



## SUMMER 2004

**The Kaulkin Ginsberg *Bulletin*** is published quarterly. Our mission is to provide valuable content that owners and executives of accounts receivable management and related businesses find informative and helpful in their efforts to grow and/or exit their companies. We hope you enjoy this issue. Comments are always welcome at [hq@kaulkin.com](mailto:hq@kaulkin.com).



We are proud to introduce the newest member of our SAGE team, Bill Lindala. Bill joined us earlier this summer to provide training, compliance and related consulting services to collection agencies, debt buyers, collection law firms, internal collection departments of creditors, and first time participants in the collection industry.

Since 1990, Bill has been involved in collections in the areas of marketing, management, operations, compliance and internal training. He is a certified instructor for ACA International and was also a Certified Collection Specialist. In the following article, Bill addresses successful training techniques. He is also featured each month on [CollectionIndustry.com](http://CollectionIndustry.com)'s Agency News. We are delighted to have Bill join us.

Many owners and executives are taking advantage of our SAGE program. If you don't already know about SAGE, I will take a moment to explain. SAGE stands for Strategic Analysis, Growth and Exit and was designed to provide advisory services tailored toward the collection industry. Our team consists of industry professionals and experienced in-house advisors and covers a comprehensive range of services from on-site operations assessments, to a review of collection strategies, training and compliance, growth strategies, merger and acquisition advice, recruiting, valuations, fairness opinions and research. These services can be selected on a stand-alone basis or as part of a broader advisory program. If you would like to talk about our SAGE program please give me a call. I would be delighted to talk to you.

*Mike Ginsberg*

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**Training is the Key to Success - By Bill Lindala**

I have had the pleasure of working for several collection agencies in my career and I have also had the opportunity to be involved with many more on various levels. In my experiences, I have found that every agency has a training "process," but many agencies don't have a training "program."

To explain the difference, a process is simply a series of actions, changes or functions that bring about a result, whereas a program is a system of services or projects designed to meet a need. The main difference between a process and a program is that a program, by definition, is ongoing. In order for your agency to be successful, it is imperative that you have a training program.

So, the logical question would be, "Where do I start?" I am mainly referring to collector training here, but the same principles can and should be used in every area of your business.

***Appoint or hire an in-house trainer***

Depending on the size of your agency, you may not have the need to designate someone full time, but regardless of the situation, the trainer should be experienced. Depending on the size of your agency, it may be more cost effective to appoint someone internally, who will only do the training on a part time basis or simply on a "need" basis. If that is the case, it is often a good idea to appoint one of your top collectors as the trainer. The person will have to be a very good time manager though, since he or she will still be responsible for their normal duties. Regardless of what you do, I feel that it is important, if possible, to only have one person that does the training for everyone, rather than having Sally do it this time and Bob do it next time, etc.

The reason for this is consistency. Each person that you hire should be trained in the same manner. This will help to ensure success and it will also help to prevent compliance issues. If you are a larger agency, you may need to have multiple people that do the training, simple

because of the volume, but if that is the case, each trainer needs to be a clone of the other as far as their methods and their information.

***Develop your training materials***

This may sound simple, but it can be a very tedious process. I would encourage you to take advantage of industry specific products that are available to purchase, but you also need to put your own "spin" into the materials. One of my mottos is, "People do not learn from books, they learn from people." As an example, it's like that teacher that you had in school that just had you read from a book and then take a test. How did you do? Depending on the way that you learn, you either did great, or your failed miserably.

Once you have the materials developed, make sure that you use them. Once again, that sounds simple enough, but you would be amazed at how many companies spend valuable time and money in the development process and then the materials sit and gather dust. Also, the materials need to be "living documents." They need to change with the times and they need to change with your company. I would recommend that you review the content at least every 6 months and make updates and changes at that time.

***Make a plan***

How is your program going to work? New employees are trained for how long until they hit the floor? What are you going to cover in the initial training verses the ongoing training? I do have some suggestions.

