

TO: STATE PURCHASING

In consideration of the Covid-19 virus-caused auction cancellations; the uncertainty of probable State auction events in the near future; the newly requested \$5M cyber liability insurance, \$2M for pollution liability and \$1M for professional liability; contract viability is questionable. These improbable situations have not been evident in the auction environment. Closed computer systems are used and no definition is given as to what might constitute pollution or professional guidelines, from which deviation prompts violation. Nonetheless, insurance for these limits of liability will cost an additional \$10,000+ per year, auctions or not.

There also appears to be a rapid migration of State auction items to [govdeals.com](https://www.govdeals.com) which is cause for concern and casts doubt on the successful outcome of State onsite auctions. The new contract stipulates a minimum bid of \$10, with items not achieving this to be discarded. If this was applied to the three immediate past State auctions 39% of the sales were under \$10 and these items would have been discarded. This is 3% of the total gross revenue for these auctions. Not to mention, some limited budget bidders could participate.

State-retained auctioneers are not allowed the same concessions as [govdeals.com](https://www.govdeals.com). Govdeals.com charges a 12.5% commission. Ten percent as a buyer's premium and 2.5% to the State even though, allegedly, percentage commissions are disallowed by State Statute. The proposed contract does have provisions for online sales, at State's option, but in bulk dollar amounts, i.e., a total dollar amount charge for total sales below \$750,000. This is not feasible for a flow of single items. Area auctioneers can sell online, on a much larger platform, for a fraction of this, but only with a competitive commission.

Govdeals.com is not required to provide the State any insurance or licensing. Onsite auctioneers must have an auto auction license and bond to sell State vehicles.

Govdeals.com does not. The playing field is not level. Govdeals.com dictates their business terms and if the State want to participate, State complies. In consideration of these collective events and situations casting serious doubt on the viability of a contract with State, we are withdrawing from the intent to contract with State at this time. We are open, however, for reasonable discussions. Sincerely,

Bud Callahan

For Ficke & Ficke Auctioneers LLC