



TAGLICH BROTHERS

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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

Command Security Corp

Rating: Speculative Buy

Luis Martins

March 9, 2009

MOC \$3.49 — (AMEX)

	FY2007A	FY2008A	FY2009E	FY2010E
Total revenues (in millions)	\$93.8	\$119.4	\$132.3	\$138.5
Earnings (loss) per share	\$0.12	\$0.22	\$0.16	\$0.21
52 - Week range	\$4.08 – \$2.25	Fiscal year ends:		March
Shares outstanding as of February 6, 2009	10.8 million	Revenue/share (ttm)		\$11.29
Approximate float	4.5 million	Price/Sales (ttm)		0.3X
Market Capitalization	\$38 million	Price/Sales (FY2010)E		0.3X
Tangible Book value/share	\$0.93	Price/Earnings (ttm)		17.3X
Price/Book	3.8X	Price/Earnings (FY2010)E		16.6X

Command Security Corporation (AMEX: MOC), headquartered in Lagrangeville, New York, provides uniformed security officers, aviation and support security services to a wide range of commercial, financial, industrial, aviation and governmental clients. Uniformed security services provided to airports and ancillary services and organizations account for two-thirds of the company's revenue. The rest consists mainly of armed and unarmed uniformed security personnel for access control, mobile patrols, traffic control, security console/system operators, fire safety directors, communication, reception, concierge and front desk/doorman operations.

Key Investment Considerations:

We are maintaining an investment rating of Speculative Buy on Command Security Corporation (AMEX: MOC) and a 12-month price target of \$5.00 per share. Our price target is based on expectations for continuing revenue and profitability gains through FY2010.

In 3QFY09, Command earned a net profit of \$0.25 million, or \$0.02 per share, on revenue of \$33.76 million, vs. earnings of \$0.540 million or \$0.05 per share, on revenue of \$30.23 million for the year-earlier quarter.

On February 12, 2009, MOC entered into a \$20 million credit facility with Wells Fargo, which matures in February 2012. The new facility replaces its existing \$16 million revolving credit facility with CIT.

We are revising our fiscal 2009 and 2010 estimates based on recent business and financial trends, as well as Management's public guidance disclosed in the Company's 10Q. For FY2009, we project net income of \$1.9 million or \$0.16 per share, on revenue of \$132 million vs. FY2008 earnings of \$0.22 per share, on revenue of \$119 million. We had previously projected FY2009 earnings of \$2.3 million or \$0.22 per share, on revenue of \$137 million. Investors should note that the Company's 2009 tax rate is projected to be 41%, which will result in income taxes of \$1.3 million. In 2008, the Company received an income tax benefit of \$0.160 million.

For FY2010, we project a net profit of \$2.5 million, or \$0.21 per share, on revenue of \$139 million. We had previously projected FY2010 profit of \$3.0 million or \$0.24 per share, on revenue of \$148 million. We are assuming a tax rate of 40%, resulting in income taxes of \$1.6 million.

* Please view our disclaimer located on page 11.

Overview

Command Security Corporation, headquartered in Lagrangeville, New York, was established in 1980. The company provides uniformed security officers, aviation and support security services to commercial, financial, industrial, aviation and governmental clients in the United States from more than 30 company-owned operating offices in California, Connecticut, Delaware, Florida, Illinois, Maine, Maryland, Massachusetts, Nevada, New Jersey, New York, Oregon, Pennsylvania, Texas, and Washington.

The company's services consist of security services, aviation services and support services that are provided to a wide range of commercial and industrial clients. Uniformed security services provided to airports and ancillary services and organizations account for about two-thirds of the company's revenue.

The rest consists mainly of revenue from armed and unarmed uniformed security personnel for access control, mobile patrols, traffic control, security console/system operators, fire safety directors, communication, reception, concierge and front desk/doorman operations. A very small portion of revenue is generated through back office support services to three police departments.

Revenue growth stalled in 2003, a consequence of Federal agencies' assumption of the responsibility for pre-boarding screening at airports in the aftermath of the September, 2001 terrorist attacks. Gains since FY2004, supported in part by acquisitions, have lifted revenue to FY2003 levels. But during the past few years, the effects of federalization have been exacerbated by difficulties in the airline industry. Bankruptcy filings by several airlines resulted in write offs of \$1.1 million in receivables, some of which were recovered.

