



TAGLICH BROTHERS

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Initial Research Report

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

Command Security Corp

Rating: Speculative Buy

Juan Noble

CMMD \$3.00 — (OTC BB)

May 31, 2007

	FY2006A	FY2007E	FY2008E	FY2009E
Total revenues (in millions)	\$85.2	\$94.0	\$111.3	\$119.6
Earnings (loss) per share	(\$0.01)	\$0.06	\$0.11	\$0.14
52 - Week range	\$3.41 – \$2.16		Fiscal year ends:	March
Shares outstanding as of February 8, 2007	10.1 million		Revenue/share (ttm)	\$9.00
Approximate float	4.3 million		Price/Sales (ttm)	0.33
Market Capitalization	\$30 million		Price/Sales (FY2008)E	0.27
Tangible Book value/share	\$0.75		Price/Earnings (ttm)	NM
Price/Book	4.0X		Price/Earnings (FY2008)E	26.6X

Command Security Corporation. (OTC BB: CMMD), 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 initiating coverage of Command Security Corporation (OTC BB: CMMD) with an investment rating of Speculative Buy and a 12-month price target of \$4.50 per share. Our target is based on expectations for revenue gains and a higher price to (FY2008) sales multiple. As the company is still in an earnings recovery phase, we believe the stock is suitable mainly for investors with a high tolerance for risk.

Growth of the \$20+ billion US market for security guard services should be sustainable at around 7% to 9% a year, a rate that we believe the company will easily surpass in FY2008 due to the combined effect of internal growth and acquisitions.

Acquisitions in the security services division have reduced dependence on aviation-related customers but the company is still heavily dependent on the airline industry, conditions in which have been difficult for the past six years. As two-thirds of revenue is generated by services to airport-based businesses, the airline industry's difficulties could constrain growth.

The impact of major airline customers' bankruptcies in FY2004 and FY2005 has subsided, positioning the company for a recovery of earnings growth momentum as bad debt losses ease.

The company's drive to cull customer accounts that are marginally profitable is in its final stages, improving the outlook for faster revenue growth and moderate margin expansion.

* Please view our disclaimer located on page 13.

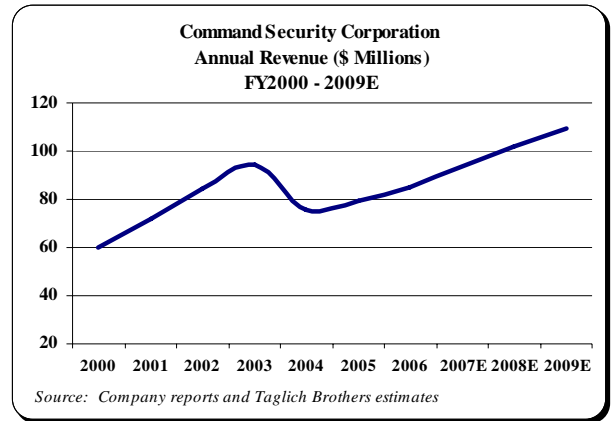
Overview

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 its 28 operating offices in California, Connecticut, Delaware, Florida, Illinois, Maine, Maryland, Massachusetts, New Jersey, Nevada, New York, Oregon, Pennsylvania and Washington.

The company has operated under present management since 2004, when Reliance Security Group, which owned 53% of the company's shares, sold its interest to an investor group led by Trinad Capital. Trinad owns almost 25% of Command's stock. All of the company's principal executives and directors assumed their current positions with the change in control in 2004.

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 two-thirds of the company's revenue.

Most of the balance of sales 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 small portion of revenue is generated through back office support services to three police departments and two administrative service clients.



A relatively steady pace of revenue growth was interrupted in 2003, a consequence of Federal agencies' assumption of the responsibility for pre-boarding screening at airports, a process that began 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 US Airways and United Airlines in FY2003, Air Canada and Hawaiian Airlines in early FY2004, and Delta Airlines and Northwest Airlines in FY2006, resulted in write offs of \$1.1 million in receivables, some of which were recovered.

Since FY2004, the company has achieved large gains in aviation services revenue by increasing business from existing customers and developing new accounts. At recent growth rates, aviation services revenue should regain or surpass peak (FY2004) levels by FY2008.

Profitability has yet to recover fully from the FY2004 decline in revenue. 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.

FY2007 could be a turnaround period. Sales gains have accelerated due to an acquisition and new business, and gross margins have improved. With modest revenue gains, better leverage of G&A expenses, and stringent receivables management that limits receivables financing, we believe that the company could, even on a fully taxed (40%) basis, achieve improved earnings growth momentum through FY2009.

