



FADRA 2016!

Hilton Lake Buena Vista

Orlando, Florida

July 28 - July 31

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NEWS Issue 4, 2015

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PRESIDENT'S MESSAGE



Tim McMillon M&K Auto Recycling

Forrest Gump sure had it right when he said, "Life is like a box of chocolates; you never know what you're going to get."

As I reflect upon this year, that saying comes to mind. We make plans, put into action what we think will be the best strategies for ourselves and our businesses, but you never really know how things will turn out. Sometimes you just have to do the very best you can do - what do they say? Give it that ole college try and then accept the outcomes even when they aren't what we expect or what we want, or sometimes they may not even make any sense or be fair.

For me this year, I'm very humbled and pleased to say, I was able to accomplish a major professional milestone that has significant personal meaning to me. I've worked in the family business since the 1980s. In 2004, my grandfather, Asa McMillon, and father, Milton McMillon, allowed me to purchase stock in the family business. Although both worked and were

very hands-on in their day, my grandfather essentially retired his work boots in the '80s and my father hasn't actively participated since 2004, although he has continued to hold shares of stock in the business. I was able to purchase the last of those shares this year, making me the sole shareholder in the business. I've worked hard throughout the years, been dedicated, made sacrifices, and it is really a great, satisfying feeling. So, yes, I'm proud of this and I wanted to share it with you. But I'm not blind to the fact that the outcome could have been different, delayed, unforeseen.

My wish for you as we embark upon a new year, is that your best laid plans, the ones you work so hard for day in and day out, come to fruition. That health, happiness, and prosperity are all yours in 2016. But if you do get that one chocolate, you know the really gross one that no one will eat...chew it up, force it down, and wash it away with something strong. Then try something else in the box - they're not all bad, right?

Merry Christmas and Happy New Year to all! Tim McMillon, FADRA President



Calendar

January 26-27, 2016 FADRA Legislative Days

April 2-7, 2016 ISRI Convention & Expo Las Vegas, NV

April 28-30, 2016 URG Training Conference Hyatt Hill Country Resort San Antonio, TX

July 28-31, 2016
FADRA Annual Convention
Hilton Lake Buena Vista, Orlando FL

October 26-28, 2016
ARA 73rd Annual Convention
Baltimore Convention Center

BEHIND THE WHEEL: EXECUTIVE DIRECTOR'S REPORT

By Kim O'Dell, CMP, O'Dell Group Management, FADRA Executive Director



I hope you are enjoying the holiday season and not too stressed out about getting the right presents and working on your year-end processes for your business. I always treasure this time of year, but sometimes it can make you pull your hair out. This issue is devoted to articles that help you take stock of the future, protecting your assets or making the transition to new ownership, either a family member or someone else. This is a time when we reflect on what we have, what we want, what we treasure, and what we can do without. What can we change, and what can we do better in the coming year. I'm trying to figure those things out myself.

As for FADRA, we're going to hit the ground running in 2016, beginning with our Legislative Days on January 26-27. The session starts early this year, and we're going with the flow

and getting in to see our legislators early on to talk about our key issues. FADRA broadly represents the state's auto recyclers, but it's the individual members who make an impact by coming to Tallahassee to speak in person to legislators. Please take the time away from your business and you will be rewarded many times over.

Below, please find a continuation of our series on FADRA history. Merry Christmas and Happy New Year!

1991

- Crow-Segal added a FAX machine to its office equipment and a full-time editor for the FADRA News.
- Although the Insurance Trust had been dissolved, an outstanding claim for a serious injury that had not been paid elicited a lawsuit against the trust, FADRA, and FADRA trustees and management. The suit was ultimately dismissed, though not without significant legal fees for FADRA.
- Three regional meetings of FADRA members were held to build interest in and support for the association. Attendance was high.
- It was agreed to grant a discount on dues to multi-yard owners whose yards join FADRA.
- A subcommittee was formed to study Workers Compensation insurance, with Steve Holland as Chairman.
- Freon certification and recycling became a major issue as further Freon production was banned by the U.S. government because it contributes to ozone destruction.
- Annual Convention: Daytona Beach Marriott, Daytona Beach, FL

1992

- FADRA became the first association to hold a "Train the Trainer" electronics seminar.
- Storm Water Runoff Certification was required by the EPA and Florida DEP.
- FADRA sent a letter of support to Ben's Auto Parts in Homestead, whose yard was destroyed by Hurricane Andrew, one of the worst in Florida history

- Strong convention income greatly improved FADRA's financial stability, rising to \$11,518.32 in total assets from less than \$2000 the previous year.
- Annual Convention: Sheraton Sand Key Resort, Clearwater Beach, FL

1993

- ADRA (The Auto Dismantlers and Recyclers Association) formally changed its name to ARA (Auto Recyclers Association). FADRA retained its traditional name
- FADRA ranked fifth in the nation in premium collected by the CAN insurance program, with rebates paid annually to participating members.
- FADRA's total cash assets reached \$29,400.28.
- Annual Convention: Sheraton Sand Key Resort, Clearwater Beach, FL, in a joint meeting with SARCATS

1994

- Southeast Long Line (SELL) and the Southern Elite Line merged.
- FADRA participated in a program with Special Olympics that would donate proceeds from donated severely damaged cars to the program.
- FADRA entered into an agreement with AT&T that encourages members to use AT&T phone services on a discounted plan, in return for an annual \$1000 payment to the association.
- Annual Convention: Sheraton Sand Key Resort, Clearwater Beach, FL

1995

- ADP Hollander purchased Auto Info, Compass, and Orion, bringing upon itself antitrust action by the federal government and a lawsuit by ARA that was settled.
- Led by Karen Chapman, FADRA investigated creating a self-funded Workers' Comp insurance program, but determined it was unfeasible.
- The Florida DEP worked with FADRA to create a "Best Management Practices" document.
- Annual Convention: Daytona Beach Hilton, Daytona Beach, FL. ARA met in Tampa, FL.

1996

- National title reform legislation proposed by ARA was introduced for the first time, HR 2900 and SB 2030, although it did not pass.
- Bo Wroten organized meetings between auto recyclers, body shop owners, and insurers to discuss problems concerning use of LKQ parts, ghost inventory, and accountability.
- Mark Schwab of Auto & Parts created the first FADRA Web site.
- Annual Convention: Hilton Oceanfront Resort, Daytona Beach, FL.

