

Security Finance Newsletter

March 2011

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Volume VII, Issue 1

4th QUARTER ANNOUNCED Mergers & Acquisitions

Buyer: COOPER INDUSTRIES PLC. (NYSE: CBE)

Seller: HERNIS SCAN SYSTEMS AS is a Norway based manufacturer of CCTV systems for harsh environments. Their parent company is VISILINK PLC (LSE: VLK.LJ).

Buyer: MANTECH INTERNATIONAL CORP. (NASDAQ: MANT)

Seller: MTCSC INC. is headquartered in Chula Vista, California and is an information, computer and software technology company that focuses on government agencies. 2010 revenue is expected to be \$83 million.

Seller: TRANTECH, INC. (OTCBB:AMLJ) is an Alexandria, Virginia based provider of information technology, networking and cyber security services to the federal government. The company is woman-owned.

Buyer: WORLDWIDE SECURITY offers residential and commercial alarm, CCTV, access control and automation systems as well as monitoring.

Seller: RAINBOW HOME SYSTEMS is a specialist in home automation and home audio with services including monitoring, security and fire. They have five employees and have 1,200 new, mostly residential accounts.

Buyer: MOTOROLA MOBILITY, INC. is a subsidiary of MOTOROLA (NYSE: MOT) which focuses on the media, mobility, Internet and computing markets. MOT announced they would split into two companies (Motorola Mobility & Motorola Solutions) effective January 4, 2011.

Seller: 4HOME is based in Sandy, Utah and is a provider of software products that enable people to adjust their home security settings remotely.

Buyer: TELECOMMUNICATIONS SYSTEMS, INC. (NASDAQ: TSYS) is a developer of secure mobile communication technology.

Seller: TRIDENT SPACE & DEFENSE, LLC. provides engineering and electronics solutions. Based in Torrance, California the company is owned by Admiralty Partners, Inc. 2011 revenue is expected to be more than \$40 million.

Buyer: STANLEY BLACK & DECKER (NYSE: SWK)

Seller: INFOLOGIX (OTCBB:IFLG) is a provider of enterprise mobility solutions and advanced wireless asset tracking solutions. The company is headquartered in Hatboro, Pennsylvania.

Buyer: ASSA ABLOY (ASSA-B.ST)

Seller: CARDO (CARD:ST) is a provider of industrial doors and logistic systems. The company is headquartered in Switzerland. Cardo employs approximately 5500 people and had 2009 revenues of 8.8 billion kronor.

Seller: LASERCARD CORPORATION (NASDAQ:LCRD) is a provider of secure ID solutions. Headquartered in Mountain View, California they employ 193 people and had fiscal 2010 revenue of \$59M.

Buyer: STRAIT LANE CAPITAL PARTNERS, LLC specializes in recapitalizations and management buyouts.

Seller: INTEGRATED SECURITY SYSTEMS, INC. (OTCBB:IZZI.OB) has sold their subsidiary, B&B ARMOR. The company is a provider of anti-terrorist barriers, security gates and gate operators for perimeter security applications.

Buyer: THE GEO GROUP (NYSE:GEO)

Seller: B.I. INCORPORATED provides comprehensive electronic monitoring services. Founded in 1978 the company is headquartered in Colorado.

Buyer: CLAYTON, DUBILIER & RICE, LLC is a private equity firm which has been in business since 1978.

Seller: TYCO (NYSE:TYC) completed the sale of a 51% stake in its ELECTRICAL AND MEDICAL PRODUCTS BUSINESS which designs, manufactures and sells galvanized steel tubes and pipes, electrical conduit, armored wire and cable, metal framing systems and building components. Headquartered in Switzerland, the business will operate as a standalone entity by the name of ATKORE INTERNATIONAL.

Buyer: ITERIS, INC. (NYSE:ITI) is a provider of traffic management systems.

Seller: MERIDIAN ENVIRONMENTAL TECHNOLOGY, INC. is based in Grand Forks, North Dakota. The company is a supplier of advanced traveler information systems and Maintenance Decision Support System (MDSS) management tools.

