M&A UPDATE

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Issue Highlights

1Q 2011

- $103 million aggregate ARM transaction value in 1Q 2011
- Exit "window" opens as pricing multiples continue climbing
- 12 month rolling ARM transaction value rises to $1.25 billion
- Strategic acquirers complete 80% of the 1Q11 transactions
- No "distressed" deals in the quarter

Quarterly M&A Activity See-Saws Despite Upward Trend

Five ARM M&A transactions were completed in the 1st quarter of 2011 for a total of $103 million in ARM deal value, making this the 6th quarter in a row that has alternated between relatively high and low aggregate deal values **(see Figure 1)**. Two deals were also announced in 1Q11 that actually closed in 4Q10. Although $103 million is down significantly from $528 million in 4Q10, it is 11% higher than 1Q10 despite 44% fewer deals. The largest 1Q11 ARM transaction was a private equity trade involving **Tailwind Capital Partners'** sale of insurance recovery-focused **Trover Solutions** to Boston-based **ABRY Partners**. This deal is also notable in that it was the only transaction this quarter involving a financial (i.e. a non-strategic) acquirer. Interestingly, 4 of the 5 deals in the quarter involved targets specializing in the healthcare sector, an area which continues to attract considerable interest.

12 Month Rolling Transaction Value Continues Rising. To determine if M&A deal value is rising or not, given the see-saw trend mentioned above, it helps to view activity on a one year "rolling", or last twelve months (LTM), basis. Aggregating four quarters worth of ARM transaction value gives a clearer picture about deal activity, as it smoothes out quarter-to-quarter fluctuations. Total LTM ARM transaction value as of 3/31/11 was $1.25 billion, a slight increase versus $1.24 billion as of 12/31/10. More importantly, LTM value has risen in every quarter since the end of 2009 **(see Figure 2)**, and was only $457 million as of 3/31/10, reflecting a massive 174% year-over-year increase and illustrating the returning appetite for M&A in ARM. We expect an active 2nd quarter, with values possibly jumping again, as at least 3 deals have already been completed or announced, one of which is **Thorn Group's** acquisition of fellow Aussie firm, **National Credit Management**, announced on March 18th. Another is **NARS'** (National Asset Recovery Services) acquisition of **Integrity Financial Partners** from industry veteran A. L. Summerlin and senior management, in which Greenberg Advisors advised **NARS** and **H.I.G. Capital**.

Pricing Multiples Climb. In another sign of the improving economy and ARM M&A market, pricing multiples grew again in 1Q11 **(see Figure 3)**. The median Price / EBITDA multiple was 5.5x, which was the 3rd consecutive quarterly increase. The median Price / Revenue multiple was 1.0x, representing the second consecutive quarterly increase. Some high-performing firms have traded well above these figures. Industry M&A multiples are now at their highest point since the peak of the last economic (and credit issuing) boom during 2007 and part of 2008, which in tandem with relatively high trading multiples for publicly-traded ARM firms, would seem to indicate an opportune "window" for shareholders considering an exit.

Stabilizing Conditions Result in Fewer Distressed Deals. The trend toward fewer "distressed" sales in recent quarters continued as none of the first quarter deals involved a distressed seller **(see Figure 4)**. As our data indicates that distressed deal activity peaked in 3Q10, it appears that certain firms which were hardest hit by the recession and lower liquidation rates may have been able to hold on for some time, but were forced to sell in 2009 and 2010. Now that the economy is showing signs of recovery and appears to be on a steady, albeit unspectacular growth path, and many ARM firms that faced significant distress have already sold, we expect the percentage of distressed deals to normalize. For clarity, many firms are still challenged by economic and industry conditions, however we view the glut of distressed sales as being behind us.

(Continued on Page 2)

