



**ECONOMY IMPACTS BUSINESSES IN ALL SECTORS**

## Busy auction schedule

### AUCTION ROUNDUP

The economic down turn that devolved into the recession of 2009 had a dramatic impact on businesses in nearly every field as consumer buying declined while the availability of financing needed by many businesses vanished.

**The result: for some businesses, the serious situation grew grave and then fatal.**

“Our family has been in the auction business for four generations,” said Mike Rosen, president of Rosen Systems, Inc. “I wasn’t around in the 1930s but I heard stories from my grandfather about the depression. I don’t think what we are experiencing now is as bad as it was then, but it is the closest I’ve seen in my lifetime.

“We read the headlines about the banks and the car manufacturers, but the decline has penetrated businesses in nearly every sector.”

### Pharmaceuticals and cosmetics

A good example was a major manufacturer of pharmaceuticals and cosmetics based in Irving, Texas. The company had a wide-ranging and successful operation, making and packaging a variety of products for the private label market. Many of the products were cosmetics with an aloe base and the company had its own aloe plantation in Costa Rica.

“The on-line sale drew international attention since the machinery, especially the packaging equipment, has broad application,” said Kyle Rosen.

Among the most eagerly sought-after pieces of equipment were a Kalix high-speed rotary tube filler, and Kaps-All filling lines and capper. The sale there had a group of 22 different mixing tanks, ranging from 50 gallons to 1,000 gallons as well as other mixing, processing and storage tanks, some stainless steel. The largest was a 5,000 gallon vertical tank, part of a fabrication system.

In addition, there were various other fillers, cappers, centrifuges and labelers.

“This was an excellent sale with prices either equaling or surpassing the pre-sale estimates,” Kyle said. “The equipment was primarily late model and all of it was very well maintained.”

The company had invested considerable money on the development of an effective



*Delsite Tube Filler*

means of manufacturing a nasal spray using formulas previously used for making injectable prescription drugs. The application was awaiting a final decision of approval by the Food & Drug Administration when the company’s source of financing was forced to withdraw its credit line.

Other Rosen auction assignments also required the liquidation of the assets of similar companies that specialized in the manufacture, packaging and private labeling of various products.

“These were companies that were contracted to make private label consumer products that went into tubes, bottles or bags and ended up on store shelves. They all saw the demand for their products diminished and were forced out of business,” Kyle explained.

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NEWS & VIEWS



# How bad is bad?

By Michael Rosen, President

Why is it that we all tend to remember the tough times much more clearly than the periods when the skies were always blue, and the only negatives were uttered by a handful of chronic complainers? The orders and reorders were plentiful, profits were substantial and the bottom lines of most financial reports were considered things of beauty.

Some observers claim it is human nature to focus on the bad news rather than the good; news junkies have perennially accused editors of publishing many more negative stories than positive ones.

Well, I need not tell you that we are currently mired in one of those down cycles. This one is worldwide in scope, in contrast to some in the past that were primarily regional.

In difficult times such as this it is a rare businessman who doesn't resort to comparisons, attempting to measure the troubles of today against the troubles that dominated periods we have endured in the past. In our work as auctioneers and appraisers, we are in a somewhat unique position as observers since we deal with businesses of all sorts, all of which have been confronted with serious issues related to the economy.

Some of those businesses will surmount the troubles of today and live to enjoy a brighter future. Others will fail. In Texas, we remember the savings and loan crisis of the 1980s and recall how drastically it impacted the entire economy and how long it took for a recovery.

For comparison purposes, it seems clear that the current situation is worse, primarily because it is so widespread. In times of regional economic dislocation, buyers from other areas, those

with cash and an eye to the future, would seek out auctions and buy machinery at depressed prices. Their intent was to hold the equipment until the situation improved to the point when they could resell at a profit. We don't detect much of that approach today because of the virtually universal negative climate.

And yet there are positive signs. As we review the results of some of our recent sales, we find that, considering conditions, our auctions have produced some fairly positive

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results and satisfying prices. Stainless steel tanks and other stainless equipment have been especially strong due to their use in areas of business that have remained strong such as the food, medical and chemical fields.

Otherwise, a general review would show that machinery prices are off about 20 percent compared to 18 months ago.

A recent survey showed that the most troublesome industries are plastics, printing, woodworking, heavy stamping and construction.

We ourselves have made some comparisons with times of the past, times that yielded bad memories. Comparisons like that have modest validity and are truly satisfying only for the person who makes them. Our bottom line: This is no crash, but it is a very deep and wide recession and the recovery will be slow.

**LIQUIDATED:** *door inventory and woodworking equipment*

## Needs change as housing market plummets

Woodworking machinery has been a victim of the downturn primarily because of the stagnant home building market.

Some limited demand for the equipment does exist, however, and that was the case as Rosen successfully liquidated the assets of two specialized woodworking firms that relied on business from home builders and developers.

Every building has its quota of doors and a large inventory of interior and exterior doors were the main attraction at the sale of Fashion Door & Window of Arlington, Texas. Interest was concentrated on a supply of nearly \$800,000 of doors and accessories.

Rosen was able to dispose of the entire inventory, with the sale yielding about 20 percent of manufacturing cost, an amount that was regarded as satisfying for both seller and bidders, considering the economy.

