

A gold mine

Dillon Gage Inc.'s precious metal refinery rides the tough economic times into a larger North Texas facility

BY MATT JOYCE | STAFF WRITER

Dallas-based Dillon Gage Inc. has moved its precious metals refinery into a larger facility to provide space for the business to grow and to better accommodate demand from customers trading in their scrap metal.

The Dillon Gage Metals Division started operating Monday in the new refinery, a 22,000-square-foot building with three times the space of the former Dallas site.

The refinery's gold business has grown 125 percent in the past five years, while silver has grown about 38 percent, said Terry Hanlon, president of Dillon Gage Metals Division. He estimated Dillon Gage's market share of precious metals refining in North Texas to be between 30 percent and 50 percent.

"When the market's hot like it is, and the world's economic situation is as bad as it is, people run to precious metals because that's their safe haven, that's their insurance policy and their new currency," Hanlon said.

He added that it is not clear how long the market will continue to grow, but said there

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remains "a tremendous amount of industrial precious metal still out there."

"And there's a lot of jewelry, which is a huge part of the business that our refinery handles," he said.

Hanlon declined to release the refinery's revenue, but said it processes "hundreds of millions of dollars" worth of metals each year.

Inside the nondescript industrial building in Northwest Dallas, workers dump old jewelry and silver tea sets into 2,000-degree furnaces. The refinery melts gold, silver, platinum and palladium — a silver-white metal. It assesses the

purity and molds the melted metals into bars or coins for customers such as pawnshops, jewelers and coin dealers.

Nearly all customers sell the bullion back to Dillon Gage, which also runs a trading floor.

The price of gold has risen pretty consistently over the past 10 years. Gold was trading for about \$1,656 per ounce on Tuesday, up about 522 percent from \$266 in mid-2001, according to goldprice.org.

Economist Bernard Weinstein at SMU's Cox School of Business said gold and other precious metals appeal to some people at a time when other financial assets are losing value.

"There are some investors who believe there is safety in precious metals," Weinstein said. "Is this a good investment? Like all investments, it depends on when you buy and when you sell. Commodity prices go up and down just like all other prices."

The Dillon Gage refinery buys from customers across the country, Hanlon said. Only about 15 percent to 20 percent of them are in the Dallas-Fort Worth area. The refining division generally deals with large-volume commercial customers, not individuals.

The refinery employs 15 people, including five who work in the factory and 10 who work in the lab and front office. The company will not hire new employees in conjunction with the move because it has added better equipment, such as furnaces that can melt more metal in a single batch, Hanlon said.

He said the company signed a 10-year lease on the building, which is heavily secured with fences and



security cameras. To maintain security, Hanlon requested the site's address not be published.

The refinery is one component of the 35-year-old Dillon Gage Inc.'s business. The privately held parent company also runs a full-service brokerage firm, a wholesale trading desk for precious metals, a numismatic division and a depository service.

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THE GOLD STANDARD

NAME: Dillon Gage Metals Division

BUSINESS: Precious metals refining, trading

HEADQUARTERS: Dallas

OWNERSHIP: Private

TOP EXECUTIVE: Terry Hanlon, president

EMPLOYEES: 15 at the Dallas refinery

ANNUAL REVENUE: Undisclosed

PHONE: 972-484-3377

WEB: www.dillongage.com



TRADED IN: Terry Hanlon, president of Dillon Gage Metals Division, shows some of the wares taken to his refinery by large commercial customers.



JAKE DEAN

SOME PEOPLE'S TRASH: Discarded jewelry and other precious metal is poured into a furnace to be melted and formed into bars. Business remains hot for Dillon Gage Inc.'s refining arm, which has moved into larger space in North Dallas.