

JANUARY 10, 2005

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

THE FOLLOWING REPORT IS EXCERPTED FROM
THE WALL STREET TRANSCRIPT

COMPANY INTERVIEW

PETER L. MURDOCH
Sentry Technology Corporation

NOTICE

The Wall Street Transcript does not in any way endorse or guarantee the accuracy or reliability of any of the information, statements or opinions expressed in the reports or comments of other firms or individuals. We take due care to report or transcribe accurately what has been written or said by others but because of the possibility of human or mechanical error, we cannot assume any liability for the correctness of the transcription. We point out further that, of course, all opinions expressed are subject to change without notice. Neither the information or any opinion which may be expressed constitutes a solicitation for the purchase or sale of any securities referred to herein. For further information, contact the individual or investment organization concerned.

CHIEF EXECUTIVE OFFICER FORUMS/INTERVIEWS

Important Note: Wall Street Transcript forums and interviews with Chief Executive Officers are published verbatim as editorial content and include "forward-looking statements" (as such term is defined in the United States Private Securities Litigation Reform Act of 1995). These "forward-looking statements" may be subject to and be made pursuant to the "safe-harbor" provisions of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended. Since these statements are based on factors that

involve risks and uncertainties, actual results may differ materially from those expressed or implied by such "forward-looking statements". Such factors are often included in the company's filings of reports with the United States Securities and Exchange Commission, including Forms 10-K, 10-Q, 8-K and Proxy Statements; the company's annual and interim reports to shareholders and similar documents. In carrying out our responsibilities to our readers and to the Chief Executive Officers selected for forums or interviews, we are required to offer, and we offer, each Chief Executive Officer an opportunity to back-up the interview and provide our readers and potential investors with specific financial data, including earnings statements, balance sheet statements and other material business and financial data, through the sponsored publication of such reports or highlights therefrom, with meaningful information.

Founded 1963
Published by Wall Street Transcript Corporation
67 Wall Street, New York, NY 10005
Copyright 2005 Wall Street Transcript Corporation
All Rights Reserved

Sentry Technology Corporation (SKVY)



PETER L. MURDOCH has been the President and Chief Executive Officer, Director and Chairman of the Board of Sentry Technology Corporation since January 2001. He is also President of ID Security Systems Canada, Inc. Mr. Murdoch has extensive experience in the retail security industry as well as in the sales of technology-based products. He has been Managing Director of ID Security Systems Canada, Inc. since its inception in 1987. He served as a member of the management committee of Dialoc ID

Holdings B.V. (Sentry's prior majority shareholder) from 1997 to 2004. Prior to joining ID Security Systems Canada, Inc., Mr. Murdoch was Vice President of Sales for Catalyst International Business Systems. He is an Economics graduate from the University of Western Ontario.

SECTOR – SECURITY & PROTECTION SERVICES

(ZAV605) TWST: Would you begin with an introduction to Sentry Technology?

Mr. Murdoch: Sentry Technology Corporation is the merger of Knogo North America and Video Sentry. Knogo North America has a long history in the anti-shoplifting business, and Video Sentry was a company specializing in the manufacturing of a traveling camera system. The companies merged in 1997, and in 2004, Sentry acquired ID Systems, a profitable company in the library security, anti-shoplifting and access control business.

TWST: Is the merger complete at this point?

Mr. Murdoch: Yes. The merger was completed at the end of April, and it was assisted by an investment by Brascan Technology Fund in the form of a \$2 million convertible debenture so that we could both restructure the company and refinance to grow the business.

TWST: Where do you stand in that reorganization?

Mr. Murdoch: We are almost out the other side. We still have some work to do to reorganize the operations to create company-wide activities. We have two offices, one in Long Island and one in Toronto where ID Systems operates from. So as much as possible, we would like to create one finance group, one marketing group and one manufacturing group, and we are still working through those issues. So far, we are pleased with the results.

TWST: As we look out, now that you've got this reformulated company, what's the objective, who is the customer, and what are you going to sell?

Mr. Murdoch: We have several product groups. The primary CCTV product is SmartTrack, a traveling video surveillance system. We've had success attracting large customers all over the world. In the United States, we sell to customers like Lowe's, Target, Home Depot, Federal

Express, Food Lion, and Watkins Motor Lines. We've attracted international distributors in Europe, selling through companies like Siemens, Chubb and Honeywell. We've also done very well in the UK market selling through Intrepid Security to customers like Tesco and ASDA Wal-Mart, the leaders in the food retail sector. Other major customers in Europe include international retailers such as Carrefour and Ikea.

"SmartTrack offers our customers a fantastic price performance ratio, particularly for larger facilities. If a conventional CCTV system requires over 100 cameras to cover a particular facility and SmartTrack offers unobstructed viewing with a single traveling camera carriage, the Sentry solution clearly has price and performance benefits for the user."

TWST: What does the product do?

