



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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After a natural disaster like the recent wildfires in California, many business owners opt to take a closer look at their disaster recovery plans.

Technologies are available today to make recovery of critical data less painful than it used to be. In this issue of the *Bulletin*, Mike Binko, CEO of Kaulkin Information Systems, explains the benefits of using Software as a Service technologies as part of an affordable and easily-implemented disaster recovery plan.

Many clients have also been asking how recent economic developments in the news are likely to affect ARM companies. We conducted a comprehensive analysis of the impact of economic forces on consumer behavior in the 7<sup>th</sup> edition of *The Kaulkin Report*. This *Bulletin* includes an excerpt from the report that describes the Federal Reserve's household debt

service ratio (DSR), and how changes in this ratio can be an indicator of consumers' likelihood of paying off debts.

Finally, there are other business disruptions that are much more personal. In this issue, our Director and valuation expert David Lavine shares insight on how using expert testimony can give you an edge in a lawsuit.

As always, please feel free to contact any member of our team if you would like to confidentially discuss your strategic business plans. We would welcome the conversation.

Have a safe and happy Thanksgiving!

Mike Ginsberg  
President & CEO



**Tools to Jump Start Your Disaster Recovery Plan**

*By Michael P. Binko, APR  
President and CEO, Kaulkin  
Information Systems*

Just like Hurricane Katrina did in 2005, the recent wildfires in southern California have garnered national attention and have caused many to ask; "How prepared am I for an emergency?"

For small to mid-size businesses, principals and management teams must consider what core assets beyond the physical site need to be protected in instances of emergency, and how is that protection best accomplished. Unfortunately, after site security and staff safety concerns are addressed,

discussions and strategy sessions rarely move beyond reactive plans and hefty insurance premiums. This places companies at considerable risk in instances of emergency or natural disaster.

Insurance policies can certainly buy peace-of-mind, however, it is best to infuse disaster recovery and business continuity into a proactive campaign that can be tied into the daily business routine. This can be accomplished by developing best-practices and business processes that empower employees to

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Tools to Jump Start Your Disaster Recovery Plan (*Continued*)*(Continued from page 1)*

participate in asset protection and risk mitigation. In this arena, technology is available to help.

Let's look at one area of business as an example – critical business documents.

During the recent southern California wildfires, we received a staggering number of calls from proprietors who were concerned about the volume of hard-copy documents they stored on site. These documents included partner agreements, signed customer contracts, accounting spreadsheets, customer relationship archives, human resource materials, legal files, and most importantly, materials related to critical intellectual property and methodologies.

If you use file cabinets, personal computers, and standard off-the-shelf office productivity software to store your documents and distribute information, you're not alone. The further truth is that this infrastructure will be relied upon for disaster recovery and business continuity after an emergency or natural disaster – that is, if it still exists.

The good news is that there are technologies available that mitigate risk of critical data loss during or after emergencies – and these technologies are not cost-prohibitive or difficult to implement.

Until recently, mid-sized companies had few options other than working with off-the-shelf software applications that were primarily developed and packaged in a manner best suited to larger companies with big budgets and properly staffed IT departments.

Over the past couple of years however, one technology concept has emerged as a viable solution: Software-as-a-Service (SaaS). In this scenario, the software is not purchased and physically installed on a company's server or on individual employee computers, but rather, it is accessed through the Internet using a secure website where users log in to use the technology. SaaS has been changing the software industry at fundamental levels. It offers a tremendous benefit to small and medium-sized companies because the basic benefits include:

- Simplicity & Mobility
- Security & Recovery
- Scalability & Predictable Costs

**Simplicity & Mobility**

Simplicity is a fundamental element of SaaS. In essence, your employees need a computer, a web browser, and their username and password to have immediate access to their critical software applications – no matter if they are in the office or on the road. If a company office is no longer operable after a disaster, employees would be able to conduct their work from a remote location with minimal disruption.

This mobility is one example where simplicity fuses with reliability, recovery, and accessibility – and is the basis for SaaS as a viable and affordable platform for disaster recovery and business continuity.

