

The Podium

The Official Journal of The Industrial Auctioneers Association

METAL MELTDOWN

DEALING WITH THE CHANGING
PRICES OF SCRAP METAL

ALSO INSIDE:

- Keys to Successful Rigging
- The Future of Strategic Partnerships
- Finding Your Niche
- Texas Stadium Farewell
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- 2009 IAA Convention Guide

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From the Editor



A year of change. In the past year, we have seen bubbles burst, banks fall, markets collapse, and companies disappear. I still hear people saying “we’re not General Motors, but we do alright.” Of course, this statement regarding what was once the measure of stable business has a whole new meaning these days. Our entire perception of the business landscape has been irrevocably altered and the new vision of the future is still uncertain.

Whether we are in for a “U,” “V,” or “W” recovery, it is evident that the markets are starting to move again. Nonetheless, the new reality has made everyone much more prudent when buying or appraising assets. As there are still shocks in the market and assets that were a quick sale yesterday are stagnant today, expertise has never been more critical in identifying real opportunities. In our feature article “Metal Meltdown,” p. 14, Richard Reese provides exactly that with an in-depth review of the scrap metal market and Erik Tivin, explores the benefits of niche marketing in “Finding Your Niche,” p. 20. And while prudence can drive one to increased legal fees and a forest of paper, William J. Firestone explains why old-school business values are still relevant.

To provide you with greater understanding of the current market, we also have several behind-the-scenes looks at recent auctions from Asset Sales, Barliant Auctions, Myron Bowling Auctioneers, Joseph Finn Co., and Schneider Industries. In addition, you can find some valuable guidance from Terrance Jacobs for ensuring successful asset removal.

In our special 2009 Industrial Auctioneers Association Convention section, beginning on p. 29, Lisa Kisber highlights the hot spots of Puerto Rico and you can find an overview of this year’s Continuing Education topics as well as a complete schedule of all Convention events. Finally, this issue features insightful articles from our Platinum Sponsors.

While I know no one can see the future, this issue of THE PODIUM is filled with information that will help you navigate the present.

Jasen Kisber - Editor

Director of Business Development
C3 - Crescent Commercial Corporation

Letter From Stephen E. Comly, IAA President



Welcome to THE PODIUM!

It has been an exciting year for our association. The IAA now has membership of 42 international industrial auction firms servicing the needs of corporations and secured creditors worldwide in the liquidation of industrial equipment and providing immediate solutions for idle assets through global marketing and shared networking relationships developed through the IAA.

In addition to our business goals, our organization is also a strong believer in contributing to the community. This year the IAA has made contributions to several charitable groups including the Crohn's and Colitis Foundation of America, the Connecticut Center For Autism, Breast Cancer 3-Day, Coaches vs. Cancer, and the Central Florida Autism Institute.

We are very excited to bring you the Fall 2009 issue of THE PODIUM, which addresses some interesting topics relating to the volatility of our times and how our members navigate through this uncertainty and continue to provide definitive guaranteed results for our clients.

Professionalism, integrity and ethical conduct remain at our core. We are the leaders in the marketing of industrial assets and set the standard for others to follow. We continue to stay abreast of our ever-changing marketplace and come prepared to provide our clients with the latest technological modalities in the re-marketing of assets worldwide.

We hope this issue of THE PODIUM with its diverse articles by our astute members enlightens you with its content and provides you with a synopsis of the breadth of issues that surround the industrial auction marketplace.

Enjoy!

Regards,

Stephen E. Comly, President
Industrial Auctioneers Association

President
Comly Auctioneers & Appraisers

Tales from the 11th Hour:

The Sale of Blue Ribbon Meats

By Scott S. Swanson
President
Barliant Auctions Co.

Have you ever had an auction where everything looked like it was going to be a homerun until the 11th hour? We recently conducted the successful sale of Blue Ribbon Meats in Miami, Florida, but didn't know whether the sale was going to be conducted up until a few minutes prior to the auction.

Blue Ribbon Meats was a large meat processor which had been in business for over 40 years. After two trips to Miami and countless conversations with the owner, I was able to get a signed contract. Knowing the owner had some financial troubles, we did the normal UCC lien searches and also worked out an agreement with his secured creditor.

Now, it was time to get busy and advertise. We used numerous industry media magazines, email blasts and sent out a full six-page brochure to our complete mailing list and we utilized local newspapers to list the small goods. In anticipation of the large turnout, we had reserved the Embassy Suites - Miami's main conference room for the live video sale and had Bid Spotter onsite for Internet bidding. This was quality late model equipment and interest was extremely high.

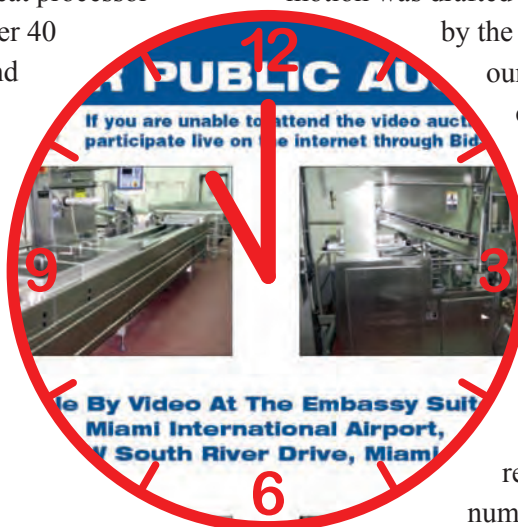
So what went wrong? The day prior to the auction the client filed bankruptcy and we were told by the assignee that there was a good possibility that we would have to postpone the sale. Everyone knows postponing a sale is the kiss of death. If you send your clients home the likelihood of them returning

to a cancelled auction is slim. Not to mention the possibilities of being sued for travel expenses, lost time, and the potential damage to your company's reputation as a good auction house. Fortunately, the assignee was in favor of the sale and realized the downside to cancelling or postponing. An aggressive legal team worked through the night and an emergency motion was drafted for the approval of the public sale by the bankruptcy court, which required our firm to post a secured letter of credit to move forward.

After a nerve-racking night of no sleep, we gathered our staff and headed to the sale site. It was a full house and we had processors in attendance from many foreign countries. We had well over 100 participants registered to bid live and a very large number registered for online bidding.

However, we still had to be approved by the court. The clock was closing in on the start of the auction and it seemed like we would have no choice but to send all these people home. As I was nervously standing at the podium reading the opening announcements and preparing myself to be the bearer of bad news, the order arrived signed by the judge and hand-carried to the hotel's conference room. No one in the room had any idea how close we had been to the edge.

