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Questioning Market Leaders For Long Term Investors

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COMPANY INTERVIEW

GEOFFREY A. HELLMAN
Security Intelligence Technologies, Inc.

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Security Intelligence Technologies, Inc. (SITG)



GEOFFREY A. HELLMAN, Partner, Director and Executive Vice President of Global Business Development at Security Intelligence Technologies, Inc., has over 30 years of strategic management experience in Fortune 100 corporate strategic mergers and acquisitions, strategic alliances, program launches, public relations, as well as global sales and marketing. He has architected some of the most sophisticated C4ISR voice, data, IT, video, cabling, satellite and sensor solutions deployed today for the U.S.

Department of Defense, the US government, and its clients, including international programs for finance, banking, insurance, investment, union labor relations, law enforcement, bringing in security industry specialists who provide leading edge solutions to aid informed decision-making for his clients. Mr. Hellman brings to the corporation a wealth of practical operational experience in matters related to international security, government requirements for advanced technology, public diplomacy, policy formation and implementation, and foreign policy issues.

SECTOR – SECURITY & PROTECTION SERVICES

(AGY600) TWST: Would you give us a brief historical sketch of the company and a picture of the things you are doing at the present time?

Mr. Hellman: The company has been in existence for 50 years under the direction of the founder. During the recent changes in the economic environment, the political environment and the security industry in particular, there have been corresponding changes in the management structure and the way we approach our marketplace. The company produces equipment and provides the services for homeland security right now, which are absolutely essential in today's world.

TWST: What kind of changes has the company made in recent years?

Mr. Hellman: In recent years, our sales focus has now moved back to the United States. In

the past, one of the issues for investors was that most of our sales were foreign sales and now the homeland security issues require that new technology be acquired and that additional services be integrated into existing systems in the United States, and what that means is a need to harmonize many of our practices with those that are crucial to the international community, especially regarding investor relations or the international environment and the political environment in US.

What this means in simple terms is that the management now is looking at a positive growth in the future where we have an oversupply of opportunities, and therefore we are being conservative in our approach to growth and expansion. We have to ensure that all of our internal processes are consistent with the need to work in strategic alliances with our alliance partners. So you will see more quality relations with US sup-

pliers in the future, in addition to more carefully managed projects in the future

TWST: What are your main products and services right now?

Mr. Hellman: We have about six main types of services in the area of supporting our military and people in Iraq, Afghanistan, and the Middle East. Certainly the first type we have is cutting-edge technology on preventing bombs from blowing up people. We call that technology Bomb Jammers, or RCIED/EOD Jammers. The RCIED stands for “Radio Controlled Improvised Explosive Device” Defeat Jammer Systems; EOD stands for Explosive Ordnance Disposal Systems. Both protect the troops when they land on the ground and both protect the convoys.

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The competitive advantage we have over others is that we use barrage techniques. The barrage jamming is produced by a fast randomly-swept CW (continuous wave) proprietary sawtooth waveform that slews or “sweeps” the frequency of the jammer from its lowest to its highest frequency limits, and our main competitive advantage is that we are in constant communication with the field, meaning that we know exactly what is required to be included in our products because our people are shoulder to shoulder in the field with our clients. We are a small company, which in the past would have been a dis-

advantage, but in today’s situation where many of these devices are improvised and very innovative, the responses require great flexibility and tremendous engineering performance, usually rapid prototyping and rapid development. We are able to do that and achieve that through our 50 years of relationships with people on the field.

The competitive advantage is that having the right technology that needs to be deployed to protect our people, material, and clients means that now we’re in a growth period where we can see our requirements expanding, which means we have to form strategic alliances with manufacturing facilities, so that our architects can architect a solution and ensure that proper quantities and volumes of material are available. That is one product line.

The second product line, Electronic Countermeasures, would relate to encryption, bug detection, communication security and other things that have commercial viability. Combating invasions of privacy such as eavesdropping, wiretapping and spying are no longer problems for governments alone, but for everyday people and businesses. People will pay for peace of mind when it comes to protecting their secrets, their privacy, and their vulnerability. Our involvement in the sweep business, like any other business, requires effort to perform the services at client locations. The demand exists for consultants to solve problems of privacy at the business and family level for the defense of people’s security. Our technology and expertise have assisted many people to successfully understand the sweep service business and how to benefit extensively.

