



Performance Benchmarking Program

Guidelines and Definitions

INTRODUCTION

The AIM Performance Benchmarking Program is developed to allow AiN Partners the ability to measure operations performance using a standardized format and metrics, and to compare performance results amongst other participating AiN Partners. The following documentation provides an overview of the program, as well as definitions and explanation of submission data.

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Overview

The program requires data input into six sections:

Section 1 – Income Statement

Section 2 – RMR and Systems

Section 3 – Headcount

Section 4 – Miscellaneous

Section 5 – Company Profile

Section 6 – Central Station Signal Activity

All subsequent ratios and analysis are derived from the data requested in the sections above.

Important points:

- If your company does not report on a calendar year, submit whatever quarter is most relevant.
- Standardization of the input data is critical. Please read all Definitions and Guidelines prior to submitting data. Document your methodology in order to ensure consistency in future reporting and to streamline your quarterly submission process.
- The use of estimates is acceptable and encourage if the information is not currently available from your reporting systems. If you have questions or concerns about definitions, please contact the program administrator.

SECTION 1 – INCOME STATEMENT

PREFACE

All income statement data should be adjusted for the following:

- Recognize installation and recurring revenues and expenses in the period for which they were earned or incurred. If you use an accrual method or capitalize any portion of the installation activity, this will require adjustments prior to submitting for the AIM Program.
- Remove owner’s compensation and perquisites above a “normalized” level as defined by the Program. For these submissions, cap an executive owner’s compensation at \$200K per year per owner.
- Remove non-core alarm company activities. This program and the resulting metrics are designed to focus on alarm operations.
 - Include:
 - System Installations
 - System Monitoring Services
 - System Maintenance Services
 - System Inspection and Repairs
 - System Leasing Activity
 - CCTV and Access Control Activity
 - Runner Response
 - Do Not Include:
 - Armored Car Service
 - Security Guard Service
 - Safe and Lock Services
 - Paging Services
 - Patrol Services
- Do not include interest income from investments or gain/loss on sale of assets in Revenue.
- Do include finance charges billed to customers as they are part of normal business operations.

REVENUE

Recurring Revenue

- Include all contractually recurring revenue earned during the period.
- Include any Balance of Contract revenue if collected, or certain of being collected (i.e. do not include 100% of all cancelled accounts' Balance of Contract revenue unless actually collected or you have a consistent history of collecting it.)

Time and Material Service Revenue

- Include all service revenue earned or billed on a Time and Material basis.
- Do not include maintenance contract revenue. Instead, report any contractually recurring maintenance revenue in the Recurring Revenue section.

Installation Revenue

- All revenue earned in the period for the installation of alarm systems.
- Include the installation charge for any systems sold and the installation fees associated with leased systems.

Consolidate all other revenue line items into one of the above three categories.

EXPENSE

Monitoring Expense

All direct monitoring/central station expenses. Include:

- Central Station employees, central station runners, supervisors and managers, including their taxes, benefits and insurance.
- Receiver phone line expense plus any other appropriate telecommunications expense or direct costs of providing central station services.
- Depreciation expense associated with Central Station equipment or runner vehicles.

Service Expense

All direct service/maintenance expenses. Include:

- All related labor expense including supervisors & managers, service dispatchers, technical support, including their benefits, taxes and insurance costs.
- All subcontractor expense for service activity.
- Material expense including applicable freight-in, use tax, and repair charges.
- Vehicle expense, including depreciation or lease costs on appropriate vehicles.
- Any other depreciation expense on service related assets.
- 50% of stockroom labor expense, unless more accurately quantifiable.

NOTE: IF service technician vehicle or material expense is not tracked separate from Installations, use an estimated percentage of the total.

Sales Expense

All direct sales expenses. Include:

- Sales representatives, managers, supervisors and support labor expense including taxes, benefits and insurance and all commissions.
- All marketing, promotions and advertising expense.
- Sales related travel and entertainment expense.
- Sales department reimbursements, vehicle expenses, or other direct sales department expense.

