

Security Finance Newsletter

December 2016

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Volume XII, Issue 4

3rd/4th QUARTER MERGERS & ACQUISITIONS

Buyer: OWEN SECURITY SOLUTIONS is an alarm company.

Seller: DAVIS SECURITY SERVICES is based in Woodstock, GA and is an alarm company.

Buyer: ALLIED UNIVERSAL is a national facility services company and security force.

Seller: APOLLO INTERNATIONAL & FJC SECURITY. Apollo is based in NYC and is a guard company that also provides investigations, special operations, competitive intelligence, risk management consulting, and vulnerability assessments. They have annual revenues of \$88 million and 3,400 employees. **FJC Security** based in Floral Park, NY.

Buyer: MOTOROLA SOLUTIONS (NYSE:MSI).

Seller: SPILLMAN TECHNOLOGIES is a provider of comprehensive law enforcement and public safety software solutions. They are headquartered in Salt Lake City, UT.

Buyer: ADS SECURITY is a super-regional electronic security and automation company.

Seller: SANDERS SECURITY is an alarm company based in Dothan, Alabama.

Buyer: FLIR (Nasdaq: FLIR).

Seller: POINT GREY RESEARCH, INC. is a developer of machine vision cameras. They are based in Richmond, British Columbia.

Buyer: ACCENTURE (NYSE: CAN).

Seller: DEFENSE POINT SECURITY is a cyber security company.

Buyer: CONVERGINT TECHNOLOGIES is a systems integrator.

Seller: GO SECURITY SOLUTIONS is a systems integrator based in Westborough, Massachusetts.

Buyer: L-3 COMMUNICATIONS (NYSE: LLL).

Seller: IMPLANT SCIENCES CORPORATION's EXPLOSIVES TRACE DETECTION BUSINESS is based in Wilmington, Massachusetts.

Buyer: SELECT SECURITY is a super regional security company.

Seller: Owensboro, KY-based LEVEL 5 SYSTEMS, Myrtle Beach, SC-based SEA DOG SECURITY and Charlotte, NC-based GUARDIAN SYSTEMS.

Buyer: EXTREME NETWORKS, INC. (Nasdaq: EXTR) provides software solutions.

Seller: ZEBRA TECHNOLOGIES' (Nasdaq: ZBRA) wireless LAN (WLAN) business.

Buyer: SECURECHECK LLC is an Asset Protection and Risk Mitigation solution that specializes in Remote Video Monitoring, Video Surveillance and Intrusion Alarms.

Seller: MACE (OTC: MACE)'s Electronic Surveillance Business.

Buyer: ADS SECURITY is an alarm company.

Seller: BRANHAM SECURITY is an alarm company based in Elgin, SC.

Buyer: AMERICAN INTEGRATED SECURITY GROUP (AISG) is a systems integrator.

Seller: RAVING FAN TECHNOLOGIES is based in Tyler, TX and is a cabling and fiber optics installation service company.

Buyer: AFA PROTECTIVE SYSTEMS is a

super regional alarm company.

Seller: PRO-TECH SECURITY LTD. is an alarm company.

Buyer: FLIR SYSTEMS, INC. (Nasdaq: FLIR)

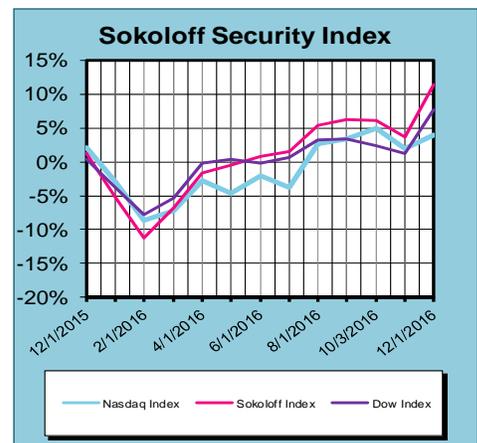
Seller: PROX DYNAMICS AS is based in Oslo Norway and is a developer and manufacturer of nano-class unmanned aerial systems.

Buyer: ROPER TECHNOLOGIES (NYSE: ROP).

Seller: DELTEK is a provider of enterprise software and solutions for project-based businesses. Deltek was owned by PE firm **THOMA BRAVO.**

Buyer: GEMALTO (EURONEXT NL0000400653 GTO) provides digital security.

Seller: 3M IDENTITY MANAGEMENT BUSINESS provides biometric hardware and software that enable identity verification and authentication. The business includes **3M COGENT, INC.**, a wholly owned subsidiary of 3M, which provides biometric solutions. 3M's identity management business has annual global sales of approx. \$215 million.



