

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2002-05-15** | Period of Report: **2002-03-31**
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FILER

UNION SPECIAL STEEL CASTING CORP

CIK: **1058633** | IRS No.: **251154811** | State of Incorp.: **PA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-15867-38** | Film No.: **02652645**

Mailing Address	Business Address
390 SOUTH WOODS MILL RD STE 350 CHESTERFIELD MO 63017	390 SOUTH WOODS MILL RD STE 350 CHESTERFIELD MO 63017 3145760022

CSN CORP

CIK: **1058630** | IRS No.: **251319485** | State of Incorp.: **CA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-35** | Film No.: **02652651**

Mailing Address	Business Address
390 SOUTH WOODS MILL RD STE 350 CHESTERFIELD MO 63017	390 SOUTH WOODS MILL RD STE 350 CHESTERFIELD MO 63017 3145760022

UCO PROPERTIES INC

CIK: **1058627** | IRS No.: **941728881** | State of Incorp.: **CA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-32** | Film No.: **02652658**

Mailing Address	Business Address
390 SOUTH WOODS MILL RD STE 350 CHESTERFIELD MO 63017	390 SOUTH WOODS MILL RD STE 350 CHESTERFIELD MO 63017 3145760022

OSI OUTSOURCING SERVICES INC

CIK: **1058624** | IRS No.: **133861550** | State of Incorp.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-29** | Film No.: **02652663**
SIC: **8741** Management services

Mailing Address	Business Address
390 SOUTH WOODS MILL RD STE 350 CHESTERFIELD MO 63017	390 SOUTH WOODS MILL RD STE 350 CHESTERFIELD MO 63017 3145760022

PROFESSIONAL RECOVERIES INC

CIK: **1029390** | IRS No.: **953850888** | State of Incorp.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-21** | Film No.: **02652671**
SIC: **8741** Management services

Mailing Address	Business Address
390 SOUTH WOODS MILL RD STE 350 CHESTERFIELD MO 63017	390 SOUTH WOODS MILL RD STE 350 CHESTERFIELD MO 63017 3145760022

UNION CORP

CIK: **100817** | IRS No.: **250848970** | State of Incorp.: **DE** | Fiscal Year End: **0630**
Type: **10-Q** | Act: **34** | File No.: **002-27974** | Film No.: **02652681**
SIC: **7320** Consumer credit reporting, collection agencies

Mailing Address	Business Address
C/O OUTSOURCING SOLUTIONS 390 SOUTH WOODS MILL RD STE 350 CHESTERFIELD MO 63017	C/O OUTSOURCING SOLUTIONS 390 SOUTH WOOD MILL ROAD STE 350 CHESTERFIELD MO 63017 3145760022

OSI COLLECTION SERVICES INC

Mailing Address	Business Address
390 SOUTH WOODS MILL RD	390 SOUTH WOODS MILL RD

CIK:**1029315** | IRS No.: **391314048** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-12** | Film No.: **02652676**
SIC: **8741** Management services

STE 350
CHESTERFIELD MO 63017

STE 350
CHESTERFIELD MO 63017
3145760022

GRABLE GREINER & WOLFF INC

CIK:**1029386** | IRS No.: **391758997** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-17** | Film No.: **02652687**
SIC: **8741** Management services

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

INDIANA MUTUAL CREDIT ASSOCIATION INC

CIK:**1029320** | IRS No.: **391357406** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-16** | Film No.: **02652690**
SIC: **8741** Management services

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

OSI EDUCATION SERVICES INC

CIK:**1029318** | IRS No.: **391357406** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-14** | Film No.: **02652695**
SIC: **8741** Management services

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

AMERICAN RECOVERY CO INC

CIK:**1058629** | IRS No.: **520937211** | State of Incorp.:**CA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-34** | Film No.: **02652653**

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

TRANSWORLD SYSTEMS INC

CIK:**1058626** | IRS No.: **941728881** | State of Incorp.:**CA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-31** | Film No.: **02652661**

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

PAYCO AMERICAN INTERNATIONAL CORP

CIK:**1029391** | IRS No.: **953850888** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-22** | Film No.: **02652668**
SIC: **8741** Management services

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

UCO MBA CORP

CIK:**1058632** | IRS No.: **231704744** | State of Incorp.:**CA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-37** | Film No.: **02652647**

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

OSI PORTFOLIO SERVICES INC

CIK:**1029715** | IRS No.: **510369044** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-07** | Film No.: **02652665**
SIC: **8741** Management services

Mailing Address
3300 NORTHEAST
EXPRESSWAY
BUILDING 1 STE M
ATLANTA GA 30341

Business Address
3300 NORTHEAST
EXPRESSWAY
BUILDING 1 STE M
ATLANTA GA 30341
7704514862

OUTSOURCING SOLUTIONS INC

CIK:**1027574** | IRS No.: **582197161** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867** | Film No.: **02652678**
SIC: **8741** Management services

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

NORTH SHORE AGENCY INC

CIK:**1067125** | IRS No.: **113399772** | State of Incorp.:**NY** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-15867-42** | Film No.: **02652642**

Mailing Address
C/O OUTSOURCING
SOLUTIONS INC
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

UNION FINANCIAL SERVICES GROUP INC

CIK:**1058628** | IRS No.: **222630947** | State of Incorp.:**CA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-33** | Film No.: **02652656**

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

ASSET RECOVERY & MANAGEMENT CORP

CIK:**1029319** | IRS No.: **391357406** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-15** | Film No.: **02652693**
SIC: **8741** Management services

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

QUALINK INC

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

CIK: **1029389** | IRS No.: **953850888** | State of Incorp.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-20** | Film No.: **02652683**
SIC: **8741** Management services

3145760022

GENERAL CONNECTOR CORP

CIK: **1058631** | IRS No.: **042428227** | State of Incorp.: **CA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-36** | Film No.: **02652649**

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

OSI SUPPORT SERVICES INC

CIK: **76741** | IRS No.: **391133219** | State of Incorp.: **WI** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-05589** | Film No.: **02652674**
SIC: **7320** Consumer credit reporting, collection agencies

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

JENNIFER LOOMIS & ASSOCIATES INC

CIK: **1029387** | IRS No.: **953850888** | State of Incorp.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-16867-18** | Film No.: **02652685**
SIC: **8741** Management services

Mailing Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017

Business Address
390 SOUTH WOODS MILL RD
STE 350
CHESTERFIELD MO 63017
3145760022

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 333-16867

Outsourcing Solutions Inc.

(Exact name of registrant as specified in its charter)

Delaware

58-2197161

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

390 South Woods Mill Road, Suite 350
Chesterfield, Missouri

63017

(Address of principal executive office)

(Zip Code)

Registrant's telephone number, including area code: (314) 576-0022

Indicate by checkmark whether the registrant: (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuers classes of

common stock as of the latest practicable date.

Class	Outstanding at March 31, 2002
-----	-----
Senior common stock	489,795.93
Voting common stock	6,088,479.30
Non-voting common stock	480,321.30

	7,058,596.53
	=====

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OUTSOURCING SOLUTIONS INC.
AND SUBSIDIARIES

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OUTSOURCING SOLUTIONS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share and per share amounts)

ASSETS	March 31, 2002	December 31, 2001
Cash and cash equivalents	\$21,661	\$ 9,535
Cash and cash equivalents held for clients	30,018	25,920
Accounts receivable - trade, less allowance for doubtful receivables of \$1,074 and \$1,080	64,144	60,100
Purchased loans and accounts receivable portfolios	23,034	17,477
Property and equipment, net	45,292	46,952
Goodwill, less accumulated amortization of \$70,824	422,064	421,871
Deferred financing costs, less accumulated amortization of \$10,135 and \$8,844	18,982	18,665
Other assets	40,913	39,690
TOTAL	\$666,108 =====	\$640,210 =====
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable - trade	\$18,313	\$16,192
Collections due to clients	30,018	25,920
Accrued salaries, wages and benefits	16,548	13,325
Debt	549,509	539,020

Other liabilities	77,679	76,346
Commitments and contingencies (Notes 2 and 9)		
Mandatorily redeemable preferred stock; redemption amount of \$145,305 and \$140,560	128,886	123,482
Stockholders' deficit:		
Senior common stock; \$.01 par value; authorized 900,000 shares, 489,795.93 issued and outstanding	5	5
Voting common stock; \$.01 par value; authorized 20,000,000 shares, 9,166,728.37 shares issued	92	92
Non-voting common stock; \$.01 par value; authorized 2,000,000 shares, 480,321.30 issued and outstanding	5	5
Paid-in capital	223,277	223,277
Accumulated deficit	(234,743)	(231,754)
Accumulated other comprehensive loss	(6,635)	(8,883)
Notes receivable from management for shares sold	(1,989)	(1,960)
Voting common stock in treasury, at cost; 3,078,249.07 shares	(134,857)	(134,857)
	-----	-----
Total stockholders' deficit	(154,845)	(154,075)
	-----	-----
TOTAL	\$666,108	\$640,210
	=====	=====

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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OUTSOURCING SOLUTIONS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands)

Three Months Ended
March 31,

2002

2001

REVENUES	\$161,098	\$151,586
EXPENSES:		
Salaries and benefits	78,123	74,324
Service fees and other operating and administrative expenses	54,062	47,619
Amortization of purchased loans and accounts receivable portfolios	8,109	6,979
Amortization of goodwill and other intangibles	-	4,052
Depreciation expense	3,892	3,702
Conversion, realignment and relocation expenses	2,500	-
	-----	-----
Total expenses	146,686	136,676
	-----	-----
OPERATING INCOME	14,412	14,910
INTEREST EXPENSE - Net	11,822	16,261
	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES	2,590	(1,351)
PROVISION FOR INCOME TAXES	175	175
	-----	-----
NET INCOME (LOSS)	2,415	(1,526)
PREFERRED STOCK DIVIDEND REQUIREMENTS AND ACCRETION OF SENIOR PREFERRED STOCK	5,404	4,782
	-----	-----
NET LOSS TO COMMON STOCKHOLDERS	\$ (2,989)	\$ (6,308)
	=====	=====

