CSAA
SINCE 1950
CENTRAL STATION ALARM ASSOCIATION

NBFAA
Electronic Life Safety, Security & Systems Professionals

MEMBER PROFILE SURVEY JULY 2007

Conducted by:

EH RESEARCH

NBFAA/CSAA Member Profile Study – July 2007

During July of 2007, NBFAA and CSAA enlisted the services of the Research division of EH Publishing to undertake a survey of their members. The primary purpose of the survey was to develop information about the company characteristics and product buying plans of association members, as well as to develop some insight into the growth trends of these firms and the specific market sectors that they serve.

Survey Methodology

The survey was conducted entirely online in order to collect information as accurately and efficiently as possible, and in a manner that would minimize respondent burden and disruption to the normal operations of member firms. The survey consisted of 33 questions, and took the typical respondent approximately 15 minutes to complete.

The survey was launched via an email invitation to all NBFAA and CSAA members for whom a current and valid email contact address was available. The initial invitation was sent to the member list on Monday morning, July 2nd. A follow-up reminder was sent on the morning of July 9th to all firms that had not yet had the opportunity to complete the questionnaire. Survey collection was closed during the late afternoon of Tuesday, July 10th.

A total of 200 fully completed surveys and 114 partially (and for the most part, substantially) completed questionnaires were received from association members during the collection period.

The surveys were completed by individuals with a thorough knowledge and understanding of their business. The 'Primary Job Function' of 94% of individuals completing the survey questionnaire was either "Executive Management" or "General Management". Thus we have every confidence that the aggregate information summarized in the pages that follow provides a representative and accurate profile of the companies that are members of NBFAA and CSAA.

Summary Highlights

- The typical member firm of NBFAA and CSAA has been in business for more than 20 years, employs 14 people, and has annual revenue of approximately $1.85 million;

- In addition to their membership in NBFAA and/or CSAA, survey respondents also most frequently reported being members of NFPA, CEDIA, PSA, ASIS, and NSCA;

- Survey respondents indicated that almost half (49.1%) of the product that they purchase is intended for use in the building sectors involving commercial, industrial and institutional facilities;

- Almost 90% of survey respondents indicated that they serve the office building, single-family home, and retail business sectors;

- Alarm monitoring service is offered (or will be offered within the next 12 months) by 86% of association members;

- Respondents reported, on average, completing about 50 installations in both residential homes and in commercial/industrial/institutional buildings during 2006, but a relatively small number of installations in government buildings;

- The specific products that association members reported purchasing most frequently included: intrusion sensors/detectors (96% of all survey respondents), monitors (95%), burglar alarm control panels (95%), CCTV cameras, lenses (94%), CCTV housings and enclosures (92%), fire/smoke/gas detectors (92%), and electronic access control systems (82%).

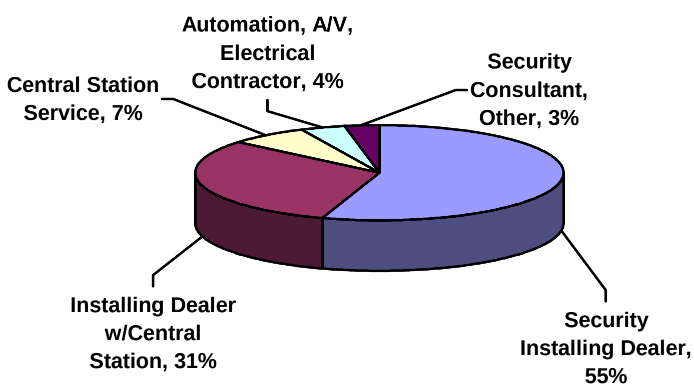
- Association members are also substantially involved in purchasing non-security products such as structured wiring systems (52%), multi-room audio/installed speakers (46%), surround sound systems (45%), and home automation (38%).

- The typical association member anticipates that their product purchases will grow 12% this year from the level of 2006.

Key Characteristics of Member Firms

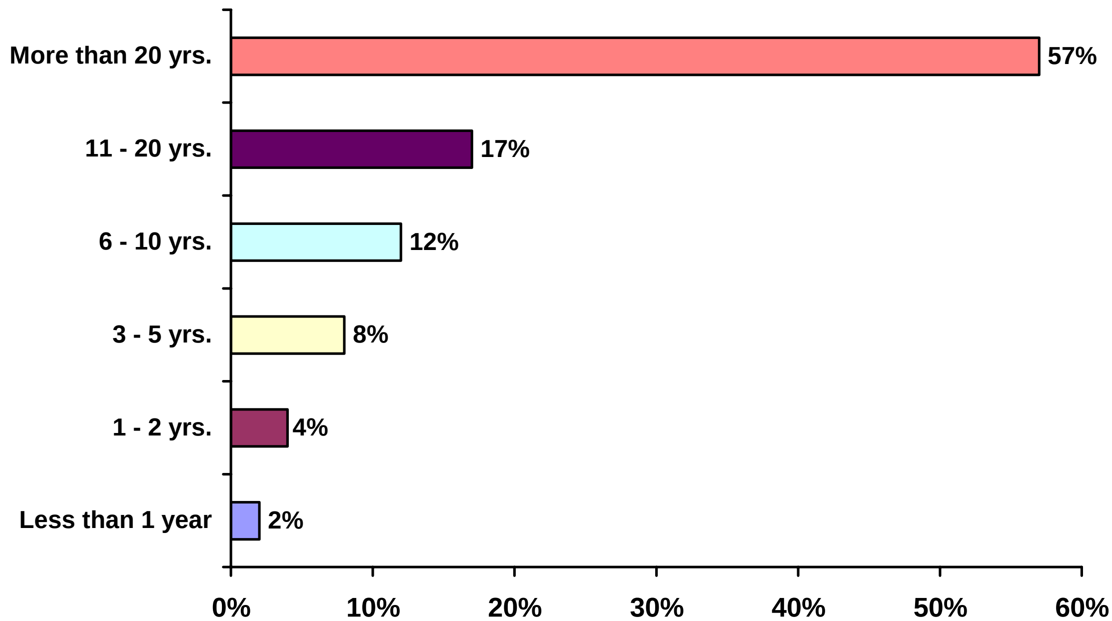
- A majority of association member firms self-classify their "Primary Business" as that of 'Security Installing Dealer/Systems Integrator':

