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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

# FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2017 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: 000-26489

# ENCORE CAPITAL GROUP, INC.

**(Exact name of registrant as specified in its charter)**

| **Delaware** | **48-1090909** |
|---|---|
| **(State or other jurisdiction of incorporation or organization)** | **(IRS Employer Identification No.)** |
| **3111 Camino Del Rio North, Suite 103 San Diego, California** | **92108** |
| **(Address of principal executive offices)** | **(Zip code)** |

**(877) 445-4581**
**(Registrant's telephone number, including area code)**
**Securities registered pursuant to Section 12(b) of the Act:**

| **Title of Each Class** | **Name of Each Exchange on Which Registered** |
|---|---|
| Common Stock, $.01 Par Value Per Share | The NASDAQ Stock Market LLC |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 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 by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

| Large accelerated filer x | Accelerated filer ☐ | Non-accelerated filer ☐ | Smaller reporting company ☐ |
|---|---|---|---|

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No x

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately $964.7 million at June 30, 2017, based on the closing price of the common stock of $40.15 per share on such date, as reported by NASDAQ.

The number of shares of our Common Stock outstanding at February 8, 2018, was 25,804,220.

**Documents Incorporated by Reference**

Portions of the registrant's proxy statement in connection with its annual meeting of stockholders to be held in 2018 are incorporated by reference in Items 10, 11, 12, 13, and 14 of Part III of this Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

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# PART I
# Item 1—Business

## An Overview of Our Business

### *Nature of Our Business*

We are an international specialty finance company providing debt recovery solutions and other related services for consumers across a broad range of financial assets. We purchase portfolios of defaulted consumer receivables at deep discounts to face value and manage them by working with individuals as they repay their obligations and work toward financial recovery. Defaulted receivables are consumers' unpaid financial commitments to credit originators, including banks, credit unions, consumer finance companies, commercial retailers, and telecommunication companies. Defaulted receivables may also include receivables subject to bankruptcy proceedings.

We are a market leader in portfolio purchasing and recovery in the United States, including Puerto Rico. Cabot Credit Management plc (together with its subsidiaries, "Cabot"), our largest international subsidiary, is one of the largest credit management services providers in Europe and is a market leader in the United Kingdom and Ireland. We control Cabot via our majority ownership interest in the indirect holding company of Cabot, Janus Holdings S.a r.l. ("Janus Holdings"). These are our primary operations.

We have also developed or acquired additional international operations as we have explored new asset classes and geographies including: (1) certain subsidiaries that focus on (a) consumer non-performing loans, including insolvencies (in particular, individual voluntary arrangements, or "IVAs") in the United Kingdom and bank and non-bank receivables in Spain and (b) credit management services in Spain (collectively, "Grove"); (2) our majority-owned subsidiary Refinancia S.A. and its subsidiaries (collectively, "Refinancia"), which is a market leader in debt collection and management in Colombia and Peru, (3) purchases of non-performing loans in other countries in Latin America, including Mexico and Brazil; (4) our subsidiary, Baycorp Holdings Pty Limited (together with its subsidiaries, "Baycorp"), which is one of Australasia's leading debt resolution specialists and (4) an investment in Encore Asset Reconstruction Company ("EARC") in India, which has completed initial immaterial purchases.

To date, operating results from our international operations on an individual basis, other than from Cabot, have not been significant to our total consolidated operating results. As a result, descriptions of our international operations in Part I - Item 1 of this Form 10-K will focus substantially on Cabot's operations.

Throughout this Annual Report on Form 10-K, when we refer to our United States operations, we include accounts originated in the United States that are serviced through our operations centers in the United States, India and Costa Rica. When we refer to our international operations, we are referring to accounts originated outside of the United States. Those accounts are generally serviced in the country of origin.

### *Keys to Success*

The foundation of our success is our people, our integrity and our operational agility. This foundation supports strengths in five key areas:

- **Superior Analytics**, including our extensive investments in data and behavioral science and our use of sophisticated predictive modeling techniques;
- **Operational Scale and Cost Efficiency**, driven by our specialized call centers, experienced international operations, and effective internal and external litigation operations;
- **Strong Capital Stewardship**, underpinned by our disciplined ability to raise and deploy capital prudently to maximize the return on our invested capital;
- **Consumer-centric Commitment to Ethics and Principled Intent:** we strive to conduct business ethically and in ways that support consumers' financial recovery. We commit to treat consumers with respect, compassion and integrity, and we demonstrate that commitment by continuous investment in compliance programs that enable us to efficiently adjust our business practices to a changing regulatory environment; and
- **Extendable Business Model**, driven by our scalable platform that supports strategic investment opportunities.

