

SELFSTORAGE Telegram

—frontline information for the self-storage industry



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Frankly Speaking

by Frank Minnella

Who Speaks for Self-Storage?

Recently the publisher of a magazine that was once "the official publication of the self-storage industry" drew our attention to the statement of Michael Scanlon, the new Self Storage Association director, that his goal "is to be the one and only official voice of this industry." As I read this, I said to myself "It's about time. Why shouldn't the Association should represent all its members with one voice?"

It appears that part of Mr. Scanlon's plan is to produce an aggressive dynamic *Self-Storage Globe*, yet another magazine for the industry. Where does the *Telegram* stand in all of this? We are a voice with one theme—security. We are published by a lock and hardware security company. Our goal to make our readers aware of the security issues of the industry, particularly as it relates to locks. Sometimes that means being disharmonious, as when we blow the whistle on mass produced blister packed locks. Many industry suppliers and "voices" think of locks as commodities, just like tape and boxes and mattress pads. We do not. A lock is a security product, in many cases the last line of security for your renter, and by extension, for your business. Since our first issue in 1995, we have focused on one issue: security locks. We are a *lock manufacturer*, not a mere

distributor who shops around for the "best buy" to sell along with other retail items. For that reason, manufacturing quality control and key control are always our concern. From our first issue, we have highlighted the dangers of treating security as an afterthought. In the last few years, of course, self-storage security has now come to the forefront of the public's awareness. The customer identification programs promoted by New York Capitol Consultants (who manage six state associations in the northeast) and the Texas Ministorage Association have been effective proactive steps to make facilities more secure and safe from terrorists and criminals. The SSA's Counter Measures program is a fee-based program that may provide even more information about renters. But what about the criminals who rent legally? There have been no new studies to counter the long held assertion that most theft is committed by renters legally renting units.

And to prevent that theft, you need genuine security *at the door*, not locks that are mass produced and packaged for the general retail market. Lock America's locks are manufactured under our supervision at the same factories that produce our locks for the amusement, gaming and coin-op industries. We stand by our products as part of your security system, not as ancillary products.

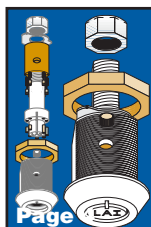
Our magazine has an agenda, just like all the others: ours is to educate our readers about the value of manufacturing quality control and key control, and the danger of relying on mass produced locks. Our feature story on the disaster that befell Kryptonite bike locks underscores our message: "Retail packaged locks can be very costly." You can invest \$7.50 or \$4.25 for versions of the SSA Countermeasures to verify the identity and check the credit and criminal background of your renter. Investing that much in a high security lock system will help to deter a break-in no matter how clean the report comes back. We all are impressed by technology. And punching in a name and getting a report is very impressive. But at the door, it is the hardware that protects your renter.

So when it comes to the magazine wars, we acknowledge that we will broadcast only what we know: security locks. We will keep our message to the hardware that is the final line of defense in a facility. Background checks may screen out and deter thieves and terrorists, but protection finally comes down to the door. To protect the unit and its contents, turn to a company whose business is security. That's our message, and our only message.

Til next time...


Frank Minnella

SELFSTORAGE Telegram...
Cover Background Courtesy
of Storage Solutions



The Kryptonite Lock Meets Its Match

By Rich Morahan

The Kryptonite Bike lock was the high security standard of the bike lock industry, until someone discovered the weakness in its mass produced tubular cylinders. Find out what this means for your self-storage locks.

Maximizing your Surveillance Investment

By Jim Del Sordo

How placement, training and management are the keys to getting the most out your camera system.

Tenant Insurance as a Risk Management Tool

by Chuck Slagle

Protecting a tenant's property and your business should be a win/win situation with a multi-layer approach to protect from lawsuits.

What to Do When the Police Arrive

by the New York State Self Storage Association.

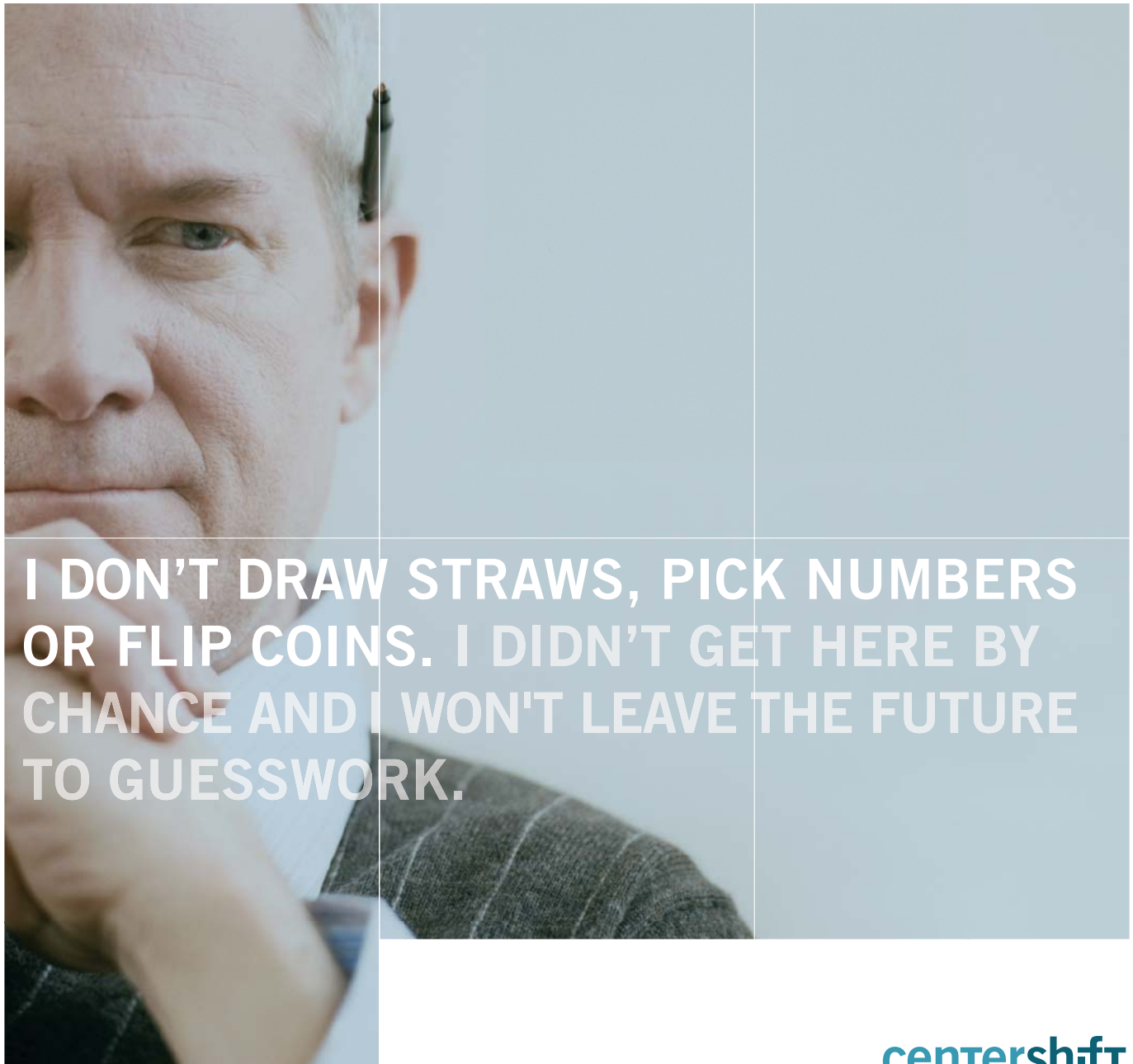
Recommended procedures for interacting with law enforcement personnel.

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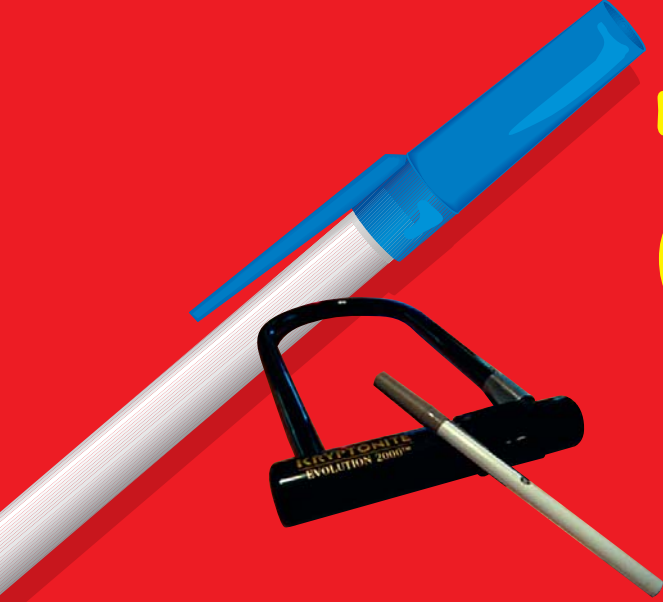
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TWIST A PEN, OPEN A LOCK:

How Relying on Mass Market Locks Nearly Brought Down Kryptonite High Security Bike Locks

By Rich Morahan, Managing Editor



In the world of DC Comics and the movies, Kryptonite is so strong it can stop Superman. In the world of bike locks since 1972, the Kryptonite® lock was considered so strong that it set the standard for securing thousand dollar high tech bikes around the country. That is, until a few months ago, when the Internet broadcast a fatal flaw. Kryptonite, on of the most respected names in high security bike locks, fell victim to the lure of relying on one cheap component to hold its high security product together. In 1992, someone in England discovered that a Bic® pen opened Kryptonite's U-bolt bike lock just as fast as a key. He even wrote an article about his discovery. Then, in September of this year, the ticking time bomb finally exploded. A west coast bike enthusiast and security consultant blew the whistle and the story was out, broadcast with a video on a website.

To see the video, you can go to any number of websites. The one below is nice and clear:

www.engadget.com/common/videos/pt/lock.wmv

Just stick the end of the pen in the keyway, give a little twist, and there you are.

The results were catastrophic. One story, in *The Seattle Post-Intelligencer* (see box on right) sums up the situation:

We won't say we told you so, but in our Spring, 2002 issue, the *Telegram* exposed the same problem with the cheap mass produced tubular keyways in "high security" cylinder lock systems sold in blister packages to some self-storage facilities. Kryptonite has paid a big price (tens of millions of dollars according to the report above), forced into providing free replacement cylinders to every lock with the offending component, and even more importantly, tarnishing its high security image. Their customers are

Lawsuits Target Maker of Kryptonite Bike Lock

Two owners of a popular bicycle lock that reportedly can be picked with a ballpoint pen are suing the lock's maker in potential class-action lawsuits. James Edmunds and Jennifer Lindenauer, who both live in the Seattle area, filed separate cases yesterday in King County Superior Court against the maker of the U-shaped Kryptonite locks. Lindenauer's attorneys, Knoll Lowney and Davida Finger, contend that the manufacturer continued to make the locks and market them as highly secure even though it was discovered as early as 1992 that the hollow shaft of a Bic pen could open them. The alleged defect became widely known last week through news reports. CNN described the situation as "just a gigantic hole blown through their reputation." The CNN article goes on:

Although the trick apparently works on many locks with tubular cylinder technology including vending machines and some ignitions, it's the bike industry's best known. Kryptonite said it will provide free product upgrades for certain locks purchased since September 2002 and urged consumers to visit its company's Website to learn how they can participate in the security upgrade program.

But only those who have purchased an Evolution lock, KryptoLok lock, New York Chain, New York

Noose, Evolution Disc Lock, KryptoDisco or DFS Disc Lock in the last two years are eligible for a free product upgrade, the company said in a statement. A recall of the flawed U-shaped locks — a necessity for urban cyclists nationwide — could cost firms tens of millions of dollars, industry experts told Reuters.

"I assumed it was a hoax myself but, unfortunately, a couple of us have done it here in the office with our locks," Leah Shabum, director of the San Francisco Bicycle Coalition, told Reuters. The manufacturers "need to replace these locks with locks that actually work."

The technique involves putting the back end of a plastic pen into the circular barrel of the lock and turning.

Kryptonite reacts

"This is not just a Kryptonite concern," a Kryptonite spokeswoman told Reuters. "This is an issue with some tubular cylinders, not all. Anything with a tubular cylinder could be a concern including vending machines, coin-operated machines, other security products."

A spokeswoman for Kryptonite's parent company, Ingersoll-Rand, said Kryptonite products account for less than 1 percent of Ingersoll-Rand's \$10 billion in annual sales."

world-wide net-savvy bunch, so perhaps the self-storage version of these cylinders will stay below the radar for a while.

What does this story mean for you in self-storage, whether you employ cylinder lock systems or not? First of all, this story is a reminder of the principle we con-

tinually repeat: *security is like a chain, and any security system is only as strong as its weakest link.* A system composed of access control software, fence, gate, cameras, and door alarm, all anchored by a cheap tenant padlock, only creates the *illusion* of security. The most conservative estimates suggest that 60 to 70% of self-storage theft is committed by legal

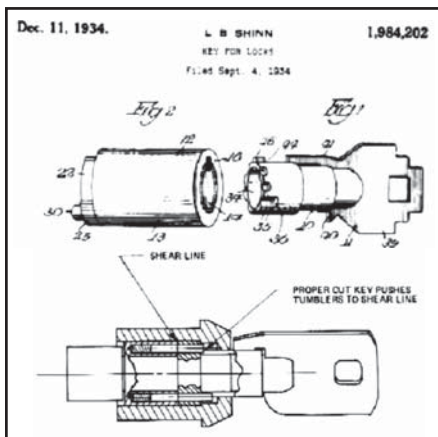
renters, so no matter what barriers you erect, your thief is probably already at the facility. The lock is the last line of defense, so why leave the last crucial choice up to the renter? Of course, you can offer and promote insurance, so stolen goods are covered. What do you lose in a break-in? Nothing. Nothing of monetary value, just your reputation as a safe place to store goods. In today's market, giving up that edge is worth quite a bit of cash.

