



The **Kaulkin Ginsberg Bulletin** is sent each month to provide you and others in the Accounts Receivable Management (ARM) industry with valuable insight, access, and information. Each issue contains actionable 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).

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The accounts receivable management (ARM) industry has come a long way. Forever perceived by outsiders as a cottage industry of small, unscrupulous, and unsophisticated companies that credit grantors turned to as a last resort, it has emerged as one of most highly sought-after market segments by Wall Street firms and corporate America. Consider the following eye-popping facts:

- Each year, hundreds of billions of dollars worth of past due accounts from corporations and governments are placed with collection agencies and collection law firms worldwide.
- In 2005, we estimate that \$158 billion worth of accounts were purchased worldwide.
- In the past 2 years, over \$3.3 billion in M&A transactions took place among collection agencies and debt buyers alone.

No one can deny that the industry has increased in prominence and stature. However, even with Wall Street analysts reporting on the public companies, media conglomerates and trade associations publishing monthly magazines, and new websites claiming to provide timely industry news and information, the industry continues to suffer from a tremendous lack of quality and insightful information.

Kaulkin Ginsberg Company is committed to filling this void and we will do everything we can to continue providing the participants and newcomers in the industry with meaningful information and valuable insight to support strategic business decision-making. In this edition of our Bulletin, we focus on the debt purchasing market. Also, our recruitment partner, Executive Alliance, dives into a common concern when companies recruit: namely, relocation expenses.

In addition, our Research Group unveiled their latest publication, *Kaulkin Ginsberg's Global Debt Buying Report*, this month – the first-ever comprehensive overview of the debt purchase market, covering trends in the U.S. and 10 other countries. Also this month, our media team constructed a brand new debt purchasing section on [CollectionIndustry.com](http://CollectionIndustry.com). This section includes debt portfolios for sale, relevant news and information, a forum to communicate with other industry professionals, and exclusive interviews with industry leaders. If you are involved in debt purchasing in any capacity, I suggest you check it out!

Sincerely,

Mike Ginsberg  
President & CEO

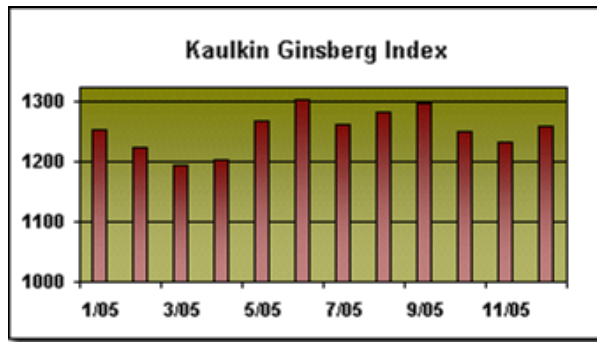


**ARM Index Down Slightly throughout 2005**

The Kaulkin Ginsberg Index (KGI), the leading indicator of economic conditions affecting ARM industry, ended 2005 by increasing a healthy 2.1% in December. However, the KGI was down 1.2% throughout 2005, making this the first calendar year in which the Index decreased since 2002.

While the KGI lost some ground in 2005, the economic conditions underpinning the ARM industry remain near historic highs.

With interest rates increasing for the time being and bankruptcy filings returning to  
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ARM Index Down Slightly throughout 2005 *(Continued)**(Continued from page 1)*

moderate levels, we expect the KGI to regain an upward trajectory in the months ahead.

In December 2005, the Index's increase was caused by four of the Index's seven macroeconomic variables: increases in the unemployment rate, Federal Funds rate, outstanding consumer credit, and the total market cap of ARM stocks.

The KGI is a product of Kaulkin Ginsberg's Research Group, which provides industry-specific publications and custom research services to the ARM industry.

For more information about the Kaulkin Ginsberg Index, call Paul Legrady, Director of Kaulkin Ginsberg's Research Group, at 301-907-0840 ext. 104. Or visit [www.kaulkin.com/research/kgi.cfm](http://www.kaulkin.com/research/kgi.cfm).

## Debt Buyers' Growing Interest in Alternative Asset Classes

*By Paul Legrady  
Director, Research Group*

As the market for the purchase of credit card debt has grown more crowded, debt buyers have turned to alternative asset classes in hopes of sourcing less expensive and potentially more profitable consumer debt portfolios. In particular, bankruptcy receivables, telecommunications receivables, automobile deficiencies, and healthcare debts have attracted the attention of debt buyers with increasing frequency.

*Kaulkin Ginsberg's Global Debt Buying Report* includes descriptions of these sectors of the debt buying market. The report details purchases, prices, and competition within these sectors of the market and describes how the purchase and collection of these receivables differ from the credit card sector.

