

Security Finance Newsletter

June 2007

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Volume III, Issue 2

TYCO's Long Awaited Split

In January 2002, **Tyco** announced that the company would split into four publicly traded companies: health care, fire protection, financial services, and security and electronics. With the corporate scandals that engulfed CEO **Dennis Kozlowski** and other top officers, the split was put on hold in the wake of shareholder lawsuits.

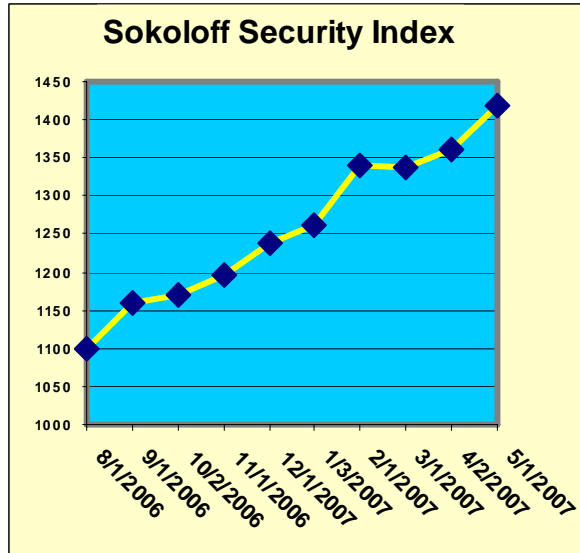
On May 14, 2007, **Tyco** announced that they would set aside **\$2.98 billion** dollars to settle the lawsuits, once and for all laying the scandal to rest and opening the door for the split. The "four company split" talked of in 2002 has since been replaced by a "three company split" and is now on track, pending approval by the SEC, to go into effect at the end of June.

Tyco also sold off its financial services division **CIT** in 2002, and some of its other divisions including its transoceanic fiber optic cable operations to **Tata** and its **Plastics & Adhesive** division to a private equity firm in 2005, in order to make way for the restructuring.

"We believe that separation is a logical next step in **Tyco's** evolution," said **Chairman and CEO Ed Breen**. The Board had concluded that leaving **Tyco** as is, was actually inhibiting growth, especially in the health care and electronics businesses which are currently leaders in their fields. Previously **Breen** commented that **Tyco** had come a long way in the past few years: "We have a strong and independent board, a rebuilt management team, outstanding corporate

governance rankings and an operational culture that puts growth and operating excellence at the top of the management agenda."

Tyco plans to issue tax-free stock dividends to shareholders who will then



own dividend-producing stock in all three companies. Cost for the restructuring is expected to be about one billion dollars, mostly for tax and debt financing.

The three new companies to be formed by the split are:

Tyco Fire & Security/Engineered Products & Services ("TFS/TEPS"), which had 2006 revenue of 18.7 billion dollars. **TFS** is composed of fire sprinkler and alarm company **SimplexGrinnell**, **ADT**, **Wormald** fire equipment, **Ansul** commercial/industrial fire protection equipment, **Scott** breathing apparatus and

several other companies.

TEPS manufactures fire sprinklers under the **Grinnell**, **Central**, **Gem**, **Star** and **Tyco Fire Products** brands, including a line of residential sprinklers. It also manufactures sprinkler system valves.

Based on the proposed company split, **Tyco International Chairman and CEO Ed Breen** and **Chief Financial Officer Chris Coughlin** will lead **TFS/TEPS**. Under **Breen** and **Coughlin**, **President Dave Robinson** will continue to head **TFS** and **Naren Gursahaney** will remain as **President of TEPS**.

Tyco Electronics had 2006 revenue of \$12.7 billion dollars. It makes over 300,000 different electronic components which are used in connectors, relays, converters, filters and power supplies and are used in the manufacture of everything from defense and space equipment to telecommunications equipment.

Tom Lynch has taken over as **CEO of Tyco Electronics** and **Dr. Juergen Gromer** will remain **President until December 2007** and then plans to serve on the board.

