

ABLEAUCTIONS COM INC
Form 10-K
March 25, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____

Commission file number 001-15931

ABLEAUCTIONS.COM, INC.
(Name of registrant in its charter)

Florida
(State or other jurisdiction of incorporation or organization)

59-3404233
(I.R.S. Employer Identification No.)

1963 Lougheed Highway, Coquitlam, British Columbia,
Canada
(Address of principal executive offices)

V3K 3T8
(Zip Code)

Issuer's telephone number 604-521-3369

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.001 par value	NYSE Alternext US

Securities registered pursuant to Section 12(g) of the Act:

Common Stock - \$0.001 par value
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Edgar Filing: ABLEAUCTIONS COM INC - Form 10-K

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the last 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$4,860,211

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of March 16, 2009 the number of shares of the registrant's classes of common stock outstanding was 5,906,957.

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (eg., Part 1, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes.

Table of Contents

Table of Contents

	Page
<u>Forward-Looking Statements</u>	3
Part I	
Item 1 <u>Business</u>	3
Item 1A <u>Risk Factors</u>	8
Item 1B <u>Unresolved Staff Comments</u>	15
Item 2 <u>Properties</u>	15
Item 3 <u>Legal Proceedings</u>	16
Item 4 <u>Submission of Matters to a Vote of Security Holders</u>	16
Part II	
Item 5 <u>Market for Registrant’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</u>	17
Item 6 <u>Selected Financial Data</u>	18
Item 7 <u>Management’s Discussion and Analysis of Financial Condition and Results Of Operations</u>	18
Item 7A <u>Quantitative and Qualitative Disclosures About Market Risk</u>	24
Item 8 <u>Financial Statements and Supplementary Data</u>	24
Item 9 <u>Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>	24
Item 9A <u>Controls and Procedures</u>	24
Item 9B <u>Other Information</u>	25
Part III	
Item 10 <u>Directors, Executive Officers and Corporate Governance</u>	26
Item 11 <u>Executive Compensation</u>	28
Item 12 <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	29
Item 13 <u>Certain Relationships and Related Transactions and Director Independence</u>	30
Item 14 <u>Principal Accountant Fees and Services</u>	31
Item <u>Exhibits</u>	32
15	
<u>Signatures</u>	33

Table of Contents

NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain information contained herein constitutes “forward-looking statements,” including without limitation statements relating to goals, plans and projections regarding the Company’s financial position and the Company’s business strategy. The words or phrases “would be,” “will allow,” “intends to,” “may result,” “are expected to,” “will continue,” “anticipates,” “expects,” “estimate,” “project,” “indicate,” “could,” “potentially,” “should,” “believe,” “considers” or similar expressions are used to identify “forward-looking statements”, as well as all projections of future results of operations or earnings. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or achievements of the Company to be materially different from any future results or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following: risks related to technological change; the loss of the Company’s key personnel; the Company’s ability to protect its intellectual property rights; government regulation of Internet commerce and the auction industry; dependence on continued growth in use of the Internet; capacity and systems disruptions; uncertainty regarding infringing intellectual property rights of others, risks over which the Company has no control, such as the downturn in the worldwide economy which has adversely affected the value of real property, tightened the credit markets and impacted discretionary spending by consumers, and the other risks and uncertainties described in this report.

We do not undertake any responsibility to release publicly any revisions to these forward-looking statements to take into account events or circumstances that occur after the date of this filing. Additionally, we do not undertake any responsibility to update you on the occurrence of any unanticipated events that may cause actual results to differ from those expressed or implied by the forward-looking statements contained in this filing. Please read carefully the risk factors disclosed in this report and in other filings we make with the Securities and Exchange Commission.

PART I

Item 1. Description of Business

Overview

We provide liquidation and merchandizing services along with auction and point-of-sale technology to businesses to assist them with managing the sale of their products. We also provide mortgages and loans to individuals and companies, and develop real estate. We classify our business interests into 4 reportable segments: the auction, liquidation and technology business, which consists principally of liquidation and merchandizing services; loans, which consists of mortgages and loans; real property and property development, which consists principally of properties held for development; and a segment we call "other" which encompasses our corporate activities such as investor and public relations and the management of cash and marketable securities held for investment. We have included information in the discussion below about our websites. Information included on our websites is not a part of this report.