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

OUTSOURCING SOLUTIONS INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Three Months Ended March 31,	
	2002	2001
OPERATING ACTIVITIES AND PORTFOLIO PURCHASING:		
Net income (loss)	\$ 2,415	\$ (1,526)
Adjustments to reconcile net income (loss) to net cash from operating activities and portfolio purchasing:		
Depreciation and amortization	4,686	8,863
Amortization of purchased loans and accounts receivable portfolios	8,109	6,979
Change in assets and liabilities excluding the effects of acquisitions:		
Purchases of loans and accounts receivable portfolios	(13,666)	(4,218)
Accounts receivable and other assets	(5,661)	(9,168)
Accounts payable, accrued expenses and other liabilities	9,511	2,350
	-----	-----
Net cash from operating activities and portfolio purchasing	5,394	3,280
	-----	-----
INVESTING ACTIVITIES:		
Acquisition of property and equipment	(2,379)	(2,181)
Payment for acquisitions, net of cash acquired	-	(16,300)
Purchases of loans and accounts receivable portfolios for resale to FINCO	-	(16,622)
Sales of loans and accounts receivable portfolios to FINCO	-	16,622
Other	15	-
	-----	-----
Net cash used by investing activities	(2,364)	(18,481)
	-----	-----
FINANCING ACTIVITIES:		
Borrowings under revolving credit agreement	48,000	88,300
Repayments under revolving credit agreement	(33,000)	(73,400)
Repayments of debt	(4,421)	(2,567)
Deferred financing fees	(1,483)	(162)
	-----	-----

Net cash from financing activities	9,096	12,171
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,126	(3,030)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,535	10,273
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 21,661	\$ 7,243
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during period for interest	\$ 8,905	\$ 11,942
	=====	=====
Net cash paid during period for taxes	\$ 144	\$ 112
	=====	=====
SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION:		
Accrued dividends on mandatorily redeemable preferred stock	\$ 4,745	\$ 4,143
	=====	=====
Accretion of mandatorily redeemable preferred stock	\$ 659	\$ 639
	=====	=====

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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OUTSOURCING SOLUTIONS INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(In thousands, except for share and per share amounts)

NOTE 1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring items) considered

necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto contained in the Company's Form 10-K for the year ended December 31, 2001.

NOTE 2. LITIGATION

From time to time, the Company and certain of its subsidiaries are subject to various investigations, claims and legal proceedings covering a wide range of matters that arise in the normal course of business and are routine to the nature of the Company's businesses. In addition, as a result of the acquisition in a prior year of The Union Corporation, certain subsidiaries of the Company are a party to several on-going environmental remediation investigations by federal and state governmental agencies and clean-ups and, along with other companies, have been named a "potentially responsible party" for certain waste disposal sites. While the results of litigation cannot be predicted with certainty, the Company has provided for the estimated uninsured amounts and costs to resolve the pending suits and management, in consultation with legal counsel, believes that reserves established for the ultimate resolution of pending matters are adequate at March 31, 2002.

NOTE 3. PURCHASED LOANS AND ACCOUNTS RECEIVABLE PORTFOLIOS FINANCING

OSI Funding LLC ("FINCO") is a special-purpose finance company with the Company having approximately 29% of the voting rights. An unrelated third party holds the majority voting rights of FINCO and has decision-making authority over FINCO's operations. The Company's investment in FINCO is accounted for under the equity method. FINCO entered into a revolving warehouse financing arrangement (the "Warehouse Facility") for up to \$100,000 of funding capacity for the purchase of loans and accounts receivable portfolios, principally bankcard receivables, over its five year term which expires in October 2003. In connection with the establishment of the Warehouse Facility, FINCO entered into an agreement with a subsidiary of the Company to provide certain administrative and collection services on a contingent fee basis (i.e., fee is based on a percent of amount collected). The Company believes the fee structure agreed to by FINCO is representative of a fee structure that would exist with an unrelated party. The services provided by the Company to FINCO are similar to those provided to unrelated parties. Revenue from FINCO is generally recognized by the Company as collections are received. All borrowings by FINCO under the Warehouse Facility are without recourse to the Company.

The following summarizes the transactions between the Company and FINCO for the period ended March 31:

	2002	2001
Sales of purchased loans and accounts receivable portfolios by the Company to FINCO	\$ -	\$16,622

Servicing fees paid by FINCO to the Company \$ 8,707 \$10,999

Sales of purchased loans and accounts receivable portfolios ("Receivables") by the Company to FINCO, when such Receivables are financed by the Warehouse Facility, were in the same amount and occurred shortly after such portfolios were acquired by the Company from the various unrelated sellers. As such, the Company's Statements of Operations do not include revenues or expenses related to these loans and accounts receivable portfolios. In conjunction with an agreement to provide certain administrative and collection services to FINCO, the Company can achieve a bonus fee if amounts in excess of the original purchase price of a portfolio are recovered. Payment of any bonus is subject to certain collateral and collection sharing requirements as outlined in the agreement. Receivables from FINCO, which are included in other assets in the accompanying condensed consolidated balance sheet, were \$16,384 at March 31, 2002 and \$17,014 at December 31, 2001.

At March 31, 2002 and December 31, 2001, FINCO had unamortized Receivables of \$57,579 and \$75,921, respectively. At March 31, 2002 and December 31, 2001, FINCO had outstanding borrowings of \$56,056 and \$66,391, respectively, under its Warehouse Facility. See Note 10.

FINCO's summarized results from operations for the periods ended March 31 are as follows:

	2002	2001
Revenues	\$28,735	\$26,970
Income from operations	1,940	1,622
Net income	1,469	460

NOTE 4. DERIVATIVES AND HEDGING ACTIVITIES

The Company is subject to the risk of fluctuating interest rates in the normal course of business. The Company's interest rate hedges are primarily classified as cash flow hedges. For a cash flow hedge of an anticipated transaction, the ineffective portion of the change in fair value of the derivative is recorded in earnings as incurred, whereas the effective portion is deferred in accumulated other comprehensive income (loss) on the balance sheet until the transaction is realized, at which time any deferred hedging gains or losses are recorded in earnings. During the quarters ended March 31, 2002 and 2001, the Company recorded, as part of interest expense, a gain of \$372 and a loss of \$518, respectively, due to the impact of the interest rate hedges. At March 31, 2002 and December 31, 2001, the related liability (included in other liabilities) is \$9,314 and \$11,934, respectively. At March 31, 2002 and December 31, 2001, the amount included in accumulated other comprehensive income (loss) is \$6,635 and \$8,883, respectively.

NOTE 5. COMPREHENSIVE INCOME (LOSS)

The components of total comprehensive income (loss) for the periods ended March 31 are as follows:

	2002	2001
Net income (loss)	\$ 2,415	\$(1,526)
Other comprehensive income item:		
Net income (loss) on cash flow hedging instruments	2,248	(6,538)
	-----	-----
Total comprehensive income (loss)	\$ 4,663	\$(8,064)
	=====	=====

NOTE 6. CONVERSION, REALIGNMENT AND RELOCATION EXPENSES

For the three months ended March 31, 2002, the Company incurred \$2,500 of nonrecurring consolidation, realignment and relocation expenses. These expenses include costs resulting from closure of certain call centers, severance associated with these office closures, severance as a result of cost reductions and certain other one-time costs including certain investigative costs resulting from the inaccurate financial reporting of certain transactions during and prior to 2001 at one of the Company's subsidiaries, North Shore Agency, Inc. See further discussion in the Company's Annual Report on Form 10-K for the year ended December 31, 2001. Accrued costs at March 31, 2002 were \$1,901, all of which should be substantially settled during 2002.

NOTE 7. GOODWILL

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets. SFAS No. 142 eliminates the amortization of goodwill and instead requires goodwill be tested for impairment at least annually. Intangible assets deemed to have an indefinite life under SFAS No. 142 are no longer amortized, but instead reviewed at least annually for impairment. Intangible assets with finite lives are amortized over the useful life.

As required by SFAS No. 142, the results prior to 2002 were not restated in the condensed consolidated statements of operations. A reconciliation between net income (loss) reported by the Company and the net income (loss) as adjusted to reflect the impact of SFAS No. 142 for the periods ended March 31 is as follows:

	2002	2001
Net income (loss), as reported	\$ 2,415	\$(1,526)
Goodwill amortization	-	4,052
	-----	-----
Adjusted net income	\$ 2,415	\$ 2,526
	=====	=====

NOTE 8. SEGMENT INFORMATION

The Company has three reportable segments, Outsourcing Services, Portfolio Services and Recovery Services. The Outsourcing Services segment provides services such as contract management of accounts receivable, billing and teleservicing services, letter series programs and banking and financial services transaction processing. Portfolio Services involve acquiring portfolios of charged-off consumer receivables from credit grantors or other owners, servicing such portfolios and retaining all amounts collected and servicing customer owned portfolios for an agreed upon servicing fee. The Recovery Services segment collects delinquent or charged-off consumer accounts for a fixed percentage of realized collections or a fixed fee per account. The Company derives substantially all of its revenues from domestic customers.

The chief operating decision maker evaluates performance of the segments based on Adjusted Operating Earnings (Operating income before depreciation, amortization, corporate and shared expenses and conversion, realignment and relocation expenses, but after amortization of purchased loans and accounts receivable portfolios). Adjusted Operating Earnings includes only the costs directly attributable to the operations of the individual segment. Eliminations represent intercompany revenue. Assets are not identified by the individual segments and, therefore, are not reported by segment.

The following table presents certain data by business segment for the periods ended March 31:

Revenues	2002	2001
Outsourcing services	\$ 90,365	\$ 80,503
Portfolio purchasing services	25,432	23,402
Recovery services	51,376	52,902
Eliminations	(6,075)	(5,221)
	-----	-----
Total revenues	\$161,098	\$151,586
	=====	=====
 Adjusted Operating Earnings		
Outsourcing services	\$ 12,844	\$ 13,419
Portfolio purchasing services	2,219	3,877
Recovery services	13,820	13,185
	-----	-----
Total adjusted operating earnings	\$ 28,883	\$ 30,481
	=====	=====

NOTE 9. COMMITMENTS AND CONTINGENCIES

From time to time, the Company enters into servicing agreements with companies

which service loans for others. The servicers handle the collection efforts on certain nonperforming loans and accounts receivable on the Company's behalf. Payments to the servicers vary depending on the servicing contract. Current contracts expire on the anniversary date of such contracts but are automatically renewable at the option of the Company.

