00:01 Opening: Broadcasting live from the 2018 RMA International Conference at the ARIA Resort in Las Vegas. It's time now for a special episode of Capital Club Radio. Broadcasting on the Pro Business Channel and across 16 syndication networks. This show made possible in part by FLOCK Specialty Finance. For more info, visit flockfinance.com. And now, here's your host, Chairman and CEO of FLOCK Specialty Finance, Michael Flock.

00:34 Michael Flock: Thank you. Good afternoon. We're delighted today to welcome Dave Ludwig, founder of NLEX, National Loan Exchange, one of the leading exchange platforms in the debt buying industry. Founded in the 1980s to broker charged-off credit card and other consumer debt accounts. In 2014, NLEX was acquired by Heritage Global, a leader in distressed and surplus asset valuations and monetization transactions. Dave Ludwig introduced selling charge-offs to financial institutions, hosting the industry's first debt sales conference in 1994. Since then, he has supervised monthly sales of over 5,000 portfolios with the face value of $150 billion in the US and Canada. He's been in the finance industry for over 25 years, is a frequent speaker at industry conferences and quoted in the national media, including the New York Times and the LA Times. He received a degree in Economics from the University of Illinois. Dave, thank you very much for being with us this afternoon.

01:39 Dave Ludwig: And thanks for asking me, Michael. Especially U of I graduate.

01:43 MF: Yes.

01:44 DL: I don't know why it took you so long to ask me.

01:46 MF: Yes. Well, you were really one of the first pioneers in debt buying. Back in the 80s, that's the beginning. How did you get this idea of selling charge-offs?

01:55 DL: I wish I could say I foresaw this industry coming and happening, but it's... A lot of things happened, it's just reactive. Was with a company called Ross-Dove. And it's interesting we're talking about this, because I just met with B of A, and working on business, of course. And was talking to them about the first sale we did in the industry for B of A in 1989. And I realized that one of the people weren't born that I was trying to pitch... They were not born in 1989.

02:27 DL: So, that's how far back we go, but it was just... We really tripped over the industry. We were doing, as part of the Ross-Dove Company, Ross hyphen Dove Company, and we did the sales for the Resolution Trust Corporation and the FDIC of failed S&Ls and banks. To give you an idea, in 1987 or 1988, there was 585 failed S&Ls and banks, '08 I think there was 52. So it was very, very drastic going back to those times in the late 80s.

02:57 DL: So the Resolution Trust Corporation, aka RTC, was formed to dispose of assets from failed S&Ls and banks. We would tranche all of the product into performing commercial real estate all the way down to this kind of a catch-all we called JDCs; Judgements, Deficiencies, and Charge-offs. Tom Oliver was with Bank of America, and he would attend some of these auctions. And the auctions were outcry auctions, with... There would be 700 or 800 people in the audience actually bidding on whatever pools we had. Tom said, "You're getting a pretty good price for these JDCs. Would you be interested in putting some of our B of A assets in this?" "Yes, sure." So we did this, it went okay. We had a good sale, but our focus was on the failed S&Ls and banks. But in 1993, we were having one of our last sales for the RTC. I called on a regional bank called Boatmen's Bank.

Boatmen's says, "We don't have REOs, but we have $75 million JDCs. Do you want to sell that?" "Sure, we're the experts because we did one five years ago."

04:13 DL: So we do this sale. Didn't do a great job, but again that was the second sale ever in the industry of a public sale of charged-off accounts. So, now we are really the experts.

04:25 MF: Wow, after two?

04:26 DL: After two, yes. I thought we were after one, but we decided to after two. So we host this... We invite the top 30 banks in the country to attend this conference.

04:39 MF: In what year again? It was 1980...

04:41 DL: This is 1990... No this is...

04:41 MF: 1993. Okay.

04:42 DL: Yes. So we invite 30 banks. They show up and we introduced this concept, this idea of selling charge-offs and most...

04:52 MF: And you were just a kid then, right? 1993.

04:54 DL: I would like to think so.

04:56 DL: Yes. It...