Secondly, this story should warn you that all tubular locks, just like all cylinder locks, are not alike. Let's review what happened to Kryptonite, and why a similar disaster could happen in self-storage, not to one company, but to an entire industry. Kryptonite's customer base is young and familiar with the internet, so they got their outrage out quickly. The pen cap scenario has been occurring for at least the last two years in self-storage. At tow trade shows in 2002, Frank Minnella, Publisher of the *Telegram*, demonstrated the pen cap trick to startled observers as part of a demonstration to show the difference between poorly and properly manufactured tubular locks. Lock America had experienced a similar "pen cap" incident in its newspaper business about a dozen years ago. Police in Riverside, California called the Lock America office to report that they had caught some teenagers with a box full of pen caps. They had been attacking the newspaper coin boxes of a local paper. The locks were custom made tubular locks smaller than the standard lock. After the initial shock, Lock America adjusted the tolerances and the newspaper has used the new style successfully since the incident.

So far, there has been little outcry within or outside the industry. Kryptonite's U-bolt lock had been an industry standard, but after designing and manufacturing a unique product, they apparently decided to treat the keyway like a commodity, outsourcing its manufacture and accepting a pin tumbler manufactured with loose tolerances and not a wide enough cut variation to thwart a plastic homemade picking tool.

Here's why a pen cap opens mass produced tubular keyed cylinder locks:

Shown below are copies of the original patent drawings for the tubular keyway mechanism.



Note the key cuts around the barrel, no. 35 and 36 in the top figure. If the depths of the notches are not varied enough in depth, a slight movement of the pins will open the lock.

Look at the "shear line" in the second diagram. When the "shear lines" of all the pins line up, the lock opens. If only a little movement is needed to line up the shear lines, the lock will be easy to manipulate with a key blank or a pen tip. Cheap materials, loose tolerances and not enough variation: these are the flaws that created the story from our Spring, 2002 issue, and the same flaws that stung Kryptonite. At that time, Lock America sent some blister packaged mass produced locks to an outside security consultant for analysis. Here's what he had to say about blister packed mass produced cylinder locks:

"As per your request, we looked at three prepackaged locks manufactured and assembled in China to see why some were opening with blank ace style keys. We came up with several suggestions:

1. The major reason why key blanks open the locks given to us that were in the package that noted key blank problems were the "step" differences. There only two steps between any of the depths of the cuts. (Example—1313132—largest step in the whole block is only two.)
2. The tolerances of the [submitted locks] are sloppy—other ace style manufacturers have closer tolerances."

The locks were tested with key blanks, which work just like the pen cap, which is just a round barrel in the keyway. Using a pen cap makes even flashier effect—"Pick with a Bic."

Close tolerances and varied key cuts will prevent the "bic pen" or blank key from compromising a tubular keyed lock."



The Kryptonite spokesman above asserted that "This is an issue with some tubular cylinders, not all. Anything with a tubular cylinder could be a concern including vending machines, coin-operated machines, other security products." We agree, but only to a point. A tubular cylinder will only be a concern only if it has poor cut variation, sloppy tolerances and no key control. It is not the design that is flawed, it is the manufacture. Below are the comments of a motorcycle security consultant:

FROM LOCKIT.COM—MOTORCYCLE Security products

That's My personal view on the tubular lock issue. It is 'not possible' to open a well pinned tubular cylinder with a hollow pen or any other simple tubular device.

When a tubular device is inserted, all 7 pins will be pushed down at the same rate. A well scrambled cylinder has all different depth pins which can only be lined up with the right depth cuts in the key or lock pick.

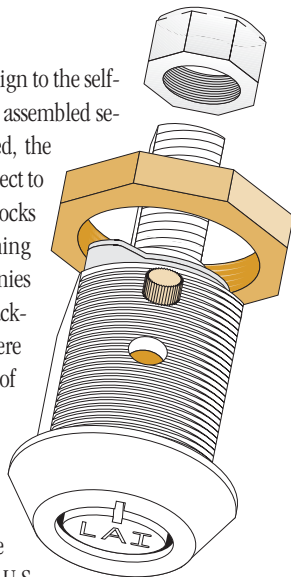
Most likely, the affected Kryptonite locks had been wrongly pinned with all same length pins.

- This is usually done on demo locks where all pins are set to one and the same number (1 through 7).
- Another reason would be extreme large tolerances in combination with small or no pin length differs.
- I am guessing they just used the cheapest possible cylinders and had no control system in place.
- As far as I can see, other brands have apparently used the same cheap cylinders and are as vulnerable.

- The available videos and testimonies, on the web, are not lying. They simply had one of the above mentioned locks, all 7 pins set to one and the same number. Any inserted tubular device would line up the pins and open the lock.
- A cylinder with scrambled pins (all 7 are different length) will 'NEVER' be lined up.
- There are a number of pick preventing techniques used in some high-end tubular cylinders making it very difficult for such locks to be opened.
- Extremely close tolerances, variable spring tensions and changes in internal dimensions, just to name a few, make it very hard to pick such a lock.
- Italian made Meroni cylinders are one example.
- Unfortunately, such cylinders cost more while most lock manufacturers will cut corners to save a few pennies.
- They rather please the bottom line and shareholders by utilizing cheap china made cylinders.

Article Continues on Page 6

Lock America introduced the cylinder lock design to the self-storage industry in 1986 as a high quality hand assembled security product. The keyway was hand assembled, the cylinders and keys were numbered, and were subject to the same key control and quality control as the locks the company manufactured for its vending, gaming and coin-op businesses. In 1993, other companies began to market cylinder locks to the industry "packaged for resale" just like padlocks. These locks were made and packaged 12,000 miles from the point of sale. They were packaged at the factory and key codes were not numbered. They looked like the Lock America original, they had tubular keyways and a lock out feature, and they were cheaper. Why were they cheaper? It costs a bit more to hand assemble and number your locks in the U.S.



Since at least 2000, it's been clear that these locks are vulnerable to key blank and pen cap manipulation. The danger of cheap tubular locks is evident. Perhaps now, when the Kryptonite story exposes the danger of mass produced tubular keyed locks, operators will look a little more closely at the product.

So if you are relying on your cylinder locks, take a look at the keys. Is there any variation in the depth of your cuts? The self-storage story may not yet have gotten around outside the industry magazines and trade shows. Tubular lock pickers tend to stick with what they know: the vending and amusement industry. On the other hand, thanks to Kryptonite, the flaws of cheap tubular locks got air and internet play across the country, exposing more than just Kryptonite's tubular locks. Somebody who stole some thousand dollar bikes might just want to try his hand at a self-storage unit.

Is This Only a Story About Tubular Locks?

The bigger story isn't the tubular lock. It's the story of the weak link bringing down the otherwise secure chain. Kryptonite tried to get by with a cheap cylinder. How many facilities are investing twenty or thirty dollars per door on access control, cameras and door alarms, and then trying to get by with low end or tenant-supplied locks?

As we have said in previous issues, a number of operators have recognized that tenant-supplied locks and generic hardware store locks provide inadequate security, and these operators employ cylinder locks—no latch or shackle to cut. Then in an effort to save a dollar or two, they undercut their choice by accepting a cheaply made cylinder that delivers something worse than poor security. It delivers poor security that *appears* to good security. The design creates an expectation of security that the lock fails to deliver. Hopefully, the Kryptonite story will serve as a wake up call. If you choose a tubular keyed cylinder lock system, at least do the following:

- Insist on a hand assembled system, and examine the keys. Every key should have varied key cuts.
- Ask the manufacturer if they keep key control records, to prevent duplicate combinations from appearing at your facility.
- Test the mechanism. If you choose to invest in a cylinder lock system, make sure the quality of its mechanism matches the quality of its design.

Computer consultants talk about "security by obscurity." A company can always hide the flaws of its security system if no one knows them. The flaws of cheap cylinder locks have been exposed. It's time to recognize the differences in tubular cylinder locks.

For more information on how mass produced locks can threaten your security, contact the Telegram: 617-559-0177 or email: rmwrite@comcast.net

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MAXIMIZING YOUR SURVEILLANCE INVESTMENT: How To Get The Most From Your Camera System

By Jim Del Sordo, Jr., with the staff of Automated Security Corporation, Downingtown, PA

Over the past decade, the self-storage business has developed into a complex industry that has more than ever to offer tenants. Advances in technology provide innovative solutions to make each self-storage facility unique. As the self-storage industry expands with this developing technology, it is important to utilize the technological changes within the industry to their greatest potential. If you already have a camera surveillance system at your facility, or if you are thinking of purchasing one, it is important to get the most out of your investment. The following are keys and tips to setting up a quality camera system, based on issues that we frequently run into while servicing and installing video systems within the self-storage industry.

When considering adding to or upgrading your camera system, it is important to learn what is available, and what goals you want to achieve with the system, such as enhancing security, reducing liability or gaining a competitive advantage at your facility. Spending tens of thousands of dollars to record every visible inch of your property may not work into your budget as well as it does for companies in other industries such as banks and prescription drug manufacturers. However, there are ways to design a camera system that covers and protects your storage facility, and delivers a competitive advantage while maintaining a budget.

Camera Locations

Systems, whether on a smaller or larger budget, all start at the same place: inside the office. A camera in the office protects the owner by playing "big-brother" to a manager, but more importantly, a camera can also protect the manager. Often enough, the situation where a manager must inform a delinquent tenant of an overdue balance becomes uncomfortable for the manager as the tenant becomes irate, for example when the delinquent tenant learns he or she does not have access to their unit until they pay the rent and overdue fees.


Second, a camera that covers each gate entrance or exit records a "choke-point" that EVERY tenant

uses when entering or exiting your property. From these cameras alone, you can tell who was on your property at any given time. Also, there is a chance of gate damage by a tenant. If someone hits the gate, or backs over a keypad stand, you want to be able to see and identify the incident. Incidents involving gates and keypads easily become expensive. Also, it is not uncommon to have a delinquent tenant try everything within their means to enter your property when they find themselves locked out!

A third area of importance to cover with a camera system is the dumpster, if you provide one for your tenants. Even if you lock the dumpster, tenants will still leave mattresses, oil, dirt, asphalt, car batteries, and other illegal items for the manager to throw away for them. Having a camera covering the dumpster deters vandalism and can protect you from paying surcharges.

If you are still under your budget and want added protection, cameras looking down drive aisles between buildings record vehicles after they drive through the gate, and are now on your property. Remember, almost anyone can rent a twenty-two foot moving truck, and an inexperienced driver can do a lot of costly damage while making turns through your facility. Also, cameras in between buildings will also cover a majority of the exterior units and interior doorways, aiding in the detection and apprehension of thieves. Catching a person on video backed up to the wrong unit or entering the wrong hallway can provide valuable information.

Additional cameras can be placed inside interior hallways, especially at any ramps or loading areas, stairwells, elevators, along fence lines, snow gates, and retention ponds. Cameras at any of these locations provide a better archive of events on your property, but may become too costly for their added ben-



AUTOMATED SECURITY CORP

"Having the main monitor split-screen or rotating between other camera positions informs your customers that you have an in-depth camera system."

efit, depending on your individual facility and goals.

A video surveillance system is only as good as the surveillance system you set up. Don't just install it and think that it will run itself.

Recording Devices

The details of today's Digital Video Recorders (DVRs) can only be summarized in their own article, and would probably be outdated by the time of print. However, advances in technology have enabled the images captured by security cameras to be recorded onto a computer hard drive at a reasonable cost. There numerous benefits of DVRs versus VCR time-lapse recorders. DVRs require less maintenance without having to swap tapes daily, allow faster retrieval times, and often have a longer archive length. Incidents can be saved to CD/DVD, printed, e-mailed, or easily archived for later review.

There are two different styles of DVRs. One type uses an embedded processor that provides a user-interface like that of VCR and is often referred to as a

“black-box” DVR. The second type of DVR is a PC-Based recorder that looks and operates like a standard windows computer. It is never recommended to use a PC-Based DVR for any other purpose than as a DVR. Each style has its own advantages and drawbacks. The best way to make a choice is to discuss your options with your systems integrator.

Maintenance

Being familiar with your camera system is the first step for proper maintenance. Proper training should be given to the owners, managers, and other key personnel. The most comprehensive camera system is useless without knowing how to operate it. You should know the location of the DVR or VCR, power cords, camera power supply, and where each camera is located. In addition, keep all the manuals and a camera layout together in a safe place in case you need to refer to them. For both DVRs and VCRs, it is important to check playback and make sure the system is recording properly. The last thing you want is to try to review an incident and not have the recording because of an improper setting or because something was unplugged.

If you have a DVR, you should practice reviewing events from different times of different days, checking to see if the archive length, picture quality, lighting quality, frame rate, motion detection setup, and camera angle are still meeting your goals. Your placements and angles may need to be adjusted as seasons and your goals change. Also, practice copying or saving an incident to a CD-Rom or other hard drive to prepare in case of a significant incident.

Although analog systems are not installed frequently, they can provide quality recording reliably if given the proper care. If you have a VCR time-lapse recorder, you should still practice playing back events from last month. Remember, even high-density tapes are only recommended for ten recordings. As a rule of thumb, we suggest having at least 30 tapes (one for each day of the month) and replacing your set once a year, thus every twelve recordings. This is critical since an overused tape can lead to poor or no video recording as the magnetic tape wears down.

You should also check the live status of your camera system. Sometimes, power cords become unplugged or devices get turned off accidentally. Camera positions can slip or be knocked down by moving trucks or vandals. It is critical that all cameras be pointing at their specific target area. Cameras that record too much sky, ground, wall, or other nonessential items are not performing at their best. Also, remember that environmental factors can affect camera shots. Cameras pointing directly East / West may experience sun glare in the morning / evening even with the best auto-iris lens. You should check to see if the amount and type of outdoor lighting you have is compatible with the type of cam-

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eras you have. Cameras with built in infrared illuminators are available, but often not necessary with exterior lights from buildings or poles. Other outdoor hazards include trees and shrubs may grow into the camera shot blocking a critical area. The last things you want to see are tree branches when you are reviewing an incident.

To prolong the life of a camera system, it should be kept in a secure, clean environment. Vacuuming the dust from around the recorder and monitor will help keep the head-end equipment clean. Also, a little glass cleaner on a soft, lint-free cloth goes a long way on cleaning a camera housing or lens. A

"A video surveillance system is only as good as the surveillance system you set up. Don't just install it and think that it will run itself."

dirty housing or lens will give even the best camera troubles. It can cause excessive glare from light or make a picture even darker with poor light conditions, thus disrupting the camera's picture. Also, camera housings should be cleaned at least twice a year to remove any insets, bee's nests, or other debris that can cause problems.