***Seasonality***

United States

While seasonality does not have a material impact on our business, collections are generally strongest in our first calendar quarter, slower in the second and third calendar quarters, and slowest in the fourth calendar quarter. Relatively higher collections in the first quarter could result in a lower cost-to-collect ratio compared to the other quarters, as our fixed costs are relatively constant and applied against a larger collection base. The seasonal impact on our business may also be influenced by our purchasing levels, the types of portfolios we purchase, and our operating strategies.

Collection seasonality can also affect revenue as a percentage of collections, also referred to as our revenue recognition rate. Generally, revenue for each pool group declines steadily over time, whereas collections can fluctuate from quarter to quarter based on seasonality, as described above. In quarters with lower collections (*e.g.*, the fourth calendar quarter), the revenue recognition rate can be higher than in quarters with higher collections (*e.g.*, the first calendar quarter).

In addition, seasonality could have an impact on the relative level of quarterly earnings. In quarters with stronger collections, total costs are higher as a result of the additional efforts required to generate those collections. Since revenue for each pool group declines steadily over time, in quarters with higher collections and higher costs (*e.g.*, the first calendar quarter), all else being equal, earnings could be lower than in quarters with lower collections and lower costs (*e.g.*, the fourth calendar quarter). Additionally, in quarters where a greater percentage of collections come from our legal and agency outsourcing channels, cost to collect will be higher than if there were more collections from our internal collection sites.

International

While seasonality does not have a material impact on European operations, collections are generally strongest in the second and third calendar quarters and slower in the first and fourth quarters, largely driven by the impact of the December holiday season and the New Year holiday, and the related impact on customers' ability to repay their balances. This drives a higher level of plan defaults over this period, which are typically repaired across the first quarter of the following year. The August vacation season in the United Kingdom also has an unfavorable effect on the level of collections, but this is traditionally compensated for by higher collections in July and September.

***Operating Segments***

We have one reportable segment, portfolio purchasing and recovery. Financial information regarding our operating segments and geographic operations is set forth in Note 14, "Segment Information" to our consolidated financial statements.

***Company Information***

We were incorporated in Delaware in 1999. In June 2013, we completed our merger with Asset Acceptance Capital Corp., which was another leading provider of debt recovery solutions in the United States. In July 2013, by acquiring a majority ownership interest in the indirect holding company of Cabot, Janus Holdings, we acquired control of Cabot. In February 2014, Cabot acquired Marlin Financial Group Limited, a leading acquirer of non-performing consumer debt in the United Kingdom. In August 2014, we acquired Atlantic Credit & Finance, Inc., which was a market leader in the United States in buying and collecting on freshly charged-off debt. In June 2015, Cabot expanded in the United Kingdom by acquiring Hillesden Securities Ltd and its subsidiaries ("dlc"). In March 2016, we completed the divestiture of our membership interests in Propel Acquisition LLC and its subsidiaries (collectively, "Propel"), our tax lien business.

Our headquarters is located at 3111 Camino Del Rio North, Suite 103, San Diego, California 92108 and our telephone number is (877) 445-4581. Investors wishing to obtain more information about us may access the Investors section of our Internet site at http://www.encorecapital.com. The site provides access, free of charge, to relevant investor related information, such as Securities and Exchange Commission ("SEC") filings, press releases, featured articles, an event calendar, and frequently asked questions. SEC filings are available on our Internet site as soon as reasonably practicable after being filed with, or furnished to, the SEC. Also available on our website are our Standards of Business Conduct and charters for the committees of our Board of Directors. We intend to disclose any amendment to, or waiver of, a provision of our Standards of Business Conduct on our website. The content of our Internet site is not incorporated by reference into this Annual Report on Form 10-K. Any materials that we filed with the SEC may also be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (http://www.sec.gov).

***Our Competitive Advantages***

*Analytic Strength.* We believe that success in our business depends on our ability to establish and maintain an information advantage. Leveraging an industry-leading financially distressed consumer database, our in-house team of statisticians, business analysts, and software programmers have developed, and continually enhance, proprietary behavioral and valuation models, custom software applications, and other business tools that guide our portfolio purchases. Moreover, our collection channels are informed by powerful statistical models specific to each collection activity, and each year we deploy significant capital to purchase credit bureau and customized consumer data that describe demographic, account level, and macroeconomic factors related to credit, savings, and payment behavior. Our international expansion has enabled us to collaborate across our operating subsidiaries to employ and enhance our statistical models throughout the markets we service.

