

corporate financing week

Exclusive capital markets news for corporate executives and investment bankers

www.corporatefinancingweek.com

A PUBLICATION OF INSTITUTIONAL INVESTOR, INC.

FEBRUARY 10, 2003
VOL. XXIX, NO. 6

Dole Proposes Financial Statement Insurance.

The Republican Senator from North Carolina is floating the idea of requiring companies to take out insurance on their financial reports.

See story P.2.

In The News

Bear Stearns Eyes Convertibles Head 3

Financing Strategies

KB Home Issue Attracts
Lowest Coupon 5

M&A News

Private Equity Firm Targets Add-Ons 7
Georgia Bank Hunts For Buys 7

Bankruptcy/Restructuring News

Glass & Associates To Set
Up Branches 8

Washington

Bush Proposes Corp. Fin
Staff Increase 9

Departments

Nuggets 3
Private Equity Recaps 7
Financing Record 10
Financing Calendar 10

COPYRIGHT NOTICE: No part of this publication may be copied, photocopied or duplicated in any form or by any means without Institutional Investor's prior written consent. Copying of this publication is in violation of the Federal Copyright law (17 USC 101 et seq.). Violators may be subject to criminal penalties as well as liability for substantial monetary damages, including statutory damages up to \$100,000 per infringement, costs and attorney's fees. Copyright, 2003 Institutional Investor, Inc. All rights reserved.

For information regarding individual subscription rates, please contact Joe Mattiello at (212) 774-3457.

For information regarding group subscription rates and electronic licenses, please contact Dan Lalor at (212) 774-3045.

A Virtuous Arrangement?

MANAGEMENT BUYOUT OF DB CAPITAL IMMINENT

Deutsche Bank is on the verge of selling its \$1.5 billion private equity portfolio to a management buyout team led by Ted Virtue, CEO of the bank's private equity arm, DB Capital. Virtue has succeeded in lining up backers to help fund the purchase, said one banker. Outside capital will fund approximately \$900 million, with the rest coming from Virtue and his team, supported by Deutsche Bank, which is retaining a stake. The official could not provide a more specific breakdown.

Virtue and Charlie Ayers, head of DB Capital's North American operations, did not return calls.

One private placement banker said that outside investors include Bregal Holdings, the investment arm of Switzerland's Brenninkmeijer family, which owns Europe's C&A clothing
(continued on page 11)

ARMing For M&A

DEBT COLLECTORS CHASE ACQUISITIONS AS CONSUMER DEBT BALLOONS

At least five companies in the accounts receivable management (ARM) industry are looking to pursue acquisitions for growth in response to climbing consumer debt. A growing inclination by many corporations to outsource debt collection is also intensifying buying interest within the industry, according to Michael Ginsberg, president and CEO at Kaulkin Ginsberg, a provider of advisory services to the ARM industry. Some companies with acquisition ambitions say they would consider engaging an investment bank to advise on transaction sizes north of \$25 million.

As much as \$100 billion in consumer debt receivables—up 10% from last year—are currently being managed by collection agencies on behalf of clients, Ginsberg said.

(continued on page 11)

DIRECTV CHANNELS BULKY DEBT PACKAGE TO MARKET

DIRECTV, a satellite broadcast company based in El Segundo, Calif., will come to market with a \$1.4 billion bond deal led by Credit Suisse First Boston, Goldman Sachs and Salomon Smith Barney, according to CFW sister publication *Loan Market Week*. The bond issue is part of a \$2.95 billion deal to refinance parent company Hughes Electronics' existing debt as well as fund other cash needs for the company, according to a banker familiar with the deal.

The other part of the package is a \$1.55 billion bank credit. The credit has an \$800 million institutional loan, similar to other institutional pieces such as TRW Automotive's \$900 million and Penn National's \$600 million "B" loan currently in the market.

(continued on page 12)

Check our Web site www.corporatefinancingweek.com during the week for breaking news and updates

DEBT COLLECTORS

(continued from page 1)

Collection agencies have generated some \$13.5 billion in revenues over the past couple of years, representing an average growth of 10% per annum, he added.

