

SECURITY BUSINESS

NEWS ABOUT THE SECURITY INDUSTRY. A *SECURITY LETTER* SUPPLEMENT

Vol. XXXIX, No 7, April 15, 2009
Part III

SECURITY GUARD FIRMS SHOULD GUARD THEIR BANK RELATIONSHIP, SAYS PERRY.

Perhaps at no time since the Great Depression have good businesses felt such uncertainty about their bank connections. Any business can face the frustration of loan facility roll-over. But the credit market for security guard firms is tight. It takes a while for a loan officer to understand the security services business. If the bank stops renewing its customers, the operator may face acute financial distress. We've heard anecdotes of businesses having to pay finder's fees to help replace the non-renewed loan.

Industry M&A consultant Robert H. Perry advises: "Do not assume your longstanding relationship with your bank will protect you from the credit crunch." He further adds: "Talk to your bankers well before your loan comes up for renewal to see what to expect and to allow you to plan ahead. Many security guard company owners feel they're safe because they've always been such good customers, met their loan covenants, and paid their installments on time. But when banks are scrambling to get *their* loan-to-cash-ratios back in line, customers with the ability to pay back loans are the ones that get the most pressure."

Local or regional security guard firms in places with weak economies are likely to have the greatest risk of non-renewal. But banks anywhere can surprise their customers. If a loan is not renewed, the operator can turn to a finder for assistance. (Fee: 1% to 2%.) Other resources are also available and should be called upon: the accounting firm, legal advisors, and outside investors or board members. Even the CFOs of major customers may be helpful at pointing the operator toward a new banking relationship.

WHOLE-BODY IMAGING SYSTEM BEING TESTED BY TSA AT 19 AIRPORTS. Sometimes it takes time for new technology to catch on. And the app. may need to be tweaked. Years ago a precious metals firm had a problem with inventory shrinkage. Male workers were strip-searched on a daily basis in addition to passing through metal detectors. Female workers, however, only walked through metal detectors. Mgmt. wanted to find a non-contact method superior to metal detectors to determine if metal content might be secreted somewhere on female employees' bodies.

The proposed solution was a technology that would use a low level of energy to penetrate clothing and demonstrate any metallic content. Research indicated that brief exposure to the low energy level presented no health risk to the person being screened or to others nearby. The most attractive technology appeared to be millimeter wave (MMW) technology which does not possess health risks like X-rays.

Two problems had to be overcome. The first was price. The system would cost \$100K installed. The second issue concerned vanity. MMW revealed intimate contours of the human body in addition to any overt or covert metal. Would female workers mind the non-contact intrusion?

Back to the drawing board. The answer was yes! Female workers in the precious metals facility were adamantly opposed to the technology when they saw the specificity of the revealed human form. The proposal stopped right there. Some female precious metals workers preferred the possibility of a secondary strip-search (conducted by female security officers) to the regular revealing MMW screening.

But TSA has evolved a different protocol and it may be working out. Instead of the whole-body scan being read near the actual traveler, the scan reader would be placed remotely. Further, the face would be obscured. Potentially embarrassing storage, copying or sharing of the image would be impossible. Of