Operations

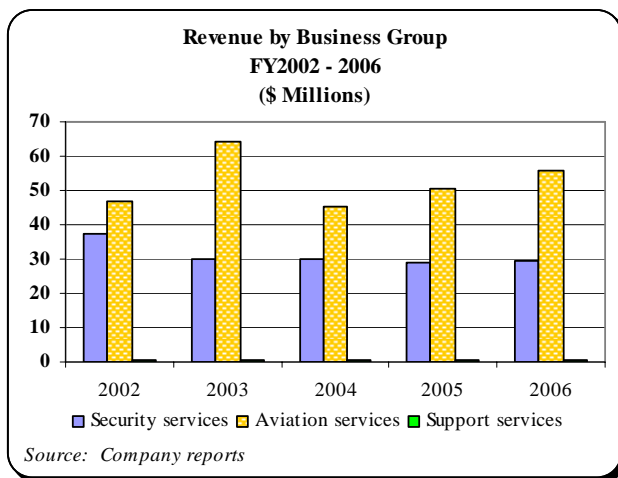
The company maintains a work force of around 3,500 security personnel backed by 60 support employees and an administrative staff of 90. A computerized scheduling and information system automatically matches security officers to customer’s requirements, significantly reducing management time consumed 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, and 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. In FY2006, security services accounted for 34% of revenue.

While revenue for this business was largely flat from FY2003 through FY2006, the acquisitions of Sterling Protective Group (Florida) in June, 2006, and Brown Protective Services (California) in April, 2007, should improve revenue comparisons in FY2008 and FY2009.



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 office 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. In FY2006, services to the aviation and related industries accounted for 65% of revenue. Aviation Services’ largest customer is Delta Airlines, which accounted for 26% of this segment’s revenue and 16% of the total revenue for FY2006.

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. Support services, currently provided to three police department and two administrative service clients, account for 0.3% of revenue in FY2006.

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 mainly in the aviation services business. New business is pursued through an organized marketing effort overseen by a Vice President for Sales and Marketing hired in October, 2006.

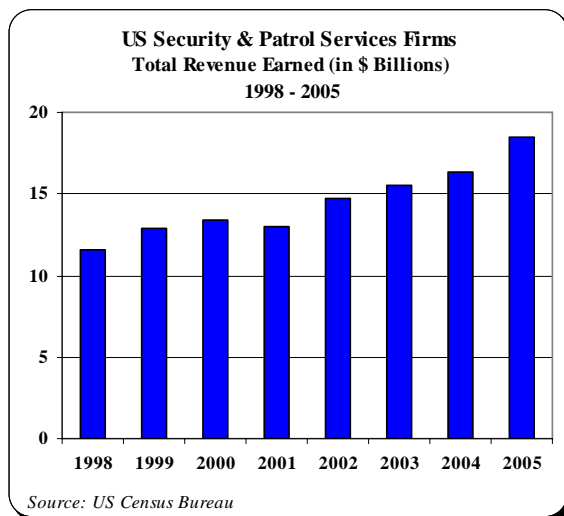
Occasionally, acquisitions are a factor underlying growth. In June, 2006, Command acquired a security guard service in southern Florida, raising the company’s run rate by an estimated \$2.8 million. In April, 2007, the company acquired another security services firm in California, an addition which should increase annual revenue by \$11 million.

The Industry

The security industry, estimated by research firm Thomson Gale to exceed \$100 billion worldwide, 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.

US Census Bureau data show that revenue earned by security guard/patrol service firms has increased steadily, rising from \$11.5 billion in 1998 to \$18.5 billion in 2005. These figures reflect average annual growth of 7% from 1998 to 2005, a rate that accelerated to 9% between 2001 and 2005. If that growth rate was sustained, the US market for these services would currently be around \$22 billion. The US guard services market has consolidated steadily since 1990, when the five largest security companies accounted for a third of the market.



Today, the five largest firms have a combined US market share of 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 has 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 security guard/patrol services numbered 17,600 in 2005, up from 15,800 the year before.

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Other sources offer added perspective on this market. A 2002 report by information services firm Thomson Gale estimated the worldwide 1997 market for detective, guard and armored car services at \$14.5 billion and estimated its growth at 9% annually. In its 2006 annual report, Securitas AB places the worldwide market for security services at \$124 billion, a figure which is projected to be growing at eight percent a year; around 75% of that market is concentrated in Europe and North America. Securitas AB estimated the guard services market for North America at \$19 billion (most of that in the US), of which it claimed a 16% share. Securitas' guard services revenue in US for 2006 totaled \$2.9 billion.

Growth of the worldwide guard services segment of the market is projected at seven percent annually, with growth rates differing sharply in Europe, the US and Japan (4% to 6%), and Asia (excluding Japan) and Latin America (11% to 12%). Thomson Gale estimated that demand for guard services grew around 8% annually during the 1990s, reaching an estimated \$12 billion by 2001, a figure in line with that reported by the Census Bureau.

Competition

Securitas' reported US guard services revenue for 2006 of \$2.9 billion, representing what the company estimates was 18% of the market. 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 \$90+ million revenue makes it one of the larger firms in this sector. Although the company's revenue is much less than Securitas AB's 2006 US guard services revenue of \$2.9 billion (flat vs. 2005), 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 \$75.7 million in revenue for 2006, practically doubling in size as a result of a 4Q05 acquisition. Some 2006 indications as to the relative size and profitability of the three publicly traded guard services companies operating in the US are as follows:

	<u>Command Security*</u>	<u>Securitas AB</u>	<u>Tri-S Security</u>
Revenue (\$ millions)	94	8,827	76
Gross margin	15.1%	19.0%	9.8%
Operating margin	1.4%	2.3%	(6.8%)
Net margin	1.1%	1.4%	(5.1%)

*estimates for fiscal year ending March, 2007

Source: Companies' reports and Taglich Brothers estimates

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.

