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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 \$3.32 — (AMEX)

November 29, 2007

	FY2006A	FY2007A	FY2008E	FY2009E
Total revenues (in millions)	\$85.2	\$93.8	\$115.0	\$123.6
Earnings (loss) per share	(\$0.01)	\$0.12	\$0.15	\$0.15*
52 - Week range	\$3.69 – \$2.40		Fiscal year ends:	March
Shares outstanding as of November 8, 2007	10.8 million		Revenue/share (ttm)	\$9.89
Approximate float	4.6 million		Price/Sales (ttm)	0.34
Market Capitalization	\$36 million		Price/Sales (FY2009)E	0.34
Tangible Book value/share	\$0.77		Price/Earnings (ttm)	19.5X
Price/Book	4.3X		Price/Earnings (FY2009)E	21.8X

* Taxed at projected 34% 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 and a 12-month price target of \$4.50 per share on Command Security Corporation (AMEX: MOC). Our target is based on expectations for revenue gains and a higher price to (FY2009) sales multiple. While Command is beginning to show stronger earnings growth momentum, we believe the stock is suitable mainly for investors with a 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 the company could surpass in FY2008 on internal growth alone.

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

In 2QFY08 (earnings were released November 9, 2007) earnings increased to \$0.05 per share from \$0.02 on a 28% rise in revenue and a significantly improved operating margin. We project strong earnings gains on revenue gains and improved leveraging of G&A expenses.

Debt position lightened slightly in 2Q, as cash throw-off enabled the company to reduce borrowings by around \$600,000. Barring further acquisitions, the company's debt balances could stabilize with tighter control of receivables.

* Please view our disclaimer located on page 12.

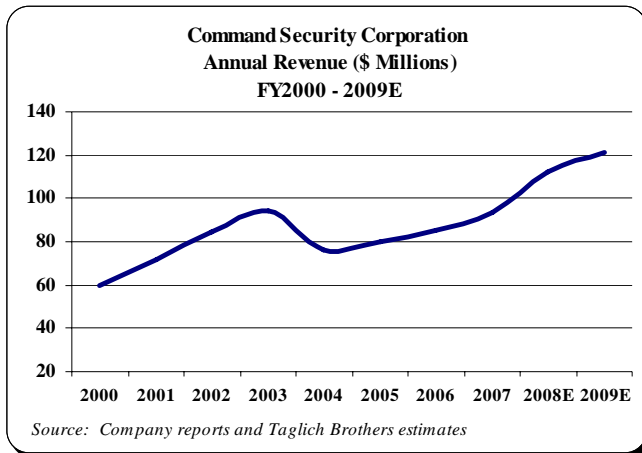
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Overview

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, New Jersey, Nevada, New York, Oregon, Pennsylvania 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 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.



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 several airlines resulted in write offs of \$1.1 million in receivables, some of which were recovered.

In FY2007, the company surpassed its FY2003 revenue peak but profitability has yet to recover fully. 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 was a turnaround period. Sales gains accelerated due to an acquisition and new business, and gross margins 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 achieve improved earnings growth momentum through FY2009.

Operations

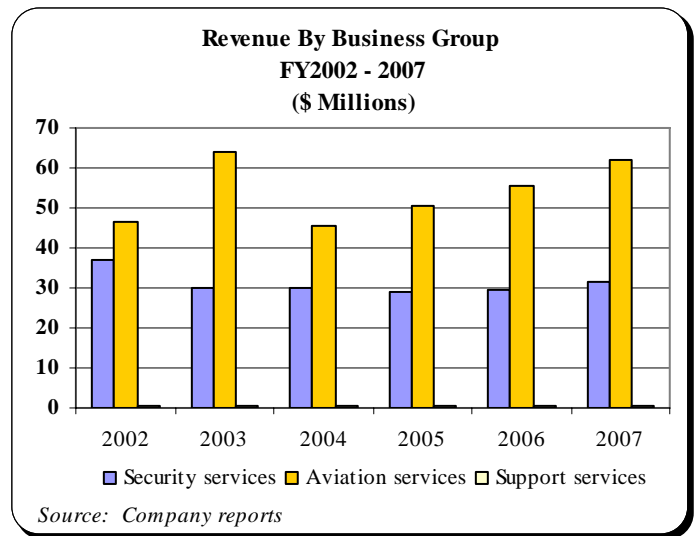
The company maintains a work force of around 3,500 security personnel backed by 60 support employees and an administrative staff of 90. A computerized scheduling and information system automatically matches security officers to customer's requirements, significantly reducing management time consumed 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 FY2007, security services accounted for 34% of revenue, a proportion largely unchanged for 1H08.