From FY2004 to FY2006, the company operated at a loss stemming in large measure from narrower gross margins and interest charges on borrowings used to finance working capital. Those losses were exacerbated by dividends on preferred shares that were converted to common shares in FY2005. In FY2007, the company surpassed its FY2003 revenue peak. FY2007 was a turnaround period, building momentum that doubled net income in FY2008. In FY2008, Command surpassed FY2002's net income of \$2.4 million. Sales gains have accelerated due to acquisitions and internal growth, and operating margins have improved. With modest revenue gains (driven in part by acquisitions), better leverage of G&A expenses, and stringent receivables management that limits receivables financing, we believe that the company could achieve significantly higher pre-tax earnings in FY2009. By our estimates, earnings for FY2009 and FY2010 will be fully taxed.

Operations

The company maintains a work force of more than 5,000 security personnel backed by 240 managers, support employees and administrative staff. A computerized scheduling and information system automatically matches security officers to customer's requirements, significantly reducing management time consumed in scheduling daily security officer hours.

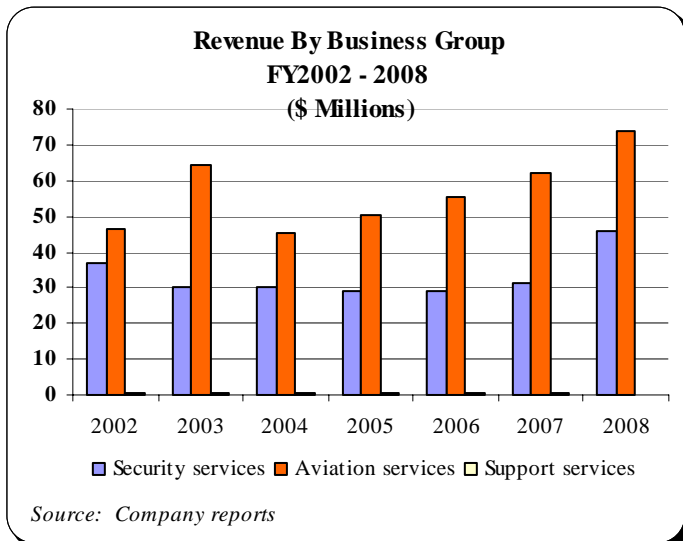
Services are provided under contracts that specify personnel and/or equipment to be provided at designated locations and applicable (typically hourly per person) rates, which can vary depending on base, overtime and holiday time worked, and the term of the contract. The company assumes responsibility for scheduling and uninterrupted service, and for the training, supervision, equipping, compensation, and insurance of security officers. These contracts can be terminated by either the company or the customer, generally with no less than 30 days notice. The company may also terminate an agreement immediately upon customer default on payables to the company, or if the customer is involved in insolvency proceedings.

Security Services

The company provides security officers that are deployed at buildings, malls, government, healthcare and educational facilities, industrial, commercial retail and residential sites. Security officers are used mainly for personal or property protection, in many cases around-the-clock, 365 days a year. These security officers may, depending on customer needs, be uniformed or plain-clothed, armed or unarmed, mobile (in marked radio cars) or at stationary posts such as fire stations, reception areas or video monitors.

Aside from traditional responsibilities such as access control, theft prevention, personnel security checks, traffic and parking control and protection against fire, theft, sabotage and safety hazards, security officers also respond to emergency situations and report fires, natural disasters, work accidents and medical crises to the appropriate authorities. The company occasionally provides specialized vehicle patrol and inspection services and personal protection services to key executives and high profile personalities.

While revenue for this business was largely flat from FY2003 through FY2006, the acquisitions of Sterling Protective Group (Florida) in June, 2006, Brown Protective Services (California) in April, 2007, Expert Security Services (Maryland) in January, 2008, and Eagle International Group, LLC and International Security & Safety Group, LLC (Florida) in September, 2008 should improve revenue comparisons through FY2010.



Aviation Services

Through its Aviation Safeguards business, the company offers a variety of uniformed services for more than 100 domestic and international air carriers. These services include aircraft security, access control, wheelchair escorts, skycaps, baggage handlers and uniformed security officers for cargo security areas. This division operates through airport offices at 13 domestic airports including JFK International Airport and LaGuardia Airport in New York, and Los Angeles International Airport and San Jose International Airport in California. Aviation Services’ largest customer is Delta Airlines, which accounted for 25% of this segment’s revenue and 15% of total revenue.

