

Commonwealth of Massachusetts

*RFR for Statewide Debt Collection Services –
PRF55 Designated OSC*

Best & Final Offer

Deadline: December 11, 2012 at noon EST



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Blair & Sampson, LLP**

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December 11, 2012

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Massachusetts Office of Comptroller

Re: Best & Final Offer in Response to RFR for Debt Collection Services PRF55 OSC

Dear Sir/Madam:

On behalf of the law firm of Linebarger Goggan Blair & Sampson, LLP (Linebarger Goggan), I am pleased to submit our Best & Final Offer response to provide delinquent collection services to the State of Massachusetts (State).

There are no substantive revisions to our pricing, as we believe that we submitted a best value pricing schedule for all fiscal year contract terms, including a Prompt Pay Discount offer with our original proposal submission.

With over 36 years of experience in collecting government receivables, we firmly believe our price schedule offers the State the best value in terms of overall performance. Over 45 percent of our clients have been with our firm for more than ten years, an indication of the trust they place in our firm and the satisfaction they and their constituents receive from our services.

You may contact me for any additional information you may require to evaluate our offer. If I am unavailable, Partner Michael Scoliere will be able to assist you. Our contact information is as follows:

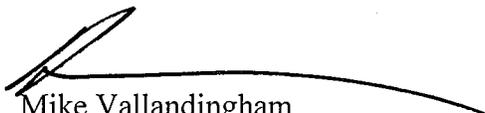
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After reviewing our Best & Final Offer in tandem with our original Proposal and our recent online presentation, we hope you will agree that Linebarger Goggan offers the best overall value for collecting the State's delinquent receivables, and we welcome the opportunity to represent the State and to serve its citizens.

Should you have any questions or comments, or desire additional information or explanation on our response, please do not hesitate to contact me. Thank you in advance for your time and consideration.

Sincerely,



Mike Vallandingham
Partner & Chief Marketing Officer

Best & Final Offer

Best Value Pricing Model Explanation

The ideal pricing model is one that promotes the best overall performance, including but not limited to, contract compliance, minimal complaints, customer satisfaction and value-added services.

A low commission rate/low bid model most often results in the lowest quality service, weaker performance and a higher ratio of complaints. Collection companies who prefer this route are the ones who know that they probably cannot effectively compete any other way. For example, some collection agencies utilize collection programs that sacrifice the client’s “net back” (after collection fees are deducted from recoveries) by minimizing their own expenses. In other words, low-cost providers must “cherry pick” the most available and easiest collection accounts and apply minimal resources in order to turn a profit. In this scenario, a significant portion of the client’s portfolio will see little or no collection activity because the required cost/benefit ratio is simply not there.

Realistic fee levels allow firms such as ours to provide more comprehensive services, target the client’s entire portfolio and time-after-time the client will ultimately enjoy a greater rate of return. It also allows us to continually invest in new techniques and services to improve our performance for our clients. Consider the results in the following table:

Table 1 offers a clear example of why the low bid is not the best option for a client if maximizing revenue is a key objective. A slight reduction in fees for a large-scale collection program, such as the one envisioned by the State of Massachusetts (State) could have significant negative implications for the level of resources made available and the resulting recovery rates.

Table 1. Comparison of Recovery Rates, Fees and Net Back to Client

| Agency | Placements by Client | Recovery Rate | Total Collections | Commission Rate | Agency Fee | Net to Client |
|----------|----------------------|---------------|-------------------|-----------------|------------|---------------|
| Agency A | \$10,000,000 | 20 percent | \$2,000,000 | 25 percent | \$500,000 | \$1,500,000 |
| Agency B | \$10,000,000 | 12 percent | \$1,200,000 | 18 percent | \$216,000 | \$984,000 |
| Agency C | \$10,000,000 | 10 percent | \$1,000,000 | 15 percent | \$150,000 | \$850,000 |

Agency C's commission rate is 40 percent lower than Agency A's, but the net return to the Client is more than 43 percent lower, reflected in a total of \$850,000 instead of \$1,500,000.

