

Security Finance Newsletter

March 2015

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Volume XI, Issue 1

4th/1st QUARTER MERGERS & ACQUISITIONS

Buyer: ALVAREZ & MARSAL is a PE Firm.

Seller: G4S GOVERNMENT SOLUTIONS specializes in business processes. Based in Palm Beach Gardens, FL, G4S will rebrand as CENTERRA GROUP.

Buyer: TYCO INTERNATIONAL (NYSE: TYC)

Seller: INDUSTRIAL SAFETY TECHNOLOGIES from BATTERY VENTURES. IST is a gas and flame detection products maker and is based in The Woodlands, Texas.

Buyer: SELECT SECURITY is an alarm company.

Seller: SECURE US, COMSTAR SYSTEMS, AAA SYSTEMS and BARDSTOWN ALARM are alarm companies based in Morgantown, West Virginia, Bowling Green, Elizabethtown and Bardstown, Kentucky, respectively

Buyer: ALARM.COM

Seller: SECURE-I is a video surveillance provider.

Buyer: EATON (NYSE: ETN)

Seller: OXALIS GROUP LTD manufactures closed-circuit TV camera stations, public address/general alarm systems and other electrical products. They are headquartered in Stratford-upon-Avon, UK.

Buyer: INVERNESS GRAHAM is a PE Firm.

Seller: IDENTITY FINDER, LLC is headquartered in NYC and provides data management software.

Buyer: CONVERGINT

Seller: BEACON SECURITY AND COMMUNICATIONS is based in Crowborough, England and is systems integrator with 53 employees.

Buyer: CENTRAL SECURITY GROUP (CSG) is an alarm monitoring company.

Seller: ALLIED PROTECTIVE SYSTEMS is an alarm monitoring company. They are headquartered in Oklahoma City and have 25 employees.

Buyer: L-3 (NYSE: LLL)

Seller: MITEQ, INC. develops and manufactures RF microwave products and solid-state SATCOM components. They are based in Hauppauge, NY.

Buyer: TYCO (NYSE: TYC)

Seller: COMMERCIAL WIRELESS SYSTEMS INTERNATIONAL provides wireless fire alarm and detection technology and is based in Sunrise, Florida.

Buyer: PANASONIC CORPORATION OF NORTH AMERICA

Seller: VIDEO INSIGHT, INC. is a developer of video management software based in Houston, Texas.

Buyer: UNIVERSAL PROTECTION SERVICE a division of UNIVERSAL SERVICES OF AMERICA is a provider of security services.

Seller: SMS HOLDING CORP's Security Guard Companies: VALOR SECURITY SERVICES & BRANTLEY SECURITY.

Buyer: CANON (NYSE: CAJ)

Seller: AXIS COMMUNICATIONS (XSSE:AXIS) is a network camera provider based in Sweden.

Buyer: TRITECH SOFTWARE SYSTEMS makes software solutions for the public safety arena.

Seller: TIBURON, INC is a supplier of public safety software.

Buyer: MOTOROLA SOLUTIONS, INC. (NYSE: MSI)

Seller: EMERGENCY CALLWORKS provides 9-1-1 call-taking software for public safety. The company is headquartered in Birmingham, Alabama.

Buyer: ASG SECURITY is a systems integrator and alarm company.

Seller: FLEENOR SECURITY is a systems integrator and alarm company.

Buyer: ALLEGION, PLC (NYSE: ALLE)

Seller: ZERO INTERNATIONAL, INC. is a manufacturer of sealing systems. The company is headquartered in Bronx, New York.

Buyer: HONEYWELL (NYSE: HON)

Seller: DATAMAX-O'NEIL is a manufacturer of fixed and mobile printers and is based in Orlando, FL.

Buyer: SAIC (NYSE: SAIC)

Seller: SCITOR CORPORATION owned by LEONARD GREEN & PARTNERS LP is an intelligence community provider headquartered in Reston, VA with approx. annual revenue of \$600M.

Buyer: FREEUS - sister company of AVANTGUARD MONITORING SERVICES a divisions of GOLDEN AID COMMUNICATIONS.

Seller: Freeus acquired the PERS side of SECURUS.

Buyer: MONITRONICS

Seller: Based in Kansas, LIVEWATCH SECURITY provides monitored DIY home security systems.

Buyer: 3XLOGIC, INC. is a provider of integrated security systems.