ARM companies also see potential industry growth stemming from President Bush's proposal that the Internal Revenue Service outsource a portion of its delinquent tax receipts to collection agencies, said Craig Bondy, v.p. at GTCR Golder Rauner, which owns Argent Healthcare Financial Services and Risk Management Alternatives (RMA), two ARMs that are seeking acquisitions. AllianceOne, Arrow Financial Services, and Collecto, are the other three companies known to be on the prowl. Both Ginsberg and Bondy noted that the ARM industry is also attracting outside players seeking to either invest in or acquire ARM companies. Two notable deals last year were West Corp.'s acquisition of Attention and Sallie Mae's purchase of Pioneer Credit Recovery and General Revenue Corp.

Bob Mauch, chairman and ceo at AllianceOne, said he expects the company to close two acquisitions in the next two weeks and will consider two more this year. "We are very, very interested in talking to prospective sellers," he said, noting that AllianceOne is now in discussions with 10 companies.

Arrow Financial is interested in acquiring call centers with 50-250 staffers. "There are a lot of non- and semi-performing consumer loan portfolios available owing to the economic downturn," said Jack Lavin, president and ceo, noting that Arrow

Financial expects to grow its revenues by 15-20% this year.

Collecto will close an acquisition by the end of the month and plans to seal another one this year, said Paul Leary Sr., chairman, while Argent and RMA are on the lookout for potential candidates, GTCR's Bondy said.

AllianceOne would look to use an investment bank for a company that has revenues greater than \$50 million, said Terry Weikel, senior v.p. The company has worked with Wachovia Securities, SunTrust Robinson Humphreys and Salomon Smith Barney in previous deals.

Arrow Financial would consider using an investment bank for transaction sizes over \$25 million, said Lavin, adding however, that it will hire a financial advisor to do fairness opinion for its target acquisitions regardless of deal size. The company has yet to approach bankers because it does not have any imminent deal.

—Alice Cabotaje

MANAGEMENT BUYOUT

(continued from page 1)

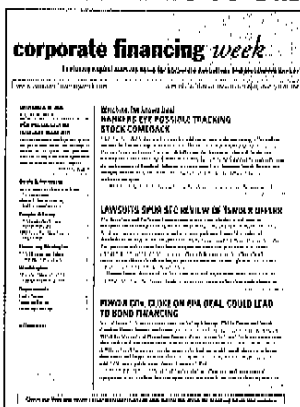
store chain. Louis Brenninkmeijer, co-chair of Bregal, could not be reached for comment.

In January, Bregal invested EURO495 million in London-based buyout firm, Englefield Capital, which was started by former Warburg Pincus managing director Dominic Shorthouse. Shorthouse did not return calls seeking comment.

It was unclear at press time on Friday when Virtue's agreement with Deutsche Bank would be finalized, but one official at the bank said something would be announced in

SUBSCRIPTION ORDER FORM

FIVE EASY WAYS TO ORDER:



1. FAX: 212-224-3491
2. TEL: 212-224-3800
3. EMAIL: CUSTOMERSERVICE@IINNEWS.COM
4. WEB: WWW.CORPORATEFINANCINGWEEK.COM
5. MAIL: ALEX BELINSKY,
INSTITUTIONAL INVESTOR NEWS
225 PARK AVE SOUTH
NEW YORK, NY 10003

YES! Please send me 1 year (51 issues) of **Corporate Financing Week** at the special price of \$2,395*. Once I have subscribed I can select a permanent User ID and Password to www.corporatefinancingweek.com at no extra charge.

NAME _____ 113786

TITLE _____ FIRM _____

ADDRESS _____

CITY/STATE _____ POSTAL CODE/ZIP _____ COUNTRY _____

TEL _____ FAX _____ E-MAIL _____

Options for payment:

- Bill me Check enclosed (please make check payable to Institutional Investor News)
- I am paying by credit card: Visa Amex Mastercard

CREDIT CARD NUMBER _____ EXPIRATION DATE _____ SIGNATURE _____

The information you provide will be safeguarded by the Euromoney Institutional Investor PLC group, whose subsidiaries may use it to keep you informed of relevant products and services. We occasionally allow reputable companies outside the Euromoney Group to mail details of products which may be of interest to you. As an international group, we may transfer your data on a global basis for the purposes indicated above.

- Please tick if you object to contact by telephone. Please tick if you object to contact by email.
- Please tick if you object to contact by fax. Please tick if you do not want us to share your information with other reputable businesses.

* In Canada, please add US\$30 for postage. Other non-U.S., please add US\$75.

