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**HOMELAND SECURITY SECTOR REPORT
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CRONUS CAPITAL MARKETS

Homeland Security Sector Report

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Introduction to Homeland Security

Note: The prior Homeland Security Sector report provides a detailed introduction to the US Homeland security agencies and their background and functions. I don't want to repeat all the information here, but to provide some updated material and a general overview of the sector and agencies. Please see the prior reports to form create a complete background. Portions of the following material incorporated below are from the prior work created by Ryan Fuhrmann, CFA.

Homeland Security, as defined by the National Strategy for Homeland Securityⁱ (“the Strategy”), is as follows:

“Homeland Security is a concerted national effort to prevent terrorist attacks within the United States, reduce America’s vulnerability to terrorism, and minimize the damage and recover from attacks that do occur.”

The system currently uses a set of color codes to define the threat status: red/orange/yellow/green. These colors represent the probability of a near-term terrorist attack. This is an exceedingly complex topic to define and understand. It involves efforts both at home and abroad and demands a range of government and private sector capabilities as well as a coordinated and focused effort from different entities that have not historically been compelled to focus on security efforts. The Strategy established three objectives based on the definition of Homeland Security as previously stated:

1. Prevent terrorist attacks within the United States;
2. Reduce America’s vulnerability to terrorism;
3. Minimize the damage and recover from attacks that do occur.

The events of 9/11 have had a profound effect on the way in which our country views national security. Since that time, federal, state, and local law enforcement agencies have been thrown onto the national stage and subjected to redefined and newly evolving roles. According to the Strategy, they should now ‘assign priority to preventing and interdicting terrorist activity within the United States.’ⁱⁱ

National Strategy

The events of 9/11 changed the way America deals with terrorism and domestic attacks by small-organized groups. Prior to 9/11 each agency and law enforcement agency acted alone, with little cooperation or information sharing between agencies. Most terrorist acts were treated as law enforcement matters, with main jurisdiction being either the local authority the FBI.

Prior to 9/11, our security institutions were designed to fight and win the Cold War. As we all know, the cold war is over; we ‘won’ that one. But, we did not change our security institutions to reflect our victory. [The 9/11 Commission Report](#) outlined several changes they felt were important in the restructuring of our institutions to deal with these new threats:

- unifying strategic intelligence and operational planning against Islamist terrorists across the foreign-domestic divide with a National Counterterrorism Center;
- unifying the intelligence community with a new National Intelligence Director;
- unifying the many participants in the counterterrorism effort and their knowledge in a network-based information sharing system that transcends traditional governmental boundaries;
- unifying and strengthening congressional oversight to improve quality and accountability; and — strengthening the FBI and homeland defenders.

Many of these changes were under way as the Bush Administration moved quickly to consolidate the functions of national security into one agency – the Department of Homeland Security (“the Department”).

On November 26, 2002, after months of negotiations and political wrangling, the agency became official as President Bush signed legislation approving the largest reorganization in the U.S. government since the creation of the Department of Defense in the 1940's. Tom Ridge, a former governor of Pennsylvania, became its first head. The new entity consolidated an estimated 22 former agencies and 180,000 employees into one department. Additionally, resources committed increased three fold (see below for further budgetary details). Since September 11, there have been no additional significant terrorist tragedies within U.S. borders. The Bush Administration has announced numerous advances from its initiatives, including the arrest or death of approximately 75% of senior al Qaeda officials, the capture of an estimated 4,000 terrorist 'operatives' globally, and the capture of roughly \$140 million in terrorist funds throughout the world.ⁱⁱⁱ

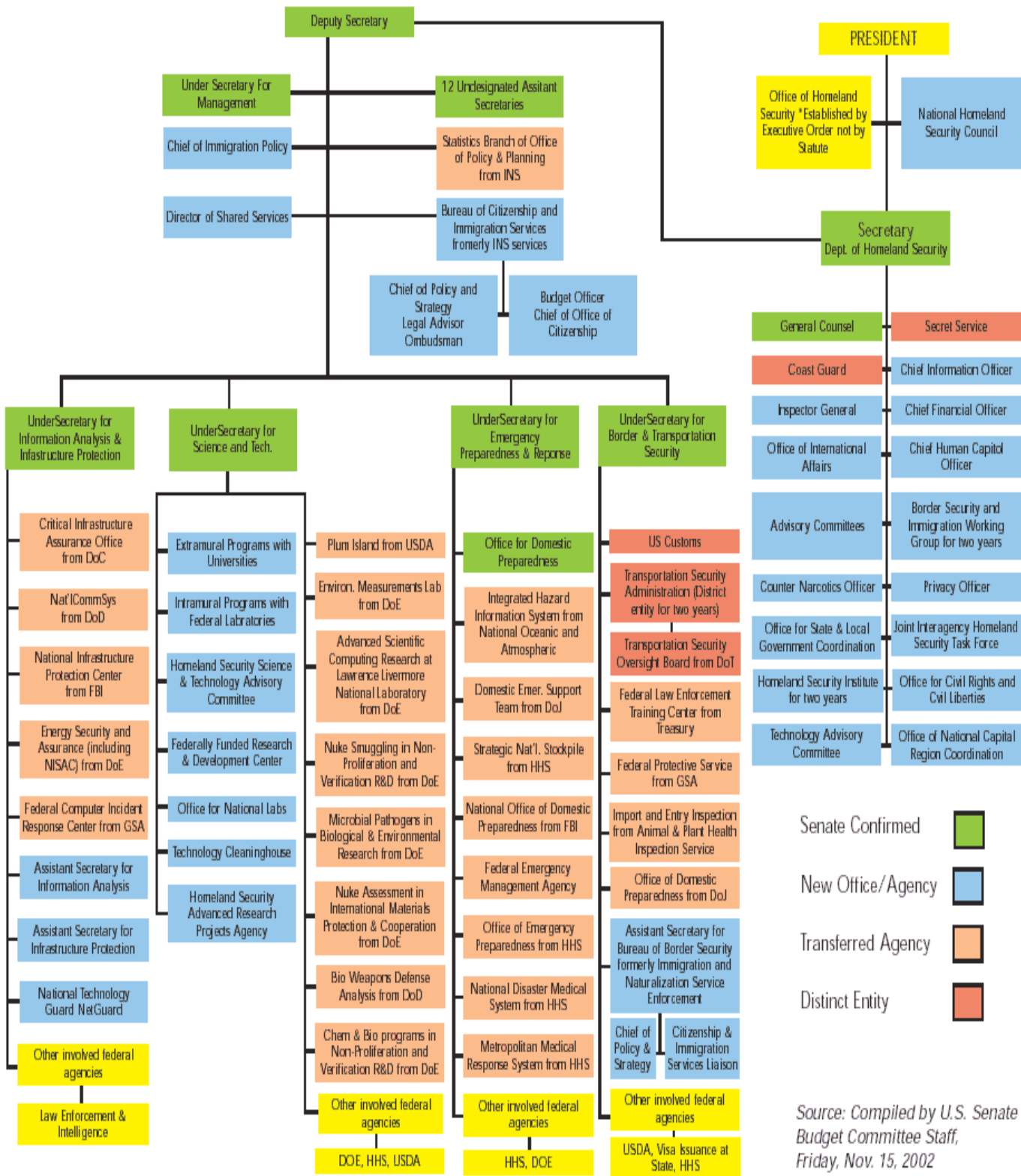
In July 2004, [The 9/11 Commission Report](#)^{iv} was released. This document was a final report compiled by the National Commission on Terrorist Attacks upon the United States; it offered a detailed history of developments pre- and post-9/11 and also offered its interpretations of certain failures or systemic flaws in U.S. national security that could have possibly prevented such an attack. The report cited operational failures, such as a lack of information sharing between agencies (e.g. the inability of the FBI to effectively compile data from its field agents to assist with national priorities, or that one hijacker had links to attacks on the battleship USS Cole), problems at the CIA and FBI regarding very decentralized organizations that inhibited information gathering, 'permeable borders' and weak immigration controls (e.g. false documents, incomplete watch lists, 'permeable aviation security' that led to the use of U.S. planes as weapons against its citizens), and the fact that U.S. banks and financial institutions were used to funnel resources to terrorists living within U.S. borders. Currently, there are a number of initiatives and improvements to Homeland Security that are being undertaken by public and private organizations to address systemic security failures.

In the first quarter of 2005, [Michael Chertoff](#)^v was chosen to head the Department of Homeland Security. In a recent interview with [BusinessWeek](#)^{vi}, Mr. Chertoff highlighted his ambition to make the private sector more accountable for defending the nation against terrorist attacks and to act as a first responder should such attacks occur. With the exception of the airline industry that has received and will continue to receive attention, other industries are expected to face increased scrutiny. Mr. Chertoff ordered a sixty-day review of the agency to realign priorities and strategies. His focus has been on a cost-benefit study of Homeland Security and to ensure that major security threats are properly being addressed.

In July 2005 Mr. Chertoff announced reorganization to the Department.^{vii} He announced a number of changes intended to allow the Department to evolve from its 2002 creation and remove bureaucratic inefficiencies and increase 'nimbleness' and focus more closely on higher probability events. Mr. Chertoff announced other changes as well such as by adding a Chief Intelligence Officer.

Government Agencies and Initiatives

Below is an [organizational chart](#) detailing the hierarchy for the Department^{viii}:



Source: Compiled by U.S. Senate Budget Committee Staff, Friday, Nov. 15, 2002

Source: <http://www.govexec.com/homeland/HSchart.htm>

A number of major agencies were consolidated under the umbrella of the Department of Homeland Security. Major agencies centralized into the Department include the Department of Immigration and Naturalization Services (INS), U.S. Customs Services, U.S. Coast Guard, and the Transportation Security Agency (TSA). This was seen as necessary from the standpoint of having a more unified front to respond to threats and attacks. For instance, before government agencies were realigned, it was estimated that twelve different federal agencies could have responded to a chemical or biological attack.^{ix}

Private Sector Opportunities

Where there is a need, there is an opportunity. There is definitely a need to protect the general public from the indiscriminate killing that is an integral part of terrorism. This need is not limited to the US; other countries have been dealing with this problem for years.