Seller: INFINIAS ACCESS CONTROL PRODUCT LINES from OBSERVINT the owner. Infinias provides access control solutions and is based in Indianapolis, Indiana.

Buyer: BRICKHOUSE is a supplier of alarm systems and GPS-tracking.

Seller: SECURUS' GPS BUSINESS

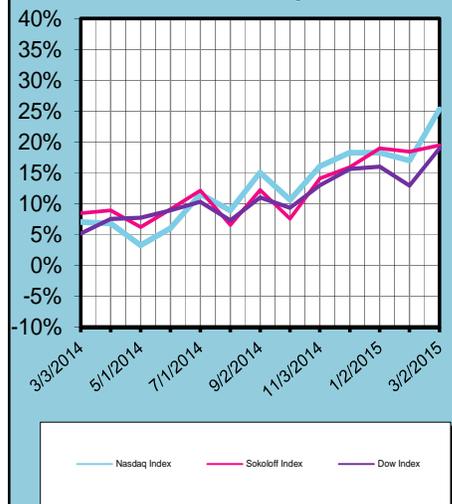
Buyer: PANASONIC CORPORATION (OTC: PCRFY)

Seller: ITC GLOBAL provides satellite communication services. Their US headquarters are in Houston, Texas.

Buyer: DIEBOLD (NYSE: DBD)

Seller: PHOENIX INTERACTIVE develops software solutions for ATMs and other financial self-service applications. They are based in London, Ontario, Canada.

Sokoloff Security Index



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AN INTERVIEW WITH WAYNE HANSEN, PRESIDENT CI³ INTEGRATORS

This quarter, Sokoloff & Company interviews **Wayne Hansen, President of Control Installations of Iowa (CI³ Integrators)**. CI³ is a single-source provider of security integration that has been in business since 1983. They specialize in the design and installation of security (networked video, card access, building life/safety protection), building automation (energy conservation and comfort control) and automatic doors, and providing custom software to integrate and manage building systems. CI³ has over 700 active customers in the healthcare, banking, gaming, insurance, technology, manufacturing, government, and education industries.

How did you get started in the security space and integration?

CI³ was founded in 1983. At that time our company specialized in the installation of automation systems in large commercial and industrial facilities. This specialization was based upon my mid 1970's experience involving some of the earliest computerized building automation system projects in the Midwest.

Back then, most corporate facilities in the Midwest had very simple or no electronic security. This was in the day when simple proximity cards were sold for \$10 to \$15 each. Electronic security in commercial buildings was very expensive.

In the late 80's, CI³ became involved in servicing security at county jails and installed a few Schlage card access systems, but our percentage of total revenue in the security sector was small. In the 1990's the security systems for corporate America became much more sophisticated. Generally this demanded a higher skill-set of technician than previous systems required. CI³ had project managers and technicians that were very proficient at designing and writing software for energy management systems.

Adding security technology as a product offering was a natural for our company. Our technicians were easily able to program and commission the new security systems. This also applied to the technical skills which were required for the early ARCnet and Ethernet technologies. Selling security systems blended very well with our sales, engineering, and project management skills, as well as the rest of our existing work force. And we had many existing large corporate accounts with a requirement for a security solution. Today, security sales are a much larger percentage of our total revenue than building automation. A few years ago, we also acquired Automatic Door Group (ADG), which has been a great fit with

our security offerings.

CI³ has been around for more than thirty years, so obviously you are doing something right! How does CI³ distinguish themselves from the hundreds of other security integrators?

CI³ was an early champion of using the design/build methods, including producing detailed invoices showing our true costs to our customers. This produced a trust relationship with our clients. We work very hard to retain our existing customer base. We are relationship driven. We also put a large annual investment into training for our employees, to offer the newest technolo-

intercom system, lighting controls, watch tour, wireless man-down duress alarming, master clock system, and metal detection system. All these systems had to communicate and operate from a single console, single software system. Back in 2001 when this project was installed, this was a big deal, today, not as much. As time progresses we are still integrating the same types of systems, they are just faster, and more modern and sophisticated. Today the biggest challenges seem to come from manufacturers that are hard pressed to create interface hardware and firmware which will allow trouble free 2 way communication between disparate systems.

How do you decide what products to carry from which vendors?