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AN INTERVIEW WITH SCOTT SERANI, PRES./CO- FOUNDER, INSTAKEY

This quarter, Sokoloff & Company interviews **Scott Serani, President/Co-Founder of INSTAKEY**. InstaKey is a manufacturer of access control products and service. They are based in Lakewood, Colorado and have been in business for over thirty years.

What is your background - and what roadblocks did you face when starting InstaKey?

Having graduated from college in '72 with degrees in Business Administration and Computer Science, I was first employed as a data center manager in the Chicago area which then led to a position of Systems Analyst. In 1976, the opportunity arose to utilize the business side of my education by accepting a position as a Product Manager with full P&L responsibility. One thing led to another and I ended up buying a small retail business in Loveland, Colorado – a move that set the stage for the entrepreneurial bug.

In 1980, I was fortunate enough to be offered a position at a firm in Denver that fully utilized both the business and computer expertise attained thus far as a Customer Service Manager for a firm that offered computer timesharing services to the Oil & Gas industry. That firm was acquired by General Electric which then helped me round out that “big corporate” experience.

1985, however, was the turning point to where I am today. My employer in that timesharing business sought me out and asked if I would come on board and help him develop an infant technology that is the basis for InstaKey.

We had a technology that allowed the end user to rekey their own mechanical locks in an instant (by simply turning a new key in the designed sequence of keys) and thus render previously working keys inoperative. It was technology we simply knew would be a “jaw dropper” when people saw it. However, we also knew that our own lock industry was not going to stand by and applaud our developments. We had to insure that what we would offer would indeed work every time. If it did not perform as advertised, our own industry would have relished in sending this technology to some back shelf gathering dust.

This forced us to spend from '85 to '91 testing every conceivable application of the technology. We had to make sure that anything an end user might do with the product would not prevent the product from performing the way it was designed. It was a tough number of years because everything that could go wrong did (just ask any inventor – they can relate to the fact that things go wrong when it gets outside into the real world). But we battled through it and ultimately brought InstaKey into the market at ASIS in 1991.

door and simply turn a new key in that door to rekey it. Lose a grand master key to a 30 story high-rise and simply walk the building turning a new grand master in each lock and not affect any other operating key involved.

- Patented, Internet Based Software - allows the end user to log in from anywhere to control their program and simultaneously allow for decentralized management of the entire program. A very comprehensive, user proof database allows an end user to have real-time access to data (doors, locks, keys, key holders, etc.) from any internet based device (including smartphones) and disseminate use of that database to vendors providing hardware to LP managers in the field trying to determine who has access to the front door of their store.
- Administrative Program Expertise - allows us to assist the end user in developing the internal practices they will need in their own organizations to insure that the “rules of the road” they want to establish indeed become managed. In other words, it is the experience and ability to take the tool bag full of InstaKey tools and configure those tools specifically for the environment of the end user.

What is the corporate culture at InstaKey - tell us about your staff and their training.

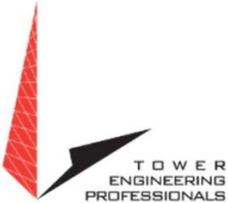
I would love to say it was all my own doing, but it is not. What we offer, what we deliver, and the pride and partnerships we achieve with all our end users is what has formed the foundation of the culture here. Everyone on the InstaKey team (from the folks in the shop building the cylinders and cutting the keys to the Account Managers who interface daily with their end users) loves what they do. They understand the value we offer because they hear it daily from the clients. They take pride in their shared programs and form friendships across multiple industries.

What do you feel are the biggest hurdles that must be overcome when engineering new products and rolling them out to customers? How do you come up with new ideas?

Because our entire offering is fundamentally based on technology we developed decades ago, we really don't have too many hurdles

“I am convinced that despite the tremendous strides and relevance of the electronic solutions, mechanical locks and keys are going to be around for a long time.”

This notice appears as a matter of record only.



Tower Engineering Professionals, Inc.
TEP Design Build, Inc.

Have been Acquired by Management and Investors.





PRAIRIE CAPITAL COGNITIVE CAPITAL PARTNERS ALDINE Capital Partners

The undersigned advised Tower Engineering Professionals.



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Summarize the value InstaKey provides its customers.

InstaKey is fundamentally made of four critical elements, all of which make this offering not a product but a program:

- Restricted / Numerically Serial numbered Keys – insure that the end user can prevent unauthorized key duplication (four keys cannot become 5 keys without proper authorization) while simultaneously being able to track the whereabouts of every key ever produced for their program.
- User Rekey Technology - allows the user to rekey any level of a master keyed system without affecting any other level of the system. Lose a key to an office

involved when bringing forth new additions. It is really an ongoing development of the total program. A client might want to incorporate a wide spread padlock or cabinet lock system into their current InstaKey program or they might want their non-InstaKey hardware systems (those locks and keys from other manufacturers) that they want integrated into their managed key system. In either case, we simply weave the new aspect into their total program.