With the sophistication of the business community that already is expert in terms of our third product line — which consists of communications monitoring systems; these systems are only available to law enforcement departments, military

Corporate Profile

Ticker (exchange)

SITG.OB (NASDAQ)

Security Intelligence Technologies, Inc.

Corporate Headquarters

145 Huguenot Street
New Rochelle, NY 10801

Phone: (914) 654-8700

Fax: (914) 654-1302

Web: www.spyzone.com

Investor Relations Contact

info@secintel.com

Corporate Officers

Ben Jamil
President & CEO

Chris R. Decker
CFO

Geoffrey A. Hellman
EVP, Global Business
Development

Corporate Business Description

Security Intelligence Technology Group (SITG) is a leading manufacturer and acknowledged industry authority in the security and surveillance industry. With forty years experience, Security Intelligence Technology Group has consistently developed solutions which have become "standards" of the surveillance, counter-surveillance and personal protection industries.

SITG's research, design and engineering teams are dedicated to delivering innovative, trusted solutions. SITG Clients include everyone from Governments and Law enforcement agencies to individuals who find themselves walking down a dark street, Security Intelligence Technology Group is constantly researching, designing, and producing solutions that assure protection and security.

SITG Services...

Site Surveys and Risk Assessment SITG technical staff reviews your physical facilities, existing security measures, methods of communications and storage, etc. to warn of potential threats, and to advise solutions for protecting premises, information, assets, trade secrets, even lives.

Personal & Business Security Seminars Knowledge is power. SITG has been empowering clients from government agencies, the military and law enforcement personnel, businesses, and individuals for more than 35 years. __Personal and Business Security Seminars cover modern interception systems, scramblers, encryption, audio surveillance, video surveillance, counter surveillance, night vision, bullet proof clothing, armored vehicles, telephone monitoring technologies, and electronic privacy issues. Seminars are offered for group as well as individual meetings.

Bug & Wire Tap Sweep Services We have a team of counter surveillance specialists ready for travel anywhere in the world. Our Sweep Team can equip, train, advise, you on information theft devices, and "sweep" a suspected area of all audio and video infiltration equipment. The Sweep Team has a history of documented international successes with Fortune 500 and government organizations.

Custom Manufacturing & Engineering Our factory not only produces the SITG products, but can integrate and / or build your current Security Concept. If you have specific manufacturing needs, and you seek innovation / improvement on your existing product, or just need a facility to handle your manufacturing needs such as short or large production runs, we can help.

SITG Track Record

SITG can speak of a successful history for the security and surveillance industries:

- 1959: Our management team introduced the first telephone tap detection system
- 1965: Developed a portable Tap Alert for business owners
- 1977: Introduced a broad spectrum analyzer for bug detection for government and corporate markets
- 1979: Introduced the VSA Mark IX, revolutionary covert voice stress analysis lie detection
- 1985: Developed a telephone analyzer to pinpoint the precise location of a wiretap
- 1989: Developed the first Fax Intercept for discreet monitoring, logging and retrieval
- 1991: Introduced a pocket sized sweep unit that locates and verifies with the same reliable frequency range of larger units __1993: Introduced The Truth Phone, combining a working telephone with voice stress analysis technology, subsequently followed by a hand-held portable unit
- 1995: Began publishing the Security Source Library, a comprehensive, 12-volume research and reference tool.
- 1997: Initiated Cellular monitoring systems for government use
- 1998: Introduced the first covert cameras with built-in modems, enabling remote access from across the street or across the ocean
- 1999: Introduced smallest commercial video transmitter built into a pen for the transmission of wireless video signals
- 2001: Joined Korean partners Tong-In as a joint venture corporation to develop major commercial GPS Satellite Tracking systems
- 2002: Merged with Hipstyle, Inc, forming Security Intelligence Technologies, a public company
- 2003: Launched Homeland Security Strategies, Inc., a wholly owned subsidiary of Security Intelligence Technologies, Inc., specializing in intelligence and defense technology.
- 2004: Development of a family of products as part of a Global Initiative to provide new tools in the fight against terrorism. Products include: Bombjammer defense against RCIEDs, Suicide Bomber and Dirty Bomber detection & Jamming, Integrated Real Time Terrorist Tracking and Monitoring Systems; Advanced Terrorist Countermeasures Programs.
- 2007: Introduced Global Strategic Alliance Program To Increase Production And Financial Capabilities. Announcement of HSS air filtration system to provide safe, Breathable air after removing smoke and dangerous gases From Dirty Bomb And Radioactive Explosions.

