

# THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

## Landmark Protection, Inc.



**DAN MIRANDA** is the President and CEO of Landmark Protection, Inc., and founded the company in 1997. He has over a decade of operational experience in the security industry. He achieved the designation of Certified Protection Professional (CPP), by The Professional Certification Board of the American Society for Industrial Security in 1998. Prior to founding Landmark Protection, Mr. Miranda was the Chief Operating Officer at a national outsourcing firm and Group Vice President at a large national company that provides security officer and investigative services. He also held various management positions at three different business units in The General Electric Company in the mid-1980s. He earned a degree in Mechanical Engineering from Villanova University and an MBA from Harvard University.

**(SAD622) TWST:** Could we begin with a brief historical sketch of Landmark Protection and a picture of the things you're doing at the present time?

**Mr. Miranda:** Landmark Protection is a locally owned and operated company. I founded Landmark Protection in 1997 in Silicon Valley. We focus on providing exceptional security guard and related outsourcing services to corporate clients at Class A office buildings, manufacturing, R&D, warehouse and corporate campuses throughout Northern California.

Our mission is to deliver an exceptional level of service to the corporate clients we protect by leveraging the advantages we have as a locally operated service provider. Our local roots give us the flexibility to build our company around the two things that matter most in this business: 1) serving the customized needs of each client and 2) employing a security force which is second to none in the industry in terms of employee selection, training, supervision and management execution and emergency response.

**TWST:** You said "exceptional level." Could you expand on that?

**Mr. Miranda:** Our management team works closely with each client's Security and/or Facilities Department to achieve seamless communication and implementation of every operational initiative. At existing clients, we frequently participate in department staff meetings to report results, recommend solutions and solicit feedback.

We think it is important for our management to maximize time with employees and customers at client facilities. We actively seek to improve and expand the number and nature of services provided at every site. As a by-product, detailed "Post Orders" are developed for each location and customized to address the specific security, safety, and changing business needs of each client.

**TWST:** What kinds of skills do the people you recruit have or what kinds of skills might you develop in them?

**Mr. Miranda:** First and foremost, we require a high level of integrity and dependability. We have a very thorough background check. Everybody we employ, prior to setting foot on a customer's premises, has received a background check through the FBI and California Department of Justice.

Since well before September 11, every Landmark Protection employee, prior to being hired, must submit to digital fingerprinting taken under special arrangements, at an official Live Scan site, such as a local police department or county sheriff's office. This enables Landmark Protection to receive an applicant's criminal history information electronically from the California Department of Justice.

Second, we provide in-depth training. The training is not just the standard industry training, but also includes extensive customized training that is jointly developed with the client to address their specific corporate operations and locations.

**TWST: Is it possible for you to give one or two examples of the customized training that is site-specific?**

**Mr. Miranda:** The nature of the security we provide can be very diverse. Our security staffs often become an extension of our client's facility department to execute not only the security plan for the building, but also the safety and facility plans.

All Landmark Protection security personnel must successfully complete an intensive initial training and orientation program prior to an assignment. This is followed by an ongoing series of training modules on a variety of security topics and a customized on-site training program covering site specific performance requirements. Initial training and orientation is comprised of classroom instruction, a series of professional videotapes and basic security training modules, written tests, and interactive individual instruction. Bi-weekly training topics are administered and reinforced during on-site field inspections of all security personnel. On-site customized specific training is conducted on an individual basis as part of our supervisory visits. It is developed with each client to address specific facility and work environment needs, such as access control, nonviolent crisis intervention and response to emergency situations.

**TWST: Would you say that the personality and pleasantness of the security person in front of a building is important because it enables you to have a rapport with the people coming in and out, more trust, etc., which leads to better results?**

*"Our mission is to deliver an exceptional level of service to the corporate clients we protect by leveraging the advantages we have as a locally operated service provider."*

**Mr. Miranda:** That's critical. It's important to have the right fit between the employee and the type of position and client they are serving. It has to be done one-on-one and is management intensive. There's no economy of scale or formula for making that fit, and that's why we have an advantage over national companies that rely on a "temp staffing agency" model for recruiting, employing and training employees.

**TWST: How many companies do you now serve?**

**Mr. Miranda:** We have about three dozen clients in Northern California.

**TWST: How many security people work for you?**

**Mr. Miranda:** As of the end of calendar year 2002, we have 300 employees on our payroll.

**TWST: Do these people stay with you a long time?**

**Mr. Miranda:** Yes, we have a lot of the staff that have been with us from the beginning. The turnover we experience is usu-

ally in the first 90 days, but after that we have very high employee retention and loyalty. This is largely due to how we recruit. Everybody we interview has been referred to us through a local organization like the Veteran's Employment Committee.

