

**CHARTER OF THE AUDIT COMMITTEE
OF THE
BOARD OF DIRECTORS
OF
PORTFOLIO RECOVERY ASSOCIATES, INC.**

I. AUDIT COMMITTEE PURPOSE

The Audit Committee of the Board of Directors of the Company is appointed by the Board of Directors to assist the Board of Directors in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- Monitor and review the accuracy and fairness of the Company's financial reports and monitor and ensure the adequacy of the Company's systems of internal controls regarding finance, accounting, and legal compliance.
- Monitor the independence and performance of the Company's independent auditors.
- Provide an avenue of communication between the independent auditors, management, and the Board of Directors.

The Audit Committee has the authority to conduct or authorize investigations into any matter within the scope of its responsibilities and it shall have direct access to the independent auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or advisors it deems necessary in the performance of its duties or to assist in the conduct of any investigation.

II. AUDIT COMMITTEE COMPOSITION AND MEETINGS

Audit Committee members shall meet the requirements of the Securities and Exchange Commission, the Nasdaq Stock Market and the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"). The Audit Committee shall be comprised of three or more directors as determined by the Board of Directors, each of whom shall be non-employee directors, free from any relationship that would interfere with the exercise of his or her independent judgment. All members of the Audit Committee shall, at the time of their appointment, have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, and at least one member of the Audit Committee shall have accounting or related financial management expertise and be considered a "financial expert" within the meaning of the Sarbanes-Oxley Act and related regulations to be promulgated by the Securities and Exchange Commission and the Nasdaq Stock Market. Members of the Audit Committee shall enhance their familiarity with finance and accounting by participating in continuing educational programs, as mandated by the Nasdaq Stock Market.

Audit Committee members shall be appointed by the Board of Directors on recommendation of the Nominating Committee. If the Audit Committee Chair is not designated or present, the

members of the Audit Committee may designate a Chair by majority vote of the Audit Committee membership.

The Audit Committee will have regular meetings at least four times per year, or more frequently as circumstances dictate. The Audit Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Audit Committee should meet privately and separately, on a regular basis, with management and with the independent auditors to discuss any matters that the Audit Committee or each of these groups believes should be discussed.

III. AUDIT COMMITTEE RESPONSIBILITIES AND DUTIES

Review Procedures

1. Review and reassess the adequacy of this Charter at least annually. Submit this Charter to the Board of Directors for approval and have this Charter published in a proxy or information statement periodically in accordance with Securities and Exchange Commission regulations.
2. Review the Company's annual audited financial statements and related footnotes prior to filing or distribution. The review should include separate discussions with management and with the independent auditors of significant issues and disagreements (if any) regarding accounting principles, practices and judgments, any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information and the effect of using different accounting principles, practices and judgments.
3. Review and discuss with management and with the independent auditors the Company's quarterly earnings prior to filing or distribution.
4. Review any reports or other documents that include public financial disclosures prior to filing or distribution and discuss with management, if appropriate, whether the information contained in these documents is consistent with the information contained in the Company's financial statements.
5. Discuss with management the integrity of the Company's financial reporting processes and adequacy of controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Review and assess management's critical accounting estimates and policies and off-balance sheet transactions (if any). Discuss with the external auditors any significant matters regarding controls over financial reporting that have come to their attention.
6. Review written reports and significant findings prepared by the Company's internal auditor or independent auditors, if any, including reports regarding the Company's critical accounting policies, alternative treatments of financial information and material communications between the independent auditor and management and if appropriate, discuss the information contained in the reports with the independent auditors. Review

management's responses, if any, to such reports and findings, including the status of previous recommendations.

7. Receive annually the qualifications of employees of the independent auditors who were engaged on the Company's account. Discuss with independent auditors their performance, and any recommendations the independent auditors may have.
8. Review annually the policies and procedures, as well as audit results, associated with directors' and officers' expense accounts and perquisites, and other uses of corporate assets.
9. Review and approve a summary of directors' and officers' related party transactions and potential conflicts of interest.