04:57 MF: Wow.

04:58 DL: Well, I had kids. Anyway, but most said, "No, we will never sell charge-offs. That's a crazy idea. Why would we do this? You're going to sell to someone that we're going to lose control of, that's going to violate... Is going to threaten to break legs and we're going to be brought into law suits." Come to find out... So a two and a half day conference in 1993, we talked to the banks. We find out what their objections are. Again, the first objection is losing control of the account. Who was actually working the account? Second objection was what information do we have to provide to the buyer to validate the debt, because this was before electronic media.

05:43 MF: Right.

05:44 DL: Everything is in hard files. When we were doing a sale back then we would set up a war room of all these files, these cardboard boxes of files that people would come in and go through. There was nothing really of electronic media at that time. And so, when we would do a sale, it's the actual files going out to the buyer, if we had buyers. So, we've done B of A in 1989. 1993, we did Boatmen's. We have this conference. Still, the banks were very lukewarm. I don't think we wanted this sale but we did a sale with Whirlpool Financial, small one, about $25 million. And I get this call from Bud Reitzel and anybody in the industry knows there is a Bud Reitzel award.

06:32 MF: Yes. Asset acceptance.

06:33 DL: Yes.

06:34 MF: Was it called that then? Asset acceptance?

06:35 DL: Yes. And I get this phone call and he said, "I don't know who you are but Whirlpool Financial is my client and you have to give it up."

06:47 DL: If you knew Bud it was… I'm sorry but we have a contract to sell this." He said, "Okay. If you're going to sell it, you have to sell it to me." "Alright. Well, we are having this bid and we'll give you... " "No, you have to agree to do this." He was very... That was the start of a very good friendship with Bud.

07:07 MF: Very assertive.

07:08 DL: So, we have this small file from Whirlpool Financial and I invited Discover Card to attend this sale of watching the sale. Knowing Bud was going to call at 3 o'clock and offer the purchase price. So, Discover is very impressed of the whole process and we don't really know. Even though we've done two sales, we're not really sure.

07:36 MF: You're still learning as you're going?

07:37 DL: Yes, pretty much.

07:38 MF: Right.

07:38 DL: But it looked pretty good.

07:39 MF: But did you advise them on pricing?

07:41 DL: What's that?

07:42 MF: Did you advise the seller on the pricing?

07:43 DL: No. No, because it was just reactive. We didn't know.

07:46 MF: Yes.

07:47 DL: We really didn't know.

07:49 MF: Right.

07:49 DL: And I'm not sure anybody really knew what the pricing was at that time. So, Discover watches. We do this $25 million for Whirlpool. Discover gives us $150 million the next month. The next month Bank One gives us $250 million. The next month... And it just... That's when it started. And by, I would say the 10th sale, we were starting to know what we're doing. It took a few sales but the breakthrough for us was when we did First Union in, I think, October of '94, and First Union... Bill Bartmann had just been in their offices. And everyone knows, if you have been around for a while, Bill Bartmann, CFS, love him or hate him, he was a mover in this industry. And he had been at First Union two days before and said, "I'm going to put NLEX out of business, within at least... "

08:44 MF: He was going to put NLEX out of business?

08:46 DL: Yes. Within the next year.

08:48 DL: And I say, "What did he offer you?" Eight cents on fresh. And I said, "I think I can get you 10 cents." And so, they give me the deal. Bill calls and I said, "We have to have 10 cents." He said, "You don't have 10 cents. I know you don't have 10 cents." He hangs up. Waited and he called back. "Fine. I will give you 10." I said, "Well, I actually got a bid of 10.15." It was the first sale that brought over 10 cents for fresh. It was the first sale that I'm aware of that went on a forward flow. And Bill bought that and again, love him or hate him, he was driving the market as well as a few other people in the industry at the time. So, that's where we started.

09:34 MF: So, your value add was putting together these two parties. The buyers and the sellers essentially?

09:40 DL: Absolutely. Our focus was bringing the fair price and the best market price to the buyer, but what we learned when we were doing the first... That conference with these banks.