and government clients — we're now finding that government clients are realizing that our communications technology is extremely important to their operations, both in terms of preventing kidnapping, identity theft, identity fraud, identity conversion, stopping domestic terrorism, stopping drug smuggling and ensuring that governance issues are properly met. We are finding many opportunities there that really reflect growth in the client base's ability to understand our solutions.

“Both the domestic and the international security business is certainly going to be long-term sustainable. We are already filling new orders from various governments around the world such as the Surinam government, the Trinidad government, the Afghanistan government, and we see this as very promising. We are seeing the awarding of PhDs now for people in international security, which means our pool of qualified professionals is growing. For the long-term investor, without question, the need to be able to provide security is growing.”

In other traditional areas, the product lines can be front-ended to some very sophisticated US telecommunications equipment, or facilities management and wiring systems, which creates economies of scale. This is a reflection of our architects teaming with the clients to come up with some synergy and some new solutions.

So, in general, as the Executive Vice President of Global Business Development, my concern is that our growth is managed in a prudent and conservative manner, even when the urgency for deploying our product is very much an issue. We have clients who must have this technology right away, but on the other hand we must ensure that our training department, our writers and our teams that deliver this product are capable of being in the many different places that they have to be si-

multaneously. So there is a strategic plan that is in place in the company, reflecting the new environment. We have to now be concerned about the ecological environment, in addition. These sorts of factors must be the first part that our customers see — that our governance and our management structure is in place and in position for sensible conservative growth. I think that you'll see a long-term sustainable growth in the homeland security industry in the future.

TWST: You mentioned that there are six crucial areas.

Mr. Hellman: One of the other types of product lines includes logging equipment. I'm not talking about forestry, but we are witnessing on the Internet tremendous growth in database technology and the ability to have new media on which massive amounts of voice, data, video, and sensor information can be stored. We provide in our fourth product line, voice logging and recording systems, the technology that stores and organizes these types of products, so that people who have a need, for example, to ensure that whatever is said on a telephone is compliant with the corporate policy, we have the means of recording these types of conversations and keeping them as required by the records retention policy of the company. That would be another area.

Some of our products are strictly reserved for the military, the government and law enforcement in support of our national security efforts. Our fifth product line, Covert Audio Surveillance Systems, includes equipment in this area only for law enforcement and government agencies in the USA, as does our sixth product line, Tracking Systems. There are some traditional areas such as performing sweeps and looking for bugs to ensure that white-collar crime and corporate theft does not occur within the premises, for which we have very

sophisticated technology that accomplishes that. Our Voice Stress Analyzers could be considered a separate product line, but they are used in conjunction with our other products as lie detectors. This is a service we do, together with sweep services.

Going further when discussing a product like the Bomb Jammer, our field representatives and engineers basically ensure that, regardless of the innovation and the types of advanced technology that is stolen or that is used by terrorists to harm US interests or the interest of our allies. We can innovate at a faster pace.

We are a fast learning corporation, which means we have a strategic human resource issue. We continue to attract the best and the brightest and the most capable people. We can motivate them and stimulate them in this environment and that requires some tremendous flexibility in terms of our human resource policy. It is almost like putting Bell Laboratories-type Nobel Prize winners in the same area as Wall Street lawyers who are very prudent and conservative types. This is why I said at the onset that there are some very major management issues that have to be addressed. We are partnering with our clients to advise them of the changes that we're making in order that the type of unique company structure reflects the capabilities to deliver what is needed to the marketplace at that time. The Bomb Jammer would be one of those technologies, which is easy to build to print for someone, but the getting of the requirements and establishing the trust from the people of the field to give us the requirements and having engineers who can quickly architect an appropriate solution is really what gives us a competitive advantage.

TWST: Would you tell us more about your strategic plan?

