

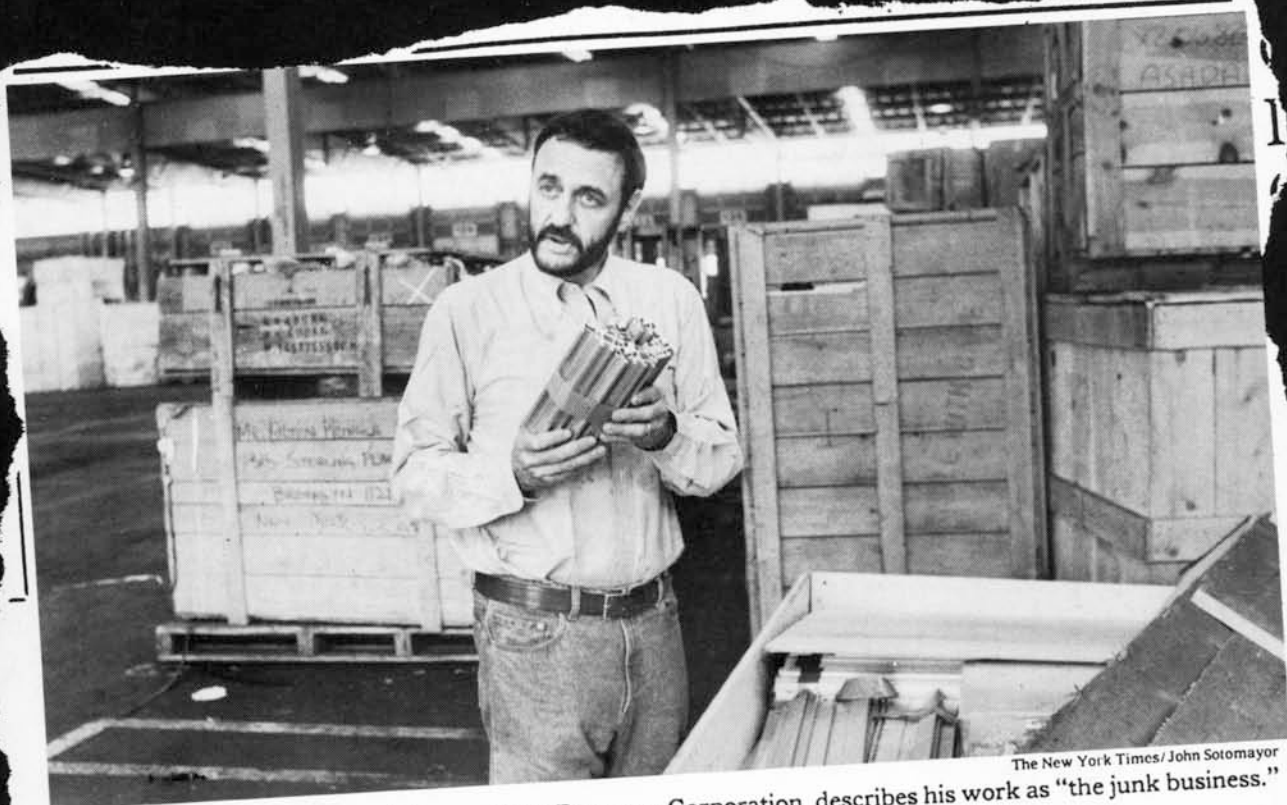
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Harvey Mandlin, president of Commodities Recovery Corporation, describes his work as "the junk business."

New Yorkers & Co.

Scavenging for a Song, Reselling for a Steal

By DOUGLAS MARTIN

Harvey Mandlin and one of his salespeople, Marc Marshall, were discussing a business deal: as much as 1.2 million pounds of frozen Australian goat meat was up for sale on the West Coast, cheap.

Although the goat had failed American inspections because of the presence of hair, it could probably be cleaned and sold to other countries, with no health risk. The trick was to find a buyer.

Mr. Marshall thought it was too much goat to unload in the Caribbean, while Mr. Mandlin noted that there are lots of islands. The Middle East

seemed an obvious market, but both distrusted an Irish executive eager to be their agent. Ruled out entirely was a Mexican who said he would take the goat in a package deal that included tear gas, camouflage suits and riot helmets.

Welcome to a day in the life of Mr. Mandlin, a 45-year-old entrepreneur who makes his living scavenging through goods that are discarded or sold at closeouts or liquidations to find big values at a fraction of cost.

The drill then is to scour the world — often by paying 5 percent commissions to mavens in arcane subjects — to find a buyer who considers the multiplicatively marked-up price a steal. His search is facilitated by a

sales staff of a half dozen and a still-growing list of 10,000 contacts on his computer.

Mr. Mandlin does not have a precise definition for this odd occupation. "I tend to say I'm in the junk business," he said. "Highly targeted marketing" sounds pretentious.

Through his Commodities Recovery Corporation, Mr. Mandlin has sold robots to I.B.M., fighter bomber parts to the Greek Government and pickled sheepskins to a New York coat maker. Last week, he passed up the opportunity to buy two container

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Scavenging for a Song, Reselling for a Steal

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loads of very smelly garlic.

His inventory of unsold goods — kept in warehouses throughout the country — includes 30,000 posters depicting elephants, 20,000 Italian-language fairy-tale books, 250,000 of what appear to be plastic trays for burritos and what he thinks is \$16 million worth of microwave radio gear he bought at an MCI Communications Corporation auction for "several hundred thousand dollars."

He has learned the art of disbelief — particularly when it comes to those ever-recurring rumors about immense quantities of Marlboro cigarettes or Chivas Regal Scotch in Cyprus or Rotterdam available for a song. "It's baloney; they never exist," he scoffed.