Tyco Healthcare had 2006 revenue of \$9.6 billion dollars. The business sells medical devices and products and is also an over-the-counter drug producer. It is the #1 producer of acetaminophen in the world. **President Rich Meelia** will continue to lead the company as **CEO**. It is expected that the split will allow the company to attract top industry talent and strategic partners.

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THE FOREIGN SECURITY MARKET

This newsletter, Sokoloff & Company decided to talk about some of the top public security companies across the world to give a viewpoint on how the industry is growing abroad and how it compares to our companies here at home. The fifteen businesses we highlight are traded on a number of exchanges: **London (LSE), AIM (the LSE Alternative Investment Market), Australia (ASX), Berlin-Bremen (BE), Euronext Brussels Exchange (BRU), Stockholm (ST), and Toronto (TSX).**

LONDON STOCK EXCHANGE

The **London Stock Exchange (LSE)** is one of the oldest stock exchanges in the world tracing its history back to 1698 in the coffee houses of London. **LSE claims the first regulated exchange in 1801 which introduced the modern stock exchange.** Since then, the LSE has become one of the foremost exchanges in the world and **is the most international of all stock exchanges with more than 579 companies from over 65 countries.** NASDAQ currently holds a 30% stake in LSE and at one time unsuccessfully attempted to acquire the LSE. The LSE currently lists 3,251 companies.

Highlighted companies traded on the LSE:

Group 4 Securicor plc (GFS) is a provider of security guards and installs and maintains security equipment.

OpSec Security Group plc (OSG) specializes in anti-counterfeiting and brand protection management solutions.

Visual Defence (VDI) delivers communications systems over IP and is a provider of systems design and integration.

ALTERNATIVE INVESTMENT MARKET

The **Alternative Investment Market (AIM)** was started in 1995 and is the London Stock Exchange's (LSE) International market for smaller companies. **More than 1,500 companies are represented on AIM covering over 26 countries.** AIM listed companies don't need to have a financial track record or trading history and there is no minimum requirement for size or number of shareholders.

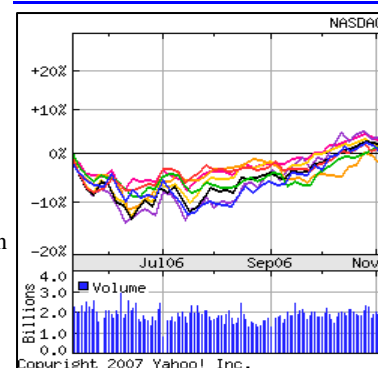
Highlighted company traded on AIM:

Scotty Group plc (SCO) provides integrated communication solutions for video, audio and data transmission over networks.

AUSTRALIAN STOCK EXCHANGE

The **Australian Stock Exchange (ASX)** began as six separate exchanges in the late 1800's and was combined in 1987. On July 25, 2006 ASX merged with the **Sydney Futures Exchange Corporation Limited (SFE Corporation Limited)**

CHARTING THE GROWTH



*GDAXI is the German Index DAX, AOR is the Stockholm Nordic Exchange Index, Euronext 100, DJI is the Dow Jones, GS is the Nikkei, IAX is the NYSE Composite, IXIC is the NASDAQ, FTSE is the FTSE 100.

to create the ASX Group.

The ASX Group operates under the brand – Australian Securities Exchange. ASX is **one of the world's top 10 listed exchange groups measured by market capitalization** and boasts 2,014 listed companies.

Highlighted company traded on the AUX:

Adacel (ADA) develops advanced simulation and control systems for aviation and defense.

BERLIN-BREMEN STOCK EXCHANGE

The **Berlin Stock Exchange** started in 1685 and since then has grown to be one of the top exchanges in Germany. In 2003 the Berlin and Bremen Stock Exchanges merged to create the **Berlin-Bremen Stock Exchange (BE)**. It is broken down into three market segments: the Official, Regulated, and Unofficial Regulated. It is on the Unofficial Regulated Market where 14,840 companies from all over the world

This notice appears as a matter of record only.