The sale was a tremendous success. But this sale was not your typical long ball that flies out of the ballpark and lands deep in the seats. We really had to hustle for this in-the-par homerun. ■





FOUR STEPS TO SUCCESSFUL ASSET REMOVAL

By Terrance Jacobs, CEO
TCL Asset Group Inc.

Over the years, our firm has been requested time and time again to remove all types of machinery and equipment (M&E) from manufacturing operations. Whether it is a single piece of equipment or a complete manufacturing line, there are many commonalities and a clear game-plan can really save time and money. As a result, we have developed a four-step process in order to ensure that every removal project is successful.

For simplicity, I will discuss the removal of one piece of equipment, a horizontal turning center from a major automotive manufacturer, at the request of a leasing company.

STEP 1 – INFORMATION GATHERING

– Know what you are picking up!

The first step in the successful removal of the machine is to get as much information as possible from your client. This includes copies of the original invoices and the lease agreements, including the “Schedule of Assets,” which details all of the related parts and accessories.

This information will ensure not only that you are removing the correct horizontal turning center, but that you do not miss any attachments, accessories, consumables, or additional equipment such as transformers, software, etc., that may have been purchased with the turning center when originally financed. You may also want to contact the original vendor and inquire about any issues related to removing it.

STEP 2 – HIRE A GOOD RIGGER

– You get what you pay for!

Finding the right moving company is critical to the successful extraction of the machine. When I am working in a new city, I usually call a dealer in that city and ask them to provide me with the names of one or two riggers that they would recommend. In smaller cities, it is likely that one of the suggested riggers actually moved the machine into that location! If possible, get the rigger in to inspect the piece of equipment and to determine exactly what he will need to do in order to move the unit out of the plant. This can save you thousands of dollars in moving costs. By getting in before the day of the removal, the rigger can figure out if other machines are in the way, what electrical disconnections need to be performed, the type of loading facilities that are available, etc. ▶



STEP 3 – IDENTIFY ALL ASSETS TO BE REMOVED

On the day of the removal, get to the site at least one hour before your rigger does. This will give you plenty of time to confirm the equipment for removal as well as any additional assets that may go with the machine without rushing, because the riggers want to get started right away (so they can get to another job!). Some examples include transformers, manuals, software, keys, computers, additional accessories or change parts. Many times, an invoice provided by your client is vague in description and does not note these important accessories. Furthermore, ask your contact on site to give you a full description of the machine; many times the machine has been altered, either by being upgraded, or changed to meet the client's production needs. It may be hard to determine if the software has been recently updated, has recently been serviced, or has an extremely low amount of running hours.

If possible, try to get a sample of the product that the machine was producing, as this will give potential purchasers an idea of how the machine was operating and the quality of work it can produce.

STEP 4 – TAKE PICTURES – High Resolution is best

Taking pictures may be one of the most important things you can do. Firstly, it will give you and your



client a snapshot of the general condition of the machine. Secondly, it may be the only chance you will have to document the machine complete, before it is dismantled and removed. You may consider using these pictures to show potential purchasers in the future. Taking pictures in high resolution will allow you to review the images with better clarity, so if you missed something during removal (like the last number in the serial number looked like an 8 but could be a 0 or a G) you can zoom in on the specific spot of the image in your office to confirm.

Furthermore, take pictures of the area around the machine, including the floor, walls, entranceways and the machine on the rigger truck. If there is ever a dispute regarding damage to the machine or the building from which it was removed, you will have documentation to rely on.

Of course, every extraction scenario comes with unique challenges, but following these steps will help ensure that you are well prepared to deal with whatever the situation may bring. ■

Where a Handshake Still Means Something



By William J. Firestone
President
Capital Recovery Group

As I reflect on my 30-year career, I realize that one of my greater achievements has been serving as the President of the IAA. Even with all of the financial rewards that come from being successful and the gratification of being respected by one's peers, leading a professional organization where members can be unequivocally trusted has proven to be the most worthwhile.

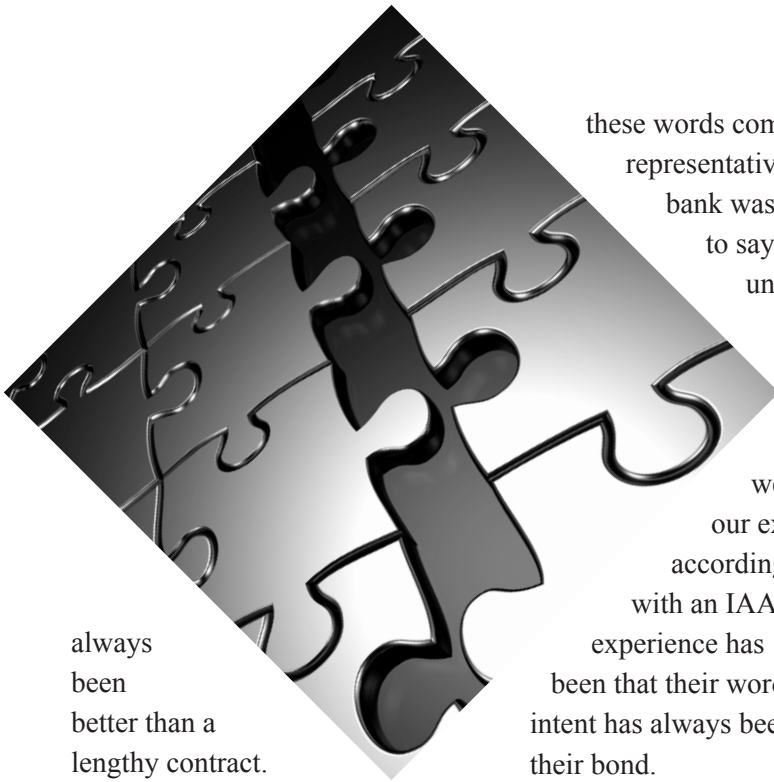
In this ever changing world we live and work in, although many changes are for the better, so many

of them, particularly, the values and standards, are lower, as are the

“A handshake has always been better than a lengthy contract.”

expectations of trust. This leads to a greater need for lengthy contracts, an increased amount of lawsuits and misrepresentations, and a plethora of issues that distract us from achieving the goals that we strive for in business.

Although the expectations of trust from the bankers, the attorneys, the clients, or whoever we do business with from one deal to the next, may be lower, I am proud to say that this same five-letter word – TRUST - is the constant amongst members of the Industrial Auctioneers Association. When entering into a joint venture deal with any IAA member, I have never had to worry that the individual would not perform as promised. The thought “Can I trust what he or she is saying?” has not once crossed my mind. A handshake has ▶



always been better than a lengthy contract.

these words come from several representatives of the same bank was flabbergasting to say the least, but unfortunately, times have changed, and apparently we need to adjust our expectations accordingly. But never with an IAA member, my experience has been that their word or intent has always been their bond.