With new collectors, regardless of experience they should be run through a sort of "boot camp," where everything is covered. The FDCPA, collection techniques, dealing with irate consumers, sales techniques (yes...sales techniques...they are selling the concept of paying a bill), your computer system, your office policies and anything else that you can think of that my benefit the employee. If it benefits the employee, it benefits you.

The new employees should also have a review every 30 days, for the first 90 days and their progress, or lack of progress should be closely monitored. After the 90 day review (if the

employee is still with your company), you should schedule another training class for them and you should do that at least every 3 months, usually just as a refresher course, unless the employee has more detailed needs, and then you may need to go back to square one or worst case, let them go.

The refresher classes can be a simple overview of the original items and can also be a time that you can inform the employee of "late breaking" issues in the industry and of course, answer their questions. The FDCPA will probably be the focus in most refresher classes, but at times, the employee either needs to or wants to fine tune his or her skills and that is the time for you to help them do that. I think that the refresher classes could be one-day things and possibly even half-day things as the employee progresses. The initial training, however, could easily be 3 days of "classroom" type learning and then maybe 2 days where they sit with and observe a few collectors, so that they can see everything in action. You may have to work with the timing a little bit, but this should give you a place to start.

#### ***Execute your plan (and stick to it)***

This is the important part. You went through all of the time and effort to get this in place, now just do it! If you have existing collectors, that are "holding their own," I would simply start them in the refresher classes. You may have a collector from time to time that you want to start at the beginning, but it should be rare.

#### ***Expose your collectors to third party training***

Whether you send them out to a seminar every once in awhile or have a third party come in to do the refresher class or something like that, it's important to have that third party influence. Your program is great and it's running smoothly, but a third party influence can be very effective. It also shows the employees that they are important enough for you to not only invest time in them, but to also invest money in them. It may seem silly, but that will go a long way.

#### ***Have fun***

I always save this for last, because this is the bottom line to any training program. If it's not fun, the employee will become bored, they won't learn anything and rather than it being productive and profitable, your program will end up being a waste of time and money. Some ideas to make it fun are to offer little giveaways during the sessions. They don't have to be big things, just little things like candy bars, a five-dollar bill or some sort of small token. You can have all of their names in a fish bowl and just pull out random names for the "prize." You could also tape an envelope to the bottom of one or 2 of the chairs and have a sheet of paper inside with the prize written on it. Be creative. Regardless of what you do, your employees will appreciate it.

This business is all about collecting money and at times, we may focus too much on that part of the business and not enough on the part that actually gets us there; the employees. A quality, detailed and ongoing training program will not only get you there, it will keep you there.

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#### **About Bill Lindala**

Bill provides training and consulting services to collection agencies, collection attorneys and internal collection departments of creditors. He has been a part of the industry since 1990 and has been involved in all aspects of the agency business. Prior to forming an alliance with Kaulkin Ginsberg, Bill worked primarily in the third party collection arena as a marketing representative, but he also had the opportunity to assist in many management functions,

including daily operations, compliance and internal training. He served as a Certified Instructor for ACA International and was also a Certified Collection Specialist.

Bill has written several articles about the collection industry that have appeared in state and national publications, and he has also been asked to speak at various industry functions. He currently authors a monthly column on CollectionIndustry.com's Agency News.

### Nearshore and Offshore Outsourcing

In an effort to better inform collection agencies and debt buyers about the advantages and challenges of utilizing offshore markets for debt collection services, Kaulkin Ginsberg has brought together a group of seasoned executives from leading contingency collection and debt purchasing companies to share their offshore experiences in Canada, India and the Caribbean.

The panel was moderated by Kaulkin Ginsberg's Mark Russell, and included Anthony Marino of Nationwide Credit, Inc. (NCI), Bob Mauch with AllianceOne, Inc., Karen Powell of Keane Worldzen, Andy Szemenyei from Portfolio Management Canada, Inc., and Rob Yarmo with Global Vantage.

For the full discussion, edited by CollectionIndustry.com editor Patrick Lunsford, visit [www.collectionindustry.com/leaders/panels/offshore.cfm](http://www.collectionindustry.com/leaders/panels/offshore.cfm)

If you have any questions please contact Mark Russell at 301.907.0840, ext. 120 or [mark@kaulkin.com](mailto:mark@kaulkin.com).