Installation Expense

All direct installation expenses. Include:

- All related labor expense including supervisors and managers, schedulers, technical support, etc. and their benefits, taxes and insurance costs.
- Material expense (net of any allocated to Service).
- Vehicle expense, including depreciation on appropriate vehicles.
- Other depreciation expense on installation related assets, if any.
- 50% of stockroom labor expense, unless more accurately quantifiable.
- Permits, special equipment rentals, etc.

General and Administrative Expense

All general and administrative expenses subject to the limitations on owner expenditure compensation referenced in the Overview.

- INCLUDE - Depreciation on operating assets (except as otherwise allocated previously).
- DO NOT INCLUDE - Interest, Amortization or Income Tax expense.

SECTION 2 – RMR AND SYSTEMS

PREFACE

All RMR data should be expressed as the amount of "recurring monthly revenue" i.e., the contractually recurring monthly revenue from your existing accounting base. DO NOT use revenue earned for the Quarter, etc.

Beginning of Quarter RMR

The amount of contractually recurring monthly revenue your company had as of the beginning of this quarter.

Added RMR

- **Acquired** - The amount of RMR acquired during the quarter. This should include accounts purchased from marketing agents if the cost to acquire the accounts is capitalized. This should not include accounts purchased from agents if the cost is expensed [in which case the RMR should be categorized as New System Sales]. Acquired RMR should be net of any write-downs or corrections associated with acquired RMR. More specifically, when there is a correction to the amount of RMR Acquired (such as phantom accounts that were never really there) then these changes should be recorded as a reduction in the RMR Acquired rather than as attrition. However, if an acquired account that was still active at the time of purchase subsequently cancels, then its loss is properly recorded as Lost RMR under the appropriate classification.
- **New Sales** - RMR created during the quarter through the sales/lease and installation of new systems, including takeovers of systems installed by other alarm companies or RMR created during the quarter through the upgrading and/or adding-onto existing customers systems. (This should reflect only the additional RMR realized from the upgrade and/or add-on.)
- **Resigns** - RMR created during the quarter by the signing of new occupants at previously protected locations that your former customers no longer occupy (such attrition would have been properly recorded as either Moved or Out of Business cancellations). Any new systems sold to the "moving" customer at their new location should be included in New System Sales under Added RMR.
- **Rate Increases** - RMR created during the quarter through the implementation of rate increases. This should reflect the total amount of rate increases sought from existing customers. Any rate increases subsequently rescinded should be reflected in Lost RMR, as a Partial Cancel/Rate Reduction.
- **Other** - RMR created during the quarter not otherwise classified. Includes RMR from wholesale monitoring and police/fire board revenues for municipal boards owned by the reporting SNA company.

Lost RMR

- **Unhappy with Service/System/Price** - RMR lost/cancelled during the quarter due to their unhappiness with the quality/quantity of service, the functioning of the systems and/or the price of the service.

- Moved - RMR lost/cancelled during the quarter due to customers moving out of protected locations. Any new systems sold to the “moving” customers at their new locations is properly included in New System Sales under Added RMR. Any resigned RMR realized at the cancelled location should be included in Resigns under Added RMR.
- Out of Business - Commercial RMR lost/cancelled during the quarter due to the closing of the business. Any resigned RMR realized at the cancelled location should be included in Resigns under Added RMR.
- Cannot Afford System/Service - RMR lost/cancelled during the quarter due to the customer not having the resources to afford the service.
- Company or Financial Cancel - RMR cancelled during the quarter by your company for any reason including non-payment of invoices. RMR associated with reinstates should be reflected as a negative cancellation (i.e. netted against RMR cancelled in this category).
- Partial Cancel/Rate Reduction - RMR lost during the quarter due to a partial cancellation of services, or a reduction in RMR (e.g., rescinding a previously implemented rate increase).
- Other - RMR lost during the quarter not otherwise classified. Includes RMR from wholesale monitoring and police/fire board revenues for municipal boards owned by the reporting Company.

