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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

Juan Noble

MOC \$3.09 — (AMEX)

November 26, 2008

	FY2007A	FY2008A	FY2009E	FY2010E
Total revenues (in millions)	\$93.8	\$119.4	\$136.9	\$147.9
Earnings (loss) per share	\$0.12	\$0.22	\$0.20*	\$0.24
52 - Week range	\$4.49 – \$2.43	Fiscal year ends:		March
Shares outstanding as of November 6, 2008	10.8 million	Revenue/share (ttm)		\$9.89
Approximate float	4.5 million	Price/Sales (ttm)		0.31
Market Capitalization	\$33.2 million	Price/Sales (FY2010)E		0.26
Tangible Book value/share	\$1.36	Price/Earnings (ttm)		14.0X
Price/Book	2.3X	Price/Earnings (FY2010)E		13.0X

* Taxed at projected 39% rate.

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 target is based on expectations for continuing revenue and profitability gains through FY2010. The stock is, in our view, suitable mainly for risk-tolerant investors.

Growth of the \$20+ billion US market for security guard services should be sustainable at around 7% to 9% a year, a rate that the company has surpassed easily through FY09 due partly to acquisitions.

Acquisitions in the security services division have reduced dependence on aviation-related customers. But two-thirds of revenue is still generated by services to airport-based businesses, posing the risk that airline industry margin squeezes stemming from higher fuel prices could constrain the company's growth.

Despite a 10% rise in revenue and an improved operating margin, earnings for 2QFY09 (results were released November 14, 2008) were flat at \$0.05 per share due to a higher effective income tax rate. We anticipate strong FY2009 operating income growth but reduced net income due to a provision for income taxes (vs. a tax benefit FY2008).

Borrowings in 2QFY09 were up slightly to support higher receivables but cash throw-off, at \$675,000, was strong enough to partly offset higher working capital needs.

** Please view our disclaimer located on page 12.*

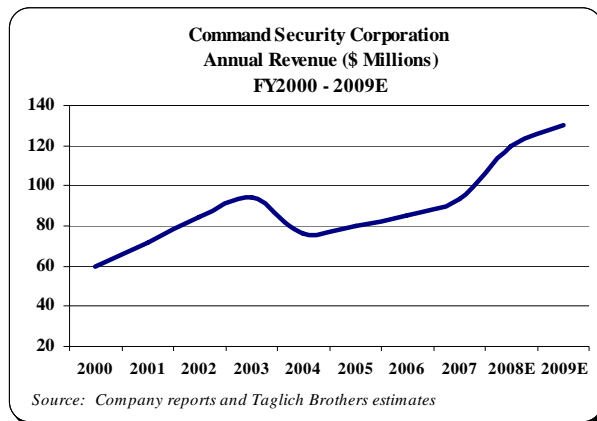
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Overview

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 will be fully taxed.

Operations

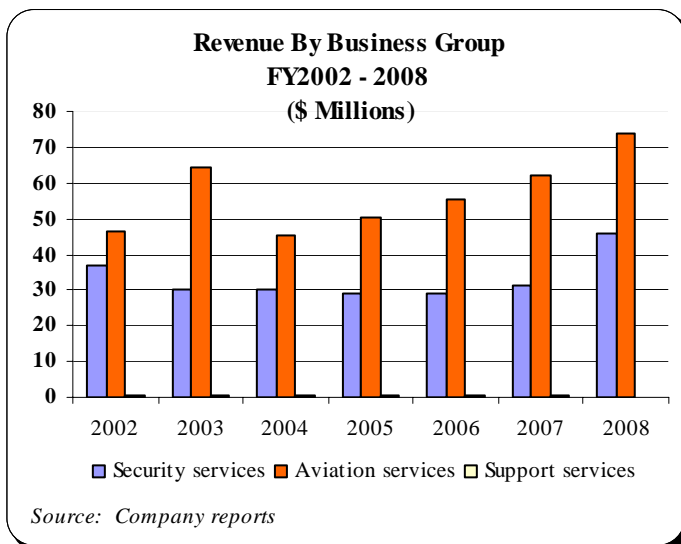
The company maintains a work force of more than 5,000 security personnel backed by 240 managers, support employees and administrative staff. A computerized scheduling and information system automatically matches security officers to customer's requirements, significantly reducing management time consumed 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, 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. Security services accounted for 38% of revenue in FY2008.