As far as how we come up with new ideas? It is all about the clients. We interface constantly with our partner clients. Trust me, they'll tell you when they need a feature or a report added to the program and/or software. Our job is to simply listen.

InstaKey is a mechanical solution in a world that is becoming increasingly digital. How do you see your product evolving as more and more locks become electronic vs. key dependent?

30 years ago, I would have told you that our focus on the mechanical lock and key would have a life expectancy of about 10-15 years. 20 years ago I would have told you that same answer. Today? Not so much. I am convinced that despite the tremendous strides and relevance of the electronic solutions, mechanical locks and keys are going to be around for a long time. There is always that mechanical override, that interior set of doors that cannot cost justify electronic conversions, etc.

Our challenge is to always insure that any mechanical that is still part of an end user's total program is effectively managed such that it acts as a cohesive cornerstone to their total solution.

How do you market the company?

Marketing what we do has always been a bit of a challenge. We have found it almost impossible to advertise what we do. We've learned that conveying what we do is best done as a show and tell, a conversation, a consultative discussion. Trade shows get us visibility, but one on one discussion gets us results.

Our most productive sales efforts are our end users – they understand the results they get with the program and are not at all shy about

Scott Serani, President/Co-Founder, InstaKey

Mr. Serani has directed InstaKey's focus on mechanical key programs for the last 30 years. Considered today to be one of the security industry's experts in this cornerstone niche of security programs, Mr. Serani has published numerous articles and is often asked to speak to Loss Prevention forums in a variety of industries and government venues.



promoting us to their industry friends.

What is your customer service like? How do you retain customers?

have lost but one client to an alternative offering.

What do you consider some of the most exciting trends in the lock and lock administration space?

For us, I would have to say the most exciting trend is that end users are actually starting to understand the importance of knowing who has the key to the front door. Prior to 911, there was not much concern in this part of security – the locksmith took care of what key we needed but nobody really paid attention to who held those keys, what contractor did not return those master keys or what fired employee just left with a critical key.

That all changed on 911, Columbine High School, etc. Mechanical keys are now considered a cornerstone element to a security program.

Where do you expect InstaKey to be five years from now?

We will continue to grow by helping our clients manage their mechanical key systems. With the recent advancements in our software, we can now offer that same level of managed control into the lock hardware of any manufacturer. It is pretty exciting!

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

This notice appears as a matter of record only.



Cortel

Cortel, Inc. has been acquired by



J5 INFRASTRUCTURE PARTNERS

A partnership owned by management and investors.



Ridgemont EQUITY PARTNERS



CAPITAL ADVISORS

The undersigned advised Cortel, Inc.



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I know just how trite this is going to sound because everybody says it – “nobody offers customer service like we do”. The answer I give most people to the question “what are you most proud of in 30 years” is exactly this piece. We pamper our clients to the point that they believe we are their partners in their programs. We have clients with us since the very beginning who will attest to the fact that their programs are as effective today as the day they installed it 20 years ago.

We have a client base that reads like a “who’s who” pretty much founded on “word of mouth”. We don’t lose clients other than to bankruptcy and occasional acquisition. After 30 years, I am proud of the fact that we

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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)

SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC SECURITY COMPANIES Q3 2016 Reports and Stock Prices as of December 8, 2016

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 divided by EBITDA (Earnings Before Taxes, Interest, Depreciation and Amortization).
Changed from last quarter: Tyco (NYSE: TYC) and Johnson Controls (NYSE: JCI) Completed their Merger