Mr. Hellman: The essence of the strategic plan now is not just to make sales happen but, be-

cause of the importance of the technology and that it be able to be used effectively, we now have growth in training, and we have to ensure that the new manufacturer technologies and the new ways in which industry uses just-in-time manufacturing, we actually have to use these quality standards and deploy them in a very sophisticated way that was not necessary even 10 years ago. There is just a need to be able to take one particular product line and reflect an order that is very large and be able to deliver it to the field, whereas in the past, people would come in and look at the products, buy them and use them in their own environment. Now, there is a global requirement, which requires significant due diligence and conservative management in order to set up a network of global distributors and hubs in the Middle East, Far East, Latin America, North And South America, China, ASEAN And Oceania regions, European Union and the UK.

TWST: Looking ahead, do you foresee any problems for the company? Are there any things that you have to worry about?

Mr. Hellman: The problem of classic business cases is that when a company which is used to a small volume, meaning several million dollars of sales, suddenly is confronted with a very large volume, a company such as that can easily run into a cash flow situation, especially when most of this company's available cash is constantly re-invested into research and development. So a disproportionate amount of money is given to our best and brightest engineers to support their mission to lead the field in technology. I'm not worried about this, but the concern is that we ensure that we do not get into the situation where we are fantastically profitable in terms of our orders and we have a cash flow issue.

Therefore, we are putting in place the proper alliances so that the financing will be there

as we need it. As purchase orders are written, we have to ensure that the funds are there. So this is different from simply profit and loss. There are many, many issues that have to be addressed before the growth that I suppose the market would like to see reported happens. The first is the strategic human resource development issues, with funds being focused on ensuring that the technology is cutting-edge technology. The second is the servicing of the market opportunities to make sure that when the very large opportunities come in, through our strategic alliances and strategic partners, we are able to demonstrate the viability of the company in the long term, meaning not just this year; many of these contracts will be five years or a very long-term relationship as a trusted partner.

TWST: How much have you done so far regarding alliances and partnerships?

Mr. Hellman: We have basically changed some of our negotiations. In the past, we would pay for a build to print service when we had an urgent requirement that was beyond our capability. We would find someone and use their facilities by paying them. Now what we require is a financing commitment from these partners that they must support the organization, which is ours, which is taking the requirements of the field accurately and developing the relationship from the leaders in the industry. We need to have a financial commitment in terms of our growth, that someone is actually supporting us in addition to performing professional services. That is the concept of a strategic alliance. It is in their long-term interest to provide the financial backings so that we do not run into what is essentially a prohibitive business case study of too many fish in too small a boat. We foresee that our clients and partners are enthusiastic about helping us achieve the success that we know we are capable of.

TWST: What is the picture that you would hope to see for the company in about three years?

Mr. Hellman: In about three years, I would hope to see the company become a “rising star.” I would hope that some enabling legislation is passed that recognizes the homeland security strategies as part of the industrial readiness space. That is strategic to the national security, just as the oil reserves are, especially since we are the sole source supplier of some of these technologies. So we anticipate in the next three years that there probably will be a prioritizing of the importance of our industry.

We also would anticipate in the next three years a change in the direction of the company. In terms of its performance, I feel confident that there will be some growth happening. The potential of our book order is there. The agreement among all parties that these changes in management style, structure and organization take place within three years will certainly be completed.

So to summarize, there should be some changes in the public perception and the importance of our industry. There should be some changes in the professionalism and the way in which our clients and joint venture partners can work with us. The order size has changed and within three years the ability to deliver against the increased order size should be reflected in the bottom line of the company.

TWST: Would you tell us about the backgrounds and the expertise of several of the key members of the management team?

Mr. Hellman: The management team has to have, by virtue of its relations with the government, military and police department, people with various backgrounds. Some have the authoritarian type of management background you would expect of a mil-

itary commander, with the command and control type of approach. Others have emergency rescue and emergency operations backgrounds, bringing to the company experience from the New York City police, from the Fire Department of New York, from K-9 and explosive ordnance disposal, tactical and operational know-how, etc., each having their own methodology to achieving results in which there are orders given. The orders have to be followed; they have to be compliant with that. This is very important because when military, law enforcement, first responders and rescue people who are used to this look for a peer, they can find one within the corporation.

On the other hand, Wall Street has to have a CFO who understands reporting, compliance and governance, and can properly communicate that in the forms that it should be, so we have that.