Huge amounts of research dollars have been spent in the past 15 years to take advantage of evolving technology and migrate it into security and automation systems and peripherals. Thus there are many, many products to choose from. We will only choose the products we feel will offer our customers the highest quality and the latest technology. When it comes to technology, any one person can only become acceptably familiar with a limited number of products. We must take our workforce and the training and certification requirements into account for installation and maintenance of these same manufactured goods. At that point, we will standardize on the products we have chosen and receive certified training so we can meet our stated goals of quality, value, and trust for our customers.

Talk to us about the customer service style of CI³.

As our installed base grows, so will our opportunity for servicing those accounts. We have a lot invested in a client, but they have a much larger investment in us and the new system they have just purchased. For this

reason, we should have no problem keeping this account... as long as we continue to give them high quality service at a good value and we don't forget how to treat our customers.

We build relationships and trust with our customers and we retain a very high percentage of them as our clients. If we have a client that becomes displeased, we must address it right away and get back on track. We want to give our customers everything they are looking for in an Integrator that provides service to their facilities. If we provide this, they have no reason to leave.

"... our long term employees are well acquainted with our customers and their systems, which help to create loyal and contented recurring clients."

This notice appears as a matter of record only.

Red Oak Growth Partners

INSIGHT VENTURE PARTNERS



Have invested in

CSSN
Card Scanning Solutions

The undersigned advised Card Scanning Solutions, Inc.



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gy and maintain the existing systems as technology improves. Very importantly, our long term employees are well acquainted with our customers and their systems, which help to create loyal and contented recurring clients.

Tell us about one of your most difficult jobs.

I don't like to use the word difficult when it pertains to our projects - challenging might be better. An early project that began to define our capabilities was the Polk County Juvenile Detention Facility. We were tasked with a turn-key project for total building integration. This included the following systems: detention security, fire and smoke evacuation life safety, card access, video security, HVAC building automation including interfaces with the boilers and chillers,

Wayne Hansen, President, CI³ Integrators



Mr. Hansen is a native Iowan. After graduating from high school he got his formal technical training and went on to supervise the installation of early-stage computerized facility technology with Johnson Controls. In 1983, Wayne had the entrepreneurial urge and founded CI³ which has 125 team members and recently became an employee owned company.

What is the corporate culture of CI³?

Our mission statement says it best: **The Mission of CI³ is to provide our customers the highest quality and the best value of service and products in the building technology industry while maintaining mutual trust and respect.**

We are also a company that operates with many seemingly small companies within. As a company we do not micromanage, we support. Projects are parsed out and the managers of those projects begin the process of a complete job cycle. Job reports are generated with all current financial and material procurement data available to the Project Manager concerning the project. There are no secrets and everyone knows their job and the expectations.

How do you find and retain talent?

We feel we have a good regional reputation and generous wage and benefits package. We are always on the lookout for industry experienced people. Although we compensate more than the average salary in this business, we also expect our employees to be able to perform at a higher level than the average person in this position in this industry.

CI³ implemented an Employee Stock Ownership Plan (ESOP) a number of years ago. What was the driver for this and how has it worked out?

CI³ has now been a part of the building technology industry for 32 years. I received calls weekly from investment groups and brokers interested in purchasing our company. As I began to look at my retirement, the option of turning the company over to the people that helped build it appealed to me. After consideration, our management team proceeded with the ESOP option. The company is now a 100% employee owned ESOP. The ESOP option is working well. The ESOP culture is beginning to build within the company, spurred on by an employee committee which was established to help educate the new owners about employee ownership.

Benefits include a ready-made retirement fund for employees as well as company benefits associated with tax deferral. Employees have the ability to make a difference in the value of their retirement account every day as they work. And, it will allow me to ease my way out of the company as others begin to take over the tasks I have performed previously. Being employee owned has also been seen by our customers as adding stability to our company in this day of uncertainty due to acquisitions and company sales.

How have you seen the integration industry change over the years?

The definition of integration has changed.

Twenty years ago, I used to debate that a true integrator was not a company that used hard-wired techniques to interface systems, rather it was a company that understood and wrote software drivers for a two-way serial exchange of information. This required an understanding of

Competition is good for the industry and technology will continue to keep this industry very competitive. Smart devices including LED lights, appliances, and video analytics will be used more and more (dubbed the internet of things, IoT) for obtaining the data and producing logical results associated with, and required for our services. We could even soon be communicating with driverless electric smart cars as they near a facility and confirm their passenger's identity and motivation as they arrive, producing access credentials for them. Perimeter management and video guidance would then escort them as they take care of their business and as they leave. Sounds fun, what a business!