Companies such as BlastGard have stepped up to the plate with innovative products that assist in containing the effects of explosive devices. Other areas of investment include Identification products, surveillance and monitoring systems. Companies such as RSA Security help to provide private and secure communications that are essential not only for government agencies, but also inter-corporate communications, perhaps an email from a airline executive to operations personnel.

New cost effective methods of crowd control and large area security is taking place with new craft, such as the SparrowHawk produced by Groen Brothers. These slow moving, versatile craft give law enforcement a birds eye view.

Other software companies have produced products that can take the images of surveillance cameras and traffic videos, cross-reference them with facial image and license databases and provide warnings to law enforcement personnel that additional investigation. may be warranted.

All of these technologies will require the further development and expansion of ‘social restrictions’ to alleviate public concerns against a ‘big brother’ environment. A balance must be struck and maintained between safety and privacy.

Sector/Macro Overview

Homeland Security – Here and Abroad

Mention the Homeland Security market and people tend to think of only ‘their’ homeland. But, this ignores not only the point of view of other nation’s but also security concerns that may originate in other countries (for example, a bomb or other destructive device that is smuggled into containers or vehicles bound for the US). Perhaps the best example would be Israel. They have been dealing with Homeland Security since the country came into being decades ago.

As a result, there are many Israeli companies that have experience dealing with the problems inherent in this industry. That is not to say their methods or products are better. BlastGard seems to have a better product than its main Israeli competitor. However, it does expand the market for the products produced by the companies in this report.

Technology itself is neither good nor bad; both the ‘good guys’ and the ‘bad guys’ can utilize it. One company set to tip the scales in favor of the ‘good guys’ is RSA, Inc. Most people already use RSA’s products without realizing it... it is incorporated into the security system web browsers utilize to make secure connections between individual users and financial institutions.

Unfortunately, some easy to obtain technology can be misused. Disposable cell phones can be untraceable. Once purchased with cash, and loaded with minutes the owners are unknown. These phones are known to be widely used by criminal gangs and terrorist. Terrorists used these phones to detonate the train bomb in Madrid, Spain in 2004.

The actions in other countries is not limited to trying to smuggle weapons in to the US. Many 'Jihadists' feel that one way to harm the US would be to attack undefended areas of the Saudi Arabian oil pipeline.

Postings highlighted by the SITE Institute taken from password protected areas of Al Qaeda associated websites discuss the ways and means to destroy the pipeline. The correspondents theorize on the effects on the US and its economy.

Clearly, Homeland Security is taking on a more global viewpoint encompassing more than just Iraq and Afghanistan.

The Budget

The Homeland Security Department is a 'newbie' when it comes to governmental agencies. In the past couple of years there have been reports of funds being spent foolishly on things that really did not contribute or relate to homeland security. Things such as:

- \$100,000 to foreign law enforcement organizations in counterfeit investigations
- \$2,389,000 for forensic and related support of investigations of missing and exploited children
- \$5,500,000 for the investigations of missing and exploited children
- \$102,000 for promotion of public awareness of the child pornography tipline
- \$203,000 for Project Alert; a school-based drug prevention program for middle grade youth
- \$15,770,000 for enforcement of laws against forced child labor
- \$500,000 to continue steel tariff training

Source: TCS Daily: <http://www.tcsdaily.com/article.aspx?id=101905D>

There is pork in all government agencies and projects. I guess it is unavoidable in a democracy where the representatives are concerned with staying employed. However, you would think that as this agency 'matures' a bit, its budgeting process will become more rational and truly worthy projects will get the funding they need.

FY 2006 Department Budget

The current budget for the department, summarized below in this chart from the department website (http://www.dhs.gov/interweb/assetlibrary/Budget_BIB-FY2006.pdf) DHS adjusted the figures below to remove the BioShield (the project designed to develop and stock pile vaccines and drugs to fight biological terrorist agents) and other miscellaneous funding in an attempt to provide year to year comparable numbers.

The total adjusted budget is 6.63% higher than the 2005 budget, with the discretionary portion of the budget increasing 6.75%. Discretionary spending makes up the largest portion of the budget, at over \$34 billion making up 83% of total funds.

FISCAL YEAR 2006 BUDGET OVERVIEW

	FY 2004	FY 2005	FY 2006	FY2006 +/-
	Enacted ¹	Enacted ²	Pres. Budget	FY 2005
	\$000	\$000	\$000	\$000
Net Discretionary:	\$ 27,170,335	\$ 29,082,594	\$ 29,341,075	\$ 258,481
Discretionary Fees:	2,840,980	2,993,579	4,811,068	1,817,489
<i>Less rescission of prior year carryover: ³</i>	<i>(142,385)</i>	<i>(84,760)</i>	-	<i>84,760</i>
Gross Discretionary	29,868,930	31,991,413	34,152,143	2,160,730
Mandatory, Fee, Trust Funds: ¹	5,735,162	6,519,104	6,914,575	395,471
Total Budget Authority (excl. BioShield): ⁴	\$ 35,604,092	\$ 38,510,517	\$ 41,066,718	\$ 2,556,201
Project BioShield:	884,749	2,507,776	n/a	(2,507,776)

1/ FY 2004 includes an across the board rescission of .59% pursuant to P.L. 108-199 (additional rescission of Disaster Relief supplemental funds is not included). Supplemental funding has not been included from P.L. 108-303 (\$1.970 billion for Disaster Relief) and supplemental funding from P.L. 108-106 (\$500 million for Disaster Relief; \$80 million transfer to USCG; \$23.183 million for USCG Hurricane Isabel relief). For comparability purposes the Strategic National Stockpile, which was transferred out of EP&R in FY 2005, had been excluded (\$397.640 million). FY 2004 levels for fee accounts reflect actual collection.

2/ FY 2005 includes a .80% across the board rescission pursuant to P.L. 108-447 (applicable to BioShield funding). Supplemental funding has not been included from P.L. 108-324 (\$6.5 billion for Hurricane Disaster Relief; \$33.367 million for USCG Hurricane relief.)

3/ Reflects scorekeeping adjustment for rescission of prior year carryover funds: FY 2004 enacted rescission of unobligated balances from FY 2003 Wartime Supplemental Appropriation P.L. 108-199 for ICE (\$54 million), EP&R (\$3 million) and USCG (\$71 million) and P.L. 108-07 for USCG (\$14.385 million); FY 2005 enacted rescission of unobligated balances from FY 2003 Wartime Supplemental Appropriation (P.L. 108-199) for CBP (\$63 million), EP&R (\$5 million), and USSS (\$750 thousand), and unobligated balances from FY04 Homeland Security Appropriation (P.L. 108-90) for USCG (\$16 million).

4/ In order to obtain comparable totals, BioShield funding is excluded from total Budget Authority. Funds appropriated in FY 2005 are part of an advance appropriation available for obligation through FY 2008.

Detailed Budget

Below is a more detailed FY2006 budget, again from the same document cited for the prior chart.

US Coast Guard

Budget: \$8.1b

Percent of total DHS: 20%

As you can see from this chart (and the accompanying pie chart), the largest segment of the DHS budget is apportioned to the US Coast Guard.

The Guard, one of the five-armed US military forces falls under the direction of the DHS. This military force is tasked to provide a multi mission maritime service encompassing law enforcement, military, search and rescue, and the personal safety and security of the general population.

Groen Brothers Aviation, (report included below) is involved in a developing project that may fit into the USCG's search and rescue mission. GNBA is working with DARPA on a rotor equipped fixed wing craft that will have the ability to hover.

Customs and Border Patrol

Budget: \$6.7b

Percent of Total DHS: 16.8%

The Customs and Border Patrol (CBP) is the agency responsible for protecting the borders of the US and entry into the country from US air and maritime ports. This is a big job; the US Coastline equates to a 95,000

mile border across the country. Then there is the land borders with Canada (5,525 miles) and also a significant border with Mexico (1,989 miles).

The agency is responsible for controlling the legal entry of persons and cargo into the US. Most people seem to equate the DHS with this department since it seems to be the most visible in the struggle against illegal immigration and smuggling

These inspectors and agent's role includes the interdiction of contraband, including but not limited too, WMD, illegal or diseased plants and animals, and the export of stolen or other illegal exports. CBP agents are also stationed at overseas posts to screen and manage container ships traveling to US ports.

TOTAL BUDGET AUTHORITY BY ORGANIZATION
Gross Discretionary & Mandatory, Fees, Trust Funds
As of January 31, 2005

	FY 2004 Enacted 1	FY 2005 Enacted 2	FY 2006 President's Budget	FY 2006 +/- FY05 Enacted
	\$000	\$000	\$000	\$000
BTS Under Secretary	\$8,058	\$9,617	\$10,617	\$1,000
US-VISIT	328,053	340,000	-	(340,000)
Screening Coordination and Operations Office (SCO)	-	-	846,913	846,913
U.S. Customs & Border Protection	5,997,287	6,416,398	6,725,010	308,612
U.S. Immigration & Customs Enforcement	3,669,615	3,845,178	4,364,270	519,092
Transportation Security Administration	4,578,043	5,405,375	5,561,792	156,417
Federal Law Enforcement Training Center	191,643	222,357	223,998	1,641
U.S. Coast Guard	6,994,222	7,558,560	8,146,912	588,352
U.S. Secret Service	1,334,128	1,375,758	1,403,782	28,024
FEMA (EP&R Directorate) 4	4,671,782	5,038,256	5,365,288	327,032
U.S. Citizenship & Immigration Services	1,549,733	1,775,000	1,854,000	79,000
IAIP Directorate	834,348	893,708	873,245	(20,463)
S&T Directorate	912,751	1,115,450	1,368,446	252,996
SLGCP	4,192,120	3,984,846	3,564,756	(420,090)
Departmental Operations	394,435	524,457	664,672	140,215
Counter-Terrorism Fund	9,941	8,000	10,000	2,000
Inspector General	80,318	82,317	83,017	700
TOTAL:	\$35,746,477	\$38,595,277	\$41,066,718	\$2,471,441
Less Rescission of Prior Year Carryover Funds: 3	(142,385)	(84,760)	-	84,760
ADJUSTED TOTAL BUDGET AUTHORITY: 4	\$35,604,092	\$38,510,517	\$41,066,718	\$2,556,201
BIOSHIELD: 4	884,749	2,507,776	n/a	(2,507,776)

1/ FY 2004 includes an across the board rescission of .59% pursuant to P.L.108-199 (additional rescission of Disaster Relief supplemental funds is not included). Supplemental funding has not been included from P.L. 108-303 (\$1.970 billion for Disaster Relief) and supplemental funding from P.L. 108-106 (\$500 million for Disaster Relief; \$80 million transfer to USCG; \$23.183 million for USCG Hurricane Isabel relief.) For comparability purposes the Strategic National Stockpile, which was transferred out of EP&R in FY 2005, had been excluded (\$397.640 million). FY 2004 levels for fee accounts reflect actual collections.