“The trust factor is still inherent.”

As I look back over this past year, the following is just one small example of how the word “trust” is certainly not what it used to be. My company, Capital Recovery Group, was contacted by a bank asking us to enter into a contract with their borrower, to sell the company’s assets. The bank asked us to negotiate directly with the borrower, however, the bank had approved the terms of the contract. Twelve hours prior to the auction, the company informed us that they were cancelling the auction, and as we turned to the Bank to ask if they were covering our expenses, the bank said “you don’t have a contract with us,” and wouldn’t protect us. This statement coming from a financial institution... the “Gold Standard.” To hear

My point is this: We work in a highly competitive business, and in recent times it has become even more difficult to achieve the results that we strive for because of all of the distractions that we have to deal with, which only take our time away from doing what we do best.

There is a silver lining, however, and that is that although every deal may be different and test us in new

ways, there will always remain a constant, and that is that when we work with a fellow IAA Member, we are assured that they do what they say. The trust factor is still inherent. The money is wired, the accounting is accurate, the member of the IAA will stand by what they say, and we, as their colleagues, do not have to waste any of our precious time wondering, and more importantly, worrying that what they say is true. Time is not only

precious, but as the saying goes, “Time is Money,” and to think about the amount of money that we waste worrying about these lowered standards of trust, and the legal fees that go along with it, is quite troublesome.

I feel that I have come a long way in the 30 years since I entered the “Auction World,” but I do feel that my crowning achievement, thus far, is standing among the men

and women of the IAA who have the utmost character, honesty and integrity. And that, my friends, is the constant that we can still find in this crazy, inconsistent, and ever-changing world. ■





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METAL MELTDOWN

**Coping with Fluctuating
Scrap Metal Prices**

By Richard “Salvage” Reese
President
Rabin Worldwide, Inc.

In the summer of 2008, the world’s appetite for recycled metals was insatiable. Used metal prices were so high, stealing of copper wire off power poles and bronze statues from public parks seemed to be a daily occurrence. A factory purchased by Rabin Worldwide in Indiana was virtually stripped of copper wire when thieves broke-in on a Sunday morning, hooked one of the factory forklifts to the main switchgear, and pulled as much copper as they could carry out before the night security returned. At our June 2008 pork processing plant auction, conducted with Capital Recovery Group, LLC (CRG) and Barliant Auctions, Inc., scrappers were paying nearly twice as

much for stainless components as the end users could afford for production needs.

Amidst this strong demand for recycled metals, Rabin Worldwide, together with CRG and the Reich Brothers, tied up the purchase of a large citrus processor in central Florida. As citrus plant equipment tends to be less auction-friendly than pork processing lines, a key factor in the deal was the price of stainless scrap (\$2.20 per pound in July 2008), which we valued at \$5.2 million. By the time we closed on the deal, scrap stainless was down to 50% of what it was in July, but still strong enough to move forward with the deal.

In early January 2009, approximately two weeks before our auction, stainless was hovering around \$0.25 per pound, if you could find a processor who would take it. In my 38 years at Rabin, I have sweated commodity prices a couple of times, but never to the degree that was for the upcoming auction.

Fastest Downturn in History

Just months after riding incredible highs, the metal recycling industry seemed to tank faster than the global economy. As consumer demand for new homes, appliances and cars diminished, so did the needs for steel recycling mills. As buyers for recycled metals disappeared, many industry insiders cited this as the worst and most rapid downturn in history, bringing nearly everything to a screeching halt.

In the Pacific Northwest, the regular trans-Pacific shipments of scrap to China virtually stopped, impacting recycling processors, independent salvage collectors, and, yes, auctioneers as well. According to a year end report by a fourth generation owner of

“Stainless steel scrap was \$2.20/lbs in July 2008 and \$0.25/lbs by January 2009.”



one of the Pacific Northwest's largest non-ferrous metal processors, this was the quickest and most violent drop of all time, bringing prices down by 70%.

With their easy access to Asia by sea, Pacific Northwest metal processors have been profitable businesses in the international flow of metals. For the most part, they return scrap to China to be melted down and turned into new products. In July 2008, Schnitzer Steel, one of the West Coast's largest metal processors and a publicly traded company, reported a record 38% jump in profit (about \$972 million) for the second quarter of 2008. In December, the company notified investors of an expected loss in the first quarter of 2009, with plans to write down their recycled inventories by \$60 million. At the end of 2008, Schnitzer's stock closed at \$16 compared to \$118 a share in July 2008. ▶

Everything is Upside-Down

Like the stock market, small fortunes can be made or lost in the scrap metal business.

Though timing (and luck)

is part of the gamble, scrappers paying close attention to daily metal prices can hedge their investments.

The price of nickel, a primary mineral used in the manufacture of stainless steel, is a key factor in the price fluctuation of stainless scrap. During the summer of 2008, the price of nickel soared to a record \$23 a pound, reflecting prices in excess of \$2.50 per pound for scrap stainless. One of our regular scrap metal buyers claimed of locking in a price of \$2.65 for stainless scrap, with a 30-day commitment to deliver one million pounds to the metal processor. A week later, the price dropped below \$1.50, a whopping \$1.1 million dollar difference.

Commodity swings are part of our business and the economy in general. Like other commodities, scrap metal prices traditionally drop at the end of the year and start to rebound in January. It seems the biggest difference this time is the reported across-the-board flatness of nearly all commodity prices. Noted by a spokesman for the Waste Management Board in Michigan, in the past, recycled metals or pulp (cardboard and paper) would drop, but never in tandem. At present, metals, pulp as well as scrap plastic are dramatically down.

“Junk automobiles were being turned in for scrap faster than factories could churn out new ones.”

According to reports by Michigan metal recyclers, the first significant drop in scrap metal started in early 2008, with reported slowdowns in auto production. Combined

with the stalled export of scrap metal to Asia, and the reported global recession, other factors provide a



better understanding of the drivers of the price of scrap metal and why it dropped so severely in less than two months.

Storage, Environmental and Labor Concerns

The metal recycling industry is not alone in its suffering, as the worldwide financial crisis has hit nearly every sector of the global economy. But the drop in scrap metal prices is causing storage concerns and potential side effects in the environment, as well.

“The Big Three Detroit automakers previously consumed nearly 30% of the steel sold in the U.S.”