09:55 MF: And you sponsored them?

09:56 DL: And we sponsored, yes. It was in Fort Myers, Florida.

10:00 MF: So, RMA didn't exist then? DBA?

10:00 DL: No. No. There was nothing. There were no sales. This was... There were 20 banks. None of them had ever sold and these are the top 20 at the time.

10:11 MF: Right.

10:12 DL: But, we listened to what they were saying as far as their objections. And their objections were, who are we going to sell to. And this predated by 20 years, or whatever, the CFPB and all of the concerns we've had since 2010, in the Dodd-Frank Act, that was banks concerns back in the 90s, early 90s. So, we understood this. So we were concerned with not only the pricing that we're going to get. That we're going to bring the market price to the bank, whatever the market price is but we're going to bring a buyer that's a partner for this bank. That this bank is going to feel comfortable with.

10:54 MF: So, in other words, you were kind of a filter for buyers? You were kind of pre-approving buyers?

10:58 DL: Absolutely and going through just... And at the time, our solicitation was a 2,500... A list of 2,500 collection agencies. And at the time we would do, I think it was called an email... Or not email blast. It's a fax blast and they would send 100 out at a time. It was great technology. It would take like 10 or 15 hours just to do these blasts. Then we would filter the calls as they came in. Okay. "Well, have you been sued?" We would answer these questions. Everything we did was really a reaction and growing with the industry.

11:42 MF: What was your pre-approval criteria for getting these banks on your quote list?

11:49 DL: One was always have you been sued? Have you done jail time?

11:54 MF: Oh, wow.

11:56 MF: Okay.

11:56 DL: Keep in mind, this was a long time ago.

12:00 MF: Okay.

12:00 DL: No, it wasn't quite that bad. But it was always, the first was "Who are you?" "Have you had problems?" And it was still court record. So, this was one thing that we could check. Nobody wants to give their financials because everybody's private companies at that time. Nobody wants to give financials, so we had to go off hearsay. But court records are court records, so we could check that and then try to get the bank comfortable with whomever they're doing business with. I'll go back to Bill Bartmann. He was the king of promotion. He self-promoted himself, he had... He would get banks to the point of thinking, "Oh, we have to sell to this guy because he's so... They're so nice. They're taking such good care." That was a big part of what he did. So that was the first threshold we found out. But, again, I wish I could say we were that smart that we'd wanted to find out. It was because of that conference where the banks are telling us, "This is what we want. We want to make sure that whoever we're selling to is a viable buyer that's not going to get us in trouble."

13:11 MF: Besides the background check, though, did you have to check out their sources of capital? Are they credible or...

13:17 DL: Again, we would try but back in the day, that was... A lot of people, it was their own money and so there's a lot of stories of... We did a Saks Fifth Avenue sale, and I'm not going to mention who the buyer was. But it was their first buy and he called me a month later and said, "Dave... " he said, "You've completely misled us on this. Our mother gave us the money to buy this file." I said, "I think you'll be okay. Just hang in there." And three months later he called and he apologized and he said, "Dave, I'm 35 years old. It was our first transaction and we're doing quite well." That's where the industry started.

14:09 MF: Well, what's fascinating here, Dave, is that you listed a couple of things that were concerns. One was the sellers felt they were losing control, A. B, there were concerns about the quality and the kind of information that you had to give to the buyers about the portfolios. And then, I guess, the third thing, which is kind of related to this, is that there needed to be some kind of pre-approval of these buyers for the sellers. And you were learning the process along the way. And what's fascinating is, today with all the issues of the CFPB, it ties right back to some of these very basic things. The sellers have to be confident, if they're going to be selling, that there's some kind of control or there's some kind of filter or some kind of process that weeds out the cowboys so that the consumers are protected. The information quality, that's obviously critical. And that's another piece of the regulation, I think, of the chain of title and all that. So, what's interesting to me is that the seeds of the future issues in the industry in regulation were right there at the very beginning, the birth of the debt-buying industry, and you saw it.