1997

- A new Workers' Comp Committee was formed to try to change the classification of auto salvage yard workers.
- Total assets were \$30,169.20, a new high.
- Annual Convention: Sandestin Beach Hilton Golf & Tennis Resort, Destin, FL

MEMBER NEWS

Car-Part.com Announces Part Images in Search Results, MyPartsApp for Recyclers

Online customers can now see recyclers' Part Images while shopping in the Car-Part Pro marketplace. Part Images are also available in search results on Car-Part.com, Trading Partners, and recycler websites, as well the new MyPartsApp, which provides customized apps for recyclers. Jeff Schroder, CEO of Car-Part.com, unveiled these features recently at the Car-Part Industry Conference and the Automotive Recyclers Association (ARA) Annual Conference/Expo.

The Part Images feature is a natural complement to the ARA part grading and detailed part descriptions that recyclers already provide in Car-Part.com marketplaces. When a customer searches for a part, available Part Images are automatically included in the part description, right where they're needed. Part descriptions include thumbnails of the primary Part Image, and clicking a thumbnail opens a gallery of all available photos for that part. Part Images provide customers additional verification of a recycled part's quality and the accuracy of its listing. For customers, it's the next best thing to seeing the part in person!

Part Images are also live in MyPartsApp, a new service by Car-Part.com providing individual recyclers with their own mobile apps for smart phones and tablets. With MyPartsApp, a recycler's app helps customers search the recycler's inventory, and even scans the VIN barcode to search by VIN! MyPartsApp not only provides a customized downloadable app, but it also includes a bonus mobile search page at no additional charge. MyPartsApp features the same streamlined, user-friendly interface as the newly redesigned Car-Part Pro and Car-Part.com apps, which have been optimized with an enhanced workflow for multi-part searches.

Jeff Schroder, CEO of Car-Part.com, said:

"We are constantly striving to give recyclers more ways, and better ways, to sell parts. That's why we're so excited about these new features! We've proven the success and impact of Part Images with collision customers in Car-Part Pro, and are proud to bring this technology to other marketplaces like Car-Part.com, Trading Partners, and recycler websites. These Part Images are powerful selling tools when combined with ARA part grading, giving customers yet another way to verify a part's quality, and making them more comfortable with their decision to buy a recycled part. And we're equally excited to announce MyPartsApp, which allows recyclers to take advantage of our mobile-friendly part search workflow for their own individual businesses."

For more information about Part Images, visit http://Products.Car-Part.com/Images. For more information about MyPartsApp, visit http://Products.Car-Part.com/MyPartsApp.

FADRA Members Attend ARA

Several FADRA members joined auto recyclers from throughout the country at the 2015 ARA Annual Meeting on October 7-10 in Charlotte, NC. Mike Gagel, Steve Holland, Gary Lindros, Jr., Jason Grady, Bob Eubanks, and Billy Glueck, Jr. represented our association at this premier industry event.

"The ARA Convention was outstanding this year," Steve said. "Some of the speakers blew my mind. Bobby Triesch, VP of Operations with Newell Recycling talked about the world scrap industry and the falling prices. He said that scrap prices are the lowest they've been since the 1960s. He provided a lot of fascinating information."

"I went to ARA with a different attitude this year," said Mike Gagel. "I've gone so many times and I've always attended the sessions, but often because you're supposed to and not always paying the kind of attention I should. But my bottom line hasn't been what it should be the past couple of years and I think I had gotten a little complacent. So I went to FADRA and ARA determined to learn as much as I could from the seminars. And I really did. The speakers were excellent and I brought back some good ideas I could use."



MEMBER NEWS

Junior Wilkerson Hits 40 Years in the Industry

Steve Holland reported that General Manager Junior Wilkerson celebrated his 40th anniversary working in the auto salvage industry. Johnny Castellano first hired him at American Auto Salvage in Riverview. He then went to Adams Auto Parts in Tampa, owned by Jack Nosbush, (a non-FADRA member), before joining Brandon Auto Salvage in October 1980.

"Steve gave me two cakes to celebrate my anniversary," Junior said. "They were trying to kill me with sugar."

"I'm very excited about [the anniversary]," he said. "I don't plan to quit until I can't work anymore."

"Much of the success of Brandon Auto Salvage has come from with the dedication that Junior holds in his heart for people and our business," said Steve Holland. "Whether he is serving a customer or encouraging an employee to be the best in life that he or she can be, Junior is a pillar of support. He and his family are like kin to the Anderson and Holland families. They have taken care of our kids when we would attend conventions or other occasions. Junior is a special individual who you can depend on when in need."

Jim Kincaid of Loetscher's Auto Parts shared a memory. "The first memory I have of Junior was when I was roughly four years old. We were at a salvage Yard and Junior poked his head through the passenger side window of my parents' car and said, 'So this is the little cowboy.' Not that that is pertinent but I wanted to illustrate that the first memory I have of him was at a salvage yard. That was almost 40 years ago.

"We live in a fast-paced society where people change jobs at a rapid rate," Jim said. "This is either because of business closures or a sense of instability within a company that causes employees to search elsewhere for more stable employment. Junior has worked in this industry for four decades and weathered three major recessions. He has shown that this industry is stable enough to weather hard times and changing economic climates. He is partly why I am currently working in the salvage industry."

Junior joined the business somewhat reluctantly, and remembers that auto salvage yards had a rather low reputation when he got started, both for the people who worked in them and the customers. "Junk yards were

looked at as a low-food-chain world. People didn't realize how much wealth was in salvage yards—more than today in some ways.

"I started with American Steel and then American Can. My wife's father was an executive with American Can and we moved briefly to Mississippi before moving back to Riverview. Johnny Castellano lived there and kept coming by my house to ask me to work for him. I wasn't interested at first—I wasn't a car person and not that interested in cars—but I kept getting laid off at American Can and I finally gave in. I became the first customer service representative—what we now call outside sales—in the area. After a short time I replaced a guy as a manager.

"Johnny was a visionary in the industry; he was extremely organized and had every car completely inventoried on cards before it entered the yard. We did that every day. He used to hand out brochures to customers about saving electricity and about how much energy was saved by recycling auto parts. That was also unusual back then. He helped me a lot. I was just talking to Johnny recently and told him he forced me into the business."

After a year, Junior joined Jack Nosbush and Adams Auto Parts on Highway 301. "Jack is a very independent person and also a very good recycler. I got in when he just bought the place, with a check he had to ask the guy to hold for two weeks. In four years, we built it up to a \$100,000 a year business. I promised him I'd stay a year, and ended up staying for four. I used to meet Steve Holland at the Sadisco auctions and we became friendly, and I saw an opportunity with him to help another business build from the ground up, so I started there in 1980.