Marketing Your Security Features

While investing capital into a camera system to help protect your facility, why not also utilize it to capture new tenants. The key to marketing any security system is to help sell the storage unit as being clean, safe, and secure, without giving the feeling that security is required, but rather an added benefit to storing with you. Be sure to mention in yellow page advertisements or on the phone that your facility is safe and secure. Be careful of your language, however. Don't promise what you can't deliver. For example, advertise "Digital surveillance cameras," not "24 hour surveillance."

Having a security station display panel provides a central location to keep all the security equipment together. Having the main monitor split-screen or rotating between other camera positions informs your customers that you have an in-depth camera system. Possibly adding a monitor that always displays the office camera or gate camera will ensure perspective tenants those areas are secure. Security studies also show people are less likely to commit a crime after they have identified themselves as being recorded, which is why you see a camera and monitor while walking into a convenience store or bank. Lately, thin LCD monitors have been introduced to display camera systems, giving a "state-of-the-art" look; however, having a display cabinet built into a wall can achieve the same effect.

Having a good camera layout and taking the necessary preventative maintenance steps should provide you with a quality camera system. Remember to check the live view and playback on a regular basis, because monitors will burn out, cameras will retire, and recorders may not record. You should always know the status of your camera system, and keep it healthy by checking up on it regularly.

Make checking camera status one of your manager's scheduled tasks. Remember, a video surveillance system will be successful only if it is installed properly, maintained and monitored.

Automated Security, based in southeastern Pennsylvania has offered the self-storage industry installations and service of security systems since 1998. ASC has technicians specializing in access control, individual unit door alarm, intercom, burglar alarm, networks, and CCTV / digital video camera systems. ASC is a member of the Pennsylvania Self-Storage Association and strives to provide security solutions to the self-storage industry. For more information, please visit www.automatedsecuritycorp.com or contact Jim Del Sordo, Jr. at 610.873.0067 or jim@automatedsecuritycorp.com.



Tenant Insurance as a Risk Management Tool for Storage Operators

By Chuck Slagle, CPCU, Bob Bader Company

One of the things that a self-storage operator has to guard against is a lawsuit from a tenant about damage to their goods in storage. Although an operator may not be legally liable, customers have expectations that their property will be safe and secure. When a loss occurs, they naturally go to the operator for restitution.

A burnt out car sits next to the smoldering remains of a storage building that burnt down early Wednesday morning at the U-Store-It self-storage on Hilton Head Island. Some 85 storage units were destroyed in the fire.

There are two primary methods of protecting your business - your tenant lease and a commercial insurance policy specifically designed for self-storage facilities.

Tenant Lease: Limitation of value

An operator's first line of defense should be their tenant lease. Because no contract is ironclad, attorneys familiar with the self-storage industry say a lease is more effective when it contains a "limitation of value" clause and another clause requiring a tenant to insure their goods. Tenants are able to store property up to a limit of value. This limitation will greatly assist an operator in reducing their liability in those situations where they may be held liable for damage to a tenant's goods.

Why not rely entirely on your lease in these situations? That's a perfectly good question.

Attorneys knowledgeable in the storage industry say there are two good reasons. First, exculpatory clauses are not enforceable in certain states. These are the clauses in your lease that specify certain events and conditions that an operator is not responsible for: such as fire, smoke, dust, water, etc. Second, in those states that do permit exculpatory clauses, courts may not enforce them depending on circumstances - such as a court viewing a particular clause as being against public policy. This is a judicial application of common sense in matters of public morals, health, safety and welfare.

Insurance Requirement

Contracts aren't foolproof, so a second line of defense is needed. Operators should have a mechanism with the lease requiring tenants to insure their goods in storage. If a tenant does not have insurance to cover their goods in storage, usually a HomeOwners policy, they should be offered the means to purchase insurance while at the facility.

It is in a storage operator's best interest to have as many tenants as possible with insurance. If there is damage to or a loss to the tenant's property and they have insurance, they should go to their insurance company.

Without insurance, they'll probably come to you.

Tenant Insurance Options:

The premiums and rates for tenant property insurance are generally affordable and the coverage limits are broad enough for most property in storage. There are several companies that offer this type of insurance.

The best scenario for the owner/operator is to know which tenants have insurance. Presenting an insurance lease addendum to all tenants at lease signing provides a record to put into the tenant file. Software programs can also maintain a list of insured tenants. This documentation can come in handy in court and help release an operator from liability. A side benefit is that your managers will find it easier to call a tenant when there is a problem knowing that they have insurance. There are two types of insurance programs available in the marketplace: Pay-with-Rent and Mail- Order.

Pay with Rent

With a Pay-with-Rent program, a tenant has the convenience of paying the monthly insurance premium along with the rent. When a tenant is offered, and completes, an optional tenant insurance lease addendum during lease up, this form becomes part of their file and can be used in court should the tenant sue.

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Protecting a tenant's property and your business should be a win/win situation with a multi-layer approach to protect from lawsuits.

Mail Order

Mail-Order programs require tenants to take the initiative to complete an application and mail it with payment to the insurance company. While there is usually a section of the mail-order brochure which should be completed and kept on file, this is rarely done. The tenant usually discards the brochure and the operator has no record of the offer. Thus, mail order programs have little value as a risk management tool in defending an operator in a lawsuit.

Facility Coverage:

A storage operator's second line of defense against claims from tenants lies with proper insurance coverage for their facility. In addition to insuring the buildings along with contents and signs, providing loss of income, and premises liability coverage, storage operators have unique exposures to loss – different from other industries. Typical commercial general liability insurance policies are not designed to cover these exposures. Special endorsements are required and should be built into a facility's insurance program.

Among these endorsements are Customer's Goods Legal Liability and Sale and Disposal Liability.

Customer's Goods Legal Liability

Although operators don't legally take possession of their tenants' goods, they can still be held responsible for their damage or destruction - for example: a leaky roof that is not repaired promptly and causes subsequent damage to tenants' property. This exposure is greater in those states that do not recognize exculpatory

clauses. *Customer's Goods Legal Liability* is a special policy that covers an operator for their liability when they are legally responsible for damage to tenants' property.

Sale and Disposal Liability

Protection during lien sales is another example of the need for specialized coverage. When tenants default on their rental payment and their property is sold, state lien laws must be strictly adhered to in order to protect tenant rights. This means that each step in a state's lien sales process must be followed exactly. If not, or if the wrong tenant's property is sold, the operator can be subject to a lawsuit. *Sale and Disposal Liability* is a type of errors and omissions insurance that covers storage operators for the wrongful sale of customer's goods.

Protecting a tenants' property and your business should be a win/win situation with a multi-layer approach to protect from lawsuits. Specifically:

1. Lease language should limit the value of goods being stored.
2. A tenant insurance requirement should be written into the lease.
3. An effective tenant insurance program should be available at point-of-lease.
4. Business insurance should include liability insurance designed for the unique needs of storage facilities.

Chuck Slagle works with self-storage owners and operators across the country to provide them with STORED PROPERTY INSURANCE from Bob Bader Company. For more information, contact him at cslagle@baderco.net, or call 888-223-3726.

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How To Run Your Facility On Five Minutes A Day

By Markus Hecker, SMD Software

Many storage operators rely on some kind of software to run their facility. Good property management programs automate tasks such as rentals or printing of invoices and leases. In the course of the day, users may enter hundreds of adjustments to as many clients. Often, multiple users have logged notes, printed letters, entered payments and give-aways, recorded addresses changes, etc. Given the large number and wide variety of transactions, it can be hard to keep track of why certain transactions occurred and who performed them in the first place. Often, users search in vain for reports at the end of the month to make sense of their daily work. Because the number of reports available can be overwhelming, it helps to group them into meaningful categories. Successful operators have boiled down report topics to groups such as units, tenants, financial, marketing, merchandise, and management. However, programs that provide a summary document that analyzes each category offer a clear report card and starting point for further scrutiny.

The management summary report is so important because it gives a clear picture of a store's health in as little as five minutes. The most obvious financial performance indicator is money in the bank: deposits show money in hand. Next should be detail of how you applied monies: collections for rent, fees, merchandise, taxes, etc. However, what if collections are higher this month than last month, even though occupancy (further down on your report) has remained constant? Following are categories that put deposits and collections in perspective.

The amount of prepaid rent and past due rent you collect in a given month can raise deposits. If delinquencies are a problem, use the "past due rent collected" as one indicator of how well you are at chasing past due rent. Same with prepaid rent: collect as much as possible without offering discounts to clients willing to prepay. However, if you do offer discounts (or concessions), always scrutinize where they occur.

Look for a breakdown of concessions. Seeing a lump sum of concessions on a management summary report is worthless. Instead, make sure that you indicate what charges you apply concessions to. For example, many so-called "specials" occur at move in or move out. Therefore, have each category itemized. Same with waived fees: the most commonly "forgiven" fee is the late fee: in the collections category above we see how much we collected in late fees; in the concessions

category, we find out how much we waived. There is non-standard rent, the difference between the "street" or "list" price and the amount a client is actually paying. You may be amazed to see how many of your customers are staying at less than full price. You will find that most programs find it hard to calculate concessions. That's because users often issue concessions in one month but apply them

Management Summary Report Sample

Printed On Wednesday, January 14, 2004 at 10:56:03 AM
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Management Summary Report For Month Ending Wednesday Dec 31, 2003				As of Wed Dec 31, 2003					
Site/Link	Self-Storage	Daily	Month-to-Date	Year-to-Date	Rental Activity	Units	%	\$/Sq Ft	%
3800	Highwoods Blvd, Ste 120	12/31/03 0:00	12/31/03 23:59	12/31/03 0:00	Rented Units	177	82.7%	31,850	90.5%
					Vacant Units	37	17.3%	3,350	9.5%
					Unrentable	0	0.0%	0	0.0%
					Complementary	214	100.0%	35,200	100.0%
					Total Spaces	1			
					Waiting List	14			
					Overlooked**	24	6,870.00	100.0%	0.701
					Gross Potential Rent	2,990.00	10.9%	0.800	
					Gross Vacant Unit Rates	21,990.00	89.1%	0.660	
					Gross Occupied Unit Rates	20,575.00	83.4%	0.646	
					Actual Occupied Unit Rates	1,415.00	5.7%	0.404	
					Rental Rate Variance				
					Unpaid Charges (Curr Tenants)	0	0.0%	0	0.0%
					0 - 10	0	0.0%	0	0.0%
					11 - 20	1,110.57	44.3%	2	2.3%
					21 - 30	582.90	22.4%	4	4.5%
					31 - 60	94.25	3.6%	0	0.0%
					61 - 90	375.75	14.6%	3	3.1%
					91 - 120	368.00	14.6%	3	3.1%
					121 - 180	0.00	0.0%	0	0.0%
					181 - 360	2,508.57	100.0%	0	0.0%
					Total	7	4.0%	2,175.50	5.7%
					Delinquency (Current Tenants - 31 - 180 Days)	1,175.50			
					Units (rent only)	218.50			
					Rent Charges	218.50			
					Other Charges				
					Liabilities				
					Tot Prepaid Rent				
					Total Sec Dep				
					Total	52		8,039.33	
					Total			9,265.00	
					Rest Last Changed	Units	Var from	Std Rate	Units
					Leased 0 - 9 months	15	0 - 15%		63
					10 - 12 months	1	15 - 30%		15
					12 - 18 months	2	30 - 50%		6
					18 - 24 months	2	> 50%		6
					> 24 months	0			0
					Total	20			108
					Reason Explanation				
					(*) Vacancies do not include unrentable units.				
					(**) Reported values reflect the current tenant status.				
					Complimentary values reflect the current tenant status.				
					Gross Pot. Rent= sum of Std Rental Rates as of the report date				
					Gross Occ Rates= gross of occupied units at the standard rates				
					Actual Occ Rates= sum of actual rental rates for occupied units				
					NOTE: For actual accounting analysis of Pot. vs Actual Revenue refer to the Financial Help screen.				
					Tot Prepaid Rent = amount prepaid as of the report end date.				
					Disc from Std Rent= discounts from current std (or prorated) rate				

to charges in future months. However, if you see how many were issued in the past but apply to charges in the current period, you will immediately understand the shortfall in collections. And, if you don't know in what area your concessions occur, you won't know how to begin whittling them down. The level of concessions may prompt you to see which member of your staff issues them more often and for which charges you may want to reduce them.

The section of unit and rental activity shows the number of payments, collection calls, move ins, move outs, letters mailed, merchandise sold, and more. Performance indicators like these translate into dollars and cents. In addition, they help you drill down which staff member is better at dealing with clients face to face vs. via the telephone. Letters mailed and collection calls made show how aggressive you are at reducing past dues. Clearly, it's not enough to know past due rent. The important part is knowing how you can reduce past due rent, category by category.

Reducing lost revenue also means keeping an eye on complimentary and damaged or un-rentable units. Often, operators are amazed when they realize how many units go for zero rent. Measuring how many so-called "company units" there are lets users realize the dollar loss from not renting them.

Measurements of rental income offer another at-a-glance indicator for adding to the bottom line. There are several categories to review:

- Rent revenue at 100% occupancy ('gross potential rent'),
- Rental revenue at list price of occupied units ('gross occupied rent'), and
- Total actual rent revenue from current tenant ('actual occupied rent')

For stabilized properties, if all three are close together, you may not be charging enough rent. If gross potential and gross occupied are close together but actual occupied lags, it may be time to cut promotions and raise rent for some occupied units. If gross occupied and gross actual are close but significantly lower than gross potential, focus on increasing occupancy.

After measuring potential revenue and actual rent charges, look at unpaid charges. Breaking down unpaid charges into 0-30, 31-60, etc. periods helps to show how much you can expect to collect (the older the charge, the higher the likelihood you won't collect). Such a breakdown also gives you an idea of how well your collection effort is working: compare aged receivables to collection calls made and past due rent collected on the left hand side of the report. When you compare past due rent, past due rent collected, and collection calls, you can grade your collection effort and put uncollected rent into perspective. Next, see how big a chunk of your expected rent (=actual occupied) is actually past due. Never take your eye off of how much of your expected revenue is past due and constantly work to minimize that amount.

The same is true not just for past due rent but other past due charges such as late fees. Before, we measured past due fees collected and waived. Considering aged uncollected fees completes the picture.

Looking ahead to future months' collections, it helps to know how much prepaid rent you collected. Actual occupied rent in months to come will be lower by the amount of prepaid rent collected. Prepaid rent, past dues, and concessions applied to current charges now complete your estimate of expected revenue.