February 10, 2003

www.corporatefinancingweek.com

Corporate Financing Week



M&A News

Firm Seeks Add-Ons For Latest Acquisition

New Mountain Capital, a New-York based private equity firm, is looking to grow its most recent acquisition, CP Commercial Specialists, which it bought for \$87 million last week.

CP Commercial provides premium audits and property surveys to the insurance industry, an area that New Mountain expects will grow as more and more insurance companies outsource their audit services, said Alok Singh, a principal at New Mountain.

Singh noted that New Mountain did not put any debt into the deal, paying the \$87 million with its own cash.

The company will also likely expand into areas beyond the audits and surveys, Singh said, noting that the loss inspection area is one where the company sees some opportunity.

He declined to say how much New Mountain is willing to spend to grow CP Commercial or whether any deals are imminent.

Boutique Seeks Bankers



Michael Ginsburg

Bethesda, Md.-based Kaulkin Ginsberg, a boutique investment bank that provides mergers and acquisition and advisory services to the accounts receivable and customer relationship management industries, wants

to hire up to two directors and analysts. Michael Ginsburg, president and ceo, said the firm is bringing in new clients and expanding its current services, which include pre-and post-M&A advisory, buy and sell, capital raising and valuation/fairness opinion services.

He noted that M&A deal activity in the accounts receivables management industry in 2002 rose to 55—close to the levels in 1998/99 when the industry underwent consolidation—from 35 in 2001. Total deal value was \$745 million in 2002, up from \$564 million in 2001.

Kaulkin Ginsberg currently has 10 investment

bankers and is interested in “senior deal makers that have a thorough understanding of the M&A process and have business relationships,” Ginsburg said. The firm is currently interviewing for the analyst positions but has yet to start doing so for the director positions.

Boutique Hires Former ABN Amro M&A Head

Mercator Capital, a boutique investment bank based in Reston, Va., has hired as a partner Lars Hanan, former head of U.S. mergers and acquisitions at ABN Amro.

Hanan will focus on building the bank's M&A advisory business for life sciences companies, he said. He had previously led ABN Amro's healthcare M&A group, and will be using his contacts to grow Mercator's business.

Hanan joined Mercator last month, having left ABN Amro in June of 2002, after that bank decided to close its U.S. investment bank.

In other news, he noted that the bank, which has a small venture capital business, has just begun to raise money for a \$200 million equity fund investing in distressed telecommunications companies. Hanan said the fund raising process will take most of the year, but declined to provide further details.

Georgia Bank Eyes Acquisitions

Blairsville, Ga.-based United Community Banks (UCB) plans to make up to two acquisitions later this year as it looks to expand its reach in Western North Carolina, north Georgia, metro Atlanta, Eastern Tennessee, the Georgia coast and Western South Carolina.

Rex Schuette, executive v.p. and cfo, said the bank aims to grow its assets to up to \$5 billion by 2005 through both internal growth and acquisitions. It is eyeing community banks with assets ranging from \$100-400 million and those that can be accretive to its earnings in one to two years. Schuette said UCB will consider engaging an investment bank if it brings the deal to UCB

Private Equity Recap

The private equity recap is a summary of companies, which have received venture funding in the past week, important people news and the latest developments at venture capital firms. The information has been obtained from sources believed to be reliable, but CFW does not guarantee its completeness or accuracy.

Deals

- **Calix**, a provider of telecommunications infrastructure platforms to local exchange carriers, secured \$50 million in a fifth round. Participating investors were **Azure Capital**, **Integral Capital Partners**, **Kinetic Ventures**, **Meritech Capital Partners**, **MSD Capital**, **Redpoint Ventures** and **Telesoft Partners**.

- **Danger**, a developer of mobile devices and services, secured \$35 million in a Series D round from **Meritech Capital Partners**, **Mobius Management Systems**, **Redpoint Ventures**, **Softbank Capital Partners** and **Venture Strategy Partners**.

- **Protein Design Labs**, a publicly traded developer of therapeutics for cancer, said it will acquire **Eos Biotechnology**, a developer of genomics-based therapeutics and diagnostics tools, in a stock swap \$37.5 million.

- **OctigaBay Systems** raised \$24 million in seed financing from **Business Development Bank of Canada**, **Celtic House International**, **Ventures West** and **Working Opportunity Fund**.

- **Peregrine Semiconductor**, a supplier of high-performance integrated circuits for wireless communications, said it has raised \$7.5M in the third and final

(cont'd on next page)