Survey Question: ***"What is the Primary Business of your company?"***



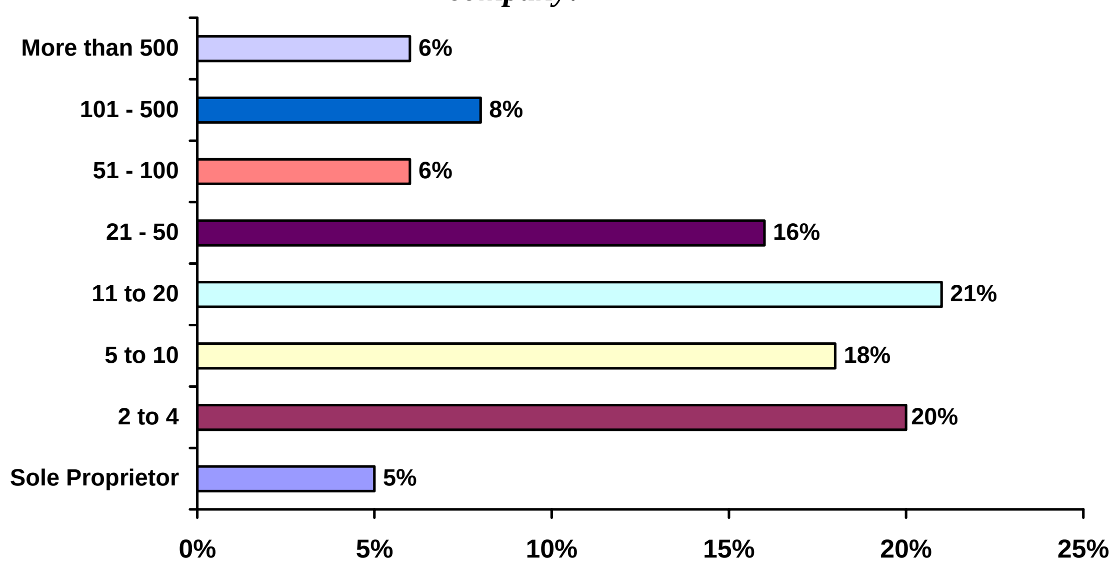
❖ The typical firm reports that it has been in business for more than 20 years.

Survey Question: ***"How long has your company been established?"***



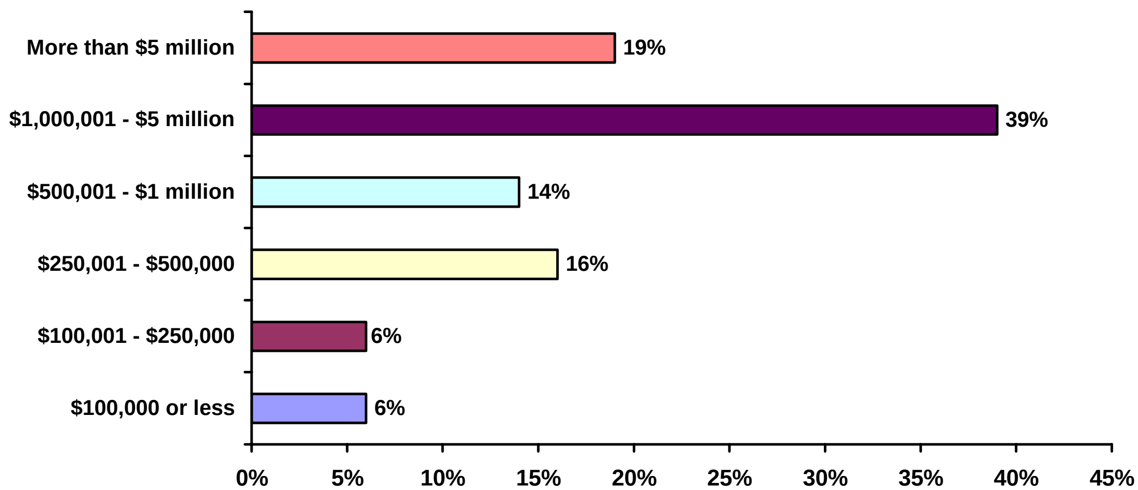
❖ Member firms differ widely in the number of individuals that they employ; 5% report that they are sole proprietorships, while 20% have more than 50 workers on their payroll. The *median* (i.e., the value at which half report more and half report fewer) number of employees per member firm during July 2007 was 14.