In terms of motivation of the staff, that's where some of the issues come. We are basically empowering our staff now rather than directing them. That means that they become more independent. They can prove their performance by handling a portfolio of clients. By being a small company, we can define the performance objective. So the strategic human resource management is a new concept in the company.

Tighter manufacturing is a new concept because of the need to integrate the controls throughout the manufacturing process. The team is getting adjusted to the changes that are required without changing the success rate of the company. So there are new performance measures being put in place. There are new reporting responsibilities, new quality initiatives, and a new teaming agreement. Basically, we now have internal customers. They are moving closer to where they have a quality of product management sort of responsibility and they also have a strategic human resource responsibility to develop the people who work for them,

and work with them using some of the most modern practices that are effective.

TWST: Have you been communicating all this to the investment community?

Mr. Hellman: No. I think that it's early, because when you initiate a program, it's better to wait until the program results are tied to performance results in terms of a movement in the bottom line. Management has decided to be very conservative in its announcements because I think as long as we are viable and as long as we are getting additional contracts, we have our investors waiting to see our ability to make the next leap. There is a need to be able to go from delivering 20 to 50 units to make that leap to being able to deliver 200 to 500 and not get caught in some of the growth problems that other small companies face when they suddenly ramp up quickly to meet a customer demand that has changed in magnitude.

TWST: What would be the two or three best reasons for the potential long-term investor to start taking a good look at the company?

Mr. Hellman: The first is that both the domestic and the international security business is certainly going to be long-term sustainable. We are already filling new orders from various governments around the world such as the Surinam government, the Trinidad government, the Afghanistan government, and we see this as very promising. We are seeing the awarding of PhDs now for people in international security, which means our pool of qualified professionals is growing. I look at the types of people applying for work within the corporation; not only do they have the head of security type of background or some other senior responsible position, but now they have academic credentials also. So that's one reason. For the long-term investor, without question, the need to be able to provide security is growing.

The second is that it might escape certain people, but when you reduce the cost of shrinkage or theft or disruption of continuity in the business supply chain, what you are doing is increasing the efficiency. So actually homeland security should be seen as a quality program. When properly executed, what you have done is you have increased the efficiency of an operation, and therefore there is a business case to be made showing that it is sustainable. So therefore we can look at market indicators showing that the industry is growing or pick up the newspaper and see that terrorism, types of kidnapping and other things going on are increasing.

When people know they are properly policed — I recall that during the last blackout in New York City when all of a sudden all of the alarms went off and there was no electricity, there was no looting. Therefore what would have been a crisis in a former time or era was not a crisis in today's time. Similarly, you can see that as it becomes a habit, people have cooperated at airports and are recognizing the importance of security. Although it's an inconvenience, they try to be as efficient as possible and that increases the effectiveness of this system. So if I look at just those two points alone, I would say that the industry and this particular company has the potential to realize its goal of basically being recognized for its achievement. Right now, many of the things go unrecognized.

TWST: What is your feeling about your current stock price?

Mr. Hellman: The current stock price would probably reflect the number of shares and a past history. I find that stock prices do reflect the perception of the market based on indicators that usually are accurate. However, it's the future

growth that we are now leveraging, and the amount of money being invested in the quality programs and the people and the technology is incredibly significant. So therefore, not as much money is being distributed as could be, but it's because we have to look at the long-term growth of the company. I don't like to use any words such as undervalued or overvalued, but I do see that this company has the potential to handle the purchase orders that are available to it in the future.

TWST: Is there anything that you would like to add, especially regarding strategies, long-term objectives and reasons for an investor to look at the company?

Mr. Hellman: The long-term strategy is really dependent on the performance of the Homeland Security chief. As his message is developed and carried to the public, and as public acceptance of the need for and the importance of the mission is brought to the public, growth in the industry will occur. The only means by which the business community can accept that the military or homeland security needs additional resources is by financing companies in that industry and ensuring their growth. I see that long term there is that great potential, but it does depend on the success of the leadership of the country.

TWST: Thank you. (MC)

GEOFFREY A. HELLMAN
EVP, Global Business Development
Security Intelligence Technologies, Inc.
145 Huguenot Street
New Rochelle, NY 10801
(914) 654-8700
(914) 654-1302 – FAX
www.spyzone.com