"Probably the biggest change in the business I've seen is when we went to computers and what we need to do now to pull people in for sales. If you don't show them a part on the computer, they won't call us. It's harder for smaller companies to compete. A lot of consumers don't know that we can find something that fits their needs that may not be listed. Dealing with people, though, isn't that much different. The dollar value of parts now makes them more careful and want to be handled differently."



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LEGISLATIVE UPDATE

By Steve Holland, Brandon Auto Salvage, Legislative Chairman



FADRA is gearing up for a very active Legislative Session in January 2016. I hope you plan to attend our Legislative Days on January 26-27. We use your time

as efficiently as possible so you're not gone from your business too long and you will be doing an invaluable service to the industry. We also have a lot of fun, believe it or not. It is truly an experience worth your time visiting our state capital and meeting your legislators. Please contact Kim at the FADRA office and make plans to come with us.

This year, we are working on several Bills that affect our future and

can benefit us. The first is an advertising bill promoted by the Professional Wreckers of Florida (PWOF) that regulates who can place advertising for and purchasing of salvage vehicles other than a personal and private sale. Rep. Bob Cortes (R-Altamonte Springs), who has owned Cortes Towing since 1990, will file this bill, which takes aim at the unlicensed people who post signs advertising "We Buy Junk Cars."

This bill will require "that a person or entity that advertises the purchase, sale, transport, delivery, removal, or receipt of a salvage, derelict, junk, or wrecked motor vehicle obtain a National Motor Vehicle Title Information System [NMVTIS] registration number and a motor vehicle dealer license or a secondary metals recycler registration before posting or displaying such advertisement." It

also prohibits salvage and scrap yards from securing the services of a tower to collect such vehicles from persons who lack the proper licensing, and assesses criminal and financial penalties.

The second bill (SB 566) is presented by LKQ for the purpose of enabling a third party to create a DMV database of names of persons or businesses that purchase or sell salvage vehicles in Florida. DMV's computer systems are woefully behind the times and law enforcement isn't able to access all NMVTIS data, so we'd like to The NMVTIS reporting process has been in Georgia since 2012 and working great for them.

If you hear of any bills that affect our industry, please contact me at 813-685-0375 or steve@brandon-auto.com immediately. Sometimes the Legislature moves fast, so time is important.





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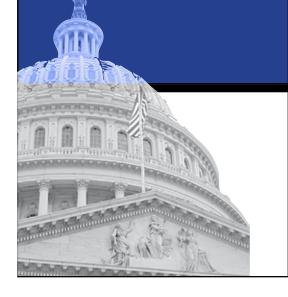
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LEGISLATIVE SESSION REPORT Inside Scoop on the 2016 Florida Legislature

By Trevor Mask, Colodny Fass



The 2016 Florida Regular Legislative Session will begin earlier than usual. Normally, session begins in early March and concludes in early May. This year, however, the Session will begin on January 12 and conclude on March 11 thanks to legislation passed in 2014. Florida's constitution requires the session start in March in odd-numbered

years but leaves it up to the legislature to establish the dates in even-numbered years. Leading up to the Session, the legislature has been holding and will continue to hold interim committee meetings. During these meetings, the legislators will begin to shape the agenda for the Session. Some of the issues are beginning to crystallize, while others are less certain.

Before previewing the 2016 Session, let's take a brief look back at 2015. The 2015 Session came to an abrupt ending as the House adjourned three days early, leaving many bills pending and ultimately dying. The legislature failed to reach a deal on the budget during the Regular Session, which is the one bill that is required to pass. As a result, the legislature convened a three-week Special Session in June to work exclusively on the budget. They ultimately approved a \$78.8 billion budget.

The legislature held two additional special sessions on redistricting. In July, the Florida Supreme Court ruled that eight Congressional districts must be redrawn because, in part, the maps violated the Fair Districts amendment to the Florida Constitution. This decision also prompted the state Senate to redraw their maps. Following each special session on redistricting the House and Senate were unable to agree on the same Constitutional map. The result was due in large part to the political dynamics and ideology on what is constitutional. As a result of the inaction by the legislature, the Courts will draw the maps. At the time of this writing, the outcome of what the maps will look like is unknown. How they are drawn could change the party make up in both Congress and the state Senate. It seems likely the map issued by the Court in the Florida Senate will favor the Democratic Party leading them to pick up additional seats. Currently, the Senate is comprised of 26

Republicans and 14 Democrats. The Florida congressional delegation is comprised of 17 Republicans and 10 Democrats.

Recently, a four-year battle for the Senate Presidency for the 2017-2018 term was resolved. Senators Joe Negron and Jack Latvala each held a large block of Republican pledges that sharply divided the Senate. Senator Latvala finally conceded to Senator Negron in early November, months after Senator Negron announced he had secured a majority of the pledges need to win the Presidency. Out of the deal, Senator Latvala will chair the powerful Appropriations Committee. The resolution of this contest should ease the political tension the Senate has been under, which has led to more gridlock than usual.

2016 marks the final Regular Session for House Speaker Steve Crisafulli and Senate President Andy Gardiner. The state budget will again be a major focus of the Session. Governor Rick Scott has proposed a \$1 Billion tax cut package. He is seeking to permanently repeal the corporate income tax, reduce the sales tax on commercial leases, repeal the sales tax on equipment purchased by manufacturers, provide a 10-day sales tax holiday for back-to-school items and nine-day holiday for hurricane supplies, and extend the sales tax on college text books for one year. It is unlikely the legislature will pass a budget including all the tax cuts he is seeking, but he will likely get something.

Speaker Crisafulli continues his focus on a statewide policy to preserve Florida's water and natural resources. One measure moving through the legislative process (House bill 7005 by Representative Caldwell) does just that. Critical provisions in the bill have garnered support from key House and Senate members as well as Agriculture Commissioner Adam Putnam and other interested parties. The bill addresses public lands, Florida Springs, the Everglades, water conservation and supply, and other environmental issues.

President Gardiner continues his support for persons with disabilities. Several bills he strongly supports are moving through Senate committees leading up to Session. These legislative proposals recognize businesses that employ persons with disabilities, create a financial literacy pro-

grams for persons with disabilities, and require interagency cooperative agreements to ensure a long-term commitment to improve employment opportunities for persons with disabilities.

Your FADRA legislative team is preparing for a very busy and productive Session. We expect to see several pieces of legislation affecting the automotive recycling industry. Be on the lookout for legislative alerts this Session as we will call on YOU to participate in our grass roots activities when issues impacting our industry are addressed.