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 and related industries accounted for 62% of revenue in FY2008. 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. Support services provided to three police departments accounted for 0.1% of revenue, or \$200,000 in FY2008.

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.

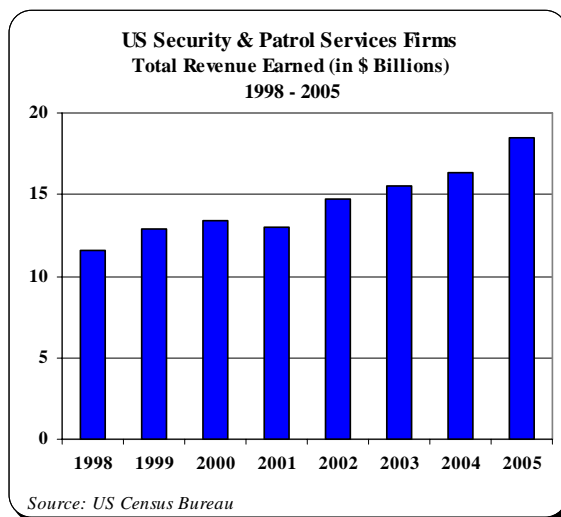
Occasionally, acquisitions are a factor underlying growth. In June, 2006, Command acquired a security guard service in southern Florida, raising the company's run rate by an estimated \$2.8 million. In April, 2007, the company acquired another security services firm in California, an addition which raised annual revenue by around \$11 million. The January, 2008, the acquisition of Maryland-based Expert Security Services will raise annual revenue by an estimated \$2 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 (latest available). 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.



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.

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 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 \$122 million 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. Some recent indications as to the relative size and profitability of the three publicly traded guard services companies operating in the US are as follows:

	Command Security		Securitas AB		Tri-S Security	
	FY2008⁽¹⁾	FY2007	2007	2006	2007	2006
Revenue (\$ millions)	119	94	10,457	10,061	89	76
Gross margin	13.6%	14.6%	18.7%	19.0%	6.1%	10.0%
Operating margin	2.5%	1.5%	3.1%	2.4%	(7.7%)	(6.8%)
Net margin	2.1%	1.3%	0.8%	1.4%	(4.8%)	(5.1%)

⁽¹⁾ Ended March 31

Source: Companies' reports

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.

Recent Developments

New CEO In an October 3, 2008 8-K filing submitted by Barry Regenstein, president and chief financial officer, the company reported that on September 29, 2008, it entered into an employment agreement with Edward S. Fleury, pursuant to which he became the company's CEO. The employment agreement has a term of three years (subject to earlier termination or resignation as provided in such agreement), and will automatically renew for successive one-year periods unless either the company or Fleury provides notice to the other party at least 60 days prior to the end of the term, or any renewal term, if applicable, of its or his desire to terminate the agreement. Under the agreement, Fleury will be paid an annual base salary of \$290,000 (subject to increase based on his performance and the company's performance and financial condition), and he will be eligible for an annual bonus based upon the company's growth, profitability and other successes under his leadership. In addition, Fleury was granted an option to purchase 500,000 shares of the company's common stock at a price of \$3.368 per share, the average closing price of the company's common stock on the American Stock Exchange for the 20 trading days immediately preceding the date of grant. The option will vest in equal monthly installments over the 36-month

term of the employment agreement, commencing October 1, 2008, subject to acceleration or termination under certain circumstances as provided in the employment agreement.

Prior to joining Command Security, Fleury, age 66, served as North American Director of Acquisitions and Mergers of Rentokil Plc, a provider of varied services, including pest control and manned guarding, from January 2005 until June 2006. From June 1996 until January 2005, he was president of Initial Contract Services Inc., which provides commercial cleaning services.

South Florida Acquisitions On September 12, 2008, Command Security Corporation announced the acquisitions of Eagle International Group, LLC and International Security & Safety Group, LLC. The acquired companies provide security services to residential and commercial property management companies, medical centers, hospitals, nursing homes and healthcare centers in Broward and Palm Beach counties in Florida. The acquired companies have approximately 200 employees and will add approximately \$5 million to the company's revenue this year. These acquisitions are aimed at expanding the company's existing organization in South Florida.