GP Investments, Inc.

Has acquired a majority interest in



ALLCOM
Global Services

The undersigned advised AllCom Global Services.

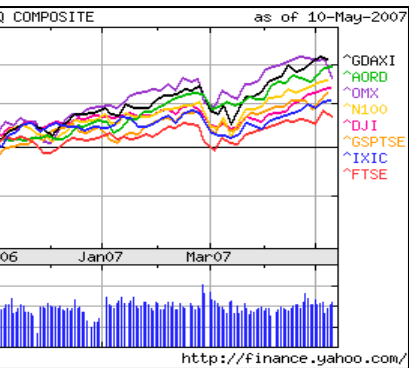


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Company	Trading Symbol	Exchange	Web Site	Stock Price 5/11/07	Revenue FY 2005 (000's)	Revenue FY 2006 (000's)	Outstanding Shares on a fully diluted basis (000's)	Market Cap (000's)	P/E	P/S
Adacel	ADA	ASX	www.adacel.com	\$0.68	\$30,777	\$43,223	87,606	\$59,572	0.15	1.38
Allen-Vanguard	VRS	TSX	www.allen-vanguard.com	\$4.75	\$46,600	\$51,535	37,674	\$178,952	N/A	3.47
Assa Abloj	ASSAB	ST	www.assaabloj.com	\$22.53	\$4,079,694	\$4,569,076	376,033	\$8,472,023	19.26	1.85
Axis Communications AB	AXIS	ST	www.axis.com	\$18.78	\$131,343	\$176,392	69,253	\$1,300,571	56.91	7.37
Bekaert	BEKB	BRU	www.bekaert.com	\$142.85	\$4,171,080	\$4,319,417	21,597	\$3,085,131	16.03	0.71
Bioscrypt	BYT	TSX	www.bioscrypt.com	\$0.78	\$17,604	\$15,693	59,120	\$46,114	(8.67)	2.94
Ericsson	ERICA	ST	www.ericsson.com	\$34.48	\$9,828,745	\$14,820,201	15,871,000	\$547,232,080	15.46	36.92
Group 4 Securicor plc	GFS	LSE	www.g4s.com	\$4.35	\$8,165,730	\$8,608,266	1,280,658	\$5,570,862	18.13	0.65
Kaba Holding AG	KABN	BE	www.kaba.com	\$189.78	\$801,587	\$851,395	3,577	\$678,843	12.21	0.80
March Networks	MN	TSX	www.marchnetworks.com	\$10.86	\$38,729	\$69,104	17,609	\$191,234	6.87	4.94
OpSec Security Group plc	OSG	LSE	www.opsecsecurity.com	\$1.63	\$46,953	\$50,201	53,377	\$87,005	20.38	1.85
Scotty Group plc	SCO	AIM	www.scottgroup.com	\$0.03	\$8,091	\$12,724	1,010,647	\$30,319	(3.00)	2.38
Securitas	SECUB	ST	www.securitasgroup.com	\$14.93	\$8,540,627	\$8,881,684	376,165	\$5,616,143	43.91	0.63
Sirit	SI	TSX	www.sirit.com	\$0.23	\$14,887	\$19,688	145,536	\$33,473	(3.83)	1.70
Visual Defence	VDI	LSE	www.visualdefence.com	\$0.34	\$5,407	\$18,104	70,454	\$23,954	4.25	1.32

INDICES ACROSS THE WORLD



D is the Australian Index All Ordinaries, OMX is the OMXS30, N100 is the Euronext Exchange, GSPTSE is the Canadian Index S&P/TSX Composite, and FTSE 100 is the UK Index FTSE 100

products including locks, automatic and security doors, and time recording and enterprise data collection systems.