Thank you for your involvement in FADRA and your participation in the legislative process. Your input and voices are critical to the success of our industry in Tallahassee.

Make Your Presence Felt in Tallahassee! SIGN UP NOW FOR FADRA LEGISLATIVE DAYS

When legislation affects our industry, it's vital to have an existing relationship with legislators. For the last seven years, members have gone to Tallahassee to meet with legislators in their offices, and it has helped us in so many ways. We make this event informative, social, and efficient as we work to use our limited resources to protect your business. This annual personal touch has tremendous value, and it's designed not to take you our of the office for very long.

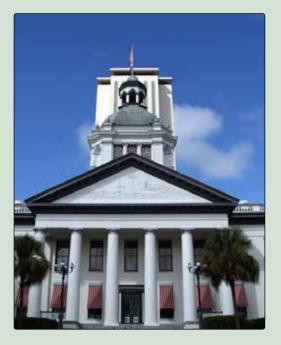
Please email <u>kim@fadra.org</u> to let her know you plan to attend FADRA Legislative Days. We have a Tuesday evening dinner and social sponsored by Auto Data Direct, then we visit legislative offices on Wednesday from 8:30 to about 1:30.

Hotel Info:

Hilton Garden Inn Tallahassee Central 3333 Thomasville Rd., Tallahassee FL 32308

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Identify yourself as a FADRA member to get the discounted room fee.









F.A.D.R.A.

Florida Auto Dismantlers and Recyclers Association

WHERE IT ALL STARTED

Ron Copher and his brother Richard were leading auto recyclers in Florida beginning in 1969. They inherited the business from their father, who started it in 1948, and their grandfather started an auto salvage yard in Indiana in 1912, at the dawn of the auto industry. Ron was a founding member of FADRA in 1975, became president in 1977-78, and remained active for many years, serving as Legislative Chairman for several years. Ron has come to several FADRA conventions in recent years, even after

retirement, and he was deeply moved by this year's 40th Anniversary meeting. He talked about how FADRA came together all those years ago.

"I didn't want to be in the auto salvage business," he said; "I wanted to be an architect. But my dad died when I was a senior in high school, so my brother and I had to pay off some of his debts. He owned East Tampa Motor sales on US 41, which we later sold to Marvin Greenberg and became Trucks &

Parts. We bought the 30-acre yard in 1970 and opened in 1971. We joined NATWA, which became ADRA and then ARA, and in 1972-73 we went to their convention in Miami and we won their Beautification Award. I was only 22 or 23. They asked me to serve on their Beautification Improvements Award Committee, so people in the industry knew who I was. I loved to visit the finalists, partly to see that what they put on paper was accurate, but mostly because it was a wonderful way to get new ideas.

"One day, a man named Gordon Lawhorn, who was the ADRA Regional Director for the South, walked into my shop. He was from Virginia and had a voice like Foghorn Leghorn, the cartoon character. He was a very interesting fellow and he had the industry at heart. He said to me, very bluntly, 'My name is Gordon Lawhorn,

and you and I are going to start an association in Florida.' Just like that. ADRA didn't have any formal representation in Florida at that time. We started talking strategy about who to approach and how to build the membership across the state. The project really intrigued me.

"We put together a list of people who were Long Line owners and people who were respected in the industry. The first person I called was Hayden Haskins in Ocala. He said he'd love to do it. Later on, he and I



spent so many hours flying around the country to look at yards. He was a wonderful man. Then we contacted Vernon Mellette in Daytona Beach. Then Randall Spivey, who was in Winter Haven, not far from me, and owned a Long Line. We contacted Joe Mora in Jacksonville, who we didn't know as well but he had a lot of contacts in that area. Bob Werner from Miami got involved early, then after a couple of meetings he sent his son Jeff, who became

a president of FADRA. Eliott Sharon in Bonifay, who also owned a Long Line, came on board, and later Rich Benn from Homestead.

"Hayden, Gordon, and I looked for people who had good character and had Long Lines, which connected them to many other recyclers. We met in 1974 and talked about how to secure representation in Tallahassee. Vernon had a friend who was a former state Senator and he agreed to serve as our lobbyist. Gordon showed us some things we needed to do to make sure legislation didn't hurt our businesses. A lot of environmental legislation was coming down back then, though, looking back, the industry definitely needed to be cleaned up.

"For our organizational meeting, we met at a Holiday Inn in Silver Springs outside Ocala. We didn't even have a meeting room; we met in a bedroom. We came

together very quickly and grew our membership quickly, reaching 150 members in a few months thanks to the Long Lines. We were also wise to hire a management company from the beginning, and were lucky to come across the right management. We had a lot of good guys who had good intentions and energy, but you need that day-to-day management staff. People were eager to learn and eager to help the industry. FADRA yards sponsored seminars at the convention, and when someone in an area improved something, such as putting up fences, and others would follow. The progress we've seen in this state happened much faster because of FADRA."

The early conventions were a bit different than the ones today. "We got huge numbers of people from the get-go," Ron said. "We met in Florida in the winter, usually February, and we marketed to yard owners from all over the country via the ADRA magazine. It was a great opportunity for northern and Midwestern yards to visit Florida during beautiful weather. We had seminars, and all of us were involved in ADRA. We were all young guys who were excited to be schooled by the national association, and we brought it home.

"Then along came Jim Seamans in 1981 or so, and he was the right guy at the right time. I had met him when he was the Northeast Regional Director with NATWA, but when he moved here he traveled to all the yards selling the Hollander interchange manual. He was an evangelist for the association, and helped us take it to

the next level. We had great leadership from people like Haydon, Vernon, Billy Glueck, Lenny Damron, Steve Holland, and many others.

"When you look back in life and see how you were surrounded by great people at a given time, people with the right attitude and right purpose, you can see how you became successful," he said. "We had a wonderful core of people who cared. A lot of us had started in the business from the seat of our pants and we all wanted to learn and improve. The people we contacted to start FADRA turned out to be top-shelf people with the right agenda in life. We were blessed."

Copher Brothers sold their yards to Ford Motor Co., LKQ, and Schnitzer Steel in 1999 and beyond, but Ron still has friends in the industry and has been known to come to the convention on various occasions. Being able to see fellow founders from 40 years brought forth powerful memories.

"That last night, I could look at so many people and think about how they contributed to FADRA. On behalf of the other founders and myself, I want to thank FADRA, its officers and management team and members, for taking the time to recognize us and say thank you to us. It's such a special moment. I was talking to the other founders and we felt like FADRA is a child of ours. For you to take the time after all these years to say thank you was really, really special."



