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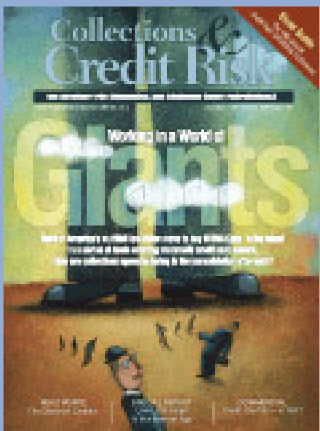

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M&A Activity Sets New Record in Third Quarter

Banks are flush with cash. Interest rates are favorable. The economy weathered several storms –figuratively and literally. It's no wonder deal-making in the accounts receivable management industry shattered a record in the third quarter with $1.14 billion in total deal value.

The number sent 2005's total from approximately $400 million in the first six months to $1.58 billion and depending on when several pending deals close, mergers-and-acquisition activity this year could topple last year's record of $1.6 billion, says Kaulkin Ginsberg, a Bethesda, Md.-based M&A advisor.

The broad ARM industry includes everything from third-party collections to debt buying to business process outsourcing and beyond. When M&A activity in the industry stumbled early this year, insiders doubted 2005 would threaten the lofty mark reached a year ago, but in the third quarter, the pocketbooks opened. Portfolio Recovery Associates, a Norfolk-based debt buyer, acquired Alatax , a government collection firm, for $17.5 million; Encore Capital Group purchased Ascension Capital Group Ltd., a bankruptcy services provider, for $22 million; and, notably, NCO Group, the largest collection agency, paid $118.8 million for key competitor Risk Management Alternatives Inc.

Still more third-quarter transactions included Germany's EOS Group's purchase of a majority stake in Greek debt collection company Europe Matrix and deals by Citigroup Venture Capital International, Sallie Mae, KRG Capital and American Coradius International. "Today, industry players, financial investors, and strategic buyers are all actively seeking out opportunities in the ARM space, both domestically and abroad," says Mark Russell,

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senior associate at Kaulkin Ginsberg. "Players seeking to enter the ARM industry with platform investments are offering aggressive deal terms for ARM companies that have strong management teams, blue chip clients, distinct competitive advantages, and substantial growth opportunities."

For the rest of the year and into 2006, Kaulkin Ginsberg expects to see continued interest in debt-buying companies and contingency collection agencies thanks to increased competition to acquire strong companies with solid management.

Gregory Hagood, managing director of investment banking for SunTrust Robinson Humphrey, believes specialty companies such as those with strong commercial platforms, healthcare collection specialists and bad-debt buyers will remain popular targets.

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