Buyer: SAP (NYSE:SAP)

Seller: SECUDE is a provider of IT security solutions to enterprises and governmental organizations. Headquartered in Switzerland with a staff of 150, the company was founded in 1996 as a partnership between SAP AG and the FRAUNHOFER INSTITUTE of Germany.

Buyer: VECTOR CAPITAL is a global private equity firm.

Seller: RAE SYSTEMS (AMEX:RAE) is a provider of sensor solutions and intelligent gas detection systems. RAE is headquartered in San Jose, CA with 1259 employees and \$91 million in revenues.

Buyer: SIELOX has been acquired in a MANAGEMENT BUYOUT with additional funding secured from PRIVATE INVESTORS.

Seller: SIELOX LLC is a provider of access control and video surveillance solutions. The company is

headquartered in Runnemede, New Jersey.

Buyer: ASCENT MEDIA CORPORATION (NASDAQ:ASCMA) is a holding company that owns 100 percent of its operating subsidiaries. Their primary business is that of providing content and creative services to the media and entertainment industries.

Seller: MONOTRONICS INTERNATIONAL is headquartered in Dallas, Texas and is a provider of monitored business and home security system services.

Buyer: VISUALANT, INC. (OTCBB:VSUL.OB) develops security and quality control solutions.

Seller: EAGLE TECHNOLOGIES USA is headquartered in Brea, California and is a provider of polyester composite cards to the identification market. Eagle is projected to grow to \$3 to \$4 million in revenues over the next two years.

Buyer: KRATOS DEFENSE & SECURITY SOLUTIONS, INC. (NASDAQ:KTOS)

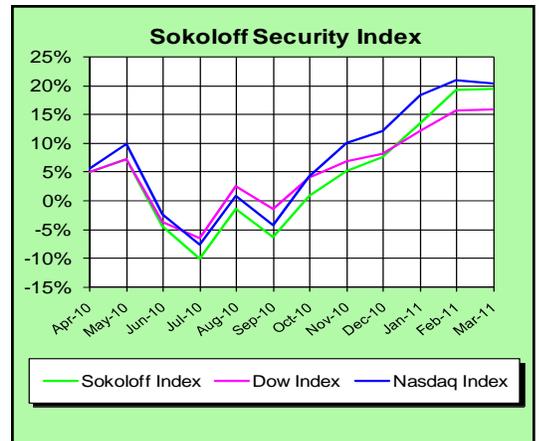
Seller: HERLEY INDUSTRIES (NASDAQ:HRLY) designs, develops and manufactures microwave technology solutions. The company is based in Lancaster, PA and has about 1000 employees.

Buyer: ANAREN (NASDAQ:ANEN)

Seller: AML COMMUNICATIONS, INC. (OTCBB:AMLJ) designs, manufactures and markets microelectronic assemblies for the defense industry. AML is based in Camarillo, California with 88 employees and approximately \$16 million in revenue.

Buyer: ROCKBRIDGE GROWTH EQUITY is a private equity company headquartered in Michigan.

Seller: CONNECT AMERICA offers interactive emergency monitoring and medical alarms. The company brings 75,000 accounts worth \$2.2 million to Rockbridge.



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Sokoloff & Company
Interviews Rob Sheeley
Owner/President/CEO of Vaddio

Headquartered in New Hope, Minnesota, **Vaddio** has 52 employees and is a manufacturer of robotic cameras which serve integrators and operators. A growing business, 2009 revenue was \$21.3 Million and 2010 revenue came in at \$30 Million. **Rob Sheeley, the Owner, President & CEO**, talked with Sokoloff & Company about Vaddio's track record and the company's position in the security industry.

Rob, what drove you to start Vaddio and how did you get into the security industry?

I had several years under my belt as a product and marketing manager for security & telecommunications products at **RCA** and **Honeywell**. I loved the industry and worked hard at it. I then started my first company in 1987 called **Acoustic Communication Systems**. We began as a low voltage contractor doing CCTV, security & audio paging, and life safety systems. After several years of developing the contracting business we decided to enter the video conferencing area. Video conferencing in 1995 was very primitive as compared to today's standards and was being done by a handful of international companies. Acoustic Communication Systems became one of the first system integrators in the Midwest to offer a complete design/build package to those early adopters of video conferencing.