Second Quarter - FY2009 Results

Operations In 2QFY09, Command earned a net profit of \$606,000, or \$0.05 per share, on revenue of \$33.7 million, vs. earnings of \$0.05 per share, on revenue of \$30.6 million for the year-earlier quarter. We had projected 2QFY09 earnings of \$0.05 per share, on revenue of \$33.4 million. Despite higher revenue and a wider operating margin, earnings were flat due to a higher effective income tax rate in 2Q.

2QFY09 revenue was up 10%, a gain driven by \$2.8 million in revenue gains on existing and new non-airline accounts, the \$720,000 revenue contribution of the acquired Expert Security (January, 2008), and Eagle International Group, LLC and International Security & Safety Group, LLC (September, 2008) businesses, and \$1.1 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 \$970,000 in revenue at seven 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 2QFY09 was up slightly, from 14.3% to 15%, due to reduced labor ratio margins in the security services division. The operating expense margin for the period narrowed slightly.

G&A expenses for 2QFY09 increased 9% to \$3.8 million due mainly to a \$335,000 increase in administrative payroll costs relating stemming from the expansion in operations (including acquisitions), and the expansion of the company's sales and marketing group. Those increases were partly offset by lower stock compensation costs, and more favorable comparisons with the year-earlier quarter, in the company incurred expenses relating to its stock listing on the American Stock Exchange.

Due to leveraging of costs and expenses, the operating margin for 2Q widened to 3.6% from 2.7%.

Interest expenses dropped by \$72,000 to \$130,000 due to reduced average interest rates under the company's commercial revolving loan agreement.

In 1HFY09, the company earned a profit of \$1.2 million, or \$0.10 a share, on revenue of \$65.7 million, vs. earnings of \$0.09 a share, on revenue of \$58.7 million, for the year-earlier period. Revenue for 1HFY09 increased 12% to \$65.7 million due to \$5.6 million in revenue gains on existing and new non-airline accounts, the \$1.2 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 \$2.8 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 \$1.9 million in revenue at seven airports due to a 2007 change in government regulations requiring the Transportation Administration to assume document verification services formerly performed by the company.

Command Security Corporation

The gross margin for 1HFY09 increased to 14.7% from 13.6% due to reduced labor ratio margins in the security services division.

G&A expenses were up 11% to \$7.3 million due mainly to a \$685,000 increase in administrative payroll costs relating stemming from the expansion in operations (including acquisitions), and the expansion of the company's sales and marketing group. Those increases were partly offset by lower stock compensation costs, and more favorable comparisons with the year-earlier quarter, in the company incurred expenses relating to its stock listing on the American Stock Exchange. Provision for doubtful accounts increased \$371,000 in 1HFY09 due to the recovery of \$369,000 representing the value of stock received by the company under a claim relating to the bankruptcy of Northwest Airlines in the year-earlier period.

Interest expenses for the first half of FY2009 dropped by 40% to \$257,000 due to a decline in average weighted average interest rates under the company's commercial revolving loan agreement.

Finances In 2QFY09, cash dropped by \$28,000 to \$234,000. Cash throw-off for the quarter totaled \$675,000, augmented by a \$400,000 reduction in working capital needs stemming from an increase in current payables. The cash generated by operations, and almost \$600,000 in proceeds from borrowings under a line of credit, was sufficient to cover reductions in checks in advance of deposits, a modest amount of capital expenditures, and the \$1.2 million used to acquire Eagle International Group, LLC and International Security & Safety Group.

For 1HFY09, cash throw off totaled \$1.6 million, of which \$260,000 was offset by additional working capital needs, mainly an increase in receivables. Between net cash of \$1.3 million from operations and more than \$800,000 in borrowings, the company was able to fund its acquisitions and a drop in the amount of checks in advance of deposits. For 1HFY09, cash increased by \$87,000 to \$234,000.

Credit Facility A financing agreement with CIT Group/Business Credit, amended three times (latest October, 2008) since 2003, provides for a \$16 million line of credit, and letter of credit sub-line of \$3 million, providing the company with a \$2.4 million advance to cover the cash portion of the purchase consideration for Brown Security. The December, 2008 amendment extended the maturity date of the agreement to December, 2008 and reduced the written notice period required to terminate the agreement from 60 to 30 days. Under this amendment, the interest rate on prime loans is the prime rate less 0.25%; LIBOR loan rates are the LIBOR rate +2%.