Linebarger Goggan Pricing Rationale

Linebarger Goggan understands that our clients deserve the best value from the most qualified provider for this contract and process. As the State evaluates our BAFO, please consider the following:

Our pricing model covers all delinquent receivable types. Some receivables have a lower likelihood of collection, given the nature of the debt (criminal court fees and fines, unemployment overpayments, child support, utilities, etc.).

The age of debt is a critical factor in determining recovery rates. Other receivables are considerably aged and will require a greater effort in many cases to locate the correct debtor and then begin the collection process.

Price Waterhouse reviewed two of the nation's largest private sector collection agencies' liquidation rates and found that the recovery rate dropped geometrically as the debt aged.¹ The table below illustrates the dramatic decline in liquidation rates as the debt becomes older, which translates to significantly less revenue for the client.

Private Collection Agency Experience – Recovery Rates

| Age of Delinquent Debt | Low Rate | Best Possible Rate |
|------------------------|----------|--------------------|
| 181 to 365 days | 7.8% | 14.0% |
| 1 to 2 years | 2.3% | 5.0% |
| 2 to 4 years | 1.0% | 1.1% |
| 4 to 6 years | 0.4% | 1.0% |
| 6 to 11 years | 0.2% | 1.0% |
| 11 plus years | 0.0% | 1.0% |

ACA International (American Collectors' Association)

ACA International conducts an annual survey of the top collection markets. Survey participants were asked to provide recovery rates for accounts in various aged categories. The average and median recovery rate for each category is provided in the following table.

¹ Price Waterhouse LLP conducted a survey on behalf of the U.S. Department of Treasury in 1998.

Recovery Rates from ACA International's 2003 Survey

| Age of Delinquent Debt | Average | Median |
|------------------------|---------|--------|
| Up to 30 days | 39.67% | 33.35% |
| 31 - 60 days | 28.05% | 29.00% |
| 61 - 90 days | 26.29% | 27.00% |
| 91 - 120 days | 22.34% | 21.00% |
| 121 - 150 days | 18.81% | 18.00% |
| 151 - 180 days | 18.53% | 17.00% |
| 181 - 210 days | 16.53% | 15.50% |
| Beyond 210 days | 15.54% | 14.00% |

Our collection process is customized. Every client we represent receives an installation and work product that is driven by the client's criteria and expectations.

Each element of the client's data from the market conditions, legal rules and statutes, debt types, file placement information and, most importantly, client expectations are collected and analyzed to formulate decisions on how best to maximize revenue for the portfolio. These decisions shape a customized and constantly evolving work model. This work model directs collection actions that will maximize revenue for the client. Our collection process and philosophy is one of the primary differences between Linebarger Goggan and a typical collection agency.

The Difference is in the Dollars

Because Linebarger Goggan dedicates the full resources of our law firm to our collection efforts and provides our clients with many value-added services at no additional charge, our fees are generally higher than our competitors. We believe the high quality, comprehensive services we offer are justified by the performance and increased revenues to our clients.

Cost Response for PRF55 Designated OSC for the Comptroller of Massachusetts

Netting of Fees

PROMPT PAYMENT DISCOUNT

Linebarger Goggan will discount our fees by two percent when recoveries are submitted to the State “net of fees”.

RFR RESPONSE PART E - COST RESPONSE

NETTED FEES FROM GROSS RECEIPTS

Payments in less than 45 days from an invoice require a Prompt Payment Discount (PPD). Since Netted Fees from Gross Receipts provide payment immediately without invoicing, Fees must reflect a reduction in % fees from fees provided for Gross Receipts and Invoice Fees (separate Cost Sheet).

Bidders must provide the Total Percentage fee for each fiscal year of the contract. The Bidder may not separately bill for time and materials, travel or other out of pocket expenses. Bidders may not charge debtors convenience fees or other charges for paying by electronic payments, as all costs associated with collections must be included in the contingent fee which is added to the debt when collected.