A funny thing happened as we were designing those early systems; we began to develop products to make the systems easier for the end user to operate. It started as furniture to house the equipment and soon grew into specialized cameras and electronics so as to integrate the video conferencing systems into the room.

By 1999 I had grown the business to \$12M. I then sold it to a public company called **VideoLabs**. After the sale I was the largest shareholder of VideoLabs and began the task of remaking the business from a

science camera manufacturer to a video conferencing peripheral company. In three years we would double the revenue to \$24 million. This sudden growth prompted several suitors to take a serious look at us. The offer became one that shareholders could not refuse and soon ended in a sale.

After VideoLabs was acquired, I received a nice little nest egg in which I "retired" on. This was back in 2002 and I was 46. Finding myself with loads of free time, I had a tendency to try and tell my wife what to do. She got tired of it real fast and

"Our technology automated PTZ cameras so that end users would not be required to manually operate their cameras."

\$500,000 to get the company off the ground and decided I would look at bringing in other investors if things took off at the end of year one.

To our amazement it really took off and **Sony's** decision to make us an OEM for their PTZ cameras added more to our growth. **Sony had seen what we were**

doing in the robotic PTZ camera industry and wanted to add our magic to their line of EVI cameras.

Soon we were setting up channels all around the world and needed to find a partner that could help us with our growth. At the same time we started looking for someone to help us we were introduced to a company called **Photo Control**. Photo Control was searching for new growth opportunities as their primary products (film portrait cameras) were slowly being replaced by digital cameras.

So, we sold the company to Photo Control in 2004. They went on to merge with **Nature Vision**, a Brainerd manufacturer of underwater cameras for ice fishermen. Tom and I stayed with the company, building the Vaddio business. When Nature Vision decided to refocus its core business, they sold the company back to me, Tom and Steve Sullivan (our third partner). The rest is history.

What is unique about your product compared to others on the market?

First of all, we take a system approach. **Where most manufactures focus on an individual product such as a camera, we focus on the system; how each of the products work together and how we can make it easier for our dealers & integrators to install and control them.** That's why all of our cameras are sold as part of a system; this way our dealers are assured that everything will work together when they finish their installation.

Please tell us how you are able to manufacture cameras in the US without sacrificing profit?

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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banished me from the house telling me to "find something to keep me busy." And that's when I started **Vaddio** with Tom Mingo who had been my international sales manager at VideoLabs.

You sold Vaddio in 2004 and then bought it back again in 2007. What happened?

In 2003 Tom and I started Vaddio when we were able to buy back some PTZ camera control technology that we developed at VideoLabs. **This technology automated PTZ cameras so that end users would not be required to manually operate their cameras.** I then committed to investing

I don't have anything against cameras that are manufactured overseas; in fact we do a lot of business offshore as an OEM distributor for **Sony, Canon and Panasonic**. But as a manufacturer, we are able to design cameras that can take advantage of our system integration strategy, this allows us to integrate cable management, power distribution and camera control right into the camera. **They don't need all the external interfaces that other cameras require.** This also means that our control systems can now be more tightly integrated to our cameras as the same control code is in both devices.

Tell us which installations you are most proud of and why you believe companies trust and use your products.

As an old Rock-N-Roller I was really proud when our camera system was selected to be installed in the Rock and Roll Hall of Fame facility in Cleveland. Some of the other high profile installs include the Vatican, Harvard University, White House Press room, Google, Microsoft... the list goes on and on.

Talk to us about the convergence that has now become reality between the physical and IT sides of the industry. How does Vaddio measure up? How do you stay ahead of the curve?

As our industry goes IP and we move away from the old analog technology platforms, the opportunity for Vaddio only increases as our dealers and integrators now need to worry about LANS/WANS and how they distribute and capture video in this era of cloud computing.

What is the corporate culture of your company? What do you value most in employees? How do you find and retain them?

We are fortunate in that we have many of the same employees that started with me back in my Acoustic Communication

Rob Sheeley
Owner, President, CEO Vaddio

Rob has been actively involved in the broadcast and audiovisual industries for over 25 years, beginning with careers at RCA and Honeywell, both in marketing and product management positions. Sheeley went on to found **Vaddio** in 2003 and currently is responsible for the strategic direction and day-to-day management of the company.



