

As the world's leading Provider of Proactive Asset Management Services, EquipNet, Inc. is helping their Processing, Packaging, Laboratory and Analytical Instrument Customers Redeploy and Sell their Surplus and Idle Equipment

Business Services Asset Management Solutions

EquipNet, Inc.
5 Dan Road
Canton, MA 02021
888.371.6555
www.EquipNet.com



Roger Gallo
CEO

BIO:

Roger Gallo has been President & CEO of EquipNet since 2003. He has overseen its growth from a start-up to leading international company providing surplus assets solutions to many of the top fortune 500 companies. Prior to joining EquipNet, Mr. Gallo was the CEO & President of UIS, Inc. where he oversaw the transformation of a printing company into three distinct businesses; Uniform Information Services - an internet based legal publishing company of regulatory databases that helped companies man-

age the complexity of regulatory information, B2E Resource - a print and supply management company that utilized a dynamic web based catalog to help Fortune 1000 companies maximize efficiencies of their internal corporate purchasing needs, and Formcenter - a catalog based direct marketing business targeting specific software based vertical markets. Mr. Gallo served as the lead person in raising both private equity and mezzanine financing and led several acquisitions creating significant value. Mr. Gallo led the exit process of all three businesses, which were sold in separate transactions in October 2001, November 2001 and January 2002. Prior to UIS, Mr. Gallo worked as an analyst for PaineWebber in investment banking. Mr. Gallo has a BA from Claremont McKenna College and an MBA from Harvard Business School.

About EquipNet, Inc.:

EquipNet, Inc. is the world's leading provider of proactive asset management services. The company offers innovative solutions for large and small corporations in the pharmaceutical, biotech, chemical, food, beverage and personal care sectors. EquipNet's vision is to revolutionize the way companies manage their surplus and idle assets.

EquipNet's *Vision* is to "revolutionize the way companies manage their surplus assets."

Our success in accomplishing this Vision is dependent on our ability to build an intimacy with our customers. We strive to provide solutions and services to our customers in a man-

ner that is superior to any of our competitors by a wide-margin. Our goal is to create a satisfaction level that not only keeps our customers loyal, but also inspires them to tell others about EquipNet and the way we conduct our business. In short, we want to create Raving Fans.

This type of success starts with having all employees across the company passionate about our business. An important element of our employee involvement comes from our unique culture where every "EquipNetter" pledges and dedicates themselves to a set of core principles: Being customer-focused and exceeding expectations; Promoting a non-political, professional environment by treating everyone with honesty and respect; Rewarding employees based upon the value they create for customers and shareholders; Fostering an entrepreneurial spirit by encouraging employees to constantly search for better solutions; Accomplishing our set goals through teamwork; and Being fair and consistent in everything that we do.

EquipNet has chosen to focus on companies in the process and packaging industries. The experience of our employees within these industries gives us a better understanding of our customers and helps us constantly innovate and advance our capabilities. These factors coupled with the fact that every EquipNetter's compensation is tied to how well we meet and how satisfied our customers are in our management of their projects and programs.

Today, as a result of this focus, we have exclusive contracts with many

top manufacturing companies such as GlaxoSmithKline, Unilever, and Eastman Chemical and have become the largest marketplace for used equipment for the industries that we serve. I invite you to explore our web page and contact our industry experts directly to better understand EquipNet and all we have to offer.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine**

CEOCFO: Mr. Gallo, would you tell us about EquipNet, Inc.?

Mr. Gallo: We help companies manage their surplus and idle equipment. By the word 'manage' we mean, we help them redeploy it within their business, or we help them sell it. In addition, we help them find equipment that they can procure on the used equipment market.

CEOCFO: What types of equipment?

Mr. Gallo: We deal with processing, packaging, laboratory, and analytical instruments.

CEOCFO: Does that take up virtually all of the equipment, or are there types that you do not work with?

Mr. Gallo: Within our chosen markets, we work with all of the equipment that is located in a factory or laboratory. We do not deal with forestry equipment, or textile equipment. General 'fabrication' or specific automobile equipment are not our focus; but equipment that is used to make a medicine, or produce cosmetics or food, for example—any of those types of processing and packaging equipment we deal with.

CEOCFO: Would you give us an idea of the industry in general? How much equipment is moved in a used-basis, and are there many players in the industry as well?

Mr. Gallo: The industry is large. It is large in a sense that when you look at used equipment as a whole, you are dealing with everything from (say) construction to antiques. There are

many, many players in the overall market, but typically companies start to specialize around specific verticals. One of the largest companies around and is a publicly traded company is called Ritchie Brothers. They deal with large mining equipment, or large excavators; those big machines with enormous tires that are able to move large amounts of dirt. They have large auctions that deal with this type of equipment. Then you have some that deal with semiconductor equipment, and others who deal with other specializations in the industry. As the whole, there are billions of dollars of used equipment that is traded every year. EquipNet specializes in manufacturing, laboratory and packaging equipment in our chosen markets, and in those, we are talking about perhaps a billion dollar market, certainly in that neighborhood.

CEOCFO: Is most of the equipment moved by auction, or do you work on

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matching buyers and sellers? Would you tell us about the services?