Our recruiting formula for seeking the best people who will ultimately provide the best service is unique in the security industry. We do not wait for applicants to walk in our office and see if they survive a cumbersome application process, nor do we passively compete for the best candidates by relying on classified newspaper advertising. Our recruiting approach is locally customized, resourceful and proactive.

At Landmark Protection, we have built strong working relationships with key individuals at local entities in the Silicon Valley community and beyond, who have access to a talented pool of available job candidates. These sources are diverse in nature, and range from government and civic organizations, colleges and an assortment of other non-profit agencies. Many of these non-profit agencies provide vocational assessments, job training, re-employment services, workshops and individual counseling to potential workers. We work with these organizations as an extension of our HR department. When someone comes to our office to apply for a position, they've been referred by someone who knows our hiring criteria and has pre-screened them. There's a higher degree of commitment up front, which leads to a higher probability of making the fit that I referred to earlier and to higher employee retention rates.

**TWST: How many people do you have working in your office?**

**Mr. Miranda:** We have 12 people in our San Jose office and another 30 supervisory management personnel based at client sites.

**TWST: The way you do things is quite interesting in that as CEO, you are much closer to what we might call the human resources area than other CEOs often are.**

**Mr. Miranda:** That's correct. Fundamentally, human resources is a critical element of our service as our employees enforce the safety and security programs of our clients. In this industry, service excellence is directly related to the local management and the personnel assigned to manage and staff a client account.

Each member of our staff, by the nature of their job, holds a position of public trust and is relied upon to provide emergency response when called to duty. The quality of our personnel and the mutual bonds we develop at all levels in our organization is critical when

you have a work force that is geographically dispersed, often working alone and independently, on 24 hour by seven day a week basis.

I believe that being a respected employer is a prerequisite to being a respected service provider.

The end result is that carefully selected people deliver reliable and consistently superior service when provided with necessary training and resources, clear direction and constant feedback.

**TWST: Could you tell us about the elements in your own background that led you to form the company?**

**Mr. Miranda:** I really enjoy developing the relationships in the local community that can help build a business. I get a great deal of satisfaction employing, developing and training people. In this business, whether you're a local company or a national company, you have to depend on the local labor pool. We have an advantage as a regional company because of the critical local relationships which generate both client and employee referrals.

Secondly, I really enjoy the operational aspect of the business. Every client has a unique culture, a unique set of needs and, it's very gratifying to develop exactly the right service for that client and find the right people who can deliver that service and excel in that client environment.

**TWST: What would you like to accomplish over the next couple of years at the company?**

**Mr. Miranda:** To be the leading outsourced security supplier in California.

**TWST: Are there any particular steps that you'll have to take to do that?**

**Mr. Miranda:** I think we're already on the right track. We have a great infrastructure in place, which has allowed the company to achieve sustainable growth each year. One of the things we're proud of is that we've kept growing even in the current economic cycle. In the last two years, 2001 and 2002, we've been ranked by the *San Jose Business Journal* as one of the top 10 fastest growing private companies in Silicon Valley. The *Business Journal* also profiled our company recently in an article titled, "LANDMARK PROTECTION — When it comes to security, this team delivers."

I believe we have developed the right people and infrastructure to keep up that momentum and to continue to deliver an ever-increasing level of service to our clients.

**TWST: So it's hard times in Silicon Valley, yet you've moved ahead.**

**Mr. Miranda:** We've retained every single client, and our reputation has grown as people and companies get to know about us. Word of mouth and client references are very important.

Under any economic condition, there is always an opportunity, particularly in the security industry, for a company that can provide a high level of service.

What we've seen in Silicon Valley is the total dollar amount spent on security has not been reduced as much as in other outsourced services. In some cases, the number of billable hours has de-

creased but our clients are demanding higher caliber security service. That means less headcount but a demand for the highest quality security services with the strongest local management support.

**TWST: I would assume that the present climate, where homeland security is beginning to be emphasized and people are concerned about terrorism, spreads over to your business.**

**Mr. Miranda:** It does. There's greater concern about the screening and background check processes. It's something we have been very diligent about as we surpass the California regulatory requirements, which lead the nation.

**TWST: Do you have any interest in alliances, partnerships, joint ventures, etc.?**

**Mr. Miranda:** We form partnerships with our clients and recruiting sources. That's our focus. With each client, we adapt to the changes that are necessary for them to stay competitive in their business environment. This requires us to be flexible as an organization in terms of the scope of services we provide. So far, this has been best achieved on our own.