*Consumer Intelligence.* At the core of our analytic approach is a focus on characterizing our consumers' willingness and ability to repay their financial obligations. In this effort, we apply tools and methods from statistics, psychology, economics, and management science across the full extent of our business. During portfolio valuation, we use an internally developed and proprietary family of statistical models that determines the likelihood and expected amount of payment for each consumer within a portfolio. Subsequently, the expectations for each account are aggregated to arrive at a portfolio-level liquidation solution and a valuation for the entire portfolio is determined. During the collection process, we apply a number of proprietary operational frameworks to match our collection approach to an individual consumer's payment behavior.

*Strong Capital Stewardship*. We continue to maintain a focus on raising and deploying capital prudently to maximize the return on our invested capital. Our operational scale and geographic diversification enable us to adjust to market trends and deploy capital to maximize risk-adjusted returns.

*Cost Efficiency.* Cost efficiency is central to our collection and purchasing strategies. We experience considerable cost advantages, stemming from our operations in India and Costa Rica and the development and implementation of operational models that enhance profitability. We believe that we are the only company in our industry with a successful, late-stage collection platform in India. This cost-saving, first-mover advantage helps to reduce our call center variable cost-to-collect.

*Principled Intent.* Across the full extent of our operations, we strive to treat consumers with respect, compassion, and integrity. From affordable payment plans to hardship solutions, we work with our consumers as they attempt to return to financial health. We are committed to dialogue that is honorable and constructive, and hope to play an important and positive role in our consumers' financial recovery. We believe that our interests, and those of the financial institutions from which we purchase portfolios, are closely aligned with the interests of government agencies seeking to protect consumer rights. In 2011, we unveiled the industry's first and only Consumer Bill of Rights, which codifies our commitment to respectful consumer treatment. We expect to continue investing in infrastructure and processes that support consumer advocacy and financial literacy while promoting an appropriate balance between corporate and consumer responsibility.

***Our Strategy***

We have implemented a business strategy that emphasizes the following three elements:

*Continue to Invest in our Core Businesses in the United States.* Our core domestic portfolio purchasing and recovery business remains critical to our success. Supply and demand dynamics within the United States have fluctuated over time and will likely continue to do so. To position ourselves to continue to generate strong risk-adjusted returns, we intend to continue to invest in analytics, technology, risk management and compliance. We will also continue to invest in initiatives that enhance our relationships with consumers, expand our digital capabilities and collections, or improve liquidation rates on our portfolios. We also plan to invest in software and systems designed to better integrate our operations and improve our overall efficiency. We intend to continue to deploy a meaningful amount of capital in our core domestic markets.

*Strengthen and Develop our International Businesses*. We believe we are well-positioned through Cabot and our other international businesses to take a leading role, worldwide, in the distressed debt and subprime consumer financial sectors. Cabot intends to preserve its market leading position in the U.K. by maintaining its high level of collections performance and compliance. Cabot also intends to invest in new innovations, particularly in the digital channels, maintaining its reputation for customer service and compliance, which is important to customers, vendors and regulators, and continuing to develop its leading data, scorecard and litigation capabilities. In addition to Cabot, our international footprint also includes our presence in the Spanish, Latin American and Australasian debt markets, and our international operations at our India and Costa Rica locations. We intend to continue to strengthen and develop these international businesses. We will also continue to evaluate opportunities in new geographic markets.

*Explore Business Model Adjacencies and Expansion.* We are working to leverage some of our core competencies, such as our knowledge of financially distressed consumers, in other areas or for different types of defaulted consumer receivables or to provide other services to financial institutions. We believe that our existing underwriting and collection processes can be

extended to a variety of consumer receivables. These capabilities have allowed us to develop and provide complementary products or services to specified financially distressed consumer segments and other complementary programs.

***Purchasing Approach***

We provide sellers of delinquent receivables liquidity and immediate value through the purchase of charged-off consumer receivables. We believe that we are an appealing partner for these sellers given our financial strength, focus on principled intent, and track record of financial success.

United States

*Identify purchase opportunities.* We maintain relationships with some of the largest credit originators and portfolio resellers of charged-off consumer receivables in the United States. We identify purchase opportunities and secure, where possible, exclusive negotiation rights. We believe that we are a valued partner for credit originators from whom we purchase portfolios, and our ability to secure exclusive negotiation rights is typically a result of our strong relationships and our purchasing scale. Receivable portfolios are sold either through a general auction, where the seller requests bids from market participants, or through an exclusive negotiation, where the seller and buyer negotiate a sale privately. The sale transaction can be either for a one-time spot purchase or for a "forward flow" contract. A "forward flow" contract is a commitment to purchase receivables over a duration that is typically three to twelve months with specifically defined volume, frequency, and pricing. Typically, these forward flow contracts have provisions that allow for early termination or price re-negotiation should the underlying quality of the portfolio deteriorate over time or if any particular month's delivery is materially different than the original portfolio used to price the forward flow contract. We generally attempt to secure forward flow contracts for receivables because a consistent volume of receivables over a set duration can allow us more precision in forecasting and planning our operational needs.