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### Finally, a Customer Rewards Program for the Collection Industry!

We recently announced the launch of Kaulkin Rewards ([www.kaulkin.com/rewards](http://www.kaulkin.com/rewards)), our newest innovation, which adds the ability to earn "cool stuff" on the products and services you use every day.

confidence. Earn "kDollars" from our trusted providers, and redeem them for plasma TV's, digital cameras, MP3 players plus a large assortment of cool stuff anyone would love to own.

Kaulkin Partners is dedicated to bringing best in class services to credit and collection organizations. Services offered can be used with

You not only get our kDollars but you will be using leading edge services that will drop real savings to your bottom line.

Examples of the quality technology we offer include:

#### Voice broadcasting - from TCN Broadcasting

- ✓ Increase response rates by as much as 400%
- ✓ Increase right party contacts by as much as 300% (some clients are getting over 60% RPCs)
- ✓ Unlimited capacity gap coverage with no upfront capital expenditure

#### Skiptracing - from *InsightAmerica*

- ✓ Free unlimited phone searches
- ✓ Batch and interactive modes available
- ✓ Easy-to-use configuration tools



Other qualifying services include **eCollections** software from Sentinel (recently reviewed in Collection Advisor as one of the BIG 8 Mid-Range packages); industry-leading payment processing from **AutoScribe**; executive search services from industry specialist **Executive Alliance**; **HubFile™**, highly customized and surprisingly affordable document imaging and data management; consulting and strategic advisory services from industry expert **Kaulkin Ginsberg**, and more.

For more information:

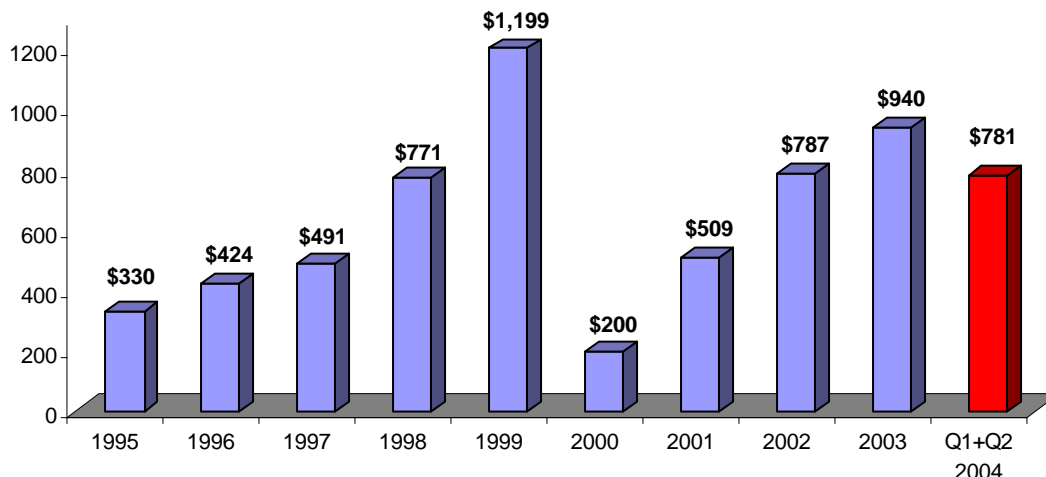
[www.kaulkin.com/kp/products.cfm](http://www.kaulkin.com/kp/products.cfm)

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**M&A Activity Wrap Up**

The accounts receivable management industry (ARM) has given birth to an increased level of deal activity not realized since the late 1990's. The second quarter of 2004 produced 8 significant transactions totaling more than \$US 254 million in deal value, a 50 percent increase over the second quarter 2003 deal value of \$US 128 million which was generated from 12 transactions. Of these 8 transactions, there were 4 acquisitions, 1 recapitalization and 3 management buyouts (MBO).