Recent Developments

Acquisition Completed On April 18, 2007, the company announced that it completed the acquisition of Brown Security Services, Inc., including its wholly owned operating subsidiaries, Strategic Security Services, Inc. and Rodgers Police Patrol, Inc. The total purchase price was \$3.0 million, plus an amount equal to estimated consolidated tangible net worth of \$400,000 on the closing date, subject to adjustment. The purchase price consisted of approximately \$1.6 million in cash and 614,286 shares of Command's common stock, based on the

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average closing price (\$2.906 per share) of Command's common stock on the OTC Bulletin Board for the five consecutive trading days preceding the date that the parties first entered into the definitive transaction documents.

Brown Security Services will establish the company's presence in California's San Diego and Silicon Valley regions and add around \$11 million to annual revenue.

Amended Financing Agreement On April 18, 2007, the company also announced that in conjunction with the acquisition of Brown and its subsidiaries, the financing agreement between Command and The CIT Group/Business Credit, Inc. was amended to increase the aggregate line of credit under the agreement from \$12.0 to \$16.0 million and to provide for a \$2.4 million acquisition advance to fund the cash requirements of this transaction. This amendment also provides for an extension of the maturity date of the financing agreement to December 12, 2008, reductions in interest rates, fees and availability reserves and an increase in the letter of credit sub-line to an aggregate amount of up to \$3.0 million.

New Service Contract On February 5, 2007, the company announced that its aviation services business was awarded a contract to provide additional services for wheelchair escort, baggage handling and security to a major domestic airline at Los Angeles International Airport. The contract commences on March 5, 2007 and has an annual value of approximately \$2.0 million.

FY2007 – First Nine Months' Results

Operations For the nine months ending December 31, 2006, Command earned a profit of \$604,000, or \$0.06 per share, on revenue of \$70.3 million. In the year-earlier period, the company earned a profit of \$273,000, or \$0.03 per share, on revenue of \$64.2 million. Revenue for the first nine months of FY2007 was up 9% to \$70.3 million, reflecting the addition of new customers and higher service utilization by existing customers, both of which accounted for added revenue of \$1.7 million. New contracts signed since FY2005 added another \$2.4 million in revenue. In both instances, these gains were achieved by the aviation services business. The acquisition of Sterling Protective Group, a security service business, in June, 2006, added another \$1.6 million in sales for the nine month period.

Gross margins for the first nine months of FY2007 widened to 14.9% from 13.7%, reflecting lower labor costs margins in the security services division, reduced workmen's compensation costs and a reduction in New York state payroll taxes stemming from the elimination of the prior year's reductions in Federal unemployment tax credits.

G&A expenses for the nine-month period were up 30% to \$9.5 million due mainly to \$1.5 million in professional fees relating to a consulting agreement entered into in late FY2006. That consulting agreement, which entailed a monthly fee of \$175,000, expired in December, 2006. The rest of the increase in G&A expenses was attributed to higher administrative payroll, facilities and stock compensation expenses. The company's provision for doubtful accounts dropped from \$1.1 million to \$140,000 due to much easier comparisons with FY2006, during which the company booked an \$850,000 provision for doubtful accounts in connection with the bankruptcy filings of Delta Airlines and Northwest Airlines.

	9 Mos. Ending Dec		△ 06 vs. '05		9-Mo. Margins	
	2007	2006	\$	%	2007	2006
Revenues	70,309	64,245	6,064	9.4%		
Cost of Revenues	59,850	55,431	4,419	8.0%		
Gross Profit	10,459	8,814	1,645	18.7%	14.9%	13.7%
Operating expenses						
G&A	9,524	7,303	2,221	30.4%	13.5%	11.4%
Prov for doubtful acct	139	1,084	(945)	(87.2%)	0.2%	1.7%
Bad debt recoveries						
Total	9,663	8,388	1,276	15.2%	13.7%	13.1%
Operating income	796	426	370	86.7%	1.1%	0.7%
Other income (expenses)						
Interest income	189	175	13	7.5%	0.3%	0.3%
Interest expense	(378)	(348)	(29)	8.4%	(0.5%)	(0.5%)
Gain (loss) on equip sales	(3)	19	(22)	NM		
Pretax income	604	273	332	121.5%	0.9%	0.4%
Income tax (provision)						
Net income (loss)	604	273	332	121.5%	0.9%	0.4%
Avg. shares out. - diluted	10,590	9,349				
EPS (diluted)	0.06	0.03	0.03	95.5%		

Source: Company reports

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Interest expenses were up 9% to \$378,000 for the nine-month period due to higher borrowings under the company's line of credit, higher interest rates on those borrowings, and interest expenses on the note payable relating to the company's acquisition of a security service business in June, 2006.

