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NewsWire

May 18, 2006

ASG asks IASG to reconsider company combination offer

By Martha Entwistle

BELTSVILLE, Md.--Alarm Services Group president Joe Nuccio on May 17 sent a letter to the Special Committee of the Board of Directors of Integrated Alarm Services Group asking the holding company to reconsider its decision not to combine with ASG.

According to the letter, ASG presented a proposal to the Albany-based holding company, which owns monitoring giant Criticom, two months ago that ASG said "maximizes value and limits risk for IASG's shareholders."

It said the proposal "contemplated a negotiated transaction in which IASG shareholders would receive \$3.60 in cash, plus stock representing as much as 20 percent of the combined surviving entity (which we believe should result in a premium to IASG shareholders of 25 percent or more)."

The letter said ASG's biggest concern "continues to be the value that is being lost as a result of the ongoing deterioration of IASG's business ... [as evidenced in 1Q results which showed] retail RMR decreased by \$200,000 and wholesale RMR decreased by \$100,000 (Retail RMR of \$4.8 million as of Dec. 31, 2005 vs. \$4.6 million as of March 31, 2006 and wholesale RMR of 3.1 as of Dec. 31, 2005 to \$3.0 million as of March 31, 2006)."

The letter said that further deterioration of shareholder value would make IASG "less desirable to ASG and other potential suitors." The letter notes that, as a full-service alarm company operating mainly in the Mid-Atlantic region and Texas, ASG has closed and integrated 26 acquisitions, has a large performing customer base, low attrition rates and an operation center with economically feasible account replacement costs. It says that ASG would like to begin its due diligence process immediately, that it has the "strong support of our financing partners," and remains "very interested in negotiating a transaction with you on the basis we have discussed and that is outlined above."

It further notes that the offer is not intended to be an offer for IASG's outstanding securities, a solicitation of proxies or an offer of ASG's securities, and asks the committee to call its investment banker, Bill Strome of Friedman Billings Ramsey.

In the meantime, IASG had no public statement as of May 17 about a report from Allen and Company, consultants hired to make a recommendation on whether the company should be sold or merged, except to say that Allen and Co. were expected to present their findings "in very short order," Joseph Reinhart who handles IASG's investor relations, said on May 17.

"There is nothing to report at this time," he said. "The work of Allen and Company will be reported to the board [and after a review] they will report what they see fit, from the report to the public."

During a May 11 conference call, John Mabry, who will assume the IASG chairmanship on June 1, said the company expected to hear from the consultants, Allen and Company of New York City, within the next few days, the Albany Times Union reported.

The conference call was convened to discuss first quarter financial results, which were released May 10.

The company reported \$24.1 million in revenue compared to \$24.5 for the first quarter of 2005. The company had a first quarter net loss of \$3.4 million compared to \$2.58 million for the same period in 2005.

IASG's attrition rate, at 10.6 percent was lower than its previous four quarters, which, in the last year, were between 10.9 percent (in 1Q 2005) and 17.8 percent (in 3Q 2005).

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