Finally, you should measure how often you adjust rental rates. As stores stabilize and approach capacity, it's important to identify units in short supply and adjust rates to demand. While the management summary won't pinpoint specific units, it prompts you to further research supporting documents to target spaces for rental rate changes.

As you can see, categories on the management summary are important by themselves, but give even better cues when you compare related items. The management summary is an at-a-glance transcript, a set of connected pieces indicating how your store is doing. After reading the summary, go to detailed reports backing up each category. You'll be able to drill down who is responsible for transactions such as credits, payments, or move-ins, and you can measure each staff member's effort from one month to the next. You'll also have the information to help you adjust rents based on actual business patterns at your facility.

Markus Hecker is Director of Marketing for SMD Software of Raleigh, NC, and a Contributing Editor to the Telegram. SMD provides management software for the self-storage industry. For more information, you can contact Markus by phone at 919-865-0789, by email at markus@smdsoftware.com, or go the Internet at www.smdsoftware.com. See their ad on page 15.

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INDUSTRY SPOTLIGHT:

MORTON BUILDINGS Morton, Illinois

With more than 50 years experience building a wide range of facilities, Morton Buildings brings a breadth of wisdom and achievement to the self-storage market. By maintaining over 120 sales offices and some 2300 employees involved with sales, planning, manufacturing and construction nationwide, Morton delivers accountability as well as experience. That accountability creates satisfied customers. As George Myers of Chatham Mini-Storage in Chatham, IL puts it: "The salesman and engineering department [were] really high quality people and were very professional. What really impressed me were the building crews. They took pride in their work, and were polite. That's a hard thing to find nowadays. That's basically why we're still with Morton. We're starting our seventh building with them."

Morton's customers are finding that when they build a Morton Buildings mini-storage facility, they are getting more than just a building - they are making an investment. That's because Morton's mini-storage designs feature a number of protective and useful features, such as Hi-Rib(tm) steel and Thermax(r) insulation, that, in turn, create a functional, profitable facility that requires low-maintenance and allows you to "build it and forget it."

Morton's mini-storage buildings also give customers a number of unique and significant benefits. Nowadays, self-storage customers want more than just a wall and a roof, and Morton can deliver climate control features to enhance a facility's marketability. With heating costs expected to remain unpredictable, investing upfront in insulation is the way to make a climate control building cost effective. One of Morton's most significant climate control features is its exclusive Energy Performer(r) Insulation System. The Energy Performer(r) system uses a vapor barrier method of insulation that provides outstanding humidity control. It also provides:

- Uncompressed insulation for better performance.
- 15.5" truss heels for full depth ceiling insulation.
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- Fully vented attics.
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- Year-round utility savings.

Some standard features that Morton's mini-storages boast include: sloped roofs that provide storage from floor to ceiling; full-height partitions to keep client's possessions separated from one another's; and corner protectors to minimize damage caused by tenants.

But perhaps the most unique and significant benefit of a Morton mini-storage is not the building itself, but that the Morton Buildings team stands behind each and every building. Founded in 1903, Morton Buildings has grown over the last 100 years into a nationwide, independent company with Midwest values. Customers buy and work directly with Morton Buildings, avoiding middle men, dealers and distributors.

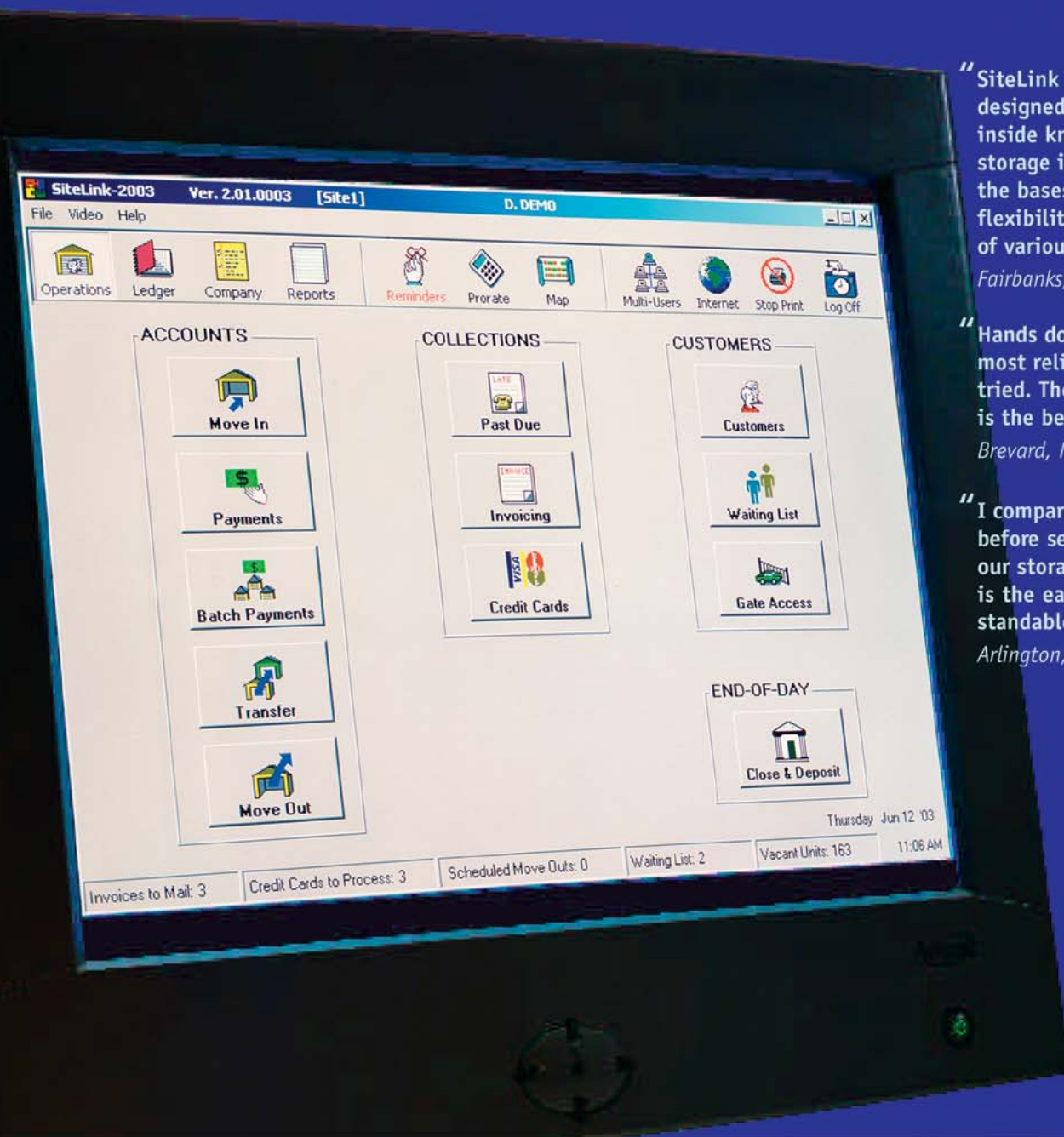
As Morton Buildings continues to advance in the self-storage market, customers will continue to see Morton's trademark quality and workmanship in every building, "When you choose a Morton mini-storage, you know that your long-term investment is going to be protected. You don't want to be burdened with ongoing maintenance and repair bills on your mini-storage facility - you want it to work for you and generate profit," says Morton Buildings Marketing Director Al Viney. "That's why our mini-storages are packed with high quality components and features - to give you a mini-storage facility that gives you a great return on investment."



For additional information about Morton Buildings, call 800-447-7436. Go to www.mortonbuildings.com or email: info@mortonbuildings.com.

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RECOMMENDED PROCEDURES WHEN INTERACTING WITH LAW ENFORCEMENT PERSONNEL

Article XIV.

**** nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.*

The 4th Amendment makes unreasonable searches and seizures illegal and the threshold test is whether the test is "reasonable". Reasonableness depends on the facts and circumstances in each case and involves a balancing of the needs to search against the invasion of which the search consists. Some of the factors to be considered are: the scope of the search, the manner in which it is conducted, the justification for the search as well as the place in which the search is conducted and other elements of the individual's reasonable expectation of privacy.

The reasonableness of the search is determined right at the start and does not depend on whether the search is successful. Only if there is probable cause

Remember if the search is legitimate and if the officials want to use the evidence they collect in a legal proceeding, they will want to "do it by the book" so that the evidence is admissible. If the search is legitimate, they can very easily get the search warrant from a local Judge.

to believe that a crime has been, is being or is about to be committed or that evidence may be found at a particular place can a legal, reasonable search be conducted. The burden to establish probable cause is always on the authorities.

The above referenced constitutional clauses are designed to protect a person's privacy wherever he or she has a reasonable continuing expectation of privacy. The 4th Amendment protects people, not places. However, it provides sanctuary for citizens wherever they have a legitimate expectation of privacy. One of the tests to be applied to determine whether a person has a legitimate right or expectation of privacy is whether the individual can exercise dominion, control or the right to exclude others. Thus, it must be an area which is generally considered to be private, perhaps physically controlled by doors or locks and that precludes its use by the public. Some of the places held to have "the expectation of privacy" have been

a person's dwelling or residence whether a house or an apartment or even room, a hotel or motel room, and other private areas.

It is well established that the 4th Amendment prohibitions apply to commercial premises, but with some limitations on closely regulated industries. However, in a case that has particular relevance to the self storage industry, it has been held that a bailee of a container, such as a suitcase, has no expectation of privacy in its contents and thus no right to challenge a search thereof.

Having considered the basis for the prohibition against unreasonable searches and seizures, we can now address specific questions such as:

1. Do police agencies have the right to open and enter a self storage room without a search warrant? The answer is simply: "NO".
2. Can you legally permit a police officer or fire officer or other public official to enter a unit without having served you with a search warrant? The answer is NO, EXCEPT in the following situations: (1) you have a provision in your Lease which gives you the right to allow access to governmental authorities; OR (2) in the event of a clear and actual, provable emergency such as a fire, explosion or other disaster or (3) with the permission of the occupant. However, suspicion that there is stolen property in the unit or that the occupant or another is a suspected criminal is not such an emergency.
3. Is the answer the same in the event that a fire, health or environmental inspector or official makes the request for entry? The answer is still "NO"!

Remember if the search is legitimate and if the officials want to use the evidence they collect in a legal proceeding, they will want to "do it by the book" so that the evidence is admissible. If the search is legitimate, they can very easily get the search warrant from a local Judge.

4. Can you give the police a list of your tenants if they ask for the same, without a subpoena? Only give your list of tenants in response to a valid subpoena. Confer with your attorney and ask him to call the entity issuing the subpoena to determine the purpose of the subpoena and how the information will be used.
5. What should you do if law enforcement wants to show your employees pictures of certain individuals? Law enforcement has every right to

At this time in our nation's history, there is understandably an increased emphasis on personal safety and security as well as increased challenges to rights of privacy. This discussion is not intended to adopt or support any political philosophy but is an analysis of the rights and obligations of self-storage owners as they relate to self-storage customers and their own businesses and employees.

Generally:

The search and seizure provisions of both the Federal and State Constitutions are designed specifically to guard against arbitrary and oppressive governmental invasions of privacy and personal security, and to prevent random, unjustified interference with private citizens, whatever such interference is called, and regardless of whether evidence is sought to be used in a criminal trial. The innocent and the guilty alike are to be kept safe from search based upon suspicion, or upon commonly accepted rumor, rather than upon proof of reasonable grounds for believing that a crime has been, is being or will be committed.

The following two amendments, the 4th and the 14th Amendments, to the Constitution of the United States apply and are as follows:

Article IV.

Persons and houses to be secure from unreasonable searches and seizures. The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no Warrants shall issue, but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized.

show your employees pictures and ask whether they have seen such individuals at the premises. You have an obligation to cooperate with such an inquiry.

6. What do you do if the officer has a search warrant for a specific room?

You should take the following steps, all of which you are entitled to:

- Ask the officer to serve the warrant at the main office if you have more than one facility; call your attorney, ask him/her to be present; whether your attorney is present or not, ask to see ID and record the name, rank and agency of the individual serving the warrant;
- Keep a copy of the warrant together with a list of items the officers take with them (photocopy their list if possible; all searches by warrant include "vouchering" or making an inventory of seized property); insist that the officers leave a copy of the seized items in the tenant's space when finished and before over-locking;
- Record the name, rank and agency of each officer present; don't omit anyone, even if they say they are going "off duty" or "just observing" or "he's a friend";
- Tell the officer(s) that he/they must cut the lock; do not let your employees do this; ask the officers if you can video the search; in many searches today, the officers may video the search; if they make a video, make a written record of this in your file;
- Make an immediate, written record of everything that occurs;
- When the police finish, over-lock the door with your lock and send a letter IMMEDIATELY to the tenant, inform him/her that the unit was the subject of police activity and that you over-locked the room and that keys are available for the tenant at the office.

7. What if the officer threatens to arrest you for refusing to let them enter the occupant's space or for refusing to cut the lock? Call your attorney and/or demand to speak to the officer's superior or the prosecutor's office. Experienced law enforcement personnel are expert "bluffers"; you are a legitimate business person, don't fall for their bluff. Remember if you agree to do something wrong and your customer suffers some type of harm or injury, you will be sued and it will be very difficult for you to even find the police officer to explain what happened or that you were only trying to "cooperate" and be a good citizen. Your business can be seriously harmed.

8. What if the police officer or other governmental official cuts the lock and enters the unit without your permission? Again, demand to speak to the officer's superior or the prosecutor and make an immediate, written record of everything that happens; immediately call your attorney. Do not try to physically stop the officer; take a video/photo if possible. Do not put yourself in harm's way.

9. What if you hear rumors about one of your tenants or what if you suspect that a tenant is involved in criminal conduct? First, you are not a police officer or law enforcement; that is not your job description; if you are concerned, discuss this with your attorney and ask him/her to contact law enforcement. If law enforcement has concerns, they know how to get a legitimate search warrant; that is in their job description. If your employees have these concerns, do not let him/her take any action but rather again contact your attorney.

10. What if a "private investigator" or retired member of law enforcement seeks information or access? Avoid any involvement with "PI's" or persons claiming to be retired law enforcement seeking information. This is not TV or the movies. Treat retired personnel the same as "PIs" and warn them that you intend to report their activities

to the local, state or federal authorities as the case may be. In no event give them any information or access and be wary of engaging in extended conversations with such persons at your place of business. Ask them to leave immediately and if they don't, call the police. REMEMBER THIS IS YOUR RIGHT AND YOUR BUSINESS!