Support Services

The support services program for small and mid-sized security, investigative and law enforcement agencies includes financing of all receivables, access to a fully integrated operational computer system, continuous access to accounts receivable and collection information, processing of all client remittance checks, quarterly and annual payroll reports, and consultation on acquisitions.

Strategy

The company’s strategy aims to improve internal growth through new accounts, increased business from existing customers and the discontinuance of unprofitable contracts. Since FY2005, revenue gains have been achieved in both the aviation and security services business. New business is pursued through an organized marketing effort overseen by a Vice President for Sales and Marketing hired in October, 2006.

Acquisitions are also a factor underlying growth. In June, 2006, Command acquired a security guard service in southern Florida, raising the company’s run rate by an estimated \$2.8 million. In April, 2007, the company acquired another security services firm in California, an addition which raised annual revenue by around \$11 million. The January, 2008, acquisition of Maryland-based Expert Security Services will raise annual revenue by an estimated \$2 million. In September 2008, the acquisitions of Eagle International Group, LLC (EIG) and International Security & Safety Group, LLC (ISSG) were completed. EIG and ISSG had estimated combined annual sales of approximately \$5 million for calendar 2008.

The Industry

The security industry includes a spectrum of services ranging from guard, armored car and investigative services, to video surveillance and biometric identification. Much of the growth in security services has been technology-based. Of the 38 publicly traded companies classified by Capital IQ as Security and Protective Services, only three (including Command) concentrate on guard services.

US demand for security services has increased steadily, spurred in part by spectacular incidents such as the Oklahoma City bombing in 1999 and September, 2001 terror attacks in New York and Washington D.C. These incidents prompted many organizations to outsource their security needs, driving an increase in the number of guard service providers. Airport security in particular received much more attention in the wake of the 9-11 attacks.

The US guard services market has consolidated steadily since 1990, when the five largest security companies accounted for a third of the market. The five largest firms in the industry now have a combined US market share estimated at 51%. The five largest firms operating in the US are Securitas AB (Sweden), the Wackenhut Corporation, AlliedBarton Security Services, Guardsmark, LLC and Akal Security. Securitas AB, now the largest security services in the US, has been one of the most active consolidators in the industry; it acquired some of the largest companies in the industry, including Wells Fargo Guard Services, Wells Fargo Armored Car Services, Pinkertons and Brinks International.

Despite industry consolidation, the number of firms in this sector has increased steadily. Census Bureau figures show that the number of US firms providing investigative, guard and armored car services grew from 15,400 in 1998 to 21,800 in 2004. Since 2005, the Census Bureau has since refined its data to separately report armored car services, security guard/patrol services and investigation services. Refined pre-2004 breakdowns are not available but according to Census Bureau figures, US companies providing investigation/guard/patrol services numbered 13,000 in 2004, unchanged from the year before.

According to studies (Private Security Services – July 2008 and World Security Services – September 2008) conducted in 2008 by Freedomia, domestic demand for private contracted security services is expected to grow 4.7% through 2012 and reach \$66 billion dollars, as compared to \$52.3 billion in 2007. Guarding is expected to account for 44% of that figure in 2012, as compared to 42% in 2007. Global demand is expected to increase 7.5% and reach \$200 billion in 2012, as compared to \$139 billion in 2007.

Securitas' reported North American guard services revenue for 2007 of \$3.5 billion, representing what the company estimates was 16% of a market that was growing at an estimated 4% to 6% a year. By Securitas' estimates, it is the largest guard services provider in the US, trailed by Wackenhut Corp. (11% share) and five other closely held firms. These seven firms account for an estimated 51% of the US market. Using the \$22 billion current market estimate extrapolated from US Census data, we would estimate that roughly 18,000 firms under that top tier account for \$10.8 billion in revenue, an average of \$600,000 annual revenue per firm.

By comparison, Command's \$129 million revenue run rate makes it one of the larger firms in this sector. Although the company's revenue is much less than Securitas AB's 2007 North American guard services revenue of \$3.5 billion, Command's revenue dwarfs that of the average firm in this sector. We see only one other small-capitalization company in the same sector, Tri-S Security Corporation, which reported \$89 million in revenue for 2007, practically doubling in size since 2005 as a result of a 4Q05 acquisition.

For the nine months ending September 30, 2008, Securitas AB's revenue was up 4% to \$6 billion; net income from continuing operations increased threefold to \$210 million. Tri-S's revenue for the period increased 61% to \$106 million, but the company incurred a net loss of \$9.1 million, vs. a loss of \$2.1 for the first nine months of 2007.