A subsidiary of the Company has several portfolio flow purchase agreements, whereby the subsidiary has a monthly commitment to purchase nonperforming loans meeting certain criteria for an agreed upon price subject to due diligence. The duration of these agreements do not extend beyond one year. The purchases under the portfolio flow purchase agreements were \$8,105 and \$882, which excludes amounts purchased and subsequently sold to FINCO (see Note 3), for the quarters ended March 31, 2002 and 2001, respectively.

NOTE 10. SUBSEQUENT EVENT

During the finalization of the Company's consolidated financial statements as of and for the year ended December 31, 2001, the Company identified inaccurate financial reporting of certain transactions at one of the Company's subsidiaries, North Shore Agency, Inc. ("NSA"). The Board of Directors authorized the Audit and Compliance Committee (the "Committee") to conduct an independent investigation, with the assistance of special counsel retained by the Committee, to identify the causes of these discrepancies and to make recommendations to ensure similar issues do not recur in the future. The Committee retained Bryan Cave LLP as special counsel, and Bryan Cave LLP engaged an independent accounting firm to assist in the investigation. As a result of the investigation, it was determined that certain assets were overstated (primarily accounts receivable and prepaid postage) and trade accounts payable was understated at NSA due to the inaccurate financial reporting of certain transactions. Consequently, the Company breached certain covenants, representations and warranties of its bank credit facility (the "Credit Facility") and Warehouse Facility.

The Company and the lenders to the Credit Facility amended the facility effective April 10, 2002. The amendment to the Credit Facility included provisions that amended the financial covenants, waived certain defaults of covenants and breaches in representations and warranties, increased the interest rate on borrowings pursuant to the facility (as discussed below), and, during 2002, reduced the Company's availability under its Credit Facility by \$5,000, and limited capital expenditures, investments and acquisitions. In connection with the amendment, the Company also issued 4,150 shares of its Series B Junior Preferred Stock with attached warrants to acquire 42,347 shares of the Company's Senior Common Stock to Madison Dearborn Capital Partners III, L.P. and Madison Dearborn Special Equity III, L.P. for a total purchase price of \$4,150. The proceeds of this sale were used to repay the Revolving Facility in the amount of \$2,075 and the balance pro-rata to the Term A and B loans, as provided in the Credit Facility. From April 10, 2002 until such time as the Company delivers to the lenders a compliance certificate for the period ended December 31, 2002, borrowings under the Revolving Facility and Term A Loan of the Credit Facility will bear interest, at the Company's option at (a) the lender's prime rate plus

2.75% or at (b) the Eurodollar rate plus 3.75%. Borrowings under the Term B Loan will bear interest, at the Company's option, at (a) the lender's prime rate plus 3.50% or (b) the Eurodollar rate plus 4.50%. The amortization and maturity were not amended. Following this amendment, the Company is in compliance with the Credit Facility and, subject to the Warehouse Facility issues discussed below, expects to be in compliance throughout 2002.

The Company has received a waiver from the lender under the Warehouse Facility for certain breaches of covenants, representations and warranties with respect to periods through the quarter ended March 31, 2002. Since the Company, on an ongoing basis, will continue to be in breach of certain financial covenants, representations and warranties, it has initiated discussions with the lender under the Warehouse Facility for the purpose of seeking to amend such facility to cure such breaches, although there can be no assurance that the Company will be successful in negotiating such an amendment. If the Company is unsuccessful in negotiating such an amendment, notwithstanding the waiver received, the Company may again breach certain covenants, representations and warranties in the Warehouse Facility and there can be no assurances that the lender will extend the waiver to cover such breaches. On an ongoing basis the Company has also been engaged in discussions with certain other providers of similar warehouse facilities. While there can be no assurances, the Company believes that other warehouse facilities would be available on economic terms and in amounts comparable to the Company's existing Warehouse Facility which would allow the Company to continue its business of purchasing of loans and accounts receivable. In the event the Company is unable to amend the current Warehouse Facility and it is terminated and the Company is unable to enter a replacement warehouse facility, the Company would be in default of its Credit Facility.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For discussion of the Company's critical accounting policies, see the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

Results of Operations

Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001

Consolidated revenues for the three months ended March 31, 2002 were \$161.1 million, an increase of \$9.5 million or 6.3% from \$151.6 million for the three months ended March 31, 2001. Revenues by segment are as follows and do not include the elimination of intercompany revenue (in millions):

Three Months Ended

	March 31, 2002	March 31, 2001
	-----	-----
Outsourcing services	\$ 90.4	\$ 80.5
Portfolio purchasing services	25.4	23.4
Recovery services	51.4	52.9
Eliminations	(6.1)	(5.2)
	-----	-----
	\$161.1	\$151.6
	=====	=====

Outsourcing services' revenues of \$90.4 million for the three months ended March 31, 2002 increased 12.3% from \$80.5 million in 2001. The higher revenues resulted primarily from new business, increased collection letter products business and the effects of the acquisition of Coast to Coast Consulting ("CCC") which was acquired mid-March 2001 offset partially by lower back office services revenue.

Revenues from the Company's portfolio purchasing segment were up \$2.0 million, or 8.5%, to \$25.4 million for the three months ended March 31, 2002 from \$23.4 million in 2001. The increased revenue was primarily attributable to higher strategic sales of purchased portfolios.

Recovery services' revenues decreased by 2.8% for the three months ended March 31, 2002 on revenue of \$51.4 million compared to \$52.9 million in 2001 primarily as a result of lower student loan revenue.

Consolidated operating expenses, inclusive of salaries and benefits, service fees and other operating and administrative expenses, were \$132.2 million for the three months ended March 31, 2002 compared to \$122.0 million in 2001, an increase of 8.4%. The increase in these operating expenses resulted primarily from the increased collection-related expenses due to the new outsourcing services revenues, the acquisition of CCC and higher postage expenses. For the three months ended March 31, 2002, amortization and depreciation charges of \$12.0 million were lower than the \$14.7 million for the comparable period in 2001. The lower amortization and depreciation charges were due primarily to the cessation of goodwill amortization of \$4.1 million in 2001, offset partially by higher amortization of purchased loans and accounts receivable portfolios due to higher strategic sales of purchased portfolios.

Outsourcing services' operating income before depreciation, amortization, corporate and shared expenses and conversion, realignment and relocation expenses but after amortization of purchased loans and accounts receivable portfolios ("Adjusted Operating Earnings") was \$12.8 million for the three months ended March 31, 2002 compared to \$13.4 million in 2001. The 4.5% decrease primarily resulted from lower back office services revenue and higher postage expense offset partially by the new business revenue.

Adjusted Operating Earnings for portfolio purchasing services was \$2.2 million for the three months ended March 31, 2002 compared to \$3.9 million in 2001. The decrease of \$1.7 million was primarily attributable to the increased

amortization of purchased loans and accounts receivable portfolios as a result of the higher strategic sales of purchased portfolios.

Recovery services' Adjusted Operating Earnings of \$13.8 million for the three months ended March 31, 2002 compared favorably to prior year of \$13.2 million. The favorable variance was primarily due to improved margins in the government and healthcare industry groups offset partially by the lower student loan revenue.

For the three months ended March 31, 2002, the Company incurred \$2.5 million of nonrecurring consolidation, realignment and relocation expenses. These expenses include costs resulting from closure of certain call centers, severance associated with these office closures, severance as a result of cost reductions and certain other one-time costs including certain investigative costs resulting from the inaccurate financial reporting of certain transactions during and prior to 2001 at one of the Company's subsidiaries, North Shore Agency, Inc. See further discussion in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

The Company's earnings before interest expense, taxes, depreciation and amortization ("EBITDA") for the three months ended March 31, 2002 was \$26.4 million compared to \$29.6 million for the same period in 2001. The decrease was primarily attributable to the lower outsourcing services' Adjusted Operating Earnings and the nonrecurring charges of \$2.5 million. Adding back the nonrecurring charges of \$2.5 million, EBITDA was \$28.9 million compared to \$29.6 million in 2001.

As a result of the above, the Company's operating income of \$14.4 million for the three months ended March 31, 2002 compared unfavorably to \$14.9 million for the same period in 2001.

Net interest expense for the three months ended March 31, 2002 was \$11.8 million compared to \$16.3 million for the comparable period in 2001. The decrease was due primarily to lower interest rates and the favorable impact of the Company's interest rate hedges.

The provision for income taxes of \$0.2 million was provided for certain state and foreign income tax obligations. The net deferred tax assets at March 31, 2002 are fully offset by a valuation allowance. The Company generated a net taxable operating loss for federal and certain state income tax purposes for which a full valuation allowance was provided.

Due to the factors stated above, the Company had net income for the three months ended March 31, 2002 of \$2.4 million which compared favorably to the net loss of \$1.5 million for the three months ended March 31, 2001.

Financial Condition, Liquidity and Capital Resources

At March 31, 2002, the Company had cash and cash equivalents of \$21.7 million. The Company's credit agreement currently provides for a \$70.0 million revolving

credit facility, which allows the Company to borrow for working capital and general corporate purposes, subject to certain conditions. As of March 31, 2002, the Company had \$61.0 million outstanding under the revolving credit facility leaving zero, after outstanding letters of credit, available under the revolving credit facility. Certain amounts of the cash and cash equivalents of \$21.7 million will be used against the revolving credit facility which will create availability under the revolving credit facility along with cash flow from operations to fund working capital and general corporate purposes.

Since December 31, 2001, cash and cash equivalents increased \$12.1 million primarily due to cash from operating activities and portfolio purchasing of \$5.4 million and borrowings under the revolving credit facility of \$15.0 million offset by cash utilized for debt repayments of \$4.4 million, payment of deferred financing fees of \$1.5 million and capital expenditures of \$2.4 million. The Company also held \$30.0 million of cash and cash equivalents for clients in restricted trust accounts at March 31, 2002.