Gin for Export

What does exist, he says, is 24,000 cases of gin he and a partner bought in a bankruptcy sale and are storing in a guarded Pennsylvania warehouse. Since the bankrupt company paid no taxes on it, it has to be sold for export, Mr. Mandlin said. Price: \$4 a case, a fraction of cost.

Thousands of people do what Mr. Mandlin does in one form or another — some specializing in such narrow areas as avionics or electronic oil-field equipment and some dominating auctions by using personal fortunes accumulated in post-World War II military surplus dealings. Almost all are exceedingly private, and as uncommunicative as Mr. Mandlin when it comes to discussing finances. Of annual sales, he will say only that they are "somewhere between \$1 million and \$50 million."

He explained, "If they know how deep your pockets are, they know how far they can push you."

A Valuable Service

But together, Mr. Mandlin and the other vultures of capitalism's rejects perform a valuable service: recovering billions of dollars of goods and equipment that would otherwise be wasted.

Mr. Mandlin's route to becoming a big-league scavenger was circuitous, to say the least. "I was a Southern boy," he said. "I was born in the south of Brooklyn and grew up in the south of California."

He studied art in Los Angeles and became a photographer and then a director of television commercials for J. Walter Thompson in Chicago. He learned to excel at capturing the dew drops on a cold beer bottle, but Mr.

Mandlin's dream was to direct a feature film. Like so many others, he followed a dream to the Big Apple.

Like so many others, the dream was beaten out of him. "I discovered the film business was really quite byzantine and I was really quite naïve," Mr. Mandlin said in summary.

Starting With Video Cameras

It was 1973 and push had come to shove. Molly, the first of his two children, had just been born, and savings from the advertising days were evaporating. A neighbor on Manhattan's Upper West Side — the area where Mr. Mandlin; his wife, Doty; Molly, and a son, Michael, still live — took him to a downtown warehouse liquidation.

Mr. Mandlin found himself examining some video cameras — and being surprised to learn that the gear represented samples of hundreds of similar equipment hidden from view. He determined through calling a friend that the cameras had been flawed when introduced but that the

What's to be done with 250,000 plastic trays for burritos?

flaw had been corrected about a year earlier. The cameras on sale were almost exactly a year old — meaning they could be either type.

At the friend's urging, Mr. Mandlin agreed to throw in as much as \$500 — next month's rent. Their combined bid of \$1,150 won. The cameras turned out to be the valuable corrected ones, and Mr. Mandlin's personal profit was \$30,000.

Doty was all for an immediate trip to Europe to celebrate. "No, this is investment capital," Mr. Mandlin declared. Whatever, it was soon almost gone. Mr. Mandlin had lost big on canvas for Swiss needlepoint. At a time when needlepoint was a fad, he had bought an immense quantity of a kind useful only to experts.

Then his fortunes bounced around again. In a dusty warehouse, he found some screens made of two kinds of metal. He bought them for \$50, largely because he was intrigued by the sophisticated certificates attached to them. The screens turned

out to be necessary components for building atomic bombs, and he turned a much-needed profit by selling them to a Rockwell International Corporation unit in Nevada.

But such serendipity seemed no way to plan a business. "It was clear that knowing things was the key," Mr. Mandlin said. "I had to deal in the inobvious, to be a guerrilla fighter."

Specializing in High Technology

The goal is to "buy what most people don't understand" — things like the internal workings of cash registers, dried kelp, essential oils and tin plate. In particular, however, Mr. Mandlin specializes in high technology.

"Harvey looks at esoteric things nobody knows about and sometimes finds gold mines," said Douglas Carton, owner of C-Mart Discount Warehouse in Bel Air, Md. C-Mart sells better quality clothing at 50 to 60 percent discounts.

Once Mr. Carton was about to discard some computer equipment from a trailer, but then decided to ask Mr. Mandlin to examine it. It turned out to be circuit boards; the sale garnered both men \$14,000.

To telescope a long story: Mr. Mandlin's business quickly outgrew his apartment, and the various basements he had been renting around Manhattan. His office — furnished with salvaged furniture and equipped with a salvaged computer — is now in a 20,000-square-foot warehouse in Passaic, N.J. Its 10 employees include two chemists and a commodities expert.

Two Big Plans

He has two big plans: one is to sell to other countries American plants and production lines that have been discontinued. He is already working with several Chinese provinces to do this. The other is to create and sell an on-line computer list of capital equipment on the market — something that could ultimately make much of his scavenging business obsolete.

Before the goat meat discussion last Tuesday, Mr. Mandlin was in his element in a steaming warehouse at the Port of Newark. A hammer in one hand and a crowbar in the other, he was getting the goods on hundreds of abandoned crates and boxes to calculate how much to offer for the entire lot, as bidders are required to do.

Taking Inventory

In one box were Yugoslav paintings ("I think you're looking at mass production"); in another, hundreds of

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copies of a book titled "The Cucumber King" ("a best seller some place"). There were spare parts for a microwave oven ("they've become like toasters; nobody fixes them anymore") and crates of a tape used in electronic assembly ("I already own a bunch of this; it's worthless").

Soiled teddy bears had fallen from one box; strings of Christmas tree lights looked promising until they proved water-damaged, and drums of chemicals suggested the ominous possibility of big disposal costs.

"So far, I pity the guy who would walk in and buy this by the pound," Mr. Mandlin said. Then he cracked open a particularly recalcitrant wooden box and peered in with a tiny flashlight.

His face brightened. It appeared to be a brand new piece of machinery, most likely injection molding equipment for the plastics industry. "This is what we're here for," Mr. Mandlin declared.