	Six months ending September		
	2008	2007	Δ '08 v. '07
Revenues	65,655	58,698	12%
Cost of Revenues	55,994	50,731	10%
Gross Profit	9,661	7,967	21%
Operating expenses			
G&A	7,265	6,565	11%
Prov for doubtful accts	153	(219)	(170%)
Total	7,418	6,346	17%
Operating income	2,244	1,621	38%
Other income (expenses)			
Interest income	16	48	(67%)
Interest expense	(257)	(430)	(40%)
Gain on sale of securities		50	
Gain (loss) on equip sales	9	1	892%
Pretax income	2,011	1,290	56%
Income tax (provision)	(855)	(275)	
Net income (loss)	1,156	1,015	14%
Avg. shares out. - diluted	11,411	11,288	
EPS (diluted)	0.10	0.09	13%
Margin analysis			
Gross margin	14.7%	13.6%	
G&A	11.1%	11.2%	
Provision for doubtful accts	0.2%	(0.4%)	
Operating income	3.4%	2.8%	
Pretax income	3.1%	2.2%	
Net income	1.8%	1.7%	
Tax rate	42.5%	21.3%	
<i>Source: Company reports</i>			

As of September 30, 2008, the interest rate for revolving loans was 4.75%. As of September 30, 2008, the company had borrowed \$9.6 million in revolving loans, and had an \$115,000 letter of credit outstanding representing approximately 68% of maximum borrowing capacity. Up to an additional \$6.3 million in credit is available under the lending agreement. During 1HFY09, the company was in compliance with all its loan covenants.

Outlook & Projections

For FY2009, we project net income of \$2.3 million, or \$0.20 per share, on revenue of \$137 million vs. FY2008 earnings of \$0.22 per share on revenue of \$119.4 million. We had previously projected FY2009 earnings of \$2.2 million, on revenue of 132 million. Our forecast has been revised to reflect a \$5 million revenue contribution from the Florida businesses that were acquired in September, 2008. Those acquisitions will offset or soften the impact of more difficult prior-year comparisons as the anniversaries of the Brown Security and Expert Security Services acquisitions pass. Based on a 114.7% revenue gain, a 900 basis point recovery in the gross margin to 14.5%, a slightly diminished G&A margin, and an increase in income taxes to \$1.5 million from a year-earlier benefit of \$160,000, we project a \$0.02 decline in earnings per share to \$0.20.

The projected decline in earnings per share stems from our forecast for fully taxed (at 39%) earnings, which contrasts with an income tax benefit of \$160,000 for FY08. As profits are expected, the company is likely to recognize a portion of its deferred tax assets totaling around \$2.6 million. By our projections, recognition of deferred tax assets through FY2009 will approximate 8% of pretax income, roughly the same rate of state income taxes. Our projected income tax rate for FY2010 reflect full statutory tax rates (Federal + State) of 42%, less the 8% net reduction stemming from recognition of deferred tax assets.

For FY2010, we project a net profit of \$3 million, or \$0.24 per share, on revenue of \$148 million. We had previously projected FY1010 profit of \$3.0 million in revenue of \$142 million. Our FY2010 projections do not reflect any new acquisitions; by our estimates, organic growth will increase revenue for the year by 8%. Modest gross margin gains and leveraging of operating expenses should widen the operating margin to 3.5% from 3.2%, resulting in an improved net margin and a 25% increase in earnings per share.

Financial Position and Cash Flow FY2009 cash throw-off is estimated at \$3.4 million. Almost two-thirds of that will have to be applied to increases in working capital, leaving sufficient cash to cover its requirements and slightly reduce borrowings during the period. Capital expenditures, at an estimated \$146,000, should be nominal. By our projections, Command will finish FY2009 with cash of \$109,000, down from \$147,000 at the end of FY2008. For FY2010, we project cash throw off of \$4.2 million, of which \$1.8 million will be offset by increases in working capital. Cash flow should be strong enough to enable the company to reduce its borrowings by \$2 million and end the year with a significantly higher cash balance of almost \$600,000.

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. The facilities that management believes are most likely to be consolidated in the merger are not served by Command.

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 The company's average receivables collection period lengthened steadily through 3QFY08 but diminished by the end of FY08, and was largely unchanged in 2QFY09. 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. The expiration of that borrowing arrangement in December, 2008, could potentially be disruptive if the company could not extend the facility on acceptable terms or secure a line of credit with another lender.

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 13,600 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 currently trading at 0.30X estimated sales per share for FY2010 (vs. 0.30X sales for the past four quarters).

