

ALLEGHENY SCALE MODELS

470 Schooley's Mountain Road, Suite 117
Hackettstown, New Jersey 07840

Collection and Model Sales Information

Thank you very much for asking me to help in the sale of your model railroad equipment. First and foremost, any agreement we make must be based on honesty and integrity. This is very important to me, and it is the foundation of my model railroad business. My responsibility in the sale of your collection is to do everything that I can to ensure that you receive a fair value for your items.

Below are some things that we both need to consider when we enter into an agreement to sell your models:

Marketing

It is important to provide wide exposure to the models that are for sale. I use five primary methods to market your items: 1) scale model railroad shows, 2) magazine print ads in several model railroad publications, 3) internet listings on my Allegheny Scale Models website (www.alleghenyscale.com) and (www.oscaleresource.com), 4) periodic sales lists mailed to customers, and, 5) a current customer want list. I also maintain a list of select customers who are interested in acquiring unique and special models. For these types of models, I will also use special advertisements to focus on those items.

I accept several types of payment from my customers, including Cash, Check, Money Orders, PayPal, and Credit Cards (Mastercard, Visa, Amex, and Discover). I ship worldwide and have an extensive list of customers.

My objective is to maximize the selling price of your models to provide the best return to you.

Consignment Fees and Expenses

For most of the higher valued models in the collection, I ask for a sales fee of 20% of the gross amount of the sale for each individual item. From this 20%, I pay all of the expenses related to marketing your models, and the fees for each individual sale. This includes associated selling fees, credit card fees, website listings, show and table fees, mailing costs, magazine ads, etc. For lower value consignment items, such as kit built freight cars, ready to run plastic models, kits, etc, I ask for 50% of the gross amount of the sale for each item. This approach allows me to market each type of item appropriately. I pay for all packaging and shipping materials, and I ensure that all models are packed appropriately for shipment so that they arrive safely.

From time to time I do list some consignment items on eBay, although I have found that other marketing approaches are more effective and less costly. If I do post an item for

sale on eBay I post my own photos and write my own HTML software code to make the listings unique. If eBay is appropriate to sell one of your models, I will take the photos, prepare the listing, and offer it for sale in either an auction or Buy-It-Now format. If your model sells on eBay, I do ask you to pay for the eBay sales fees and the associated PayPal fees, and I will deduct these from your net payment for the model.

Inventory and Invoices

I prefer to have an item on hand before I list it for sale. That way I know exactly what is being sold, I can describe it accurately, and can get it out to the buyer quickly. Also, potential customers regularly ask for photos before they purchase an item.

When I receive the models, I will inspect them and send you an inventory list with the description of each model that is on consignment. I will indicate on the inventory the associated consignment fee percentage for each item as well. I make any minor repairs to your models as required. In some cases, I will send a model to my builder/painter to complete work that will increase the overall value of the model. I will deduct the repair costs from your net payment for the model if this type of work is required.

As the models sell, I will send you a payment invoice with a list of items that have sold on a quarterly basis. For each item I will list the actual sales price, and send you a check for your share of the sales. I maintain a current inventory of your models, and store them in a secure, climate controlled area.

I like the customer to deal directly with Allegheny Scale Models, and not know the source of the items on consignment. I will market the pieces where I feel they will sell the best. This usually includes using more than one marketing approach. Of course, I will confer with you on anything out of the ordinary, such as offers for multiple models and proposed trades. I do allow a customer to place a model on lay-away and pay for it over time. In general, I like to have a minimum of six months to try and sell your models.

Pricing

I will work with you to set a fair list price on each item. Please keep in mind that for consignment sales, you will receive a percentage of the gross sale price, less any repair costs or eBay fees if applicable. I will, of course, make my pricing recommendations based on recent sales information and experience, as well as the rarity and condition of each model. You will reserve final approval on the recommended pricing. Some customers like to negotiate a bit, so we should have some room to set a range of acceptable pricing. As such, I will also recommend a "bottom line" minimum sale price for each model.

In the past some buyers have asked me to pay shipping as part of the sale, and I'd like to have the flexibility to make that kind of arrangement. I'd also like to be able to offer a small discount to someone who is interested in multiple purchases. I have learned that if we keep the asking price reasonable, we actually have a better chance balancing the final sales price with the length of time it the model takes to sell. If I have been unsuccessful in selling an item over an extended period of time, I may suggest a revision in the sales price.

Some items of lesser individual value, such as kits, parts, decals, etc. are best sold on my website or at shows. Listing and selling these items is labor intensive, and as such, I may make an offer to purchase these directly from you. This would provide you with an initial return until some of the higher valued consignment items sell.

Other Considerations

My overall approach gives us a number of options for reaching potential customers, thereby increasing the returns. The strategy is to maximize the sale price for each item as an individual sale, rather than discount a large group of items together. It may take a little longer to sell everything, but I think it is the best approach. In my experience, sales seem to be directly tied to the ability of matching the buyer with the model that he or she is looking for. As long as the price is in a reasonable range a buyer always seems to come along.

I am associated with a number of businesses that do custom building, painting, and electronics/DCC/sound installation. In some cases this helps to sell the models. If we have a sale based on these services, my approach is to provide them at cost, and to complete it as a separate "add on" transaction after the sale of your item is finalized.

Direct Purchase

In many cases I will offer to purchase your collection or models directly, rather than enter into a consignment agreement. In general, and in keeping with the norm in the model railroading hobby, my offer will be approximately 50% of the current market value of the collection or models. Every case is different, and I will work with you to ensure that we both feel that we are treated fairly in such a transaction. If you are interested in selling your collection or individual models immediately, please let me know.

To help you decide what may be the best approach for selling your models, I have included a summary of the approaches entitled "Scale Model Railroad Collection Sales Options."

Personal Information

I have been a model railroader for over 50 years. My primary interests are in 2 Rail O Scale and On3 Narrow Gauge. I also have an interest in pre-war Standard Gauge tinsplate trains, and I have been a member of the Train Collector's Association since 1967. Allegheny Scale Models was established about 15 years ago as a result of some friends asking for help in selling their O Scale models. Allegheny Scale Models is a registered Limited Liability Company in the State of New Jersey, and we focus on sales of high quality out of production brass models. I am a 1973 graduate of the United States Naval Academy and work as a Software Engineer for the Department of Defense. I also have an MBA from the University of Rhode Island. My wife Cheryl is an integral part of ASM.

Thank you again for your interest. Please contact me if you need any additional information or would like a list of references. I look forward to hearing from you.

Sincerely,

Jack McGarry

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