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4/ In order to obtain comparable totals, BioShield funding is excluded from total Budget Authority. Funds appropriated in FY 2005 are part of an advance appropriation available for obligation through FY 2008.

Above chart from: Homeland Security Budget in Brief, 2006

Transportation Security Administration

Budget: \$5.56b

Percent of Total DHS: 13.5%

Not limited to inspecting air traveler's shoes, this agency fulfills the vital role of protecting our nation's air travelers. This agency's job is demanding; it must police an 'open port' commerce system to stop dangerous and illegal items / people from entering the country and yet must carry out this job description without hindering the 'open port' system to the point of shutting it down. All in all, these seem to be contradictory goals.

Technology, such as the Radiation Portal Monitor, made by SAI allows the screening of cargo and vehicles on a continuous basis as they enter the country. This continuous detection process allows the traffic and cargo to keep moving even as it is inspected for dangerous items.

Federal Emergency Management Administration

Budget: \$5.3b

Percent of Total DHS: 13%

FEMA, a much-maligned agency, is the government's response to disasters, whether caused by natural phenomenon or manmade, or terrorist attacks.

FEMA has been instrumental in assisting citizens survive and recover from four major hurricanes during 2004. The agency is developing other response systems, such as mobile medical treatment facilities that can be used to give aid in the event of a large-scale event that may overwhelm the community's existing facilities.

Other initiatives undertaken by the agency include increased support for the Nuclear Incident Response Team (NIRT), securing its data network with the Homeland Security Data Network program, and the National Pre-Disaster Mitigation Fund (grants to assist local governments to improve their infrastructure to lessen the impact of disasters).

US Immigration and Customs Enforcement (USICE)

Budget: \$4.3b

Percent of Total DHS: 11%

USICE is the investigative and enforcement portion of the DHS. This unit is responsible to detect vulnerabilities and prevent violations that affect national security.

Some activities of this agency are visible as Air Marshals, agents that travel the civil aviation system to avert hostile acts threatening the US air industry. Other activities include Detention and Removal of removable aliens by enforcing immigration laws.

Office of State and Local Coordination and Preparedness (SLGCP)

Budget: \$3.5b

Percent of Total DHS: 9%

Not as widely known as its counterparts, this is the lead agency responsible for assisting state, local, and tribal jurisdictions prepare for and prevent terrorist actions.

In existence before 2001, the agency expanded its role and scope after the attacks. It now is active in the training and ensuring that first responders are properly equipped to handle terror related incidents. First responders are generally classified as Firefighters, Police, and emergency medical providers.

Grants are apportioned by a terror risk based evaluation with more money going to areas deemed to be higher risk. The Homeland Security Grant Program now encompasses six prior grant programs: The State Homeland Security Program, the Urban Areas Security Initiative, the Law Enforcement Terrorist Prevention Program, the Citizens Corp Program, the Emergency Management Performance Grant, and the Metropolitan Medical Response System.

US Citizenship and Immigration Services

Budget: \$1.8b
Percent Total of DHS: 5%

This agency is responsible for the management of the legal immigration community. A major goal of the agency is the elimination of backlog that is slowing legal immigrants into the US; the goal is get the processing time down to 6 months or less.

Fraud Detection is also emphasizes in immigration applications and works closely with the appropriate law enforcement agencies.

US Secret Service

Budget: \$1.4b
Percent Total of DHS: 3%

Common responsibilities for this agency include a protection detail for the President and his family, the Vice-President, and visiting dignitaries. Additional responsibilities include enforcing laws related to US securities and investigating fraud involving financial institutions.

Additional protective duties include securing the President and Vice-President residences, foreign diplomatic facilities, and the building and grounds of the DHS and treasury departments.

Science & Technology Directorate

Budget: \$1.3b
Percent Total DHS: 3%

Charged with procuring technology and equipment to prevent the importation of nuclear and biological agents into the US, the S&T Directorate works with other law enforcement agencies to transfer developments to the proper operational department of the DHS.

The S&T Directorate is the agency responsible for the testing and adaptation of technology to meet the differing needs of the various departments of the DHS. Some accomplishments of the agency include a radiation detection unit in place at the Port Authority of New York.

Information Analysis & Infrastructure Protection Directorate

Budget: \$0.87b
Percent Total of DHS: 2%

Created by the Homeland Security bill introduced in 2002, the IAIPD to analyze and integrate terrorist threat information against physical and cyber vulnerabilities in the nations infrastructure. The agency has the ability to received and analyze a broad array of threat information produced by the intelligence and law enforcement agencies.

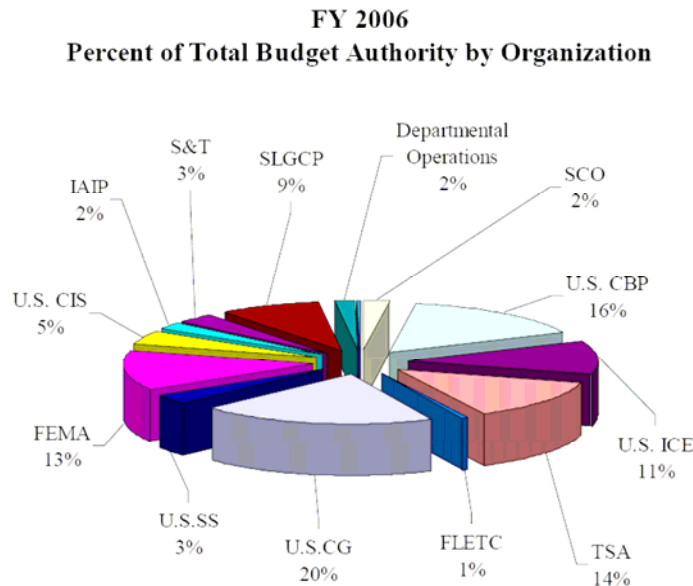
This department also develops plans to mitigate the risks of terrorist attacks against the nations infrastructure. They currently operate 50 operation centers in the US to coordinate security information to and from other law enforcement agencies.

Federal Law Enforcement Training Center

Budget: \$ 0.224b
Percent Total of DHS: 1%

An interagency training unit, the Federal Law Enforcement Training Center provides training and development services to other Federal law enforcement agencies. The FLETC serves over 81 different enforcement agencies, provides technical assistance to state and local agencies, and develops and presents training courses.

The FLETC provides these services at four facilities through the US. These are located at Glynco, GA, Artesia, NM, Charleston, SC, and Cheltenham, MD. In addition, an international training center is operated in Garbarone, Botswana.



Above chart from: Homeland Security Budget in Brief, 2006

Domestic Counter terrorism

Counterterrorism, or the intent to prevent or ‘counter’ acts of terrorism, represents one of the most important yet difficult acts in the fight against acts of terror. To effectively be proactive in identifying future threats it becomes necessary for all intelligence agencies to share information in a more timely and efficient manner. For example, it has been noted that international agencies (e.g. those tracking information regarding attacks on the USS Cole) had information on terrorists who committed the acts of 9/11 but did not share this information with the FBI

The Al Qaeda network seems to use web page postings and other types of mass transmitted ‘news’ items to communicate. This at least gives our intelligence agencies some type of inference into their planned operations. One such posting appeared in December, purportedly a response to Osama Bin Laden’s encouragement to attack US targets urges its Muslim readers to attack the Alaskan oil pipeline. It goes on to suggest that certain areas may be particularly affected by simple attacks with firearms. (from The SITE Institute.org, <http://siteinstitute.org/bin/articles.cgi?ID=publications135205&Category=publications&Subcategory=0>).

Some of the companies highlighted in this report may be able to provide technologies to help counter this threat. Although developed for us by military operations, the Cyber Defense Systems UAV craft could be utilized to provide reconnaissance along remote areas of gas and oil infrastructure installations.

The previous report listed several key areas that may need specific protective measures. I have included this chart below. As you can see, many areas of this chart are areas the DHS is concentrating on with its various units and agencies (as detailed earlier).

Figure 1.7

<i>Sectors Critical to Protecting U.S. Infrastructure</i>
<i>Agriculture</i>
<i>Food</i>
<i>Water</i>
<i>Public Health</i>
<i>Emergency Services</i>
<i>Government</i>
<i>Defense Industrial Base</i>
<i>Information and Telecommunication</i>
<i>Energy</i>
<i>Transportation</i>
<i>Banking/Finance</i>
<i>Chemical</i>
<i>Postal</i>
<i>Shipping</i>

Initiatives in the arena of protecting critical infrastructure include:

- Compiling a list of what constitutes America’s key infrastructure and assets.
- Enhancing cooperation between the private and public sector
- Determining how to effectively protect key assets and minimize fallout and further damage if acts of terrorism should occur
- Protecting cyberspace from attacks and inhibit the perverse gathering of information with the intent of causing harm to the nations infrastructure and key assets
- Minimizing ‘inside threats’, or the ability of existing employees in sectors identified above to breach confidential information and share with terrorists. (Lee Harvey Oswald example – employee of book depository).

Investment Characteristics

Homeland Security stocks have experienced significant share price appreciation since 2001. As witnessed by any industry thrown into the forefront of development and hype for a multitude of reasons (witness automotive stocks in the early 1900’s, Internet and biotechnology companies in the late 1990’s), Homeland Security stocks have been subject to volatile (and often impressive) performance over the past 3 1/2 years. Numerous security-related indices have outperformed the S&P 500 over this timeframe. Sell-side investment research firm Lehman Brothers estimates that its basket of 27 security stocks appreciated nearly 320% in a

three-year period that began in August, 2001 while the S&P 500 returned only 5% during that period. Recent report also detailed that its index far outperformed the market in 2004 and during a 12-month period through October 2004.^x Morgan Keegan, another sell-side research firm, estimates that its own index of 3 security firms outperformed the market in 2004. The Sonus Index will also be tracking performance of its broader index going forward.