**Security & Recovery**

While ease-of-use and data management benefits are readily apparent, many companies are hesitant to adopt SaaS because of perceived security risks. The fact is that SaaS is just as safe, and often more secure, than traditional client-server or distributed “gold-disk” software. A few reasons for this include continued enhancements in data center security, and the fact that updates to SaaS applications can be automated and immediate, with built-in assurance that all users are operating with the most up-to-date versions.

This can be a tremendous time and budget saving aspect of SaaS for bootstrap and growing businesses alike. Furthermore, for companies operating in heavily-regulated or litigation-prone industries such as ARM, most SaaS services incorporate baseline compliance factors (such as data privacy, audit trails and user authentication) as a part of doing business.

In disaster recovery situations, having a secure, off-site data repository for critical documents and information has the additional benefit of being secured from damage, should the physical office become destroyed.

*(Continued on page 3)****Disaster Recovery:  
Failing to Plan is Planning to Fail***

“Two out of five enterprises that experience a disaster go out of business within five years. Business continuity plans and disaster recovery services ensure continuing viability.”

“There is no ‘one size fits all’ when it comes to developing business continuity management strategies and plans.”

“Using someone else's requirements, which might turn out to be based on limitations or regulations that your company doesn't have, could spell disaster of another type.”

— March 2005, Gartner Group

Tools to Jump Start Your Disaster Recovery Plan *(Continued)**(Continued from page 2)***Scalability & Predictable Costs**

Predictable total cost of ownership (TCO) and return on investment (ROI) are also two critical components that make SaaS a no-brainer for small to mid-sized companies.

To start, pricing models for SaaS typically have low points of entry and only increase as a company increases its use of the SaaS application. After signing on, SaaS offers better cost management, because there is no need to schedule an onsite update of users' computers each time there is a security patch or other software update. With SaaS applications, edits to user profiles and upgrades to the applications are all completed automatically and remotely as a part of the service. This alone can mean a reduction in IT consulting expenses and can free up internal IT teams to concentrate on addressing other strategic needs.

In addition, the true TCO and ROI benefits shine through with the simple fact that hard-costs of application server

equipment and data center infrastructure are managed directly by the SaaS provider and not at risk if disaster strikes the place-of-business.

In short, there is little risk in testing the SaaS waters and managing deployments as well as the associated costs in a very scalable manner. Even though the story of SaaS is in its early chapters, small and mid-sized companies across a wide variety of industries are realizing that using the technology – particularly for the purposes of disaster planning, recovery and business continuity – is decidedly in their best interest.

*Mike Binko is President and CEO of Kaulkin Information Systems (KIS), a leading provider of secure, affordable document management, workflow, and compliance technologies and solutions services. Mike can be reached at [mbinko@kaulkin.com](mailto:mbinko@kaulkin.com), or at 240-499-3830.*



## More Household Income Used to Repay Debt

Excerpted from *The Kaulkin Report: The Future of Receivables Management*

Consumer credit has been growing at a fast pace. The Federal Reserve reported a seasonally adjusted annual growth rate of 4.7 percent in the first quarter of 2007, up from 4.1 percent in the fourth quarter of 2006. This growth has pushed the amount of outstanding consumer credit to historical highs. Americans held \$2.5 trillion of consumer credit at the end of the second quarter of 2007. With a population of 300 million, the amount of outstanding consumer credit averaged more than \$8,000 per person. Given the steady expansion of consumer credit outstanding, credit grantors' need for effective receivables management strategies will continue to grow.

The growth of consumer credit outstanding alone does not fully explain how the ARM industry will likely be affected by debtors' choices and the economic circumstances that often dictate them, however. Debt itself, until it moves into some state of delinquency, only has the potential to impact business opportunities for ARM companies. But another measure of financial stress on debtors, the U.S. household debt service ratio, allows a more detailed analysis of the effects of rising consumer credit outstanding.

The Federal Reserve Board's household debt service ratio (DSR) estimates the ratio of required payments on consumer debt and mortgages to disposable personal income. The DSR reached 13 percent in 2001 and has

steadily increased since then. In the third quarter of 2006, the DSR was at an all time high of 14.5 percent. Consumer households with high debt relative to income are at greater risk of failing to pay their obligations in the event of circumstantial changes in their earning ability, cash flow, or the financing expenses associated with their debt. Any of these factors in the context of a high DSR may stretch debtors' budgets to the point that they cannot make payments on one or more accounts, which may in turn force them to decide which creditors will be paid.