FINALLY, IF YOU ARE UNSURE OF THE ACTION TO TAKE, CALL THE STATE ASSOCIATION OFFICE AND ASK FOR HELP. TELL THE LAW ENFORCEMENT OFFICER THAT YOU ARE GOING TO CALL THE ASSOCIATION AS THEY HAVE EXPERIENCE IN THESE MATTERS.

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TAX TIPS

With Irv Blackman

Can you really lower the Estate Tax?

Yes!

A key goal of most successful business owners is to reduce their potential killer estate tax liability. Why?... Because their professional advisors assure them estate tax reduction is the best that can be done. Clearly, reduction is the wrong target. Instead, aim for the bulls-eye: ELIMINATE 100% of the estate tax!

A fun day at our office is talking about a real client with a tough estate tax problem... identify the issues... develop a plan... and then, hit the bulls-eye. Over the years we have developed a System that eliminates the impact of the estate tax...

"Yes", and every time. Whether you are 39 or 89 (or any age in between). Whether you are single or married (or remarried). Whether you are insurable or uninsurable.

Let's take a look at a reader-Joe, a business owner from Wisconsin-who had consulted with three advisors before calling me. The way Joe put it, "I'm calling more out of frustration than any hope of beating the estate tax."

Joe sent me his personal financial statement, which-including the assets owned by his wife, Mary-is summarized as follows:

You might ask, "What is all that alphabet-soup stuff under the words tax strategy?" Well, in the order listed they mean, Qualified Personal Residence Trust (QPRT), Subtrust (of the 401(k)), Intentionally Defective Trust (IDT) and Family Limited Partnership (FLIP).

Sound complicated?... Well, it's not. It's no different than a watch: you don't have to know how to build one to tell time. Well, you don't have to know how to draft the pile of documents Joe and Mary had to sign to build the plan that killed their estate tax on a \$9.15 million estate.

Let's take a look at the results accomplished by each tax strategy used to design Joe and Mary's transfer/estate/succession plan.

The QPRT. The residence was transferred to a QPRT, which allows Joe and Mary to live in the house for a period of years. After the QPRT (remember, it is a trust) terminates, the house will be owned by their two nonbusiness children: John and Jen. (Joe, Jr., the third child, runs the business.) The QPRT allows the value of the residence to be substantially reduced (to under \$100,000) for tax purposes.

The Subtrust. This strategy is the easiest and biggest tax winner. Qualified plans (like a 401(k) and IRA) are double taxed. If Joe and Mary got hit by the same bus, after income tax and estate tax (the double taxes), their family would only net \$216,000 after tax. Sorry, but the IRS-by law-would rob Joe and Mary, taking a total of \$584,000. A tax tragedy!

Ah, but a Subtrust allows the 401(k)-after transferring all of the IRA funds to it-to buy \$2.5 million of second-to-die life insurance on Joe and Mary. The entire \$2.5 million will go to the family when Joe and Mary pass on. Totally tax-free. Pretty neat. We turned \$216,000 into \$2.5 million using a Subtrust.

The IDT. If you have one or more kids (it could be any other relative, a fellow stockholder or even an employee) who you intend to sell the business to, no doubt your new tax friend will be an IDT. Here we used the IDT to transfer Success Co. to Joe, Jr. Joe and Mary will receive a stream of tax-free income from the IDT. And Joe will control Success Co. for as long as he lives. When all is said and done, Joe will have transferred Success Co. to Joe, Jr.: Not one cent of capital gains tax for Joe; zero dollar cost to Jr.

The FLIP. Joe and Mary will be general partners; the three children limited partners. The assets transferred to the FLIP can be dealt with (by Joe and Mary for as long as they live) in almost the same way as before the transfer. All the partners share in the income, but the value of the assets transferred is reduced-for tax purposes-by about 35 percent. Put another way, over \$1,400,000 of the \$4,100,000 transferred to the FLIP will escape the estate tax.

Continued on next page

ASSET	VALUE	TAX STRATEGIES*
Residence	\$450,000	QPRT
401(k) and IRAs	800,000	SUBTRUST
Success Co. (family business)	3,800,000	IDT
Other assets (cash, real estate, stocks, etc.)	4,100,000	FLIP
Total	\$9,150,000	

*The strategies automatically selected by our System to eliminate the estate tax.

What were the final tax results? Well, the best of the three previous advisors would have gotten \$5.8 million to the family (\$3.35 million in taxes).

Our plan—using the strategies, as driven by the System—will get just over \$10 million to the family. All taxes paid in full. The System actually created some tax-free wealth. And Joe has absolute control over all the assets for as long as he lives.

Yes, Joe and Mary's plan is a true real-life story. No, we did not tell you every detail of the overall plan. Space does not permit. Take another look at your own transfer/estate/succession plan. If it does not target eliminating all of the potential estate tax liability, get a second opinion.

Now, want to learn more about each of the strategies used above, the System and how to create your own tax-saving/tax-free wealth creation plan? Go to my website, (www.taxsecretsofthewealthy.com). There's a ton of easy to understand stuff.

JOINT TENANCY... NOT A GOOD IDEA IF YOU HAVE AN ESTATE TAX PROBLEM

Joint ownership between family members, usually husband (Joe) and wife (Mary), is a common way to hold title to property. The single big advantage is simplicity... On the death of one spouse (say Joe) the title of property held jointly with right of survivorship automatically goes directly to Mary (the surviving joint tenant).

But beware: What seems to be an advantage could be very expensive tax-wise. Before you put property into joint tenancy or keep your property title in this manner, there are two important points you should know.

First, your right and ability to pass property free of the estate tax can be lost through joint tenancy. An example is the easiest way to explain. Before looking at the example let's take a peek at how and how much the estate tax can rob you of your hard earned dol-

lars. The highest estate tax rate now (2004) is 48%, falling to 45% in 2007, zero percent in 2010 and skyrocketing to 55% in 2011. If you get hit by a bus in 2004, the first \$1.5 million escapes the estate tax (I call this the "freebie"). Our good friend, the freebie, is scheduled to rise to \$2 million in 2006, \$3.5 million in 2009 and, would you believe, falls to \$1 million in 2011. Unfortunately, the rob-you-of-your-wealth-estate tax law is clear. Dumb! But clear.

Now, we are ready for two examples: one happy, one unhappy. Let's do the unhappy guy first.

Suppose the combined worth of Joe and Mary in 2011 will be \$2 million, and they hold all their property in joint tenancy. Joe dies first. Instantly, Mary becomes the sole owner of all the property. Suppose Mary lives off the income and dies many years later with the same amount (\$2 million) of property. She leaves the \$2 million to her children. Mary's estate tax will be \$400,000. An unnecessary tax tragedy.

Now the happy, no-joint-tenancy-guy example. This time Joe and Mary each own \$1 million in property in their own names. Joe dies. Joe sets up his estate so Mary gets the income from his \$1 million for as long as she lives, and upon her death, this property goes to the children. When Mary dies she also leaves her \$1 million of property to the children, for a total of \$2 million. Guess what the combined estate tax is for both Joe and Mary?... ZERO! Talk to your professional about setting up a credit shelter trust. In this example, Joe and Mary saved \$400,000. Actually, the more you are worth, the more you will save by following the happy-guy example.

Second, joint tenancy can also cost you income tax dollars. Here's an important tax rule you should burn into your mind: The tax basis of any property owned by a decedent (a person who dies) receives a new tax basis—its fair market value on the date of the decedent's death. For example, Joe owns (has title in his name only) Public Co. stock that he purchased for \$2,000 over 25 years ago. When he dies the stock

has a value of \$100,000; the \$100,000 becomes the new tax basis for the stock. He leaves the stock to Mary who sells it for \$103,000. She only pays income tax on \$3,000 (\$103,000 minus the \$100,000 new tax basis). The old \$2,000 tax basis died with Joe.

Now suppose the same stock was held in joint tenancy and Mary sells it for the same \$100,000. Her tax basis is only \$51,000. Why? According to the tax law, she owned half of the stock with a tax basis of only \$1,000, while Joe's half became hers with a new tax basis of \$50,000. Mary must pay income tax on \$52,000 (\$103,000 minus \$51,000). Another true tax tragedy!... We see it all the time when people get the wrong tax advice.

If you own any property in joint tenancy with your spouse (or anyone else), review the tax consequences. Run the numbers: with joint tenancy and no joint tenancy... NOW! You can change the title-back and forth between husband and wife—to best suit your estate tax planning without incurring any current tax.

Want to learn more legal techniques that reduce or eliminate your estate tax? Send for our most popular Special Reports: (1) HOW YOU CAN BEAT THE ESTATE TAX... LEGALLY; (2) PAY ZERO ESTATE TAX... The Super Trust Way; and (3) TRANSFERRING YOUR BUSINESS When You Have TWO OR MORE CHILDREN. (\$27 each, \$45 for any two, \$59 for all three). Write to Book Division, Blackman Kallick Bartelstein LLP, 10 South Riverside Plaza, Suite 900, Chicago, Illinois 60606.

BUSINESS REAL ESTATE... WHO SHOULD OWN IT?

The first commandment of my some-day-I-will-write-it bible of taxation would be "Thou shalt not put real estate into a corporation."

We see it at least a dozen times a year: When readers of this column ask us to do a tax consultation (usually for transfer/succession/estate planning), we find the business real estate in a separate C corporation (sometimes an S corporation) and leased to the operating corporation. Often, the real estate is owned by the operating corporation. Wrong! All are wrong. Actually a tax disaster waiting to happen. Why?

Someday, when you try to get the real estate (invariably, depreciated down to a low tax basis and appreciated in value) out of the corporation, you will run straight into a double tax. Again—why? Well, the first tax will hit the corporation when the real estate is sold (or transferred to the stockholders). Problem is, the sales proceeds are stuck inside the corporation and there are only two ways to get at those proceeds: via a dividend or a corporate liquidation. Sorry, both are subject to a second tax. A transfer of the property to the stockholders also triggers a double tax. So

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what's the answer? Imagine a business owner (Joe) who is married to Mary. Joe should take title at the time the real estate is purchased. Here are some of the tax goodies that can come Joe's way over time:

1. When Joe retires, the rent he collects is not subject to the social security tax (or other payroll taxes) nor does the rental income interfere with his social security benefits.
2. Joe can borrow (tax-free) against the property if he needs cash.
3. A sale of the property is subject to only one capital gains tax, which Joe can report on the installment method if he takes back a mortgage for a portion of the purchase price.
4. When Joe dies, his heirs get a raised basis. Say Joe bought the property 25 years ago for \$100,000, and it is now fully depreciated down to the \$20,000 (the cost of the land). The value of the property on his date of death is \$620,000. Now, get this-that built-in \$600,000 of profit escapes income tax. Forever! And also this-Mary now owns the real estate (free of income and estate taxes) with a brand new tax basis of \$620,000. Just as if she had bought the property for that price. Yes, she can depreciate the property (except for the value of the land using her new \$620,000 tax basis, which will shelter her rental income.)
5. The property can be put into a Family Limited Partnership (FLIP), which has many tax and non-tax benefits. For example, a \$1 million piece of real estate transferred to a tax FLIP can receive a discount for estate tax purposes of about \$350,000. The estate tax savings could be as high as \$192,000.

And, oh yes, when Mary dies, the law allows her to repeat the raised-tax-basis trick all over again when she leaves the property to the kids.

Now you know why owning real estate in a corporation is not only a tax trap, but it also prevents you from reaping a tax harvest during your life, at your death and beyond.

Want to learn more tax tricks that will save you a bundle? Read these Special Reports:

(1) How to TAKE MONEY OUT of Your Closely Held Corporation;

(2) How to TRIPLE YOUR PENSION, PROFIT SHARING OR IRA VALUE; and

(3) Unlocking the Secret to Tax-Free Wealth Transfer... FAMILY LIMITED PARTNERSHIPS.

(\$27 each, \$45 for any two, \$59 for all three).

Write to Book Division, Blackman Kallick Bartelstein LLP 10 South Riverside Plaza, Suite 900, Chicago, Illinois 60606.



Gay Combs Loses Fight With Long Term Illness

Gay Combs, the voice of Lock America to hundreds of customers in the amusement, gaming, vending and self-storage industries, passed away this October after a long illness. Weakened by her fight, Gay left the office nearly two years ago, but she was never far from the thoughts of those she taught and befriended in the office, or far from the thoughts of the many customers who continued to ask "How's Gay doing," over the last stages of her illness. For many of these customers, Gay was the first contact they ever made at Lock America, and to them she *was* the company. Gay's sister Sandy liked to tell how Gay was proud of being known as the "Oldest Teenager Alive" to her daughter and her many friends. And she brought the enthusiastic, fun-loving side of adolescence to the office every day. Gay was as pleasant as she was knowledgeable, and many of her customers stayed with her and Lock America as they changed companies. She took her job seriously, dressed neatly and stylishly every day. To her, style was a sign of respect for the job and her customers. You can't see fashion over the phone, but you could always sense her professionalism, her knowledge, and her interest in the person at the end of the line.

**A successful business is built on
team work and respect, and those were
two of the values that Gay brought to
work with her everyday.**

Five Things to Consider About Rent Collections:



There is no doubt that collecting delinquent rents, especially conducting lien-sale foreclosures, is the crummy part of our business. Although some are better at it than others, I have never met an operator who enjoys chasing tenants for money. Sure, you typically collect extra revenue in late fees, but most would agree that you're better off when everyone pays on time. And since we all know that is never going to happen, even with the advent of automatic credit card billing and all of the other payment options available today, you really have to give some thought to your systems and procedures.

To help you get in the right frame of mind, here are five aspects of the rent collection process that I feel any operator must consider:

1. You absolutely need to establish some WRITTEN procedures and keep them POSTED within the office.

As the owner/operator or manager of the facility, you (hopefully) have some expectations of when you would like follow-up to happen and how you would like it to be handled. Well, you need to put those expectations in writing so everyone else knows what they are. If you expect a phone call to be made or an e-mail to be sent on a specific day after the initial due date, then you need to communicate that to your employees. Furthermore, if you expect your staff to handle calls/follow-up in a certain manner (e.g. be polite and friendly initially, but threaten tenants with the auction process after a specific point), then you need to communicate that too. It is never enough to simply say you want late calls to be made and you want rents to be collected. You know what they say about assuming something, and the same holds true here. If you just assume your manager/staff knows what to do when it comes to rent collections, then don't be surprised when they don't follow through the way you want them to.

