**Allegheny Scale Models**

**470 Schooley’s Mountain Road, Suite 117**

**Hackettstown, New Jersey 07840**

**Consignment Sales Information**

**May 1, 2019**

**Collection and Model Sales Information**

Thank you very much for asking me to help in the sale of your model railroad equipment. Allegheny Scale Models is known for offering high quality models to the model railroad community and for dealing with everyone in an honest and forthright basis. As such, any consignment agreement we make must be based on honesty and integrity. This is 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 six primary methods to market your items: 1) scale model railroad shows, 2) online magazine advertisements, 3) print magazine advertisements in multiple model railroad publications, 4) internet listings on my Allegheny Scale Models website ([www.alleghenyscale.com](http://www.alleghenyscale.com)), 5) sales lists and specific model availability announcements mailed directly to customers, and, 6) a current customer want list that identifies customers who are interested in acquiring specific models. For special and unique models and collections, I also use separate focused advertisements to announce their availability.

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

**Consignment Fees and Expenses**

For the higher valued models in the collection, such as brass locomotives, brass rolling stock, and higher-end custom built models, my sales fee is 25% of the gross amount of the sale for each individual item. From this 25%, 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, parts, books, etc., my sales fee is 60% of the gross amount of the sale for each item or group of items. This approach allows me to market each type of item appropriately.

From time to time we may elect to list some 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 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.

For all items I pay for all packaging and shipping materials, and I ensure that all models are packed appropriately for shipment so that they arrive safely.

**Inventory and Invoices**

It is necessary for me to have a model on hand before I list it for sale. That way I know exactly what is being sold, I can describe it accurately, and can deliver it to the customer quickly. Also, potential customers regularly ask for photos before they purchase an item.

When I receive the models, I will provide you with an initial paper receipt, or an electronic record of the inventory. As I inspect and evaluate the individual models in the collection, I will 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 generally make any minor repairs to your models as required. Some models that require an inordinate amount of time or investment to repair will be listed for sale “As Is”, and the list prices will reflect the model’s condition. In some cases, I will send a higher value model to my builder/painter to complete work that will either: 1) increase the overall value of the model, or 2) make minimal upgrades to the model condition so that it can be listed for sale. In general I make no investment in repairs unless the value of the model is materially increased. I will deduct the repair costs from your net payment for the model if repair work is required.

As the models sell, I will send you a payment invoice with a list of items that have sold, generally 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.

Lower priced items subject to the 60% fee are generally sold at train shows and are not offered for sale on the internet. These models are inventoried on an aggregate basis and documented by the total number of models available at a given list price.

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 set a fair list price for each item. My prices are based on the value of the model in the current market. My pricing is directly influenced by recent sales information, experience, and significantly, the rarity and condition of each model. Please keep in mind that for consignment sales, you will receive a percentage of the gross sale price, less any repair costs or applicable fees. Some customers like to negotiate a bit, so we should have some room to set a range of acceptable pricing. As such, I will 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.

**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 emerge.

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 any additional work as a separate "add on" transaction after the sale of your item is finalized.

**Direct Purchase**

In some 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 35%-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 copy of our “Allegheny Scale Models Scale Model Railroad Valuation and Selling Guidelines”. This information will help you to decide how to best meet your objectives.

**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 tinplate trains, and I have been a member of the Train Collector’s Association since 1967. Allegheny Scale Models was established over 20 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 although we focus on sales of high quality out of production brass models, we handle all types of models in all scales.

I am a 1973 graduate of the United States Naval Academy and I have an MBA from the University of Rhode Island. I retired from my position as a senior Software Engineer for the Department of Defense in 2018. 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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