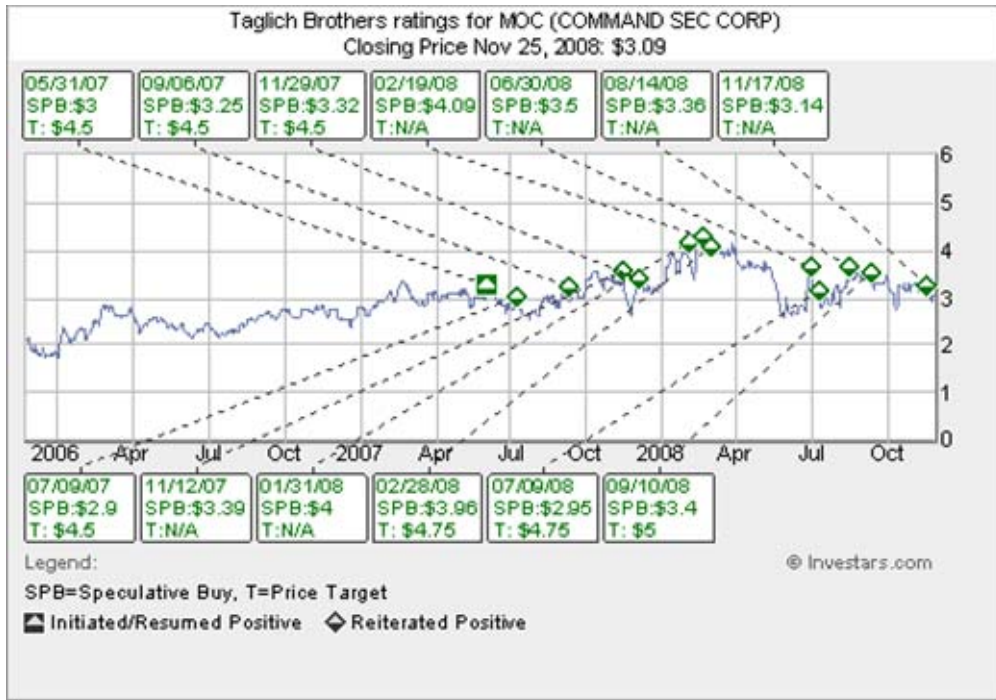
The company's quarterly revenue gains have accelerated since early FY2006 and, due in part to acquisitions, should continue to do so through FY2010. Aside from revenue gains, we project margin gains that will enhance pre-tax profitability through FY2010.

We believe that within the next 12 months, the stock will be trading at 0.45X estimated FY2010 sales per share of \$11.83, or roughly \$5.00 per share. We believe that this expectation is reasonable in light of prospects for steady growth. For FY2010, we projected earnings growth of 20%. A moderate (8%) organic growth rate and leveraging of operating costs and expenses could drive longer-term profit gains of 15%. A P-E of 13X estimated FY2010 earnings of \$0.24 per share suggests a PEG ratio of 0.87. Sustained earnings gains could raise that ratio to 1.2 to 1.4, at which point the stock would be trading at roughly \$5.00.

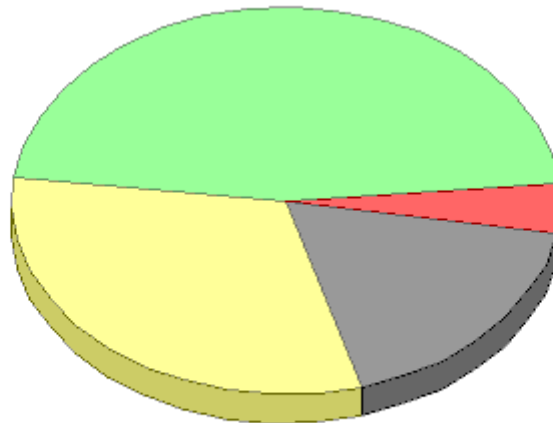
Comparatives There are few direct comparatives available; we know of only two other publicly traded (in the US) guard services companies operating in the US, which we profile on page 5. Capital IQ shows 27 stocks in the Security and Protective Services industry with market capitalizations of less than \$250 million. Of those, all

Command Security Corporation

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 0.18X (trailing) sales, vs. 0.31X for Command and 0.02X for Tri-S Security. There is insufficient P-E data to make any comparisons with the Security and Protective Services industry.