Systems days. As we have fostered a very creative culture that rewards workers for fresh ideas we tend to attract some very talented people.

We have an international warehouse in Rotterdam, Netherlands. Where it too gets cold.

Do you have a team of R&D specialists that develop new products and how do you go about bringing something to market?

How do you plan to grow the business in the future?

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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HD Baby! Security customers have all learned what really good video is now that they watch HD television at home. And guess what? They expect to see that same quality at work. **There are way too many cameras in the security world that do not offer the customer the type of image quality that they desire; we see this as an opportunity for us to take our HD camera systems and give the customer what they want.**

Lastly, you started a business minus some of the traditional credentials that others have. Yet you have been incredibly successful. What is your advice to those starting a business?

Do what you love, you always do that best.

Contact
Sokoloff & Company

Please contact Bernie Walko,
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about your company's merger
and acquisition needs.
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Our product development group is comprised of two different units. First we have product managers who are responsible for identifying changes in technology and how it affects our customers. This often results in new product opportunities. Once an opportunity is identified that leads to a new product, a product requirement document is created that tells our engineering group what we need designed. Then the twelve members of our engineering team (our second unit) design and develop the final product.

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 our archive of newsletters tracking historical industry performance.

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

"Our cameras don't need all the external interfaces that other cameras require."

Are there any plans to open other branches across the US? Minnesota is cold!

SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC SECURITY COMPANIES*

Q4 2010 Reports and Stock Prices as of March 3, 2011
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 **Earnings**. 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: LaserCard (Nasdaq:LCRD) was acquired by Assa Abloy AB, Vicon (NYSE-AMEX: VII) was added, ActivIdentity Corporation (Nasdaq:ACTI) was acquired by Assa Abloy, Henry Brothers Electronics (Nasdaq:HBE) was acquired by Kratos Defense & Security Solutions (Nasdaq:KTOS), RAE Systems, Inc. (AMEX:RAE) was acquired by Vector Capital.