Finances For the first nine months ending December, 2006, the company generated \$1.3 million in cash (before changes in working capital). However, due to an increase of \$3.6 million in receivables since the end of FY2006, operations reduced cash by almost \$4 million. The company's average collection period, estimated on the basis of trailing four-quarter revenue, has lengthened during the past year, increasing to almost 70 days at the end of 3QFY07 from less than 60 days for FY2006. As a result, the company has had to utilize its credit line more heavily.

The increase in working capital was financed by a \$4.4 million increase in borrowings under the company's credit facility, proceeds from which also offset the cash portion (\$412,500) of the purchase consideration for Sterling Protective Group, capital expenditures of \$270,000 and debt payments of \$160,000. With the additional debt, most of which was incurred in the third quarter, the company covered all cash outflows for the nine months, closing 3Q with a cash balance of \$155,000.

Credit Facility Since December, 2003, the company has had a financing agreement with CIT Group/Business Credit, which originally provided for borrowings of up to 85% of eligible accounts receivable or a maximum \$15 million. The agreement also provided for advances against unbilled revenue (primarily monthly invoiced accounts) offset by a reserve against outstanding payroll checks. Interest on the revolving loan was set at the prime rate plus 1.25% on the greater of \$5 million or the average of the net balances owed.

A March, 2006 amendment reduced borrowings against receivables to a maximum of \$12 million, but provided for a letter of credit sub-line of up to \$1.5 million, subject to a two percent per annum fee on each letter of credit. Interest rates on the revolving loans were set at prime rate plus .25% if EBITDA is equal to or less than \$500,000 for the most recently completed fiscal quarter; otherwise, at the prime rate. For LIBOR loans interest was set at the LIBOR rate plus 2.75% if EBITDA is equal to or less than \$500,000 for the most recently completed fiscal quarter; otherwise, at the LIBOR rate plus 2.50%.

In April, 2007, the agreement was again amended, raising the line of credit to \$16 million from \$12 million, increasing the letter of credit sub-line to \$3 million and providing the company with a \$2.4 million advance to cover the cash portion of the purchase consideration for Brown Security. The April, 2007 amendment extends the maturity date of the agreement to December, 2008 and reduces interest rates, fees, and availability reserves. Under this amendment, the interest rate on prime loans has been reduced to the prime rate + 0.25%; LIBOR loan rates have been reduced to the LIBOR rate +2%.

Outlook & Projections

Operations Our revenue forecasts are based on an internal growth rate of around 7.5% and the addition of the revenue of acquired companies. By 1Q08, the anniversary of the Sterling acquisition will have passed. However, the acquisition of Brown Securities will ease revenue comparisons through the end of FY2008.

For FY2007, we project a profit of \$600,000, or \$0.06 per share, vs. a loss of (\$0.01) per share for the prior year. By estimates, the improvement in earnings will be driven in part by a 10% rise in revenue to \$94 million. Revenue gains are based on new and expanded contracts with airline customers at Los Angeles, San Jose and La Guardia airports, new contracts with airlines operating out of Pittsburgh, Oakland and Seattle, a new security services contract with a major medical center in New York, New York, a short-term contract (terminated September, 2006) covering multiple locations for an insurance company, and the June, 2006 acquisition of Sterling Protective Group. Sterling should contribute an estimated \$2.1 million to \$2.4 million to FY2007 revenue.

Gross margins for FY2007 should widen significantly, increasing to 15.1% from 13.4% in the prior year. This improvement, already evident in results for the nine months ending December, 2006, will stem mainly from lower

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labor costs margins in the security services division, lower workmen's compensation costs and easier comparisons in New York state payroll tax expenses.

Revenue and gross margin gains for FY2007 will be offset in part by a rise in operating expenses, a consequence mainly of consultancy fees of around \$1.75 million incurred between April, 2006 and January, 2007; these consultancy expenses will be partly offset by easier comparisons in the provision for bad debts, which should fall dramatically from \$1.2 million, most of which related to the FY2006 bankruptcies of Delta Airlines and Northwest Airlines, to only \$200,000, and an estimated \$138,000 increase in interest expenses (to \$570,000), a consequence of heavier borrowing during the period. Revenue and gross margin gains for FY2007 will also be partly offset by an estimated \$170,000 rise in interest expenses (to \$570,000) stemming from heavier borrowing used to finance the Sterling acquisition and the rise in accounts receivable. We have projected no income taxes for FY2007 due to the application of net loss carryforwards, all of which should be utilized by the end of FY2007.

For FY2008, we project net income of \$1.3 million, or \$0.11 per share, up more than 20% estimated FY2007 earnings, or almost double projected profit for FY2007 on a fully taxed basis. Earnings growth will be based on an 18% rise in revenue to \$111 million, driven in part by the April, 2007 acquisition of Brown Security, gross margin improvement, and a narrower G&A expense margin. By our estimates, these gains will be partly offset by an \$83,000 increase in interest expenses stemming from average borrowing level higher than they were the year before.

By our projections, gross margin will stabilize at rates achieved in late FY2007. G&A expense margins for the year should narrow slightly due to the expiration in January, 2007 of the \$2.1 million consultancy agreement with Giuliani Partners LLC that was costing the company \$175,000 each month. While this consultancy contract added significantly to FY2007 G&A expenses, management feels that the service contracts it obtained as a result, as well as potential new business stemming from the contacts established in connection with the Giuliani Partners' consultancy, will make the contract cost effective.