Junk automobiles, an eyesore to most, were being recycled at a rate of 110% in 2007, meaning old cars



were turned in for scrap faster than factories churned out new ones. Peaking at \$300 per vehicle in early 2008, car bodies have dropped to less than \$50, creating a storage issue for yards caught in the decline.

According to Bruce Savage, Vice President of Communications at the Institute of Scrap Recycling Industries, “Ups and downs are a normal part of the recycling business. Usually, when foreign demand goes down, domestic demand goes up, though right now both are down causing the steepest drop in prices we have ever seen.” Besides cash flow problems, auto recyclers are facing a lack of space.

The age old strategy of buying and holding, under the assumption prices will eventually come back, becomes a dilemma as most yards have limited space.

Space concern is even more of a problem for paper and plastic recyclers, since these materials require even more room to store, deteriorate quickly, and become an environmental issue. If they don’t get recycled, they most likely end up as landfill. Waste paper and plastic inventories grow at a staggering rate

and within a few weeks, storage becomes a serious concern. Until prices rebound, and without financial incentive to recycle, environmentalists fear our moral incentive of “doing the right thing” will not be enough to maintain the current recycling rate, which, according to the EPA, increased from 6% in 1965 to 33% in 2008.

With the sudden drop in recycled material prices, it is unknown how many independent junk dealers and haulers will call it quits. It remains to be seen if the entrepreneurs collecting car batteries, ▶





old refrigerators, and cardboard off the streets will continue to do so. These scrap collectors, regardless of their environmental beliefs, perform an important social function. They may not strap their loads properly, or have a decent set of tires on their vehicles, but they are a factor in the cleanliness of our country.

Bleak Outlook

A Standard and Poor's newswire, at the beginning of this year, forecast metals and mining companies to struggle in 2009 amidst a potentially prolonged drop in demand for steel. The ratings agency noted tight credit and the recession having the entire supply chain attempting to conserve cash by reducing inventories and production levels, though gold has remained comparatively strong.

Of the 43 U.S. metals and mining companies rated by S&P, over one third had negative credit outlooks at the beginning of the year. Luckily, many were in a strong liquidity position at the start of the downturn, which provided a cushion during the present economic meltdown. At the start of 2009, S&P did note that further price declines and lower commodity prices for an extended period might lead to lower across-the-board ratings for the entire U.S. contingency.

Like many other industries, the global steel industry is hoping for a stable economic climate to free up the credit markets, and is counting on government stimulus packages and growth in China for a faster rebound. Sadly, the U.S. steel industry relies on the viability (and existence, for that matter) of the Big Three Detroit automakers, which previously consumed nearly 30% of the total amount of steel sold in the United States.

“Steel Industry analysts around the world see China as the single most important factor in resource prices.”

Global Challenges of 2009

In the first week of 2009, analysts in Sydney reported Australia's lucrative ore mining exports would be impacted by sluggish demand and a near flatlining in global growth. Fueled by seven years of demand by China, Australia has enjoyed sky-high growth in the mining of gold, copper, and iron ore. At the end of 2008, signs of stress had been reported in the country's mining boom, which has poured billions of dollars into Australia's economy over the past decade. Amid the financial turmoil, it was believed projects would be scaled back and some mines forced to shut down.

At the start of 2008, major Australian miners and China's Baosteel agreed to price hikes of upwards of 90% for iron ore contracts. Iron ore is the key ingredient in steelmaking and one of Australia's most valuable exports. This year, analysts expect the soon to be negotiated contract price to be flat, bringing an end to years of escalating price rises, not to mention profits. The biggest fear of steel industry insiders is Asian iron ore contracts dropping by 50%.

“It is probably not a question of if, but *when* scrap metal prices will rebound.”

Steel Industry analysts around the world see China as the single most important factor in resource prices. A lot will depend on Gross Domestic Product data for 2009 coming out of China, which is currently off by 10%. Some believe the downturn in demand was not because of a global souring toward metals, but more of a response when the entire U.S. seemed to go bankrupt overnight! Up until now, slumping commodity markets in the U.S. have been offset by strong Chinese growth, though China is now in the midst of its own economic slump.

Hope for Revival (*then and now*)

President Barack Obama's promise of a multi-billion-dollar revitalization program of our country's infrastructure will be a big step in the right direction. New roads, bridges and buildings require steel, and with enough major projects approved, our country's appetite for steel could mirror that of China one year ago.

The recycling industry is somewhat like real estate; it is probably not a question of if, but when prices will rebound. Everyone seems to be used to ups and

downs, but the up over the first part of 2008 had been the highest ever, and the down the most dire in history, in terms of speed. The downturn has certainly tested my resolve in the first part of 2009, as scrap prices are nowhere near the levels they were one year ago. Through researching this article and what I have learned about the Trans-Pacific shipment of scrap metals to Asia, I have a far greater appreciation of our reliance on products made in China.

In regards to our January citrus plant auction, and with stainless scrap prices being a non-factor during the sale, we had no alternative but to retain the 6 million gallons of interior storage tanks with the real estate (which we purchased along with the equipment). As it turned out, the decision was a blessing in having since leased out the entire property based upon an industry need for refrigerated concentrate storage space. As for the \$5.2 million return we figured at the peak of the scrap metal values, we generated nearly \$4.6 in equipment sales without the tank farms, which are currently paying good dividends on the real estate side of the deal. Ironically, this deal has turned out to be one of our better deals in 2009. ■



Finding Your Niche

By Erik Tivin
President
Centurion Services Group, LLC

Every entrepreneur is looking to find their niche in business, that idea that no one else has come up with, or if they've come up with it, that you can do better, cheaper or faster. It's that great idea that you just know you'll have the guts and intelligence to make successful if it would just come to you! The funny thing about great ideas is when, where, and how we come up with them. You never know when an opportunity will find you, and the biggest trick is keeping yourself open to the idea, then trying new techniques in the face of the unknown.

The Big Idea

For me, that opportunity came early in my career and it was simply an opportunity to liquidate a hospital that had been emptied of patients, but not of its equipment. I did some investigating into the marketplace and found that there was an active resale market for medical equipment, but what it was lacking was any sort of "blue book" or experts with a

broad knowledge of the industry. It was a fragmented marketplace of mom-and-pop brokers who did the buying and selling. I had some acquaintances at hospitals who confirmed that the equipment was sought after, but that they sold their equipment to these brokers and were never quite sure who got the best of whom.

