time to get everything ready. The job was a huge success and we did it in a time frame few others could match. That was possible because the employees were willing to go beyond what was expected of them.

They demonstrated commitment to the company and above all – to the customer.

### *What does your PSIM platform do and how is it different from the other products out there?*

**"Most employees have been with the company for a long time because we provide a challenging environment and place them at the edge of security technology."**

**The company provided the first PSIM (Physical Security Information Management) solution before it was even called PSIM.**

Our PSIM solution is called Secure-M. Secure-M is a robust security and surveillance management system which is able to monitor and interface with CCTV, access control systems, security fences, RFID solutions, motion detectors, license plate readers, intrusion detection systems, fire alarms, and much more; all without the need to change existing devices or procure new proprietary systems. Thus it optimizes the client's return on investment of security equipment.

Further, **Secure-M integrates all these diverse technologies to allow for one unified monitoring platform.** An ongoing, real-time snapshot for the entire facility is provided via streaming video feeds, sensor feedback, cameras that move according to sensor activity, biometric recognition, advanced notification and action-oriented application screens, and more. With a unified system like this, customers are able to decrease training and operational costs while improving security event management and operator respond time.

Most systems require the security operator to observe and watch for breaks in security. Secure-M proactively monitors and alerts the security operator once security is breached, displaying the event's details on the screen as well as an obvious alarm that continues until the security operator takes charge of the event. From that moment on, the event is managed and recorded for future debrief and reporting.

### *Walk us through the initial procedure for securing a high risk event.*

It starts from the very beginning – the customers. First we must understand their needs, their challenges and the current physical security systems that are in place. We work closely with the client's consultants and/or system integrators to cover all areas. Then we survey them to determine where to put the actual physical security devices.

After that, we use 3D imaging and sophisticated algorithms to come up with a recommendation for the client. Once they agree to the proposed concept, we move forward to figure out the best security management solution and determine which Secure-M features are necessary. If there are new features needed or interfaces to add using other technologies in the market, Mer will take care of it as part of the implementation of the whole project.

### *Of the many facilities and events that you protect, which did you find the most challenging and why?*

**One of the most challenging events to secure**

was the 2004 Olympic Games in Athens, as it was the first international event since the September 11 terror attacks. A state of the art security solution was absolutely necessary with so many people and nations attending.

Mer worked in cooperation with Siemens and SAIC as the main contractor. We had to build a robust solution with 3 tier security hierarchy under a demanding schedule and a very strict deadline.

The Secure-M part included hundreds of Command & Control Centers in seaports, roads, the Olympic Village, and Olympic venues. In addition to the management software, the following were needed: an interface to CCTV systems, connection with thermal imaging cameras, perimeter fences with dual type sensors, access control, license plate reader systems, fire alarms, and more security devices, including existing legacy systems.

The result, by any measure, was that the games were a great success and security was at its best. It was an enormous confidence builder worldwide that the games occurred without any security incidents. The systems managed from Secure-M are still all in use today, with an upgraded platform and many more interfaces and modern technologies.

**MER has a lot of experience in aviation and mass transit security. What do you feel is the future for transportation security and what are the challenges we face?**

There are so many groups within transportation security -- mass transit, airport, seaport... it serves a lot of people, all day long, in different ways. This is where the challenge lies: unlike most industries that only have one site to secure, the transportation industry has many.

In addition, transportation is viewed as a potential site for groups that want to harm the mass population. **So, overall it will continue to be a leading sector with emphasis on developing technologies to not only secure passengers but to take care of employees, luggage and facilities.**

When we look at the mass transit industry, we need to secure the tracks and rails in addition to the stations, while paying particular attention to tunnels and bridges. When we consider seaports, we need to secure incoming shipments, containers at the dock, as well as people and vehicles coming in and out of the port at all times.

**MER has over 100 interfaces to security technology providers, what qualities must the**

**Josef Brikman**  
President/Mer Security

Mr. Brikman has been in the security industry for over 20 years. Previous to Mer, he held a variety of positions at MTS Ltd. including CFO, COO & GM and was co-founder of STS Software (acquired by NICE Systems). Brikman has a degree in Engineering as well as Economics & Business Administration.



**company have in order for MER to partner with them?**

Our main goal is to provide our customers with the best solution; if that means we need to interface with security devices, either new or legacy systems, Mer will do that, provided we have the relevant Software Development Kit

The advantage of working with the government is the financial side. Payments are secure and timely once milestones are reached. In addition, the scope of work can be wider and more challenging.