Our preliminary forecast for FY2009, which does not include any prior-year acquisitions other than Brown Security, shows a more moderate rate of revenue growth. Based on revenue gains, a slight improvement in gross margins, slightly narrower G&A expense margins, and a reduction in interest expenses stemming from a decrease in borrowings, we project a 20% rise in earnings per share to \$0.14.

Financial Position & Cash Flow For FY2007, we project cash generation from operations (before changes in working capital) of \$1.8 million, up slightly from \$1.7 million the prior year. However, a \$3.9 million increase in receivables balances and \$1.2 million reduction in payables and accruals will increase working capital needs by more than \$5 million, resulting in a \$3.2 million cash drain from operations (vs. \$4.9 million for FY2006). Capital expenditures and the cash portion of payments for acquisitions, at around \$700,000, should be relatively minor. But to cover its cash needs in FY2007, the company will use an estimated \$4.5 million in proceeds from borrowings.

Based on our operating projections, cash generated (before changes in working capital) will rise to \$3.2 million in FY2008, a reflection of a larger profit for the year. The company's DSOs have increased to 69 days (in 3Q07), the effect of Delta Airlines' switch to from prepayments prior to its bankruptcy filing to weekly credit terms after the airline emerged from bankruptcy. But we project a more moderate increase in working capital as the company's DSOs shrink from a peak of 69 days in 3Q07 to 60 days by mid-FY08 in response to tighter management controls. With larger profits and a smaller rise in working capital requirements, operation should be cash positive for the year. The only significant outflow we project for FY2008 is the \$1.6 million in cash paid for the Brown Security acquisition. Capital expenditures and payment of the last installment due on the Sterling acquisition note will total a relatively small \$190,000.

As a result of stronger cash flow for FY2008, we believe that the company's use of borrowings will moderate, falling from an estimated peak of \$8 million in 4Q07 to \$7 million by the end of FY2008.

Management

Barry I. Regenstein President January 2006 to present. August 2004 - December 2005, Executive Vice President and Chief Operating Officer. Chief Financial Officer since October 2004. Has over 28 years of experience including 23 years in operations and finance of contract services companies. February 2004 until August 2004, consultant to Trinad Capital, L.P., (shareholder of the Company) and its affiliates. 2001 until 2003, Senior Vice President and Chief Financial Officer of GlobeGround North America LLC (formerly Hudson General Corporation), an airport services company. 1982 – 2001, employed by GlobeGround North America LLC; Vice President and Chief Financial Officer of GlobeGround North America LLC from 1997 to 2001. Prior to joining Hudson General Corporation, was with Coopers & Lybrand in Washington, D.C. Certified Public Accountant. B.S. Accounting, University of Maryland. M.S. Taxation, Long Island University.

Martin C. Blake, Jr. Chief Operating Officer. Director since 2004. Joined the company in 1995. Has over twenty-eight years of experience in aviation security services. Prior to joining the company, retired as a Major in the US Air Force, where he served in a variety of senior management positions. Last Air Force assignment was Program Manager for Electronic Security Systems, Electronic Systems Division. In this capacity, managed a \$20 million annual program responsible for global marketing, procurement, and deployment of electronic security systems. Responsible for integrating security systems and programs at international airports in Germany, Turkey, and the United Kingdom. Was Director of Security at the Department of Defense's largest classified air flight facility, incorporating over 1,200 square miles of restricted air space. Establishing aviation security programs for major aircraft defense contractors was an integral responsibility of his position. Also served as the Security Program Manager for Air Force space programs, including security for the Space Shuttle and expendable space launch vehicles. Led the effort to integrate a shared automated entry control system for use at Cape Canaveral, Kennedy Space Center, and the Johnson Space Center.

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. Presently, Delta Airlines accounts for 17% of the company's revenue. 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.

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.

Concentration of Stock Ownership As of September, 2006, approximately 23% of the company's common shares were owned by Trinad Capital LLP. Peter Kikis and Thomas Kikis owned, respectively, another 16% 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 The company's average receivables collection period has been lengthening steadily since FY2005 and represents a significant tie-up of operating funds that has required a steep rise in borrowings (and interest expenses) since FY2006.

Acquisition Integration During the past year, the company has made two acquisitions, revenue from which represents a fairly significant part of the revenue growth we project through FY2008. While we believe that the acquired companies' run rates can be sustained or increased, integration difficulties could potentially impede efforts to improve margins.

Microcap Concerns Shares of CMMD 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 million shares in the float. On average, approximately 16,200 shares are traded daily.

Federal Reserve/FOMC - Prior to August 8, 2006, when the Federal Reserve decided to hold the Discount Rate and its target rate for Fed Funds unchanged, the Fed had raised those rates steadily since mid-2004. The Federal Reserve has held its rates unchanged during its past seven meetings but inflation risk is a perennial concern and to the extent that further rate increases may lie ahead, equity valuations, particularly those of smaller capitalization stock, could suffer.