Where do you expect CI³ to be five years from now?

Our business model is built around sustained growth. There are at least two ways to continue to grow; one is organically and the other is through acquisitions. We will continue to look at both of these methods to meet the goals of our model. Office locations are a moving target, based upon where the growth opportunities are and the desired geographical diversification. As long as we continue to honestly work hard, have a deep understanding of our industry, and maintain our client's respect, we will be successful.

Contact Sokoloff & Company

**Please contact Bernie Walko,
Managing Director
for a confidential consultation
about your company's merger
and acquisition needs.**

Do you receive our free weekly e-mail Security Newsletter Update? If not, please adjust your spam filter or sign up easily on-line at www.sokoloffco.com.

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)

This notice appears as a matter of record only.



Has acquired



The undersigned advised Enabil. Solutions Ltd.



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network protocol as well as software development. Today standardized protocols and web service technology enables systems to easily connect with one another and share information and functionalities in a secure way that is readily embraced and understood by IT departments. As integrators, we must work closely with the owner's IT Department to maintain our credibility. As I see it, this has now become the definition of integration in our industry.

What do you see as the future for systems integration?

Consolidation in the industry will continue. Some mergers will be successful, but many more will fail. There will always be a place for an honest company that understands the core business and has the tools and skills to deliver.

SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC SECURITY COMPANIES Q4 2014 Reports and Stock Prices as of March 17, 2015

