

Kaulkin Ginsberg sends *INSIGHT* each month to provide you and others in the Accounts Receivable Management (ARM) industry with valuable content designed to assist you in making strategic business decisions.

We hope you enjoy this issue. Comments are always welcome at [hq@kaulkin.com](mailto:hq@kaulkin.com).

**Contents**

Collectors See Better Times Ahead in Confidence Survey	1
Pitfalls to Avoid in a Company Sale: Forgetting About Collection Licenses	3
Is Your Company a Great Place to Work?	3
Upcoming Events	4
About Kaulkin Ginsberg	4

The economy dominates business conversation these days, and with good reason. In the ARM industry, we're seeing the effects of a slowdown in many ways. Attendance at some industry events is not as high as it was last year, firms are taking a harder look at their strategies to improve liquidation rates, and some owners are quietly investigating the idea of partnering, merging, or selling.

This is an industry of tough, entrepreneurial professionals, however. In our first-ever Credit and Collections Executive Confidence Survey, we found that many of you take an optimistic view of the future and expect that conditions will improve a year from now. In fact, many agencies surveyed – almost 46 percent – expect to be increasing their staff size in the next six months. Read on for more details from the survey.

Collector turnover is always an issue, even in the best of times, but these days, holding on to good employees and efficiently recruiting new talent can save a great deal in operating costs. [insideARM.com](http://insideARM.com) is pleased to be launching a new program for the industry, honoring the "Best Places to Work in Collections." In this issue of *Insight*, you'll find more information on the program.

**Collectors See Better Times Ahead in Confidence Survey**

By [insideARM.com](http://insideARM.com) Staff

It's clear that ARM professionals are worried about the state of the economy, but most think the worst is behind us and the future holds great opportunity.

This is based on the results of [insideARM's](http://insideARM.com) Credit and Collections Executive Confidence Survey, which reflects the views of 320 executives from accounts receivable management industry, including debt collection agencies, credit issuers and vendors to the industry.

Lastly, for those who are contemplating a sale, there is no room for error in the current market. Michael Lamm explains one possible deal breaker that is often overlooked; the transfer of collection licenses and how this should be handled to avoid delays in closing. We will be discussing this and other pitfalls to avoid when selling a company during an upcoming invitation-only teleseminar on June 16. Read on for more details!

I'm looking forward to sharing my predictions for the future of the industry at the upcoming ACA convention in Florida next month, and would welcome *your* thoughts on the future. Let me know if you will be at the conference and perhaps we can meet in person. If not, give me a call or send me an email. I would like to catch up with you.

Sincerely,



Mike Ginsberg  
President & CEO  
[hq@kaulkin.com](mailto:hq@kaulkin.com)  
301-907-0840



**Future Performance**

Third-party debt collection executives and creditors both take a relatively favorable view of the future; however service providers are clearly a more optimistic group.

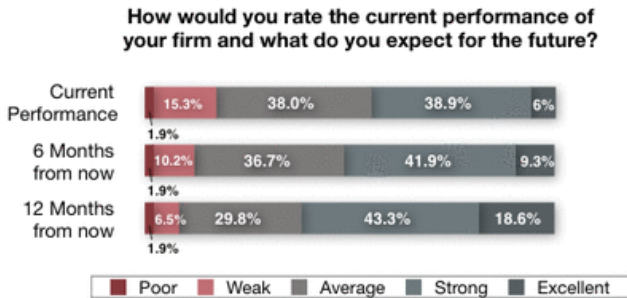
When asked how they would rate the liquidation performance of their firm right now, collectors gave a lukewarm assessment, with 55.2% characterizing their performance as "average," "weak," or "poor." However, when asked about

*(Continued on page 2)*

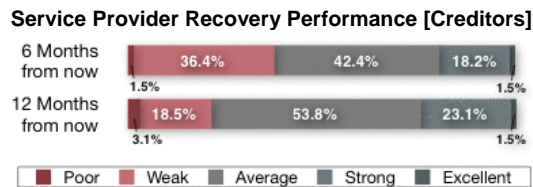
Collectors See Better Times Ahead in Confidence Survey (Continued)

(Continued from page 1)

future expectations, the numbers slide into the more positive range, with a combined 51.2 percent predicting “Strong” or “Excellent” performance in six months and 61.9 percent predicting the same 12 months from now.