As an experienced auctioneer and

liquidator, I was very prepared for the logistical part of the endeavor, but had a large learning-curve for understanding the medical equipment I was selling. Medical equipment is multi-generational with new models consistently coming to market and its resale value can have little to do with the original purchase price. Five year old medical equipment can be obsolete, while a piece that is 10 years old may have retained its value. I was very frustrated as I researched the values that I should command on the auction stand with so little information available to me. Despite my lack of command of the medical equipment values, the auction was a success. And there it was, my big idea! I found that it was a niche marketplace and the person who could understand the industry and its equipment could position himself on a large scale due to the fragmented market.

With the success of the hospital liquidation, I was bullish on the industry and spent a year trying to make a go of it as a medical broker. I floundered that year as I became one of a sea

of brokers in the business, with nothing that made me stand out amongst the crowd. My luck changed when another hospital liquidation opportunity presented itself, this time for three hospitals at once. I said yes and arrived at

an amount that was acceptable to purchase the hospitals' assets. To ensure success, I had to be sure I got the equipment at a steal to limit my risk. I dedicated some resources to it and

work commenced. The liquidation at the three hospitals was again a success.

“You never know when opportunity will find you, the biggest trick is keeping yourself open to the idea.”

Fine-Tuning a Dream

I stood by my idea, and armed with my successes, I was ready to take an alternative path to make it a reality. With the four hospitals I auctioned, combined with brokering equipment for a year, I had dipped my toe into the medical liquidation business, but they were all one-time sales. On the whole, hospitals, and the medical industry in general, are very stable, so I would not be able to survive by liquidating closed hospitals. To be successful in this niche I needed to find a way to get repeat business. Thousands of brokers lived off the surplus medical equipment that routinely came out of hospitals as they continuously upgraded to newer and better technology. That's where I would compete, but I decided to leave their ranks and up the ante. I would do my business on a national scale and, to the medical industry, I would bring the auction. ▶



General Assets Recovery (GAR) was formed as the first medical auction house. From my hospital liquidations, I had made some contacts that proved advantageous for me, as I needed both buyers and sellers to get off the ground. I had enough capital to rent a warehouse and a small staff, but was again faced with not yet having a true understanding of the medical equipment values, and purchasing directly from hospitals left me open to getting burned financially until I became better versed in medical equipment values. It was at that point that I considered consignment. Consignment was an untested idea to me personally, but I chose that route as it would limit my risk as I got started. Consignment also limits proceeds, but I did not want to be a fly-by-night operation and because I saw such great potential for my idea, I was willing to build my business slowly.

Consignment proved to be the smartest business move I made when forming GAR. By

sharing the auction proceeds with the customer, I was providing them with the peace of mind that their auction partner is highly incentivized to sell their equipment for the highest dollar value. The auction format is transparent, so the customers know you are an honest partner. Building these relationships, and the corresponding reputation in the industry, positioned me for success.

Growth was steady and soon I had regularly scheduled medical auctions. I developed a marketing program and sales department for both buyers and sellers and our growth shot up exponentially. I was able to sell GAR to a large company in the medical industry several years later. In 2001, I started Centurion Service Group and used what I learned at GAR to further improve the auction process for surplus medical equipment.

Today

I now sell over 5,000 pieces of medical equipment each month and have sold over 1,000,000 pieces in my lifetime. My operation consists of two warehouses in the United States, one in Europe and an online timed auction company. I continue to do consignment, because it builds customer loyalty. Being a longtime student of medical equipment values, I have become a certified appraiser. Understanding the nuances of my niche is why I have been successful and why I'm still in the industry today. I know the needs of my customers, the wants of my buyers, and the values of equipment. I am very lucky that when an opportunity presented itself, I was able to recognize it, pursue it and succeed. ■



What do a major TV show producers do with surplus equipment when they go Hi Definition? If you are *Entertainment Tonight/The Insider*, a CBS television distribution company, you call Joseph Finn Co., Inc., the number one reseller at auction of post-production and broadcast equipment!

Entertainment Tonight / The Insider can't just flip a switch when converting to Hi-Definition. New studios had to be built from the ground up at an adjacent location on the Radford lot in Studio City, California, while the show continued from their original site on the Paramount lot. Once

the build out was complete, they switched production leaving the old equipment behind.

Joseph Finn Co., Inc. conducted the sale of this equipment from the Studio City lot, with no disruption to the show at the new Hi Definition studios, directly across the street.

It was really exciting to watch the production of the TV show and see the "stars" come and go, while we were preparing for and conducting the sale. It didn't hurt that the sales exceeded projections by 20%, which made CBS very happy. As they say in the *biz*, "That's a wrap!" ■

"Entertainment Tonight can't just flip a switch when converting to Hi-Definition."



The Continued Effectiveness of Industrial Auctions:

Inside the Sale of IH Lumber

By Myron Bowling
President
Myron Bowling Auctioneers



With the economy faltering over the past year, greater numbers of banks, leasing companies, and other lenders are turning to auctioneers to salvage value from defunct accounts. These financial institutions are increasingly aware that members of the Industrial Auctioneers Association possess the expertise to orchestrate complex liquidations.

Case in point: Myron Bowling Auctioneers (MBA), of Hamilton, Ohio, and Perfection Plant Liquidations (PPL), of Northbrook, Ill., were recently called on by a large regional bank and a Chicago workout company to auction the remaining equipment and real estate of IH Lumber.

With four locations in Tennessee, Indiana, and Kentucky, IH Lumber was a major sawmill and kiln operator, producing hardwood lumber for the flooring and furniture industries. Its assets, which were sold during a two-day auction in August, ranged from high-efficiency sawmill equipment, a modern warehouse, and large tracts of timberland, to older low-cost production equipment and dedicated kiln facilities.

Because of the complexity of this deal, there was intense coordination between our auction companies, the bank, and the workout company. This coordination helped MBA and PPL discover early in the planning process that certain customers were interested in buying some of the facilities as going-concerns. In order to maximize the return to the creditor bank, the auctioneers structured the sales to allow combination bids of the major assets and real estate. While in-place value is usually much higher than the sum of the individual

“When the major equipment pieces were offered as a package with the real estate, the bidding soared!”

components, it is often difficult to motivate buyers to act quickly on a going-concern sale; auctions do just that, forcing buyers to act swiftly and decisively.

At the IH Lumber auction, for example, the sum of the individual machinery and equipment bid prices, along with the real estate bid, totalled

only \$600,000. When the major equipment pieces required to operate the sawmill were offered as a package with the real estate, the bidding soared to more than \$1 million.