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	52 Week Range	Market Cap	2007 Revenue	2008 Revenue	2009 Revenue	4th Q 10 Revenue	Over Q4 2009 4th Q 10	P/E	EVS	EVM
1	1	Sourcefire, Inc.	FIRE	26.96	16.80-32.79	756.63M	55,859	75,673	103,465	37,969	7.6%	39.07	5.47	5.05
2	3	Genetex Corporation	GNTX	29.28	16.69-35.35	4.17B	653,933	623,800	544,523	222,101	25.1%	29.88	4.66	16.58
3	2	Roper Industries, Inc.	ROP	87.49	54.21-87.68	8.34B	2,102,049	2,306,371	2,049,668	679,479	22.7%	26.19	3.83	14.35
4	4	Flir Systems, Inc.	FLIR	32.73	24.00-33.57	5.20B	779,397	1,076,974	1,147,087	434,373	39.4%	21.29	3.51	11.78
5	25	AuthenTec	AUTH	3.26	1.48-4.08	117.04M	52,344	63,948	34,066	14,538	74.8%	N/A	2.68	N/A
6	5	Taser Corp.	TASR	4.09	3.52-7.35	256.12M	100,727	92,846	104,252	22,882	-33.7%	N/A	2.31	108.52
7	7	The Geo Group	GEO	24.87	18.10-26.77	1.60B	976,299	1,043,006	1,141,090	374,398	20.5%	22.01	2.02	13.98
8	7	Zebra Technologies Corp.	ZBRA	37.39	24.14-41.48	2.08B	868,279	976,700	803,585	248,175	11.5%	21.12	1.96	10.87
9	8	Stanley Black & Decker**	SWK	75.69	48.76-76.80	12.66B	4,360,500	4,426,200	3,737,100	2,412,900	148.9%	57.34	1.69	11.55
10	9	Identive Group	INVE	3.19	1.29-3.55	138.39M	30,400	28,362	41,315	27,807	134.4%	N/A	1.55	N/A
11	10	United Technologies Corp.	UTX	83.85	62.88-85.46	77.18B	54,759,000	59,757,000	52,425,000	14,864,000	5.4%	17.69	1.50	9.03
12	11	Brc Corporation	BRC	36.10	24.22-36.15	1.91B	1,362,631	1,523,016	1,208,702	329,009	11.2%	19.94	1.50	9.15
13	13	Honeywell	HON	57.29	37.89-58.19	44.92B	34,589,000	36,556,000	30,908,000	9,041,000	12.0%	22.12	1.41	11.44
14	14	Tyco International	TYC	46.20	34.00-47.33	21.89B	18,477,000	20,199,000	16,882,000	4,379,000	5.4%	15.21	1.35	7.64
15	15	L-3 Communications Holdings	LLL	80.70	66.11-97.81	8.75B	13,961,000	14,901,000	15,615,000	4,255,000	1.1%	9.78	1.27	0.77
16	15	Ingersoll Rand	IR	45.33	32.42-49.07	14.94B	8,763,100	13,227,400	13,101,800	3,711,700	13.1%	24.02	1.23	10.02
17	16	OSI Systems	OSIS	38.57	22.80-39.99	730.21M	532,284	623,088	590,361	169,287	12.4%	27.69	1.12	10.80
18	17	Siemens AG	SI	134.94	82.74-135.45	117.74B	92,241,000	104,308,000	103,292,000	28,339,000	7.7%	20.84	1.08	7.87
19	21	Checkpoint Systems, Inc	CKP	21.40	16.07-23.92	853.35M	834,156	917,082	772,718	235,542	-0.9%	31.47	0.95	8.78
20	22	Napco Security Systems, Inc	NSSC	2.35	1.55-2.58	44.87M	66,202	68,367	69,565	17,608	5.8%	N/A	0.94	N/A
21	23	Johnson Controls	JCI	40.59	25.56-42.42	27.49B	34,624,000	38,062,000	28,497,000	9,537,000	13.4%	18.27	0.86	12.22
22	20	Diebold	DBD	35.52	18.26-36.34	2.34B	2,947,481	3,081,838	2,718,292	790,994	9.1%	N/A	0.81	8.91
23	33	Megal Security Systems Ltd.	MAGS	3.01	2.50-4.05	30.06M	72,375	57,105	54,518	No report	N/A	N/A	0.69	N/A
24	27	Lockheed Martin Corp.	LMT	80.78	67.68-87.18	28.26B	41,862,000	42,731,000	43,995,000	12,794,000	4.8%	10.17	0.66	6.20
25	26	Mantech International	MANI	43.67	34.69-51.83	1.59B	1,448,000	1,870,879	2,020,334	697,916	28.8%	12.73	0.65	6.93
26	28	Northrop Grumman Holdings	NOC	67.51	53.50-72.50	19.67B	31,828,000	32,315,000	33,755,000	8,607,000	-3.6%	9.90	0.59	5.36
27	29	Brinks Company	BCO	31.56	18.30-31.81	1.46B	2,735,000	3,164,000	3,135,000	881,000	3.7%	26.84	0.50	5.22
28	32	Richardson Electronics, Ltd.	RELL	13.15	7.43-13.58	236.46M	557,291	568,409	496,379	40,980	23.7%	9.28	0.44	7.54
29	31	URS Corporation	URS	47.01	35.09-53.25	3.85B	5,383,007	10,086,289	9,249,068	2,380,104	12.7%	13.28	0.42	6.14
30	New	Vicon Industries, Inc.	VII	5.01	3.60-5.50	22.44M	69,073	66,911	60,455	11,728	5.7%	N/A	0.16	N/A
Sokoloff Index							357,091,387	394,797,264	368,552,363	105,556,490	Over Year 2008	Over Q3 2010:	Over Q4 2009	
							1,239.49	10.6%	-6.6%	4.3%		22.01	21.12	13.07
										Average			11.5%	1.59
										Median			21.12	9.03
										Quarterly Growth				

Growth over previous period
**Net sales for the period were \$2.4 billion, up 149% versus prior year due to the inclusion of Black & Decker's results (+133%), unit volume (+5%), other acquisitions (+12%) and currency (-1%). Price was flat. On a pro forma basis, legacy Black & Decker also achieved solid unit volume growth of 5%.



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