Homeland Security companies in general are in the product development/introduction phase of the product life cycle. These phases are characterized by large amounts of R&D to develop technology and know-how, infusions of capital from outside sources as most companies are not yet generating significant amounts of internally generated funds, and insignificant revenues to date. Larger defense companies most likely operate in the maturity phase of the product life cycle due to large, recurring amounts of revenue and already established products. The creation of the Department of Homeland Security and initiatives to drastically change the nation's security efforts have shifted the industry towards the left-hand side of the life cycle as focus has shifted to innovation and as-of-yet unproven technologies.

Investment Merits/Drawbacks

In the public sector, major players in the Homeland Security market include federal agencies, state governments, and first responder organizations such as local municipalities. In the private sector, major players can be divided into incumbent security firms, large firms with a security presence, and smaller, entry-level players with niche products or burgeoning technologies.

Valuation Methodologies/How to Analyze

More incumbent Homeland Security companies can be analyzed employing traditional valuation techniques such as Price/Earnings ratios, Enterprise Value/Sales, or Price/Growth metrics. For younger firms, R&D as a percentage of revenue is a useful measure to gauge the amount being invested in future technologies. It is also useful to look at macro trends and attempt to identify significant technologies with potentially lucrative commercial opportunities. The potential of investing in the space is also one of its main drawbacks: the relatively small size of companies competing in the space means that they can grow rapidly and quickly take advantage of new opportunities. However, this means that the companies have less diversified product mixes and customer bases; as such, any contract or customer loss can adversely affect profitability and at times survival of smaller firms.

Major Industry Players

In addition to firms identified above in the *Commercial Opportunities* section, large, incumbent firms are best able to offer a broad range of services to the federal government and other security organizations. Companies such as Honeywell (NYSE: HON - security equipment) Siemens (NYSE: SI - fire monitoring, systems integration), General Electric (NYSE: GE - security equipment and services), Ingersoll Rand (NYSE: IR - systems services and integration) United Technologies (NYSE: UTX - monitoring, guard services), Tyco (NYSE: TYC - through ADT, its home security segment) Marsh McLennan (NYSE: MMC - through its acquisition of Kroll O'gara), Stanley Works (NYSE: SWK - systems integration and services), and Diebold (NYSE: DBD - systems services and integration) are already well established in the space and are expected to remain dominant as customers demand 'turn-key' solutions, or the ability of one provider to offer a broad array of services and allow one source for a number of services.

Defense Companies are a logical fit in terms of being able to offer a multitude of Homeland Security services and products. Due to longstanding relationships with government entities, international security expertise, and well-established infrastructure, defense firms are serious competitors in the space. Examples of such firms include Armor Holdings (NYSE: AH), Lockheed Martin (NYSE: LMT), Boeing (NYSE: BA), L-3 Communications (NYSE: LLL), General Dynamics (NYSE: GD), Northrop Grumman (NYSE: NOC) and Raytheon (NYSE: RTN).

Medium-size players usually represent pure plays in the areas in which they do business. Medium players include firms such as The Brink's Company (NYSE: BCO), Symbol Technologies (NYSE: SBL), and Identix (NASDAQ: IDNX), among others.

Homeland Security – Recent Developments^{xi}

Excerpted from the Department of Homeland Security Press Room:

Department of Homeland Security Streamlines Removal Process Along Entire U.S. Border

For Immediate Release
Office of the Press Secretary
Contact: 202-282-8010
January 30, 2006

WASHINGTON, DC – Department of Homeland Security (DHS) Secretary Michael Chertoff announced today the implementation of Expedited Removal (ER) along the entire U.S.-Canadian border and all U.S. coastal areas, as part of the Secure Border Initiative. Today's announcement reflects the further implementation of ER that was initially implemented along the Southwest border and will now be implemented along all of the United States' border areas. ER is an effective border management process that swiftly returns illegal aliens to their countries of origin while maintaining protections for those who fear persecution.

Statement by Homeland Security Secretary Michael Chertoff on the President's Intention to Nominate W. Ralph Basham as Commissioner for U.S. Customs and Border Protection and Appoint Mark Sullivan as Director of the United States Secret Service

For Immediate Release
Office of the Press Secretary
Contact: 202-282-8010
January 30, 2006

President Bush has identified two exceptional law enforcement professionals for key positions at the Department of Homeland Security. Ralph Basham, the Director and 29-year veteran of the United States Secret Service, will be nominated to serve as Commissioner of U.S. Customs and Border Protection (CBP). Ralph is a former Director of the Federal Law Enforcement Training Center and Special Agent-in-Charge of the Cleveland Field Office, the Washington D.C. Field Office and the Vice Presidential Protective Division. He has also served as Chief of Staff at the Transportation Security Administration.

The President also announced his intention to name Mark Sullivan as Director of the United States Secret Service, following a successful confirmation of Director Basham to lead CBP. Mark is a 23-year veteran of the Agency, having served as the Assistant Director for the Office of Protective Operations, as well as holding several senior investigative and protective management positions. Mark was appointed by Director Basham to the position of Deputy Director on Friday, January 27.

Statement by Homeland Security Secretary Michael Chertoff on the Mexican Human Rights Commission's Decision to Provide Maps to Potential Migrants

For Immediate Release
Office of the Press Secretary
Contact: 202-282-8010
January 25, 2006

We oppose in the strongest terms the publication of maps to aid those who wish to enter the United States illegally. It is a bad idea to encourage migrants to undertake this highly dangerous and ultimately futile effort. This effort will entice more people to cross, leading to more migrant deaths and the further enrichment of the criminal human trafficking rings that prey on the suffering of others.

Statement by Homeland Security Secretary Michael Chertoff on the Nomination of Vice Admiral Thad W. Allen as Commandant of the United States Coast Guard

For Immediate Release
Office of the Press Secretary
Contact: 202-282-8010
January 19, 2006

President Bush has announced his intention to nominate an exceptional leader and public servant as Commandant of the Coast Guard in Thad Allen. Thad has my complete confidence and full support, and if confirmed, he will play a major role in shaping the future of this department.

Most Americans came to know and respect Thad for his work overseeing the federal government's recovery efforts following the devastation from Hurricane Katrina. Thad is a highly accomplished Coast Guard veteran who has served our nation in several key positions since his graduation from the Coast Guard Academy in 1971. His service includes Chief of Staff and Commanding Officer at headquarters; Commander of the Atlantic Area, Fifth Coast Guard District; Commander of the Seventh Coast Guard District; Director of Resources; and Commander of the cutter Citrus. In response to 9/11, Thad led Coast Guard operations to re-position the Atlantic fleet in support of local port commanders and to establish critical command and control capability.

Remarks by Homeland Security Secretary Michael Chertoff on Secure Borders and Open Doors in the Information Age, at an Event at the Department of State

[Fact Sheet On Secure Borders and Open Doors](#)

For Immediate Release
Office of the Press Secretary
Contact: 202-282-8010
January 17, 2006

SECRETARY CHERTOFF: Thank you, Condi, for that eloquent statement of where we want to go as two departments in facing outward to the rest of the world. I'm delighted to join Secretary Rice and a lot of distinguished guests here from government and from the private sector to talk a little bit about our vision for strengthening security at the border but keeping the welcome mat out for those who want to come from overseas.

I've had the opportunity in the last year to travel to a number of our ports of entry and, of course, to parts of our border that are between ports of entry, and I've seen a lot of the progress that we continue to make in improving safety at our borders and securing the borders. But as we continue to work to maintain our immigration laws and to upgrade our security, our heritage, our national character, our economic interests, even our national security interests, require us to continue to promote a welcoming process for those who lawfully cross our borders to work, learn and visit.

And over the last year, Condi and I have had the opportunity to work together to lay out a detailed agenda to ease the path for those who want to come to the United States either to study or to tour or to conduct business. Some of the things we're doing in addition to what the Secretary of State has already described are taking advantage of modern technology to leverage both our security and the facilitation of travel.

Let's begin with travel documents. Every single day, thousands of people cross our borders. We want to be concerned that we're maintaining security with respect to those people but we also want to facilitate their entry into this country. And we have a tremendous challenge at our land borders in particular, where we have many, many crossings every day and where we face a tremendous task in balancing maintenance of security with the ease of the flow of people and goods that are vital to our country, in particular a lot of our border communities.

Now, last year, Congress mandated that the Department of State and the Department of Homeland Security work together to implement a Western Hemisphere Travel Initiative which will require travelers to present secure identity documentation when entering the United States. And of course, that applies to U.S. citizens as well as citizens of other countries.

As you know, before this enactment, U.S. citizens and some foreign residents of the Western Hemisphere were not required to present a passport, and so as we add these new documentation requirements, as the law has mandated, we want to make sure we're doing it in a way that continues to support the free movement of people and cargo across the border, which has been so important to all of the economies in this region.

And we also want to make sure that as we address Congress's mandate in this initiative we continue to consult very closely with our Canadian and Mexican partners in the Security and Prosperity Partnership and with our other allies in this part of the world about how to best facilitate border movement in a way that is consistent with the law and security.

Well, our first step is to develop an inexpensive, efficient, interoperable travel card system. To strike the right balance between security and facilitation, we have to incorporate 21st century technology and innovation, and so by the end of this year our departments anticipate issuing a new, inexpensive secure travel card for land border crossings that will meet the documentation requirements of the Western Hemisphere Travel Initiative but in a way that does not necessarily require people to have passports of the traditional kind.

This new People Access Security Service, or PASS system card, will be particularly useful for those citizens in border communities who regularly cross northern and southern borders every day as an integral part of their daily lives. We're talking about essentially like the kind of drivers license or other simple card identification that almost all of us carry in our wallets day in and day out.

Now, the PASS system is an important first step in implementing a broader shared vision for a unified, user-friendly system for trusted travelers. Secretary Rice and I have been working together to establish a global enrollment network that will unify our various registered traveler programs into a single comprehensive system. The idea here is to get necessary information only one time from an

applicant and then create a system, an architecture, that allows both DHS and State Department officers to get access to this data to confirm the traveler's identity.