Auction, Liquidation and Technology Segment

Liquidation Services - We sell merchandise through our Unlimited Closeouts and Ableauctions' liquidation stores located in California and British Columbia and through auctions we conduct in the United States and Canada. We also generate revenues by providing inventory brokerage services at www.unlimitedcloseouts.com and www.unlimitedcloseouts.ca.

Auction Broadcast Services – We broadcast business and industrial auctions over the Internet for auctioneers and members of the National Auctioneers Association (NAA). These auctions are facilitated using our proprietary technology (www.ableauctions.com/technology) through the website www.naalive.com and www.naaonlinesolutions.com. Additionally, we broadcast antique and collectible auctions over the Internet for numerous galleries and auction houses throughout the world. Prior to December 31, 2008, these auctions were facilitated using eBay's live auction technology. Commencing January 1, 2009, these auctions are facilitated using our proprietary technology (www.ableauctions.com/technology) through the website, www.iCollector.com. We also provide auction-related products and services for a fee (www.icollectorlive.com/services.aspx).

Point-of-Sale (POS) Services - Through our subsidiary, Rapidfusion Technologies, Inc. (www.rapidfusion.com/technology), we sell to retailers, install and support our proprietary point-of-sale (POS) sales processing and reporting system.

Real Property Development and Lending Segments

Our wholly owned subsidiary, Axion Investment Corporation, develops real estate and makes short term loans.

Table of Contents

As of December 31, 2008, our loan and real estate segments included the following investments:

Investment	Amount
Loans	\$ 2,294,745
Real Property (raw land)	\$ 2,193,475
Real Property held for development	\$ 8,520,055
Investment in joint venture	\$ 1,223,728
Investment in Surrey City Central Holdings Ltd.	\$ 1,671,638

Other Segment

Ableauctions.com Inc. manages our corporate and public company affairs and all related activities such as investor and public relations and the management of our cash and marketable securities held for investment.

History

We were incorporated under the laws of the state of Florida as J. B. Financial Services, Inc. on September 30, 1996. We changed our name to Ableauctions.com, Inc. on July 19, 1999. From the date of our incorporation until August 24, 1999, we had no material business and no material revenues, expenses, assets or liabilities.

On August 24, 1999, in exchange for shares of our common stock and cash, we acquired all of the assets and the business operations of Able Auctions (1991) Ltd., a British Columbia corporation engaged in the business of auctioning used equipment, office furnishings and other merchandise. We acquired all of the issued and outstanding common stock of Able Auctions (1991) Ltd. from Dexton Technologies Corporation, a British Columbia corporation. Our intent in acquiring the assets and business operations of Able Auctions (1991) Ltd. was to expand its bricks and mortar operations and to develop an on-line auction technology.

Because of the significant costs related to traditional auction businesses, such as maintaining a physical auction site and employees necessary to staff the auctions, we decided to abandon our plan to expand our bricks and mortar operations through continued acquisitions of auction businesses. Furthermore, we no longer staff or operate our bricks and mortar auction businesses.

While our business has evolved away from conducting auctions through bricks and mortar operations, we have expanded our on-line auction operations and branched out into excess inventory liquidation.

Liquidation Services

During 2008, most of our business involving the liquidation of excess inventory was carried out by our wholly owned subsidiary, Unlimited Closeouts, Inc., which contacts major manufacturers and importers to purchase overstocks, order cancellations and discontinued products. Unlimited Closeouts then sells the merchandise to major retail chains, other resellers or the public.

We earn commissions ranging from 10% to 25% on the inventory that we sell. During the 2008 fiscal year, revenue from our liquidation business totaled \$1,653,902, or approximately 59% of all the revenue we earned.