Independent Auditors

10. The independent auditors are accountable to the Audit Committee and the Board of Directors, and the Audit Committee has the sole authority and responsibility to select and hire, oversee, determine funding for, evaluate and, where appropriate, replace the independent auditors (and independent counsel and other advisors to represent the Audit Committee). The Audit Committee shall review the performance of the independent auditors, the experience and qualifications of the senior members of the independent audit team and the quality control procedures of the independent auditors.
11. Approve the fees and other significant compensation to be paid to the independent auditors (and independent counsel and other advisors to represent the Audit Committee).
12. Review the non-audit services to determine whether they are permissible under current law. Pre-approve the provision of any permissible non-audit services by the independent auditors and the related fees of the independent auditors therefor. Consider whether the provision of these other services is compatible with maintaining the auditors' independence.
13. On an annual basis, the Audit Committee should receive from the independent auditors a formal written statement delineating all relationships between the independent auditors and the Company and should discuss with the independent auditors the disclosed relationships or services that may impact the objectivity and independence of the auditors, and take, or recommend that the Board of Directors take appropriate action to ensure the independence of the auditors. Annually, the Audit Committee shall ensure receipt of a formal written statement from the independent auditors with respect to their independence consistent with all applicable standards.
14. Review the independent auditors audit plan - discuss scope, staffing, locations, reliance upon management and internal auditors.
15. Discuss certain matters required to be communicated to audit committees in accordance with the American Institute of Certified Public Accountants: A Statement of Auditing Standards No. 61, including such matters as (i) the consistency of application of the

Company's accounting policies; (ii) the completeness of information contained in the financial statements and related disclosures; (iii) the selection of new or changes to the Company's accounting policies; (iv) estimates, judgments and uncertainties; (v) unusual transactions and (vi) accounting policies relating to significant financial statement items, including the timing of transactions and the period in which they are recorded.

16. Obtain and consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting; the discussion should include such issues as the clarity of the Company's financial disclosures and degree of aggressiveness or conservatism of the Company's accounting principles and underlying estimates and other significant decisions made by the management in preparing the financial disclosure.
17. Discuss and review with the internal audit department and the independent auditors the effectiveness and coordination of the internal audit effort to assure completeness of coverage and to avoid duplication of resources.
18. The Audit Committee shall annually review the performance, objectivity and independence of auditors and recommend to the Board of Directors the appointment of auditors.

Internal Auditors

19. The Committee shall review the appointment, performance and replacement of the Company's senior internal auditing executive, and the activities, organizational structure and qualifications of the persons responsible for the internal audit function.
20. The Committee shall review with management and the outside auditors, if deemed appropriate by the Committee:
 - (a) the internal audit budget, staffing and audit plan;
 - (b) material findings of internal audit reviews and management's response, including any significant changes required in the internal auditor's audit plan or scope and any material difficulties or disputes with management encountered during the course of the audit.

Legal Compliance

21. On at least an annual basis, review with the Company's General Counsel, any legal matters that could have a significant impact on the Company's financial statements, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

Other Audit Committee Responsibilities

22. Annually prepare a report to shareholders as required by the Securities and Exchange Commission. The report should be included in the Company's annual proxy statement.

23. Establish and maintain appropriate procedures for the receipt, retention and treatment of complaints received from employees of the Company regarding accounting, internal accounting controls or auditing matters. Such procedures shall be available to all employees of the Company on the Company Intranet, and employees should be reminded of such procedures annually.
25. Maintain minutes of meetings and report Audit Committee actions to the Board of Directors on a regular basis including any recommendations the Audit Committee deems appropriate.
26. Perform any other activities consistent with this Charter, the Company's By-laws and governing law, as the Audit Committee or the Board of Directors deems necessary or appropriate.
27. Periodically perform self-assessment of Audit Committee performance.
28. Develop and recommend to the Board a Code of Ethical Conduct and ensure that management has established a system to enforce this Code.