Also keep in mind that written procedures make great training tools. So the work you do creating rent collection procedures has an added benefit/payoff.

2. You must document EVERY call/conversation to/from a delinquent tenant.

If you don't make this a practice within your self-storage operation, you inevitably will have problems. The most obvious reason is the potential liability if/when a tenant's belongings go up for auction. Sure, you may have done everything right, but you want to have documentation showing that you made repeated phone calls, made an effort to reach alternate contacts, etc.

Documentation also helps the facility manager manage the actual rent collection process. A manager can look at a call chart to see when the last contact was made and what was said or promised, and can then more easily figure out who to call and what to say next. This is especially important when multiple employees handle rent collections, since the same person isn't always making the calls. And with the computer programs available today, not only is the documentation process simplified, but also there is (typically) the ability to set the next action date, which is especially helpful.

Finally, documentation helps an owner or area manager manage staff members. With the ability to review calls and call history, he/she can quickly get an accurate read of what is truly going on. Managers can't claim calls are being made when they aren't. And the owner/area manager, as needed, can give specific coaching/advice based on what he/she sees in the history.

You must document every call/conversation to/from a delinquent tenant.



3. You should avoid the auction process whenever possible and make deals with tenants whenever it makes sense.

Oddly enough, the best way to avoid the auction process is by threatening delinquent tenants with the auction process itself. It sounds funny, but some tenants will always push you to the brink of auction and pay up only when they hear the word "AUCTION." You have their stuff, so use it to your advantage. Set a time period at which you want to start threatening with the auction process. If you don't, managers will avoid even mentioning it to tenants because most people are uncomfortable telling someone else that their belongings are about to be sold. It's only human nature.

Managers must also make it a habit to review and check their work. It isn't uncommon to find that a wrong number is being called (No wonder no one returns our calls!), a change of address was overlooked, or some other error was made that is keeping you from making contact with a tenant. In those situations, finally making contact will often miraculously make a check appear in the mail. Certain tenants know the rent hasn't been paid, but only send a check after they get that nasty message about an auction.

Operators must also be willing to make deals when they make sense. Typically, a deal to avoid auction makes sense for the operator only when the tenant is required to move out. Try to get what you can, but often it is far better to cut your losses and allow a tenant to vacate than to have to conduct a lengthy auction process, which involves a lot of time and money. And most of the time the sale of a self-storage room will not bring in an amount even close to what was owed, so why bother? Wouldn't you rather re-rent the room to a new, paying tenant?

4. NEVER conduct a lien-sale auction without making repeated attempts to contact the tenant, without following the laws in your state and the terms of your lease, or without having someone else review the work of the manager.

You want to make repeated efforts to contact the tenant BEFORE starting an auction, not only with the hope that your nagging requests will result in a payment, but also to protect you against liability claims (i.e. that you didn't bother to contact the tenant ahead of time). You should be contacting tenants at least once per week and continuing to do so right up to the date of the auction. Even if you keep getting no answer, make the calls and document them. Make sure you also try to reach any alternate contacts that were provided by the tenant, as well as any parties who make any claims to the property being auctioned. Call EVERYONE and call OFTEN! Even try calling on the weekend if you never get an answer

during the week. All of this may seem excessive, but you have to protect yourself and it is a reasonable expectation (from a judge's perspective) that an operator should try to make every effort prior to auctioning a room.

Following your state laws is an absolute must. Most states have given self-storage operators a remedy for dealing with tenants who refuse to pay rent. However, they have made what needs to happen very clear, including specific timelines, if an operator is going to auction a room, and they will almost always rule against an operator whenever the procedures are not followed.

Additionally, make sure you follow the terms of your rental agreement. Your rental agreement is the tool that sets the default date, for example, along with other terms, so you must ensure what you are doing is in compliance with it. Again, a judge will be quick to rule against you if you haven't bothered to follow the terms of your own rental agreement.

Having someone other than the manager or employee who has handled the delinquent tenant proceedings is also critical. Since there are so many notices, so many details, and so many rules/requirements to follow, it is very easy to make a mistake somewhere along the line. Make sure you have someone else (preferably the owner or an area manager) check for those mistakes before proceeding with the auction. If you find anything askew, start the process over again. Don't take any chances!

5. Set some goals and expectations.

As an operator, you probably know what a reasonable delinquency rate is for the facility and the area it is located in. Maybe it is a very low number because the community is very affluent and your tenants have a history of paying on time. Or maybe it is a higher number because there are economic issues and tenants have always had trouble paying their rent. Whatever the case may be, communicate your expectations so the manager knows what is expected. Furthermore, revisit your expectations/goals periodically so they remain in synch with what is happening. For example, your area may experience a lot of unemployment or some other economic hardship. Certainly, you would expect to have more difficulty collecting rents if that were to happen. Or maybe there are times during the year when delinquencies have a tendency to rise (e.g. summer vacation time, during the Holidays, etc.). Again, you need to keep those things in mind when setting expectations.

Regardless of the size or complexity of your operation, you need to have set procedures that communicate your expectations and create guidelines for your staff to follow when collecting delinquent rents. Following these five guidelines will help you to create and manage a delinquent rent collection program that is suitable for you. Collecting delinquent rents is never easy or fun, but it is a reality for most businesses and self-storage is no exception. How effectively you handle this reality is up to you. The more thought and effort you put into it, the better the results.

Jim DiNardo has over 16 years of experience in the self-storage industry. As Operations Manager of one of the largest self-storage operators in the metropolitan Boston area, Mr. DiNardo was involved in all aspects of the business and responsible for the overall performance of the staff and facilities.

J. DiNardo Consulting performs self-storage feasibility and market studies, analyzes a wide range of facility operations, and performs general business consulting. For more information about J. DiNardo Consulting, call 781 944-9848 or e-mail jimdinardo@comcast.net.



Facility Spotlight:



Intown Self Storage, St. Cloud, Minnesota
Bruce Hubbard, Owner

Bruce Hubbard has been in the self-storage business for over thirty years. He opened his first facility in the early 1970s, and opened our spotlight location, Intown Self Storage in St. Cloud, Minnesota in 1976. It's been a long and successful operation. Then why take the risk of remodeling and retrofitting a long time good earner? For one thing, the market has grown dramatically. St. Cloud is about an hour to Minneapolis by Interstate, and the two population centers are growing closer. St. Cloud has doubled in size in the last ten years. Bruce knew that a larger more modern facility would take advantage of this market growth.

“Back in 1973, when we started, there was no industry. We had to learn everything. There were no fences, no gates; renters put any kind of lock that was handy on the door. As the industry grew, thieves got smarter. We had to add fences, gates, pay more attention to security. We decided it was time to bring our St. Cloud facility up-to-date. We wanted a larger office, larger rental spaces, to attract commercial clients. We wanted to get rid of padlocks. We decided to install the 600 series cylinder lock system from Lock America. It was the answer to cheap locks.” Bruce accomplished this lock and latch retrofit during the remodeling of all the buildings, while retaining a large portion of his tenants (over 60%). They had no problem giving up their padlocks. “When we explained the cylinder system, no one balked. They like the idea. The security feature is sellable and marketable to our customers.”

The remodeled facility has added other security features that are pretty much standard in the industry now: a gate with keypad access control, linked to the facility's property management system, and cameras placed strategically: in the lobby, on the gate, and in the site's climate controlled building.

It wasn't just security that prompted the decision to remodel. Bruce points out that when the facility opened, there was room for “two people and a dog” in the office. Now, the lobby is a sales area, with plans to at last offer the standard “ancillary products” for sale to renters. One item that is not an “ancillary product” is the cylinder lock. At this facility, security isn't left to the whim of a renter. The lock, like the gate, keypad and cameras, is part of the security system, a system that has taken this first generation facility into the twenty-first century.

An additional market-driven feature is the climate control system in one of the new buildings. Minnesota has major temperature variations through the year. Intown Self Storage is the first facility in the market to offer this feature, further distancing itself from the competition.

- - - - The Telegram Security Survey - - - -

Answer questions, win prizes!

Here's our fourth annual security survey. Security concerns and responses are always changing. We'd like to learn more about your current experience and attitudes regarding self-storage security.

And to provide some incentive for responding, we'll draw five surveys at random to win a prize of two bottles of the fine wine we've been giving as prizes for our Crossword Puzzle.

Fill in the form below and fax or mail to the Telegram by January 28, 2005.

SECURITY ATTITUDES:

- How important do YOU consider security at your facility?
Very Important
Somewhat Important
Slightly Important
Not Very Important
- How important do YOUR RENTERS consider security at your facility?
Very Important
Somewhat Important
Slightly Important
Not Very Important
- Do you point out security features in your advertising?
Yes
No
- Do you point out security features when you meet renters at your facility?
Yes
No

LAW ENFORCEMENT:

- Do you communicate with Law Enforcement agencies?
Regularly
Occasionally

Do you have any regular program with them, such as allowing K-9 drug or explosive training?

SECURITY FEATURES:

- Access control: Do you have...
Gate open during business hours
Keypad/card controlled gate at all times

Other: _____

- Automated Attendants: Is your facility...
Completely automated?
No manager on site
Lights: Full time at night
Motion activated
Other: _____

- Cameras: Select all that apply
None
Gate
Perimeter
Lobby
Corridors
Other: _____

- Do you have an intercom system on site?
Yes
No

- Proof of Identity: Do you require renters to show...
Photo ID
License or other proof of identity

Additional Identity Verification:

- Locks: Do you
Sell locks
Give away locks
Require disk locks
Require cylinder locks

- What other security measures do you have at you facility?

Thank you!

Name: _____ Facility Name: _____
Address: _____ City _____ State _____ Zip _____
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Mail this survey to The Self-storage Telegram
37 South Gate Park, West Newton, MA 02465 or Fax to: 617-965-6257.

Deadline for prize drawing: January 28, 2005.

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Sixth Through Tenth Prizes
One Bottle of Fine Wine

Winners picked from first ten correct entries received - Mail or fax to the address and number on the inside cover.
All entries must include a name, facility name and address and phone number.

Across

- 1. Fall sport.
- 8. They fall in fall.
- 14. Prophet, seer or software company.
- 15. To join with.
- 16. Musical note.
- 17. The "Show Me" state (abbrev.).
- 18. To throw.
- 20. Large wood manufacturer (abbrev.).
- 21. Also.
- 23. They come out at Halloween.
- 25. Opposite of West.
- 26. ___ Constitution.
- 27. Chemical symbol for gold.
- 28. Jack Welch's former company.
- 29. Women's golf group ___ G _.
- 32. To fall back or revert.
- 34. Sufficient.
- 37. To toss high.
- 39. Where South Beach is.
- 43. To run away from.
- 44. ___ what.
- 45. Home of the Braves.
- 47. ___ P.
- 48. Fill a lot of newspaper space this time of year.
- 49. Birmingham is its capital (abbrev.).
- 50. Ancient wisdom.
- 52. ___ P or C.
- 53. Famous hot little Pontiac.
- 54. Singular of 12 down..
- 56. Rough Rider president (abbrev.).
- 58. ___ -Day celebrates end of WWII in Europe.
- 59. Not old.
- 60. End of your foot.
- 61. Currency in Europe.
- 62. Detective novel *The Continental* ___, by Dashiell Hammett.
- 63. Famous horse Mr. ___.
- 65. Buddy Holly hit *Peggy* _____.
- 67. You and me.
- 68. Didn't stand.
- 69. Skilled.
- 70. A large ornamental feather.

Down

- 1. What we all seek.
- 2. Famous cookies.
- 3. Political union of western hemisphere nations, ___ S.
- 4. Ted Turner's cable movie channel (abbrev.).
- 5. Where Internet gossips post their news.
- 6. What professional actors belong to (abbrev.).
- 7. Southeast Asia country.
- 8. Not more.
- 9. Half the length of an "em dash."
- 10. Concurs.
- 11. Government agency that takes care of soldiers (abbrev.).
- 12. Fried, poached or scrambled.
- 13. Month when fall starts.
- 18. Famous bike race, ___ de France.
- 19. To delay.
- 22. Capital of Norway.
- 24. Sound of a laugh.
- 28. It helps you find your way (abbrev.).
- 30. Mountain lion.
- 31. To shake up.
- 33. A pair of elevated urban railways.
- 35. Kind of pasta.
- 36. Made holy.
- 38. Ancient English language (abbrev.).
- 40. The Pilgrim state (abbrev.).
- 41. A small bay.
- 42. River craft (plural).
- 43. "___ fi fum, I smell the blood of an English man."
- 44. Soothing creams.
- 46. African country.
- 51. One way to play the guitar.
- 53. Measure of a country's wealth (abbrev.).
- 55. Rod and _____.
- 57. Aromatic flower.
- 62. Extra period in sports when the score is tied (abbrev.).
- 64. The first state (abbrev.).
- 66. Not down.