The fragmentary nature of the guard services industry, according to Thomson Gale, tends to limit the majority of firms, most of which are small, to competing only in local markets. Pricing tends to be an important competitive factor but the company tends to base its competitiveness more on quality of service, the strengths of its supervisors, training of personnel, and the development of personal relationships.

Fiscal Third Quarter - FY2009 Results

In 3QFY09, Command earned a net profit of \$0.249 million or \$0.02 per share, on revenue of \$32.76 million, vs. earnings of \$0.540 million or \$0.05 per share, on revenue of \$30.23 million for the year-earlier quarter. We had projected 3QFY09 earnings of \$0.05 per share, on revenue of \$35.4 million. Investors should note that in the current period earnings were taxed at 45.2%, whereas in the year ago period earnings were not taxed. On a pretax basis, MOC reported income in 3QFY09 of \$0.453 million versus \$0.540 million in the year ago period.

3QFY09 revenue was up 8.4%, a gain driven by \$2.8 million in revenue from existing and new non-airline accounts, the combined \$1.5 million revenue contribution of the acquired Expert Security (January, 2008), and Eagle International Group, LLC and International Security & Safety Group, LLC (September, 2008) businesses, and \$0.6 million in added revenue from new and existing airport accounts at major airports in New York City (JFK and LGA) and California (LAX). Gains were offset in part by the loss of \$0.6 million in revenue at some airports due to a 2007 change in government regulations requiring the Transportation Security Administration to assume document verification services formerly performed by the company.

The company's gross margin for 3QFY09 was up slightly, from 13.7% to 14.4%, due to reduced labor ratio margins in the security services division. The operating expense margin for the period narrowed slightly to 1.7% from 2.4% due to G&A expenses for 3QFY09 increasing to \$4.2 million from \$3.4 million due mainly to a \$0.7 million increase in administrative payroll costs stemming from the expansion in operations (including acquisitions), and the expansion of the company's sales and marketing group, as well as a new CEO.

Interest expenses dropped by \$0.082 million to \$0.255 million due to reduced average interest rates under the company's commercial revolving loan agreement.

Credit Facility

As of December 31, 2008, the interest rate for revolving loans was 6.75%. As of December 31, 2008, the company had borrowed \$12.4 million in revolving loans and had \$0.147 million in letter of credit outstanding representing approximately 68% of maximum borrowing capacity. Up to an additional \$3.4 million in credit was available under the lending agreement. As of December 31, 2008, the company was in compliance with all its loan covenants.

On February 12, 2009, MOC entered into a \$20 million credit facility with Wells Fargo, which matures in February 2012. The new facility replaces its existing \$16 million revolving credit facility with CIT, and will be used to refinance outstanding indebtedness under that facility, to pay fees and expenses, working capital (including acquisitions), letters of credit, and other general corporate purposes. The Credit Agreement provides for a letter of credit sub-line in an aggregate amount of up to \$3 million. Interest will be calculated on the outstanding principal balance of the revolving loans at the prime rate plus 1.50%. For LIBOR loans, interest will be calculated on the outstanding principal balance of the LIBOR loans at the LIBOR rate plus 2.75%. In addition, the credit agreement provides a performance pricing provision whereby if certain conditions are met the interest rates charged shall be reduced by 0.25%. The facility contains customary affirmative and negative covenants, including, among other things, covenants requiring MOC to maintain certain financial ratios.

As of February 12, 2009, cash availability was approximately \$4.6 million, which Management believes is sufficient to meet the Company's needs for the foreseeable future barring any increase in reserves imposed by Wells Fargo. Management believes that existing funds, cash generated from operations, and existing sources of and access to financing are adequate to satisfy working capital, capital expenditure and debt service requirements for the foreseeable future.

Outlook

Management offered the following guidance in its third quarter 10Q:

- Future revenues will be largely dependent upon the Company's ability to gain additional business from new and existing customers in the security and aviation services divisions at acceptable margins, while minimizing terminations of contracts with existing customers.

Investors should note that in January 2009 the Company disclosed three new significant contracts and expanded services worth \$6 million in the aggregate. Additionally, management stated that it had entered into many contracts and contract renewals over the past several months in the ordinary course of business. The Company was expected to begin providing services under these contract awards between the middle of December 2008 and March 2009, except for operations in Ontario, Canada which are expected to commence in September 2009.