15:26 DL: Well, again, I would like to take credit that we saw it. It was the banks explaining it to us. Even back then, the banks recognized that we have to be cognizant of who we're selling to. What type of documentation? I've never been a fan of CFPB. I think it's... Well, I have my own... But I will say this, that there are elements that they've put in place that I have always thought were necessary in our industry. Proving up, validating the debt, I've always felt was so important, and the banks knew this on day one. They were never enforced, but they knew this... At the creation of the industry, this is what we need to do.

16:13 MF: So, how did you capitalize NLEX when you first got started? Was it your own money? Did you have investors?

16:21 DL: We were a division, and I worked for a company called Ross-Dove Company. They were one of the two or three auctioneers that did the RTC and FDIC auctions, but I formed NLEX. When I did the Boatmen's sale, I recognized that, "Hey, this could be something. If I'm tripping over $75 million of a regional bank," this is the University of Illinois talking. "There must be a lot more out there." [chuckle] It's that type of reasoning. So we formed NLEX as an exchange to start offering these files on behalf of banks to the buyers. Six years into it I ended up buying out my partners from NLEX and started it myself. But in 2014, looking at the entire market, everyone knows it was tough. We were doing okay. The chairman of Heritage was also Ross-Dove. The same person that I had started with, that I bought NLEX from, is now with Heritage. And he makes a phone call and he says, "Why don't you join us? We are doing this and we have a lot of good verticals you could take advantage of." Ross was a good friend of mine. I trusted him a lot. He gave me this start to create this.

17:47 MF: So, a lot of the same investors.

17:48 DL: It was. So, that's why we joined Heritage. One of the things I'd like to do, I'd like to see a little bit of vision for NLEX, is going in to accounts receivable, not just the debt but accounts. And a lot of...

18:02 MF: So performing? Performing receivables?

18:03 DL: Performing, or a lot of... Some of what... One of the divisions of Heritage does is they have auctions of from bankruptcy reports. Well, if you have a company that's gone bankrupt, they probably have an AR file. That's still valid debt but that's the type of... I'd like to see us go a little bit beyond what we're doing today. Not quite performing, should be performing but there's not really a market for it. And that's been our key to success, has been going outside of the core product. The core product is what I've always called the charged-off credit cards from major banks. That's the core. And that's what really has impacted the market because it hasn't been as prevalent.

18:49 MF: When you say going outside, you mean going outside the core?

18:52 DL: Exactly.

18:53 MF: Okay.

18:54 DL: Today, I don't have my sheet, but if you look at our today's sales that we're conducting, there's a student loan file from a trade school. There's a AG loan sale. There's a secured 13 auto file. But there's a lot of FinTech and a lot of marketplace lending, a lot of peer-to-peer. So it's been finding that type of product outside of the core product. And last year, we had the best year we've ever had in 25 years. Again, going outside of that just that core product.

19:31 MF: So it's evolving, it's expanding with the market. I want to come back to that in a second, but you skipped over a very important period in the history of our industry. Meaning, like 9/11. There was that hiccup. [chuckle] More than a hiccup, that crisis. And we had the crash of 2008. How did you, as an entrepreneur, get through those times? Did you ever worry about your survival? Because the industry went through such gyrations then.

20:02 DL: Not at that time. And whether it was 9/11, the tragedy that happened, or the crash of '08, or I could go back to '98, or back again, back in the 80s because one of the beauties of our business, it's inelastic to the economy. So if the economy tanks, we have a lot of volume to sell. Price is low, but it balances out. Great economy, volume is low and that's what we've had since '08. We're on a 10-year run here. That maybe until the last two days on the stock market, but we're still on a 10-year run, good economy. So volume's been down but the price is up. So we do... Again, that's one of the beauties of our industry is the inelasticity of...

20:50 MF: Demand?

20:51 DL: Of demand. Because you have that... Again, you have the, "If it's good economy, low volume, high price. Bad economy, high volume." So '08, we had a very good year. There was a lot of volume on there. No, the price was down. And in our industry, demand has always chased supply. So while the supply increase may be double, the price didn't go down by half, if you see what I mean. The demand has always chased supply.

