

## Helping ferret out the dodgy characters

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By Len Boselovic, Pittsburgh Post-Gazette

Take Jeffrey M. Klink's word for it: You can never be too careful, but reasonably intelligent people frequently aren't.

The Bethel Park native's repertoire of lessons learned the hard way includes the tale of the hedge fund that turned over \$32 million to a potential partner whose credentials included a photo with his arm draped around someone Mr. Klink refers to as "an extremely high-profile" U.S. executive. The partner told the hedge fund he had a deal in the works with the executive.

"It took them several months to find out [the partner] was gone and the money was gone," said Mr. Klink, a former federal and Allegheny County prosecutor who launched his investigative intelligence firm in 2001.

Klink & Co., based in Three Gateway Center, Downtown, performs pre-employment background checks, researches business opportunities for investors and companies, and counsels companies with overseas operations on how to comply with the Foreign Corrupt Practices Act. The law prohibits U.S. companies and their agents from bribing foreigners in order to get business.

"I just spent two days in Germany teaching Russians how not to pay bribes," Mr. Klink, 52, says with a perfectly straight face.

In between serving as a prosecutor and launching his 15-employee firm, Mr. Klink ran the Pittsburgh office of Krroll, an investigation and risk-consulting firm founded in 1972 and now part of Marsh & McLennan Cos.

His business is tied closely to the economy. If employers aren't hiring, they don't need background checks. If they're conserving cash, there's no need for them to investigate potential partners or business opportunities.

"To say that 2009 was a challenge is an understatement," he said.

But green shoots are emerging. Mr. Klink's background-checking business, which fell 60 percent, is back on more normal footing. Companies that had put deals on hold are ordering dossiers on potential partners. And U.S. companies exploring faster growing markets overseas want to know whom they can trust.

"Some U.S. clients still have a belief that the rest of the world plays by the same rules as we generally do, and that is not always true," Mr. Klink cautioned.

For roughly \$2,000 or \$3,000, the firm will research a U.S. person or organization. Much of the information is readily available through massive online data bases such as LexisNexis and Pacer, which provides federal court records. Mr. Klink says missing links can usually be plugged by the independent contractors his firm relies on to scour local courthouses or interview people who know the "target."

Investigating someone overseas, where public information isn't as readily available, will cost you more: \$5,000 to \$50,000, Mr. Klink estimates.

"You've got to talk to people and that's a labor-intensive and time-consuming process," he said. "If you're working in one of the former Soviet states, you're definitely going to engage a former KGB guy because he knows the right people."

Searches can be complicated by the fact that many investors or businesses operate in more than one country. If you don't research their track record in each location, you may not really know who you're dealing with.

"The big fear in my business is that I'm missing something," Mr. Klink said.

His job is to help clients understand the risks of entering into a business relationship with individuals or companies. When there is conflicting information on a target, he lays out both sides of the story.

If asked, the firm will provide an opinion on which story is more credible or will dig a little deeper. But once the report is completed, the decision is up to the client.

Mr. Klink says it's not uncommon for him to find out months later that a transaction he didn't think would pass muster based on his investigation had been completed. Such deals don't always work out, as was the case with several bank mergers the firm worked on. He declined to name names.

He says part of the problem is that his firm is brought into the merger and acquisition process too late. Companies will spend three or four months negotiating with a partner, get lawyers to draw up papers and sign a tentative agreement before calling Klink as part of their due diligence. By then, there's a tight deadline to complete the investigation and a vested interest to complete the deal.

"They've got to make it go at that point," he said.

That is slowly changing, as more companies do their homework on a prospect before committing considerable time and resources, Mr. Klink says.

He relies on lawyers, accountants and investigators to do the sleuthing. Mr. Klink says all of them have a few things in common.

"Successful people in this business are readers. I'm addicted to the Financial Times," he said.

In addition to having a curious mind, they tend to be skeptics at heart.

"My mother says I'm a horrible cynic," Mr. Klink acknowledged. "I am a cynic, and I think most of us, probably through experience, are a lot less trusting of people."

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