EURONEXT BRUSSELS STOCK EXCHANGE

The Brussels Stock Exchange (BRU) was founded by Napoleonic decree in 1801. In 2000 it merged with the Paris and Amsterdam stock exchanges and was named **Euronext Brussels**. As of **January 2006, companies on the Euronext had a market capitalization of 2.9 trillion, making it the largest exchange in the world**. All companies traded on the Euronext are listed on their home markets, but their shares are traded on a single platform that spans all participating countries. Euronext further went on to merge with NYSE Group to form NYSE Euronext, the first global exchange. Euronext currently has over 1,400 listed companies.

Highlighted company traded on the Euronext Brussels:

Bekaert (BEKB) specializes in advanced metal transformation, materials and coatings, and develops an array of high-tech products including secure fencing systems.

STOCKHOLM STOCK EXCHANGE

The Stockholm Stock Exchange (ST) was founded in 1863 and is part of the Nordic Exchange which is operated by OMX, a Swedish-Finnish financial services company. The Nordic Exchange consists of the exchanges in Copenhagen, Stockholm, Helsinki, Iceland, Rallinn, Riga and Vilnius and offers access to 80% of the exchange trading in the Nordic and Baltic countries. Its

are admitted as secondary listings.

Highlighted company traded on the BE:

Kaba Holding AG (KABN) specializes in access control

owner, OMX was the result of a merger of the Stockholm Stock Exchange and OM, with subsequent additional mergers of Helsinki, Copenhagen, and Iceland. OMX Nordic Exchange includes 712 listed companies with a total market capitalization of 930 EUR billion.

Highlighted companies traded on the OMX Stockholm:

Assa Abloy (ASSAB) is a provider of access control including locks and door opening solutions.

A nice upward trend can be seen across all exchanges. The most growth can be found in the Nordic, Australian, and German exchanges.

in 1852 and is the third largest exchange in North America (behind the NASDAQ and NYSE) and seventh in the world. It falls under the umbrella of the TSX Group which also owns and operates the TSX Venture Exchange, NGX (a market for the trading and clearing of natural gas and electricity contracts), and Shorcan, Canada's first inter-dealer broker. It currently lists more than 1,500 companies.

Highlighted companies traded on the TSX:

Allen-Vanguard (VRS) offers proprietary counter-terrorist equipment systems for defeating and mitigating terrorist devices.

Bioscrypt (BYT) is a physical and logical access control company that specializes in biometrics.

March Networks (MN) provides digital video and data applications for security surveillance, monitoring and analysis.

Sirit (SI) designs and develops Radio Frequency Identification (RFID) technology.

Contact Sokoloff & Company

Please contact **Mark Schwartz, Managing Director** New Business Development, for a confidential consultation about your company's merger and acquisition needs.
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This notice appears as a matter of record only.

NATIONAL
Network Services

Has been acquired by

RED HAWK
INDUSTRIES

The undersigned advised National Network Services.

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Axis Communications AB (AXIS) supplies network video solutions for remote monitoring, security surveillance and broadcasting.

Ericsson (ERICA) is a maker of defense electronics, wireless telecom infrastructure equipment, and software for mobile messaging and commerce.

Securitas (SECUB) specializes in guards, electronic surveillance, verification and reaction, consulting and investigations.

TORONTO STOCK EXCHANGE

Toronto Stock Exchange (TSX) was formed

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While at our website, surf around. There's plenty of useful information, including our archive of M&A Transaction Case Histories.

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

SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC SECURITY COMPANIES

Q1 2007 Reports and May 16, 2007 Closing Prices

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. Comparative values for each company are expressed as: **EVS**, which is Enterprise Value divided by Sales and **P/E**, Price to Earnings (market cap divided by earnings). **EVM** is Enterprise Value divided by EBITDA (Earnings Before 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. The 1st Q 07 percentage column is the increase from 1st Q 06. Changed from previous list: Safenet (SFNT) was acquired by Vector Capital. Directed Electronics (DEIX) has been added.