Creditors who outsource parts of their receivables management were not as enthusiastic about recoveries from their service provider partners in the future, but there was a general consensus that recovery performance will improve 12 months from now.



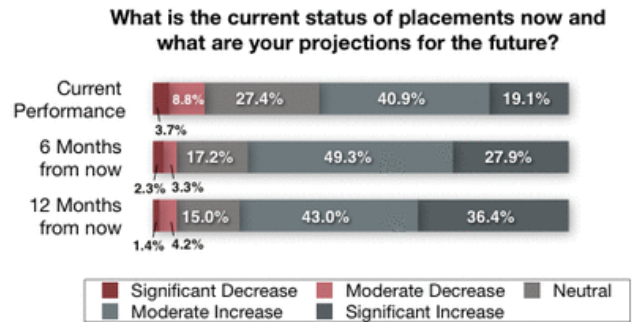
Of creditors surveyed, 19.7 percent expected “excellent” or “strong” recovery performance from their service providers six months hence, though signs of concern persist with nearly 38 percent expecting performance to be “poor” or “weak.” Twelve months from now, the number of creditors who expect the performance by their service providers to be “excellent” or “strong” increases slightly to 24 percent. The good news is that the expectation of “poor” or “weak” performance also drops to 21.6 percent, illustrating a general expectation of improvement.

**Outlook for Growth**

We’ve all heard that one of the effects of rampant consumer debt is an uptick in accounts placed with agencies for collection. This does seem to be the case, as 60 percent of service provider respondents reported a “Moderate” or “Significant” increase in placements.

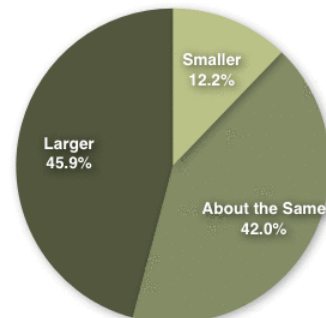
There is also optimism for the future of placements as a combined 77.2 percent think placements will rise moderately or significantly in the next six months and 79.4

percent predicting a similar increase in 12 months.



Payroll growth is probably the best gauge of a company’s true performance, and there are quite a few collection agencies planning to grow this year despite the downturn. A strong 45.9 percent said they would be larger in six months. Another 42 percent thought that things would stay the same and only 12.2 percent of collection agencies expect to be smaller in six months.

Do you expect the size of your staff to be smaller, greater or about the same six months from now?



**Other Thoughts for the Future**

We concluded our survey by asking ARM executives an open-ended question about other challenges and concerns they see on the rise this year for the industry. We were grateful for the many thoughtful and insightful responses. Executives expressed concerns about increasing federal regulation and corresponding lawsuits, the lacking availability of qualified workers, and increasing operational costs.

This is the first of what will be a series of Confidence Surveys of the industry. As always, we want to know what you think! Contact us at [editor@insidearm.com](mailto:editor@insidearm.com) to share your thoughts.

For more detailed coverage of *insideARM.com*’s Collections Confidence Survey, please visit: <http://www.insidearm.com/go/confidence-survey>

## Pitfalls to Avoid in a Company Sale: Forgetting About Collection Licenses

By Michael Lamm, Associate

During the due diligence process, issues can arise that have the potential to jeopardize a merger or a sale.

One issue that has caused closing and funding delays – and in rare cases has squandered a sale altogether – is the transfer or renewal of state collection licenses from the seller to the buyer. This issue is critical, especially for non-industry buyers, yet it is often overlooked until after due diligence begins. Non-industry buyers are typically not aware of the nuances involved in obtaining state licensing, including how long it takes to transfer existing licenses and what risks they are exposed to while they are conveying.

This issue needs to be addressed early in the due diligence process. Due diligence is the investigative stage when the buyer reviews and confirms confidential information about the company prior to closing. This process generally starts after the buyer and seller have executed a non-binding letter of intent that details the purchase price and terms of a transaction, and ends at a closing when a definitive purchase agreement is executed and funds change hands.

If the transfer or renewal of licenses in the name of the new owner is not addressed early on in due diligence, the seller risks a delay in closing or may face receiving a

partial payment of the purchase price until all of the licenses have fully conveyed to the buyer.

To avoid these delays, the buyer and seller should first determine the length of time needed to get licenses in place for the new owner. A timeline should then be created for conveyance, ensuring that all applicable licenses are renewed under the new owner/company name, and that they adhere to various strict state guidelines. An experienced M&A advisor can help identify how to address this issue so it doesn't delay a closing.