Mr. Gallo: EquipNet is unusual in that a lot of our energy is spent helping companies redeploy their equipment. We have coined the phrase 'cascading liquidation' to describe what happens. In practice, the number one place that equipment gets repurposed is within an existing company. You have a client who has a hundred and thirty plants across the country, across the world. In plant A they have some excess, and in plant Z they need it. We have developed powerful software and services that organizations can rely on to understand what surplus they have within their own enterprise, and how to get that equipment redeployed. That is probably the number one way equipment gets moved. And it delivers the highest ROI for a client. After that, the best way to realize value is in what we

would call our 'marketplace' or private sale environment. Sometimes though, time is of the essence and here, the most effective way to get clearance—and get your items sold in a particular period of time—would be through an auction event. Somewhere between trying to maximize value and meeting tight time constraints, we use a combination of private sales and auction sales—we call it Auction Plus—to meet our customer needs. On the whole, I would say that we probably sell more items in auction events but, in dollar value, we realize more value in redeployment/marketplace/private sale transactions.

CEOCFO: Do you assess the equipment, or do you take someone's word for it?

Mr. Gallo: A big part of the reason companies come to us is because we specialize in this equipment, and we actually understand what the secondary market can deliver for our clients.

Often, we are the only makers of the secondary market. Importantly, we have a very large database of transactions that have taken place on similar equipment. In summary, our clients expect that we understand the value of their equipment, we understand

where the buyers are for the various types of equipment, we break down the equipment listing based on various asset classes, and we then come up with marketing strategies on how to reach buyers for the whole range of their assets.

CEOCFO: So, EquipNet is pretty much a one-stop-shop?

Mr. Gallo: Yes, that is one reason why people choose to work with us. We deal with technology, we deal with maintenance, repair and operations (MRO), we deal with lab, we deal with processing, and we deal with the packaging. For our specific markets and client base, we envelope every single asset class that they would have in their facilities.

CEOCFO: What are some of the harder challenges to put together for you when you are dealing with a com-

pany and need to really work on many, many fronts?

Mr. Gallo: Pursuing a proactive asset management strategy is not without its challenges. As we have discussed, it requires formalized processes, specialist knowledge of the industry and its equipment, dedicated resources, and a concerted change management approach. Most companies lack the time or resources that are necessary to establish a successful program themselves. For example, let us say that a client has sold their facility and need to be out of that facility in sixty days; and if they are not out of the facility in sixty days there are penalties. Things really need to happen fast. The person that is charged with getting out of the facility has an enormous amount of pressure. We share that pressure, and put in an experienced project team to make sure that they get out of that facility on time, and with as much value realized as possible. In other cases, the situation is that a company has ten pieces of equipment hanging around and there is really not a big logistical or operational challenge with it, it is just there. Then, our challenges are to find buyers that are willing to pay top-dollar for that equipment, and to make sure that we facilitate the transaction with the least amount of time and effort from the seller, as well as making sure that the buyer is getting what they want and they feel like the transaction is a good transaction. We play the role of intermediary, ensuring that the deal works out to everybody's satisfaction.

CEO CFO: Is your revenue from the sale or from the services provided, whether it sells or not?

Mr. Gallo: Yeah, both. When we are dealing with redeployment and we are

dealing with helping companies move equipment around within their own enterprise we would typically get paid more for our services. If we are selling the equipment for a client, or on somebody's behalf, then we take commissions on the sale of that equipment.

CEO CFO: Do the majority of companies that should know about EquipNet recognize your expertise? How do you reach the ones that do not?

Mr. Gallo: Those are great questions. We hope that the majority of the companies that need to know about us do know about us. We are the largest player within our area and we have around forty sales people that spend all of their time calling into relevant facilities, making contacts, communicating with them, letting them know what we have or understanding what needs they have. We spend a lot of time creating this intimacy with our clients. It is big part of why companies come to us.

CEO CFO: Is it strictly the technology or do your people intuitively know after they have been working for a while where is the best place, how to do it, or maybe a combination of both?

Mr. Gallo: Certainly our technology and proprietary software platform helps. It allows us and our clients to be efficient and to work smarter, but at the end of the day, ours is a service business. Most of our activity is created because we have people on the phones talking to people. Understand what they need and want. We can facilitate that conversation with technology because unlike years ago, you can go up on our website, you can go in and look at the equipment, there are often videos on the equipment, and we can answer questions about

what that equipment has been and where it has been. We can facilitate inspections if the inspection needs to be done. It is still a very high touch business at the end of the day.

CEO CFO: How is business these days?

Mr. Gallo: Business has been very good for us. We have been very focused at our mission, to serve our laboratory, processing and packaging customers within our verticals. We have been growing and continue to expand. We have opened up offices in Mexico and Ukraine this year. For us, international expansion has been very important because that is where our multinational customers have facilities and we need to be where our customers are. We keep on growing.

CEO CFO: What makes EquipNet, Inc. stand out for investors and people in the business community? What makes you a special company?

Mr. Gallo: We stand out because we have figured out how to execute at an incredibly high level compared to most anybody else. I'm proud that companies that have come to us tell us that they feel like they have a real partner and that we bring a high level of expertise, project management and service, and very efficient delivery. As I have described in this interview, there is a high level of complexity in our client's situations, and we believe we are unusual in bringing together the wide range of expertise needed to make the difference for them.

EQUIPNET

The logo for EquipNet, featuring the word "EQUIPNET" in a bold, black, sans-serif font. Below the text is a solid blue horizontal bar.

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