*Evaluate purchase opportunities using account-level analytics.* Once a portfolio of interest is identified, we obtain detailed information regarding the portfolio's accounts, including certain information regarding the consumers themselves. We then purchase additional information for the consumers whose accounts we are contemplating purchasing, including credit and payment behavior. Our Decision Science team, which is responsible for asset valuation, statistical analysis, and forecasting, then analyzes this information to create future cash forecasts. Our collection expectations are based on demographic data, account characteristics, and credit file variables, which we use to predict a consumer's willingness and ability to repay their debt. The expected value of each portfolio is determined by the forecast, our operational strategy and the capacity of our collection channels. Additional adjustments to cash expectations are made to account for qualitative factors that may affect the payment behavior of our consumers (such as prior collection activities, or the underwriting approach of the seller), and servicing related adjustments to ensure our valuations are aligned with our operations.

*Formal approval process.* Once we have determined the value of the portfolio and have completed our qualitative diligence, we present the purchase opportunity to our investment committee, which either sets the maximum purchase price for the portfolio based on a corporate Internal Rate of Return ("IRR") or other strategic objectives, or declines to bid. Members of the investment committee include our Chief Executive Officer, Chief Financial Officer, other members of our senior management team, and experts, as needed.

We believe long-term success is best achieved by combining a diverse asset sourcing approach with an account-level scoring methodology and a disciplined evaluation process.

International

*Identify purchase opportunities.* Through Cabot, we have strong relationships with many of the largest financial service providers in the United Kingdom and Europe (including consumer finance, telecommunications companies, retailers, utilities companies and government agencies). These relationships frequently generate recurring purchase opportunities. Cabot primarily acquires receivable portfolios through a competitive bidding process that is initiated by the portfolio seller. Portfolios are also acquired through forward flow agreements. Cabot typically enters into forward flow arrangements only where and when it is able to secure agreements concerning the price for each tranche received that protect it from any adverse changes in portfolio quality.

*Evaluate purchase opportunities using pricing and analytical models*. When Cabot identifies a portfolio of interest, it evaluates account-level information and performs due diligence to evaluate certain features of the portfolio. Cabot next applies its proprietary, highly automated portfolio pricing models to further evaluate the portfolio, using separate models depending on the type of account: a model for paying semi-performing accounts and regression models for non-performing accounts. Using its substantial database of account holder information, Cabot carries out additional statistical analysis that is customized to evaluate specific repayment characteristics to further evaluate the accounts. The results of due diligence and the outputs of the

pricing models and data analysis is presented to Cabot's pricing committee, which then decides whether to make an indicative bid for the portfolio. If, following the indicative bid, Cabot is short-listed by the vendor, it then conducts further due diligence on the portfolio and refines its analysis. Following this additional due diligence, the pricing committee decides whether to submit a final binding offer for the portfolio.

*Formal approval process.* All purchases require approval by the pricing committee. Cabot's pricing committee includes its Chief Executive Officer, Chief Financial Officer and other relevant officers. Purchases above a certain size or in certain geographies also require approval by Cabot's investment committee, which includes members of its board including officers of Encore. We believe that Cabot's significant industry and management experience enable it to make informed decisions about the portfolios Cabot acquires.

***Collection Approach***

United States

- ***Inactive***. We strive to use our financial resources judiciously and efficiently by not deploying resources on accounts where the prospects of collection are remote based on a consumer's situation.

- ***Direct Mail and Email***. We develop innovative, mail and email campaigns offering consumers payment programs, and occasionally appropriate discounts, to encourage settlement of their accounts.

- ***Call Centers***. We maintain domestic collection call centers in Phoenix, Arizona, St. Cloud, Minnesota, Troy, Michigan, and Roanoke, Virginia and international call centers in Gurgaon, India and San Jose, Costa Rica. Call centers generally consist of multiple collection departments. Account managers supervised by group managers are trained and divided into specialty teams. Account managers assess our consumers' willingness and capacity to pay. They attempt to work with consumers to evaluate sources and means of repayment to achieve a full or negotiated lump sum settlement or develop payment programs customized to the individual's ability to pay. In cases where a payment plan is developed, account managers encourage consumers to pay through automatic payment arrangements. We continuously educate account managers to understand and apply applicable laws and policies that are relevant in the account manager's daily collection activities. Our ongoing training and monitoring efforts help ensure compliance with applicable laws and policies by account managers.