In the end, more than 150 bidders – including some following online through BidSpotter – contributed to an overwhelmingly successful auction, with a total of more than \$3 million in equipment and real estate sales. We exceeded our clients’ expectations and really demonstrated how effective auctions can be at maximizing recovered capital for lenders. ■





Texas Stadium Farewell:

Schneider Industries Auctions Texas Stadium
Home of the Dallas Cowboys

By Bruce Schneider
President
Schneider Industries, Inc.

It all started with an online auction event offering over 500 lots of Texas Stadium and Dallas Cowboys Memorabilia and Artifacts, and ended with the largest Farewell Fanfest Event, dedicated to the beloved Texas Stadium, home of the 5 time “World Champions.” Schneider Industries, Inc. conducted and managed this three week auction event, which began November 17th and

ended December 8th, 2008. Dallas Cowboys fans could bid on items including: the head coach’s sink that was used by legendary Tom Landry and every head coach since 1971; locker-room lockers and urinals; goal posts; section signs; turnstiles and everything and anything else that could be removed from the old stadium. These items were shipped to buyers along with a security hologram and





certificate of authenticity. Hundreds of Cowboys fans experienced a Christmas they will never forget.

The weekend of February 21, 2009 began with lines of people waiting to enter the Corral to be one of

“A once in a lifetime event, which included Dallas Cowboys players.”

the first to own a piece of the rich Texas Stadium history. The Texas Stadium Farewell Fanfest lasted Friday, Saturday, and Sunday, with tens of thousands in attendance. Schneider Industries put on a once in a lifetime event, which included Dallas Cowboys players such as Drew Pearson, Mel Renfro, and Roy Williams signing autographs and taking pictures with fans, cheerleaders, past and present, and Rowdy in attendance sharing their favorite memories. There were concession stands, a kid’s zone, and the “Cowboys on Tour” trucks featuring the Hall of Fame and Merchandise trailers. Something for everyone was offered. Just to be in the Corral with all the excitement was enough to turn anyone into a Cowboys fan.

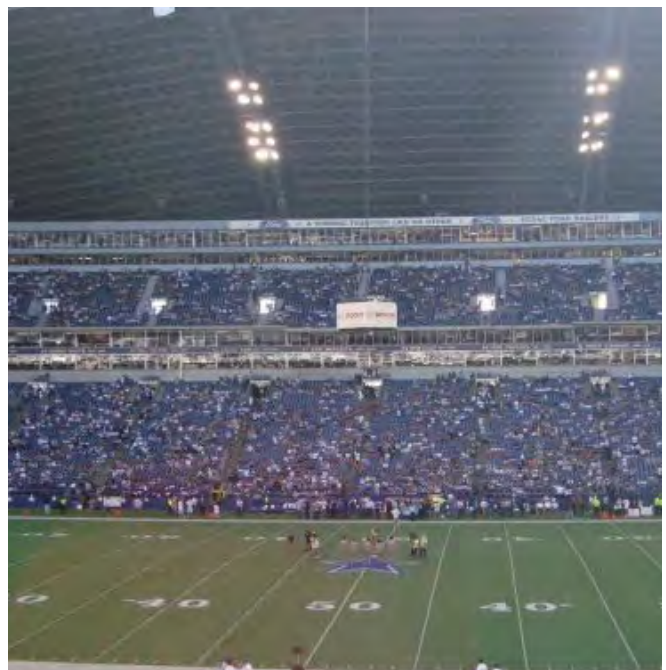
Items offered at the Farewell Event included something for everyone and at every price range: players’ lockers and complete seasons of locker name tags; game-used turf; stars from the famous blue wall surrounding the field; Texas, U.S. and Cowboys flags flown during

games; autographed memorabilia, numbered and signed; pieces of wall art with historical Cowboy players; locker tiles made from players’ lockers and branded with the Farewell Fanfest logo.

“One lucky person won the rights to say they own the hole in the roof of Texas Stadium.”

A silent auction ended the three-day event. Items such as Rowdy’s four wheeler, footballs, photos and field stars autographed by current and past players; Tony Romo’s and Emmitt Smith’s lockers; and one lucky person won the rights to say they own the hole in the roof of Texas Stadium along with photo and certificate of authenticity.

This was not the first time Schneider put on an event of this size. Schneider Industries has also managed other stadium events including Old Tiger Stadium in Detroit and Busch Stadium in Saint Louis. Although Texas Stadium will be missed, now thanks to the efforts of Schneider Industries, many fans have a piece of Texas Stadium they can call their own and a few more memories of the historic venue! ■



Who's Buying?

By Gerald D. Mannion
President
Asset Sales, Inc.

**“Five auctions,
all in different
fields, all in
different parts of
the country and
all did well.”**

With continued talk of protracted slowdowns and contracting manufacturing base, one has to wonder is anyone still buying? There is no doubt that across the country tough times are here for machinery dealers, an important segment of any industrial auctioneers' client base. Many dealers are struggling with their own customers, particularly smaller ones, who are being forced out of business by lack of lending by the commercial banks. But for those machinery customers with money and projects, business seems to go on as usual. Those companies with access to capital seem to wait for the right auction and then their voices are heard.

In April of this year, we had an auction for Robert Bosch Company in North Carolina, a manufacturer of drill bits and related items. We had 414 registered companies attending the sale and bidding went through the roof. In June, in Massachusetts, we had a General Machine shop auction, Acme Precision, featuring



CNC Machining Centers and Turning Centers. We had 281 registered bidders and once again sales were stellar. In June, in Tennessee, we sold Chattanooga Laser and with 150 registered bidders, we had a great sale. In July, we sold a foundry, Didion in St. Louis, with 130 registered buyers and the sale did very well. Finally, in August, we sold TMS, a CNC Machine Shop in Rhode Island, featuring large horizontal and vertical machining centers. Over 300 people registered for this two-day sale and it was a tremendous success.

Five auctions, all in different fields, all in different parts of the country and all the sales did well. So rest assured there are companies with money, doing well and buying machinery. ■

Special Convention Section

15th Annual IAA Conference

Rio Mar Beach Resort & Spa

November 19-23, 2009



**INDUSTRIAL
AUCTIONEER'S
ASSOCIATION**

Insider's Guide to Puerto Rico

By Lisa Kisber

Director of Strategic Planning

C3 - Crescent Commercial Coporation

Before writing this article, the only thing I knew about our conference destination was that I played the lead in *West Side Story* when I was 12, Maria from Puerto Rico, and that my father has told me a story that once we were in a cab that broke down on the way to the airport in San Juan. While I vaguely remember my stint on stage (just please don't ask me

if "I feel pretty"), I cannot recall my childhood experience in San Juan at all. As luck would have it, I was given the opportunity to collect information about fun and exciting things to do in Puerto Rico, and more specifically San Juan, in anticipation of attending our conference. Besides being the second largest port in the area (the first being New York) and having one of the largest defenses built in the Americas, as it turns out Puerto Rico has plenty to offer, as a cultural hot spot of the Caribbean, a historical Mecca and a downright fun place to party...