21:20 MF: Yes. But doesn't NLEX make money on the volumes of transactions? And there certainly was a contraction in the industry after '09, and certainly with the advent of the CFPB and the change of the regulations on chain of title, making it very difficult for the middle market guys to survive, because they were buying a lot from the large sellers.

21:42 DL: Michael, you hit it right on the money. It was after the Dodd-Frank, and after CFPB. That was the first time, I think, in our industry because we could adjust to good economy, bad economy, good pricing, bad pricing. What we couldn't adjust to was the stroke of a pen from the United States or from a regulatory agency, dictating what we can or cannot do. So all of a sudden we have a foreign influence that we had no idea, that scared the banks out of selling a lot of the volume of accounts. So that's where the volume really dried up.

22:19 DL: That's where, I think, if you go back between... Just looking at this conference, at the RMA conference, between 2013 and 2015 there was a lot of gloom and doom here because there just wasn't quality product on the market. And it was before the marketplace lending was really taking off in peer-to-peer and in FinTechs. So there was not a lot of replacement for the volume that had left the market. The last two years, I've seen a lot of change of the attitude of buyers and participants in this industry, at this conference. And one of them was obviously the administration changed, and the CFPB did not have the backing they did previously for whatever reason. But I'm seeing a big difference of attitude, of positive attitude, because of that period of '13 through '15, or '12, when it really impacted the marketplace because what the CFPB was finding.

23:24 MF: So during that period of, quote, "drought," did you worry about the survival of NLEX?

23:28 DL: I joined Heritage.

23:29 MF: Well, you joined Heritage, so that was good timing.

23:31 DL: I just can't skip around that but...

23:34 MF: Was Heritage worried about the drought?

23:35 DL: No, Heritage was not, because... And again, I decided to join Heritage because we needed to expand beyond just the core product, what everyone was used to buying. And Heritage offered that to us that they had these verticals that we could take advantage of and cross into. As I said, with maybe account receivables.

24:11 DL: I wasn't worried as much as I think we needed to look outside of the box that we were operating in. And that's what Heritage offered plus I trusted the chairman of Heritage.

24:23 MF: Right. Whom you've known forever.

24:24 DL: I'd known forever.

24:25 MF: And so, Heritage provided you a platform for growth into other asset classes more in the performing, I guess, in other verticals.

24:33 DL: Absolutely.

24:34 MF: Okay.

24:35 DL: And that's been... Again, last year was the best year I've had since '89 and for the company that we've had.

24:44 MF: So, how do you differentiate your platform, which is obviously, probably the first? But there are other platforms that you compete with. What's different about NLEX?

24:55 DL: Obviously, the first difference is, we've been there from, as you've said, from day one under NLEX. There's nobody that has been under one company under one name from day one. So that's one differentiation, but the other is, I think we've really done a pretty good job in the last four years of expanding beyond the core product, of bringing new types of product to the market. An example, for-profit trade schools, which have been hammered in the media.

25:28 MF: For-profits trade schools?

25:29 DL: Right. The trade schools where you want to learn to be a medical technician or whatever, and they loan you the money to do it, and it doesn't work out, or you don't pay it. We saw that market being able to exploit. So we started doing the sales of the for-profit trade schools. The marketplace, great example. What great innovation these people have had to recognize what CFPB's done to the banking community and create an alternative to the banking community. Well, there's going to be debt to be sold on that, so we were able to expand on that. That was just... And the AG. Today, the farmers have experienced about three or four years of down commodity prices after experiencing six or eight years of very high commodity pricing, of which they spent a lot of money on new tractors, new technology. So all of a sudden, right now we have two very large AG portfolios out. What we've been able to do and what I think maybe different with other platforms is go outside of the norm and to be able to bring in new product. And it's fun. It's fun to try to price something that's never been sold.

26:50 MF: So that's sort of like NLEX 2.1?