Survey Question: ***"What is the total number of employees (including yourself) in your company?"***



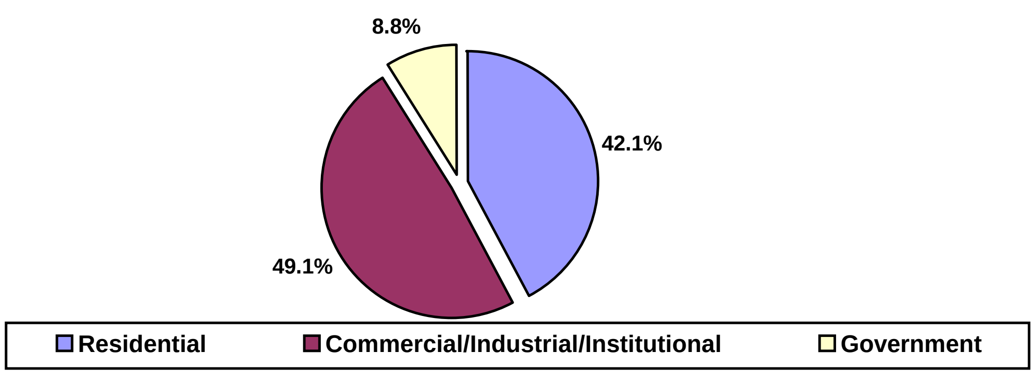
- Revenues realized by member firms also vary greatly, depending upon company size, location, and business/market focus and specialty. Among companies responding to the member survey, 12% estimate that their total revenues for 2007 will be $250,000 or less, while 19% expect that revenues this year will total more than $5 million. The *median* revenue value anticipated by member firms for 2007 is approximately $1.85 million.

Survey Question: ***"What will your company's total revenue be in 2007?"***



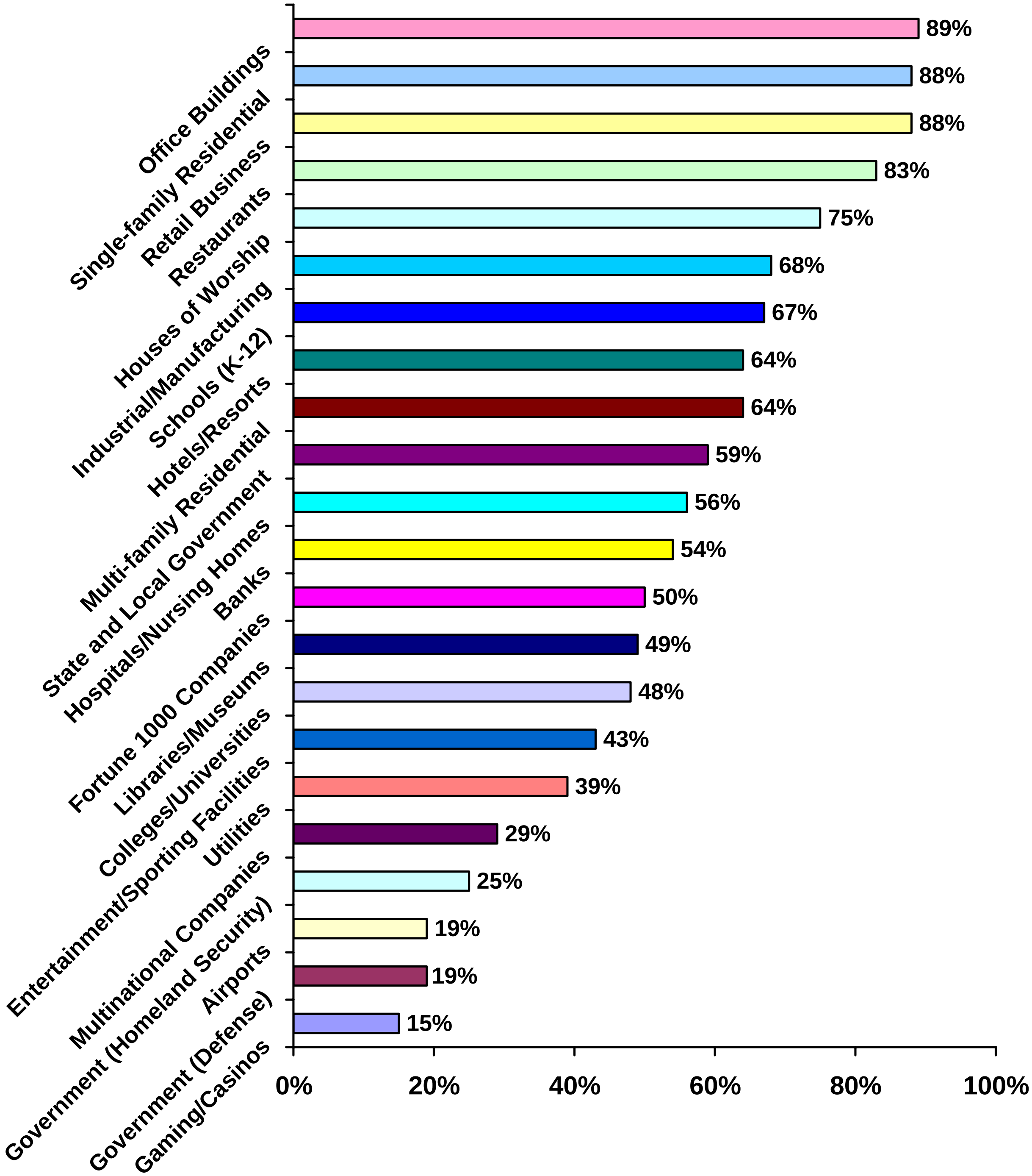
- The typical member firm has diversified its revenue base to include work in a variety of market sectors. On average, survey respondents indicated that 49.1% of the product that they purchase for customer installation or for their own central station operation is intended for use or service of the commercial-industrial-institutional building market sectors. At 42.1%, the residential market is nearly as important. Although the government sector accounts for less than 10% of the member's purchase focus, on average, a few survey respondents (2% of the total) reported deriving 50% or more of their work from the public buildings sector.