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Current Rank	Previous Rank	Company	Symbol	Price 5/16/2007	52 Week Range	Market Cap 5/16/2007	(000s)				(000s)		1st Q 07 Incr/Dscr	EVS	P/E	EVM
							2004 Revenue	2005 Revenue	2006 Revenue	1st Q 06 Revenue	1st Q 07 Revenue					
1	3	L-1 Identity Solutions Inc.	ID	19.28	12.40 - 20.65	1,405B	67,466	66,224	164,400	23,438	70,000	198.7%	8.95	N/A	65.66	
2	1	Cogent, Inc.	COGI	13.95	10.10 - 16.60	1,325B	87,888	159,889	101,700	22,731	30,107	32.4%	8.03	45.89	24.62	
3	2	Taser Corp.	TASR	9.33	6.86 - 10.25	578,966M	67,640	47,694	67,700	13,894	15,302	10.1%	7.84	N/A	40.94	
4	4	Fir Systems, Inc.	FLIR	40.45	6.06 - 9.48	2,688B	482,651	508,561	575,000	117,339	161,363	37.5%	4.69	30.64	16.02	
5	6	Gentex Corporation	GNIX	18.31	12.74 - 19.35	2,615B	505,666	536,484	572,300	139,021	157,200	13.1%	3.85	23.78	13.69	
6	7	LaserCard Corp.	LCRD	10.11	9.40 - 19.50	119,655M	16,963	28,544	39,857	14,087	9,238	-34.4%	3.54	N/A	5.25	
7	8	Zebra Technologies Corp.	ZBRA	38.43	29.23 - 42.38	2,655B	663,054	702,271	759,524	175,814	208,576	18.6%	3.41	38.43	15.22	
8	5	Secure Computing Corp.	SCUR	7.59	4.82 - 9.77	510,311M	93,378	109,175	176,700	42,617	53,772	26.2%	3.20	N/A	123.38	
9	9	RAE Systems, Inc.	RAE	2.62	2.40 - 4.54	155,377M	45,540	60,293	67,986	12,426	17,987	44.8%	2.03	N/A	351.99	
10	10	First Advantage Corp.	FADV	22.42	17.91 - 26.90	1,325B	266,537	643,749	817,600	194,348	216,088	11.2%	1.92	19.68	9.10	
11	14	Napco Security Systems, Inc	NSSC	6.14	4.50 - 10.95	123,365M	58,093	65,229	69,548	17,085	15,566	-8.9%	1.88	21.47	11.64	
12	10	Tyco International	TYC	32.32	24.97 - 33.29	64,075B	40,153,000	39,727,000	40,960,000	10,087,000	10,838,000	7.4%	1.66	17.56	8.68	
13	13	Megal Security Systems Ltd.	MAGS	10.53	8.51 - 12.00	109,456M	60,974	61,282	66,900	13,472	15,053	11.7%	1.58	113.23	N/A	
14	20	Honeywell	HON	58.14	35.53 - 69.37	45,338B	25,601,000	27,653,000	31,300,000	7,241,000	8,041,000	11.0%	1.55	21.88	10.70	
15	15	United Technologies Corp.	UTX	68.48	57.45 - 69.49	68,108B	37,445,000	42,725,000	47,829,000	10,615,000	12,278,000	15.7%	1.52	18.13	10.24	
16	16	DRS Technologies, Inc.	DRS	50	35.83 - 66.50	2,038B	1,308,600	1,308,600	1,735,532	645,700	798,900	23.7%	1.47	17.96	10.21	
17	18	Ingersoll Rand	IR	85.16	34.95 - 51.14	15,095B	9,393,600	10,546,900	11,400,000	2,523,200	2,668,100	5.7%	1.45	15.61	10.50	
18	21	Armor Holdings, Inc.	AH	85.16	49.85 - 87.75	3,035B	979,883	1,636,930	2,360,884	445,440	889,189	99.6%	1.38	24.58	11.77	
19	19	The Stanley Works	SWKS	59.66	41.60 - 61.26	4,975B	3,043,400	3,285,300	4,018,600	966,700	1,062,100	9.6%	1.36	17.25	8.88	
20	17	The Geo Group	GEO	49.6	20.81 - 53.70	1,255B	614,548	612,900	860,882	185,881	237,000	27.5%	1.32	29.52	10.21	