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 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 currently account for 65% of revenue. Aviation Services' largest customer is Delta Airlines, which accounts for 25% of this segment's revenue and 16% 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, currently provided to three police departments, accounted for 0.3% of revenue in FY2007.

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.

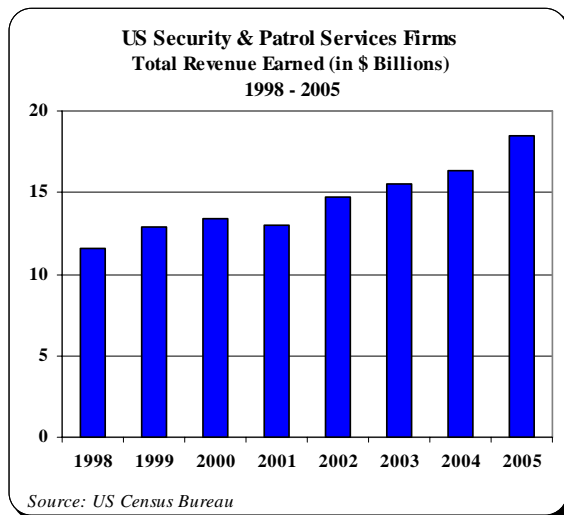
Occasionally, acquisitions are a factor underlying growth. In June, 2006, Command acquired a security guard service in southern Florida, raising the company's run rate by an estimated \$2.8 million. In April, 2007, the company acquired another security services firm in California, an addition which should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



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 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.

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 \$100 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 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	
	FY2007⁽¹⁾	1HFY08	2006	9 mos '07	2006	9 mos '07
Revenue (\$ millions)	94	59	8,827	7,397	76	65
Gross margin	14.6%	13.6%	19.0%	NA	9.8%	7.2%
Operating margin	1.2%	2.8%	2.3%	5.2%	(6.8%)	(6.7%)
Net margin	1.3%	1.6%	1.4%	1.2%	(5.1%)	(3.2%)

⁽¹⁾ Ended March, 2007

Source: Companies' reports

While The Brink's Company offers guard services in the US, these services make up only a very minor portion of its \$2.8 billion revenue (2006) so we have not included Brink's in the above comparatives.

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.

Second Quarter (FY2008) Results

Operations. In 2Q08, Command earned a net profit of \$556,000, or \$0.05 per share, on revenue of \$30.6 million, vs. earnings of \$0.02 per share, on revenue of \$23.9 million for the year-earlier quarter. We had projected second quarter earnings of \$0.02 per share, on revenue of \$28.2 million.

2Q revenue was up 28%, a gain driven by \$3.0 million in revenue contributed by the acquired Sterling Protective Group (June, 2006) and Brown Security Services (April, 2007) businesses, \$2.75 million in added revenue from new and existing airport accounts at major airports in New York City and California, \$537,000 in new (May and September, 2006) airport contracts and \$451,000 in revenue from a new contract with a New York medical center. Revenue gains were offset in part by the expiration of a short-term contract with an insurance company that generated \$229,000 in revenue during the year-earlier quarter. As the gross margin for 2Q was unchanged, gross profit increased in line with revenue.