Through this effort of building this kind of unified architecture, we'll have the opportunity to transform our border management, decreasing wait times at ports of entry and allowing us to focus our resources on that minority of people who pose a threat.

Through the planned technology enhancements at our ports of entry, we'll be able to recognize and expedite the movement of low-risk or trusted travelers by linking cardholders to secure databases that will allow us to quickly verify identity and citizenship.

We can also leverage these advancements in technology to increase aviation security. We've already found, for example, that our machine-readable passports have helped to speed travelers through our airport controls while adding an additional layer of necessary security. By 2007, the United States will transition exclusively to e-passports that will contain biometric information. Through this kind of electronic passport, we can verify a traveler's identity, protect against identity theft and make it very difficult for forgers or imposters.

A lot of other countries are moving in this direction as well and they've expressed support on a global basis for improved travel documentation security all around the world.

Now, a critical element as well of facilitation and security is our screening systems. We do rely on screening systems to identify people we need to worry about and expedite the movement of those of whom we have a high degree of confidence. And one of our most successful screening programs is US-VISIT. US-VISIT is now operational in 115 airports, 14 seaports and 154 land-based ports of entry in the United States. This system is very efficient. It allows us to confirm the identity of visitors and quickly screen for potential threats, and through the biometric capability we can protect identities and privacy of travelers against identity theft and fraud.

Since 2004, we have intercepted more than 970 individuals with prior suspected criminal or immigration violations using US-VISIT and we've done it without creating longer wait times for travelers at our ports of entry.

Additional Homeland Security news can be found at: www.ccmsectorinvest.com

ISE-CCM Homeland Security Index

The International Security Exchange – Cronus Capital Markets (ISE-CCM) Homeland Security Index (HSX) includes companies engaged in contractual work with the Department of Homeland Security, law enforcement agencies, or providing products or services for the following efforts: intelligence and warning; border and transportation security; domestic counterterrorism; protection of critical infrastructure; defense against catastrophic threats; and, emergency preparedness and response.

The following is excerpted from the ICE-CCM Homeland Security Index September report:^{xii}

The index is a sampled, fixed-number constituent, modified market capitalization-weighted index that is adjusted for free-float shares. It is a "RIC"(Regulated Investment Company) compliant index of 30 select, small, mid, and large capitalization US companies. These Homeland Security companies are described as some of the largest, most liquid, and most mature of the entire sector. The index is intended to represent, in a balanced fashion, the complete Homeland Security Sector and related missions. Due to the non-uniform weight distribution across the sector, a "modified" market capitalization-weighted methodology is used to limit individual component weightings to 25%. This modification prevents a few large component stocks from dominating the index and distorting an index return that is representative of an industry sector. The modified

approach is seen as promoting portfolio diversification by retaining the economic attributes of capitalization ranking.

The index is calculated on a price and total return basis. The price Index is calculated in real-time and disseminated via the Options Price Reporting Authority (OPRA) and market data vendors every day the U.S. equity markets are open. The total return Index is calculated on an end-of-day basis. Both sets of values are available on ISE's website at www.iseoptions.com. HSX intends to continually contain 30 different component stocks at all times. New companies are added to the Index only when there is a vacancy. Companies may not apply, and may not be nominated, for inclusion in the Index. Companies are added or removed by the ISE and CCM based on the methodology described herein. Whenever possible, ISE will publicly announce changes to the index on its website at least five trading days in advance of the actual change.

The HSX was jointly developed by ISE and CCM. CCM, an independent and privately owned capital market research and consulting firm, provides specific research and support for the Index.

The index includes thirty stocks. It is also a modified cap-weighted index. Therefore, the larger companies within the index will have a slightly greater weighting within the index compared to smaller firms. Figure 1.8 shows the components of the HSX. L-3 Communications, McAfee (NYSE: MFE), and Thermo Electron (NYSE: TMO) are the three largest and account for approximately 30% of the overall index.

Figure 1.8
ISE-CCM Homeland Security Index (HSX)

Symbol	Name
ACTI	ACTIVCARD CORP
ANT	Anteon International Corp.
APSG	Applied Signal Technology
CAI	CACI International Services
CHKP	Check Point Software
COGT	Cogent Inc
CPHD	CEPHEID INC
FLIR	FLIR Systems
HEPH	HOLLIS-EDEN PHARMACEUTICALS
HRS	Harris Corp.
IDNX	Identix Inc.
ISSX	Internet Security Systems
LLL	L-3 Communications Holdings
MANT	ManTech International 'A'
MFE	McAfee, Inc.
MSA	MINE SAFETY APPLIANCES CO
OSIS	OSI Systems Inc.
RAE	RAE Systems
RSAS	RSA Security Inc.
SINT	SI INTERNATIONAL INC
SRX	SRA INTERNATIONAL INC-CL A
STE	STERIS Corp.
TASR	Taser International
TMO	Thermo Electron
TTEK	Tetra Tech
UIS	Unisys Corp.
VISG	Viisage Technology Inc.
VRNT	VERINT SYSTEMS INC
WGII	WASHINGTON GROUP INTL INC
ZBRA	Zebra Technologies'A'

Like most index options, the contract settles European style and for cash. Therefore, exercise and assignment can only take place at expiration. In addition, exercise involves the transfer of cash and not shares as with stock options. Strike prices of HSX options are set at 2.5-point intervals. Therefore, with the index up 11 cents to \$63.84 Tuesday afternoon, the HSX was midway between the 62.5 and 65 strikes.^{xiii}

Expected Return of HSX

I ran a valuation model on the constituents of the Homeland Security Index (HSX) to determine the expected return against the broad market indexes. My valuation model is a 'relative' model. It utilizes some historical price ratios, some estimated ratios, with some of the ratios relative to the broader market indexes. Utilizing this model, and weighting the individual expected returns, I obtained an implied 12-18 month expected return of 18%. This valuation should be viewed in context of the broader market indexes, and not as an absolute expected change.

Given the expected return, I would rate the index as a Buy / 4.

Summary & Conclusion

The 'New Age' we are living in has many dangers that did not exist a few generations ago. Adversity is the mother of invention, as they say, and the adverse conditions brought on by terrorists and other agents has brought forth an industry determined to counteract their intentions. Investments in these nascent companies does carry risks, but the successful ones should also carry handsome rewards.

Company Research Directory^{xiv}



Groen Brothers Aviation.

(OTC BB – GNBA)

SPOTLIGHT REPORT

HOMELAND SECURITY SECTOR RESEARCH COMMISSIONED BY **CRONUS CAPITAL MARKETS**

Q4 2005

Groen Brothers Aviation's unique products provide unique capabilities to security forces providing Homeland Security and law enforcement.

Groen Brothers Aviation's Homeland Security Products Update

In the first report on GNBA, I prospective use and customers in the report, I expanded on the product the products potential. Now I will Aviation's (GBA) gyrodyne and a related, recently secured I'll also update you on recent media Gyroplane.

Stock Metrics	
Recent Price	\$0.185
52 Week Range	\$ 0.15-0.50
Market Capitalization	\$ 24.87mm
Enterprise Value	NA
Trading Volume	40,669
Beta	NA

described the company and its home security field. In my second description to give you an idea of introduce you to Groen Brothers technology, its product potential, contract with the U.S. Government. focus on GBA's SparrowHawk

A gyrodyne is similar in appearance to a winged helicopter, and like a helicopter is capable of hovering and vertical takeoff and landing. Unlike a helicopter, however, a gyrodyne's rotor is driven by rotor blade reaction drives and are powered only during hover, takeoff and landing. During forward flight, like a gyroplane, the rotor is not powered, with forward thrust being provided by engines typical of an airplane. This use of reaction drives for rotor power and main engines for forward thrust eliminates the need for much of the cost, weight, and complexity found in helicopters, while permitting much higher forward speeds.

Gyrodyne technology is easily scalable and could be used to develop aircraft such as VTOL GyroLiners of 19, 35, 50, and 75 passenger sizes. These runway independent airliners could provide safe and reliable, regional point-to-point transport and alleviate the continued congesting of air travel systems, a topic of major concern for the airline industry as growth begins to return. Gyrodyne technology could also be adapted to develop large heavy-lift GyroLifters. These aircraft could have many public and military applications where the ability to carry heavy, large cargo or the need for large personnel capacity is needed.



In a News Release dated November 7, 2005, GBA announced that the US Defense Advanced Research Projects Agency (DARPA) has selected a GBA-led team to design a proof of concept high speed, long range, vertical takeoff and landing (VTOL) aircraft designed for use in Combat Search and Rescue roles. GBA's team includes The Georgia Institute of Technology, Adam Aircraft Industries, Williams International, and a highly renowned team of aerospace consultants. Phase one of this potentially multi-year \$40 million four phase program, begins with a fifteen month \$6.4 million award to develop the preliminary design and perform key technology demonstrations. This modern rotorcraft, named by DARPA as the "Heliplane" is designed to exploit GBA's gyrodyne technology, offering the VTOL capability of a

helicopter, the fast forward flight of an airplane, and the safety, simplicity and reliability of GBA gyroplane. This aircraft type could be the next generation rotor wing aircraft, meeting economy and performance goals not considered achievable by any other type of VTOL aircraft.



In December, 2005, GBA, through their American Autogyro Division, introduced SparrowHawk II Gyroplane, which features many improvements including a lighter, stronger cabin, improved fuel delivery system, pre-built tail, more powerful 80 amp alternator, new rudder system and redesigned main landing gear. January brought news that the SparrowHawk II was chosen by AeroNews.Net (ANN) for inclusion in their "Best of Breed" List: 2005's Planes of The Year – SportPlane. ANN annually names the best aircraft of the year and for 2005 turned their attention to the SportPlane category. Also, the EAA

(Experimental Aircraft Association), featured a complimentary seven page article entitled “SparrowHawk: Dialing in Stability” in the January, 2006 issue of the their *Sport Aviation*. The EAA is the leader in recreational aviation with over 170,000 members and more than 900 local chapters world wide.

GBA continues to pursue opportunities for the Hawk 4 Gyroplane both in the U.S. and overseas to government agencies for homeland security usage as well as to commercial users for whom FAA certification will be required.