In the quarter ended March 31, 2001, cash and cash equivalents decreased \$3.0 million primarily due to cash utilized for the acquisition of CCC of \$16.3 million, debt repayments of \$2.6 million and capital expenditures of \$2.2 million offset by cash from operating activities and portfolio purchasing of \$3.3 million and increased borrowings under the revolving credit facility of \$14.9 million.

For the first three months in 2002, the Company made capital expenditures of \$2.4 million primarily for the replacement and upgrading of equipment, expansion of facilities and expansion of the Company's information services systems. The Company anticipates total capital spending of approximately \$10.0 million during 2002. Subject to compliance with the provisions of its debt agreements, the Company expects to finance future capital expenditures with cash flow from operations, borrowings and capital leases. The Company will reduce its future capital expenditures to the extent it is unable to fund its capital plan.

During the finalization of the Company's consolidated financial statements as of and for the year ended December 31, 2001, the Company identified inaccurate financial reporting of certain transactions at one of the Company's subsidiaries, North Shore Agency, Inc. ("NSA"). The Board of Directors authorized the Audit and Compliance Committee (the "Committee") to conduct an independent investigation, with the assistance of special counsel retained by the Committee, to identify the causes of these discrepancies and to make recommendations to ensure similar issues do not recur in the future. The Committee retained Bryan Cave LLP as special counsel, and Bryan Cave LLP engaged an independent accounting firm to assist in the investigation. As a result of the investigation, it was determined that certain assets were overstated (primarily accounts receivable and prepaid postage) and trade accounts payable was understated at NSA due to the inaccurate financial reporting of certain transactions. Consequently, the Company breached certain covenants, representations and warranties of its bank credit facility (the "Credit Facility") and Warehouse Facility. See further discussion in the Company's Annual Report of Form 10-K for the year ended December 31, 2001.

The Company and the lenders to the Credit Facility amended the facility effective April 10, 2002. The amendment to the Credit Facility included provisions that amended the financial covenants, waived certain defaults of covenants and breaches in representations and warranties, increased the interest rate on borrowings pursuant to the facility (as discussed below), and, during 2002, reduced the Company's availability under its Credit Facility by \$5,000, and limited capital expenditures, investments and acquisitions. In connection with the amendment, the Company also issued 4,150 shares of its Series B Junior Preferred Stock with attached warrants to acquire 42,347 shares of the Company's Senior Common Stock to Madison Dearborn Capital Partners III, L.P. and Madison Dearborn Special Equity III, L.P. for a total purchase price of \$4,150. The proceeds of this sale were used to repay the Revolving Facility in the amount of \$2,075 and the balance pro-rata to the Term A and B loans, as provided in the Credit Facility. From April 10, 2002 until such time as the Company delivers to the lenders a compliance certificate for the period ended December 31, 2002, borrowings under the Revolving Facility and Term A Loan of the Credit Facility will bear interest, at the Company's option at (a) the lender's prime rate plus 2.75% or at (b) the Eurodollar rate plus 3.75%. Borrowings under the Term B Loan will bear interest, at the Company's option, at (a) the lender's prime rate plus 3.50% or (b) the Eurodollar rate plus 4.50%. The amortization and maturity were not amended. Following this amendment, the Company is in compliance with the Credit Facility and, subject to the Warehouse Facility issues discussed below, expects to be in compliance throughout 2002.

The Company has received a waiver from the lender under the Warehouse Facility for certain breaches of covenants, representations and warranties with respect to periods through the quarter ended March 31, 2002. Since the Company, on an ongoing basis, will continue to be in breach of certain financial covenants, representations and warranties, it has initiated discussions with the lender under the Warehouse Facility for the purpose of seeking to amend such facility to cure such breaches, although there can be no assurance that the Company will be successful in negotiating such an amendment. If the Company is unsuccessful in negotiating such an amendment, notwithstanding the waiver received, the Company may again breach certain covenants, representations and warranties in the Warehouse Facility and there can be no assurances that the lender will extend the waiver to cover such breaches. On an ongoing basis the Company has also been engaged in discussions with certain other providers of similar warehouse facilities. While there can be no assurances, the Company believes that other warehouse facilities would be available on economic terms and in amounts comparable to the Company's existing Warehouse Facility which would allow the Company to continue its business of purchasing of loans and accounts receivable. In the event the Company is unable to amend the current Warehouse Facility and it is terminated and the Company is unable to enter a replacement warehouse facility, the Company would be in default of its Credit Facility.

Forward-Looking Statements

The following statements in this entire document are or may constitute forward-looking statements made in reliance upon the safe harbor of the Private Securities Litigation Reform Act of 1995: (1) statements concerning the

anticipated costs and outcome of legal proceedings and environmental liabilities, (2) statements regarding anticipated changes in the accounts receivable management industry, including but not limited to debt levels, delinquencies, industry consolidation, customer consolidation and outsourcing trends, (3) statements regarding anticipated changes in the Company's opportunities in its industry, including but not limited to acquisitions, (4) statements regarding the Company's plans to reduce costs and improve operational efficiencies, (5) statements regarding the Company's ability to fund its future operating expenses and meet its debt service requirements as they become due, (6) statements regarding the Company's expected capital expenditures and facilities, (7) any statements preceded by, followed by or that include the word "believes," "expects," "anticipates," "plans", "intends," "should," "may," or similar expressions; and (8) other statements contained or incorporated by reference in this document regarding matters that are not historical facts.

Because such statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to: (1) the demand for the Company's services, (2) the demand for accounts receivable management and the availability of portfolios to purchase generally, (3) general economic conditions, (4) changes in interest rates, (5) competition, including but not limited to pricing pressures, (6) changes in governmental regulations including, but not limited to the federal Fair Debt Collection Practices Act and comparable state statutes, (7) legal proceedings, (8) environmental investigations and clean up efforts, (9) expected synergies, economies of scale and cost savings from recent acquisitions by the Company not being fully realized or realized within the expected time frames, (10) costs of operational difficulties, including but not limited to those related to integrating the operations of recently acquired companies with the Company's operations being greater than expected, (11) unanticipated realignment costs, (12) the Company's ability to generate cash flow or obtain financing to fund its operations, service its indebtedness and continue its growth and expand successfully into new markets and services either through acquisitions or internal growth, (13) the Company's ability to amend its Warehouse Facility to cure breaches and defaults thereunder or to obtain replacements thereof on acceptable economic terms, (14) changes in circumstances or the effects of new accounting standards which may require the Company to consolidate FINCO into its financial statements, and (15) factors discussed from time to time in the Company's public filings.

These forward-looking statements speak only as of the date they were made. These cautionary statements should be considered in connection with any written or oral forward-looking statements that the Company may issue in the future. The Company does not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to the risk of fluctuating interest rates in the normal course of business. From time to time and as required by the Company's Credit Facility, the Company will employ derivative financial instruments as part of its risk management program. The Company's objective is to manage risks and exposures and not to trade such instruments for profit or loss.

At December 31, 2001 (the most recent completed fiscal year), the Company had interest rate swap and collared swap agreements outstanding. Since December 31, 2001, there have been no material changes in these agreements.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company and certain of its subsidiaries are involved in various investigations, claims and legal proceedings covering a wide range of matters that arise in the normal course of business and are routine to the nature of the Company's business. Other information with respect to legal proceedings appears in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

See Note 6 of the Consolidated Financial Statements and notes thereto contained in the Company's Form 10-K for the year ended December 31, 2001.

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a). Exhibits

Exhibit 2 Unit Purchase Agreement, dated as of April 10, 2002, by and among the Company and certain other parties thereto.

(b). Reports on Form 8-K

During the quarter, the following on Form 8-K was filed:
Report on Form 8-K filed March 21, 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OUTSOURCING SOLUTIONS INC.
(Registrant)

/s/ Timothy G. Beffa

Timothy G. Beffa
President and Chief Executive Officer

/s/ Gary L. Weller

Gary L. Weller
Executive Vice President
and Chief Financial Officer

Date: May 15, 2002

UNIT PURCHASE AGREEMENT

THIS UNIT PURCHASE AGREEMENT, dated as of April 10, 2002 (this "Agreement"), is made by and among Outsourcing Solutions Inc., a Delaware corporation (the "Company"), and the Purchasers listed on the signature pages hereto (each a "Purchaser" and collectively the "Purchasers"). Except as otherwise indicated, capitalized terms used herein are defined in Section 7 hereof.

The parties hereto agree as follows:

Section 1. Authorization of Series B Junior Preferred Stock. The Company has authorized a class of 7,500 shares of Series B Junior Preferred Stock, no par value per share, having the terms and provisions set forth on Exhibit A hereto (the "Series B Junior Preferred Stock").

Section 2. Purchase and Sale of Junior Preferred Stock.

2A. Purchase and Sale. Subject to the terms and conditions set forth herein, the Company will sell to each Purchaser, and each Purchaser will purchase from the Company, (i) such number of shares of Series B Junior Preferred Stock as is set forth in Schedule 1 attached hereto at the purchase price set forth thereon and (ii) a warrant (each a "Warrant") to purchase up to the number of shares of the Company's Senior Common Stock, par value \$.01 (the "Senior Common Stock") set forth next opposite such Purchaser's name on Schedule 2 attached hereto at the purchase price set forth thereon. This purchase and sale is being consummated pursuant to Section 4.C.vii of the Company's Fourth Amended and Restated Certificate of Incorporation. The Series B Junior Preferred Stock and Warrants are collectively referred to herein as the "Units."

2B. The Closing. The closing of the sale and purchase of the Units hereunder (the "Closing") will take place at the offices of Kirkland & Ellis, 200 East Randolph, Chicago, Illinois 60601. At the Closing, the Company will deliver to each Purchaser (i) a Warrant and (ii) a certificate or certificates evidencing the number of shares of Series B Junior Preferred Stock to be purchased by such Purchaser, registered in the name of such Purchaser against payment of the purchase price therefor by delivery of a cashier's or certified check or checks of immediately available funds or by wire transfer of immediately available funds to a bank account designated by the Company.