**Total Deal Value (\$MMs)**



Well-managed debt collection agencies and debt purchasing firms are gaining a lot of attention from strategic and financial buyers seeking to establish a platform in the ARM industry. This level of interest has been driven by the continued rise in consumer and commercial debt, greater access to more affordable debt to help finance transactions and strong performance by the many industry players. Below is a list of recent transactions that support this trend and illustrate the value that top performers are realizing in today's market.

**Noteworthy ARM Transactions**

**July - West Corporation (NASDAQ:WSTC) Acquires Worldwide Asset Management (WAM)**

West Corporation acquired WAM for \$178 million. WAM is expected to generate between \$100-110 million in revenues in 2004 with 15% pre-tax margins. The deal included cash at closing, an assumption of debt and approximately \$20 million held in escrow pending the outcome of certain contract renewals and the expiration of representations and warranties.

**May - Convergys (NYSE: CVG) Acquires Encore Receivable Management, Inc.**

Convergys (NYSE:CVG) acquired Encore Receivable Management Inc. of Olathe, Kansas for \$68 Million.

Convergys, the global leader in integrated billing, employee care, and customer care services, is entering the accounts receivable management market and expanding its business process outsourcing capabilities with the acquisition. Convergys paid up to \$68 million contingent upon possible earn-out payments based on future performance. This figure represents about one times Encore's anticipated 2004 revenue.

**May - Intellirisk Management Corporation (IRMC) Announces Major Refinancing**

Intellirisk, a premier provider of account receivable management services completed a significant refinancing which lowers its debt, increasing liquidity and brings a fresh infusion of capital into the company. The refinancing was led by a \$37.5 million capital investment from Harvest Partners, a leading

private equity fund and Goldman Sachs provided \$90 million in debt financing. In addition, Wells Fargo established a \$20 million permanent debt facility and \$20 million revolver.

**May - SKM Growth Investors Acquires Senex Financial Corp.**

SKM made a significant investment in Senex, a leading medical debt buyer, headquartered in Indianapolis, Indiana. As the market continues to be saturated with debt buyers looking to expand purchasing credit card receivables, private equity and others are looking to partner with strong management in other niche industries such as medical, telecom and bankruptcy portfolios.

*Other Noteworthy Transactions*

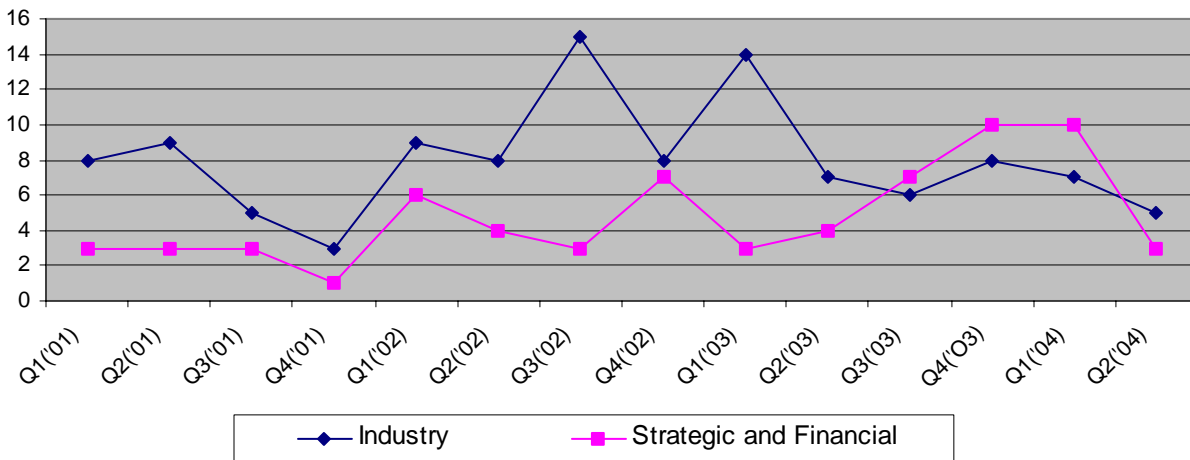
**April - Concerto Software Acquisition of Centerforce Technologies**

On the heels of the merger between Concerto and Melita, two of the largest providers of predicative dialers, Concerto acquired Centerforce Technologies a contact center performance optimization and workforce management software enabling Concerto to offer their customers additional functionality as well as a more comprehensive solution.