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INDUSTRY NEWS

It's Not a Feat of Science: Cloned Vehicles Are a Crime

The Facts

Enterprising criminals continue to invent new scams to defraud insurers and consumers. One innovative vehicle theft scheme involves copying a vehicle identification number (VIN) from a legally owned and documented vehicle sitting in a parking lot or vehicle dealership. The VIN is then used as the basis to create counterfeit VIN tags.



The next step in the cloning process is to steal a vehicle similar to the one from which the criminal lifted the legitimate VIN. The stolen vehicle's legitimate VIN tag is replaced with the counterfeit one. With this counterfeit tag, the stolen vehicle is now a "clone" of the original vehicle that was legally owned and innocently parked in a lot. With the counterfeit VIN tag, the stolen vehicle can easily be sold without detection by government agencies.

To complete the scenario, criminals will create counterfeit ownership documents for the cloned vehicle or obtain the ownership documentation under false pretenses. They use this phony documentation to sell the stolen vehicle to an innocent purchaser.

Vehicle cloning is a highly lucrative crime. Car thieves often travel across state and international borders to sell cloned vehicles at the highest prices. Most licensing agencies do not check for duplicate ownership when an out-of-state ownership document is surrendered, so the odds of discovery are low. It is also easy to simultaneously insure the same VIN in different locations.

Fraud Prevention Tips

The National Insurance Crime Bureau suggests that to avoid purchasing a cloned vehicle:

- Check the vehicle's VIN with appropriate government agencies or your state bureau of motor vehicles.
- Analyze the ownership pattern for any new or late model vehicle with no lien holder.
- Be careful about purchasing a used vehicle from an individual running a newspaper ad and using a cell phone number.
- Conduct a title search of the vehicle.
- If possible, have your insurer inspect the vehicle prior to purchase.
- Trust your instincts: If you don't like the answers or the deal sounds too good to be true, walk away!

IF YOU SUSPECT INSURANCE FRAUD OR THEFT, SPEAK UP! CALL THE NICB TOLL-FREE HOT LINE...1.800.TEL. NICB (1.800.835.6422). YOUR CALL IS FREE. YOUR CALL CAN BE ANONYMOUS. YOU COULD BE ELIGIBLE FOR A REWARD

Source: National Insurance Crime Bureau (NICB)

Hollander/CBC Dashboard Working Together

Hollander, LLC, a business unit of Solera Holdings, Inc., has completed a reseller agreement with CBCDashboard Management, LLC to provide the most sophisticated business analytical tools available in the recycling marketplace.

CBCDashboard, developed by Robert Counts and Chad Counts of Counts Business Consulting, LLC, combines automated and manual entry data collection with algorithms that analyze the performance of an auto recycler's business. This empowers auto recyclers with data to monitor the company health and to plan and manage the growth of the business. Robert spoke at the 2015 FADRA Convention.

Hollander will pair CBCDashboard with its own reporting tool, Powerlink Ad Hoc Reporting, to give auto recyclers an enhanced view of their business operations, allowing them to streamline every facet of their operations - from buying inventory to managing day-to-day operations to part sales and more. With integration to Hollander's yard management system Powerlink, CBCDashboard adds the industry's most comprehensive analytics tool to the most complete solutions package offered in the recycling industry.

INDUSTRY NEWS

Proposed Changes to Federal Overtime Pay Regulations

The United States Department of Labor (USDOL) recently released a proposal to increase the number of "white collar" employees eligible to receive overtime pay. Right now, employees whose job duties meet certain tests and who make \$23,660 annually are exempt from overtime pay. The USDOL's proposed change would raise the minimum salary to \$50,440 annually, meaning that all employees who are currently not eligible for overtime pay would have to be paid overtime if their annual salary is less than \$50,440.

This proposed rule, which would take effect in 2016, would also apply to employees who are considered exempt computer employees and outside salespeople. Under the current provisions of the Fair Labor Standards Act (FLSA), employers are required to pay employees working more than 40 hours in a work week overtime pay at the rate of 1 and one-half times their hourly wage rate. This applies to both salaried and hourly employees, unless the employees fall under specific exemptions.

The most common exemptions from overtime pay are for employees employed in an executive, administrative or professional capacity. If an employee is (1) a salaried employee; (2) earns more than \$23,660 in salary each year; and (3) meets all the duties tests in the regulations defining executive, administrative or professional employees, that employee is exempt from receiving overtime pay. By increasing the salary threshold to \$50,440, workers currently not receiving overtime pay would have to be paid overtime if their salary is less than \$50,440.

We have detailed information from the federal government about the exemptions from overtime pay on our website. Please visit *FUBA.org* and look for Fact Sheet 17A under the *Small Business Alert* section on the left-hand side of our home page. FUBA will continue to monitor this proposal and provide you additional information as it moves through the process.

Source: FUBA

Beware "Ghost" Freight Trucks

At a FATIU meeting in October, Steve Holland was informed of a problem concerning "Ghost" Freight Trucks, where thieves are faking the picking up of customer freight and the merchandise disappears. Businesses are placing for bid the movement of freight on message boards. Fake drivers are arriving early to pick merchandise up with fake documents. Then, the scheduled driver arrives to find that a fake driver has already taken the business merchandise. The business then has no real information or identification from the fake driver.

Law Enforcement says several ways to protect against this kind of thief is to use a security word in the transaction and document vehicle information.

Did You Know?

Despite the fact that the number of licensed drivers has more than doubled and annual vehicle miles traveled have more than quadrupled since 1960, fatalities and serious injuries resulting from motor vehicle crashes in the U.S. are at their lowest level in 60 years and down 25 percent since 2005.

Source: Alliance of Automobile Manufacturers

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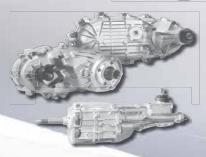
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SELLING YOUR AUTO SALVAGE YARD PART 2

By George Metos, GM Consultants



How would you go about selling your yard if you were to retire, or to sell for any reason? In the last issue, George reviewed how to understand the market for selling your yard and developing a plan to sell it, and how to establish the sales price. He continues by explaining how best to present your yard to potential buyers and how to handle

the negotiations.

Developing the Marketing Literature

A comprehensive marketing package is the best way to convey the information about your yard. This is comprised of financial information, discussion of the business, pictures, and deal terms.

It is important to state the facts. There are many full service auto salvage and scrap yards available these days,

mostly due to the difficulties in the industry. Buyers get approached all the time with offers. You'll want to compare favorably with them, and be truthful and fair at the same time.