The operating margin for the quarter widened to 2.7% from 0.9%, reflecting leverage of G&A expenses, which were up 10% to \$3.6 million due to higher administrative payroll relating to acquisitions, expansion of the company's sales and marketing staff, fees relating to settlement of employment claims, facilities costs, compliance-related expenses and the cost of listing the company's shares on the American Stock Exchange.

Command Security Corporation

Those increases were partly offset by the December, 2007 expiration of a consultancy contract with Giuliani Security and Safety, which cost the company \$554,000 in the year-earlier quarter.

2Q results brought earnings for the first half of FY2008 to \$0.09 per share, more than double earnings for the year-earlier period. The 1H08 profit gain was driven by a 28% rise in revenue and leveraging of G&A expenses. Revenue increased due to the same factors influencing 2Q sales growth, as did G&A expenses.

1H profit growth also stemmed in part from a 1Q recovery of \$370,000 (in the form of stock) in claims relating to the bankruptcy of Northwest Airline. The company received marketable securities valued at \$367,000 (booked in 1Q as a reversal of provisions for doubtful accounts) from Northwest Airlines in settlement of bankruptcy claims. This amount was not included in investing activities on the cash flow statement.

Finances In 2Q, cash increased by \$184,000 to \$585,000. Operations showed a cash throw-off of \$910,000, practically none of which was needed to support working capital. The company paid out \$100,000 in connection with acquisitions, and repaid almost \$600,000 in borrowings. DSO was largely unchanged (vs. 1Q08) but liquidity ratios improved slightly.

Cash Flow Exceptions In April, 2007, the company acquired the security services business of California-based Brown Security Industries, Inc., (and its subsidiaries, Strategic Security Services, Inc. and Rodgers Police Patrol, Inc.) for a total purchase consideration of \$3 million. At the closing, Command paid \$1,615,000 of the purchase price in cash and issued 614,246 shares of common stock, valued at an aggregate amount of \$1,785,000 for the remaining balance of the purchase price. The issuance of these shares of our common stock has been excluded from investing and financing activities on the cash flow statement.

In June, 2006, the company acquired Sterling Protective Group for a purchase price of \$750,000. At the closing, Command paid \$412,500 in cash and issued a \$337,500 note for the remaining balance of the purchase price. This note was not included in investing activities on the cash flow statement.

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.

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

	6 months ending Sep		
	2007	2006	Δ '07 v. '06
Revenues	58,698	46,217	27%
Cost of Revenues	50,731	39,566	28%
Gross Profit	7,967	6,650	20%
Operating expenses			
G&A	6,565	6,107	7%
Prov for doubtful accts	(219)	86	(354%)
Total	6,346	6,193	2%
Operating income	1,621	457	255%
Other income (expenses)			
Interest income	48	127	(62%)
Interest expense	(430)	(206)	108%
Gain (loss) on equip sales	1	1	(37%)
Pretax income	1,240	379	227%
Income tax (provision)	(275)	0	
Net income (loss)	965	379	154%
Avg. shares out. - diluted	11,288	10,567	
EPS (diluted)	0.09	0.04	138%
Margin analysis			
Gross margin	13.6%	14.4%	
G&A	11.2%	13.2%	
Provision for doubtful accts	(0.4%)	0.2%	
Operating income	2.8%	1.0%	
Pretax income	2.1%	0.8%	
Net income	1.6%	0.8%	
Tax rate	22.2%	0.0%	

Source: Company reports

this amendment, the interest rate on prime loans was reduced to the prime rate less 0.25%; LIBOR loan rates were reduced to the LIBOR rate +2%.

As of June 30, 2007, the company had borrowed \$1.2 million in revolving loans, \$7.5 million in LIBOR loans and a \$70,000 letter of credit. These borrowings represented 67% of the maximum borrowing capacity under the facility.

Outlook & Projections

For FY2008, we project net income of \$1.7 million, or \$0.15 per share, up from \$0.12 in FY2007. Had FY2007 income been fully taxed, earnings per share for the year would have been \$0.04. We previously projected FY2008 earnings of \$0.08 per share on the basis of a 34% effective income tax rate but have revised our estimate to reflect 1H results, which show higher sales and a lower effective income tax rate that we projected. We have also widened our operating margin projections, implying greater leverage of G&A expenses. Our earnings projections for 2H are also based on a 34% tax rate; to the extent that profit going forward is taxed at lower rates, the company's earnings could exceed our expectations.

