

COMMERCIAL & SYSTEMS INTEGRATORS



BRIEFS

Adesta earns SAFETY Act approval

OMAHA, Neb.—Adesta, a systems integrator and project management company working in security and communications, announced this week that its Physical and Electronic Security Solutions Services have earned certification and designation as a qualified anti-terrorism technology under the SAFETY Act of 2002. The Act was passed following the terrorist attacks of Sept. 11, 2001, and protects designees from liability as a result of future terrorist acts. The intent was to prevent security companies from exiting the market as a result of excessive concern over potentially very large lawsuit settlements.

Adesta specializes in critical infrastructure protection. The protections offered by the SAFETY Act, including a presumption of immunity from liability in certain circumstances, extends to Adesta's customers and are retroactive to Aug. 1, 2002. Adesta joins Lockheed Martin, Unisys, Northrop Grumman, Securitas Systems and Boeing as the first security system integrators to earn SAFETY Act designation and certification.

National Guardian gains Eagle Security

NORWALK, Conn.—National Guardian, a growing integrator looking to expand its national accounts business, announced this week the acquisition of Eagle Security, based in St. Louis. Terms of the deal were not announced, but Eagle brings 1,600 accounts of its own, and another 6,000 accounts it monitors on a third-party basis.

This marks the fifth acquisition National Guardian has made this year, as it goes about diversifying its geographic presence. In January of 2006, National acquired Corporate Security Management of Florida and Strong Alarm of Kansas City, Mo. In May, the company purchased TVR Service Systems & Engineering, of Auburn, Calif., and in September the company acquired Professional Security Monitoring of New York.

Bob Levy, who sold Eagle Security to National Guardian, will remain with the company as general manager of operations for the St. Louis area.

Davis Marketing Group served as intermediary for the transaction.

Vector grows by three in Mid-Atlantic

By L. Samuel Pfeifle, editor

PLYMOUTH MEETING, Pa.—Vector Security, poised to become the largest privately owned commercial/residential alarm company with the pending sale of HSM to Stanley Works, announced in December the completion of three acquisitions. The largest of the three comprises two companies, Security Concepts and National Alarm, based in Harrisonburg and Charlottesville, Va., respectively, and owned by Ron Smullen, who will join Vector going forward.

Vector also purchased Custom Security, of Columbus, Ohio, from Andy Conti, who will become Vector's Columbus-area manager of sales and operations, and WiredUp, of Williamsburg, Va., from Matt Krudziolek, who will continue to manage the office for Vector.

Terms of the deals were not released. In total, the acquisitions

bring more than 35 new employees and two new branch offices to Vector in the growing Charlottesville and Williamsburg, Va., areas. They also complete a 2006 that saw the company make six purchases.



Vince DiValerio

"We've had a pretty good year," said Vince DiValerio, Vector's vice president of acquisitions. He said the year followed their acquisitions growth plan and compared favorably with the previous couple of years, "where things were a little bit slower." DiValerio said the market has heated up this year in terms of higher multiples being paid, which has attracted the attention of potential sellers. "We took advantage of that," he said. "We were in the buying mode."

He admitted that rising multiples make acquisitions more expensive, but "it also makes it more attractive to sellers, from

a timing standpoint, to move forward with a sale. A few years ago, it didn't behoove the seller to sell low. As the multiples began to climb, that brought some of the sellers out from the behind the bushes."

Ron Schall, district vice president for the Richmond, Va., area, said the Security Concepts/National Alarm buy opens a key Charlottesville market for Vector, which was considering opening an office there anyway, and "helps spread us west so we can look into more western and southwest Virginia opportunities."

Also of interest is WiredUp's traditional focus on high-end home audio, an area Vector vice president of marketing Dave Merrick said the company is actively exploring. "Everything now is about staying home and having conveniences," he said. "Now we're stepping into that high-end market, with everything from blind controls to plasma TVs, a whole new side of the A/V division." **SSN**

ISI is first piece of Argyle Security

Holding company fulfills objectives with integrator purchase

By L. Samuel Pfeifle, editor

SAN ANTONIO—Argyle Security Acquisition Corporation, a public special-purpose acquisition company, announced in December the purchase of ISI Detention Contracting Group, which does business as ISI Security Group and performs electronic security integration in the commercial and detention markets. ISI will continue as a wholly owned subsidiary of Argyle, and ISI stockholders will receive \$16.3 million and 1.18 million shares of Argyle Security. Argyle will also assume \$6 million in ISI debt. The total deal represents roughly \$30 million.

For the nine-month period ending Sept. 30, 2006, ISI generated \$41.2 million in revenue and \$4.1 million EBITDA.

Following stockholder approval, Bob Marbut will continue as chairman and co-chief executive officer of Argyle, Ron Chaimovski will continue as vice-chairman and co-chief executive officer of Argyle, and Sam Youngblood will continue as chief executive officer of ISI. All other key executives at ISI will remain, as well.

"This we hope will be

the first of several strategic transactions," said Marbut.

Youngblood said ISI started out in corrections, "keeping people in," and grew into commercial security with the 2000 acquisition of Metroplex Control Systems, based in Dallas. Now, ISI has offices in Denver, Houston, Austin, Dallas and San Antonio, with revenue coming equally from corrections and electronic security, along with about 15 to 18 percent of the business in fire alarm work. **SSN**



Sam Youngblood

ASG acquires Accutech Systems

By Martha Entwistle, managing editor

BELTSVILLE, Md.—Making good on his autumn prediction that ASG Security would be at \$2.5 million in RMR by year's end, ASG chief executive Joe Nuccio on Dec. 26 announced the acquisition of integrator Accutech Systems of Rockville, Md.