Survey Question: ***"What percentage of the product that you purchase is intended for each of the below markets?"***



❖ Nearly 90% of member firms reported serving the *office, single-family* residential, and *retail* buildings sectors. Half derive at least some of their revenue from work with large (Fortune 1000) companies, and 29% do work for multinational firms.

Survey Question: ***"Which of the following markets does your company serve?"***



❖ Respondents – on average – reported installing about the same number of systems per year in residential buildings as in commercial/industrial/institutional buildings.

Survey Question: ***"Please estimate the total number of security systems your company installed/will install during each year indicated."***

	MEDIAN			AVERAGE		
	2006	***2007***	***2008***	***2006***	***2007***	***2008***
Residential	48	60	80	139	197	256
Commercial/Industrial/Institutional	50	75	95	175	204	241
Government	3	5	5	37	43	51

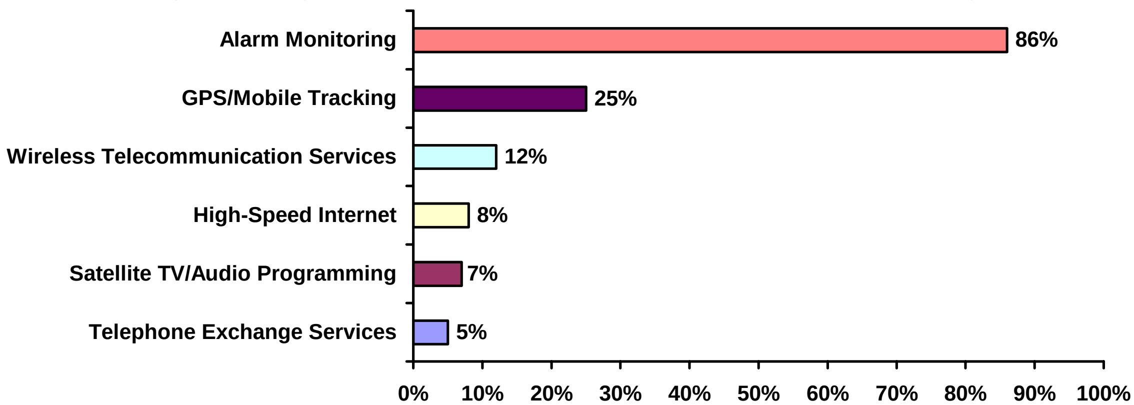
❖ The average price of an installed security system, however, is significantly higher for a commercial/industrial/institutional or government building than for a system in a single-family home or multi-family unit.

Survey Question: ***"Please estimate the average price of your company's security system installations."***

	MEDIAN			AVERAGE		
	2006	***2007***	***2008***	***2006***	***2007***	***2008***
Residential	$1,500	$1,500	$1,500	$2,588	$3,268	$3,655
Commercial-Industrial-Institutional	$5,000	$6,000	$7,500	$12,589	$14,837	$16,143
Government	$10,000	$10,000	$10,000	$15,768	$17,633	$19,967