The slowing rate of GDP growth in combination with consistently high gasoline prices throughout 2007 [and oil prices currently nearing \$100 a barrel], will place added pressure on consumers to manage their household finances in order to meet their debt obligations. The onset of those macroeconomic pressures are likely to promote consumer borrowing in the short term, but as the plodding housing market and sluggish GDP growth persist, household debt service ratios will also rise as a result. This will challenge ARM companies to recover bad debts from consumers who, by definition under this ratio, have greater challenges meeting financial obligations.

*For more information about The Kaulkin Report, visit [www.insidearm.com/go/kaulkinreport](http://www.insidearm.com/go/kaulkinreport), or contact Paul Legrady 240-499-3818, or at [plegrady@kaulkin.com](mailto:plegrady@kaulkin.com). Paul provides strategic advisory services for clients of Kaulkin Ginsberg.*



## Litigation Support; What Is It And Do You Need It?

By David Lavine, CPA  
Director, Kaulkin Ginsberg

The term “litigation support” might conjure up visions of being the assistant to a famous trial lawyer. Or perhaps you think of a private detective digging up the dirt on the opposing side of a large lawsuit, or the expert witness delivering the knock-out blow in suspenseful courtroom testimony. In reality, litigation support services encompass a combination of all of these scenarios – albeit absent the literary dramatic license.

Legal cases often involve an overwhelming amount of financial and technical evidence, documentation and testimony. The use of a highly skilled consultant is invaluable in providing assistance to counsel and the client by absorbing, analyzing, and responding to this information.

In the ARM industry, expert consultants have been used in cases of valuation disputes, where they can be integral to the resolution of litigation. Determining the value of a closely-held business, assessing minority, marketability, and control discounts are all prevalent in divorce actions, shareholder disputes, and troubled business acquisitions or mergers.

Non-valuation litigation support services are also used in the industry. These services can be far-reaching and

diverse. Often, counsel requires time-sensitive analysis of complex financial data, or assistance in understanding the financial implications of a proposed agreement. Damage studies assist a plaintiff's counsel in proving (or defendants counsel in refuting) the causation of damages. Detailed analysis, reporting, and testimony to quantify damages are crucial to a successful litigation claim.

If you are facing litigation under one of these scenarios, using an established authority provides you with a distinct advantage. Lawyers and judges, who are not likely to know the nuances of the ARM industry, readily rely on credible, third-party experts to substantiate a claim, and industry and or market expertise carries enormous weight in such proceedings. When hiring a consultant to assist in a lawsuit, remember that prevailing in these types of litigation requires not only top quality valuation analysis, but an expert witness experienced in conveying and supporting a client's position in high-pressure situations like depositions or courtroom testimony.

*David Lavine is the leading valuation expert in the credit and collection industry. He provides business valuation, litigation support, and other advisory services to select clients. For a confidential discussion of your needs, contact David at 240-499-3812 or email [david@kaulkin.com](mailto:david@kaulkin.com).*



## Upcoming Events

Kaulkin Media mails out a Calendar of Events four times per year to help you plan for the coming months. If you aren't on our mailing list but would like to be, please [send us an email](#) with your current mailing address. You can also review a complete listing online at [www.insideARM.com/events](http://www.insideARM.com/events).

Mark your calendar for these upcoming conferences in '08. If you would like to meet with us in person at one of these shows, please email [hq@kaulkin.com](mailto:hq@kaulkin.com) to schedule a confidential discussion.

### **IACC 37th Annual Convention**

**January 17-19, Ft. Lauderdale, FL**

Associate Michael Lamm will be available to meet with you at this conference for experienced professionals in the commercial collection industry.

### **DBA International World Series of Debt Buying Conference**

**February 5-7, Las Vegas, NV**

Mike Ginsberg and several members of the strategic advisory team will be on hand at this annual industry conference.

## About Kaulkin Ginsberg

We've been providing ARM executives, owners, and investors with value-add advice, expertise, and information to make well-informed decisions for 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, publisher of the most popular sources of industry information such as

[insideARM.com](http://www.insideARM.com)<sup>TM</sup> (formerly CollectionIndustry.com) and *The ARM Insider*<sup>TM</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.