USA LISTED COMPANIES

Sokoloff & Company completes 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 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 3/17/2015	52 Week Range	Market Cap 3/17/2015	(000s) Revenue 2011	(000s) Revenue 2012	(000s) Revenue 2013	(000s) Revenue 2014	(000s) Revenue 4th Q 13	(000s) Revenue 4th Q 14	Over Q4 2013 4th Q 14	Over Q4 2013 4th Q 14	P/E	EVS	EVM	
1	1	Taser Corp.	TASR	23.44	10.46-28.30	1.24B	90,028	114,753	137,831	164,525	40,025	46,816	17.0%	17.0%	63.35	7.10	31.72	
2	2	Roper Industries, Inc.	ROP	168.78	126.75-170.44	16.94B	2,797,089	2,993,489	3,238,128	3,549,494	889,173	946,145	6.4%	6.4%	26.37	5.27	15.59	
3	3	Vent	VRNT	60.21	41.44-61.46	3.66B	728,799	782,648	839,542	907,292	224,314	282,574	26.0%	26.0%	70.50	3.87	29.28	
4	4	Genex Corporation	GNTX	18.14	13.17-19.06	5.36B	1,023,762	1,099,560	1,171,864	1,375,501	326,770	350,411	7.2%	7.2%	18.51	3.71	10.72	
5	5	ADT	ADT	39.40	28.43-39.98	6.74B	3,110,000	3,228,000	3,309,000	3,408,000	839,000	887,000	5.7%	5.7%	23.41	3.43	6.71	
6	8	Zebra Technologies Corp.*	ZBRA	85.98	58.95-92.48	4.38B	983,488	996,168	1,038,159	1,670,572	284,539	790,611	177.9%	177.9%	34.92	3.43	15.54	
7	6	Flir Systems, Inc.	FLIR	31.94	28.32-37.42	4.46B	1,544,062	1,405,358	1,496,372	1,530,564	400,319	434,366	8.5%	8.5%	22.98	2.85	13.06	
8	7	The Geo Group	GEO	42.44	30.94-44.74	3.12B	1,407,172	1,479,062	1,522,074	1,691,620	383,548	427,740	11.5%	11.5%	21.43	2.79	14.26	
9	9	Honeywell	HON	102.21	82.89-105.39	80.00B	36,529,000	37,665,000	39,055,000	40,306,000	10,387,000	10,266,000	-1.2%	-1.2%	19.18	1.99	11.85	
10	10	United Technologies Corp.	UTX	119.86	97.30-124.45	108.73B	55,754,000	57,708,000	62,626,000	65,100,000	16,759,000	16,996,000	1.4%	1.4%	17.57	1.90	10.42	
11	11	Tyco International	TYC	42.28	38.15-46.64	17.76B	10,403,000	10,073,000	10,340,000	10,340,000	2,493,000	2,479,000	-0.6%	-0.6%	11.06	1.81	17.33	
12	12	Stanley Black & Decker	SWK	94.47	75.90-100.44	14.87B	9,435,500	10,147,900	10,889,500	11,338,600	2,880,600	2,982,500	3.5%	3.5%	19.82	1.62	10.06	
13	15	Napco Security Systems, Inc.	NSSC	5.76	3.98-7.05	109.87M	71,392	70,928	71,386	74,382	18,353	19,571	6.6%	6.6%	27.43	1.58	18.26	
14	13	OSI Systems	OSIS	73.25	52.68-74.79	1.45B	656,100	792,990	802,047	906,742	236,408	257,829	9.1%	9.1%	26.64	1.53	8.99	
15	14	Lockheed Martin Corp.	LMT	200.67	153.54-207.06	63.01B	46,499,000	47,182,000	45,358,000	45,600,000	11,533,000	12,530,000	8.6%	8.6%	17.90	1.50	11.07	
16	16	Northrop Grumman Holdings	NOC	161.16	116.11-172.30	31.97B	26,412,000	25,218,000	24,661,000	23,979,000	6,157,000	6,108,000	-0.8%	-0.8%	16.53	1.42	9.32	
17	17	Siemens AG	SI	104.45	80.17-106.35	86.77B	93,672,000	103,466,000	92,101,000	90,195,000	18,863,300	19,807,600	5.1%	5.1%	17.68	1.36	12.51	
18	18	Brady Corporation	BRC	27.01	20.98-30.86	1.39B	1,339,597	1,068,688	1,157,792	1,225,034	307,530	310,240	0.9%	0.9%	N/A	1.27	9.78	
19	20	L-3 Communications Holdings	LLL	127.02	99.33-132.92	10.48B	13,157,600	13,146,300	12,622,000	12,124,000	3,234,000	3,208,000	-0.8%	-0.8%	16.80	1.15	10.43	
20	21	Identive Group	INVE	9.52	6.12-21.31	101.16M	102,708	72,361	74,284	81,249	19,539	19,382	-0.8%	-0.8%	N/A	1.05	N/A	
21	19	Magal Security Systems Ltd.	MAGS	4.91	3.37-6.18	79.88M	88,591	77,697	51,517	No report	No report	No report	N/A	N/A	N/A	0.96	N/A	
22	23	CACI International, Inc.	CACI	86.50	67.01-91.80	2.09B	3,577,780	3,774,473	3,681,990	3,564,562	894,186	815,423	-8.8%	-8.8%	17.38	0.94	10.27	
23	22	Johnson Controls	JCI	49.47	38.60-52.00	32.52B	40,833,000	41,955,000	41,410,000	42,828,000	10,574,000	10,666,000	0.9%	0.9%	26.53	0.93	11.91	
24	24	Diebold	DBD	33.95	30.63-41.45	2.20B	2,835,848	2,891,693	2,857,491	3,051,053	811,443	861,272	6.1%	6.1%	19.29	0.73	8.91	
25	27	Mantech International	MANI	32.45	26.09-35.23	1.21B	2,869,982	2,582,295	2,310,072	1,773,981	491,536	411,367	-16.3%	-16.3%	25.59	0.68	9.50	
26	25	Checkpoint Systems, Inc.	CKP	10.88	10.64-14.48	455.11M	763,749	689,920	689,738	662,040	194,387	183,114	-5.8%	-5.8%	41.85	0.63	5.69	
27	26	Anixter International, Inc.	AXE	77.34	73.34-105.84	2.54B	6,146,900	6,253,100	6,226,500	6,445,500	1,598,500	1,669,100	4.4%	4.4%	13.24	0.57	9.09	
28	28	Brink's Company	BCO	26.52	19.15-30.56	1.29B	3,766,000	3,735,000	3,779,000	3,562,000	997,000	881,000	-11.6%	-11.6%	N/A	0.44	7.94	
29	29	Vicon Industries, Inc.	VII	1.56	1.29-6.14	14.27M	47,182	49,652	39,846	34,878	8,109	10,176	25.5%	25.5%	N/A	0.28	N/A	
Sokoloff Index							366,797,329	381,149,035	373,290,133	377,489,589	91,848,573	94,647,237	Quarterly Growth Over Q3 2013					
							Over Year 2011	Over Year 2012	Over Year 2013	Over Q3 2014	Average		Median					
							3.9%	-2.1%	-3.1%	10.2%		4.7%		25.67	20.63	1.96	1.50	
											12.70		10.58					

*Revenues include two months of results of the recently acquired Enterprise business that the company acquired from Motorola Solutions.



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