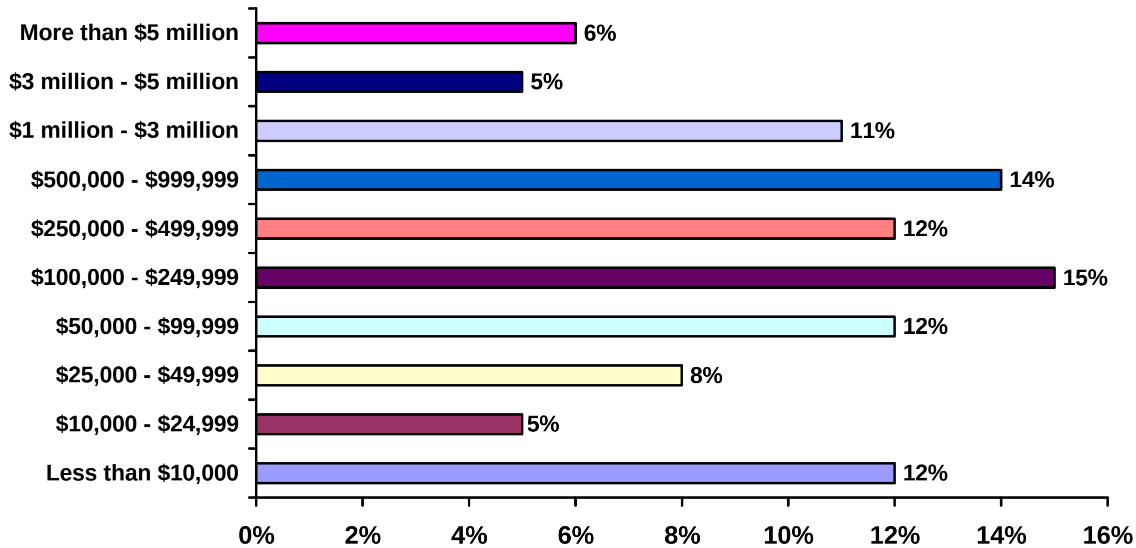
❖ Approximately 7 of every 8 member firms responding to the survey indicated that they sell/resell (or plan to within the next two years) alarm monitoring services.

Survey Question: ***"Please indicate which of the following subscription services your company currently sells/resells OR plan to sell/resell in the next two years."***



❖ The *median* revenue derived by the typical member firm from subscription services (including alarm monitoring as well as mobile tracking, satellite TV, wireless telecommunications, etc.) is expected to total almost $270,000 over the course of 2007.

Survey Question: ***"Please estimate your company's total 2007 billings for these subscription services."***



Key Characteristics of Member Product Purchases

For six separate broad product groups (interrelated in many cases, but not directly overlapping), companies were asked to report the specific categories for which they currently purchase (or plan to purchase within the next year) product.

❖ Among the eight specific product categories listed in the "***Access Control/ID Systems-related***" product group, 'Electronic Access Control Systems' received the most frequent mention as the product that firms currently purchase or plan to purchase within the next 12 months.

	% Purchasing/Planning to Purchase
Electronic Access Control Systems	82%
Card Readers and Cards	81%
Keypads	81%
Intercom, Telephone Entry Control	71%
Badging/ID Systems and Badges	56%
Gate/Door Operators	51%
Biometrics	50%
Turnstiles	27%

❖ Among the eight specific product categories listed in the "***Alarm-related***" product group, 'Intrusion Sensors/Detectors' received the most frequent purchase mentions from the NBFAA/CSAA firms responding to the survey.

	% Purchasing/Planning to Purchase
Intrusion Sensors/Detectors	96%
Burglar Alarm Control Panels	95%
Annunciators, Bells, Sirens, Strobes	94%
Wireless Alarms	93%
Fire/Smoke/Gas Detectors	92%
Alarm Signal Transmission Equipment	89%
Fire Alarm Control Panels	86%
Central Station Equipment and Software	56%

❖ Among the eight specific product categories listed in the "***CCTV-related***" product group, 'Monitors' received the most frequent mention.

	% Purchasing/Planning to Purchase
Monitors	95%
Cameras, Lenses	94%
Digital Recording Systems	94%
Cables, Connectors	93%
Housings, Enclosures, Mounts, Pan/Tilt	92%
Multiplexers, Scanners and Switchers	84%
Consoles	59%
Fiber Optics and Transmission Equipment	57%

❖ Among the nine specific product categories listed in the "***Central Station Equipment***" product group, the categories of 'Video Monitoring Equipment', 'Desktop Computers' and 'Networking Equipment' all received purchase mentions from 40% of all firms responding to the survey.

	% Purchasing/Planning to Purchase
Video Monitoring Equipment	40%
Desktop Computers	40%
Networking Equipment	40%
Printers	39%
Servers	37%
Central Station Receivers	32%
Telephone Systems	31%
Shredders	28%
Central Station Software	27%

❖ Among the ten specific product categories listed in the "***Sound, Communications, Entertainment, Automation-related***" product group, 'Structured Wiring Systems' received the most frequent purchase mentions.

	% Purchasing/Planning to Purchase
Structured Wiring Systems	52%
Multi-Room Audio Systems/In-Wall Speakers	46%
Surround Sound Systems and Speakers	45%
Home Automation Systems	38%
Big Screen/Projection Televisions	36%
Central Vacuum Systems	29%
PBX and Key Phone Systems	27%
Building Automation Systems	23%
Satellite Television Systems	22%
HVAC Control/Energy Management	20%