We project a 23% rise in revenue to \$115 million, driven in part by the April, 2007 acquisition of Brown Security and an internal revenue growth rate of around 7.5%. The anniversary of the Sterling acquisition passed in 1Q08 but the acquisition of Brown Securities will continue to ease revenue comparisons into 3Q08.

By our estimates, the gross margin will narrow to 14.1% from 14.6%, a reflection of higher labor cost ratios in both operating divisions. The decline in gross margins, however, should be offset by leveraging of G&A expenses, which should show a lower margin due to better coverage of overhead and earlier G&A comparison stemming from the December, 2006 expiration of the \$2.1 million consultancy agreement with Giuliani Security and Safety LLC.

With that leverage, the company should significantly widen its operating margin, almost tripling operating income to \$3.0 million. Despite the operating income gain, FY2008 earnings are project to rise only \$0.03 per share due to a projected full-year effective income tax rate of 28% , vs. a tax benefit for the prior year, a and a rise interest expenses to \$873,000 from FY2007's \$568,000. The projected increase in interest expenses is based on increased borrowings - a \$2.4 million advance to help fund the Brown acquisition – and a rise in receivables. Our borrowing forecasts are based in part on a reduction in the company's DSO to 60 days at the end of FY2008 from 69 days at the end of FY2007. If DSO are not reduced, borrowing (and interest expenses) could be higher than estimated.

Our 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 an 8% revenue gain, a slightly improved gross margin, and flat G&A margins, we project flat earnings per share at \$0.15. We previously projected FY2009 earnings of \$0.11 per share have raised our sales and operating forecasts, both of which largely offset a reduction in our gross margin projection, which we have reduced on management's expectations of limited pricing flexibility. We have projected flat FY2009 earnings due to an expected rise in the effective income tax rate to 34%. As profits are expected, the company is likely to recognize a portion of its deferred tax assets totaling around \$1.3 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.

Financial Position and Cash Flow Due mainly to the projected rise in net income, FY2008 cash throw-off will increase to an estimated \$2.6 million of which an estimated \$1.6 million will be offset by an increase in working capital. The company's DSO increased slightly to 73 days in 3Q but we project a more moderate increase in working capital as DSO shrink to 60 days by the end of FY2008 in response to tighter management controls. With reduced DSO and a sharp decline in other receivables, working capital needs should be significantly less than they were in FY2007. Based on our operating and financial forecasts, the company should end FY2008 with cash of almost \$800,000, up from \$220,000 at the end of FY2007.

The only significant outflow we project for FY2008 is the \$1.8 million in cash paid for the Brown Security acquisition. Capital expenditures will total a relative small \$22,000. Advances under the company's line of credit should help provide ample coverage of cash needs for the year. However, due to a steady sales-driven rise in receivables, borrowing will remain elevated compared to FY2007 levels well into FY2009, resulting in large interest expenses.

FY2009 cash throw-off is estimated at \$3 million, around a third of which will be absorbed by an increase in receivables. Capital expenditures, at an estimated \$200,000, should be nominal. Cash generated during the year should enable the company to reduce borrowings by around \$800,000 and finish the year with cash of \$1.4 million, up from almost \$800,000 at the end of FY2008.

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 FY2007, Delta Airlines accounted for 16% 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 July, 2007, approximately 23% of the company's common shares were owned by Trinad Capital LLP. Peter Kikis and Thomas Kikis owned, respectively, another 15% and 8% 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. 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.

Acquisition Integration In the past year, the company 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 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 4.6 million shares in the float. On average, approximately 21,000 shares are traded daily.

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

Investment Recommendation

We are maintaining an investment opinion of Speculative Buy and a 12-month price target of \$4.50 a share on Command Security Corporation (MOC: AMEX). The stock is currently trading at 0.34X estimated sales per share for FY2009 (vs. 0.34X sales for the past four quarters).