WINTER

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of view that
focuses on security,
operations and
marketing topics for
the self-storage
industry.***

CALENDAR

Association Meetings & Events

2004

DECEMBER

- 10 **New York Self-Storage Association:** Grassroots Seminar, New York, NY; call 518-449-3333; kathy@nycapcon.com; nyssa@netheaven.com
- 21 **Texas Mini Storage Association:** Luncheon, Dallas, Texas; call 888-259-4902; www.tmsaonline.org

2005

JANUARY

- 13 **Arizona Ministorage Association:** Regional Seminar, Tucson, for addition information call 480-838-6780 or email amsa@azselfstorage.com
- 23-26 **Self Storage Association:** Ski Workshop, Squaw Creek Resort; Squaw Valley, CA; for more information, go to www.selfstorage.org
- 27-28 **Illinois Mini Storage Association and Indiana Self Storage Association:** Second Annual Conference and Trade Show, Lisle Hilton, Lisle IL; for more information, call 217-528-5230 or email Karen@p-a-m-s.com

FEBRUARY

- 5 **New York Self-Storage Association:** Grassroots Seminar, Holiday Inn, Saratoga; call 518-449-3333; email kathy@nycapcon.com; nyssa@netheaven.com
- 16 **Florida Self Storage Association:** Southern Region Quarterly Luncheon, Fort Lauderdale; for more information, call Jeanne Braker at 561.470.1840 or visit www.floridassa.org
- 17 **Florida Self Storage Association:** Western Region Quarterly Luncheon, Bradenton; for more information, call Jeanne Braker at 561.470.1840 or visit www.floridassa.org
- 23-25 **ISS Conference and EXPO:** Las Vegas Hilton, Las Vegas, NV; to attend, contact Bill Morgan, 480-990-1101, ext. 1405, or email bimorgan@vpico.com; to exhibit, contact Danica Carpenter, 480-990-1101, ext. 1200, or email dcarpenter@vpico.com

MARCH

- 10 **Arizona Ministorage Association:** Regional Seminar, Yuma; for addition information call 480-838-6780 or email amsa@azselfstorage.com
- 15-16 **Self Storage Association:** Developers Seminar, Philadelphia, PA; for more information, go to www.selfstorage.org
- 16 **Self Storage Association:** Professional Development Course for Managers, Philadelphia, PA; for more information, go to www.selfstorage.org
- 16-19 **Self Storage Association:** Spring Conference and Tradeshow, Philadelphia, PA; for more information, go to www.selfstorage.org
- 19 **Florida Self Storage Association:** Western Region Quarterly Luncheon, Bradenton; for more information, call Jeanne Braker at 561.470.1840 or visit www.floridassa.org
- 31 **New Jersey Self-Storage Association:** Annual Convention, Woodbridge Hilton, Woodbridge; call 518-449-3333 or kathy@nycapcon.com; nyssa@netheaven.com

APRIL

- 7 **Connecticut Self-Storage Association:** Grassroots Seminar, Danbury; call 518-449-3333 or email kathy@nycapcon.com; nyssa@netheaven.com
- 18 **California Self Storage Association:** Northern California Educational Seminar, San Jose, CA; for more information, call 310-451-7774 or email info@cssaweb.com
- 28 **New York Self-Storage Association:** Western Region Managers' Seminar; call 518-449-3333 or email kathy@nycapcon.com; nyssa@netheaven.com

MAY

- 5-6 **Arizona Ministorage Association:** Annual Conference and Tradeshow, Phoenix; for addition information call 480-838-6780 or email amsa@azselfstorage.com
- 18 **Florida Self Storage Association:** Southern Region Quarterly Luncheon, Fort Lauderdale; for more information, call Jeanne Braker at 561.470.1840 or visit www.floridassa.org
- 12 **New York Self-Storage Association:** Grassroots Seminar, Pittsburgh; call 518-449-3333; kathy@nycapcon.com; nyssa@netheaven.com
- 19 **Pennsylvania Self-Storage Association:** Grassroots Seminar, Smithtown, Long Island, NY; call 518-449-3333 or email kathy@nycapcon.com; nyssa@netheaven.com

JUNE

- 30 **Arizona Ministorage Association:** Regional Seminar, Flagstaff; for addition information call 480-838-6780 or amsa@azselfstorage.com

AUGUST

- 17 **Florida Self Storage Association:** Southern Region Quarterly Luncheon, Fort Lauderdale; for more information, call Jeanne Braker at 561.470.1840 or visit www.floridassa.org
- 18 **Florida Self Storage Association:** Western Region Quarterly Luncheon, Bradenton; for more information, call Jeanne Braker at 561.470.1840 or visit www.floridassa.org
- 24-26 **Missouri Self Storage Owners Association:** Fall Meeting and Trade Show, Lake of the Ozarks, MO; for more information, call 816-587-5330 or email mssoa@yahoo.com

SEPTEMBER

- 6-7 **Self Storage Association:** Developers Seminar, Las Vegas, NV; for more information, go to www.selfstorage.org
- 6 **Self Storage Association:** Professional Development Course for Managers, Las Vegas, NV; for more information, go to www.selfstorage.org
- 7-10 **Self Storage Association:** Fall Conference and Tradeshow, Las Vegas, NV; for more information, go to www.selfstorage.org
- 29 **Arizona Ministorage Association:** Regional Seminar, Show Low; for addition information call 480-838-6780 or amsa@azselfstorage.com

NOVEMBER

- 3 **Arizona Ministorage Association:** Regional Seminar, Verde Valley; for addition information call 480-838-6780 or email amsa@azselfstorage.com

Industry News

Lock America, Inc. Adds Two New Team Members

Lock America Inc. (dba L.A.I. Group) has added two new team members to its North Carolina sales office. Pam Blincoe will be working as assistant to Vice President of Marketing/Sales Christopher Shope. Blincoe brings with her a long history of retail sales as well as a strong background in paralegal experience. She will be responsible for assisting in the company's continued growth in their east coast marketplace.



Christopher Shope VP of Marketing/Sales adds that these new employees will aid greatly in the service and care for our customers on the east and beyond. We are growing as a company, so we are hiring folks with strong skills to meet the

Morgan Lambert will be heading up outside sales for east coast. Lambert brings extensive experience in agricultural and industrial sales. He will be responsible for overseeing all of the company's sales in the eastern US. His vast knowledge will ensure that our existing and new customer base will have exceptional customer service.



challenges of our continued growth in numerous marketplaces.

For more information these individuals can be contacted at 704-824-8363 or pam@laigroup.com & morgan@laigroup.com.

Recent Argus Transactions: Hilldale Mini Storage in Clarksville, Tennessee Sold by John Raines of The Argus Self Storage Sales Network

John Raines of The Real Estate Connection in Trenton, Tennessee, represented the seller of Hilldale Mini Storage in Clarksville, Tennessee. The facility consists of 22,539 rentable square feet on 1.48 acres. The property is located in the downtown area of Clarksville. It was opened in 1987. At the time of sale in September 2004, the occupancy was 80-85%. The facility was purchased by I. McKeown, who also owns self storage properties in Texas and North Carolina.

Larry Goldman of The Argus Self-Storage Sales Network Represents Buyer in Sale of Cardinal Storage in Webb City, Missouri

Larry Goldman, CCIM, an Argus Self Storage Sales Network Broker Affiliate, represented the buyer of Cardinal Storage in southwestern Missouri. Located north of Joplin, in the rapidly growing suburb of Webb City, Cardinal Storage is 37,700 rentable square feet and has been expanding steadily over past few years.

The buyer, C&D Rentals from Arvada, Colorado, has acquired four facilities in the Joplin area in the past two years. Larry Goldman with the assistance of the Argus Self Storage Sales Network proves his self



REAL ESTATE, INC.

storage expertise and regional marketing capabilities by continuing to bring out-of-state investors to Missouri.

Bill Barnhill of The Argus Self-Storage Sales Network Sells Crews Stor-All in Panama City, Florida

Bill Barnhill, CCIM of Omega Properties in Mobile, Alabama, an Argus Self Storage Sales Network Broker Affiliate, sold Crews Stor-All in Panama City, Florida. The facility sold for \$1,000,000 at a 12% cap rate. This 26,702 RSF facility, situated on 1.93 acres, has an aggressive U-Haul dealership and "Pac and Ship" business.

Based in Denver, Colorado, the Argus Self Storage Sales Network (ASSSN) was formed in 1994 to better assist owners and investors of self storage. Through the years, Argus has been able to assemble a network of real estate brokers experienced in self storage and income property investments. Now the largest self storage brokerage network in the United States, the ASSSN has 30 Broker Affiliates covering nearly 40 markets. These brokers are able to meet the needs of

self storage investors and owners whether it is acting as a buyer's agent or listing and marketing a property. For more information call 1-800-55-STORE or visit www.selfstorage.com.

French Speaking INSOMNIAC To Serve Montreal Self-Storage Customer: Mini Entrepot 17ieme Ave, Inc. To Install Self-Storage Kiosk at New Facility

SCOTTSDALE, Arizona - October 26, 2004 - OpenTech Alliance, Inc. today announced that Mini Entrepot 17ieme Ave, Inc. is installing OpenTech's



INSOMNIAC(tm) self-storage kiosk at its new Montreal, Quebec facility. The soon to be opened facility will be the first in the world to employ a French/English-speaking kiosk to assist self-storage customers.

"Self-service kiosks are helping consumers in most industries today," said David Shefner, President of Mini Entrepot 17ieme Ave, Inc. "We are excited about bringing this new user friendly technology to Canada and know our customers will appreciate using a bilingual version of INSOMNIAC for their self-storage needs. This will enhance the 'lease up' and day to day operations of our facility and bring greatly enhanced service to our tenants."

The facility has been converted from a six-story 90,000 square foot warehouse and manufacturing building into 800 self-storage units and is scheduled to open late-November. Its new INSOMNIAC kiosk will have both French and English voice prompts and menu directions to enable self-storage customers to rent units, make payments, purchase locks, and update their accounts 24 hours a day. The kiosk will also interface in real-time with SMD Software's SiteLink 2004(tm).

"This new version of INSOMNIAC was specially designed for the bilingual Canadian market with the assistance of Mini Entrepot," said Mike Connolly, OpenTech's EVP of Corporate Development. "Combined with SiteLink, Mini Entrepot has a powerful, automated solution in place that will ensure management and customer satisfaction."

Created exclusively for the self-storage industry, INSOMNIAC is the industry's first vendor neutral, self-service kiosk fully supporting SMD Software's SiteLink 2004(tm) and other management programs.

For more information about INSOMNIAC, please visit www.opentechalliance.com or call (480) 778-9370. To learn more about SiteLink, please call (919) 865-0789 or visit www.smdsoftware.com.

SecurCare Completes Successful Rollout of Centershift® STORE™

SecurCare Self Storage recently finished the successful implementation of STORE, Centershift's web-based self storage rental management and point-of-sale software solution, in all of its 106 facilities. SecurCare, based in Lone Tree, Colorado, partnered with Centershift to take advantage of STORE's centralized database architecture, allowing SecurCare to consolidate management control and support facilities in geographically diverse locations while helping them improve operational efficiencies, reduce costs, increase profitability, and enhance data security.

Regarding the rollout to Centershift STORE, David Cramer, COO of SecurCare stated, "We have developed an excellent partnership with Centershift that has proven to be very valuable to SecurCare. The part-

nership has already provided significant dividends to SecurCare in the form of increased revenue and the ability to manage our operations with better control and efficiency. We feel strongly that the partnership will continue to benefit us in the future as we work closely with Centershift to incorporate our mobile point-of-sale, kiosks, and satellite office plans."

Andy Thompson, Regional Trainer for SecurCare, who was very involved in the planning and implementation of the STORE rollout, said "As a result of our joint planning and preparation, the implementation of STORE was very smooth and allowed us to immediately benefit from the capabilities provided by the application."

"Partnering with SecurCare has been a tremendous experience for Centershift, as SecurCare has proven to be very organized and prepared as well as committed to the rollout of STORE. As a result, the implementation was well planned and executed," said Terry Bagley, President & CEO of Centershift, Inc. "SecurCare is now utilizing STORE to obtain consolidated, multiple facility operational and financial reports, automate credit card processing, centrally manage rent rates and promotions, deliver real-time information to their call center and integrate with self service kiosks."

"SecurCare is already leveraging the capabilities of STORE in numerous ways." said Mark Smith, Centershift's Program Manager for SecurCare. "For example, Centershift and SecurCare have worked together to provide SecurCare with mobile point-of-sale capability. This has allowed SecurCare site managers the flexibility and customer convenience of taking the point-of-sale location directly to their customers while providing SecurCare with a competitive advantage. Centershift is pleased to be able to partner with them to provide innovative tools and unique capabilities that support their customer service requirements."

Centershift, an innovative service provider for the self-storage industry, provides rental management and point-of-sale solutions. Centershift STORE is currently used by leading multiple facility self-storage companies across North America.

For more information about Centershift, contact them at (877) 927-4438 or www.centershift.com. See their ad on page 3.

For additional information about SecurCare, please visit www.securcareselfstorage.com or contact them at (303) 705-8000.

About OpenTech Alliance, Inc.

OpenTech Alliance, Inc. is the leading developer of self-storage kiosks. Its impressive INSOMNIAC line of self-storage kiosks improves customer convenience, reduces operating costs and increases revenues for self-storage facilities. OpenTech's INSOMNIAC kiosks work with all Alliance Partner products including SMD Software's SiteLink 2004(tm), Centershift, Inc.'s

STORE(tm), Empower Software Technology's Storage Commander(tm), PTI Integrated Systems' TaskMaster(tm), and Syrasoft's Storage Management System. For more information on OpenTech, please visit www.opentechalliance.com or call (480) 778-9370.

Next Generation Facility Empowers Customers with Self-Storage Kiosk

SCOTTSDALE, Arizona - September 30, 2004 - OpenTech Alliance, Inc. today announced that Wesco Rental Businesses, LP, has empowered its customers to help themselves via OpenTech's INSOMNIAC(tm) self-service kiosk. Providing the ultimate in customer convenience and service, INSOMNIAC enables customers to make a payment, rent a space or update their account 24 hours a day at Wesco's next generation self-storage facility in Torrance, California.

Wesco Rental Businesses, LP, is pioneering the future of self-storage and rental services. Its state-of-the-art, 120,000 square foot facility features individually alarmed storage units, RV and boat storage, and wine storage. The complex also houses a full-service business center, a coffee shop and café, tool and equipment rental, party and special event rental and sales, and contractor supply and sales.

"Our rental businesses are all about convenience", stated Ed Detrich, President and COO of Wesco Rental Businesses. "We're creating a brand new way to service and empower customers. Installing INSOMNIAC was a natural fit for us since Wesco customers are busy people and don't always keep banker's hours."

"Wesco is redefining self-storage and what customers expect in the way of convenience," said Robert Chiti, OpenTech's President and CEO. "Wesco customers can now help themselves, while INSOMNIAC takes care of the details, including security and bookkeeping."

INSOMNIAC's fingerprint scanner, photo capture, and address verification features ensure the identity of each Wesco customer. INSOMNIAC is also seamlessly integrated with Wesco's property management software from Centershift and its security system from PTI Access so all customer information is accurate and secure.

About Wesco Rental Businesses, LP

Wesco Rental Businesses, LP, headquartered in Torrance, CA, is a next generation provider of self-storage and rental services. Its state-of-the-art, 120,000 square foot facility features individually alarmed storage units, RV and boat storage, and wine storage. The complex also houses a full-service business center, a coffee shop and café, tool and equipment rental, party and special event rental and sales, and contractor supply and sales. For more information, please call (310) 972-3617, or log on to www.wesco.la.

Jeffrey J. Greenberger Joins OpenTech Advisory Board

SCOTTSDALE, Arizona - September 23, 2004 - OpenTech Alliance, Inc. today announced that Jeffrey J. Greenberger, a Partner with the law firm of Katz, Greenberger & Norton, LLP in Cincinnati, Ohio, has joined the Company's Advisory Board.