Financial Overview

<http://finance.yahoo.com/q/ks?s=gnba.ob>

As can be seen from the Financial Overview, GNBA is a micro cap investment. Float and volume are low, as is normal with this type of investment.

Positioning in Homeland Security Industry

GNBA operates within the aerospace industry. The ‘big boys,’ such as Boeing, Textron, and Airbus dominate this industry. However, these companies do not make products that are directly comparable to Groen Brothers Aviation, giving GNBA a possible competitive advantage.

Competition

Groen Brother’s does face some significant competition, however the competitors do not produce similar products. Competitors include, but are not limited to, Boeing, Raytheon, Airbus, Lockheed Martin, and Northrop Grumman.

Other, smaller, lesser-known companies may actually be the major source of competition for GNBA. The strongest competitor seems to be Rotary-Air Force Marketing, a Canadian firm. RAF’s product, called the RAF 2000 Gyroplane, is approved for use as an experimental / kit product in Canada, the US, Europe, and other countries. The RAF 2000 has been in production and use for over 15 years. However, GNBA’s continued development of the Hawk 4 should make it the better product. Also, the Hawk can seat four while the RAF 2000 can only seat two.

Management

Please see the Groen website for management bios.

Concluding Remarks

GBA has a very unique product that is suitable for the homeland security mission (the Hawk 4) and now shows the ability to expand that product experience into the ‘HeliPlane’ for the DARPA contract. This may lessen the company’s dependence on the success of one major product (the SparrowHawk). Meanwhile, sales of the SparrowHawk Gyroplane have surpassed 110 (as of 1/13/06). Competition is few and far between, and competitors with similar product are also small firms and not the larger, defense related contractors whose resources would be a major competitive advantage. GNBA may be considered a suitable addition a well-diversified portfolio.

Analyst’s Statement: “I have prepared this report, and the content within it, including all opinions, are solely my own.” The analyst is Gary Vassalotti. The analyst’s biographical details are at <http://www.investtrend.com/articles/secondlevel.asp?level=238> The analyst’s biographical details are at <http://www.investtrend.com/articles/secondlevel.asp?level=238>

Groen Brothers Aviation, Inc ., 2640 West California , suite A, Salt Lake City, UT 84104 , Jay Groen,, 801-973-0177 Web site: <http://www.gbagyros.com> The company’s **InvestorPower™** page is at <http://www.investtrend.com/company/list.asp?sPathParam=yes>

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BlastGard International, Inc. (OTC BB – BLGA)

SPOTLIGHT REPORT

HOMELAND SECURITY SECTOR RESEARCH COMMISSIONED BY CRONUS CAPITAL MARKETS

Q4 2005

BlastGard's products add a measure of safety to everyday items and military gear against explosive devices.

BlastGard International's Homeland Security Products Overview

In my last report, I touched upon BlastGard's products. In this update, I am expanding my description of the company's main product, the blast-mitigating trashcan, so that investors understand the advantages this product brings to the Homeland Security Sector. BlastGard's receptacles profoundly reduces the shock and thermal blast effects of explosives. It can manage a very large blast and is the only product available that mitigates all blast effects, the fragments, shock wave and fireball.

The Washington, DC Metro Transit system has purchased the company's product. The Metro system has the \$4,000 trashcan in September. As Metro Chairman Dana Kaufmann said, "These trashcan's on steroids thwart terrorists needs." (Quoted from AP press release, 12/8/2005, http://www.blastgardintl.com/pdfs/BLGA_AP_12805.pdf)

Stock Metrics	
Recent Price	\$0.35
52 Week Range	\$0.33 - \$2.05
Market Capitalization	\$ 7.70mm
Enterprise Value	NA
Trading Volume	33,249
Beta	NA

can better understand the Security Sector. BlastGard's receptacles profoundly reduces the shock and thermal blast effects of explosives. It can manage a very large blast effects, the fragments,

recognized the value of the purchased and began installing while meeting our riders'

The 'Trash Can'

High Tech Trash cans.... Bet you never thought those words would go together in a sentence, but in effect that is what the trashcans lined with BlastWrap® are. The basic description of BlastWrap®, a "bubble-wrap" style material, may leave you wondering what exactly the product looks like. I have placed a picture of it, as shown in *Aviation Week and Space Technology*, November 7, 2005 (from a press release on the BlastGard International website, http://www.blastgardintl.com/pdfs/article_awst_award.pdf)



Although the pictures are small here, you may notice some familiarity with the substance inside the 'bubbles.' It contains little pebbles of expanded perlite. Perlite is a volcanic mineral (also used in potting soil) with the ability to expand, similar to a piece of popcorn, when the entrained water is quickly heated. This expanded perlite absorbs the shock wave from an explosive device.

The second ingredient inside of the bubble is salt that has very rapid flash-suppressing characteristics. This allows the trashcan to quench most of the heat of the blast very quickly.

The combination of shock and heat mitigation can be seen in a test explosion of a normal trashcan and a BlastWrap® treated can. The normal trashcan exploded with a large fireball that lasted much longer than the treated trashcan. This should result in fewer injuries to the general public. (Press Release, BlastGard International website, http://www.blastgardintl.com/pdfs/article_awst_award.pdf)

Other Uses

Trashcans are not the only product that can be improved with BlastWrap®. Military vehicles are being tested with the material on the undercarriage. With the bottom covered in the material, the vehicle becomes less vulnerable to land mines and improvised explosive devices, such as those used by the opposition in Iraq.

The military is also utilizing the product to protect munitions during transport. Incorporating the blast mitigating material into the packaging helps to minimize the impact of individual munitions detonations, and it prevents sympathetic detonation of nearby weapons that can lead to mass detonation catastrophes.

Of course, the military and public transportation systems are not the only beneficiaries of this product. BlastGard recently announced a new alliance with Nordisk Aviation Products to utilize its materials in Nordisk's cargo loading units used in commercial aircraft.

Financial Overview

<http://finance.yahoo.com/q/ks?s=blqa.ob>

As can be seen from the Financial Overview, BLGA is a micro cap investment. Float and volume are low, as is normal with this type of investment.

Positioning in Homeland Security Industry

BLGA operates within the services sector. Its main competitor in trash receptacles is an Israeli security firm that makes a similar product. However, the competitor's product does not provide the same level of blast mitigation and this should prove to be a large advantage for BlastGard.

With the additional testing by the military as a type of 'armor' for their vehicles, and the private industry alliances announced recently, the market for BlastGard's products should grow significantly.

Concluding Remarks

BlastGard International, Inc has a competitive product that is well suited for the homeland security mission. The company also has current sales to finance ongoing product development. BLGA may be a suitable addition to the higher risk portion of a well-diversified portfolio.

Analyst's Statement: "I have prepared this report, and the content within it, including all opinions, are solely my own." The analyst is Gary Vassalotti. The analyst's biographical details are at <http://www.investrend.com/articles/secondlevel.asp?level=238>

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Bulldog Technologies

(OTC:BB – BLLD)

SPOTLIGHT REPORT

HOMELAND SECURITY SECTOR RESEARCH COMMISSIONED BY CRONUS CAPITAL MARKETS
Q4 2005

Q4 2005

Incorporated in September 1998, Bulldog Technologies, Inc. was founded by John M. Cockburn and is involved in the business of designing and developing effective and robust security systems for the cargo transportation industry.

Stock Metrics	
Recent Price	\$1.13
52 Week Range	\$0.80 - \$1.66
Market Capitalization**	\$21.2 million
Enterprise Value	n/a
Trading Volume (3 Mo)	140,206
Beta	n/a
**19.8 million shares outstanding as of 8/31/05	

Company & Homeland Security Products Overview

Bulldog is a designer and manufacturer of wireless security solutions and sensor networks that monitor and secure valuable cargo in the global supply chain. The company's solutions use advanced wireless technologies and web-based software to track, monitor and secure goods in transit, stored in distribution centers, in ports or holding yards. Bulldog intends to sell products to manufacturers of retail, pharmaceutical and high-tech goods and focus on providing advanced security products to law enforcement, freight haulers and government entities that transport via ports and across international boundaries. Bulldog has pursued a strategy based on three key initiatives: 1) to widen product range and market presence; 2) employ key executives in the sales, marketing, engineering and finance functions, and 3) ramp-up production for imminent sales. The company is actively pursuing contracts globally and is currently focused on the Mexican transportation and cargo market (see below).

PRODUCT LINE

Bulldogs products are currently in development and/or in the process of being released into the marketplace. Products allow clients to track shipments via the Internet, provide real-time information on locations and other data on shipments, monitor the integrity of sealed goods, and track devices via GPS and related technologies. Benefits to customers include the ability to protect goods as they are in transit, track their location, and even minimize waits to cross borders (with the creation of potential 'fast lanes' where Bulldog products indicate they have not been tampered with). Below are more specific details on the company's five main product lines.

1. The Bulldog MiniBOSS™ is a cellular based, GPSOne AGPS (Assisted Global Positioning System), covert asset tracking, monitoring and recovery device and is designed to work in conjunction with the Bulldog Security Gateway™, a proprietary software application that enables users to securely track shipments on a simple web based application. As an example of the product's potential, the company indicated that the MiniBOSS™ is capable of locating miners within 30 feet when carrying the device. It also detailed that the product is garnering significant attention from clients.
2. The RoadBOSS™ RB-600 is a portable, reusable external seal/sensor for monitoring trailers and containers at any time during the supply chain delivery process. Management indicated that this product has appeal on a global basis.
3. The YardBOSS™ is a portable, external yard security seal/sensor designed to protect loaded containers/trailers while being stored in yards and offers the ability to monitor door seal integrity and any trailer movement.
4. The TankerBOSS™ is a triple-redundant electronic security solution that simultaneously monitors internal fluid levels and all ingress/egress points on tanker trucks. It interfaces to existing Automatic Vehicle Location (AVL) Systems (i.e. GPS, Satellite/Cellular systems) and is scalable - it can be used with various quantities and combinations of level, flow and tamper sensors to match the exact requirement of the application.
5. Bulldog develops an open architecture sensor networks and RFID solutions, the SensorBOSS™. These solutions come in the form of medium range semi-active sensor tags and network infrastructure, and long range active sensor tags and infrastructure. Sensor Products are capable of monitoring many types of sensor data.