Contingent Fee Schedule for Debt Collection Services

| FIRST REFERRALS | Option 1 W/O Legal Services |
|---------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| DOLLAR VALUE | \$1-\$20,000 | Greater than \$20,000 | \$1-\$20,000 | Greater than \$20,000 |
| AGE OF DEBT | Current Year to 5 years old | Current Year to 5 years old | Greater than 5 years old | Greater than 5 years old |
| Fiscal Year 12-2013 | 19.6% | 19.6% | 24.5% | 24.5% |
| Fiscal Year 2014 | 19.6% | 19.6% | 24.5% | 24.5% |
| Fiscal Year 2015 | 19.6% | 19.6% | 24.5% | 24.5% |
| SECONDARY REFERRALS | | | | |
| Fiscal Year 12-2013 | 29.4% | 29.4% | 36.75% | 36.75% |
| Fiscal Year 2014 | 29.4% | 29.4% | 36.75% | 36.75% |
| Fiscal Year 2015 | 29.4% | 29.4% | 36.75% | 36.75% |

| FIRST REFERRALS | Option 2 With Legal Services* |
|----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| DOLLAR VALUE | \$1-\$20,000 | Greater than \$20,000 | \$1-\$20,000 | Greater than \$20,000 |
| AGE OF DEBT | Current Year to 5 years old | Current Year to 5 years old | Greater than 5 years old | Greater than 5 years old |
| Fiscal Year 12-2013 | 24.5% | 24.5% | 32.34% | 32.34% |
| Fiscal Year 2014 | 24.5% | 24.5% | 32.34% | 32.34% |
| Fiscal Year 2015 | 24.5% | 24.5% | 32.34% | 32.34% |
| SECONDARY REFERRALS | | | | |
| Fiscal Year 12-2013 | 36.75% | 36.75% | 49% | 49% |
| Fiscal Year 2014 | 36.75% | 36.75% | 49% | 49% |
| Fiscal Year 2015 | 36.75% | 36.75% | 49% | 49% |

* If those court costs are subsequently recovered from the defendant, the same will immediately be forwarded to the client. We will not charge debtors convenience fees or other charges for paying by electronic means.

Please provide details of how this pricing method will be implemented. Identify how receipts from debtors are recorded and deposited, how fees calculated and when netted receipts are submitted to the Commonwealth. Also identify how reporting is provided for Eligible Entity to validate net receipts and fees paid.

ANSWER: We discussed in detail our IT process for handling the posting of payments. The information below provides an outline of our Net Remit with PPD process.

Net Remittance Process

- LGBS has the ability to separate out a particular debt into the various debt components “buckets” as specified by MA
- This ensures proper accumulation of interest fees, and penalties when applicable
- LGBS does not assess or charge convenience fees for accepting credit card payments
- Our net remit will show the amount of the payment, the discounted rate and net payment amount to the State
- This remit can be broken down or sorted in any manner that the State requires:
 - Rate
 - Dollar value
 - Payment
 - Date
 - Department/agency
 - Etc.

The table below offers a sample illustration of a Net Fee Remittance Statement and the Net Payment and the Net Payment with PPD for first and second placements without the legal services option.