Taglich Brothers Current Ratings Distribution



■ 46.58 % Buy ■ 31.51 % Hold ■ 17.81 % Not Rated ■ 4.11 % Sell

Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	0	0
Hold	1	7.14%
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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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
FY2006 - 2010E
(\$ Thousands, Except Per Share Amounts)

Year ending March 31:	2006A	2007A	2008A	2009E	2010E
Revenues	85,209	93,823	119,404	136,948	147,903
Cost of revenues	73,788	80,157	103,162	117,127	126,457
Gross margin	11,420	13,665	16,242	19,821	21,446
Operating expenses					
G&A	10,254	12,316	13,425	15,107	15,889
Prov for doubtful accts	1,162	268	360	310	325
Bad debt recoveries	(4)	(53)	(512)		
Total	11,412	12,531	13,273	15,417	16,215
Operating income	8	1,135	2,969	4,404	5,231
Other income (expenses)					
Interest income	239	226	75	23	20
Interest expense	(432)	(568)	(784)	(686)	(736)
Gain on sale of securities			50		
Gain (loss) on equip sales	19	(3)	3		
Pretax income	(166)	790	2,314	3,741	4,516
Income tax (provision) benefit	66	450	160	(1,446)	(1,535)
Net income (loss)	(100)	1,240	2,474	2,295	2,981
Avg. shares out.(mil) - diluted	9,647	10,621	11,384	11,655	12,500
Earnings (loss) per share - diluted	(0.01)	0.12	0.22	0.20	0.24
Margin analysis					
Gross margin	13.4%	14.6%	13.6%	14.5%	14.5%
G&A	12.0%	13.1%	11.2%	11.0%	10.7%
Provision for doubtful accts	1.4%	0.3%	0.3%	0.2%	0.2%
Operating income	0.0%	1.2%	2.5%	3.2%	3.5%
Pretax income	(0.2%)	0.8%	1.9%	2.7%	3.1%
Net income (loss)	(0.1%)	1.3%	2.1%	1.7%	2.0%
Tax rate	(39.9%)	57.0%	6.9%	(38.7%)	(34.0%)

Source: Company reports and Taglich Brothers estimates

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

Year ending March 31:	Jun-08A	Sep-08A	Dec-08E	Mar-09E	2009E	Jun-09E	Sep-09E	Dec-09E	Mar-10E	2010E
Revenues	31,949	33,706	35,492	35,800	136,948	34,505	36,403	38,332	38,664	147,903
Cost of Revenues	27,344	28,650	30,435	30,699	117,127	29,502	31,124	32,774	33,058	126,457
Gross Margin	4,605	5,056	5,058	5,102	19,821	5,003	5,278	5,558	5,606	21,446
Operating expenses										
G&A	3,481	3,784	3,904	3,938	15,107	3,796	3,913	4,121	4,060	15,889
Prov for doubtful accts	82	71	78	79	310	76	80	84	85	325
Total	3,562	3,855	3,982	4,017	15,417	3,871	3,993	4,205	4,145	16,215
Operating income	1,043	1,201	1,075	1,085	4,404	1,132	1,285	1,353	1,462	5,231
Other income (expenses)										
Interest income	8	8	4	3	23	4	4	5	7	20
Interest expense	(127)	(130)	(221)	(208)	(686)	(202)	(190)	(178)	(166)	(736)
Gain on sale of securities										
Gain (loss) on equip sales	7	2			9					
Pretax income	930	1,081	858	880	3,750	934	1,099	1,181	1,303	4,516
Income tax (provision) benefit	(380)	(475)	(292)	(299)	(1,446)	(317)	(374)	(401)	(443)	(1,535)
Net income (loss)	550	606	566	581	2,304	616	726	779	860	2,981
Avg. shares out. - diluted	11,420	11,402	11,800	12,000	11,655	12,200	12,400	12,600	12,800	12,500
Earnings per share (diluted)	0.05	0.05	0.05	0.05	0.20	0.05	0.06	0.06	0.07	0.24
EPS fully taxed (@ 34%)										
Margin analysis										
Gross margin	14.4%	15.0%	14.3%	14.3%	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%
G&A	10.9%	11.2%	11.0%	11.0%	11.0%	11.0%	10.8%	10.8%	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%	3.0%	3.0%	3.2%	3.3%	3.5%	3.5%	3.8%	3.5%
Pretax income	2.9%	3.2%	2.4%	2.5%	2.7%	2.7%	3.0%	3.1%	3.4%	3.1%
Net income	1.7%	1.8%	1.6%	1.6%	1.7%	1.8%	2.0%	2.0%	2.2%	2.0%
Tax rate	40.9%	43.9%	34.0%	34.0%	38.6%	34.0%	34.0%	34.0%	34.0%	34.0%