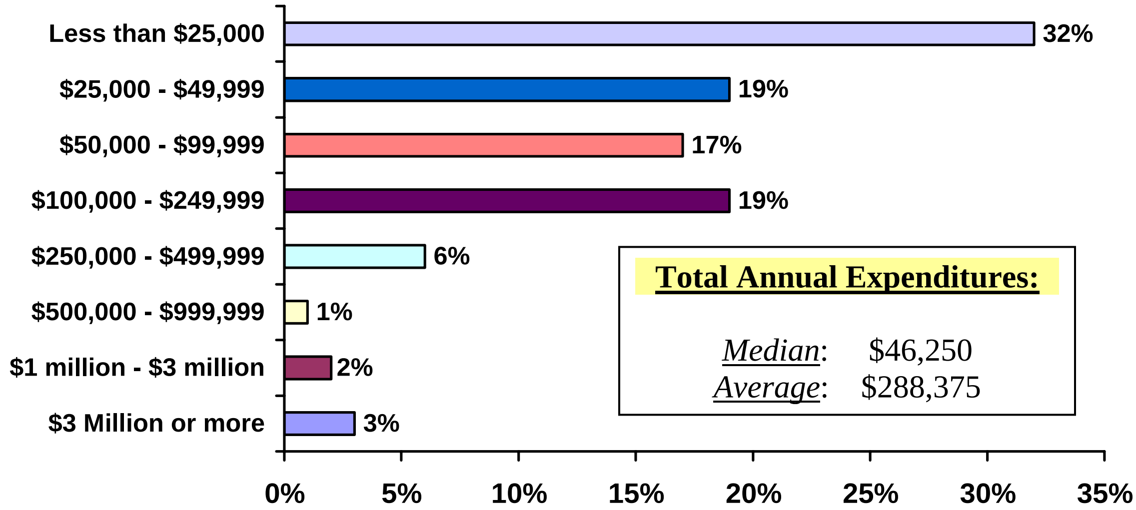
❖ Among the six specific product categories listed in the "***Accessories and Supplies***" product group, 'Power Supplies and Batteries' received the largest volume of purchase mentions at 93% of all firms responding to the survey.

	% Purchasing/Planning to Purchase
Power Supplies and Batteries	93%
Installation Tools/Testers	92%
Surge Suppression/Power Quality Products	90%
Vehicles	72%
Uniforms	69%
Dealer Company Software	49%

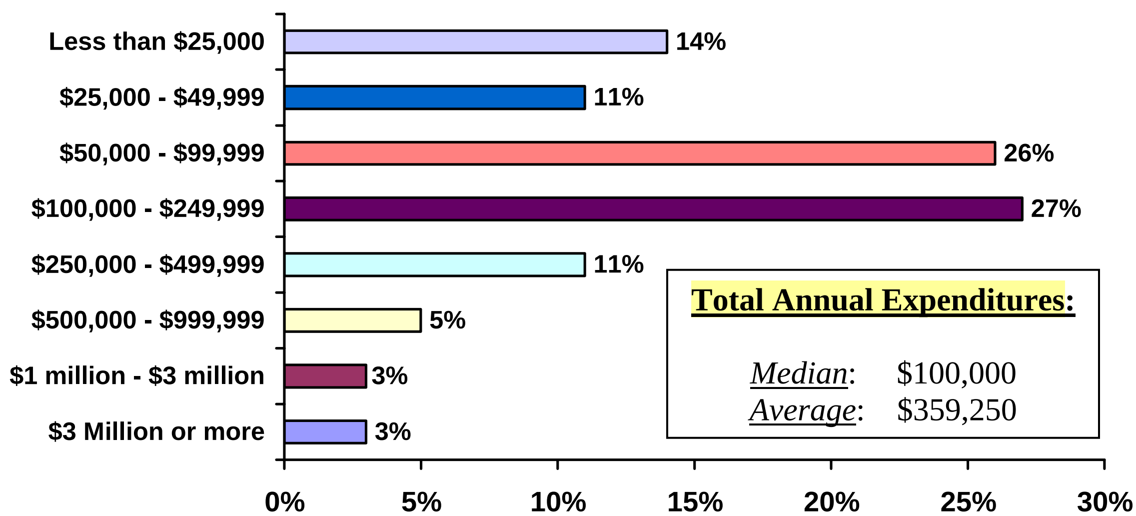
❖ In a separate question, respondents were asked to estimate how much their company will spend on product from each of the six major groups (a cumulative total of 49 separate product categories) during 2007.

From these responses (reported within eight separate value windows, ranging from 'Less than $25,000' to '$3 Million or more') purchase value medians and averages were calculated for the product groups. The highest reported median value ($100,000) was for the 'Alarm-related' product group, while the highest estimated average ($393,250) was derived for the 'CCTV-related' product group.