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 12/8/2016	52 Week Range	Market Cap 12/8/2016	2013 Revenue (000s)	2014 Revenue (000s)	2015 Revenue (000s)	3rd Q 16 Revenue (000s)	Over Q3 2015 Incr/Decr	P/E	EVS	EVM	
1	1	Taser Corp.	TASR	25.26	13.56-30.15	1.32B	137,831	164,525	197,892	71,882	42.7%	87.10	5.70	39.59	
2	2	Roper Industries, Inc.	ROP	183.25	155.79-193.32	15.59B	3,238,128	3,549,494	3,582,395	945,100	6.9%	27.36	5.58	16.19	
3	3	Alliegon, Plc.	ALLE	65.37	52.95-73.49	6.27B	2,069,600	2,118,300	2,088,100	581,100	6.7%	28.06	3.37	15.29	
4	4	Gentex Corporation	GNTX	19.87	12.93-19.89	5.69B	1,171,864	1,375,501	1,543,618	429,643	10.2%	16.54	2.97	8.29	
5	5	Flir Systems, Inc.	FLIR	36.65	26.48-36.67	4.99B	1,496,372	1,530,654	1,577,067	405,228	6.1%	28.81	2.91	13.39	
6	6	Verint	VRNT	34.45	29.76-41.99	2.18B	839,542	907,292	1,128,436	258,902	-8.9%	N/A	2.60	23.90	
7	7	Honeywell	HON	115.66	114.83-117.14	88.14B	39,055,000	40,306,000	38,581,000	9,804,000	2.0%	18.10	2.38	11.98	
8	10	The Geo Group	GEO	33.99	16.26-35.14	2.52B	1,522,074	1,691,620	1,843,307	554,376	18.0%	17.62	2.33	13.01	
9	11	Northrop Grumman Holdings	NOC	237.58	175.00-253.80	41.88B	24,661,000	23,979,000	23,526,000	6,155,000	2.9%	20.27	2.06	13.95	
10	18	OSI Systems	OSIS	76.95	48.19-92.82	1.47B	802,047	906,742	958,202	220,855	10.4%	96.43	1.98	16.34	
11	14	Zebra Technologies Corp.*	ZBRA	83.39	46.13-83.87	4.4B	1,038,159	1,670,572	3,651,972	904,000	-1.3%	N/A	1.95	13.20	
12	9	Stanley Black & Decker	SWK	120.94	88.72-126.72	18.22B	10,889,500	11,338,600	11,171,800	2,882,000	1.9%	18.39	1.89	11.42	
13	12	United Technologies Corp.	UTX	108.38	83.39-110.00	89.24B	62,626,000	57,900,000	56,098,000	14,354,000	4.1%	12.38	1.83	10.24	
14	17	Napco Security Systems, Inc	NSSC	8.40	5.05-8.55	157.91M	71,386	74,382	77,762	20,168	11.1%	26.25	1.80	18.79	
15	13	Lockheed Martin Corp.	LMT	259.22	200.47-269.90	75.95B	45,358,000	45,600,000	46,132,000	11,551,000	14.8%	15.16	1.76	13.01	
16	15	Brady Corporation	BRC	38.80	20.35-38.80	1.97B	1,157,792	1,225,034	1,171,731	280,176	-1.0%	23.52	1.75	12.87	
17	22	Johnson Controls	JCI	43.65	28.94-48.97	40.85B	41,410,000	38,749,000	37,179,000	10,198,000	16.6%	N/A	1.51	16.22	
18	19	L-3 Communications Holdings	LLL	158.31	105.88-160.19	12.24B	12,622,000	10,466,000	10,986,000	2,505,000	-2.3%	35.16	1.46	12.38	
19	20	Siemens AG	SI	114.35	79.23-114.35	92.16B	92,101,000	79,532,000	80,608,000	23,399,000	2.9%	17.20	1.30	10.64	
20	21	CACI International, Inc.	CACI	131.95	78.08-133.70	3.22B	3,681,990	3,564,562	3,313,452	1,073,280	30.5%	22.63	1.15	13.45	
21	24	Magal Security Systems Ltd.	MAGS	5.79	3.93-6.25	95.27M	51,517	77,543	63,736	21,341	25.5%	144.75	1.14	18.79	
22	16	Diebold	DBD	24.60	21.05-32.27	1.85B	2,857,491	2,734,800	2,424,300	983,300	66.8%	21.35	1.12	10.88	
23	23	Mantech International	MANT	44.96	25.76-45.00	1.73B	2,310,072	1,773,981	1,550,117	415,402	5.7%	30.26	1.01	13.06	
24	25	Brink's Company	BCO	41.30	25.87-45.10	2.06B	3,779,000	3,562,000	3,061,000	735,000	-0.7%	116.01	0.77	9.13	
25	26	Identive Group	INVE	2.84	1.39-2.99	31.48M	74,284	81,249	60,794	15,560	-9.5%	N/A	0.68	N/A	
26	27	Anixter International, Inc.	AXE	83.45	37.60-84.05	2.76B	6,226,500	5,507,000	6,190,500	1,956,300	31.4%	31.53	0.53	10.57	
27	28	Vicon Industries, Inc.	VII	0.61	.46-2.22	5.72M	39,846	34,878	44,884	No Report	N/A	N/A	0.14	N/A	
Sokoloff Index															
							361,287,995	340,420,729	338,791,065	90,719,613	Quarterly Growth Over Q3 2016				
							Over Year 2012	Over Year 2013	Over Year 2014	Over Q2 2016					
							-2.1%	-5.8%	-0.5%	-1.6%					
<i>Growth over previous period</i>															
											Average	11.3%	38.86	1.99	14.66
											Median	6.4%	24.89	1.80	13.06

*2015 Year End Revenues for Zebra (Nasdaq: ZBRA) include two months of results of the Enterprise business that the company acquired from Motorola Solutions.



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