"Jeff is widely regarded as one of the self-storage industry's leading legal experts," said Robert Chiti, OpenTech's CEO. "We're looking forward to tapping his incredible wealth of knowledge and know he will be a great contributor on our Advisory Board."

"I am looking forward to working with and learning from the talented people on OpenTech's Advisory Board," said Jeffrey J. Greenberger. "OpenTech's INSOMNIAC kiosk is an exciting addition to the self-storage landscape and one that will be fun to be a part of firsthand."

Mr. Greenberger concentrates his practice in commercial real estate and real estate litigation, focusing on representation of the owners of multi-family housing, self-storage facilities, office buildings, commercial warehouses, and shopping centers. Mr. Greenberger also has a concentration in debtor/creditor rights. Mr. Greenberger was admitted to the Ohio Bar Association in November 1992 and the Kentucky Bar Association in October 1993, and is a member of the State of Ohio, Commonwealth of Kentucky, Cincinnati and Northern Kentucky Bar Associations.

Mr. Greenberger is counsel to both the Ohio Storage Owners Society, Inc. and the Kentucky Self-Storage Organization and consults with both the Indiana and Illinois Self-Storage Associations. Most recently, Mr. Greenberger successfully lobbied in Ohio to pass late fee legislation modeled on the SSA Model Late Fee Bill. Mr. Greenberger's clients include either representation or consulting arrangements with self-storage facilities across the United States.

Mr. Greenberger joins other members of OpenTech's Advisory Board including, Pamela Alton, owner of Mini-Management Services, M. Anne Ballard, Founder and President of Universal Management Company, Diane M. Gibson, owner of Cox's Armored Mini Storage Management, Inc., Raymond E. McRae, Vice President and Director of Operations for Storage Solutions, Carol Shipley, President of United Stor-All Management LLC, and Franklin Young, Director of Sales and Marketing for DBCi.

Fleming Named Regional Manager

Investment Real Estate Management, LLC, recently selected David W. Fleming to join their property management team. As Regional Manager for the northeast sector of the firm's managed properties, Fleming will oversee on-site managers at over eight facilities in Pennsylvania, New Jersey and New York, providing operational consulting, training, and auditing.

Fleming has over 15 years experience in the self storage industry. Fleming is a double award winner by two of the industry's top magazines. He received the Manager of the Year award from Inside Self Storage and Manager of the Year award from Mini-Storage Messenger. He is a bi-monthly columnist for Inside Self-Storage, a featured speaker at ISS Trade Shows, as well as a frequent contributor to Self-Storage Telegram. His credits also include being lead instructor for Manager Seminars for Self Storage Associations in NY, NJ, MA, ME, NH and PA.



Investment Real Estate Management, LLC, based in York, PA, provides self storage management services to owners in PA, NY, NJ, MD, DE and VA. Visit www.investmentrealestatellc.com for more information.



We've Got You Covered!

SUN PRAIRIE, Wisconsin, September 3, 2004- Trachte Building Systems introduces a new Canopy Boat/RV Self Storage System to the self-storage industry.



Luxury boat and RV sales have been strong for the past several years and are expected to continue. This growth has generated an increased demand for secure, protected storage sites for large vehicles, and results in a new lucrative opportunity for the self-storage operator.

The Trachte Canopy uses sturdy, structural-steel framing to support a 1/4":12" pitch, 26-gauge R-panel roof. The pier footing design works equally well on gravel, blacktop, or poured concrete slabs and provides simple, fast erection. Every project includes sealed plans that are certified to meet all snow and wind loads for your state.

The new canopy structure is intended to accommodate large recreational vehicles and boats. This building design is an ideal addition to new or existing sites, offering straight or angled parking with wide, easy access bays.

Trachte Building Systems, the leading manufacturer and supplier in the self-storage industry, markets a full-line of pre-engineered steel building systems. In addition, the company specializes in smaller buildings for commercial and industrial use. Subsidiaries of Trachte include Trac-Rite Door, a premier manufacturer of steel roll-up doors, and Fire Facilities Inc., the leading manufacturer of steel fire training towers. Trachte is devoted to providing superior products, uncompromised service, and unmatched industry knowledge throughout the entire customer experience. This devotion, along with over 100 years of manufacturing experience, has given the company a leading edge in the self-storage industry.

For more information about Trachte Building Systems and the new Canopy Boat/RV Self-Storage System, please contact Trachte at 800-356-5824.

Trachte Welcomes Engineering Technicians

SUN PRAIRIE, Wisconsin, November 23, 2004 - Trachte Building Systems has added three technicians to its engineering department.

Bob Birnschein, in his capacity as manufacturing engineering technician, creates and revises bills of operations and CNC programs. He also assists in the implementation of production improvement programs. Birnschein has related experience in manufacturing processes, structural design, and mechanical engineering. Bob holds a bachelor of science degree in industrial/technical education.



Continued on next page

Jill Haines has accepted the position of engineering CAD technician within the technical group. Jill is responsible for creation of graphical details as well as writing procedures for building assembly. Haines brings to her position a mechanical design degree with previous experience in both drafting and design.



Tasha Pettis, engineering technician, is responsible for generating plans, construction details, and bills of material. Pettis also works with the technical group to create details and parts for the engineering department. Tasha holds an associate of science degree in CAD drafting and is currently earning a bachelor's in business technology.

Congratulations to Bob, Jill, and Tasha on their new positions. Their knowledge and experience will be a tremendous asset to the growth of Trachte in the self-storage industry.

Get Connected!



Owners in self-storage now get the assurance of reliable computing with the Self-Storage Software Connection. Digitech International has crafted a strategic alliance partnership with a group of Self-Storage Management Software Partners, including the most popular brand names in the industry. "Owners expect us to provide a seamless interface between our access control and alarm software and the management software they use for day-to-day financial data and operations," says Jon Loftin, Vice President and Systems Engineer for Digitech. "We have worked hard to provide a cross-program communication that is effective and reliable. Each owner can rest assured that the programs talk to each other so that it's completely transparent to the managers and operators."

"Digitech has always supported the requests to link up our program with others. Now, we're taking it farther with our strategic partners in the Self Storage Software Connection," says John Locke, Digitech's Director of Sales and Marketing. "We're putting a premium on the process by assuring owners that there will never be a finger-pointing problem between Digitech and its partners."

"Digitech and SiteLink™ have always offered owners the value of a close working relationship," agrees Ross Lampe. "With this new alliance, we want to make sure that owners understand the value and will know that they are really getting the best combination solution available for both accounting and security. In our opinion, with the Self Storage Software Connection we're just formalizing what we have already been doing for years."

Terry Bagley, President of Centershift agrees. "We've never encountered a problem in the software communication we couldn't solve very quickly by working together. With the Self Storage Software Connection, we're just calling attention to what we have been doing behind the scenes anyway. It's a tangible value that owners really appreciate."

Locke says, "We've always been confident about our collaboration and what it means to owners, but now we want to make sure they understand it. That's why we are joining with our alliance partners in making a guarantee. Working in collaboration, we pledge to solve any installation or communication problem within the first thirty days or we will forego standard support fees for one month. We never have significant problems, but just in case, we're putting the pressure on our technicians to work together behind the scenes."

In its initial introduction, The Self Storage Software Connection includes SiteLink from SMD Technologies,

Inc.; Syrasoft; StoreSM from CentershiftSM; and DOMICO 2000 from DOMICO. "Other companies have already indicated that they want to be involved, so we expect the Self Storage Software Connection to grow into a viable set of partnerships that cross the industry," says Locke. "The alliance will give us the opportunity to be looking forward as well. We anticipate that our renewed commitment with our partners will result, not only in enhanced technical support, but also in avenues of product development and innovation. We're excited about the prospects."

Additional information on the benefits and operation of the Self Storage Software Connection is available on the web site for each of the companies represented or by direct contact. You may click to www.digitech-intl.com or call 800.523.9504.



Lock America Rolls Out Tubular Keyed Steel and Brass Padlocks in 55 to 40mm (2-1/4 to 1-1/2") Range.

Chris Shope, Vice President of Marketing/Sales for Lock America of Garden Grove, CA announces that Lock America has expanded its padlock line by adding a tubular keyway option to its padlock line for the vending, coin-op and newspaper industries. Shope added, "We now have a full range of padlocks, in 55mm (2-1/4") steel and chromed brass, 45 mm (1-3/4") chromed brass, and 40mm (1-1/2") brass, all available with boron steel or hardened steel shackles. This will enable us to meet our customers' needs over a wide range of applications." Like all of Lock America's other 500 Series locks, these tubular padlocks with hand assembled keyways may be ordered keyed different or keyed alike and numbered to a new registered keycode, or keyed to a customer's current keycode.



For ordering or additional information, contact Lock America at 800-422-2866, by email at sales@laigroup.com, or on the Internet at www.laigroup.com.

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Self-Storage Questions and Answers

We occasionally have renters who come in and tell us that they “accidentally” opened a neighboring unit with their key. Since we didn’t sell them the locks, I have no answer to their problem. Does that mean that the locks they bought at the hardware store don’t have enough key combinations?

That’s exactly what happened. And that’s usually not a problem. Locks bought at a hardware store are used in a wide geographical area, so there is very little chance of a similarly keyed locks winding up near each other. But when you consider the concentrated area of a self-storage facility, such duplication isn’t farfetched. We wonder how many times this has happened, and the “accidental entry” wasn’t been reported. The way to avoid this situation is for the facility to sell locks bought directly from a *lock manufacturer*, to ensure that the locks in each lot are randomly keyed with enough variation to avoid duplication.

A facility “secured” with a mixed bag of cheap, generic looking locks may be hanging out a welcome sign to thieves.

And instead of “selling” your locks by hanging them up with the tape and mattress covers, separate them from the commodities and market the locks as a security product. Put a display on your counter, and provide incentive for your manager to sell them. Quality locks provide a deterrent to thieves. A facility “secured” with a mixed bag of cheap, generic looking locks may be hanging out a welcome sign to thieves. See the next question for one example of the dangers of selling or allowing generic locks at your facility.

Recently a renter came into our office to ask us to cut off his lock. It seemed that his key wouldn’t open it. When we opened the unit, most of his goods were still there, except for a TV and two expensive bikes. He accused us of picking the lock and then jamming it. What happened?

Your renter appears to have been victimized by the “cut and switch” trick. Here’s how it works. A thief rents a unit legally at your facility. He casually notes all the units “secured” with generic hardware store padlocks. After picking up enough locks for all the units, he cuts the shackle on a unit, cases it and takes what he wants, then secures it with a look-alike lock he bought himself. Until the renter returns, perhaps months later, there is no outward evidence of a crime, even if your



manager conducts daily lock checks. The use of “lock stickers” to identify authorized locks is an attempt to thwart this tactic, but any color printer can easily supply a look-alike sticker. Since studies continue to indicate that most self storage thieves are renters, selling or encouraging the use of generic locks makes a thief’s job a lot easier.

You don’t need lock stickers to indicate that authorized locks are hanging on your doors. Just buy your locks from a lock manufacturer who manufactures unique locks, such as Abloy, Lock America or Medeco. Not only are the locks unique, to prevent to the “cut and switch.” Their presence will give every unit at your facility a uniform appearance, and having every unit look the same is a powerful deterrent to the inside thief.

My son owns an expensive bike, and an expensive bike lock. He recently learned about the problems with the tubular style keyway on his bike lock. We installed tubular cylinder locks on all our units two years ago. None of our renters have expressed concern, but are we in the same position as the bike lock company? Can all our locks be opened with pen caps?

All tubular locks are not alike! Mass produced blister packed cylinder locks are often shipped directly from China with little quality control, loose manufacturing tolerances and not enough variation in key codes. If, on the other hand, your cylinder locks are hand assembled and numbered, they ought to be secure. To find out how secure your cylinder locks are, take a few out of the package and examine the key. Do the cuts on each key look similar? If they do, there may not be enough variation to stop a “Bic picker.” Call your supplier. Ask where the locks are made, packaged and assembled. Ask about quality control. How many key codes do his locks have? Regardless of the answer, order some cylinder lock samples from a few manufacturers. Test the different locks themselves. A secure lock should be work less “smoothly” than a cheap one, because the pin tumblers have closer tolerances and the springs are not so uniform, which are just the features that will stop a picking tool. A secure lock will have its key combination stamped on the key and cylinder, to indicate that it was hand assembled, and keyed to a usable pick-resistant key code. If it doesn’t have the code stamped on the key, don’t use it. For additional information about this issue, take a look at the article that begins on page four of this issue.

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Holiday Greetings

From

The Telegram and Lock America

We at the Telegram and our publisher Lock America want to wish you our readers, advertisers and customers Happy Holidays and a safe and prosperous New Year.

The success we enjoyed this year is due to the support of you our customers. Please accept our thanks and good wishes and our pledge to work even harder to continue to earn your trust in the coming year.

From the team at the Telegram and Lock America

Here are the winners for our Summer Puzzle.

Thanks to all who entered and good luck with this issue's puzzle on page 28.

SUMMER FUN														
B	A	R	B	E	C	U	E		W	H	A	L	E	S
E	R	R	O	R		R	U	T			L	O	A	N
A	T		P	R		A	R	G	U	M	E	N	T	
C	S	I		A	N	N	O		N	C		E		W
H		T	O	T		U	P		I		E	S	S	O
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S	T	R	I	C	T			P	S		C	A	L	L
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W	H	I	T	E	R	U	S	S	I	A	N		D	S
P	E	L	T		T	R	O	T		T		P	I	E
A	G			P	I	N		L	O	U	T		N	R
	A	P	R	I	L		G	E		R	A	W		I
A	M	A		L	L		E	S	C	A	P	E		E
M	E	D		L	A	S	T		B	L	E	E	D	S

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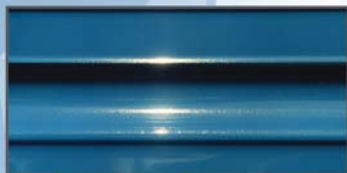
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*Minimum order 24. Sold as is. Available while quantities last.

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_____ Case of 72-pay for 60-get 12 free • L740J-D2-CHAMP 1-1/2" Lam. Steel padlock packaged for resale	\$118.80	\$92.40*	\$26.40

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24	L740J-D2-CHAMP • 1-1/2" Lam. Steel padlock packaged for resale	\$39.60	\$36.96	\$2.64

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