21	New	Directed Electronics	DEIX	8.98	8.25 - 16.77	226,299M	189,869	304,558	437,778	74,301	77,933	4.9%	1.23	11.05	9.69	
22	11	ActivIdentity Corp.	ACTI	4.46	3.79 - 5.69	203,477M	26,910	42,156	53,375	11,092	14,884	34.2%	1.23	N/A	-7.51	
23	22	L-3 Communications Holdings	LLL	94.3	66.50 - 95.67	11,808B	6,896,997	9,444,700	12,480,000	2,903,800	3,300,000	13.6%	1.23	21.54	10.54	
24	23	Diebold	DBD	48.51	36.93 - 50.25	3,198B	2,360,910	2,587,049	2,910,000	623,691	628,444	0.8%	1.21	37.49	12.81	
25	27	Checkpoint Systems, Inc	CKP	23.39	15.37 - 25.42	920,966M	778,679	717,992	687,775	139,993	171,202	22.3%	1.10	23.94	10.06	
26	24	Lockheed Martin Corp.	LMT	99.64	69.87 - 103.50	41,588B	35,526,000	37,213,000	39,620,000	9,214,000	9,275,000	0.7%	1.08	16.46	9.28	
27	25	Brinks Company	BCCQ	65.64	51.17 - 68.47	3,188B	247,069	385,041	452,686	108,092	126,498	13.2%	1.08	14.72	8.11	
28	28	OSI Systems	OSIS	28.1	16.60 - 29.80	477,144M	247,069	385,041	452,686	108,092	126,498	17.0%	0.99	N/A	23.29	
29	29	Northrop Grumman Holdings	NOC	76.83	61.51 - 76.90	26,515B	29,853,000	30,067,000	30,148,000	7,184,000	7,344,000	2.2%	0.98	26.23	9.05	
30	30	Siemens AG	SI	120.39	76.51 - 126.03	107,908B	92,688,428	90,896,136	110,797,960	25,366,000	27,805,000	9.6%	0.98	26.23	11.49	
31	26	ManTech International	MANI	32.7	25.75 - 38.04	1,115B	842,422	980,290	1,137,000	275,306	294,265	6.9%	0.92	21.56	10.03	
32	33	FirstService	FSRV	32.96	21.81 - 32.35	983,633M	441,333	651,376	1,068,134	247,947	320,744	29.4%	0.81	14.95	9.47	
33	32	Johnson Controls	JCI	109.53	66.75 - 110.87	21,615B	26,553,400	27,479,400	32,235,000	8,167,400	8,492,000	4.0%	0.78	19.94	10.61	
34	31	Henry Bros Electronics	HBE	4.05	3.20 - 6.42	23,688M	29,726	42,156	42,204	9,155	No report	N/A	0.62	N/A	-39.71	
35	34	URS Corporation	URS	46.6	36.46 - 48.87	2,477B	3,381,963	3,917,565	4,240,150	988,149	1,135,600	13.8%	0.56	21.3	8.67	
36	35	CompuDyne Corporation	CDCY	5.11	4.88 - 8.79	43,111M	142,782	141,650	147,462	40,470	31,100	-23.2%	0.46	N/A	10.32	
37	36	Richardson Electronics, Ltd.	RELL	9.32	6.52 - 10.30	152,505M	520,069	578,724	637,940	152,128	160,141	5.3%	0.40	N/A	9.65	
							326,172,138	338,482,818	369,839,577	89,679,317	97,710,872	Quarterly Growth	EVS	P/E	EVM	
		Total	Index	1462.04	Growth over previous period:		12.0%	3.8%	13.4%	Average	9.0%	19.89%	2.12	26.00	24.00	
		No report			Growth not yet announced their Q1 Results					Median		12.4%	1.38	21.47	10.28	

* Companies are ranked according to EVS. Enterprise Value to Sales is calculated by dividing the Enterprise Value by trailing twelve month revenues.



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