- Gross profit is expected to remain under pressure due primarily to continued price competition. However, management expects these effects to be moderated by continued operational efficiencies resulting from better management of the Company's cost structure, improved workers' compensation experience ratings, workflow process efficiencies associated with newly integrated financial software system and higher contributions from continuing new business development.
- A cost reduction program is expected to reduce certain operating and general and administrative expenses for both the remainder of fiscal 2009 and future periods. Additional cost reduction opportunities are being pursued as they are determined.

Projections

We are revising our fiscal 2009 and 2010 estimates based on recent business and financial trends and Management's public guidance as disclosed in the Company's 10Q.

For FY2009, we project net income of \$1.9 million or \$0.16 per share, on revenue of \$132 million vs. FY2008 earnings of \$0.22 per share, on revenue of \$119 million. We had previously projected FY2009 earnings of \$2.3 million or \$0.22 per share, on revenue of \$137 million. Investors should note that the Company's tax rate in 2009 is projected to be 41%, which will result in income taxes of \$1.3 million. In 2008, the Company received an income tax benefit of \$0.160 million.

For FY2010, we project a net profit of \$2.5 million or \$0.21 per share, on revenue of \$139 million. We had previously projected FY2010 profit of \$3.0 million or \$0.24 per share, on revenue of \$148 million. We are assuming a tax rate of 40%, resulting in income taxes of \$1.6 million.

Our forecast has been revised to reflect some revenue growth contraction due to the macroeconomic environment and updated industry statistics. Gross margins are expected to remain consistent with recent trends. Our FY2010 projections do not reflect any new acquisitions; by our estimates, organic growth will increase revenue for the year by 4.7% (in-line with industry growth). Steady gross margin and leveraging of operating expenses should widen the operating margin to 3.4% from 2.8%, resulting in an improved net margin and a 29% increase in earnings per share.

Risks

In our view, these are the principal risks underlying the stock:

Customer/Industry Concentration Around two-thirds of the company's revenue is contributed by its Aviation Safeguards business, which provides services to the aviation industry. In FY08, Delta Airlines accounted for 15% of the company's revenue, roughly the same proportion seen in FY07. The airline industry has experienced significant difficulty since 2001 and its hardships have been exacerbated by high fuel prices which show no sign

of abating. The company has weathered the effect of bankruptcies by some large customers and no further insolvencies appear imminent. However, aviation industry difficulties could persist, imposing some limitations on the company's growth. The October, 2008 merger of Delta Airlines and Northwest Airlines, both of which are the company's customers, could result in some facilities consolidation that could reduce revenue.

Several of MOC airline customers have continued to reduce capacity within their system which results in reductions of service hours provided by the Company to such carriers.

The Company's aviation services division is continually subject to government regulation, which has adversely affected MOC in the past with the federalization of the pre-board screening services and most recently with the ongoing federalization of the document verification process at several of its domestic airport locations.

Competition The guard services industry is highly fragmented and very competitive at regional and local levels. Command Security is a relatively larger mid-tier firm, substantially larger than the average guard services firm. However, the company is much smaller than the top-tier firms that account for 51% of its market. The large firms have significant name recognition and can bring greater resources to bear on marketing efforts, potentially underpricing the company in certain markets.

New CEO A new CEO could potentially signal a change in strategy that may have implications for growth and profitability.

Concentration of Stock Ownership The July 29, 2008 proxy statement showed that Trinad Capital LLP owns 25% of the company's common shares. Peter Kikis and Thomas Kikis owned, respectively, another 14% and 9% of the company's common stock. The concentration of ownership among these shareholders could give them disproportionate influence over management actions, potentially leading to decisions that may not be in the best interest of the stockholders at large. Conversely, however, this concentration of ownership could underlie a management discipline that positively influences the company's actions.

Receivables Controls Receivables represent a significant tie-up of operating funds that has required a steep rise in borrowings (and interest expenses) since FY2006. Our earnings forecasts are based in part on management's achievement of a significant shortening in the company's average collection period that would limit the need for additional borrowings. If the company's collection period is not significantly reduced, interest expenses incurred on borrowings used to support increased working capital could significantly exceed our projections. If earnings fall significantly below our estimates, our outlook on the stock could change.

Heavy Reliance on Credit Facility The company relies very heavily on its credit facility to support its accounts receivable. Any restrictive clause or covenant by its lender could impact the company's financial results.