While the credit card sector continues to generate the most activity for debt buyers in the U.S., larger and specialized debt buyers in the U.S. have begun to search for alternative debts that allow them to diversify their portfolios and purchase debt in less competitive environments.

Debt buyers bought an estimated \$3 billion in bankruptcy receivables in 2005, given the steady cash flows afforded by bankruptcy paper and revisions to the U.S. bankruptcy laws.

An estimated \$5 billion in telecommunications receivables was sold in 2005, although the higher volume and lower account balances associated with this paper have challenged new entrants, including some of the largest debt buying companies.

Auto deficiency paper saw an estimated \$2 billion traded in 2005. These debts vary in important respects from other consumer receivables because they are legally associated with a hard asset: e.g., the car or truck for which the delinquent loan was created. This has important effects on the collection process, as well as the purchase and sale of debt portfolios.

Healthcare debt is considered by many to be the 'big prize' of the debt buying market, given its enormous and largely untapped market. The purchase and sale of healthcare debt is also highly unique, requiring special resources on the part of debt buyers entering this space.

The success of companies within these sectors and the recent growth of the sectors themselves reflect the overall benefit of specialization within the debt buying market around the world. Companies develop competitive advantages in this field by sourcing portfolios from a certain type of creditor and collecting on a certain type of debt. This is particularly true when debt buying activities involve alternative asset classes.

*This article was excerpted from Kaulkin Ginsberg Company's newest research report, Global Debt Buying Report: Experts Analyze the Worldwide Debt Buying Market. For more information on this report, please visit [www.kaulkin.com/research](http://www.kaulkin.com/research).*

*As Director of the Research Group, Paul oversees custom research projects and publications focusing on the accounts receivable management industry. Contact Paul at 301-907-0840 ext. 104.*



## Branching Out: Debt Purchasing Firms Expand and Diversify



By Patrick Lunsford,  
Editor, *CollectionIndustry.com*<sup>TM</sup>

As the industry rapidly matures, major debt purchasing players have been diversifying their corporate interests, service offerings, and even portfolio purchases. Successful debt buyers have become tremendously efficient in their core competencies and are now looking to expand their universe in search of increased returns.

Most of the M&A activity among debt buyers in the past few years has focused on bolstering core services. Portfolio Recovery Associates (PRA), for example, purchased a skip tracing firm, IGS Nevada, in October of 2004. There have been a couple of deals in the past year, however, that were executed to expand into additional market segments.

In August of last year, PRA acquired government collection and service provider Alatax. PRA gained a strong foothold in the high-growth sector of government collections. In the deal announcement, PRA's CEO, Steve Frederickson, commented, "Alatax represents an important investment for Portfolio Recovery Associates, providing us with entry into the large market for government accounts receivables management and creating yet another growth engine for the company."

A new regulatory landscape was the impetus for a much more recent deal. In early February of this year, Asta Funding announced the purchase of VATIV, a firm that provides bankruptcy and deceased account servicing. While the company stated that the acquisition would help them to expand and diversify their service offerings, they also directly mentioned the Bankruptcy Reform Act of 2005 in their announcement.

The diversification trend is not limited strictly to M&A activity. West Asset Management (WAM) announced a major purchase of distressed healthcare receivables in late January of this year. The portfolio purchase itself was

hardly major news. But included in the announcement was an official launch of a new "Cash Acceleration Program" aimed at healthcare providers. Under the program, WAM is offering a comprehensive healthcare receivables sales solution to hospitals and doctors, including options like forward-flow agreements and increased information sharing. Also in the news release, WAM revealed that it has a 550-seat collection center in Texas dedicated solely to healthcare accounts.

Even traditional portfolio purchases have signaled a focus on expansion lately, if not diversification. Encore Capital bought a \$2.9 billion credit card portfolio from a CompuCredit unit in June of 2005. Along with the portfolio, Encore landed a 120-seat collection facility in Minnesota and an agreement to purchase an additional \$3.25 billion in face value of fresh credit card charge-offs. And this was all in one transaction.

In an exclusive interview with PRA CEO Steve Frederickson last week, he told *CollectionIndustry.com* that his firm did have expansion and diversification on its mind. His words perfectly sum up the position of many of the leaders in the debt purchasing community: "We view ourselves as an accounts receivable management firm in the broadest sense. So over time, we would like to be able to service many — if not all — of the segments of the industry, whether we develop that capability from scratch, acquire a foothold by hiring a management team, or acquire a platform outright." PRA has been very smart about acquisitions in the past, and Frederickson reiterated that point in the interview. But it is clear that the major players in the debt purchasing world, the ones that have already had a high level of success doing what they do best, are looking to expand and diversify their offerings to facilitate even more growth.