Historical:

El Morro: Called the largest fort in the Caribbean, this defense complex was completed in 1589 and spans 74 sprawling acres. It has six stories and is 140 feet above sea-level. According to most reviews, this landmark is a must for any history buff and conveniently is open from 9-5pm.

Castillo de San Cristobal: Completed in 1771, this sight is considered the Gibraltar of the West Indies. It has five distinct units connected by intricate moats and tunnels. This spot is open to tourists from 9-6pm.

A few other historical must-sees:



Catedral de San Juan, the second oldest cathedral in the Western hemisphere, open from 8:30-4pm, *Casa de Los Contrafuertes*, the oldest residence left in San Juan and *Casa Del Libro*, a rare book museum, 5,000 books dating back 2,000 years, open from Tuesday to Saturday, 11-4:30pm.

Cultural:

The Arts: *Centro de Bellas Artes*, the largest fine arts center in the Caribbean, ticket windows are open from 10-6pm and *Museum of Contemporary Puerto Rican Art*, open Tuesday to Saturday, 9-4pm, and Sunday from 11-5pm.

Paseo de la Princesa: facing the bay, this gorgeous passage is perfect for a long romantic stroll (or heck, a business discussion!?) overlooking the bay.

The wildlife: check out *Pinones Reserve*, a subtropical moist forest with sea-turtle nesting, *Jardin Botanico*, a beautiful botanical garden.



Condado Lagoon: between Condado and Old San Juan, with no waves, this beachy haven is an ideal spot to kayak and windsurf.

Fun:

There are a lot of restaurants and night spots that come highly recommended: *Amadeus Cafe*, *Carli Cafe Concierto* (live music too), *Don Andres Restaurant Mexicano* (popular with tourists and locals alike), *Fusion*, *the Gallery Cafe*, *Greenhouse Restaurant and Lounge*, *Panorama Terrace Bar* (for a spectacular view), *Tokyo Grill* (if you are craving a significant departure from Puerto Rican cuisine), and *Babylon*, the best spot to shake your money-maker inside the Wyndham El San Juan Hotel on Isla Verde.

of culture with the added benefit of rum consumption...

Acampa Eco Adventure Tours: Go cave exploring or waterfall climbing along the Toro Negro, call +1 (787) 706-0695.

Familiar:

Shopping: If you are jonesing for some good old-fashioned American shopping, check out the *Plaze del Mercado*, a mall with plenty of brands you have heard of before.



dining experience, check out *Il Mulino* (one of my favourite spots in NYC that it seems has appeared on the San Juan eatery scene).

Our Conference is at the beginning of Puerto Rico's most beautiful season, when the highs are consistently in the mid- to low-80's. It will be nice to get away to do and see (and of course eat!) our way through this exotic island. Hopefully all our transportation experiences will be better than my foggy recollection and who knows maybe I will be inspired to hum a few bars from West Side Story. ■



For Free Drinks: *Casa Rosada*, aka the Pink House, this is a tourist center which conveniently serves a free rum drink and *Bacardi Museum and Rum Plant*: Pretty self explanatory. The semblance

For Homey Eats: if you have had enough of the Puerto Rican grub, you can head to franchises direct from home, such as *Coaches Sports Bar*, *Houlihans* and *Pizzeria Uno*. For a more indulgent familiar





2009 IAA Convention Schedule

Thursday, Nov. 19
Board of Directors Meeting
Networking & Cocktail
Reception

Friday, Nov. 20
Breakfast
Meeting - Continuing Ed.
Lunch
Continue CE Meeting
Networking/Cocktails

Saturday, Nov. 21
Breakfast
Sponsor Presentations
IAA General Meeting
Lunch
Meeting - Continuing Ed.
Dinner

Sunday, Nov. 23
At your leisure

The 2009 IAA Convention



This year's convention, at the gorgeous Rio Mar Beach Resort & Spa, promises to be very exciting. As always it will be an opportunity to reconnect with friends and colleagues from across our industry and all over the world. This year's Continuing Education Classes cover a broad range of interesting topics from effectively using web applications, such as optimization for spydering, social networking, including FaceBook, Twitter, and LinkedIn, and streaming media to a look at the Federal Government's PACER system, legal issues, and a round-table discussion of the costs of doing business.





**Cabo San Lucas
November 2008**



14th Annual IAA Conference Revisited



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WELCOME CHANGE, WELCOME QSAP!

“Change is not only likely, it’s inevitable.” – Barbara Sher

Since I was with many of you in Cabo San Lucas last November, here is an update.

As you know, in late November 2008, the former owner of the well-known and established company, Industrial Publishing, made the decision to close the doors. Since I have served the auction industry for over 25 years, I did not want to leave auctioneers stranded and forced to find new, untried avenues for their promotional printing.

I immediately began researching potential options in order to continue to provide high-quality auction brochures and other print materials to auctioneers throughout the nation. After spending some time with Doug Koke (a former partner in Industrial Publishing) it was decided that several of the auction team members would continue to serve auctioneers under a new name – QSAP – Quick Service Auction Printing.

QSAP promptly picked up the workflow and began operations in mid-December 2008. We still have the same great people who are familiar with and understand the auction business, we’re all just in a different location. We can print any size, any quantity, and mail anywhere. With our variety of print capabilities, we can use your pre-designed files, or have our in-house team custom-design your pieces for you.

The change has been good – good for the employees, and good for business.

I would like to express my heartfelt thanks to the members of the IAA for showing steadfast support and encouragement during this transition. Your loyalty and trust extends beyond business to friendship. That’s what makes the IAA – and the auction business in general – such an honor and a pleasure to be a part of.

Thanks, and see you in Puerto Rico.

Steve

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A few Words from Jeff Johnstonbaugh, COO **Bidspotter.com**

Since we last visited, it has been a very busy year for BidSpotter. From lows at the close of 2008 to full steam ahead come spring, our clients have been very busy and our buyers have responded. To be perfectly honest, it reminds me of why I got into the auction business in the first place, nearly 30 years ago. Sometimes the economy is good and there are less auctions, but everything brings top dollar. Sometimes prices drop, but there is a lot of work. Either way, I knew I could always trust the auction industry to keep bread on the table.