In the States, Mer works mainly through system integrators on these kinds of projects.

*This notice appears as a matter of record only.*

**Quanta Systems**



A CompuDyne Corporation  
Portfolio Company of the Gores Group

has been acquired by

**BLACK BOX**  
NETWORK SERVICES

*The undersigned advised CompuDyne.*



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(SDK), and needed documentation.

Once Mer works on a new interface, the vendor needs to pass our qualifications process. The company needs to be stable and reliable, financially secure, and stand behind the quality of its product, while providing ongoing support and maintaining high performance.

**How is working with the government different then working with a public or private company?**

The main difference is the length of time. **When working with the government, the whole procedure takes much longer:** From identifying the need, through to the consulting process, to a public bid, to qualification procedures and finally the long process of evaluation.

**Please tell us what you do to ensure high customer satisfaction and how you monitor your success.**

Mer focuses on providing good service and a high level of support to each and every client. We measure our success on the continuous orders we receive from current customers as well as the expanding deployment of Secure-M.

Mer is also an ISO 9001:2000 certificate company, so we're able to measure our customer satisfaction thru annual reports.

**How are you planning to grow the company?**

Mer's growth is based on having the right recognition in the security market, through our security offering. By being able to work with many systems integrators, we expand our marketing channels and our ability to grow. Additionally, through our technological advancements we can provide more products and solutions.

**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**

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

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

# SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC SECURITY COMPANIES\*

## Q2 2010 Reports and Stock Prices as of September 1, 2010

### 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 EVS. 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: Protection One, Inc. (Nasdaq:PONE) was acquired by GTCR