Recent News & Developments

On January 17, 2006 Bulldog announced that its wholly-owned subsidiary, Bulldog Mexico, Inc. officially commenced business operations in Mexico City. The company teamed up with Mexican equipment provider Grupo Irosa, forming a Value Added Reseller (VAR) arrangement with substantial potential for both parties in the rollout of BOSS transportation security products nationwide. Opportunities for the partnership are pending Mexican Customs regulation requiring electronic cargo container security seals and GPS tracking devices at border crossing points (e.g. Tijuana to Matamoros), the logistic corridor (Manzanillo-Kansas City) and for the PITEX Program (temporary imports program for exports). A security and a customs revenue tracking mandate initiative calls for a dual purpose device that is affordable for transportation companies and provides transparency of cargo status and manifest integrity. The RoadBOSS™ GTS and YardBOSS™ are seen as the only devices to offer such functionality. Management noted that it is

actively establishing relationships with VAR's to gain exposure to Latin American countries such as Chile, Mexico, Costa Rica, Venezuela, and Ecuador. The North American market is targeted for direct product sales (vs. through VAR's in other markets).

On, January 26, 2006 Bulldog announced that RoadBOSS™ GTS and YardBOSS™ have been fully commercialized and are ready for deployment in Mexico. In a related development, John Cockburn was a key note speaker at the "2005 Excellence in Security Award" held in Mexico City on January 26th. Country-specific commercialization includes the following components that have been completed in Mexico: 1) Chip-resident software (firmware) which controls the RoadBOSS™ and communicates with the local wireless carrier must be completely integrated into the carrier's existing systems and be thoroughly tested across a wide geographical area; 2) Air-time contracts between Bulldog, its partners and wireless carrier(s) must be signed, and; 3) RoadBOSS™ messaging service (a software feature) must be integrated into the reseller's existing Automated Vehicle Locator (AVL) software and local geographical mapping engine. Management estimates that the Mexican security market is extremely large and one of the more compelling target markets due to heightened security concerns among companies operating in the country. As an example, the container port of Manzanillo has an estimated 750,000 shipments annually, all of which could benefit from Bulldog products. Overall, Bulldog conservatively estimates sales potential at \$80 million, including Costa Rica. Potential clients are currently in the process of testing units and awaiting software integration as well as government certification; all expected for completion in the near future.

Further details on the above and other press releases can be viewed at: <http://www.bulldog-tech.com/> while company financials are available at: <http://www.bulldog-tech.com/financials.htm>

Positioning in Homeland Security Industry

In terms of Homeland Security missions, Bulldog serves Intelligence & Warning, Border & Transportation, and Domestic Counterterrorism initiatives. Specific products include those involved in cargo security, devices for detecting intrusions in shipments and products that are in transit or in storage facilities. Bulldog estimates the Wireless Location and Services Industry market at approximately \$25 billion globally and believes the truck and cargo transportation industries are among the largest in the world and are in need of technology to better maintain the integrity of goods in transit and storage. The industry is seen as a slow mover in adaptation of technology but the company believes it is in the midst of a needed technological revolution as a result of increases in terrorism throughout the world and extreme inefficiencies in transporting goods across borders. Bulldog has created a line of wireless security systems for the truck and cargo container industry. In North America, this industry has an estimated \$10 billion in reported theft and in excess of \$10 billion unreported theft annually.

Competition

The majority of the company's products are unique with no known direct competition. In terms of other surveillance and tracking firms, those competing in the space include American Science & Engineering (NASDAQ: ASEI), Mercury Computer Systems (NASDAQ: MRCY), Nice Systems (NASDAQ: NICE), OSI Systems (NASDAQ: OSIS), RAE Systems (NYSE: RAE), and Verint Systems (NASDAQ: VRNT).

Analyst Coverage Commentary:

Additional research is available at: <http://www.investtrend.com/company/Company.asp?id=1059&sPathParam=yes&sAlias=blld.ob>

Management

Further details on Bulldog's management team can be found at: <http://www.bulldog-tech.com/corporate-management.asp>

Analyst's Statement: "I have prepared this report, and the content within it, including all opinions, are solely my own." R.C. Fuhrmann, CFA, is a member of CFA Institute. **Company Contact: Unit #301 - 11120 Horseshoe Way Richmond, BC, Canada V7A 5H7 Telephone: (604) 271-8656 Email: info@bulldog-tech.com** This report and other reports regarding this company and others are at: <http://www.investtrend.com/articles/secondlevel.asp?level=182>; The company's InvestorPower™ page is at <http://www.investtrend.com/company/list.asp?sPathParam=yes> **The analyst's biographical details are at <http://www.investtrend.com/articles/secondlevel.asp?level=238> Investrend Research and Investrend Research Syndicate, Div., Investrend Communications, Inc., 603 W. 13th Street, Suite 1A-277, Austin, Texas 78701 Phone (718) 896-5060, Fax (718) 896-5316, e-mail: contact@investtrend.com . Web site: www.investtrend.com and www.investtrendresearch.com. **Information, opinions or ratings** contained in this report are submitted solely for advisory and information purposes by the qualified professional analyst. Investrend Research provides analyst facilitation, report publication and distribution services only. The information used and statements of fact made have been obtained from sources considered reliable but neither guarantee nor representation is made as to the completeness or accuracy. No representation whatsoever is made by Investrend. Such information and the opinions expressed are subject to change without notice. This report or study is not intended as an offering or a solicitation of an offer to buy or sell the securities mentioned or discussed. Please read full disclosures at <http://www.investtrendresearch.com> Neither Investrend nor the analysts apply "recommendations" to any reports nor the companies covered. Any usage of the word "recommendation," if any, is to be defined as a "rating" only. We subscribe to the "[Standards for Independent Research Providers](http://www.firstresearchconsortium.com)" at <http://www.firstresearchconsortium.com> © Copyright, 2005, by Investrend Research, div., Investrend Communications, Inc.**



Cyber Defense Systems, Inc.
(OTC BB: CYDF)

SPOTLIGHT REPORT

HOMELAND SECURITY SECTOR RESEARCH COMMISSIONED BY CRONUS CAPITAL MARKETS

Q4 2005

CYDF, A Homeland Security Equity Play

Since the initial Spotlight Report on Cyber Defense Systems, Inc. (“CYDF” or “The Company”) in October 2005, the Company had a new material development related to its wholly-owned subsidiary, Techsphere Systems International, Inc. (TSI). TSI has signed an exclusive agreement with RTI International. The agreement gives TSI a worldwide exclusive to test and utilize technology on Techsphere radar, remote sensing and other validating the proprietary paint-extending its product range to priorities such as hurricane security surveillance, science military communications

Stock Metrics	
Recent Price	\$0412
52 Week Range	\$0.14-\$4.00
Market Capitalization	\$24.6 mm
Shares Outstanding	58.6 Mn
Sector	<i>Aerospace</i>
Avg. Dly Vol. (3-Mo.):	35,188

light weight "paint-on antenna" airships for communication, applications. Indeed, by on antenna concept, CYDF is serve and address national disaster relief, homeland observation missions, and

In a separate milestone toward validating CYDF’s unmanned aircraft (“UAV”) products, the Cyber Defense participated in Atlantic Strike II Training Exercise hosted by United States Central Command Air Forces in December, 2005. As a select participant of three invited UAV companies, the Cyber Defense UAV system was the only one to have no mishaps during the three-day operation.

The objectives of the exercise were to train, gain knowledge, learn new UAV systems, and evaluate lessons learned for future use in Operation Iraqi Freedom. Cyber Defense and UAVPRO, Inc., the deployment and training group for Cyber, brought the entire CyberBug(TM) line. The medium and large CyberBug(TM) flew twelve sorties, with several flights conducted with three different UAV systems in the air at the same time, over a mock up village. There were also HH-60 Helicopter Gunships providing live fire and F-15E fighter jets, in addition to other manned aircraft, providing close air support, while the CyberBugs(TM) provided an eye in the sky and a visual on targets at all times.

Overall, given the success and range of this exercise, CYDF demonstrated how UAVs can operate in the same airspace as manned aircraft, and enhances the capabilities of the troops on the ground. Air Force Secretary James Roche has said the Air Force is working to improve coordination and is experimenting with new unmanned aerial vehicles and radar systems. He stated to the House Armed Services Committee (HASC) that tests had been conducted recently in the desert sands of Yuma, Ariz., on a backpack-sized drone that will soon be deployed to Iraq. He also highlighted the efforts of a senior-level working group in the Pentagon charged with improving joint cooperation. The Air Force was urged by HASC to send more unmanned aerial drones to Iraq in an effort to neutralize the threat of roadside bombs and other improvised explosives popular among Iraqi insurgents.

New Equity Coverage: NY-based independent equity research firm Wasserman Morris reiterated coverage with \$1.60 price target.

Inventory & Sales: In the 10Q (9/30/05), the Company had entered into amended agreements with Equipment Depot, Inc., of Deerfield Beach, Florida, to acquire approximately \$5,000,000, fair market value, as appraised, of aerospace R & D and production equipment to further the fulfillment of the Company's anticipated contracts and purchase orders. Further, in the recent quarter ending 9/30/05, CYDF recognized \$114,873 in revenue compared to no sales in the comparable prior period quarter.

Funding: A Secured Convertible Term Notes in the aggregate principal amount of \$4,000,000 gross proceeds was funded in three tranches; \$1.5 million on April 4, 2005, \$1.3 million upon filing the Registration Statement on May 18, 2005 and \$1.2 million upon effectiveness of the Registration Statement on July 29, 2005.

Cyber Defense Systems, Inc. is a development company providing unmanned aircraft (“UAV”) chiefly for national defense, but also for law enforcement. Further, it is intended that the Company’s UAV’s are ideal for fighting terrorism, not only in the U.S but also in products that assist winning conflicts across the globe. The stock is a participant in the currently ‘hot’ homeland security sector, offering affordable, proven and important surveillance products. The stock values of the homeland security sector have risen in conjunction with the creation of the Department of Homeland Security and the continuing expectation of a steady stream of government revenue.

CYDF will be able to offer affordable solutions to all allied countries requiring surveillance, communication or in some cases the delivery of offensive weapons from small UAV’s to airships operating up to 25,000 feet with future plans to operate airships in Near Space at altitudes up to a minimum of 68,000 feet. CYDF is selling two basic product lines providing low cost solutions with differentiated products in growth niche opportunities around the world with both large and small-unmanned flying aircraft.