This spring marked a major milestone in the growth of BidSpotter. We moved to a new server architecture with full redundancy and load balancing at every level. This was a huge investment, but it is the only way to both assure maximum up-time and allow for more rapid development of advancements to our product. We are no longer in the mode of putting off enhancements and refinements to make a big batch change. Now we have in place the tools to work on the car while we keep racing. We know you are counting on us. We can now offer more opportunities for seamless integration into your website, like registration and catalog presentation tools.

Since everyone knows I talk too much, I will limit myself to one last note. Our marketplace is strong. At the time of this writing, our last complete month is July. Although it is traditionally a slow time, we have never been busier or more successful in the summer. During July, we hosted 137 commercial auctions in six countries. We offered over \$41 million in assets and sold over 26% to online buyers.

Nearly three quarters of the Association are our current clients. That means the good buyers know where to look first for specific machine needs. And the bad bidders will be known through our rating system, which lets you communicate with one another about their behavior. Your consignors can be confident you gave them maximum market exposure. We are proud to be your marketplace, focused on industrial auctions and experienced in all the nuances of machinery sales.

Thank you for your support and here's wishing us all an even more prosperous 2010. ■



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Partnered for Success: Loeb Works with Auctioneers to Add Value

By Howard M. Newman, CEA
President of Loeb



From proper identification and grouping of machinery, to leveraging the deep relationships with customers in a given industry, there are many benefits to partnering with an equipment dealer to enhance the outcome of your auction sale.

Loeb partnered on its first auction in 1963 and has since partnered in over 300 auction sales. Working with several top auctioneers, Loeb brings its expertise in equipment valuation and targeted marketing efforts through nearly 130 years of buying, selling, renting, leasing and appraising machinery within the processing and packaging industries.

We provide second-to-none insight to equipment valuation, and our marketing efforts are extensive with a current customer database over six figures deep and with over 40,000 active e-mails. Our data provides the ability to pin-point and target market segments specific to industry, end-product, and previous attendance at other auctions and liquidations, in addition to tracking a customer's complete life-cycle on all machinery quoted, purchased from, or sold to Loeb.

Even in an on-commission only situation, the value of partnering with a dealer such as Loeb is clear. In a recent experience at an auction we were not partners in, we purchased equipment where the descriptions were minimal and the values were not in line with market rates. As that equipment sold from Loeb's inventory, the difference in value was over 1,700%! If this was a 10% commission deal, the commissions generated with Loeb as a partner would be almost \$7,000 more on just these items!

Though Loeb started the auction and liquidation arm of the business 11 years before I was born, I was lucky enough to have Steve Winternitz as my first mentor in the used industrial asset world. At the age of only 16, my career and knowledge of the auction world was already kicked off and since then I've seen first-hand the success the right partner can bring to a sale.

The next time you're looking for an auction partner, keep in mind:

- On average, Loeb participates in 16 auction sales every year with an average hammer price of \$1,050,000. To date, the largest sale we have participated in was \$4,650,000.
- Since starting to track our estimations against actual hammer totals on the auctions we partner in, we have averaged 112% of the estimated value.
- Since 2005, Loeb has been partners on auction deals that have made a profit of over \$10,000,000.
- Over 53% of the auctions we are involved with, an auctioneer calls Loeb. On the other occasions, we are reciprocating deals to the auctioneers that we have previously been involved with.
- Response from Loeb's pre-event marketing averages 83.48% of the total registered at the auction and 90.6% of registered buyers outside of the United States.

For five generations, since 1880, Loeb has been a trusted provider of reliable equipment and related services that help manufacturing and financial companies grow their business. Headquartered in Chicago, with a 150,000 square foot facility, Loeb provides equipment, appraisal and financial services to global banking organizations and manufacturing companies specializing in the food, pharmaceutical, cosmetics and chemical industries. Loeb services include: equipment sales and purchases, certified market appraisals, liquidation and auction coordination, and purchase lease-back financing. For more information on Loeb and their auction and liquidation services, please visit www.LoebEquipment.com or contact Howard Newman at (773) 548-4131.

I encourage everyone to visit the websites of additional dealer/brokers and IAA sponsors, Aaron Equipment www.aaronequipment.com and Federal Equipment www.fedequip.com to understand how they too can change your risk profile and bring their industry expertise and an established customer base to your next auction sale. ■

Platinum Sponsor Section

From the Desk of Tim Kryszak,
Executive Vice President of Operations,
Proxibid, Inc.



As Executive Vice President of Operations at Proxibid, I spend lots of time reviewing industry trends and analyzing their impact on our business. And, conversely, I watch trends in our own business to determine how they might impact the auction industry.

As you know, following trends is not just a numbers game. I watch technology trends, growth trends and more to determine Proxibid's direction. One of the biggest technology trends I am watching right now is the ability for auctioneers to offer a seamless, embedded online bidding solution on their websites. I believe this to be one of the fastest growing technology trends in the industry, and am pleased to announce that Proxibid will be launching an embedded solution in the third quarter, which will enable auctioneers to provide bidders with a full-service online auction experience right on their own websites. The new embedded solution will enable bidders to register for an auction, view the auction catalog, register for online bidding and launch the bidding application directly from the auctioneer's website. The technology is still powered by Proxibid, which ensures auctioneers will have access to the same level of superior support, leading-edge technology and incredible value they have come to expect from our Company. Proxibid's embedded solution will be available for both live and online-only auctions.

As businesses across the globe continue to employ cost-saving measures, it's no surprise that Proxibid is experiencing growth in its online-only solution. In fact, the number of online-only auctions doubled in July

2009 over the number of online-only auctions posted in July of 2008. Additionally, the volume of items sold in online-only auctions more than doubled in July 2009 over July 2008. I expect this trend to continue to increase as we move into the fourth quarter of 2009 and the first part of 2010.

Another industry trend I follow closely is the average auction total. This figure tends to serve as a good economic indicator for what's going on in the world around us. In 2008, auction totals trended downward throughout the year. That should come as no surprise, considering the economic climate at the time. That same trend continued in the first quarter of 2009. While auctioneers might have been selling more goods, consumers were paying less, leading to lower total hammer prices across the board. It appears as though auctioneers have been working twice as hard to realize the same revenue as in years past. As we moved into the second and third quarters, the average auction total began to increase, which can be attributed to both an increase in consumer confidence and the seasonality of our business.

Looking ahead to the fourth quarter of 2009 and the beginning of 2010, auctioneers will see exciting changes at Proxibid. Everything from our website to our application and even our advertising will have a new look and feel. As we continue to reinvest in our technology, Proxibid looks forward to bringing the most advanced online bidding solution to auctioneers across the globe. ■

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