**May - Fair Issac's Corporation (NYSE: FIC) Acquisition of London Bridge Software**

Fair Isaac Corporation (NYSE:FIC), the leading provider of analytics and decision technology, acquired London Bridge Software Holdings plc for \$299 million. London Bridge, a provider of e-Commerce solutions including Customer and Enterprise Management Software, Banking Software, Credit Management Software and enterprise-wide Mortgage Lending software provides Fair Issac with an additional platform for delivering analytics-powered decisions at the collections and recovery stage.

**Number of Transactions by Buyer Type**



**What to Expect for the Rest of 2004**

M&A activity in the ARM sector will continue in both the U.S. and international markets, particularly involving large, well-managed debt purchasing and

collection companies. With regard to debt collection agencies, we expect continued interest from buyers that offer an offshore solution and have financial backing from a large financial or strategic partner, as well as plenty of interest from U.S. based buyers. Debt purchasing companies will draw interest from the financial and strategic buyers as

companies seek to enter this sector or expand into particular market segments. In short, the rest of 2004 is going to be another robust year for deal activity with many North American players reaping the

benefits of what is being defined as second consolidation period for the ARM industry.

Below is a list of announced transactions for the second quarter of 2004.

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**Announced ARM Transactions in the Second Quarter of 2004<sup>(1)</sup>**

Buyer	Industry	Seller(s)	Industry
Convergys (NYSE:CVG) <sup>(2)</sup>	Outsourced business services	Encore Receivable Management, Inc.	Receivables Management
Harvest Partners <sup>(3)</sup>	Private Equity	Intellirisk Management Corporation	Receivables Management
SKM Growth Investors	Private Equity	Senex Financial Corporation	Receivables Management
Carma Financial Services <sup>(4)</sup> (TSXV:CFS)	Receivables Management	Legal Credit Recovery Corporation	Receivables Management
David Aiello, CEO, Carma Financial Services (TSXV:CFS) <sup>(5)</sup>	Receivables Management	Carma Financial Services (TSXV:CFS)	Receivables Management

- (1) Accounts Receivable Management (ARM) incorporates all companies that provide debt collection, debt purchasing, billing, credit reporting, skip tracing, and related services, as well as the technology that supports these various industries.
- (2) Convergys projected the total value to be \$68 million, or approximately 1 times projected 2004 revenues.
- (3) Harvest Partners invested another \$37.5 million in equity as part of Intellirisk's \$127.5 million recapitalization.
- (4) Carma Financial Services did not announce the purchase price for Legal Credit Recovery.
- (5) David Aiello, CEO of Carma Financial Services acquired approximately 55% of the outstanding shares.
- (6) There were 3 unannounced transactions in Q2 2004.

If you have questions, please contact Mark Russell at 301-907-0840 x120 or by email at [mark@kaulkin.com](mailto:mark@kaulkin.com).

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### Upcoming Events

Visit the Industry Events section on [CollectionIndustry.com](http://CollectionIndustry.com)<sup>TM</sup> for a more extensive listing of collection industry-wide events. We are pleased to be participating at the following industry conferences and trade shows. To schedule a confidential meeting please email [hq@kaulkin.com](mailto:hq@kaulkin.com) and a representative will contact you.

#### Collection & Recovery Solutions 2004

September 8-10, Las Vegas, NV

#### Ohio Collectors Association

September 22-24, Dublin, OH

#### ACA of Texas

October 17-20, South Padre Island, TX

#### Annual MDBHA Meeting

October 20-22, Chicago, IL

#### Thomson's 13<sup>th</sup> Annual Credit Card Collections Conference

October 20-22, Scottsdale, AZ

#### ACA Debt Sales Roundup (Asset Buyers Group)

November 4-6, Chicago, IL