Microcap Concerns Shares of MOC have risks common to the stocks of other microcap (which we define as market capitalizations of \$250 million or less) companies. These risks often underlie stock price discounts from the valuations of larger-capitalization stocks. Liquidity risk, typically caused by small trading floats and very low trading volume, can lead to large spreads and high volatility in stock price. The company has approximately 4.5 million shares in the float. On average, approximately 12,000 shares are traded daily.

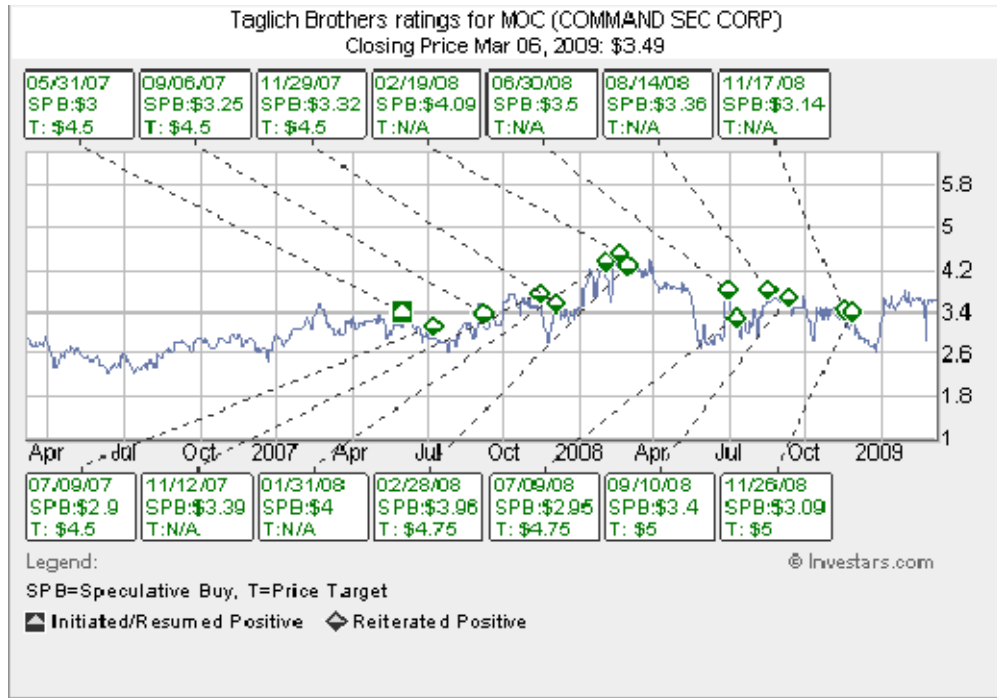
Miscellaneous Risks The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Investment Recommendation

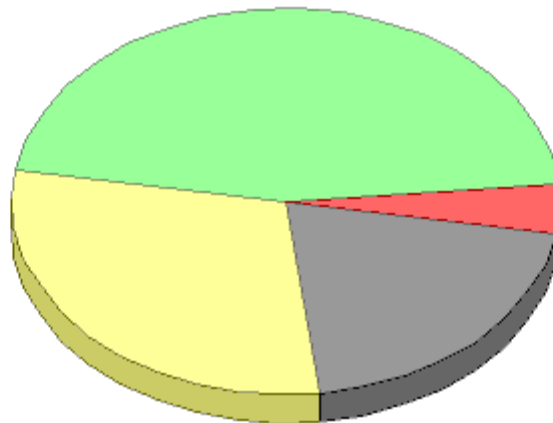
We are maintaining an investment opinion of Speculative Buy on Command Security Corporation (MOC: AMEX) and a 12-month price target of \$5.00 a share. The stock is trading at compelling valuation multiples.

For FY2010, we project earnings growth of 29%. Meanwhile, operating income is projected to grow at a compounded annual growth rate of 33% (2008 to 2010). Applying PEG multiple of 0.8X (resulting in a P/E multiple of 23.5X) to projected 2010 EPS of \$0.21 per share, results in our price target of \$5.00 per share. We applied a 0.8X PEG multiple to give considerations to the Company's risk factors and market conditions.