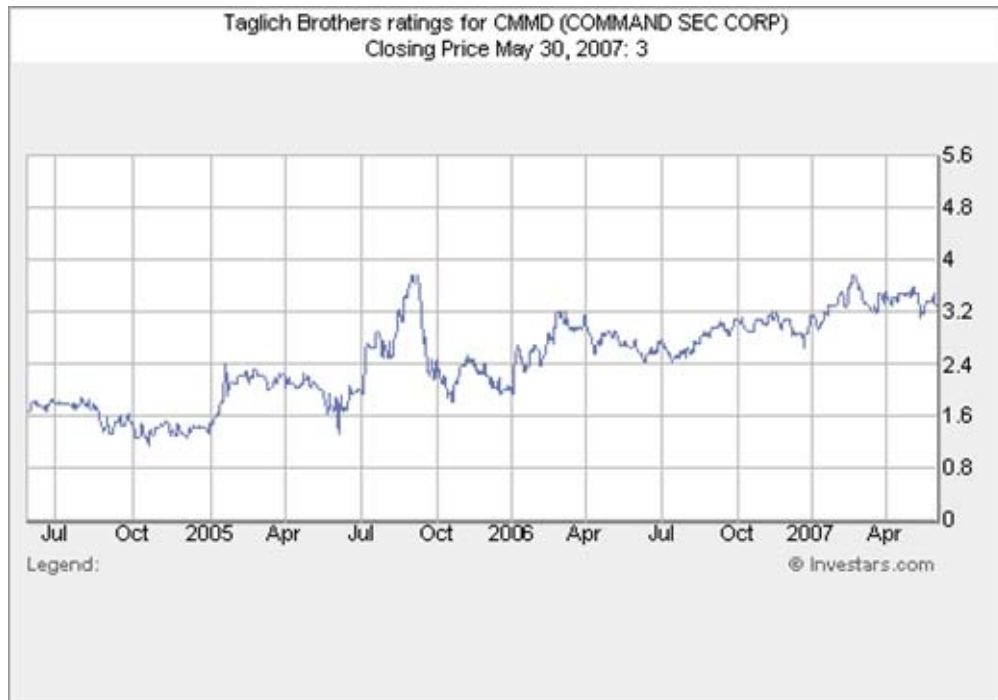
Miscellaneous Risks The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected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

Investment Recommendation

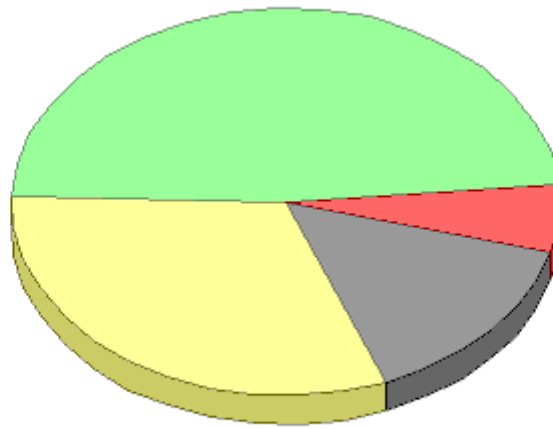
We are initiating coverage of Command Security Corporation (CMMD: OTC BB) with an investment opinion of Speculative Buy and a 12-month price target of \$4.50. The stock is current trading at 0.27 times estimated sales per share for FY2008 (vs. 0.33 times revenue for the past four quarters).

We believe that within the next 12 months, the stock will be trading at 0.35 times FY2008 sales per share, an expectation that, in our view, is relatively modest. The company's quarterly revenue gains have accelerated all through FY2007 and, due to an April, 2007 acquisition, should continue to do so through the end of FY2008. Aside from revenue gains, we project significant margin gains that will keep operations profitable for the next two fiscal years.

Comparatives There are few direct comparatives available; we know of only two other publicly-traded (in the US) guard services companies operating in the US, which we profile on page 5. Capital IQ shows 38 stocks (30 of which are micro-capitalization stocks, in the Security and Protective Services industry. Of those, all except Command Security and Tri-S Security, are technology-based companies offering equipment or services that do not include guard services. As a group, these stocks trade at 2.4 times (trailing) sales, vs. 0.32X for Command and 0.13X for Tri-S Security. As a matter of interest, both of the recent acquisitions made by the company were purchased for approximately 0.31 times their estimated run rates.



Taglich Brothers Current Ratings Distribution



48.15 % Buy 31.48 % Hold 14.81 % Not Rated 5.56 % Sell

Investment Banking Services for Companies Covered in the Past 12 Months		
<u>Rating</u>	<u>#</u>	<u>%</u>
Buy	1	3.70%
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)
Hawaiian Holding	(Amex: HA)	TRI-S Security	(Nasdaq: TRIS)

* The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to changes in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an Analyst or member of the Research Department may sell such securities after obtaining expressed written permission from the Director of Research. As of the date of this report no Taglich Brothers, Inc. employees had a position in the stock of the Company mentioned in this report: 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 will pay a monthly monetary fee of \$1,750 (USD) to Taglich Brothers, Inc. for these services after the first year.