REMIT DATE: NOV 1, 2012

PRIMARY REFERRALS - NO LEGAL SERVICES

| TRANSACTION DATE | DEBT DATE | DEBT UNIQUE ID | DEBTOR NAME | REGULAR RATE | DISCOUNTED RATE | ORIG DEBT AMOUNT OWED | PAYMENT AMOUNT | NET PAYMENT | DISCOUNTED NET PAYMENT |
|------------------|-----------|----------------|----------------------------------|--------------|-----------------|-----------------------|----------------------|----------------------|------------------------|
| 11/1/2012 | 1/1/2009 | 001 | EXAMPLE OF <5YR, <\$20K, PARTIAL | 0.2000 | 0.1960 | \$ 5,000.00 | \$ 2,500.00 | \$ 2,000.00 | \$ 2,010.00 |
| 11/1/2012 | 1/1/2009 | 002 | EXAMPLE OF <5YR, <\$20K, FULL | 0.2000 | 0.1960 | \$ 12,000.00 | \$ 12,000.00 | \$ 9,600.00 | \$ 9,648.00 |
| 11/1/2012 | 1/1/2009 | 003 | EXAMPLE OF <5YR, >\$20K, PARTIAL | 0.2000 | 0.1960 | \$ 25,000.00 | \$ 12,500.00 | \$ 10,000.00 | \$ 10,050.00 |
| 11/1/2012 | 1/1/2009 | 004 | EXAMPLE OF <5YR, >\$20K, FULL | 0.2000 | 0.1960 | \$ 50,000.00 | \$ 50,000.00 | \$ 40,000.00 | \$ 40,200.00 |
| 11/1/2012 | 1/1/2000 | 005 | EXAMPLE OF >5YR, <\$20K, PARTIAL | 0.2500 | 0.2450 | \$ 10,000.00 | \$ 7,000.00 | \$ 5,250.00 | \$ 5,285.00 |
| 11/1/2012 | 1/1/2000 | 006 | EXAMPLE OF >5YR, <\$20K, FULL | 0.2500 | 0.2450 | \$ 15,000.00 | \$ 15,000.00 | \$ 11,250.00 | \$ 11,325.00 |
| 11/1/2012 | 1/1/2000 | 007 | EXAMPLE OF >5YR, >\$20K, PARTIAL | 0.2500 | 0.2450 | \$ 60,000.00 | \$ 30,000.00 | \$ 22,500.00 | \$ 22,650.00 |
| 11/1/2012 | 1/1/2000 | 008 | EXAMPLE OF >5YR, >\$20K, FULL | 0.2500 | 0.2450 | \$ 100,000.00 | \$ 100,000.00 | \$ 75,000.00 | \$ 75,500.00 |
| SUBTOTAL | | | | | | \$ 277,000.00 | \$ 229,000.00 | \$ 175,600.00 | \$ 176,668.00 |

SECONDARY REFERRALS - NO LEGAL SERVICES

| TRANSACTION DATE | DEBT DATE | DEBT UNIQUE ID | DEBTOR NAME | REGULAR RATE | DISCOUNTED RATE | ORIG DEBT AMOUNT OWED | PAYMENT AMOUNT | NET PAYMENT | DISCOUNTED NET PAYMENT |
|------------------|-----------|----------------|----------------------------------|--------------|-----------------|-----------------------|----------------------|----------------------|------------------------|
| 11/1/2012 | 1/1/2009 | 009 | EXAMPLE OF <5YR, <\$20K, PARTIAL | 0.3000 | 0.2940 | \$ 5,000.00 | \$ 2,500.00 | \$ 1,750.00 | \$ 1,765.00 |
| 11/1/2012 | 1/1/2009 | 010 | EXAMPLE OF <5YR, <\$20K, FULL | 0.3000 | 0.2940 | \$ 12,000.00 | \$ 12,000.00 | \$ 8,400.00 | \$ 8,472.00 |
| 11/1/2012 | 1/1/2009 | 011 | EXAMPLE OF <5YR, >\$20K, PARTIAL | 0.3000 | 0.2940 | \$ 25,000.00 | \$ 12,500.00 | \$ 8,750.00 | \$ 8,825.00 |
| 11/1/2012 | 1/1/2009 | 012 | EXAMPLE OF <5YR, >\$20K, FULL | 0.3000 | 0.2940 | \$ 50,000.00 | \$ 50,000.00 | \$ 35,000.00 | \$ 35,300.00 |
| 11/1/2012 | 1/1/2000 | 013 | EXAMPLE OF >5YR, <\$20K, PARTIAL | 0.3750 | 0.3675 | \$ 10,000.00 | \$ 7,000.00 | \$ 4,375.00 | \$ 4,427.50 |
| 11/1/2012 | 1/1/2000 | 014 | EXAMPLE OF >5YR, <\$20K, FULL | 0.3750 | 0.3675 | \$ 15,000.00 | \$ 15,000.00 | \$ 9,375.00 | \$ 9,487.50 |
| 11/1/2012 | 1/1/2000 | 015 | EXAMPLE OF >5YR, >\$20K, PARTIAL | 0.3750 | 0.3675 | \$ 60,000.00 | \$ 30,000.00 | \$ 18,750.00 | \$ 18,975.00 |
| 11/1/2012 | 1/1/2000 | 016 | EXAMPLE OF >5YR, >\$20K, FULL | 0.3750 | 0.3675 | \$ 100,000.00 | \$ 100,000.00 | \$ 62,500.00 | \$ 63,250.00 |
| SUBTOTAL | | | | | | \$ 272,000.00 | \$ 226,500.00 | \$ 147,150.00 | \$ 148,737.00 |
| TOTAL | | | | | | \$ 549,000.00 | \$ 455,500.00 | \$ 322,750.00 | \$ 325,405.00 |