End of Quarter RMR

The amount of RMR your company had in force as of the end of this quarter.

Average Number of Systems Monitored

The average number of systems [not customers] monitored by your company. An estimate is acceptable. The recommended definition is to use the average count of active central station account numbers. Wholesale monitored accounts should be included in this number

Average Number of Systems Serviced

The average number of systems [not customers] serviced by your company, whether or not monitored. This should include both customers that have repair or inspection contracts and customers that are serviced on a T&M basis.

SECTION 3 – HEADCOUNT

All employees involved in alarm company operations should be included in one of the categories. If some employees effectively handle 2 or more positions, allocate an appropriate fraction to each of the categories.

All part-time employees should be converted to Full-Time Equivalents ("FTE"). Examples: 2 half-time employees equal 1 FTE -- 3 half-time employees would equal 1.5 FTEs. All FTEs should be standardized to report one decimal position.

Monitoring and Service employees should be converted to FTEs based upon 40 hours of work per week. Overtime should be adjusted for, so that an employee averaging 60 hours per week would be counted as 1.5 FTEs.

Subcontract Installers/Service Technicians should similarly be converted to FTE. The preferred method would be to compare the subcontract fees paid to them in proportion to an average annual wage (including benefits, insurance, taxes) for a comparable in-house employee.

Installation employees who are paid hourly should be calculated on the basis of 40 hour FTEs, and Installers who are paid by piece-rate can be considered FTEs based on headcount if no record of their hours worked is available. This eliminates the penalty that piece-rate employees may have if FTEs were calculated directly on their earnings.

All other non-installing categories would be based on the 40 hour FTE in the same fashion as Monitoring and Service.

If summary payroll data for the quarter is not available, a recommended alternative would be to utilize the payroll period which is closest to the middle of the reporting quarter to calculate employee counts.

SECTION 4 – MISCELLANEOUS

Amount of Usable Alarm Installation Inventory

The amount of inventory maintained by your company for installation. Include materials held in work in process accounts in your calculations. Do not include equipment clearly designated as service only (i.e., inventory continuously carried in service vehicles, repaired/obsolete equipment held to service existing accounts, etc.). While the average inventory for the quarter is preferred, beginning of quarter or end of quarter are acceptable if the average cannot be determined.

Total Number of Service Calls in the Quarter

The approximate number of service calls handled [including weekends and holidays] during the quarter. Intended to count the number of calls handled that results in a stop in the field and/or an update to the customer's system (such as remote programming where no field stop is necessary). A suggested method of counting is the number of closed service tickets. Calls for tests and inspections are also included here.

Accounts Receivable Balance

Gross Accounts Receivable (i.e., everything that has been billed), less any billings for Balances of Contract which have not been recognized as revenue yet, less the reserve for bad debt which has already been expensed on the Income Statement. No reduction for Deferred Revenues should be made.

Billings in the Quarter

Items invoiced during the quarter being reported on, without regard to the period in which the revenue from such invoicing will be earned.

SECTION 5 – COMPANY PROFILE

Estimates are acceptable. This information will be used only to facilitate comparison of results. If you are having trouble with this section, please return the rest of the survey and follow up later with this data. Large Commercial / Industrial RMR is considered any commercial account with RMR of \$100 or greater at a single location.

SECTION 6 – CENTRAL STATION ACTIVITY

Police Dispatches in the Quarter

Total police dispatches in quarter.

of Central Station Signals in Quarter subject to Police Dispatch

Number of central station signals in the quarter subject to police dispatch (defined as signals for burglary, holdup, duress, or panic activations excluding signals for tests, low battery, supervisory or other signals that do not generate a police dispatch).

Verification Policy

Whether the company has a verification policy that requires two or more calls to attempt to verify before dispatch prior to calling a police department.