Most people are visually oriented. Pictures that give a clear understanding of the facility can be very helpful. You'll want to tidy up the yard and warehouse first, and keep it clean until it is no longer yours. Show the sales counter and dismantling areas. Buyers want

to know whether the operation is up to date, or if it needs work. Pictures are no substitute for a physical visit, but they are a good start.

Buyers also want to know that the ground is environmentally sound. Get your records together. If you don't have an environmental consultant, you may want

to consider getting that going right away so that there is a bit of history by the time of the sale. Include some reference of your clean yard in the literature.

You may take the opportunity to spell out the asking price and give financial information. Or you may decide to write this document in a way that requires a non-disclosure for those additional details. You want to convey enough information to get potential buyers interested, but not so much that you're disclosing too much before you know the buyer is serious.

Selling the Yard

The person you've decided to do the selling must get prepared. It could be you the owner, a family member, your attorney, or a business broker.

You may be the most informed about the yard, of course, but you may be an emotional negotiator and become impatient easily. You may also be busy running the operation, and cannot be distracted. A trusted family

member could be a good choice if he/she has the right skills of presentation and negotiation. Attorneys tend to be stiff and conservative, but some of them have guite a lot of talent. A business broker has the advantage of having the perspective of knowing many similar businesses, and by hiring one you're telling potential buyers that you are serious. Potential buyers also tend to be willing to point out what they don't like about a deal to



a business broker. In any case, deciding who will sell the yard is important.

You can imagine how the process goes. Potential buyers are contacted, confidentiality agreements are signed, presentations are made using your marketing materials and phone skills, and a fraction of them are

interested enough to visit the yard. Honest feedback from potential buyers ought to affect your presentation, your valuation, and your materials. Use this to refine the process.

Along the way, patience is the watchword. If you want to sell from a position of strength, you will continue to operate the yard as you always have. This is good for your emotional well being as well as indicate confidence to potential buyers. They can sense weakness, and this may cost you dearly. Low inventory is easy to spot, and buyers will wonder if they'll have to invest into additional inventory in addition to the purchase price. If you badger these potential buyers, they will think less of you as well as the yard. Remember how certain salesmen or buyers have hounded you, and how that affected your view of them. Badgering will not speed up the process, but will cost you money.

Eventually you may get to the point of serious dialog with a potential buyer. This is a good time for your financial specialist to be re-engaged in the process to shape the structure of your deal to your advantage. This is especially true for taxes. If the deal changes late in the game because you got your professional advice late, you will offend the buyers, who will rightfully accuse you of



changing the deal.

Some yard owners want to retain long term income by leasing the property to the buyer. This would be an annuity for the seller, or benefit their family members. Just be careful about environmental contamination done by the tenant. Buyers are many times happy to lease because it allows them to leverage their cash for inventory or another yard.

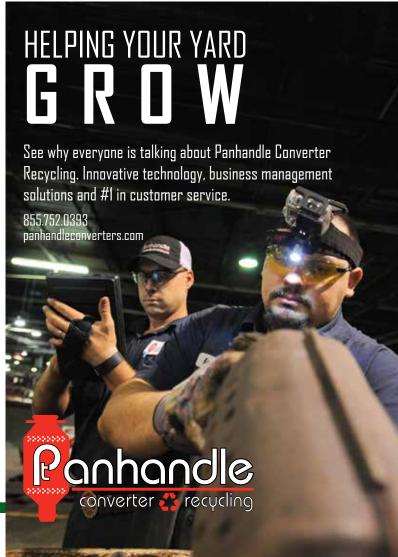
Expect to sign a non-compete agreement, based on a radius around the yard location. The parameters of this non-compete are negotiable.

There will be a closing date set, just as there is in the sale of a home. Any debts will be paid off at closing. Equipment and inventory will be legally transferred from seller to buyer.

Then you can go play, or do it all over again!

George Metos is a business broker specializing in fullservice automobile salvage and U-Pull-It yards. He owns and operates Salt Lake City, Utah-based GM Consultants. He can be reached at 801-953-1003 or GeorgeMetos@ aol.com.





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CBCDashboard helps me stay on top of my business. I can look at my numbers every day from any device. It lets me adjust and make needed changes right away. Bryan Minchew, Owner University Auto Recyclers, Inc., Florida

Wow ... Wow ... Very cool. I have run comparisons and analysis and I am very amazed and fascinated with the results and insights. **Leroy Liebermann**, Owner Eagle Auto & Truck Parts, Arizona

Because it is so streamlined and simple to get, I now have much more information regarding every aspect of my business that allows me to look at the "big picture" and make better-informed decisions regarding my business. Scott Paine

Owner Buckeye Auto Parts of Columbus, Inc., Ohio

CBCDashboard provides a view of the business that helps me stay focused.
The ability to see all the information without having to run multiple reports is really helpful.

Zane Malcom, Owner H&H Auto Parts, Nebraska & Colorado





Chad Counts 512-963-4626 crcounts@countsbusiness



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Successful Succession

By Chad Counts and Robert Counts



"You will have an exit from your business. The question: Is it planned?"

A couple of years ago I was in a seminar (yes I do attend seminars) on succession planning. This was a dyed-in-the-wool business consultant who specializes in succession planning. Since we get involved many times with succession planning I thought it would be a good idea to hear someone else's thoughts on the issue. I am not sure that the quote above is verbatim but the sentiment it expresses is accurate.

Family businesses by their nature can and do outlive the original

owners. But the outcomes for the second generation may be better or worse. Much of that depends on the native intelligence of the person(s) taking over the business and many times it is under what conditions they take over the business.

Conditions for successful succession

1. Evaluation of the value of the business.

I personally know of parents who have unfairly burdened their children with an inflated value of the business. As a parent I don't understand this. In some cases they want to have the children struggle to make it, like they struggled to start the business, or they have not prepared themselves for life after their business and see their children as their retirement plan.

I recommend both parties get a fair market evaluation of the business. This brings an independent reality check into the discussion before any final value is agreed to.

2. Evaluation of the talent that is going to own the business

This needs to begin 5 or more years before the event, and includes an outside opinion of the strengths and weaknesses of those that are purchasing the business. Evaluations should be very practical and include:

• Decision making both on personnel and on process and procedures.

- Experience in all facets of the business from the back to the front.
- Work ethic: Do they come early and stay late or do they come late and leave early?
- Baggage: How successful are they in their personal life?

3. Roles post succession

What role will the parents perform, if any? Too many times, parents give up financial responsibility for the business, but not the decision-making.