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Figure 1

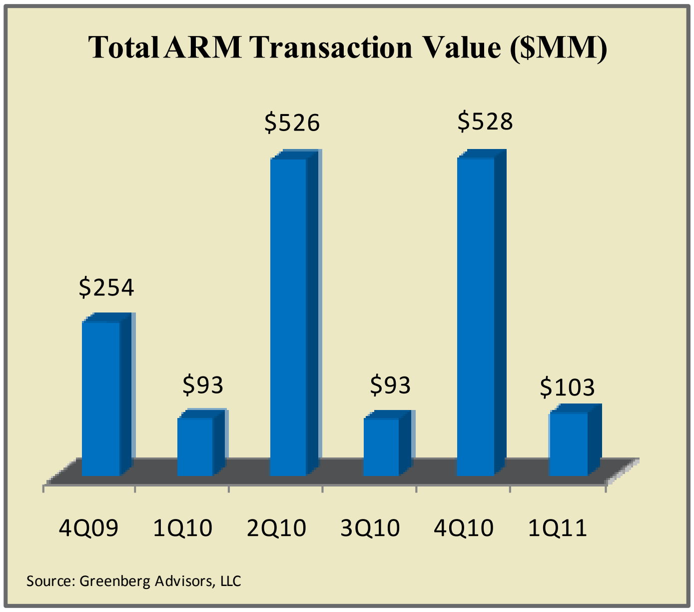


Figure 2

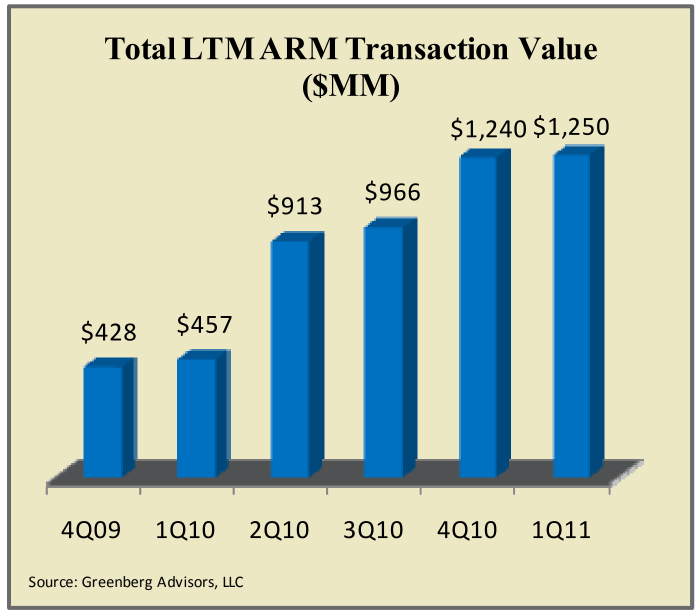


Figure 3

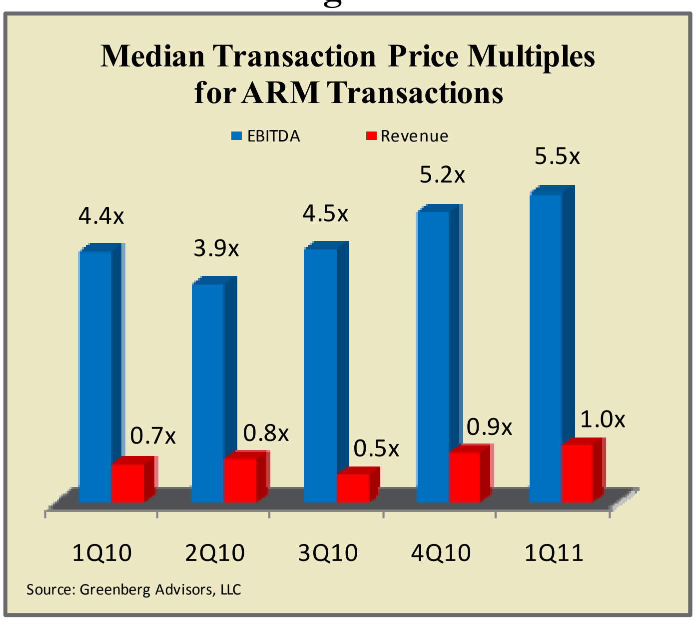
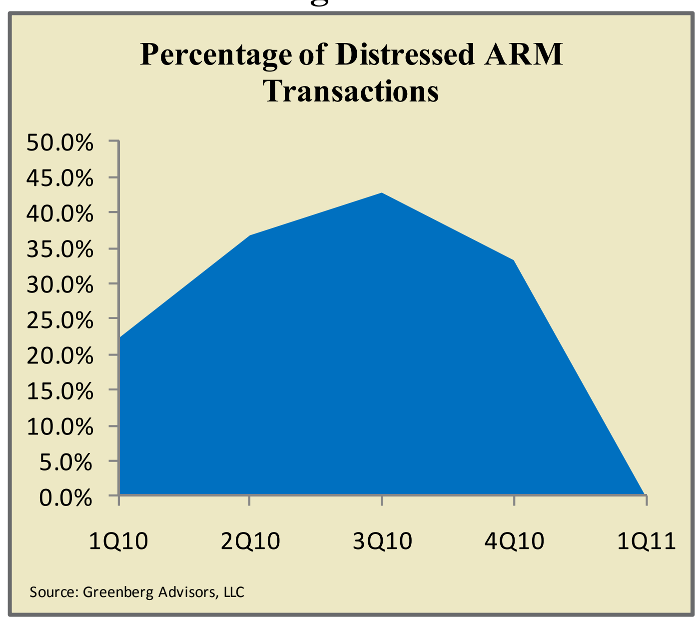


Figure 4



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