For more news and information, please visit our new debt purchasing section on *CollectionIndustry.com* at: [www.collectionindustry.com/debt purchasing/](http://www.collectionindustry.com/debt purchasing/)



## Don't Be Afraid of Relocation Expenses with Out of Town Candidates



By Susan Burden  
Vice President, *Executive Alliance*

As recruiters working with clients, one of the initial questions that we typically ask is, "Will you consider relocating a new hire?" Often employers will say no; they prefer local candidates. While finding a local candidate might be a plus, the perfect candidate might not be in your backyard. I will often initiate a local search and expand the radius as necessary. However, these restrictions sometimes lengthen the search process, and when you are dealing with trying to find the right person, timing can mean everything.

If you are gun shy about stepping over into the world of relocation, please understand that there is no standard relocation package. This "benefit" can be tailor-made for each individual and situation.

Obviously, the desire to attract the best candidate might require a hefty package, but this does not always need to be the case. For candidates who do not own homes, a relocation package can simply cover moving costs and possible money towards getting out of a rental lease. For home owners, packages can also vary. Some companies cover everything from soup to nuts, including closing costs,

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Don't Be Afraid of Relocation Expenses with Out of Town Candidates *(continued)*

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moving expenses, and house hunting trips for the family – even relocation of a pet. To expedite start dates, many employers have recently started housing new employees and families in executive suites until a new residence is secured.

Don't let these high ticket relocation packages scare you. You may choose to offer a flat fee where your company takes care of moving details up to a certain amount with any extra expenses taken care of by the employee. This flat fee can vary and can be stipulated very early in the interview process. By offering this, you can expand your candidate pool at a minimal cost.

The process is quite simple. An initial telephone interview is standard. If all thumbs are up, then a flight and possible hotel stay is arranged for a face-to-face meeting. If an

offer is imminent, then the relocation package can be presented.

Your company's offer should not fall short when you are trying to attain your new star player. Once again, it does not take much creativity to compete with the big guns. However, if you want to be in the game, you have to at least play.

For more articles on staffing and other industry management issues, please visit:

[www.collectionindustry.com/columns](http://www.collectionindustry.com/columns).

*Susan Burden is a Vice President at Executive Alliance, an international recruitment firm and the leading provider of human capital (recruiting) services to the Credit, Collections and Call Center Management industries. Executive Alliance is the exclusive staffing partner of Kaulkin Ginsberg and CollectionIndustry.com.*

***In an industry that spans worldwide, what are the benefits of relocating a new employee?***

Industry Events and Staff News

Meet us at these upcoming shows! To schedule a confidential meeting, please email [hq@kaulkin.com](mailto:hq@kaulkin.com). For a listing of upcoming conferences, visit the Industry Events section on [CollectionIndustry.com](http://CollectionIndustry.com)™

**National Collections & Credit Risk Conference**

**March 15-17 –Las Vegas, NV**

This is one of the industry's longest-running conferences for the credit granting and collections community. Michael Lamm from the Strategic Advisory Group and Patrick Jeanty from Kaulkin Media will be available to meet with you.

**March for Success Together - ICSP & HSP**

**April 5-7 – Lake Buena Vista, FL**

ACA International has combined the spring meetings of the Internet and Check Services Program (ICSP) and the Healthcare Services Program (HSP), but the new combined show will still offer distinct ICSP and HSP sessions. Brian Greenberg, Managing Director of the Strategic Advisory

Group will be at the conference and would welcome the opportunity to discuss your interests in confidence.

**Mark your calendar for Debt Connection Symposium and Expo 2006!**  
**September 6-8, Hollywood, CA**

Dennis and Judy Hammond are presenting an innovative concept in conferences, focusing on networking and connecting with clients, agencies, attorneys, and industry vendors. The event will host Featured Company meetings, and it will also integrate the power of DebtConnect.com and nTAG interactive technology. Join us in Hollywood! For more information on the conference as it becomes available, please visit [www.dcs2006.com](http://www.dcs2006.com).

**Staff News**

A new friendly voice on the phone! Kaulkin Ginsberg is pleased to welcome Elaine Rowley as our new executive assistant to the Strategic Advisory Group.

About Kaulkin Ginsberg

Since 1989, Kaulkin Ginsberg has provided solutions to accounts receivable management and related business services companies. The Strategic Advisory Group provides merger, acquisition and valuation advice; operational consulting; and executive search services. The Research Group produces industry-specific publications and custom research products. The Kaulkin Ginsberg family of companies also includes Kaulkin Media, publisher of the most popular sources of industry information such as [CollectionIndustry.com](http://CollectionIndustry.com)™ and [Credit & Collection Daily](http://Credit & Collection Daily)™, and Kaulkin Information Systems, provider of secure and affordable document and process management technology ([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.