If there is more than one child, what role do each assume? This is where it is really important to have a third party help in the decision process of which child is better gifted or prepared to be the CEO. Too many times I see one of the partners (children) invest a lot of energy and effort while another shows up and performs a singular task in the business. Age or birth order is irrelevant.

4. Other things to consider

Practice makes perfect. The parent needs to give increasing responsibility on key decisions prior to them exiting the business. This allows time and opportunity to see how well the future owner will do in maintaining the business. In most cases, these decisions are going to be ones that the future owner will have to live with long after the present owners exit the business.

Specifically in this category I would include facility and personnel decisions. If the business needs or could use improved or new facilities make sure that both parties agree and that the business growth expected from these facilities is needed and can be paid for.

Personnel decisions are some of the most difficult decisions that many owners face. The new owners should not be required to inherit employees that are dysfunctional or refuse to listen to the heir(s) apparent.

Key employees should be kept informed on what the future holds. Good people are hard to find. Losing them during a transition is not what either party should want.

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PROTECTING AGAINST LAWSUITS

By Rick Weber, Trailer Body/Builders

Asset-protection expert gives tips that serve as preventive legal work by taking the legal threat away

THIS is a litigious society.

The United States has only 4% of the world's population, but accounts for 90% of the lawsuits, according to Larry Oxenham, senior advisor for the American So-

ciety for Asset Protection. He said there are over 100 million lawsuits currently pending in the United States, and it is estimated that a lawsuit is filed every 30 seconds.

"We are the only country that says to the attorney, 'Just go for it—there's no penalty if you fail,' " he said. "Some of them sue by zip codes, because they know just the threat of a lawsuit gets you to pay.

"Out of 835,000 attorneys surveyed by the American Bar Association, only 615 said they specialize in asset

protection. That means that fewer than one in one thousand attorneys has any clue about how to protect you. If only one in a thousand attorneys knows how to protect you, what are the rest of them up to? They spend every day of their working life on strategies to take what you have."

And that's a dangerous thing for anybody who has something.

Larry Oxenham, The American Society for Asset Protection, in his presentation, "How Trailer Dealers & Manufacturers Can Save Thousands in Taxes and Become Invincible to Lawsuits," presented material he said was not available from accountants and not taught in school, and was all supported by the IRS tax code. His presentation was designed to be preventive legal work by taking the legal threat away.

He said attorneys are looking for two things:

• How much insurance do you have?

"More and more, they're looking at insurance, because if they can get a check from an insurance company, it saves them all the time and hassle of going to court. A lot of law firms just don't go to court anymore."

How do you own your assets?

"The first thing they look at is your home. If you live in Florida or Texas, you can't lose your home in a lawsuit. A lot of people put their home in a living trust, which is fine. The second thing is investment properties. Maybe you own land with a business partner. You always have to say to yourself, 'If something happens to my business partner, does it carry over to me?'"

Oxenham presented three problems—lawsuits, taxes, and probate and estate

taxes—and provided solutions to each of them.

Oxenham said many advisors recommend their clients operate as a sole proprietorship because of the simplicity—you simply have to report the business on Schedule C of your tax return.

But while a sole proprietorship allows a person to deduct most business expenses, there are tax deductions and tax reduction strategies that apply to S-corporations and C-corporations that can't be used by a sole proprietor.

And there's also the problem of liability. A sole proprietorship provides zero protection against lawsuits. If your sole proprietorship is sued, all of your business and personal assets can be taken.

"The most dangerous thing you will ever do in America is to own a company jointly," he said. "Create a corporation that will manage the business, but you



should not own anything in that corporation. Take ownership of everything out of your name and put it in your spouse's name because she has nothing to do with the business. That way, if you get sued and you lose, you got a couple of million dollars of insurance, but they can't get your assets.

"There are only two reasons in America to have a corporation: Corporations are for taxes and management, never ownership of assets. Donald Trump, the most in-your-face money guy in America, never gets sued. He owns 60 million square feet of real estate. He says you have to control everything but not own anything."

He said the idea of a Limited Liability Company (LLC) was to solve the problems created by S-corporations.

"If it was 20 years from now, I bet we'd all have nothing but LLCs, and S-corporations would just disappear," he said. "The LLC is a spectacular tool. LLCs are great for real estate. The assets you're worried about losing should be put in the LLC."

He said the Limited Partnership has been around since 1916, has been involved in all meaningful cases in asset protection, and has been upheld in all 50 states.

"If you have a properly structured limited partner-ship, you have absolutely bulletproof protection in all 50 states," he said. "The biggest difference between an LLC and a Limited Partnership is that a Limited Partnership has to file a tax return every year. Use limited partnerships for personal assets that are valuable to you. Let the corporation manage and provide tax advantages. Let the LLC protect real estate. The LP is for personal assets."

He said the Limited Partnership and LLC were set up similarly to have someone in charge: a managing partner or general partner. The general partner is always 100% in charge, even if he/she has only 1% equity. Limited partners never have any control.

"Before you decide who gets to be limited partners, know that the IRS says limited partners do not have to be human," he said. "It could be any other legal entity you have: a kid, your corporation, or you. You can be a general partner and limited partner. The purpose of a managing partner is control. It's the corporation you use for control, so you're going to make the corporation your managing partner. And everything else you have that you could lose in a lawsuit is the limited partner.

"If you were to go to court today and the judge said

'guilty,' does it mean you did anything wrong? It just means your attorney lost. They issued a judgment and once it's issued, attorneys get a document called writ of attachment, and that's their permission to take everything. Everyone in this room is basically one judge's bad decision from starting over, which makes no sense at all. However, with a properly structured limited partner or LLC, the judge can still say, 'guilty.' They can never take assets from a limited partnership. But they can take all net earnings.

"But in 1961, there was a clause that became one of 25 clauses that changed the game. We're going to give you the authority or power to make some decisions. Paragraph 2.9 says, 'The managing partner or general partner reserve the right to withhold all distributions of profit.' How much of your hard-earned money do you want to pay to an attorney and his clients? How about zero?"

He said that in 1977, the IRS issued Revenue Rule 77-137, which prompted *The Wall Street Journal* to write that the "Limited Partnership is now the only A+ asset protection tool in America."

"Under this, the IRS said if there's profit, we (the IRS) get paid," he said. "Who wants to pay the IRS? The exact words of the IRS: The creditor now must pay income taxes even if no income is distributed by the partnership or LLC. If you sue me and win, you get my tax bill."

Then there's the issue of probate, with fees that can run between 2% and 12% of the value of the estate.

"The first thing you want to do is eliminate probate. You eliminate delay, costs, and what I call 'the probate chaos.' It's also probate attorney welfare. It's just basically guaranteed income for the legal profession."