I, Juan Noble, 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
FY2004 - 2009E
(\$ Thousands, Except Per Share Amounts)

Year ending March 31:	2004A	2005A	2006A	2007E	2008E	2009E
Revenues	75,905	79,655	85,209	93,998	111,259	119,604
Cost of Revenues	64,945	69,132	73,788	79,808	93,736	100,555
Gross Margin	10,960	10,523	11,420	14,190	17,523	19,049
Operating expenses						
G&A	10,808	10,591	10,254	12,675	14,684	15,488
Prov for doubtful accts	154	277	1,162	197	245	263
Bad debt recoveries	(199)	(56)	(4)	0	0	0
Total	10,764	10,812	11,412	12,872	14,929	15,751
Operating income	195	(289)	8	1,318	2,594	3,298
Other income (expenses)						
Interest income	90	97	239	254	260	260
Interest expense	(517)	(460)	(432)	(570)	(659)	(606)
Gain (loss) on equip sales	13	(5)	19	(3)	0	0
Pretax income	(219)	(658)	(166)	1,000	2,196	2,952
Income tax (provision) benefit	(92)	267	66		(878)	(1,181)
Net loss	(310)	(390)	(100)	1,000	1,317	1,771
Preferred dividends	(163)	(38)				
Net income (loss) applicable to common stockholders	(473)	(429)	(100)	1,000	1,317	1,771
Avg. shares out.(mil) - diluted	6,391	7,863	9,647	10,643	11,700	12,500
Earnings (loss) per share - diluted	(0.07)	(0.05)	(0.01)	0.09	0.11	0.14
Margin analysis						
Gross margin	14.4%	13.2%	13.4%	15.1%	15.8%	15.9%
G&A	14.2%	13.3%	12.0%	13.5%	13.2%	12.9%
Provision for doubtful accts	0.2%	0.3%	1.4%	0.2%	0.2%	0.2%
Operating income	0.3%	(0.4%)	0.0%	1.4%	2.3%	2.8%
Pretax income	(0.3%)	(0.8%)	(0.2%)	1.1%	2.0%	2.5%
Net income	(0.6%)	(0.5%)	(0.1%)	1.1%	1.2%	1.5%

Source: Company reports and Taglich Brothers estimates

Command Security Corporation
Quarterly Income Statements
FY2007 – FY2008
(\$ Thousands, Except Per Share Amounts)

Year ending March 31:	Jun-06A	Sep-06A	Dec-06A	Mar-07E	2007E	Jun-07E	Sep-07E	Dec-07E	Mar-08E	2008E
Revenues	22,306	23,911	24,093	23,689	93,998	26,544	28,215	28,429	28,071	111,259
Cost of Revenues	19,082	20,484	20,284	19,958	79,808	22,363	23,771	23,952	23,650	93,736
Gross Margin	3,224	3,427	3,809	3,731	14,190	4,181	4,444	4,478	4,421	17,523
Operating expenses										
G&A	2,953	3,154	3,417	3,151	12,675	3,530	3,724	3,724	3,705	14,684
Prov for doubtful accts	39	47	53	58	197	58	62	63	62	245
Bad debt recoveries										
Total	2,992	3,201	3,470	3,209	12,872	3,589	3,786	3,787	3,767	14,929
Operating income	232	226	339	522	1,318	592	657	691	654	2,594
Other income (expenses)										
Interest income	58	69	62	65	254	65	65	65	65	260
Interest expense	(86)	(120)	(171)	(192)	(570)	(181)	(162)	(155)	(161)	(659)
Gain (loss) on equip sales	1	0	(4)		(3)					0
Pretax income	204	175	225	395	1,000	476	560	601	558	2,196
Income tax (provision)						(190)	(224)	(240)	(223)	(878)
Net income (loss)	204	175	225	395	1,000	286	336	361	335	1,317
Avg. shares out. - diluted	10,560	10,575	10,637	10,800	10,643	11,400	11,600	11,800	12,000	11,700
Earnings per share (diluted)	0.02	0.02	0.02	0.04	0.09	0.03	0.03	0.03	0.03	0.11
EPS fully taxed (@ 40%)	0.01	0.01	0.01	0.02	0.06					
Margin analysis										
Gross margin	14.5%	14.3%	15.8%	15.8%	15.1%	15.8%	15.8%	15.8%	15.8%	15.8%
G&A	13.2%	13.2%	14.2%	13.3%	13.5%	13.3%	13.2%	13.1%	13.2%	13.2%
Provision for doubtful accts	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Operating income	1.0%	0.9%	1.4%	2.2%	1.4%	2.2%	2.3%	2.4%	2.3%	2.3%
Pretax income	0.9%	0.7%	0.9%	1.7%	1.1%	1.8%	2.0%	2.1%	2.0%	2.0%
Net income	0.9%	0.7%	0.9%	1.7%	1.1%	1.1%	1.2%	1.3%	1.2%	1.2%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	40.0%	40.0%	40.0%	40.0%	40.0%

Source: Company reports and Taglich Brothers estimates

Command Security Corporation
Balance Sheets
FY2005 - 2009E
(\$ Thousands)