*Michael Lamm manages M&A transactions and valuations for Kaulkin Ginsberg. Michael can be reached at 240-499-3808 or at [mlamm@kaulkin.com](mailto:mlamm@kaulkin.com).*



Kaulkin Ginsberg's advisory team will be discussing this and other pitfalls to avoid in an upcoming teleseminar. They will recap M&A activity in the industry so far this year, provide insight into highlighted transactions, and then share some typical "deal breakers" that can be avoided when selling a company. This **invitation-only teleseminar is Wednesday, July 16 at 11am ET**. For details, please contact Anne Strong at [anne@kaulkin.com](mailto:anne@kaulkin.com) or 240-499-3816.

## Is Your Company a Great Place to Work?

By Stephanie Eidelman, Publisher and COO

 The collection industry has many first-rate employers, and insideARM.com is pleased to be launching a brand new program designed to honor these companies!

Our "Best Places to Work in Collections" program seeks to identify and honor the companies that have the most engaged and satisfied employees. Top-ranking companies will be able to use this designation to help recruit new talent.

Numerous studies have shown that having a positive work environment leads to happier, more productive employees, which in turn leads to an improved bottom line.

Companies will have the opportunity to review their employee survey results in detail, so they can identify their own strengths and weaknesses in employee morale.

### How does it work?

We've teamed up with the Best Companies Group, which

oversees similar "Best Places to Work" surveys in many cities and in other industries. They will manage the program and will be responsible for gathering and assessing the survey data.

Participating companies will first complete a questionnaire, and then the employees of the company will be asked to complete an employee survey. The combined information will be analyzed to select the best workplaces.

We'll be announcing the "Best Places to Work in Collections" on Inside ARM.com in January.

If you're interested in nominating your company, please visit: [www.bestplacetoworkcollections.com](http://www.bestplacetoworkcollections.com). Nominations must be received by August 15.

*Stephanie oversees operations for Kaulkin Ginsberg, and as Publisher of insideARM.com, she directs the growth of the website and its related publications. Contact her at 240-499-3806 or at [publisher@insidearm.com](mailto:publisher@insidearm.com).*



## Upcoming Events

If you have not received Kaulkin Media's 3<sup>rd</sup> Quarter Calendar of Events for the industry but would like a copy, please let us know at [hq@kaulkin.com](mailto:hq@kaulkin.com) and indicate your current snail mail address.

In addition, you can review a complete listing of industry events online at [www.insideARM.com/events](http://www.insideARM.com/events).

If you would like to meet with us in person at one of these upcoming shows, please email [hq@kaulkin.com](mailto:hq@kaulkin.com) to schedule a confidential discussion.

### [ACA International's 69th Annual Convention & Expo](#) **July 23-28, Hollywood, FL**

Be sure to catch Mike Ginsberg's "Predictions for the Industry" presentation on Friday morning of the conference. Other advisory team members will be attending as well if you would like to meet.

### [Debt Connection Symposium & Expo 2008](#) **September 3-5, San Diego, CA**

Kaulkin Ginsberg and Kaulkin Media are proud media sponsors this year. If you will be attending, let us know – many members of our team will be on hand and we would welcome the chance to meet you.

## About Kaulkin Ginsberg

We've been providing ARM professionals, owners, and investors worldwide with value-add advice, expertise, and information to make well-informed decisions for over 16 years. We offer a full array of strategic advisory services to support you through almost every stage of your company's lifecycle, from strategic analysis, to growth and exit strategies – including M&A. The Kaulkin Ginsberg family of companies also includes Kaulkin Media, the leader in providing timely news, analysis and information on the recovery of debt in all industries and publisher of the most

popular sources of industry information such as [insideARM.com](http://insideARM.com)<sup>®</sup> (formerly [CollectionIndustry.com](http://CollectionIndustry.com)) and [The ARM Insider](http://TheARMInsider.com)<sup>™</sup>. Kaulkin Information Systems creates secure and affordable workflow, document, and business process management technologies ([www.kistrack.com](http://www.kistrack.com)). Read more about Kaulkin Ginsberg at [www.kaulkin.com](http://www.kaulkin.com).

What can we do for you?

To discuss your business needs in confidence, send an email to [hq@kaulkin.com](mailto:hq@kaulkin.com) or call us at 301.907.0840.