

Westchester

Section 14

Task of Making Liquidation a Solid Business

By PENNY SINGER

WHEN the Delta Faucet Company of Indiana discontinued 3,000 sets of almond-color faucets they got in touch with International Purchase Systems, a liquidation concern in Elmsford. And when a major bank could not collect on a \$3 million loan made to a toy manufacturer and took possession of the manufacturer's inventory, the bank, too, called on International Purchase Systems.

"The faucets originally wholesaled for \$50 a set, we bought them for \$25 and sold them to small off-price retailers for \$30 a set," Michael Brooks, 32, president and founder of International Purchase, said. "Basically, that's what this business is all about: converting a client's surplus inventory into cash."

As for the toy manufacturer's inventory, which was seized by the bank, Mr. Brooks said: "It was full of everything, from board games and stuffed animals to bats and balls. After getting three or four quotes from close-out chains establishing the wholesale value, we sold the inventory for 17 cents on the dollar. So for their \$3 million, the bank only got a little over half a million dollars. Sometimes this is an ugly business."

But not as often as it once was, said Mr. Brooks, a former lawyer, who thinks of himself as an industry pioneer and is out to change and legitimize the liquidation business by developing long-term relationships with Fortune 500 clients as well as smaller companies.

Once thought of as a scavenger business run by hustlers, liquidation, Mr. Brooks emphasized, is now an accepted inexpensive method used by businesses as a way to turn obsolete or unsalable inventory and equipment into cash.

"Consolidations, corporate turn-overs and industry shake-ups are the mainstay of our business," Mr. Brooks said. "We have amassed such a large network of buyers that we're able to move a client's surplus merchandise quickly and quietly at the highest market price allowed. We've earned a reputation for ethical business practices by respecting and adhering to restrictions prohibiting the resale of products anywhere near a customer's normal distribution channels."

Prada handbags, Versace bathing suits, Varnet sunglasses and consumer merchandise galore from hair accessories to garden equipment are the liquidator's raw material. The company also moves a



Photographs by Chris Maynard for The New York Times

Michael Brooks in the warehouse of his liquidation business, International Purchase Systems, in Elmsford.

wide array of computer software, which accounts for \$3 million of annual sales.

"My college roommate, Lawrence Migdal, a CPA, helped me start the software operation, which he is now in charge of," Mr. Brooks said.

A little-known but profitable segment of the business is what Mr. Brooks calls buy backs.

"Essentially, it's done by companies who want to get into large retail chains," he said. "For instance, when Delta wanted to sell its products to Home Depot, it had to buy out the American Standard products in order to get shelf space. The store's inventory of American Standard items was delivered to our warehouse for resale."

In today's rapidly changing market, Mr. Brooks observed that the abilities to evaluate and seize opportunities are the hallmark of a successful company.

"The same has been true in my own career," he said. "In my case, opportunities started in high school, when I started a business selling cut flowers. By the time I got to college, I was a dedicated entrepreneur. I worked out one deal to sell concert

tickets on campus and another with a carpet retailer to sell carpet remnants to incoming freshmen.

"I piled the remnants in my truck, and as I got orders, cut carpets to size. That's how I met my wife, Debbie. On her first day at George Washington University, she ordered pink carpeting for her dorm room. We got married after I passed the bar."

Mrs. Brooks, a former financial planner for the sportswear division of Saks Fifth Avenue, is now the chief financial officer of International Liquidation.

"And she supported me all the way when I decided to leave the law and a high-paying position to go to work for a barter and liquidation company, D&W Enterprises in White Plains, for a \$500-a-week draw on commissions with no salary," Mr. Brooks said. "I took the job so I could learn the business, which intrigued me. I was lucky enough to find a mentor, Robert Kowal, who was a terrific teacher."

Two years later, in March 1994, Mr. Brooks left D&W to found International Purchase Systems with \$100,000 from personal savings and the help of a friend, and partner, Robert Bernstein, who ran an auto leasing company in Westbury on Long Island.

"We worked out of Robby's office and stored the inventory in his mother's basement," Mr. Brooks recalled. "However, within a month we were in the black, and I never had to use most of the money I had saved for the start up. Robby's auto-leasing business was also taking off, so I bought him out and moved the business to a warehouse in Yonkers."

In 1995, Mr. Brooks asked his for-

mer mentor, Robert Kowal, to join International Purchase.

"With Larry Migdal and Robert Kowal aboard, we took off and moved to larger space in Elmsford," Mr. Brooks said. "We've since leased warehouses in Yonkers, Schenectady and Monticello, N.Y., and in Indianapolis. We now have more than 30 people on the payroll."

The company is still privately financed with no debt and no outside line of credit.

Reported earnings for 1996 were about \$6 million.

A former lawyer sees himself as an industry pioneer.

For 1997, Mr. Brooks is projecting double that amount or earnings of \$12 million.

When asked if everything handled by the company returned a profit, Mr. Brooks said he wished it were so.

"I can't help remembering the 1,000 self-stick wall plates from the 70's or the Radon testing kits that nobody wanted," he said. "You can't always win, no matter how selective you try to be."

As for the future, Mr. Brooks said lackluster retail holiday business translates into excess inventory.

"We expect to be handling a lot of soft goods and electronics from manufacturers who are using liquidation to turn inventory into cash."