Year ending March 31:	2005	2006	2007E	2008E	2009E
ASSETS					
Current assets:					
Cash + equivalents	2,511.1	32.2	597.8	457.1	565.1
Accts rec (net)	11,629.8	13,804.1	16,971.9	18,543.2	19,934.0
Prepaid expenses	788.0	721.5	611.0	723.2	777.4
Other	348.0	2,291.1	2,819.9	3,337.8	3,588.1
Total current assets	15,276.9	16,848.9	21,000.6	23,061.3	24,864.6
Fixed assets	427.7	405.2	560.4	650.3	719.2
Intangibles	174.9	79.5	731.4	1,644.3	1,557.1
Restricted cash	72.0	74.4	75.0	75.0	75.0
Other	560.3	705.3	752.0	890.1	956.8
TOTAL ASSETS	16,511.7	18,113.3	23,119.4	26,320.9	28,172.7
LIABILITIES/ STOCKHOLDERS' EQUITY					
Current liabilities					
Checks in advance of deposits	495.2	1,828.8	1,974.0	2,336.4	2,511.7
Long-term debt (current)	26.7	52.6	134.6	5.9	
Capitalized lease obligations (current)	27.5	38.7	21.0	10.1	
Short-term borrowings	4,811.8	3,383.7	8,000.0	7,000.0	6,000.0
Accts payable	399.4	939.5	498.8	585.9	695.4
Due to service companies'	160.1	101.4			
Accruals	5,676.8	3,666.4	3,289.9	3,894.1	4,186.1
Total current liabilities	11,597.5	10,011.2	13,918.2	13,832.4	13,393.2
Insurance reserves'	423.4	420.8	470.0	556.3	598.0
Long-term debt (due after one yr)	41.1	28.0	19.1	5.5	1.5
Cap lease obligations (due after one yr)	40.1	28.7	25.2	4.2	
Stockholders' equity	4,409.3	7,624.7	8,687.0	11,922.4	14,180.0
TOTAL LIABILITIES/ STOCKHOLDERS' EQUITY	16,511.4	18,113.3	23,119.4	26,320.8	28,172.7
DSO	52.6	58.3	65.0	60.0	60.0
Days payables	2.1	4.6	2.3	2.3	2.3
Quick ratio	1.2	1.4	1.3	1.4	1.5
Current ratio	1.3	1.7	1.5	1.7	1.9
Long-term debt/total capitalization	0.015	0.010	0.017	0.001	0.000
Debt/tangible equity	2.9	1.4	1.8	1.4	1.1

Source: Company reports and Taglich Brothers estimates

Command Security Corporation
Cash Flow Statements
FY2005 – FY2009E
(\$ Thousands)

Year ending March 31:	2005	2006	2007E	2008E	2009E
Operating activities					
Net income (loss)	(390.3)	(99.6)	939.5	1,317.4	1,771.2
Depreciation/amortization	396.5	296.8	304.9	297.2	318.2
Stock based compensation	106.4	397.4	275.4	220.0	220.0
Prov for doubtful accts	221.2	1,158.2	197.1	244.8	263.1
(Gain) loss in equip sales	4.8	(19.1)	2.9	0.0	0.0
Deferred income taxes	(267.5)	(66.4)	0.0	0.0	0.0
Changes in working capital	8,099.6	(6,598.4)	(5,077.3)	(1,510.2)	(1,293.7)
Net cash from operations	8,149.0	(4,941.4)	(3,246.9)	655.5	1,320.6
Investing activities					
Capital expenditures	(55.1)	(74.8)	(344.3)	(300.0)	(300.0)
Proceeds - equip sales	20.9	10.6	2.1	0.0	0.0
Acquisition of business			(412.5)		
Proceeds (payment) - notes to admin svc clients		(125.0)	0.0	0.0	0.0
Principal collections - notes rec	70.9	9.2	115.8	0.0	0.0
Net cash from investing	36.6	(180.0)	(638.9)	(300.0)	(300.0)
Financing activities					
Proceeds (repayments) - line of credit	(4,275.7)	(1,152.0)	4,629.6	(1,000.0)	(1,000.0)
+/(-) checks in advance of deposits	(71.4)	1,333.6	145.2	362.5	175.2
Debt issuance cost			0.0	0.0	0.0
Payments on acquisition note					
Stock issued for acquisition					
Proceeds - warrant exercises	237.9	2,917.6	0.0	0.0	0.0
Payments - other borrowings	(1,430.4)	(419.9)	(172.3)	(22.1)	(5.9)
Payments - cap lease obligations	(66.3)	(36.7)	(38.6)	(21.0)	(10.1)
Preferred dividends	(79.1)		0.0	0.0	0.0
Net cash from financing activities	(5,684.9)	2,642.6	4,563.9	(680.5)	(840.8)
Change in cash & equivalents	2,500.7	(2,478.8)	678.1	(325.0)	179.8
Cash - beginning	10.3	2,511.1	32.2	710.3	385.3
Cash - ending	2,511.1	32.2	710.3	385.3	565.1

Source: Company reports and Taglich Brothers estimates