Mr. Murdoch: SmartTrack provides unobstructed video surveillance using two pan tilt and zoom cameras mounted on a carriage that travels in a ceiling mounted track. The carriage travels within a tub of tinted plastic so that the cameras can be positioned covertly anywhere along the track that can be up to 500 feet in length. The carriage is operated either by a conventional joy stick video control console or by a mobile, wireless hand held device. One of the major advantages of the SmartTrack system is that a single, two camera carriage can cover a large retail store or warehouse that would otherwise require 100 or more conventional cameras. As well, with SmartTrack, because the camera can be positioned to any viewing angle, there are none of the blind spots associated with conventional camera systems.

TWST: So the benefit versus a fixed camera is broader coverage?

Mr. Murdoch: Broader, total coverage because there are no blind spots. As a result,

SmartTrack offers our customers a fantastic price performance ratio, particularly for larger facilities. If a conventional CCTV system requires over 100 cameras to cover a particular facility and SmartTrack offers unobstructed viewing with a single traveling camera carriage, the Sentry solution clearly has price and performance benefits for the user including, lower capital cost, less video to manage, lower maintenance costs and continuous tracking of events.

TWST: What's the potential? How big is that market and what kind of growth is it seeing?

Mr. Murdoch: We are seeing a big market with substantial growth opportunities. Video surveillance is growing worldwide. We've established international distribution in Europe and this year we started with ADT as a dealer in Mexico with the expectation that the relationship will grow to include other Latin American markets. We have started distribution in Asia through dealers in Taiwan, Korea, and Japan. We see the opportunity to double our export business this year. In addition to new geographic markets we are discovering new applications for SmartTrack. In Asia, SmartTrack is now being offered in large electronics manufacturing plants and in hydro electric plants in North America.

TWST: Who do you compete with in this market?

Mr. Murdoch: In North America, we are the only company selling this type of product. SmartTrack is protected by strong patents and over time, we have developed a very reliable and flexible system. In Europe, we have a competitor in France and one in Australia.

TWST: Are there some barriers to entry here to keep competition out?

Mr. Murdoch: There are indeed. First, we own patents and second, it's difficult to manufac-

ture this type of product. Others have tried and failed. Ultimately, the measurement of how well we're doing is always provided by the market. I'm pleased to tell you that in several key international accounts, we've been successful in replacing competitor systems where we've come into an account after the door has been opened by one of our competitors. Our product was originally introduced in the mid-1990s and has since gone through several iterations. SmartTrack has become extremely reliable, with many new software features such as programmable tours and alarming inputs. An important innovation is the control of the system using a wireless handheld device so that users are free to walk the floor of a large facility and keep control of the camera system both to manage operations and potential security threats.

TWST: That's one part of the business. What's the outlook for the other parts?

Mr. Murdoch: Sentry also manufactures EAS anti-shoplifting tagging systems, selling under our Knogo and ID Systems brand names. We sell those products primarily through ADI, Honeywell's distribution channel in the United States, with more than 100 branches located across the country. EAS systems are also sold via our small North American direct to end user sales team.

Our company also focuses on the library security sector where radio frequency identification (RFID) has recently been introduced to control both theft and logistics. We are continuing to develop RFID product offerings for libraries, in addition to our conventional anti-theft systems and labels.

Our first RFID product is QuickCheck[®], a self-service kiosk that performs like an automatic teller machine. The library patron gains access to the terminal via a user card and is able to borrow books using a touch screen user interface. QuickCheck[®] processes the transaction by read-

ing either the barcode or RFID label applied to the book, deactivates the security marker and prints a transaction receipt telling the patron which specific items are being borrowed along with the return date. The patron is then free to exit through the security gate without librarian intervention.

"The security industry is growing world wide and I believe we can take advantage of this growth to be exceptionally profitable. We have both international and domestic business serving multiple but related business sectors. The key is to continue to execute our plan."

We also manufacture all types of security strips for libraries and supply customers such as the Library of Congress, the New York City Board of Education, the University of Notre Dame and libraries across Canada such as the University of Toronto, McGill University and the Ottawa Public Library. Library security is an important and growing part of business both for RFID and conventional security solutions.

TWST: What's the business model for this? Is this a one-time sale or are there continuing revenues?

Mr. Murdoch: It could be both. In the library sector, a single library in a small community might need one detection system with ongoing label supply to protect newly acquired material. In the case of an organization like the New York City Board of Ed., they have many schools and are opening new schools and renovating existing ones on a regular basis. Whether it's a small library with a single system opportunity or a large library board in an academic or municipal environment, all customers need ongoing technical service and supply of both conventional or RFID labels.

In the case of RFID tags, the market is just being developed. We believe that over time all libraries will adopt RFID, offering a long-term opportunity for the sale of hardware, software, tags and services.

With regard to recurring revenue for SmartTrack, the initial end user installation marks the beginning of many years of ongoing service revenue via our network of employees and service partners located across North America.

TWST: What else is on the platter at this point?

Mr. Murdoch: We want to operate our business better to become more profitable and to continue growing. We've turned the company back to profitability, which was an important step for us. During the dark days of the 2003 restructuring, we cut our sales force in the United States back to two individuals which ended up being one by the beginning of 2004. We have since built that back again in key markets with experienced qualified sales representatives. We continue with our International Sales Director who has been successful in growing that sector of the business and are now recruiting to an additional sales representative to serve the growing European customer base.