Our liquidation operations are currently dependant on one key individual. If we were to lose our current operator, the loss could have a material adverse effect on this sector of our business and on our results of operations.

Auction Broadcast Services

We now provide technology and related services to auction houses and galleries to enable them to broadcast auctions live over the Internet through the use of our proprietary technology.

In a traditional bricks and mortar auction setting, prior to the auction bidders must register to qualify as bidders. Up until the start of an auction, bidders are able to preview the merchandise and submit absentee bids. Once the auction begins, the registered bidders bid against each other for merchandise auctioned at a physical location with the auctioned merchandise being sold to the highest bidder. A typical auction may draw 500 people and have 1,000 lots of merchandise.

Through our auction broadcast services, as used with our proprietary technology platform, auction houses and galleries are now empowered with technology that enables them to broadcast their auctions over the Internet in real-time, allowing online bidders to bid against bidders physically present at the location. Like a traditional bricks and mortar auction, bidders register on-line before the auction begins in order to qualify, to preview the merchandise and to place absentee bids. Once the auction begins, online bidders bid from their computers in real-time against bidders present at the location (“floor bidders”) and against each other. Online bidders are invoiced electronically for their winning bids and are able to remit payment electronically. We believe that our technology and services make the online purchase of auction merchandise more convenient for consumers. For auction businesses, we believe that this technology can increase the size of auction audiences by increasing exposure to auctions, increase the final hammer price for merchandise sold and lower overall transaction costs.

We have also developed technology that manages the “back-end” of the auction, enabling auctioneers to run auctions more efficiently, providing them with tools to automate invoicing, collect payment, track lot popularity, view bidder statistics and demographics, and print graphic reports.

Table of Contents

iCollector

Through our subsidiary, iCollector.com Technologies Ltd., we broadcast auctions live over the Internet using our proprietary technology platform. iCollector represents antique, fine art and premium collectible auction houses and galleries, whose inventories typically include fine and decorative arts, modern and contemporary art, memorabilia, wine, fine furniture and collectibles that are obtained primarily from Europe, Canada and the United States. iCollector catalogues its client's inventory and features it on its website located at www.icollector.com. iCollector also provides back-end auction-related products and services to galleries and auction houses for a fee, so that the auctions can be conducted more efficiently. We provide galleries and auction houses with tools to automate invoicing, collect payment, track lot popularity, view bidder statistics and demographics, and print graphic reports.

During the 2008 fiscal year, our iCollector operations declined by approximately 35%. We facilitated 891 auction sessions as compared to 1,373 auction sessions during the 2007 fiscal year. Revenue from our iCollector operations totaled \$521,793 during the 2008 fiscal year, or approximately 19% of all the revenue we earned. The fee charged to our auction house clients was approximately \$1,500 per auction plus approximately 5% of the value of the merchandise sold online, which we shared equally between us and eBay.

NAALive

We have partnered with the National Auctioneers Association ("NAA") to serve as its exclusive online auction contractor to broadcast business and industrial equipment auctions for its members on the website www.NAALive.com. We promote these services to NAA's estimated 7,000 members with technology that we have developed. This platform is the only web cast technology for live online auctions endorsed by the National Auctioneers Association.

Founded in 1948, the NAA membership is comprised of approximately 7,000 auctioneers worldwide with members in every state in the United States. NAA members represent every facet of the auction industry, including, but not limited to, real estate, automotive, fine art, livestock, equipment and manufacturing.

During the 2008 fiscal year, our NAALive operations declined by approximately 31%. We facilitated 188 auction sessions as compared to 271 auctions sessions during the 2007 fiscal year. Revenue from these operations totaled \$177,203, or approximately 6% of all the revenue we earned during the 2008 fiscal year. The fee charged to our auction house clients was approximately \$300 per auction plus approximately 2.0% of the value of the merchandise sold online. We pay the NAA up to 20% of the fees we collect for joint marketing.

As with our iCollector operations, we have developed similar technology, systems and processes to manage the back-end of the auction operations we conduct for NAA and to broadcast these auctions live over the Internet, applying our experience in managing and operating auction houses