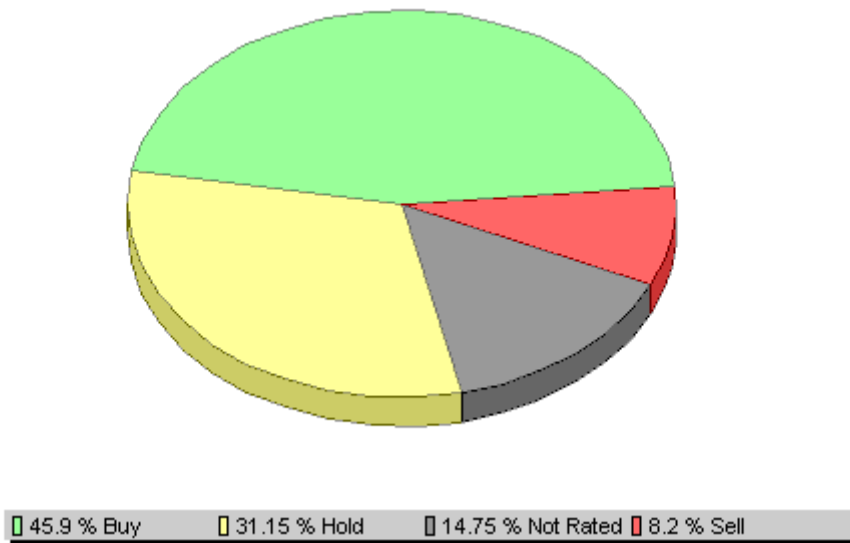
We believe that within the next 12 months, the stock will be trading at 0.45 times estimated FY2009 sales per share, an expectation that, in our view, is reasonable in light of prospects for steady growth. The company's quarterly revenue gains have accelerated all through FY2007 and, due to an April, 2007 acquisition, should continue to do so through the end of FY2009. Aside from revenue gains, we project margin gains that will keep operations profitable for the next two fiscal years.

Comparatives There are few direct comparatives available; we now 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 28 stocks in the Security and Protective Services industry with market capitalizations of less than \$250 million. 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 3.8X (trailing) sales, vs. 0.34 for Command and 0.1X for Tri-S Security. As a matter of interest, both of the recent acquisitions made by the company were purchased for approximately 0.31X their estimated run rates.

Command Security Corporation



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	0	0
Hold	2	11.76%
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)
The Brink's Company	(NYSE: BCO)	Securitas AB	(Nasdaq: SCTBF.PK)
Delta Airlines	(NYSE: DAL)	TRI-S Security	(Nasdaq: TRIS)
Hawaiian Holdings	(Amex: HA)		

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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
FY2005 - 2009E
(\$ Thousands, Except Per Share Amounts)

Year ending March 31:	2005A	2006A	2007A	2008E	2009E
Revenues	79,655	85,209	93,823	114,990	123,615
Cost of revenues	69,132	73,788	80,157	98,861	105,690
Gross margin	10,523	11,420	13,665	16,129	17,924
Operating expenses					
G&A	10,591	10,254	12,316	13,178	14,216
Prov for doubtful accts	277	1,162	268	(95)	272
Bad debt recoveries	(56)	(4)	(53)	0	0
Total	10,812	11,412	12,531	13,083	14,488
Operating income	(289)	8	1,135	3,047	3,436
Other income (expenses)					
Interest income	97	239	226	179	313
Interest expense	(460)	(432)	(568)	(873)	(867)
Gain (loss) on equip sales	(5)	19	(3)	1	0
Pretax income	(658)	(166)	790	2,354	2,882
Income tax (provision) benefit	267	66	450	(654)	(980)
Net income (loss)	(390)	(100)	1,240	1,700	1,902
Preferred dividends	(38)				
Net income (loss) applicable to common stockholders	(429)	(100)	1,240	1,700	1,902
Avg. shares out.(mil) - diluted	7,863	9,647	10,621	11,584	12,500
Earnings (loss) per share - diluted	(0.05)	(0.01)	0.12	0.15	0.15
Margin analysis					
Gross margin	13.2%	13.4%	14.6%	14.0%	14.5%
G&A	13.3%	12.0%	13.1%	11.5%	11.5%
Provision for doubtful accts	0.3%	1.4%	0.3%	(0.1%)	0.2%
Operating income	(0.4%)	0.0%	1.2%	2.6%	2.8%
Pretax income	(0.8%)	(0.2%)	0.8%	2.0%	2.3%
Net income	(0.5%)	(0.1%)	1.3%	1.5%	1.5%
Tax rate	(40.7%)	(39.9%)	57.0%	(27.8%)	(34.0%)