TWST: What were the issues that got the company in trouble and have they all been resolved at this point?

Mr. Murdoch: The restructuring of Sentry is in some ways a classic turnaround story. The issues that got us in trouble related in part to the performance of the Track product that had to be fixed, before all the other important steps could be taken. As mentioned, the traveling camera system is a difficult product to manufacture and unless it's done well, you have lots of service troubles. That's why other companies have entered and exited the marketplace and why Sentry developed financial problems.

SmartTrack, the most recent version of our traveling CCTV product line, has been well engineered and is highly successful. We introduced the first version of the re-engineered product in the middle of 2001, which of course was not a great time to be doing so. It was necessary to work with customers to convince them that the product was sound before attacking new business opportunities. It took longer than expected to satisfy the customer base that we in fact had solved our technical problems. The strategy at the time was to go back to every one of our customers and offer an upgrade to the new SmartTrack technology. Many customers took advantage of the offer and, as a result, we were able stabilize the customer base and begin selling the new system to both existing and new customers.

After stabilizing the customer base we had to find capital, and in a company with a history of losses, it's even more difficult to find the right type of capital that would give current shareholders a satisfactory position after the refinancing. We were able to do that by finalizing a \$2 million convertible debenture with Brascan Technology Fund in April 2004. The Brascan Technology Fund is a limited partnership created by Brascan Corporation, a multibillion dollar asset management company, specializing in the financial, real estate and hydro electrical power generation businesses. The President of Brascan Technology Fund is providing ongoing advice to Sentry via his participation as an observer on our Board of Directors. Part of the Brascan financing included the acquisition of ID Systems.

Sentry now has a much stronger balance sheet, leading products, a strong supportive customer base, international dealers and profitability.

TWST: What are the goals that you have set for the company for the next year or two?

Mr. Murdoch: To continue profitability and grow, that's the most important goal that we can have

right now and we've got a great start achieving it. We've had two profitable quarters and we are optimistic that we are going to have a solid 2005.

TWST: How profitable can this business be?

Mr. Murdoch: Fortunately for our company, the security industry is growing world wide and I believe we can take advantage of this growth to be exceptionally profitable. We have both international and domestic business serving multiple but related business sectors. The key is to continue to execute our plan. Now that the company is adequately financed for the mid-term and our costs are under control, we believe we can add revenue with only modest cost increases, resulting in strong returns for our shareholders.

TWST: As this restructuring took place, what did it do to the culture of the company?

Mr. Murdoch: It changed it. At one point, Knogo Corporation, which was a predecessor to Sentry, was over \$100 million in annual sales prior to the sale of the majority of the business to a competitor. That size brings a certain style, a certain structure, and a certain culture that doesn't necessarily work well in a \$20 million company. We went through many difficult changes both in terms of the structure and psychology, to reintroduce the entrepreneurial spirit that was needed in order to reshape the company. The senior managers have hung in through all of the many changes and are optimistic for the future.

TWST: Do you have the people in place now that you need?

Mr. Murdoch: Not all of them. We are busy reviewing our sales and marketing group. While we have grown our direct sales team, we'd like to add several more key people. Both sales and marketing functions were cut last year and we need to add back to help ensure increasing sales.

TWST: Is adding these people a milestone for investors to keep an eye on?

Mr. Murdoch: Certainly, although I think the more important milestones will be the results that any of those people achieve.

TWST: Are stock market investors paying any attention yet?

Mr. Murdoch: Not enough.

TWST: Why not?

Mr. Murdoch: We are a small penny stock company right now. It's a volatile marketplace, prone to exuberant statements by management that encourages the volatility in a lot of ways. At this stage in our business development, time and money are best spent developing the business rather than promoting our stock. The results will speak for themselves once we can better demonstrate that we've created a strong business model with solid growth opportunities. Investor interest will naturally follow and increase the stock price.

TWST: If you were sitting down with some potential investors as you did with Brascan, what are the two or three reasons you give them to take a look at Sentry?

Mr. Murdoch: Sentry has quality products, growth markets, strong customers, good technology, committed employees and a successful business model.

TWST: What's the risk? What can go wrong?

Mr. Murdoch: Sometimes what goes wrong is the thing you least expect. By focusing on what is working, we think that our business will go right. The future is always uncertain but based on the progress made in the recent past we're optimistic about the future.

TWST: Is there anything else we should touch on?

Mr. Murdoch: At the current levels we believe our stock is significantly undervalued.

TWST: Final message?

Mr. Murdoch: After personally making an additional investment of more than \$640,000 in November, the successful restructuring of our business and the investment by Brascan Technology Fund, we are in a good position to take advantage of our significant customer base and leading technology to profitably grow our company.

TWST: Thank you. (TJM)

PETER L. MURDOCH
Chairman, President & CEO
Sentry Technology Corporation
1881 Lakeland Avenue
Ronkonkoma, NY 11779
(631) 739-2000
(631) 739-2124 - FAX
www.sentrytechnology.com