"Our plan to grow the organization and leverage our current facilities and infrastructure in the Washington-Baltimore market came together with this

acquisition," Nuccio said. ASG is a super-regional security company with operations in the Mid-Atlantic region and Texas.

Accutech brings with it \$200,000 in RMR, \$5 million in annual installation revenue and 900 customers. Former owner Tim Miller and all 45 Accutech employees will stay on. Miller will assume the role of vice president of government and commercial sales.

Les Gold and Tony Adler at Mitchell, Silberberg & Knupp

represented Accutech in the deal.

Accutech's business is 90 percent commercial and the company specializes in government work. Adding a systems integrator with a heavy government emphasis complements the "existing ASG branch in Washington-Baltimore, which does \$290,000 in RMR and is 60 percent commercial," Nuccio said.

Miller founded Accutech *See ASG-Accutech on page 18*

InterTECH buys E-Quip

By L. Samuel Pfeifle, editor

WARRENDALE, Pa.—InterTECH, a privately held security systems integrator based here, announced this week the acquisition of E-Quip, an integrator based in Frederick, Md. Terms of the deal were not released, but InterTECH vice president of sales and marketing Matt Petnuch said E-Quip completed roughly 400 projects last year, working largely in the financial, municipal and correctional verticals.

Added to InterTECH's 1,000 completed projects, the two integrators' combined revenues for 2006 approached \$19 million, he said. Petnuch also reported 30 percent growth for InterTECH in 2006. E-Quip's 30 employees will be added, in total, to InterTECH's 115, "and we're actively looking to hire." E-Quip founder Robert Cannon, who started the company in 1994, will remain as vice president of sales and marketing for InterTECH Maryland.

"What attracted us to [E-Quip] was really two-fold," said Petnuch. "Their basic business philosophy is very similar to ours, focusing on the customer, and second was the office in Frederick. Plus, their primary markets were ... areas we have not been active in, and that will help us grow our product offering." He said InterTECH's Frederick office, which opened in the fall of 2005, will move into the former E-Quip offices, and InterTECH expects to grow quickly in the Baltimore/Washington area.

InterTECH, which merged with Lifelink Security and Premier Security in late 2005, is actively pursuing other acquisitions. "We'll work with companies that have a similar philosophy to ours. We want to be innovative, on the cutting edge of technology, and utilize that technology to help our customers solve their problems. And companies that are committed to their employees—we want them to know that this is a place where they can grow, too."

InterTECH is nearing completion of a new monitoring center that will have the capacity to serve roughly 50,000 accounts. Petnuch said it should be operational by the end of the first quarter. **SSN**

Stanley Works buys HSM

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have been difficult before. Because of single-digit operating margins, resulting from revenue generated almost exclusively from installation projects, the integration portion of the business was growing at only three percent annually. However, thanks to HSM's roughly \$100 million commercial alarm monitoring business, and therefore recurring monthly revenue, electronic security will be a higher margin and scalable business for Stanley going forward.

HSM chief executive officer Jim Covert will leave the company and retire to New Zealand, according to Lundgren. Chief operating officer Tim Whall and chief technology officer Don Young will join Stanley Security Solutions.

The purchase price sent ripples through the security industry. Even Stanley executive vice president and chief financial officer Jim Lerie said, "these are not insignificant multiples," but, he said also, "this is an excellent business." That is a sentiment shared by many industry observers.

"Look at what's available in the market today," said Sandra Jones, head of consultant group Sandra Jones & Co. Buying HSM is "like buying the Hope

Diamond, a one of a kind thing, and so it becomes much more valuable ... You're better off paying a high multiple for a good company than less for a company built on smoke and mirrors."

Jones singled out Tim Whall as one of the best executives in the industry.

Les Gold, a lawyer with Mitchell, Silberberg & Knupp who brought Stanley and HSM together roughly a year ago, echoed Jones's praise of Whall: "He's just as good as they come."

As for the price, Gold didn't find it high. "Four or five years from now, they're going to say the price they paid was more than reasonable. It's not the multiple you should look at, it's whether the price was fair. I think it was."

GTCR Golder Rauer and Jim Covert purchased HSM from Honeywell for \$315.4 million in 2004, meaning they increased the company's value by \$230 million, or 73 percent, in a little more than two years. With annual revenues of \$200 million, 250 sales representatives, and a total of 1150 employees, HSM represented the fourth largest electronic security company in the United States at the time of the announcement. **SSN**

ASG-Accutech

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Systems in 1987. Government work accounts for more than 40 percent of Accutech's current business.

Miller said he's recently had to turn away jobs, and teaming up with ASG will mean more business for the new entity. Accutech Systems will continue to operate under this name and will remain at its current Rockville location for the immediate future, Nuccio said.

While ASG does quite a bit of municipal government work in all regions, said Bob Ryan, ASG vice president of sales and marketing, its federal government work is concentrated in South Texas. ASG's McAllen, Texas, subsidiary Argus Security Systems, is "the dominant player in the Rio Grande. We do a lot of border patrol ... GSA and immigration department work and we have a pretty robust list of blue chip accounts down there."

Compared to working in a commercial environment, the skill set necessary for working in the government space is "not much different," said Les Gold. "Security is security ... but dealing with government regulations and contractor [requirements] is a special skill. If you don't have it, it's very hard to break in."

Accutech has a GSA schedule, but ASG will still have to qualify for a GSA schedule, he noted. However, with help from Accutech's management, ASG will have a much easier time qualifying, Gold predicted. **SSN**

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