Source: Company reports and Taglich Brothers estimates

Command Security Corporation
Quarterly Income Statements
FY2008 – FY2009
(\$ Thousands, Except Per Share Amounts)

Year ending March 31:	Jun-07A	Sep-07A	Dec-07E	Mar-08E	2008E	Jun-08E	Sep-08E	Dec-08E	Mar-09E	2009E
Revenues	28,084	30,614	28,429	27,863	114,990	30,190	32,910	30,562	29,953	123,615
Cost of Revenues	24,506	26,225	24,307	23,823	98,861	25,813	28,138	26,130	25,610	105,690
Gross Margin	3,578	4,389	4,122	4,040	16,129	4,378	4,772	4,431	4,343	17,924
Operating expenses										
G&A	3,090	3,475	3,269	3,344	13,178	3,472	3,785	3,515	3,445	14,216
Prov for doubtful accts	(294)	75	63	61	(95)	66	72	67	66	272
Total	2,796	3,550	3,332	3,405	13,083	3,538	3,857	3,582	3,510	14,488
Operating income	781	840	790	635	3,047	839	915	850	833	3,436
Other income (expenses)										
Interest income	30	18	65	66	179	74	74	83	82	313
Interest expense	(228)	(202)	(217)	(226)	(873)	(226)	(220)	(214)	(208)	(867)
Gain on sale of securities	50									
Gain (loss) on equip sales	0	0			1					
Pretax income	634	656	639	475	2,354	688	769	719	707	2,882
Income tax (provision) benefit	(175)	(100)	(217)	(161)	(654)	(234)	(261)	(244)	(240)	(980)
Net income (loss)	459	556	422	313	1,700	454	507	474	467	1,902
Avg. shares out. - diluted	11,264	11,274	11,800	12,000	11,584	12,200	12,400	12,600	12,800	12,500
Earnings per share (diluted)	0.04	0.05	0.04	0.03	0.15	0.04	0.04	0.04	0.04	0.15
EPS fully taxed (@ 34%)										
Margin analysis										
Gross margin	12.7%	14.3%	14.5%	14.5%	14.0%	14.5%	14.5%	14.5%	14.5%	14.5%
G&A	11.0%	11.4%	11.5%	12.0%	11.5%	11.5%	11.5%	11.5%	11.5%	11.5%
Provision for doubtful accts	(1.0%)	0.2%	0.2%	0.2%	(0.1%)	0.2%	0.2%	0.2%	0.2%	0.2%
Operating income	2.8%	2.7%	2.8%	2.3%	2.6%	2.8%	2.8%	2.8%	2.8%	2.8%
Pretax income	2.3%	2.1%	2.2%	1.7%	2.0%	2.3%	2.3%	2.4%	2.4%	2.3%
Net income	1.6%	1.8%	1.5%	1.1%	1.5%	1.5%	1.5%	1.6%	1.6%	1.5%
Tax rate	27.6%	15.2%	34.0%	34.0%	27.8%	34.0%	34.0%	34.0%	34.0%	34.0%

Source: Company reports and Taglich Brothers estimates

Command Security Corporation
Balance Sheets
FY2006 - 2009E
(\$ Thousands)