Section 3. Restrictions on Transfers.

3A. Transfer of Restricted Securities. No holder of Restricted Securities (other than Madison Dearborn Capital Partners III, L.P. or its affiliates) shall sell, transfer, assign, pledge or otherwise dispose of (whether with or without consideration and whether voluntarily or involuntarily or by operation of law) any interest in his Restricted Securities (a "Transfer"), except pursuant to the provisions of this paragraph 3.

3B. First Offer Right. At least 30 days prior to making any Transfer of any Restricted Securities the transferring stockholder (the "Transferring Stockholder") shall deliver a written notice (an "Offer Notice") to the Company. The Offer Notice shall disclose in reasonable detail the proposed number of Restricted Securities to be transferred, the proposed terms and conditions of the Transfer and the identity of the prospective transferee(s) (if known). First, the Company may elect to purchase all (but not less than all) of the Restricted Securities specified in the Offer Notice at the price and on the terms specified therein by delivering written notice of such election to the Transferring Stockholder as soon as practical but in any event within ten days after the delivery of the Offer Notice. If the Company has elected to purchase Restricted Securities from the Transferring Stockholder, the transfer of such shares shall be consummated as soon as practical after the delivery of the election notice(s) to the Transferring Stockholder, but in any event within 15 days after the expiration of the Election Period. To the extent that the Company has not elected to purchase all of the Restricted Securities being offered, the Transferring Stockholder may, within 90 days after the expiration of the Election Period and subject to the provisions of subparagraph 3A above, transfer such Restricted Securities to one or more third parties at a price no less than 95% of the price per share specified in the Offer Notice and on other terms no more favorable to the transferees thereof than offered to the Company in the Offer Notice. Any Restricted Securities not transferred within such 90-day period shall be reoffered to the Company under this paragraph 3B prior to any subsequent Transfer. The purchase price specified in any Offer Notice shall be payable solely in cash at the closing of the transaction or in installments over time

3C. Procedure for Transfer. In connection with the transfer of any Restricted Securities other than to the Company or Madison Dearborn Capital Partners III, L.P. or its affiliates, the holder thereof will deliver to the Company an opinion (reasonably satisfactory to the Company) of counsel which (to the Company's reasonable satisfaction) is knowledgeable in securities law matters to the effect that such transfer of Restricted Securities may be effected without registration of such Restricted Securities under the Securities Act.

Section 4. Representations and Warranties of the Company. The Company hereby represents and warrants to each Purchaser that as of the Closing:

4A. Organization, etc. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company has all requisite corporate power and authority to carry on its businesses as now conducted and presently proposed to be conducted and to carry out the transactions contemplated by this Agreement.

4B. Authorization; No Breach. The execution, delivery and performance of this Agreement and all other agreements and transactions contemplated hereby and thereby have been duly authorized by the Company. This Agreement constitutes a valid and binding obligation of the Company enforceable in accordance with its terms, subject to the availability of equitable remedies and to the laws of

bankruptcy and other similar laws affecting creditors' rights generally. The execution and delivery by the Company of this Agreement and all other agreements and instruments contemplated hereby and thereby to be executed by the Company, and the offering, sale and issuance of the Units hereunder, do not and will not (i) conflict with or result in a breach of the terms, conditions or provisions of, (ii) constitute a default under, (iii) result in the creation of any lien, security interest, charge or encumbrance upon the Company's capital stock or assets pursuant to, (iv) give any third party the right to accelerate any obligation under, (v) result in a violation of, or (vi) require any authorization, consent, approval, exemption or other action by or notice to or filing with any court or administrative or governmental body (other than in connection with certain state and federal securities laws) or any other third party pursuant to, the Fourth Amended and Restated Certificate of Incorporation or the Bylaws, or any law, statute, rule, regulation, instrument, order, judgment or decree to which the Company is subject or any agreement or instrument to which the Company is a party, or by which its assets are bound. The Series B Junior Preferred Stock has been duly and validly authorized for issuance by the Company and, when issued and paid for in accordance with this Agreement, will be fully paid and non-assessable and free and clear of any liens and preemptive or similar rights. The Senior Common Stock issuable upon exercise of the Warrants has been duly and validly authorized for issuance by the Company and, when issued and paid for in accordance with this Agreement, will be fully paid and non-assessable and free and clear of any liens and preemptive or similar rights.

4C. No Registration. Assuming the truth and accuracy of the representations set forth in Section 5 hereof, the offers and sales of the Units pursuant to the terms hereof are not required to be registered under the Securities Act or any state securities laws.

Section 5. Purchasers' Representations and Warranties.

5A. Purchasers' Investment Representations. Each Purchaser individually, and not jointly or severally, hereby represents that he or it is acquiring the Restricted Securities purchased hereunder for his or its own account with the present intention of holding such securities for investment purposes and that it has no intention of selling such securities in a public distribution in violation of federal or state securities laws; provided that nothing contained herein will prevent the Purchaser and the subsequent holders of such securities from transferring such securities in compliance with the provisions of Section 3 hereof. Each certificate for Restricted Securities will be conspicuously imprinted with a legend substantially in the following form (the "Securities Act Legend"):

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE ORIGINALLY ISSUED ON APRIL 10, 2002, AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THE TRANSFER OF SUCH SECURITIES IS SUBJECT TO THE CONDITIONS SPECIFIED IN THE UNIT PURCHASE AGREEMENT DATED AS OF APRIL 10, 2002, BETWEEN THE ISSUER (THE "COMPANY") AND THE ORIGINAL PURCHASER HEREOF, AND THE COMPANY RESERVES THE RIGHT TO REFUSE TO TRANSFER SUCH SECURITIES UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED WITH RESPECT TO SUCH

TRANSFER. UPON WRITTEN REQUEST, A COPY OF SUCH CONDITIONS WILL BE FURNISHED BY THE COMPANY TO THE HOLDER HEREOF WITHOUT CHARGE."

Whenever any shares of Series B Junior Preferred Stock or Senior Common Stock, as applicable, cease to be Restricted Securities and are not otherwise restricted securities, the holder thereof will be entitled to receive from the Company, without expense, upon surrender to the Company of the certificate representing such shares of Series B Junior Preferred Stock or Senior Common Stock, as applicable, a new certificate representing such shares of Series B Junior Preferred Stock or Senior Common Stock, as applicable, of like tenor but not bearing a legend of the character set forth above.

5B. Other Representations and Warranties of the Purchasers. Each Purchaser individually, and not jointly or severally, represents and warrants to and covenants and agrees with, the Company that:

(i) the Purchaser has had an opportunity to ask questions and receive answers concerning the terms and conditions of the securities purchased hereunder and has had full access to such other information concerning the Company, including without limitation the Company's Form 8-K filed on March 21, 2002, as the Purchaser may have requested and that in making its decision to invest in the securities being purchased hereunder it is not in any way relying on the fact that any other person has decided to be a Purchaser hereunder or to invest in the securities;

(ii) the Purchaser (a) is an "accredited investor" as defined in Rule 501(a) under the Securities Act or (b) by reason of his business and financial experience, and the business and financial experience of those retained by him to advise it with respect to its investment in the securities being purchased hereunder, he, together with such advisors, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of its prospective investment in such securities, is able to bear the economic risk of such investment and, at the present time, is able to afford a complete loss of such investment; and

(iii) the Purchaser has all requisite power and authority to enter into, deliver and consummate the transactions contemplated by this Agreement (including the purchase of the securities to be purchased by the Purchaser hereunder) and this Agreement has been duly authorized, executed and delivered by the Purchaser and constitutes a valid and binding obligation of the Purchaser enforceable in accordance with its terms (subject to the availability of equitable remedies and to the laws of bankruptcy and other similar laws affecting creditors' rights generally) and, as applicable, does not violate the Purchaser's charter, by-laws or other organizational documents.

Section 6. Definitions.

"Bylaws" means the Bylaws of the Company, as such Bylaws may be modified, amended or amended and restated from time to time.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency, or political subdivision thereof.

"Restricted Securities" means the Series B Junior Preferred Stock and Warrants issued hereunder and the Senior Common Stock issuable upon exercise of the Warrants, and any securities issued with respect to such Series B Junior Preferred Stock or Senior Common Stock by way of any stock dividend or stock split, or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization. As to any particular Restricted Securities, such securities will cease to be Restricted Securities when they have (a) been effectively registered under the Securities Act and disposed of in accordance with the registration statement covering them or (b) become eligible for sale pursuant to Rule 144 (excluding Rule 144(k)) or Rule 144A of the Securities and Exchange Commission (or any similar rule then in force). Whenever any particular securities cease to be Restricted Securities, the holder thereof will be entitled to receive from the Company, without expense, new securities of like tenor not bearing a Securities Act Legend of the character set forth in paragraph 5A.

"Rule 144" means Rule 144 promulgated by the Securities and Exchange Commission under the Securities Act as such rule may be amended from time to time, or any similar rule then in force.

"Rule 144A" means Rule 144A promulgated by the Securities and Exchange Commission under the Securities Act as such rule may be amended from time to time, or any similar rule then in force.

"Securities Act" means the Securities Act of 1933, as amended, or any similar federal law then in force.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar federal law then in force.

"Securities and Exchange Commission" includes any governmental body or agency succeeding to the functions thereof.

"Senior Common Stock" means the Company's Senior Common Stock, par value \$0.01.

Section 7. Miscellaneous.

7A. Remedies. The holders of the Series B Junior Preferred Stock or the Warrant acquired hereunder (directly or indirectly) will have all of the rights and remedies set forth in this Agreement and the Certificate of Incorporation, and all of the rights and remedies which such holders have been granted at any time under any other agreement or contract, and all of the rights and remedies which such holders have under any law. Any Person having any rights under any provision of this Agreement will be entitled to enforce such rights

specifically, to recover damages by reason of any breach of any provision of this Agreement, and to exercise all other rights granted by law.