26:53 MF: Okay, the next generation of NLEX in the context of the Heritage platform. And in wrapping it up here, could you share with our listeners, I guess your view now of the market environment going forward. You just said, I think today you met with B of A. What's the outlook of particularly going back to where you started the core with all these banks? What's the outlook for the debt buying industry now in '18 and beyond?

27:19 DL: Well, I think that with the banks as they... As this market matured and banks establish their own buyer rep or the buyer group of, it maybe 15 or 20. So I think that first and foremost, the one of changes I've seen is, from 28 banks that attended that first conference, after the mergers and acquisitions, those 28 are eight banks. So, we have a small group of major sellers that represent a high percentage. They're probably going to continue doing their own sales. They may use us or someone else once in a while but I think, and they are going to go to a very few... A very small group of buyers. I think that that's the trend. I don't see that really changing in the next 10 years. But I see so many other opportunities outside, and I see buyers starting to take a look that, "Okay, we're not getting it on the core product maybe we'll take a look at this other product. Maybe there's something to be said... "

28:27 MF: Other product, meaning the performing receivables in...

28:29 DL: The performing account receivables.

28:30 MF: What? Auto or...

28:31 DL: Well, auto and cred.

28:33 MF: Healthcare?

28:34 DL: Yes, all of those that are not... They're outside of the core product. But specifically, the ones that have not... The auto's pretty mature. We've been selling those for 20 years. But when you take a look at the trade schools, that product and it's a good paper. When you take a look at, like I say, the marketplace, or the peer-to-peer, or the FinTech or the AG loans, looking outside of that box, that's where I think a lot of the buyers are having to look at, because it's just a few group of buyers that right now are buying from the banks that are selling.

29:14 MF: Right.

29:16 DL: So that's what I see with market.

29:19 MF: And here at RMA, most of the registrants are middle market debt buyers and who now aren't able to buy directly from the banks. Do you see that changing at all? Or you think this chain of title and the ban on resales for some of them is going to continue? And if that does continue, then what would be your counsel for the middle market?

29:41 DL: Well, as I said, I think it's the outside of the core product. I think if I'm a middle market buyer, I'm not going to focus on the Citi Banks or the B of A credit cards. I'm probably not going to win it even if I'm there. So I'm going to look at outside of that, and there's enough volume there. We did over $3 billion last year in a lot of not large deals. It was fun 25 years ago when we were doing $500, $600 million sales or a billion dollar sale. That was fun to do, but that's not there anymore. So, if I'm middle market I'm looking at... Looking at outside of that core box where I can be a participant. Where I'm not... It's the issuer is it may be a $10 million file, or $7 million, or just over $100 million file.

30:36 MF: Okay. So you know, many of our listeners, including of course those here at RMA, are entrepreneurs like you. You can write a book probably on this industry after 30 years. What are some of the lessons learned as an entrepreneur that you can share and kind of summarizing our interview here, Dave, for our listeners who want to learn from leaders like you that started from scratch in an industry that has gone through incredible change over 30 years?

31:07 DL: And Michael, I appreciate those comments. But as we talked a little bit earlier, I'm from a dairy farm. I was born and raised on a dairy farm. We just worked, and we learned how to work... If you wanted to go to a party, if you wanted to go on a date, or play you do chores first. So first and foremost is work hard, that's... I hear all the time, "Work smart not hard." Nah?

31:36 MF: Work hard.

31:38 DL: I would... It's good to do both.

31:40 MF: Right.

31:40 DL: But with anything, I think it's just... It's like playing a baseball game where you cannot strike out. You can take as many swings as you want and never strike out. That's what opportunity is. That's what business opportunities are in our industry, is... But you have to take the swings. You're not going to get on base if you don't swing. But we have the opportunity to always be out there swinging. And that's always been my focus is, if I'm going to go out there, I'm going to try and outwork... They can work smarter than me, but I'm going to try and outwork them. So that's the number one for me, is just knowing that there's opportunities. And if you're taking enough swings, an industry like what RMA is representing today, can start. And it starts from nothing, so that would be my focus.