**TWST: Do you foresee any genuine problems or challenges arising for the company?**

**Mr. Miranda:** Not at this time with respect to Landmark Protection. Some companies will obviously have problems keeping up with increased levels of regulation. Others will not be able to pay for the rising cost of workers' compensation insurance and general liability coverage, particularly if they have a history of claims.

**TWST: How would you characterize the major opportunities that are ahead of you?**

**Mr. Miranda:** There are major opportunities for a company with a good reputation and a quality client base. For example, Landmark Protection hasn't had a single worker's compensation or general liability claim in the last five years. As a result, we've been able to maintain cost effective and very comprehensive insurance packages with A or A plus-rated companies. A lot of companies in this industry have not had such a good track record. Some are having significant problems getting insurance coverage at all, let alone at reasonable rates.

**TWST: Would you say that California is very advanced in matters like regulation?**

**Mr. Miranda:** Yes, and it has very recently improved relative to many other states which have no regulation at all. However, my view is that it could still be better.

For example, California began registering private security guards in 1973 with the intention of screening out applicants with criminal histories. However, security guards were allowed to work for up to 120 days or more until background checks were completed. California Senate Bill 1241 went into effect on January 1, 2003, and finally eliminated security officers from obtaining a license to work before the background check is complete.

I think that every company in our industry should have been required to complete background checks on all employees before putting them in uniform, a long time ago.

**TWST: In addition to supplying the people you train and develop, what about technology? How much technology is involved in what you do?**

**Mr. Miranda:** We use technology to help us operate efficiently and to increase our flexibility in providing service to our clients. It has greatly improved our communication with clients and employees in the field, in addition to improving the accuracy and timeliness of billing, payroll and other operational aspects of the business.

The Live Scan electronic fingerprinting process is another good example. We are able to do background checks electronically and get the results back online from the California Department of Justice, usually in less than 72 hours.

Security Officers use technology to improve on-site communications, documentation, and expand access to continuous training. Having basic computer skills is becoming essential, but the primary requirements for all security officers is and always will be a high level of integrity, dependability and the use of common sense and good judgment in emergency situations.

**TWST: Do you intend to take the company public at any time?**

**Mr. Miranda:** I don't think it's an opportunity at this time.

**TWST: Regarding investment in the company, would you give us the three or four best reasons why a long-term investor might want to take a very good look at your company?**

**Mr. Miranda:** Landmark Protection currently has no outside investors. But if I was advising potential investors on the industry, I would first say, look at the quality of the clients a security firm has under contract. How long have the contracts been in place? What do the clients say about the company, both in terms of the quality of on-site security staff and the responsiveness of the management team? Many security companies use the temp agency model, where a security company focuses only on providing bodies in a uniform. Security companies that manage this way don't tend to develop sustainable, profitable businesses. This approach to security tends to result in lower employee retention, lower client retention, higher direct labor expenses and high insurance loss claims. Management support, employee development and client partnering are critical to employee and client retention, which in turn drives sustainable, profitable business.

**TWST: You have no outside investment now. Will it continue to be that way?**

**Mr. Miranda:** I think so, at least for the foreseeable future. Landmark Protection is a profitable company. The positive cash flow is invested back into the growth of the company. Over the last five

years, we've nearly doubled in size each year without acquisition, and we believe we can sustain an aggressive growth rate without outside investment.

**TWST: How do you feel about acquisitions or consolidation in your industry?**

**Mr. Miranda:** Securitas, a European based-firm, acquired American Protective Services (APS) several years ago. Before the acquisition, APS had one of the best reputations for service in Silicon Valley. A year earlier, Securitas had acquired Pinkerton and Burns Security, two other large US companies and former industry competitors. It seems that these integrations were very difficult and lead to diluted management talent locally and many lost key customers for Securitas. It's created a real opportunity for Landmark Protection to step in and fill that void.

**TWST: It seems as if you feel very strongly that being a niche player is something that definitely gives you your strength.**

**Mr. Miranda:** Our clients care about the responsiveness of the management team that is serving them locally and the quality of the security staff who are showing up every day at their locations and who have access to their buildings, employees and the assets housed in those buildings. Landmark Protection is focused on serving those clients and we have an identity that helps us to better recruit and provide service for them. And, quite frankly, that niche in this region is quite significant in terms of market potential.

**TWST: Thank you.**

## **DAN MIRANDA**

President & CEO

Landmark Protection, Inc.

1150 North First Street

Suite 217

San Jose, CA 95112

(408) 293-6300

(408) 293-6366 - FAX

[www.landmarkprotection.com](http://www.landmarkprotection.com)

e-mail: [info@landmarkprotection.com](mailto:info@landmarkprotection.com)