Command Security Corporation



Taglich Brothers Current Ratings Distribution



45.95 % Buy 29.73 % Hold 20.27 % Not Rated 4.05 % Sell

Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	2	7.41%
Hold	0	0
Sell	0	0
Not Rated	0	0

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

Public Companies mentioned in this report:

Air Canada	(Toronto: AC-A.TO)	Northwest Airlines	(Nasdaq: NWACQ.PK)
Delta Airlines	(NYSE: DAL)	Securitas AB	(Nasdaq: SCTBF.PK)
Group 4 Securicor	(LSE: GFS)	The Brink's Company	(NYSE: BCO)
Hawaiian Holdings	(Amex: HA)	TRI-S Security	(Nasdaq: TRIS)
ISS Group	(Australia: ISS)		

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As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not have an investment banking relationship with the company mentioned in this report and was not a manager or co-manger of any offering for the company within the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. In April, 2007 the company paid a monetary engagement fee of \$21,000 (USD) for the first year of creation and dissemination of research reports and since June, 2007 has paid a monthly monetary fee of \$1,750 (USD) to Taglich Brothers, Inc. for these services after the first year.

I, Luis Martins, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Command Security Corporation
Annual Income Statements
FY2006 - 2010E
(\$ Thousands, Except Per Share Amounts)

Year ending March 31:	2006A	2007A	2008A	2009E	2010E
Revenues	85,209	93,823	119,404	132,329	138,548
Cost of Revenues	73,788	80,157	103,162	113,109	118,596
Gross Margin	11,420	13,665	16,242	19,220	19,952
Operating expenses					
G&A	10,254	12,316	13,425	15,272	14,891
Prov for doubtful accts	1,162	268	360	289	305
Total	11,412	12,531	13,273	15,561	15,196
Operating income	8	1,135	2,969	3,659	4,756
Other income (expenses)					
Interest income	239	226	75	31	20
Interest expense	(432)	(568)	(784)	(521)	(700)
Gain on sale of securities			50		
Gain (loss) on equip sales	19	(3)	3	9	
Pretax income	(166)	790	2,314	3,177	4,076
Income tax (provision) benefit	66	450	160	(1,302)	(1,630)
Net income (loss)	(100)	1,240	2,474	1,875	2,446
Avg. shares out. - diluted	9,647	10,621	11,384	11,405	11,500
Earnings per share (diluted)	(0.01)	0.12	0.22	0.16	0.21
Margin analysis					
Gross margin	13.4%	14.6%	13.6%	14.5%	14.4%
G&A	12.0%	13.1%	11.2%	11.5%	10.7%
Provision for doubtful accts	1.4%	0.3%	0.3%	0.2%	0.2%
Operating income	0.0%	1.2%	2.5%	2.8%	3.4%
Pretax income	NM	0.8%	1.9%	2.4%	2.9%
Net income	NM	1.3%	2.1%	1.4%	1.8%
Tax rate	40.0%	NM	(6.9%)	41.0%	40.0%

Command Security Corporation
Quarterly Income Statements
FY2009 – FY2010E
(\$ Thousands, Except Per Share Amounts)

Year ending March 31:	Jun-08A	Sep-08A	Dec-08A	Mar-09E	2009E	Jun-09E	Sep-09E	Dec-09E	Mar-10E	2010E
Revenues	31,949	33,706	32,760	33,913	132,329	33,451	35,290	34,300	35,507	138,548
Cost of Revenues	27,344	28,650	28,034	29,081	113,109	28,667	30,244	29,326	30,359	118,596
Gross Margin	4,605	5,056	4,726	4,833	19,220	4,783	5,047	4,973	5,149	19,952
Operating expenses										
G&A	3,481	3,784	4,107	3,900	15,272	3,680	3,882	3,601	3,728	14,891
Prov for doubtful accts	82	71	62	75	289	74	78	75	78	305
Total	3,562	3,855	4,169	3,975	15,561	3,753	3,960	3,677	3,806	15,196
Operating income	1,043	1,201	558	858	3,659	1,030	1,087	1,297	1,342	4,756
Other income (expenses)										
Interest income	8	8	10	5	31	5	5	5	5	20
Interest expense	(127)	(130)	(114)	(150)	(521)	(175)	(175)	(175)	(175)	(700)
Gain on sale of securities										
Gain (loss) on equip sales	7	2			9					
Pretax income	930	1,081	454	713	3,177	860	917	1,127	1,172	4,076
Income tax (provision) benefit	(380)	(475)	(205)	(242)	(1,302)	(344)	(367)	(451)	(469)	(1,630)
Net income (loss)	550	606	249	471	1,875	516	550	676	703	2,446
Avg. shares out. - diluted	11,420	11,402	11,350	11,450	11,405	11,500	11,500	11,500	11,500	11,500
Earnings per share (diluted)	0.05	0.05	0.02	0.05	0.16	0.04	0.05	0.06	0.06	0.21
Margin analysis										
Gross margin	14.4%	15.0%	14.4%	14.3%	14.5%	14.3%	14.3%	14.5%	14.5%	14.4%
G&A	10.9%	11.2%	12.5%	11.5%	11.5%	11.0%	11.0%	10.5%	10.5%	10.7%
Provision for doubtful accts	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Operating income	3.3%	3.6%	1.7%	2.5%	2.8%	3.1%	3.1%	3.8%	3.8%	3.4%
Pretax income	2.9%	3.2%	1.4%	2.1%	2.4%	2.6%	2.6%	3.3%	3.3%	2.9%
Net income	1.7%	1.8%	0.8%	1.4%	1.4%	1.5%	1.6%	2.0%	2.0%	1.8%
Tax rate	40.9%	43.9%	45.2%	34.0%	41.0%	40.0%	40.0%	40.0%	40.0%	40.0%