7B. Amendments and Waivers. Except as otherwise provided herein, any provision hereof may be amended or waived generally and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the holders of at least two-thirds of the outstanding shares of Series B Junior Preferred Stock issued hereunder. No course of dealing between the Company and any holder of Series B Junior Preferred Stock or any delay on the part of any such holder in exercising any rights hereunder or under any agreement contemplated hereby or under the Certificate of Incorporation or the Bylaws will operate as a waiver of any rights of any such holder.

7C. Survival of Representations and Warranties. All representations and warranties contained herein or made in writing by any party in connection herewith will survive the execution and delivery of this Agreement, regardless of any investigation made by any Purchaser or on its behalf.

7D. Successors and Assigns.

(i) Except as otherwise expressly provided herein, all covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and assigns of such parties whether so expressed or not. In addition, and whether or not any express assignment has been made, the provisions of this Agreement which are for the Purchaser's benefit as the purchaser or holder of Units are also for the benefit of and enforceable by any subsequent holder of such Purchaser's Units.

(ii) If a sale, transfer, assignment or other disposition of the Series B Junior Preferred Stock or the Warrant is made in accordance with the provisions of this Agreement to any Person and such securities remain Restricted Securities immediately after such disposition, such Person shall, at or prior to the time such securities are acquired, execute a counterpart of this Agreement with such modifications thereto as may be necessary to reflect such acquisition, and such other documents as are necessary to confirm such Person's agreement to become a party to, and to be bound by, all covenants, terms and conditions of this Agreement as theretofore amended.

7E. Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable under any applicable law or rule in any jurisdiction, such provision will be ineffective only to the extent of such invalidity, illegality or unenforceability in such jurisdiction, without invalidating the remainder of this Agreement in such jurisdiction or any provision hereof in any other jurisdiction.

7F. Counterparts. This Agreement may be executed simultaneously in two or

more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same Agreement.

7G. Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

7H. Governing Law. All issues concerning the enforceability, validity and binding effect of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the State of Delaware.

7I. Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and shall be delivered personally or by telex or telecopy as described below or by reputable over night courier, and shall be deemed given on the date on which such delivery is made. If delivered by telex or telecopy such notices or communications shall be confirmed by a registered or certified letter (return receipt requested), postage prepaid

7J. Stockholders Agreement. The holder of the Series B Junior Preferred Stock acknowledges that by virtue of executing this Agreement it will become a party to and be bound by and subject to the terms and conditions of the Amended and Restated Stockholders Agreement, dated as of April 16, 2001, among the Company and certain of the Company's stockholders, as amended from time to time, which is attached as Exhibit B hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Unit Purchase Agreement as of the date first written above.

OUTSOURCING SOLUTIONS INC.

/s/ Eric R. Fencl

By: Eric R. Fencl
Its: Senior Vice President,
General Counsel and Secretary

PURCHASERS TO FOLLOW ON SEPARATE
SIGNATURE PAGES:

MADISON DEARBORN CAPITAL PARTNERS III, L.P.

By: Madison Dearborn Partners III, L.P.
Its: General Partners

By: Madison Dearborn Partners, Inc.
Its: General Partner

/s/ Timothy Hurd

By: Timothy Hurd
Its: Managing Director

MADISON DEARBORN SPECIAL EQUITY III, L.P.

By: Madison Dearborn Partners III, L.P.
Its: General Partners

By: Madison Dearborn Partners, Inc.
Its: General Partner

/s/ Timothy Hurd

By: Timothy Hurd
Its: Managing Director

ABBOTT CAPITAL PRIVATE EQUITY FUND III, L.P.

By: Abbott Capital Management, L.L.C.,
Its: General Partner

/s/ Katheryn J. Stokel

By:
Its:

FBR FINANCIAL SERVICES PARTNERS, LP

/s/ George L. McCabe, Jr.

By: George L. McCabe, Jr.
Its: Managing Director

GRYPHON PARTNERS II, L.P.

By: Gryphon GenPar II, LLC
Its: General Partner

/s/ Jeff L. Ott

By: Jeff L. Ott
Its: General Partner

GRYPHON PARTNERS II-A, L.P.

By: Gryphon GenPar II, LLC
Its: General Partner

/s/ Jeff L. Ott

By: Jeff L. Ott
Its: General Partner

SCHEDULE 1

Purchaser	Number of Shares of Series B Junior Preferred Stock	Aggregate Purchase Price
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Madison Dearborn Capital Partners III, L.P.	4,059.85	\$4,059,755.86
Madison Dearborn Special Equity III, L.P.	90.15	\$90,144.14

Abbott Capital Private Equity Fund III, L.P.	750.00	\$749,982.00
FBR Financial Services Partners, LP	750.00	\$749,982.00
Gryphon Partners II, L.P.	1,261.28	\$1,261,251.00
Gryphon Partners II-A, L.P.	88.72	\$88,717.00

SCHEDULE 2

Purchaser	Warrant Number and Shares of Senior Common Stock Underlying Such Warrant	Aggregate Purchase Price
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Madison Dearborn Capital Partners III, L.P.	Warrant No. 1 evidencing the right to purchase up to 41,427.14 shares of Senior Common Stock	\$97.83
Madison Dearborn Special Equity III, L.P.	Warrant No. 2 evidencing the right to purchase up to 919.86 shares of Senior Common Stock	\$2.17
Abbott Capital Private Equity Fund III, L.P.	Warrant No. 3 evidencing the right to purchase up to 7,653.00 shares of Senior Common Stock	\$18.00
FBR Financial Services Partners, LP	Warrant No. 4 evidencing the right to purchase up to 7,653.00 shares of Senior Common Stock	\$18.00
Gryphon Partners II, L.P.	Warrant No. 5 evidencing the right to purchase up to 12,870.69 shares of Senior Common Stock	\$29.00
Gryphon Partners II-A, L.P.	Warrant No. 6 evidencing the right to purchase up to 905.31 shares of Senior Common Stock	\$3.00

"THE SECURITIES REPRESENTED BY THIS WARRANT WERE ORIGINALLY ISSUED ON APRIL 10, 2002, AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"). THE TRANSFER OF SUCH SECURITIES IS SUBJECT TO THE CONDITIONS SPECIFIED IN THE UNIT PURCHASE AGREEMENT DATED AS OF APRIL 10, 2002, BETWEEN THE ISSUER (THE "COMPANY") AND THE ORIGINAL PURCHASER HEREOF, AND THE COMPANY RESERVES THE RIGHT TO REFUSE TO TRANSFER SUCH SECURITIES UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED WITH RESPECT TO SUCH TRANSFER. UPON WRITTEN REQUEST, A COPY OF SUCH CONDITIONS WILL BE FURNISHED BY THE COMPANY TO THE HOLDER HEREOF WITHOUT CHARGE.

HOLDERS OF THIS CERTIFICATE RECEIVING SENIOR COMMON STOCK PURSUANT TO THE EXERCISE OF THE SECURITIES REPRESENTED HEREBY WILL BE SUBJECT TO RESTRICTIONS ON TRANSFER, VOTING AGREEMENTS AND OTHER CONDITIONS AND RESTRICTIONS SPECIFIED IN THE AMENDED AND RESTATED STOCKHOLDERS AGREEMENT DATED AS OF APRIL 16, 2001 AMONG THE COMPANY AND CERTAIN OF THE COMPANY, COPIES OF WHICH ARE ON FILE AT THE OFFICE OF THE COMPANY AND WILL BE FURNISHED WITHOUT CHARGE TO THE HOLDER OF SUCH SECURITIES UPON WRITTEN REQUEST."

Warrant No. ____
Date of Issuance: April 10, 2002

Number of Shares: _____
(subject to adjustment)

OUTSOURCING SOLUTIONS INC.

A Delaware Corporation

Warrant to Purchase Senior Common Stock

Outsourcing Solutions Inc. (the "Company"), for good and valuable consideration, receipt of which is hereby acknowledged, hereby grants _____ or its registered assigns (the "Registered Holder"), the right, subject to the terms set forth below, to purchase from the Company, at any time after the date hereof and on or before the Expiration Date (as defined in Section 6), up to _____ (as adjusted from time to time) shares of Senior Common Stock, par value \$0.01 per share (the "Senior Common Stock"), of the Company, pursuant to the provisions of this warrant (the "Warrant"), at a purchase price of \$49.00 per share (as adjusted from time to time, the "Purchase Price"). The shares purchasable upon exercise of this Warrant, as adjusted from time to time pursuant to the provisions of this Warrant, are sometimes referred to herein as the "Warrant Shares."

Section 8. Exercise.

8A. Manner of Exercise. This Warrant may be exercised by the Registered Holder, in whole or in part, by surrendering this Warrant and the duly executed Notice of Exercise appended hereto as Exhibit A, at the principal office of the Company, or at such other office or agency as the Company may designate, together with payment in full of the Purchase Price payable in respect of the Warrant Shares purchased upon such exercise. The Purchase Price shall be paid to the Company by either (i) a certified check or wire transfer of immediately available funds in an amount equal to the product of the Purchase Price multiplied by the number of shares of Senior Common Stock being purchased upon such exercise (the "Aggregate Exercise Price") or (ii) a written notice to the Company that the Registered Holder is exercising this Warrant (or a portion thereof) by authorizing the Company to withhold from issuance a number of shares of Senior Common Stock issuable upon such exercise of the Warrant which when multiplied by the Market Price of the Senior Common Stock is equal to the Aggregate Exercise Price (and such withheld shares shall no longer be issuable under this Warrant).

8B. Effective Time of Exercise. Exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business at the Company's principal office on the day on which this Warrant is surrendered to the Company and the Purchase Price paid as provided in Section 1. Subject to Section 3(a), at such time, the person or persons in whose name or names any certificates for Warrant Shares shall be issuable shall be deemed to have become the holder or holders of record of the Warrant Shares evidenced by such certificates.

8C. Delivery to Holder. Subject to Section 3, as soon as practicable after the exercise of this Warrant, and in any event within twenty (20) business days thereafter, the Company shall cause to be issued in the name of, and delivered to, the Registered Holder, or such Holder(s) as the Registered Holder (upon payment by such Holder of any applicable transfer taxes) may direct, a certificate or certificates evidencing the number of Warrant Shares to which such Registered Holder shall be entitled.