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 9/1/2010	52 Week Range	Market Cap 9/1/2010	2007 Revenue (000s)	2008 Revenue (000s)	2009 Revenue (000s)	2nd Q 10 Revenue (000s)	Over Q2 2009 Incr/Decr	P/E	EVS	EVM
1	2	Cogent, Inc.	COGT	11.23	7.96-11.33	997.67M	105,794	125,861	129,583	25,394	-20.1%	44.56	6.04	22.36
2	1	Sourcefire, Inc.	FIRE	25.83	16.80-28.00	716.42M	55,859	75,673	103,465	30,608	38.1%	36.59	4.85	34.45
3	4	Flir Systems, Inc.	FLIR	26.16	22.34-33.35	4.14B	779,397	1,076,974	1,147,087	331,133	19.1%	17.78	3.03	9.20
4	3	Gentex Corporation	GNTX	18.12	13.60-22.99	2.54B	653,933	623,800	544,523	201,600	71.8%	20.90	2.89	9.98
5	8	L-1 Identity Solutions Inc.	ID	8.91	5.67-10.42	829.75M	389,507	562,872	650,000	164,135	-2.3%	N/A	2.02	18.46
6	5	The Stanley Works	SWK	56.75	39.49-66.27	9.40B	4,360,500	4,426,200	3,737,100	2,365,600	157.4%	109.98	1.88	12.00
7	7	Taser Corp.	TASR	3.90	3.52-7.88	244.11M	100,727	92,846	104,252	19,121	-12.4%	N/A	1.85	41.33
8	9	Zebra Technologies Corp.	ZBRA	29.17	23.76-31.00	1.65B	868,279	976,700	803,585	235,735	25.6%	22.40	1.63	10.21
9	11	The Geo Group	GEO	22.59	17.77-23.18	1.11B	976,299	1,043,006	1,041,090	280,095	1.3%	16.68	1.44	9.22
10	17	ICX Technologies, Inc.	ICXT	7.67	4.65-10.49	267.92M	136,162	170,194	183,428	35,979	-20.0%	N/A	1.37	121.33
11	12	United Technologies Corp.	UTX	67.37	58.60-77.09	62.99B	54,759,000	59,757,000	52,920,000	13,890,000	5.3%	15.24	1.27	7.27
12	10	Brady Corporation	BRC	26.80	24.22-35.37	1.41B	1,362,631	1,523,016	1,208,702	322,894	12.4%	17.81	1.23	7.86
13	18	Tyco International	TYC	38.35	30.89-40.61	19.09B	18,477,000	20,199,000	17,237,000	4,274,000	2.9%	17.24	1.22	7.65
14	15	Ingersoll Rand	IR	33.69	28.77-40.65	10.88B	8,763,100	13,227,400	13,195,300	3,703,400	7.3%	18.17	1.18	10.40
15	16	Honeywell	HON	40.88	35.42-48.63	31.57B	34,589,000	36,556,000	30,908,000	8,161,000	7.9%	14.58	1.07	7.92
16	13	Identive Group	INVE	1.64	1.29-3.11	70.97M	30,400	28,362	41,315	21,178	93.2%	N/A	1.00	N/A
17	19	Napco Security Systems, Inc	NSSC	1.95	1.26-3.02	37.24M	66,202	68,367	69,565	N/A	N/A	N/A	0.96	N/A
18	23	OSI Systems	OSIS	31.14	16.31-32.58	587.33M	532,284	623,088	590,361	165,328	18.9%	24.31	0.91	9.47
19	21	Siemens AG	SI	94.07	82.57-104.14	81.75B	92,241,000	104,308,000	103,396,000	24,528,220	4.5%	22.78	0.88	7.05
20	20	Checkpoint Systems, Inc	CHKP	19.14	13.32-23.92	756.07M	834,156	917,082	772,718	208,176	14.4%	22.68	0.83	7.34
21	25	Diabold	DBD	27.40	18.26-35.20	1.80B	2,947,481	3,081,838	2,718,292	665,180	-3.7%	38.48	0.72	8.38
22	21	L-3 Communications Holdings	LLL	69.27	66.11-97.81	7.93B	13,961,000	14,901,000	15,615,000	3,966,000	0.9%	8.80	0.71	5.78
23	27	Johnson Controls	JCI	27.81	23.59-35.77	18.72B	34,624,000	38,062,000	28,497,000	8,540,000	22.4%	13.67	0.61	9.44
24	26	Lockheed Martin Corp.	LMT	69.93	67.39-87.18	25.35B	41,862,000	42,731,000	45,189,000	11,442,000	3.3%	8.85	0.58	5.29
25	22	MainTech International	MANT	36.18	34.69-54.00	1.31B	1,448,000	1,870,879	2,020,334	661,611	28.7%	11.07	0.57	6.06
26	28	Northrop Grumman Holdings	NOC	56.57	47.47-69.80	16.64B	31,828,000	32,315,000	33,755,000	8,826,000	3.3%	8.46	0.52	5.20
27	29	Henry Bros Electronics	HBE	4.11	3.01-5.76	24.87M	57,852	62,358	55,106	15,151	8.4%	N/A	0.51	36.29
28	30	Magal Security Systems Ltd.	MAGS	2.90	2.50-4.70	29.22M	72,375	97,105	54,518	11,430	N/A	N/A	0.47	N/A
29	35	RAE Systems, Inc.	RAE	0.90	63-1.48	53.49M	90,836	95,383	83,172	23,300	17.0%	N/A	0.47	457.22
30	32	URS Corporation	URS	36.97	35.09-53.25	3.00B	5,383,007	10,086,289	9,249,088	2,249,387	-2.1%	11.80	0.33	5.66
31	33	Brinks Company	BCO	20.00	18.30-29.59	938.40M	2,735,000	3,135,000	3,135,000	729,400	-3.0%	5.73	0.32	3.45
32	36	Richardson Electronics, Ltd.	RELL	9.24	3.80-12.35	163.77M	557,291	568,409	496,379	145,091	26.6%	10.86	0.30	5.29
33	14	AuthenTec	AUTH	1.71	1.63-3.49	50.75M	52,344	63,948	34,066	10,721	16.8%	N/A	0.24	N/A
34	31	ActivIdentity Corp.	ACTI	1.99	1.77-3.33	94.06M	59,553	59,009	62,321	13,608	-11.5%	N/A	0.24	N/A
35	34	LaserCard Corp.	LCRD	3.64	3.20-9.84	44.64M	32,270	35,095	49,771	11,601	-28.9%	9.97	0.24	1.72
				<b>Sokoloff Index</b>	<b>933.98</b>		355,792,239	393,534,754	369,897,121	96,274,076				
				Growth over previous period			Over Year 2006	Over Year 2007	Over Year 2008	Over Q1 2009	Quarterly Growth			
							<b>9.3%</b>	<b>10.6%</b>	<b>-6.0%</b>	<b>9.3%</b>	<b>15.26%</b>	<b>21.98</b>	<b>1.27</b>	<b>30.11</b>
										<b>Average</b>	<b>7.3%</b>	<b>17.24</b>	<b>0.91</b>	<b>8.79</b>
										<b>Median</b>				



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