Fees for Gross Receipts and Invoicing

RFR RESPONSE PART E - COST RESPONSE
GROSS RECEIPTS AND INVOICING

Bidders must provide the Total Percentage fee for each fiscal year of the contract. The Bidder may not separately bill for time and materials, travel or other out of pocket expenses. Bidders may not charge debtors convenience fees or other charges for paying by electronic payments, as all costs associated with collections must be included in the contingent fee which is added to the debt when collected.

Contingent Fee Schedule for Debt Collection Services

| FIRST REFERRALS | Option 1 W/O Legal Services | Option 1 W/O Legal Services | Option 1 W/O Legal Services | Option 1 W/O Legal Services |
|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|
| DOLLAR VALUE | \$1-\$20,000 | Greater than \$20,000 | \$1-\$20,000 | Greater than \$20,000 |
| AGE OF DEBT | Current Year to 5 years old | Current Year to 5 years old | Greater than 5 years old | Greater than 5 years old |
| Fiscal Year 12-2013 | 20% | 20% | 25% | 25% |
| Fiscal Year 2014 | 20% | 20% | 25% | 25% |
| Fiscal Year 2015 | 20% | 20% | 25% | 25% |
| SECONDARY REFERRALS | | | | |
| Fiscal Year 12-2013 | 30% | 30% | 37.5% | 37.5% |
| Fiscal Year 2014 | 30% | 30% | 37.5% | 37.5% |
| Fiscal Year 2015 | 30% | 30% | 37.5% | 37.5% |

| FIRST REFERRALS | Option 2 With Legal Services | Option 2 With Legal Services | Option 2 With Legal Services | Option 2 With Legal Services |
|---------------------|------------------------------------|------------------------------------|------------------------------------|---------------------------------------|
| DOLLAR VALUE | \$1-\$20,000 | Greater than \$20,000 | \$1-\$20,000 | Greater than \$20,000 |
| AGE OF DEBT | Current Year to 5 years old | Current Year to 5 years old | Greater than 5 years old | Greater than 5 years old |
| Fiscal Year 12-2013 | 25% | 25% | 33% | 33% |
| Fiscal Year 2014 | 25% | 25% | 33% | 33% |
| Fiscal Year 2015 | 25% | 25% | 33% | 33% |
| SECONDARY REFERRALS | | | | |
| Fiscal Year 12-2013 | 37.5% | 37.5% | 50% | 50% |
| Fiscal Year 2014 | 37.5% | 37.5% | 50% | 50% |
| Fiscal Year 2015 | 37.5% | 37.5% | 50% | 50% |

Please provide any additional information related to timing of submission of gross receipts to Eligible Entities, invoicing and reports to validate activity.

ANSWER:

Our process will be similar to the one described for Net Fee Payments, with the only exception being that our fees will be remitted to the State with all other payments. We will invoice the State and receive our payment within the 45 days as noted earlier by the State.