CYDF has completed development on its initial product line and is now offering a very exciting line of small UAV’s that will provide surveillance solutions that requires inexpensive airborne tools used to protect civilian and military targets of opportunity from criminals and terrorists. The CyberBug™ as is an innovative product recently introduced to the Defense and Law Enforcement industries. The product is provided at a base system including ground control at a third of the cost of the nearest competitor possibly making this product expendable to many clients. A truly scalable product, CyberBug™ can be built to meet the client’s mission requirements. A larger version of the CyberBug™ will provide up to 3 pounds of payload and will fly up to one hour. Flight systems are provided via an autopilot and may be controlled using a combination of handheld joystick with GPS overlay or Internet control. The smaller CyberBug™ comes in a cylindrical tube, which will allow easy transport and product assembly (30 seconds).

Cyber Defense also has filed for patent protection with the U.S. Patent and Trademark Office regarding the CyberBug™, CyberScout™ UAV’s and the M.A.R.S.™ Modular Airborne Reconnaissance Systems. These products rely on proprietary technology, and CYDF expects that future technological advancements made will be critical to sustain market acceptance of CYDF products.

DYNAMIC PEER GROUP

The Homeland Security Group within aerospace/defense has experienced a strong share price move. When contracts and the financial profile advance, CYDF emerging presence in this group bodes well for the company stock outlook.

PEER GROUP: Orbital Sciences Corp. (ORB), Alliant Techsystems Inc. (ATK), Armor Holdings (AH), Embraer- Empresa (ERJ), Hexcel Corp. (HXL), Allied Defense Group (ADG), Rockwell Collins Inc. (COL)

MANAGEMENT BACKGROUND & EXPERIENCE

Seasoned management team found on <http://www.cduav.com> website under Investors section, then Management section.

FINANCIALS

<http://finance.yahoo.com/q/is?s=CYDF.OB&annual>

Analyst’s Statement: “I have prepared this report, and the content within it, including all opinions, are solely my own.” Kipley J. Lytel, CFA, is a member of CFA Institute & Los Angeles Society of Financial Analysts

Company Contact: Billy Robinson, CEO, 10901 Roosevelt Blvd. Suite 100D, St. Petersburg FL. 33716, 727-577-0878, billy@cduav.com **Sources:** Cyber Defense 10K, 10Q, 8K & other SEC filings, Company Web Sites, public Power Point Presentations, News Releases, Management Discussions, Footnoted References, etc.

This report and other reports regarding this company and others are at: <http://www.investrend.com/articles/secondlevel.asp?level=182>; The company’s InvestorPower™ page is at <http://www.investrend.com/company/list.asp?sPathParam=yes> The analyst’s biographical details are at <http://www.investrend.com/articles/secondlevel.asp?level=238> Investrend Research and Investrend Research Syndicate, Div., Investrend Communications, Inc., 603 W. 13th Street, Suite 1A-277, Austin, Texas 78701 Phone (718) 896-5060, Fax (718) 896-5316, e-mail: contact@investrend.com . Web site: www.investrend.com and www.investrendresearch.com.

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Viscount Systems, Inc.

(OTC:BB – VSYS)

SPOTLIGHT REPORT

HOMELAND SECURITY SECTOR RESEARCH COMMISSIONED BY CRONUS CAPITAL MARKETS

February 13, 2006

Viscount offers innovative products under the name **MESH™** (Multimedia Embedded Security Hub), a new internally developed technology that converges voice (intercom, emergency communications), data (access control, elevator control, alarm) and some video to provide increased security at a reduced cost.

Viscount Systems Security Products Overview

Viscount Systems Inc. is a designer and manufacturer of telecommunications and electronic door control access systems for the security industry. From 1969-1997 Viscount was a controlled subsidiary of GTE, now Verizon company's diverse line of products is designed to security for property owners and users. installed in approximately 35,000 sites in over 30 500-member, North America-wide dealer equipment vendors. In addition to **MESH™**, control and security product lines include: intercom; Entercheck, a card access system; frequency and infrared remote controls; Elektra, panels; EmerPhone, emergency telephone entry systems; and various accessories.

Stock Metrics	
Recent Price	\$0.43
52 Week Range	\$0.41- \$1.01
Market Capitalization ¹	\$8.2mm
Enterprise Value	N/A
Trading Volume	23,125
Beta	N/A

an R&D affiliate of Telus, itself Communications. The improve safety and manage Viscount's products have been countries and are sold through a network comprised of security Viscount's current access Enterphone, a building RadioClik and InfraClik, radio liquid crystal display intercom

MESH™ technology is based on a proprietary software platform that can be used for a variety of security and access control applications as well as communications functions. The technology represents a departure from traditional access control and security systems that use controllers based on Wiegand technology with the capacity to control only 1 to 8 access points per controller. A building access system using the **MESH™** technology can control several hundred points of access from a single remote hardware and software platform. The technology also allows several previously independent building control systems to be hosted on a single hardware and software platform.

Recent Developments

On January 10, 2006 Viscount announced results of the premiere of its new **MESH™** V5 facility protection system at The International Security, Safety and Fire Exhibition held at Pragati Maidan, New Delhi, in December 2005.

- Viscount teamed with its Indian Distributor, Infocom India, to demonstrate the future of security convergence and discuss potential contracts in pre-arranged meetings with Indian officials. With a base of successful pilot installs of **MESH™**, India is embracing the emerging digital security device revolution.

The entire press release can be viewed at: <http://www.viscount.com/release1-10-06.htm>

On November 15, 2005 Viscount announced the company's **MESH™** system has been selected by Grace Communities and IPN to secure its new 44 Monroe project being constructed in downtown Phoenix. 44 Monroe is expected to be one of the tallest buildings in Phoenix and one of the city's most prestigious residential addresses.

- Viscount dealer Teknon will install Access Control for the 34-story, 204 Luxury condominium project. A **MESH™** main outside wall-mounted unit with vandal-resistant touch color screen will be installed as well as a built-in color camera to record photo ID of all inbound guests with time and date DVR recorder.

The entire press release can be viewed at: <http://www.viscount.com/release11-15-05.htm>

Financial Overview¹

On November 10, 2005 Viscount Systems reported its Q3 2005 financial results for the quarter ended September 30, 2005. Highlights included:

- An increase of 15.7% in total revenue. Sales for the 3 months ended September 30, 2005 were USD \$1,096,907 compared to USD \$948,271 for the 3 months ended September 30, 2004.

¹ The Company maintains its' financial statements in Canadian dollars (\$CDN). The financial press release highlighted figures in USD.

- Viscount reported its third consecutive profitable quarter. Net income for 9 months ended September 30, 2005 was USD \$85,863, compared to a net loss of USD \$10,807 for the 9 months ended September 30, 2004. For the 9 months ended September 30, 2005, sales of The Company's flagship product, **MESH™**, increased by 700% from \$85,174 to \$596,280.

\$CDN	FY 2003	FY 2004
Revenue	\$4,084,593	\$4,391,658
Net Income (Loss)	\$ 235,512	\$ (398,565)

<http://moneycentral.msn.com/scripts/webquote.dll?ipage=qd&Symbol=VSYS>

Positioning in Homeland Security Industry

Through **MESH™**, Viscount is attempting to advance the state of the art in the access control systems industry. Virtually every low voltage building technology, except building access, has evolved using “intelligent” addressable network devices. Access control systems, however, continue to be based on a 30-year-old standard called Wiegand. The limitations of this standard continue to plague the industry due to the slow data transmission speed (9600 baud) between the reader and the host controller, the high cost and quantity of specialized and dedicated hardware, and the inability of the host computer to process voice or video signals. For example, buildings requiring elevator access control have traditionally required a significant amount of expensive dedicated hardware. The **MESH™** network with “intelligent” readers can accomplish these functions without dedicated hardware, resulting in cost reductions, both in terms of the actual hardware required and the labor, cable and conduit costs associated with installation. The **MESH™** system bypasses the need for specialized and dedicated hardware. Instead, **MESH™** provides a software-based platform that operates on an industrial computer server connected to “intelligent” readers transmitting data at high speed rates of up to 156,000 baud, while simultaneously running voice and video applications. Management believes that **MESH™** has the potential to dramatically reduce or eliminate the future use of legacy Wiegand technology due to the myriad benefits **MESH™** offers.

Competition

There are several large and a variety of smaller competitors in the security and building control industry, which has been rapidly consolidating recently. Large multi-national companies like Honeywell and Johnson Controls are attempting to gain share and leverage by integrating vertically through acquisitions. Notable acquisitions include the purchase of Cardkey by Johnson Controls, Guardall by Chubb and ADI/Northern Computers by Honeywell. The access control industry remains very fragmented with no dominant market share holder. There are estimated to be over 50 manufacturers of access control products in the US and at least six in Canada. Wiegand technology is the industry standard and is almost universally adopted by control host manufacturers. Technology limitations inherent in the standard technology result in most research and development being focused on cost reducing hardware and making the control hosts more network capable. Traditional Wiegand technology is limited from 1 to 8 doors per host.

Analyst Coverage Commentary

Additional research is available at: <http://www.investrend.com/company/company.asp?sCompany=92&Submit=Find>

Senior Management Information

Additional information is available at: <http://www.viscount.com/irmanagement.html>

Analyst's Statement: I, Michael R Anderegg, certify that I have prepared this report, and (1) the views expressed in this report accurately reflect my personal views about all of the subject companies and securities and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report. The analyst is Michael R. Anderegg, CFA. The **analyst's biographical** details are at <http://www.investrend.com/articles/secondlevel.asp?level=238> **MRA Research**, Michael R. Anderegg, 925-443-3860, E-mail: MRAResearch@hotmail.com. The Company's **InvestorPower™** page is at <http://www.investrend.com/company/company.asp?sCompany=92&Submit=Find> **Cronus Capital Markets**, P.O. Box 1022, TD Centre Postal Station, 77 King St. West, Toronto, Ontario M5K 1P2, Phone (888) 901-7090. e-mail: query@cronuscapitalmarkets.com Web site: <http://www.cronuscapitalmarkets.com>

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