Kitchen cabinets were another victim of the business downturn. Rosen liquidated the assets of New Image Custom Woodwork, manufacturers of custom kitchen cabinets in Saginaw, Texas. The machines included various saws, sanders, shapers and other specialized equipment.



## AUCTION ROUNDUP

(continued from page 1)

### Pill packager liquidated

A pill manufacturer didn't escape the overall business downturn. A well-established manufacturer of over-the-counter drugs, vitamins and nutritional supplements was liquidated in Mineral Wells, Texas, some 30 miles from Ft. Worth.

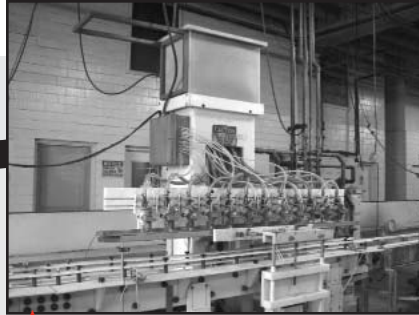
"The equipment offered for sale was quite modern and is the type generally used throughout the pharmaceutical industry," recalled Kyle. "Although some may have described it as specialized, the machinery is well-accepted and widely used in pill manufacturing and packaging plants. As a result, despite the impact of the stagnant economy, bidders recognized an opportunity to acquire some essential machinery at recession prices."

The machinery included a Stokes granulator and a Stokes tablet press, a 2006 Thomas Coating System as well as a Swiftpack electronic counter, a Hobart mixer, an Ima/Zanasi capsule filler, an induction sealer, and labelers, cappers and cottoners.

### Lawn care products

One was a chemical processing and packaging operation in San Antonio that made and packaged various fertilizers, weed killers and other lawn care products. The array of equipment there was highlighted by storage, mixing and packaging equipment.

In addition to four vertical silos, each with a capacity of 100,000 lb.,



Southwest Contract Packaging -  
E-Pak 12-head Filler

there was a sizable collection of other mixing and storage tanks.

For mixing, there was an E-PAK 12-head gravity filler, three dust or powder filling lines and three granule mixing lines. In addition there were Munson and Continental Products mixing devices.

"The variety of liquid and dry storage and mixing equipment provides some insight into the scope of the product lines that were made by this company," Kyle observed.

Also sold were cappers, labelers and four auto case sealers, in addition to a variety of material handling machinery.

### Printers in Texas, Georgia

Printing is often characterized as one of the reliable economic barometers. When times are good, printers are busy with catalogs and various promotional materials. When the pendulum swings in the opposite direction and business conditions sour, printers often find themselves in serious financial trouble.

Rosen Systems recently liquidated the assets of two major printing firms, both of which were equipped with a variety of machinery suitable for the markets they served.

In Keene, Texas, south of Dallas, Southwestern Colorgraphics had



Southwestern ColorGraphics -  
Mitsubishi Press

substantial press capability. Heading the equipment list was a 28 x 40 Komori Lithrone eight-color press, new in 2008. It was capable of printing either eight colors on one side of the press sheet at one time or being adjusted to print four colors on both sides in one pass through the press. Other presses were a two-color Heidelberg Speedmaster and a six-color Mitsubishi.

"Southwestern had a very well-equipped plant but the needs of its customers declined and the pressure of competition increased simultaneously," observed Kyle.

The company had a comprehensive pre-press department and its bindery included a Polar cutter, Stahl folder and Mueller-Martini saddle stitcher.

Another successful printing plant auction liquidated the equipment of Procraft Graphics in Alpharetta, Georgia, in northern Fulton County. The primary equipment there included a pair of Mann-Roland presses, an eight-color and a six-color, as well as three Ryobi presses of different sizes and printing capabilities. In addition to the offset press equipment, the company also had a four-color Heidelberg digital press. Other equipment included folders, cutters, a stitcher and a Spiel Sterling high-speed punch.



## Stimulus funds earmarked for road projects

# Lenders seeking appraisals of highway contractors

The stimulus package is doing what it was designed for – creating public works projects – at least among highway contractors. That’s the view of David Dalfonso, vice president of Rosen Systems, who heads the Atlanta office.

With the federal government appropriating billions to stimulate the economy, large shares of those funds are being allocated to states, counties, cities, towns and villages. Highway paving or resurfacing is often high on the agenda of those communities.

As a result, highway contractors are busy preparing bids on millions of dollars worth of work. One of their first steps is establishing a current line of credit with a lender. The lender needs an appraisal in order to make the decision on credit.

“I’ve appraised five highway contractors in the last few months, two in Texas, two in Alabama and another in North Carolina,” reported David, who specializes in evaluating machinery. “The value of their equipment hasn’t declined much in comparison with building contractors.”

The contractors typically have their own asphalt plants as well as a variety of road building and paving machinery, including bulldozers, road graders, rollers and other equipment. Some have portable asphalt plants that can be hauled directly to the job site. The appraisals showed that the equipment, while it may have been in use for several years, was still capable of efficient operation, David said.

“Based on my experiences, I think drivers are going to be encountering a lot of detours due to road work in the months ahead,” he observed.



▲ *Paving Equipment*

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## The Rosen Report

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