Year ending March 31:	2006A	2007A	Sep-07A	2008E	2009E
ASSETS					
Current assets:					
Cash + equivalents	32	220	585	790	1,427
Accts rec (net)	13,804	17,979	21,736	19,165	20,602
Prepaid expenses	721	557	901	747	803
Other	2,291	3,429	738	3,450	3,708
Total current assets	16,849	22,184	23,960	24,152	26,542
Fixed assets					
Intangibles	405	529	604	569	616
Restricted cash	79	783	3,694	3,547	3,295
Other	74	78	80	75	75
	705	1,755	1,939	2,300	2,472
TOTAL ASSETS	18,113	25,330	30,277	30,643	33,001
LIABILITIES/ STOCKHOLDERS' EQUITY					
Current liabilities					
Checks in advance of deposits	1,829	1,760	2,268	2,415	2,596
Long-term debt (current)	53	247	129	6	
Capitalized lease obligations (current)	39	17	12	10	
Short-term borrowings	3,384	8,487	8,694	9,500	8,500
Accts payable	940	640	859	618	719
Due to service companies'	101				
Accruals	3,666	4,520	5,418	4,025	4,327
Total current liabilities	10,011	15,671	17,382	16,573	16,141
Insurance reserves'					
Long-term debt (due after one yr)	421	540	868	575	618
Cap lease obligations (due after one yr)	28	6	1	6	1
	29	10	6	4	
Stockholders' equity	7,625	9,104	12,021	13,485	16,240
TOTAL LIABILITIES/ STOCKHOLDERS' EQUITY	18,113	25,330	30,277	30,643	33,001
DSO					
Days payables	58.3	69.0	73.6	60.0	60.0
	4.6	2.9	3.4	2.3	2.3
Quick ratio					
Current ratio	1.4	1.2	1.3	1.2	1.4
Debt/tangible equity	1.7	1.4	1.4	1.5	1.6
	1.4	1.9	2.2	1.7	1.3

Source: Company reports and Taglich Brothers estimates

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

Year ending March 31:	2006A	2007A	Sep-07A	2008E	2009E
Operating activities			(quarter only)		
Net lincome (loss)	(100)	1,240	556	1,750	1,902
Depreciation/amortization	297	315	177	567	405
Stock based compensation	397	227	109	402	400
Prov for doubtful accts	1,158	215	75	(95)	272
(Gain) loss in equip sales	(19)	3	(0)	(1)	0
Gain on sale of securities			0	(50)	
Deferred income taxes	(66)	(450)	(240)	(37)	0
Insurance reserves	(10)	237	240	35	43
Changes in working capital	(6,598)	(5,788)	(22)	(1,629)	(1,350)
Net cash from operations	(4,941)	(4,001)	894	944	1,672
Investing activities					
Capital expenditures	(75)	(345)	(19)	(197)	(200)
Proceeds - equip sales	11	2	(1)	(1)	0
Acquisition of business		(413)	(102)	(1,768)	
Proceeds from sale of securities			0		
Proceeds (payment) - notes to admin svc clients	(125)	0		0	0
Principal collections - notes rec	9	116		0	0
Net cash from investing	(180)	(640)	(123)	(1,966)	(200)
Financing activities					
Proceeds (repayments) - line of credit	(1,152)	5,117	(471)	1,013	(1,000)
+/- checks in advance of deposits	1,334	(69)	39	655	181
Debt issuance cost		0	(33)	(73)	0
Payments on acquisition note				0	
Proceeds - warrant exercises	2,918	0		0	0
Payments - other borrowings	(420)	(178)	(123)	(134)	(6)
Payments - cap lease obligations	(37)	(41)	(1)	(19)	(10)
Preferred dividends		0		0	0
Net cash from financing activities	2,643	4,829	(589)	1,441	(835)
Change in cash & equivalents	(2,479)	188	184	570	638
Cash - beginning	2,511	32	401	220	790
Cash - ending	32	220	585	790	1,427

Source: Company reports and Taglich Brothers estimates