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Jan 18 2006

January 18, 2006: Bethesda, MD - M&A activity in the Accounts Receivable Management (ARM) industry reached a new all-time high in 2005, with over \$1.7 billion changing hands. This surpasses last year's record-breaking \$1.6 billion in deal value.*

Key drivers of M&A activity included a strong economy, growing consumer debt levels, the receptivity among creditors to place or sell receivables, and the willingness of investors and lenders to fund transactions. "In 2005, lending markets continued to support deals in the ARM industry and buyers were particularly aggressive, causing a notable rise in deal values for well-run, niche ARM companies; especially those in the debt buying sector," said Mark Russell, Director at Kaulkin Ginsberg.

"We predicted in Q1 2005 that debt buyers would generate a significant portion of the total deal volume and value for the year, and that is exactly what happened," said Russell. Debt purchasing deal activity accounted for more than 50% of the year's total deal value, and involved several leading debt purchasing and ARM companies including Risk Management Alternatives, Collect America,



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Marlin Integrated Capital, Portfolio Management Group, and Resurgence Financial.

Most of the leading debt purchasers were also active acquirers of businesses in 2005, including NCO Group (NASDAQ: NCOG), Encore Capital (NASDAQ: ECPG), Portfolio Recovery Associates (NASDAQ:PRAA), and Asta Funding (NASDAQ:ACFI).

Strategic and financial buyers like Citigroup Venture Capital International, Sallie Mae (NYSE: SLM), KRG Capital, American Capital Strategies (NASDAQ:ACAS), GTCR Golder Rauner LLC, and Alchemy Partners also established or enhanced their ARM positions in 2005.

The public markets have responded conservatively to ARM companies, most notably debt purchasers. "Wall Street recognizes the value generated by successful debt purchasing companies, but it is quick to react negatively to escalating portfolio prices, executive and employee turnover, and revenue recognition issues," said Russell. Public debt buyers like Asset Acceptance (NASDAQ:AACC) and Portfolio Recovery Associates (NASDAQ:PRAA) are responding by developing specializations in profitable niche markets such as healthcare, commercial, and bankruptcy accounts, thus improving their stock performance.

Looking ahead in 2006, Kaulkin Ginsberg expects M&A activity in the ARM sector to remain strong, with particular emphasis on markets outside of the United States and on agencies within the U.S. that are specialized in niche markets with substantial growth potential. "European debt purchasing and receivables management market leaders will generate strong interest in 2006 due to the expected growth potential of those markets over the next several years," noted Russell. "In the U.S., small and mid-sized agencies that are specialized in fast-growing niche markets, such as the government, healthcare and commercial industries, will also be considered attractive acquisition targets by

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larger players that are in need of diversifying their service offerings and market focus."

In addition, Russell noted, "Strategic and financial buyers are still aggressively pursuing both market leaders and agencies that specialize in profitable, growing niches. This bodes well for many of the ARM companies in today's market, particularly those that are well-managed with strong growth rates and blue chip clients."

Russell added that there will be more sizeable M&A transactions in the coming years involving the ARM consolidators that were formed in the mid to late 1990's. "We feel that the blockbuster sale of RMA to NCO Group is an indication of transactions to come as private equity looks toward a sale as a way to profit from investments made a number of years ago."

A comprehensive wrap-up of 2005 M&A deals will be published in the February issue of The Kaulkin Ginsberg Bulletin, which is due to be released during the week of January 30. To read the current Bulletin online, please visit:

<http://www.kaulkin.com/newsletters/bulletin>

*Deal activity includes all corporate events that involve a sale of equity: merger and acquisition, IPO, secondary offering, joint venture, strategic partnership, and minority investments.

About Kaulkin Ginsberg Company
Since 1989, Kaulkin Ginsberg has provided solutions to accounts receivable management and related business services companies. The Strategic Advisory Group provides merger, acquisition and valuation advice; operational consulting; and executive search services. The Research Group produces industry-specific publications and custom research products. The Kaulkin Ginsberg family of companies also includes Kaulkin Media, publisher of the most popular sources of industry information such as

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