To do that, he said a living trust is set up between husband and wife. With a revocable trust, there must be one for the husband and one for the wife. "The living trust wants to know: Who are you? What is the stuff? And who do you want to give it to? When you're done with it, stick it in a drawer. It does not have to be filed. What's the one thing you need immediately? It's the living trust. That is the greatest protection tool for your family."





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MORE THAN JUST INSURANCE!

By Bill Velin, Wells Fargo



The new insurance program endorsed by ARA offers much more to ARA members than "just insurance." Not that the comprehensive insurance policies and coverages being offered are anything less than superior, but coverage gaps and "misunderstandings" somtimes occur in the automotive dismantling and recycling industry.

With over 30 years of experience insuring firms in your industry, we have learned to look for these gaps in coverage and how to avoid or eliminate them. However, offering a superior product being sold by an agency that has over 30 years of experience properly insuring businesses just like yours is not the only advantage of the new ARA insurance Program. There are many other advantages that add substantial value to your business.

Firstly, the ARA did not endorse an individual insurance company to handle the insurance program when they endorsed us at the beginning of 2010. Instead they endorsed Wells Fargo Insurance Services USA, Inc. to handle the program. We are NOT an insurance company; we are an insurance broker. We represent most of the major insurance companies in the country as well as many regional insurance companies.

This means that, unlike your previous programs that were limited to only having one insurance company to go to to access the program, by endorsing a broker instead of an insurance company, you now have access to many carriers that routinely write insurance for your industry. We are currently able to access many carriers to quote your business, including but not limited to Travelers, Chubb, CNA, General Casualty, Western National, Secura, Allied, Harleysville, Cincinnati, Navigators, and ACE.

Additionally, we are constantly in discussions with other insurance companies that have expressed an interest in participating in the program. If one of our companies decides they no longer want to participate, we have a full complement of other companies to fill the void.

Another advantage of endorsing Wells Fargo Insurance Services USA, Inc. is that we entered into a contractual agreement with ARA to provide premium and loss data on the "program" on an annual basis. With past program carriers, when the Program changed carriers(either voluntarily or involuntarily), ARA could not get premium and loss data from the carrier to make it

easier to roll the program to another carrier. This made it very difficult to find another carrier that may be interested in taking over the program since there was no way to know with any degree of certainty how much written premium was in the program, what the claim experience was, etc. It forced the program to start from scratch and write each member one at a time. That will not happen with the new endorsement, since we are contractually obligated to provide this information to the ARA.

Yet another advantage of the new ARA Program is the size and experience of Wells Fargo Insurance Services USA, Inc. as well as the diversification of services available to ARA members. In addition to our exceptional access to carriers with broad and varied solutions to the insurance problems you face every day, we also offer a wide range of products and services that bring additional value to you day in and day out. Some of these products and services are:

- **Professional Risk Group** we are experts in the area of Directors and Officers Liability Insurance and Employment Practices Liability Insurance. It has been our experience that it is not a matter of "if" you are going to be sued for an employment-related wrongful act, but "when" it will occur. We have noted that the vast majority of the ARA members we speak with do NOT have this coverage.
- Employee Benefits we are one of the largest health insurance brokers in the country. We are all aware of the problems small businesses are facing in the area of employee benefits, and we have answers!
- Risk Management and Loss Control Wells Fargo Insurance Services USA, Inc. is one of the few brokers nationally that has a "back room" of Risk Management and Loss Control professionals. These are employees of our company who are trained to provide assistance to our customers in the areas of safety, loss control, building replacement cost analysis, claims follow-up, and OSHA training. They are currently working closely with ARA to assist in the development of training modules for ARA University.

There are many other benefits available to ARA and their members as a result of the partnership between ARA and Wells Fargo Insurance Services USA, Inc. which we will be discussing in future issues of Automotive Recycling Magazine.

For ARA membership information, call Kelly Badillo, 571-208-0428 x26.

Ron Sturgeon's Tools for Success

earn to

ThinkStrategically By Ron Sturgeon, RDS Investments



The first article in this series listed more than 25 tactics to increase your business success, all of them based on my experience. I started with nothing and didn't get to college, so I know you can achieve maximum success, regardless of your education. E-mail me to get the first article or any of the other articles in the series. Each of the

articles after the first takes a closer look at one of the tactics.

This article is about thinking strategically. I know it sounds easy, and we presume that we always do this, but that's not the case. There are books on the subject, and training courses. Many folks just don't think like this.

I call one of my tools the upside downside test. It sounds easy, but it takes discipline to pause for a moment to consider the upsides and downsides of a position or plan. Sometimes you can do the tests in your brain in seconds, but sometimes you are forced to pause as you don't have all the information to make an informed decision. When you see boards in action, or serve on one, you see a lot of this.

Another tool I use is to pause and think what the ultimate goal of my action or plan is. Again, this can take a lot of discipline, and may require information from others. It can be as simple as defining IN ADVANCE how you will define success, versus just doing something and then trying to justify why it was successful. Once you understand the ultimate goal is, you can think about the steps and likely bumps along the way. Understanding the "bumps" can help you plan.

For instance if your ultimate goal is to get rid of Johnny Smith, your delivery driver, think about how to get there. How will he respond to a written warning?

Will he guit? (likely a good thing) or will he find a way to worm out of the issue, if that's how you think he will react, then it can affect how you word the first warning, so that he can't get away from a second warning.

Defining success in advance is a must for many items. For instance if you are going to exhibit at a trade show, what will you get out of that effort that will make it a success, and justify the cost and effort. How many prospects do you want to gather contact info from? How many actual sales (if any) do you want? What will your prospect acquisition cost be? And your customer acquisition cost? Or are you just going to do it and hope for the best, and then justify why it was a good deal. Involving employees in this planning gets them focused on how to make the event is a success, and if it's a failure, next year everyone won't be asking you to do it again.

You simply must build a discipline to stop and think before virtually every decision or action, how will this decision affect the next thing? And then what will happen? Then what will happen? ...then what will the result be? Is that the result I want? If not how can I influence it NOW with strategic planning instead of having to deal with it later?

Remember only you can make business great!

Ron Sturgeon, Mr. Mission Possible, has been a successful business owner for more than 35 years. As a small business consultant,

Ron shares his expertise in strategic planning, capitalization, compensation, growing market share, and more in his signature plainspoken style, providing field-proven, and high-profit best practices well ahead of the business news curve. Ron is the author of nine books, including How to Salvage More Millions from Your Small Business.

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