Section 9. Adjustment of Purchase Price and Number of Shares. In order to prevent dilution of the rights granted under this Warrant, the Purchase Price shall be subject to adjustment from time to time as provided in this Section 2, and the number of shares of Senior Common Stock obtainable upon exercise of this Warrant shall be subject to adjustment from time to time as provided in this Section 2.

9A. Adjustment of Purchase Price and Number of Shares upon Issuance of Common Stock. If and whenever the Company issues or sells, or in accordance with paragraph 2(b) is deemed to have issued or sold, any share of Common Stock for a consideration per share less than the Purchase Price in effect immediately prior to such time, then immediately upon such issuance or sale the Purchase Price shall be reduced to the lowest net price per share at which such share of Common Stock has been issued or sold or is deemed to have been issued or sold. Upon each such adjustment of the Purchase Price hereunder, the number of shares of Senior Common Stock acquirable upon exercise of this Warrant shall be adjusted to the number of shares determined by multiplying the Purchase Price in effect

immediately prior to such adjustment by the number of shares of Senior Common Stock acquirable upon exercise of this Warrant immediately prior to such adjustment and dividing the product thereof by the Purchase Price resulting from such adjustment.

9B. Effect on Purchase Price of Certain Events. For purposes of determining the adjusted Purchase Price under paragraph 2(a), the following shall be applicable:

(i) Issuance of Rights or Options. If the Company in any manner grants or sells any Options and the lowest price per share for which any one share of Common Stock is issuable upon the exercise of any such Option, or upon conversion or exchange of any Convertible Security issuable upon exercise of such Option, is less than the Purchase Price in effect immediately prior to the time of the granting or sale of such Option, then such share of Common Stock shall be deemed to have been issued and sold by the Company at such time for such price per share. For purposes of this paragraph, the "lowest price per share for which any one share of Common Stock is issuable" shall be equal to the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one share of Common Stock upon the granting or sale of the Option, upon exercise of the Option and upon conversion or exchange of the Convertible Security. No further adjustment of the Purchase Price shall be made upon the actual issue of such Common Stock or of such Convertible Security upon the exercise of such Options or upon the actual issue of such Common Stock upon conversion or exchange of such Convertible Security.

(ii) Issuance of Convertible Securities. If the Company in any manner issues or sells any Convertible Security and the lowest price per share for which any one share of Common Stock is issuable upon conversion or exchange thereof is less than the Purchase Price in effect immediately prior to the time of such issue or sale, then such share or shares of Common Stock shall be deemed to have been issued and sold by the Company at such time for such price per share. For the purposes of this paragraph, the "lowest price per share for which any one share of Common Stock is issuable" shall be equal to the sum of the lowest amounts of consideration (if any) received or receivable by the Company with respect to any one share of Common Stock upon the issuance of the Convertible Security and upon the conversion or exchange of such Convertible Security. No further adjustment of the Purchase Price shall be made upon the actual issue of such Common Stock upon conversion or exchange of any Convertible Security, and if any such issue or sale of such Convertible Security is made upon exercise of any Options for which adjustments of the Purchase Price had been or are to be made pursuant to other provisions of this Section 2, no further adjustment of the Purchase Price shall be made by reason of such issue or sale.

(iii) Change in Option Price or Conversion Rate. If the purchase price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion or exchange of any Convertible Securities, or the rate at which any Convertible Securities are convertible

into or exchangeable for Common Stock changes at any time, the Purchase Price in effect at the time of such change shall be adjusted immediately to the Purchase Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold and the number of shares of Common Stock issuable hereunder shall be correspondingly adjusted.

(iv) Treatment of Expired Option and Unexercised Convertible Securities. Upon the expiration of any Option or the termination of any right to convert or exchange any Convertible Securities without the exercise of such Option or right, the Purchase Price then in effect shall be adjusted immediately to the Purchase Price which would have been in effect at the time of such expiration or termination had such Option or Convertible Securities, to the extent outstanding immediately prior to such expiration or termination, never been issued.

(v) Calculation of Consideration Received. If any Common Stock, Options or Convertible Securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor shall be deemed to be the net amount received by the Company therefor. In case any Common Stock, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company shall be the fair value of such consideration, except where such consideration consists of securities, in which case the amount of consideration received by the Company shall be the Market Price thereof as of the date of receipt. In case any Common Stock, Options or Convertible Securities are issued to the owners of the non-surviving entity in connection with any merger in which the Company is the surviving corporation, the amount of consideration therefor shall be deemed to be the fair value of such portion of the net assets and business of the non-surviving entity as is attributable to such Common Stock, Options or Convertible Securities, as the case may be. The fair value of any consideration other than cash or securities shall be determined jointly by the Company and the Registered Holders of Warrants representing a majority of the shares of Senior Common Stock obtainable upon exercise of such Warrants. If such parties are unable to reach agreement within a reasonable period of time, such fair value shall be determined by an appraiser jointly selected by the Company and the Registered Holders of Warrants representing a majority of the shares of Senior Common Stock obtainable upon exercise of such Warrants. The determination of such appraiser shall be final and binding on the Company and the Registered Holders of the Warrants, and the fees and expenses of such appraiser shall be paid by the Company.

(vi) Integrated Transactions. In case any Option is issued in connection with the issue or sale of other securities of the Company, together comprising one integrated transaction in which no specific consideration is allocated to such Options by the parties thereto, the Options shall be deemed to have been issued without consideration.

(vii) Treasury Shares. The number of shares of Common Stock outstanding at any given time does not include shares owned or held by or for the account of the Company or any Subsidiary, and the disposition of any shares so owned or held shall be considered an issue or sale of Common Stock.

(viii) Record Date. If the Company takes a record of the holders of Common Stock for the purpose of entitling them (A) to receive a dividend or other distribution payable in Common Stock, Options or in Convertible Securities or (B) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date shall be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be

(ix) Certain Issuances. Notwithstanding the foregoing, there shall be no adjustment to the Purchase Price under paragraph Section 3 with respect to (a) the issuance of Common Stock or options to the Company's or its affiliates current or former employees, officers, directors, or consultants pursuant to compensatory options or purchase rights which have been granted or are granted in the future, (b) warrants issued to underwriters in connection with a public offering registered under the Act, (c) the issuance of Common Stock (or warrants exercisable into Common Stock) to financial institutions or lessors in connection with the bona fide incurrence of indebtedness, equipment financings or similar transactions, (d) the issuance of Common Stock to strategic investors or in connection with acquisitions or corporate partnering transactions, (e) the issuance of Common Stock as a dividend or distribution on the Preferred Shares or Senior Common Shares, (f) the issuance of shares of Common Stock upon conversion of the Preferred Shares, Senior Common Shares and Non-Voting Common Shares in accordance with their respective terms or (g) the issuance of shares of Common Stock or other shares of the Company's capital stock upon conversion or exercise of any outstanding warrants, options or other convertible instruments.

9C. Subdivision or Combination of Senior Common Stock. If the Company at any time subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Senior Common Stock into a greater number of shares, the Purchase Price in effect immediately prior to such subdivision shall be proportionately reduced and the number of shares of Senior Common Stock obtainable upon exercise of this Warrant shall be proportionately increased. If the Company at any time combines (by reverse stock split or otherwise) one or more classes of its outstanding shares of Senior Common Stock into a smaller number of shares, the Purchase Price in effect immediately prior to such combination shall be proportionately increased and the number of shares of Senior Common Stock obtainable upon exercise of this Warrant shall be proportionately decreased.

9D. Reorganization, Reclassification, Consolidation, Merger or Sale. Any recapitalization, reorganization, reclassification, consolidation, merger, sale

of all or substantially all of the Company's assets or other transaction, in each case which is effected in such a way that the holders of Senior Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Senior Common Stock is referred to herein as "Organic Change." Prior to the consummation of any Organic Change, the Company shall make appropriate provision (in form and substance satisfactory to the Registered Holders of the Warrants representing a majority of the Senior Common Stock obtainable upon exercise of all Warrants then outstanding) to insure that each of the Registered Holders of the Warrants shall thereafter have the right to acquire and receive, in lieu of or addition to (as the case may be) the shares of Senior Common Stock immediately theretofore acquirable and receivable upon the exercise of such holder's Warrant, such shares of stock, securities or assets as may be issued or payable with respect to or in exchange for the number of shares of Senior Common Stock immediately theretofore acquirable and receivable upon exercise of such holder's Warrant had such Organic Change not taken place. In any such case, the Company shall make appropriate provision (in form and substance satisfactory to the Registered Holders of the Warrants representing a majority of the Senior Common Stock obtainable upon exercise of all Warrants then outstanding) with respect to such holders' rights and interests to insure that the provisions of this Section 2 and Sections 3 and 4 hereof shall thereafter be applicable to the Warrants (including, in the case of any such consolidation, merger or sale in which the successor entity or purchasing entity is other than the Company, an immediate adjustment of the Purchase Price to the value for the Senior Common Stock reflected by the terms of such consolidation, merger or sale, and a corresponding immediate adjustment in the number of shares of Senior Common Stock acquirable and receivable upon exercise of the Warrants, if the value so reflected is less than the Purchase Price in effect immediately prior to such consolidation, merger or sale). The Company shall not effect any such consolidation, merger or sale, unless prior to the consummation thereof, the successor entity (if other than the Company) resulting from consolidation or merger or the entity purchasing such assets assumes by written instrument (in form and substance satisfactory to the Registered Holders of Warrants representing a majority of the Senior Common Stock obtainable upon exercise of all of the Warrants then outstanding), the obligation to deliver to each such holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holder may be entitled to acquire.

9E. Certain Events. If any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions (including, without limitation, the granting of stock appreciation rights, phantom stock rights or other rights with equity features), then the Company's board of directors shall make an appropriate adjustment in the Purchase Price and the number of shares of Senior Common Stock obtainable upon exercise of this Warrant so as to protect the rights of the holders of the Warrants; provided that no such adjustment shall increase the Purchase Price or decrease the number of shares of Senior Common Stock obtainable as otherwise determined pursuant to this Section 2.