Command Security Corporation
Balance Sheets
FY2006 – 2009A
(\$ Thousands)

Year ending March 31:	2006A	2007A	2008A	Dec-08A
ASSETS				
Current assets:				
Cash + equivalents	32	220	147	321
Accts rec (net)	13,804	17,979	20,098	22,583
Prepaid expenses	721	557	2,681	3,977
Other	2,291	3,429	1,910	1,579
Total current assets	16,849	22,184	24,836	28,460
Fixed assets	405	529	560	656
Intangibles	79	783	4,049	5,010
Restricted cash	74	78	303	83
Other	705	1,755	3,039	3,134
TOTAL ASSETS	18,113	25,330	32,786	37,342
LIABILITIES/ STOCKHOLDERS' EQUITY				
Current liabilities				
Checks in advance of deposits	1,829	1,760	1,962	586
Long-term debt (current)	53	247	6	0
Capitalized lease obligations (current)	39	17	17	63
Short-term borrowings	3,384	8,487	8,752	12,418
Accts payable	940	640	1,026	358
Due to service companies'	101			
Accruals	3,666	4,520	6,975	8,170
Total current liabilities	10,011	15,671	18,738	21,595
Insurance reserves'	421	540	671	55
Long-term debt (due after one yr)	28	6		
Cap lease obligations (due after one yr)	29	10	18	125
Stockholders' equity	7,625	9,104	13,360	15,037
TOTAL LIABILITIES/ STOCKHOLDERS' EQUI	18,113	25,330	32,786	37,342

Command Security Corporation
Cash Flow Statements
FY2006 – 2009A
(\$ Thousands)

Year ending March 31:	2006A	2007A	2008A	9M09A
Operating activities				
Net income (loss)	(100)	1,240	2,474	1,405
Depreciation/amortization	297	315	697	590
Stock based compensation	397	227	240	108
Prov for doubtful accts	1,158	215	(152)	20
(Gain) loss in equip sales	(19)	3	(3)	(9)
Gain on sale of securities			(50)	0
Deferred income taxes	(66)	(450)	(1,246)	(5)
Insurance reserves	(10)	237	131	(85)
Restricted cash			(225)	220
Changes in working capital	(6,598)	(5,788)	279	(2,924)
Net cash from operations	(4,941)	(4,001)	2,145	(679)
Investing activities				
Capital expenditures	(75)	(345)	(169)	(111)
Proceeds - equip sales	11	2	3	9
Acquisition of business		(413)	(2,261)	(1,358)
Proceeds from sale of securities			149	
Proceeds (payment) - notes to admin svc clients	(125)	0	0	
Principal collections - notes rec	9	116	0	
Net cash from investing	(180)	(640)	(2,278)	(1,461)
Financing activities				
Proceeds (repayments) - line of credit	(1,152)	5,117	265	3,666
+ / (-) checks in advance of deposits	1,334	(69)	202	(1,377)
Debt issuance cost		0	(153)	
Proceeds - warrant exercises	2,918	0	10	54
Payments - other borrowings	(420)	(178)	(247)	(6)
Payments - cap lease obligations	(37)	(41)	(18)	(24)
Preferred dividends		0	0	
Net cash from financing activities	2,643	4,829	59	2,313
Change in cash & equivalents	(2,479)	188	(73)	174
Cash - beginning	2,511	32	220	147
Cash - ending	32	220	147	321