Source: Company reports and Taglich Brothers estimates

Command Security Corporation
Balance Sheets
FY2006 - 2010E
(\$ Thousands)

Year ending March 31:	2006A	2007A	2008A	Sep-08A	2009E	2010E
ASSETS						
Current assets:						
Cash + equivalents	32	220	147	234	109	597
Accts rec (net)	13,804	17,979	20,098	22,378	22,825	24,651
Prepaid expenses	721	557	2,681	2,352	2,739	2,958
Other	2,291	3,429	1,910	977	2,397	2,588
Total current assets	16,849	22,184	24,836	25,941	28,069	30,794
Fixed assets	405	529	560	697	729	807
Intangibles	79	783	4,049	5,012	4,824	4,519
Restricted cash	74	78	303	129	75	75
Other	705	1,755	3,039	3,194	2,739	2,958
TOTAL ASSETS	18,113	25,330	32,786	34,973	36,436	39,153
LIABILITIES/ STOCKHOLDERS' EQUITY						
Current liabilities						
Checks in advance of deposits	1,829	1,760	1,962	1,197	2,191	2,366
Long-term debt (current)	53	247	6	1	6	0
Capitalized lease obligations (current)	39	17	17	67	10	0
Short-term borrowings	3,384	8,487	8,752	9,602	8,500	6,500
Accts payable	940	640	1,026	1,181	1,161	1,229
Due to service companies'	101					
Accruals	3,666	4,520	6,975	7,471	7,532	8,135
Total current liabilities	10,011	15,671	18,738	19,519	19,400	18,231
Insurance reserves'	421	540	671	741	822	887
Long-term debt (due after one yr)	28	6				
Cap lease obligations (due after one yr)	29	10	18	133		
Stockholders' equity	7,625	9,104	13,360	14,581	16,214	20,035
TOTAL LIABILITIES/ STOCKHOLDERS' EQUI	18,113	25,330	32,786	34,973	36,436	39,153

Source: Company reports and Taglich Brothers estimates

Command Security Corporation
Cash Flow Statements
FY2006 - 2010E
(\$ Thousands)

Year ending March 31:	2006A	2007A	2008A	Sep-08A	2009E	2010E
Operating activities				(quarter only)		
Net income (loss)	(100)	1,240	2,474	606	2,304	2,981
Depreciation/amortization	297	315	697	188	601	478
Stock based compensation	397	227	240	57	263	400
Prov for doubtful accts	1,158	215	(152)	3	199	325
(Gain) loss in equip sales	(19)	3	(3)	(2)	(9)	
Gain on sale of securities			(50)			
Deferred income taxes	(66)	(450)	(1,246)	(270)	(130)	
Insurance reserves	(10)	237	131	93	151	66
Restricted cash			(225)			
Changes in working capital	(6,598)	(5,788)	279	402	(2,017)	(1,785)
Net cash from operations	(4,941)	(4,001)	2,145	1,077	1,362	2,464
Investing activities						
Capital expenditures	(75)	(345)	(169)	(41)	(146)	(140)
Proceeds - equip sales	11	2	3	2	9	
Acquisition of business		(413)	(2,261)	(1,212)	(1,213)	
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)	(1,250)	(1,350)	(140)
Financing activities						
Proceeds (repayments) - line of credit	(1,152)	5,117	265	592	(252)	(2,000)
+/(-) checks in advance of deposits	1,334	(69)	202	(436)	229	175
Debt issuance cost		0	(153)			
Proceeds - warrant exercises	2,918	0	10			
Payments - other borrowings	(420)	(178)	(247)	(2)	(8)	(4)
Payments - cap lease obligations	(37)	(41)	(18)	(9)	(18)	(8)
Preferred dividends		0	0			
Net cash from financing activities	2,643	4,829	59	145	(49)	(1,837)
Change in cash & equivalents	(2,479)	188	(73)	(28)	(37)	488
Cash - beginning	2,511	32	220	262	147	109
Cash - ending	32	220	147	234	109	597

Source: Company reports and Taglich Brothers estimates