9F. Notices.

(i) Immediately upon any adjustment of the Purchase Price, the Company shall give written notice thereof to the Registered Holder, setting forth in reasonable detail and certifying the calculation of such adjustment.

(ii) The Company shall give written notice to the Registered Holder at least 20 days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the Senior Common Stock, (B) with respect to any pro rata subscription offer to holders of Senior Common Stock or (C) for determining rights to vote with respect to any Organic Change, dissolution or liquidation.

(iii) The Company shall also give written notice to the Registered Holders at least 20 days prior to the date on which any Organic Change, dissolution or liquidation shall take place.

Section 10. Liquidating Dividends. If the Company declares or pays a dividend upon the Senior Common Stock payable otherwise than in cash out of earnings or earned surplus (determined in accordance with generally accepted accounting principles, consistently applied) except for a stock dividend payable in shares of Senior Common Stock (a "Liquidating Dividend"), then the Company shall pay to the Registered Holder of this Warrant at the time of payment thereof the Liquidating Dividend which would have been paid to such Registered Holder on the Senior Common Stock had this Warrant been fully exercised immediately prior to the date on which a record is taken for such Liquidating Dividend, or, if no record is taken, the date as of which the record holders of Senior Common Stock entitled to such dividends are to be determined.

Section 11. Purchase Rights. If at any time the Company grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of Common Stock (the "Purchase Rights"), then the Registered holder of this Warrant shall be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such holder could have acquired if such holder had held the number of shares of Senior Common Stock acquirable upon complete exercise of this Warrant immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights. Notwithstanding the foregoing, this Section 4 shall not apply to any grant, issuance or sale of any Options, Convertible Securities or Purchase Rights to the Company's or its affiliates current or former employees, officers, directors or consultants pursuant to compensatory options or purchase rights which have been granted or are granted in the future.

Section 12. Transfers.

12A. Unregistered Security. The Registered Holder of this Warrant acknowledges that this Warrant and the Warrant Shares have not been registered under the Securities Act of 1933, as amended (the "Act"), and agrees not to sell, pledge, distribute, offer for sale, transfer or otherwise dispose of this

Warrant or any Warrant Shares in the absence of (i) an effective registration statement under the Act as to this Warrant or such Warrant Shares and registration or qualification of this Warrant or such Warrant Shares under any applicable foreign, U.S. federal or state securities laws then in effect or (ii) an exemption from such registration and qualification under the Act. Each certificate or other instrument for Warrant Shares issued upon the exercise of this Warrant shall bear a legend substantially to the foregoing effect.

12B. Stockholders Agreement. The Registered Holder of this Warrant acknowledges that the Registered Holder, upon exercise of this Warrant, shall become a party to and be bound by and subject to the terms and conditions of the Amended and Restated Stockholders Agreement, dated as of April 16, 2001, among the Company and certain of the Company's stockholders, as amended from time to time, which is attached as Exhibit B hereto and is incorporated herein by this reference. The Stockholders Agreement shall be binding on the Registered Holder and the other parties thereto.

Section 13. Termination. This Warrant and the rights hereunder shall terminate upon the tenth (10th) anniversary of the Date of Issuance of this Warrant (the "Expiration Date").

Section 14. Definitions.

"Common Stock" means collectively the Senior Common Stock, Voting Common Stock and Non-Voting Common Stock.

"Convertible Securities" means any stock or securities (directly or indirectly) convertible into or exchangeable for Common Stock.

"Market Price" means as to any security the average of the closing prices of such security's sales on all domestic securities exchanges on which such security may at the time be listed, or, if there have been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 P.M., New York time, on such day, or, if on any day such security is not quoted in the NASDAQ System, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar successor organization, in each such case averaged over a period of 21 days consisting of the day as of which "Market Price" is being determined and the 20 consecutive business days prior to such day; provided that if such security is listed on any domestic securities exchange the term "business days" as used in this sentence means business days on which such exchange is open for trading. If at any time such security is not listed on any domestic securities exchange or quoted in the NASDAQ System or the domestic over-the-counter market, the "Market Price" shall be the fair value thereof determined jointly by the Company and the Registered Holders of Warrants representing a majority of the Senior Common Stock purchasable upon exercise of all the Warrants then outstanding; provided that if such

parties are unable to reach agreement within a reasonable period of time, such fair value shall be determined by an appraiser jointly selected by the Company and the Registered Holders of Warrants representing a majority of the Senior Common Stock purchasable upon exercise of all the Warrants then outstanding. The determination of such appraiser shall be final and binding on the Company and the Registered Holders of the Warrants, and the fees and expenses of such appraiser shall be paid by the Company.

"Non-Voting Common Stock" means the Company's Non-Voting Common Stock, par value \$0.01.

"Options" means any rights or options to subscribe for or purchase Common Stock or Convertible Securities.

"Preferred Shares" means each share of Preferred Stock.

"Preferred Stock" means the Company's Preferred Stock, no par value.

"Senior Common Share" means each share of Senior Common Stock.

"Voting Common Stock" means the Company's Voting Common Stock, par value \$0.01.

"Warrants" means this Warrant and any other warrant issued in connection with the purchase of Series B Junior Preferred Stock.

Section 15. Replacement of Warrants. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and (in the case of loss, theft or destruction) upon delivery of an indemnity agreement (with surety if reasonably required) in an amount reasonably satisfactory to the Company, or (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will issue, in lieu thereof, a new Warrant of like tenor.

Section 16. Authorization. All corporate action on the part of the Company and its directors necessary for the authorization, execution, delivery and performance of the Warrant by the Company, and the authorization, sale, issuance and delivery of the Warrant Shares has been taken. The Warrant, when executed and delivered by the Company, shall constitute a valid and binding obligation of the Company, enforceable in accordance with its terms. The Warrant Shares have been duly and validly reserved and, when issued, will be validly issued, fully paid and nonassessable; and the Warrant Shares will be free of any liens or encumbrances other than any liens or encumbrances created by or imposed on the Registered Holders; provided, however, that the Warrant Shares may be subject to restrictions on transfer by contract or under state or federal securities laws and restrictions.

Section 17. Governmental Consent. No consent, approval order or authorization of or registration, qualification, designation, declaration or filing with any governmental authority on the part of the Company is required in connection with offer, sale or issuance of the Warrant or the Warrant Shares, or

the consummation of any other transaction contemplated hereby.

Section 18. Notices. Any notice required or permitted by this Warrant shall be in writing and shall be deemed given when sent, if delivered personally or by courier, overnight delivery service or confirmed facsimile, or forty-eight (48) hours after being deposited in the regular mail as certified or registered mail with postage prepaid, addressed (a) if to the Registered Holder, to the address of the Registered Holder most recently furnished in writing to the Company and (b) if to the Company, to the address set forth below or subsequently modified by written notice to the Registered Holder.

Section 19. No Rights as Stockholder. The Registered Holder of this Warrant shall not have or exercise any rights by virtue hereof as a stockholder of the Company.

Section 20. No Fractional Shares. No fractional shares will be issued in connection with any exercise hereunder. In lieu of any fractional shares which would otherwise be issuable, the Company shall pay cash equal to the product of such fraction multiplied by the fair market value of one Warrant Share on the date of exercise, as determined in good faith by the Board of Directors of the Company.

Section 21. Amendment or Waiver. Except as otherwise provided herein, the provisions of the Warrants may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Registered Holders of Warrants representing a majority of the shares of Senior Common Stock obtainable upon exercise of the Warrants.

Section 22. Headings. The headings in this Warrant are descriptive only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

Section 23. Governing Law. All issues concerning the enforceability, validity and binding effect of this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the law of any jurisdiction other than the State of Delaware.

OUTSOURCING SOLUTIONS INC.

By: _____

Name: Eric R. Fencil
Title: Senior Vice President, General
Counsel and Secretary

390 South Woods Mill Road, Suite 350
Chesterfield, Missouri 63017
Phone: (314) 576-0022
Fax: (314) 576-1867

[Signature Page to Warrant to Purchase Senior Common Stock]

NOTICE OF EXERCISE

To: Outsourcing Solutions Inc.

The undersigned hereby irrevocably, subject to the terms and conditions contained in the attached Warrant, elects to purchase ____ shares of Senior Common Stock of Outsourcing Solutions Inc., pursuant to the provisions of Section 1 of the attached Warrant, and tenders herewith payment of the purchase price for such shares in full, in cash.

In exercising this Warrant, the undersigned hereby confirms and acknowledges that the Senior Common Stock is being acquired solely for the account of the undersigned and the undersigned will not offer, sell or otherwise dispose of any of the Senior Common Stock in contravention of Section 3 of the Warrant.

Please issue a certificate or certificates representing said Senior Common Stock in the name of the undersigned or in such other name as is specified below.

(Name)

(Date)

(Signature)

ASSIGNMENT FORM

FOR VALUE RECEIVED, the undersigned registered owner of this Warrant hereby sells, assigns and transfer unto the Assignee named below the attached Warrant, together with all of the rights of the undersigned under the Warrant, with respect to the number of shares of Senior Common Stock set forth below:

Name of Assignee	Address	No. of Shares
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and does hereby irrevocably constitute and appoint _____ Attorney to make such transfer on the books of Outsourcing Solutions Inc., maintained for the purpose, with full power of substitution in the premises.

The undersigned also represents that, by assignment hereof, the Assignee acknowledges that this Warrant and the securities to be issued upon exercise hereof are being acquired for investment and that the Assignee will not offer, sell or otherwise dispose of this Warrant or any securities to be issued upon exercise hereof in contravention of Section 3 of the Warrant. Further, the Assignee has acknowledged that upon exercise of this Warrant, the Assignee shall, if requested by the Company, confirm in writing, in a form satisfactory to the Company, that the securities so purchased are being acquired for investment and not with a view toward distribution or resale.

Dated:

HOLDER:

By:

Title:

Note: The above signature should correspond exactly with the name on the face of the attached Warrant.