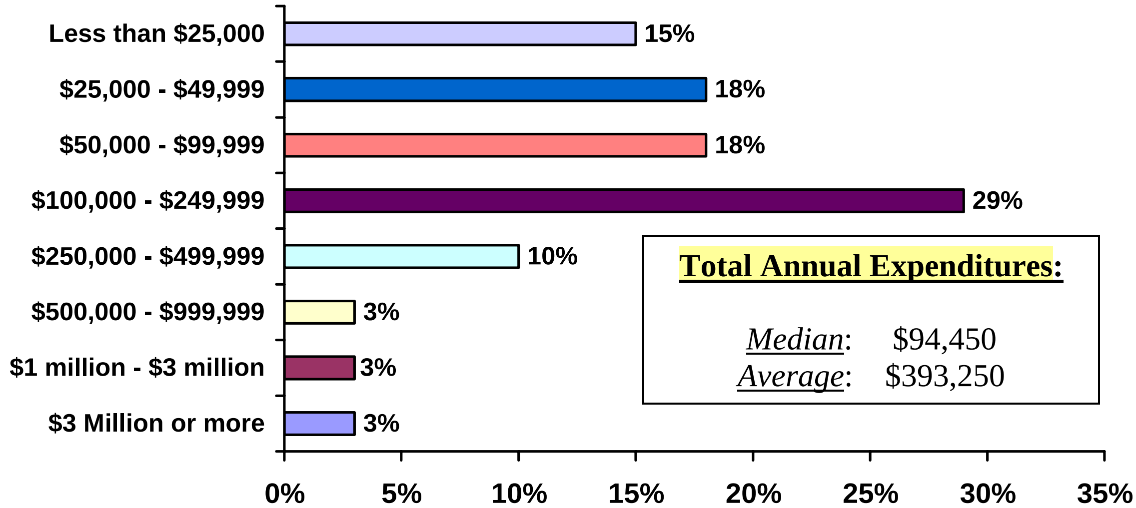
Access Control/ID Systems



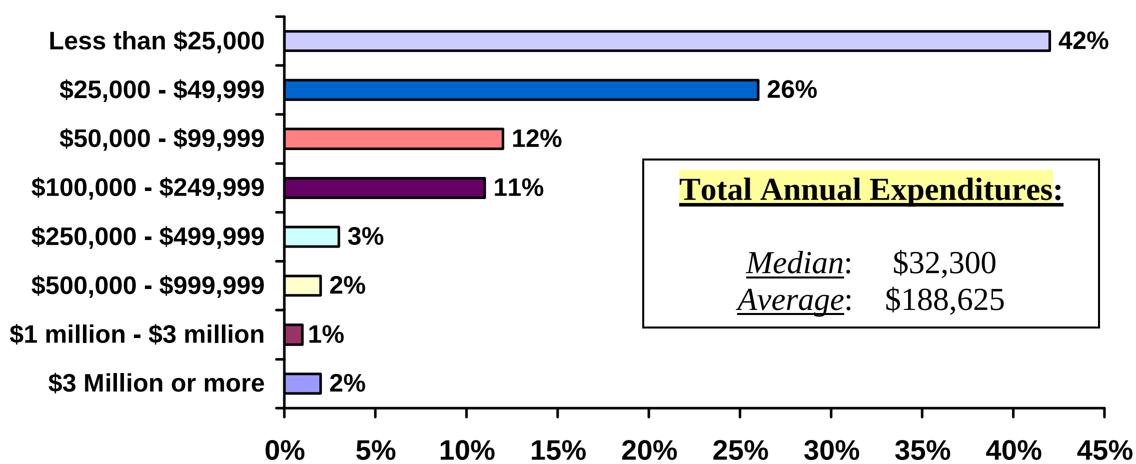
Alarms



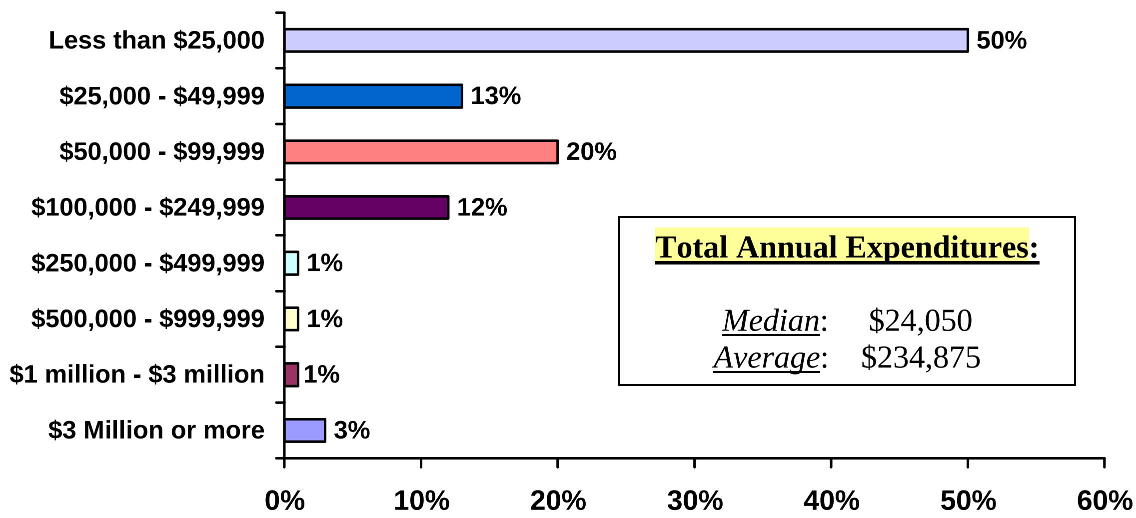
CCTV



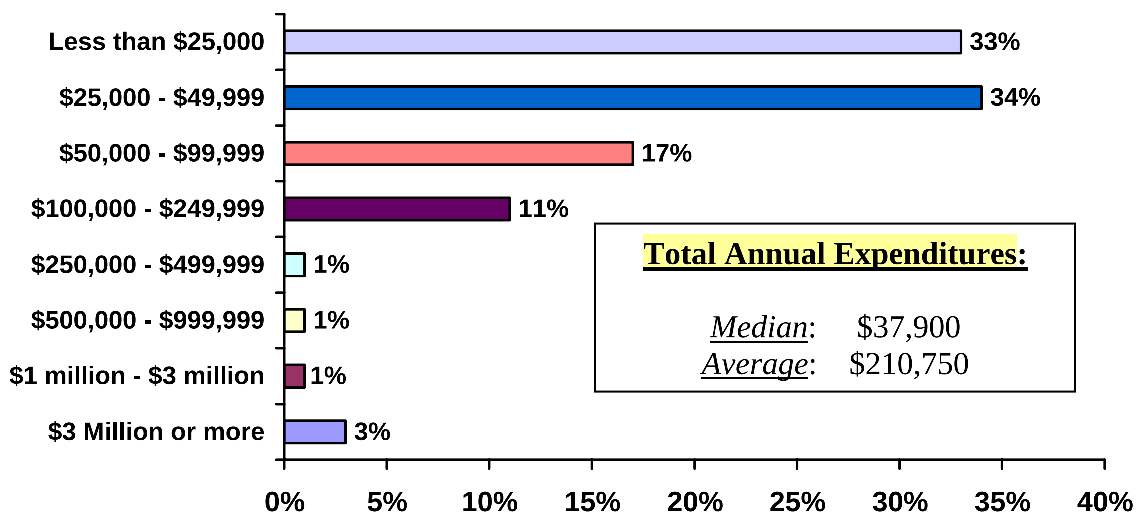
Sound, Communications, Entertainment, Automation



Central Station Equipment



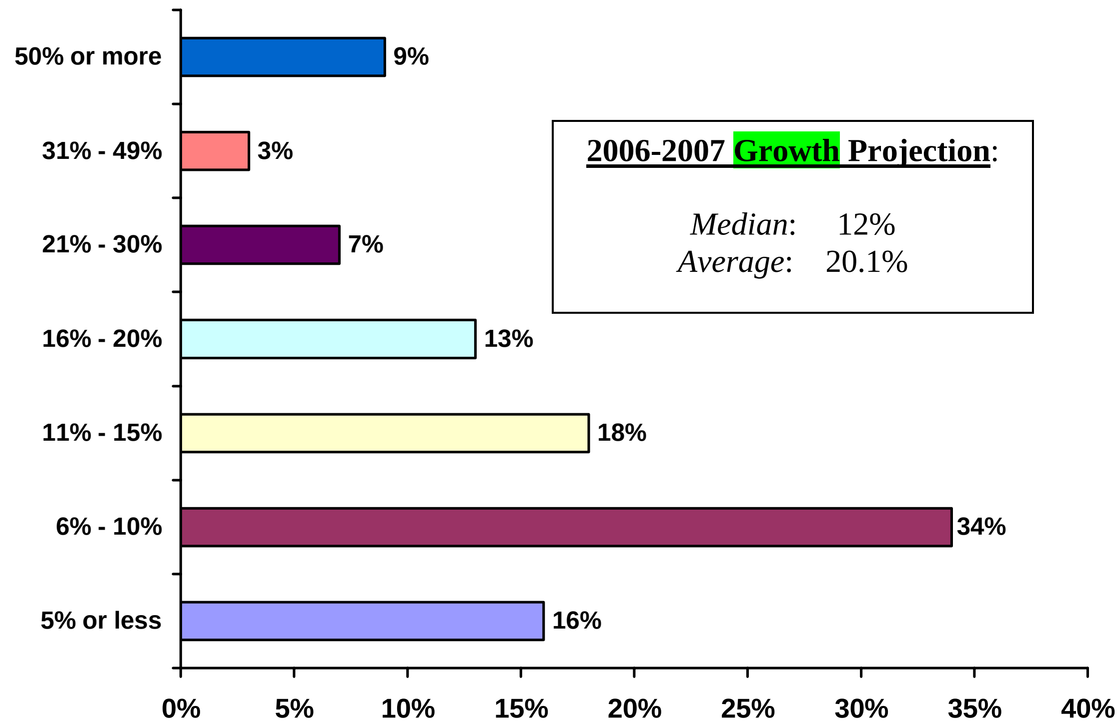
Accessories and Supplies



❖ Finally, for all product that members reported purchasing during 2006, they were asked to estimate how much their product purchases would grow (or decline) over the course of 2007.

Very few firms expect for their total purchases this year to be level with or below the total expenditures for 2006, while about 5% of firms expect for their purchases to at least *double* during 2007. The median growth value anticipated came in at 12%, with an average growth rate of just over 20%.

Survey Question: ***"What percentage growth do you project in 2007 for the purchase of products intended for your security installations and services?"***



For more information on the survey, contact:

Daryl Delano
Director
EH Research
111 Speen St., Ste. 200
Framingham, MA 01701
508-663-1500 x266
ddelano@ehpub.com