32:36 MF: Well, the other thing that I'm learning here from you, Dave, in connecting the dots in our discussion here, you also had some relationships that were really important that continue throughout the last 30 years. B of A, all these banks that you started with, you are still working with today. And those relationships, I think, give you a legacy and a history and a sustenance almost for NLEX. Plus, your investors, and the people you work with who are now with Heritage. So, you've got both your sellers, your investors, and that's kind of your future that's helping you keep swinging as you say it.

33:17 DL: It is. And thank you for bringing that up because all we are is a relationship business. We don't make widgets. There's nothing we're buying and selling. It's we are a relationship business. It's not just NLEX having a relationship. It's Tony Spencer having the relationship with seller A. It's Van Millis having relationship, it's Chris Jenkins. It's all of our people having these relationships with people. So, when I talk about joining Heritage, what did we really... All we brought was these relationships into a public company like Heritage. So, it's all relationship business. And I have had some very, very close friends over the last 30 years, some have passed. But we've also seen from... If we were talking 10 years ago, I would say we have 2,500 registered buyers in our system that we actively solicit to. After CFPB, we realized we have to kind of be on the cutting edge of what banks are looking at, what are the banks going to approve? So, we started vetting our buyers. And we're down to about 450 approved buyers that are in our registered network.

34:39 DL: And that's across the board but that's been a big change. And I've seen some very good people, good friends that I know are good buyers, but they would not be able to pass the muster of being approved by a seller. So, we've had to do that... And good people. But right now, we approve less than 10% of people trying to register in our process, just because we have to stay in that. We have to be where the banks are. We're very proud. We just became SOC 2. We just went through the SOC 2, and so we passed that audit. I think we're probably the only ones in that situation. So, we've tried to stay on the cutting edge of the technology of the data transfers of what we have to do to work in conjunction with banks.

35:33 MF: Dave, this has been a fascinating half hour of conversation about how you have built this incredible business with lessons from a dairy farm.

[chuckle]

35:42 MF: Lessons from a dairy farm in southern Illinois. Work hard. Yes, working smart's nice, but working hard is the differentiator. I guess secondly what I've learned is keep swinging, keep swinging. And that's what NLEX can do with the transaction just keep swinging and there's that elasticity of demand in your business is wonderful. And I guess, lastly and most importantly maybe it's also relationships. Because that's what is the common theme through the 30 years that we've talked about here whether it's with sellers or investors or employees, it's wonderful and I hope you'll write your book some day about this industry, but it sounds like there are a few more chapters remaining in the next generation here of NLEX and Heritage.

36:26 DL: Well, and I'd be remiss not to mention one relationship is my son, Tom, who came to me as a sophomore in college and he grew up with NLEX. He said, "I am really wanting to get involved with NLEX. What classes should I take?" I said, "I need a lawyer."

36:47 DL: And six years later, he came and he said, "I'm a lawyer now. What do I do?" But Tom has come into the industry as an attorney growing up in this industry. That's really taking us to the next level of things of initials that I don't know what they stand for.

37:08 MF: Right.

37:09 DL: So, don't even know what SOC 2 really means but we are that. But anyway, that has been fun to watch him, the next generation.

37:22 MF: Yes.

37:23 DL: Of Van Millis, Chris Jenkins, Tony Spencer, all these guys coming in as the next generation...

37:27 MF: Are building the next...

37:29 DL: Yes. And I think they...

37:30 MF: NLEX 2.1.

37:31 DL: Have the same philosophy I do. So just keep swinging.

37:34 MF: So, they are keeping swinging and you are keeping swinging and we look forward to hearing kind of the next chapter on NLEX going forward. Thank you, Dave, for this very rich perspective of the past and the future of our wonderful debt buying industry.

37:46 DL: Michael, thank you very much.

37:47 MF: Thank you.

37:50 Closing: We want to thank you for listening to this special episode of Capital Club Radio with your host Michael Flock and his guest live from the 2018 RMA International Conference at the ARIA Resort in Las Vegas. Made possible in part by FLOCK Specialty Finance, more than a transaction. For more info, visit flockfinance.com. To listen to a rebroadcast and more episodes visit capitalclubradio.com.