- ***Legal Action***. We generally refer accounts for legal action where the consumer has not responded to our direct mail efforts or our calls and it appears the consumer is able, but unwilling, to pay their obligations. When we decide to pursue legal action, we place the account into our internal legal channel or refer them to our network of retained law firms. If placed to our internal legal channel, attorneys in that channel will evaluate the accounts and make the final determination whether to pursue legal action. If referred to our network of retained law firms, we rely on our law firms' expertise with respect to applicable debt collection laws to evaluate the accounts placed in that channel in order to make the decision about whether or not to pursue collection litigation. Prior to engaging an external law firm (and throughout our engagement of any external law firm), we monitor and evaluate the firm's compliance with consumer credit laws and regulations, operations, financial condition, and experience, among other key criteria. The law firms we hire may also attempt to communicate with the consumers in an attempt to collect their debts prior to initiating litigation. We pay these law firms a contingent fee based on amounts they collect on our behalf.

- ***Third-Party Collection Agencies***. We selectively employ a strategy that uses collection agencies. Collection agencies receive a contingent fee for each dollar collected. Generally, we use these agencies on accounts when we believe they can liquidate better or less expensively than we can or to supplement capacity in our internal call centers. We also use agencies to initially provide us a way to scale quickly when large purchases are made and as a challenge to our internal call center collection teams. Prior to engaging a collection agency, we evaluate, among other things, those aspects of the agency's business that we believe are relevant to its performance and compliance with consumer credit laws and regulations.

- ***Digital Collections***. We offer an online payment portal that enhances consumer convenience by providing consumers the ability to view account details, make payments and submit inquiries online.

- ***No Resale***. Our policy is to not resell accounts to third parties in the ordinary course of business.

We expand and build upon the insight developed during our purchase process when developing our account collection strategies for portfolios we have acquired. Our proprietary consumer-level collectability analysis is the primary determinant of whether an account is actively serviced post-purchase. The channel identification process is analogous to a decision tree where we first differentiate those consumers who we believe are unable to pay from those who we believe are able to pay. Consumers who we believe are financially incapable of making any payments, or are facing extenuating circumstances or hardships that

would prevent them from making payments, are excluded from our collection process. It is our practice to attempt to contact consumers and assess each consumer's willingness to pay through analytics, phone calls and/or letters. If the consumer's contact information is unavailable or out of date, the account is routed to our skip tracing process, which includes the use of different skip tracing companies to provide accurate phone numbers and addresses. The consumers that engage with us are presented with payment plans that are intended to suit their needs or are sometimes offered discounts on their obligations. For the consumers that do not respond to our calls or our letters we must then decide whether to pursue collections through legal action. Throughout our ownership period of accounts, we periodically refine our collection approach to determine the most effective collection strategy to pursue for each account.

International

Cabot uses insights developed during its purchasing process to build account collection strategies. Cabot's proprietary consumer-level collectability analysis is the primary determinant of how an account will be serviced post-purchase. Cabot continuously refines this analysis to determine the most effective collection strategy to pursue for each account it owns. Cabot purchases both paying portfolios, which consist of accounts where over 50% of the investment value is associated with consumers who are already repaying some of their debt, albeit at levels that still require the debt to be written off under the originators' internal accounting policies, and non-paying portfolios, where 50% or more of the investment value is associated with customers who are not repaying some of their debt, which are higher risk and have less predictable cash flows than paying portfolios. Paying portfolios tend to have a higher purchase price relative to face value than non-paying accounts due to the higher expectations for collections, as well as lower anticipated collection costs. Non-paying portfolios often consist of a substantial number of accounts without contact details and for which the vendor has made numerous unsuccessful attempts to collect.

For paying accounts, Cabot will attempt to establish contact with these consumers in order to transfer payment arrangements and gauge the willingness of these consumers to transition to an enhanced payment plan. For non-paying accounts, consumers who Cabot believes are financially incapable of making any payments, those having negative disposable income, or those experiencing hardship, are handled outside of normal collections processes through dedicated and tailored strategies. The remaining pool of accounts then receives further evaluation through Cabot's data analytics. At that point, Cabot analyzes and determines a consumer's perceived willingness to pay. Based on that analysis, Cabot pursues collections through letters, phone calls and/or text messages to its consumers. Where contact is made and consumers indicate a willingness and ability to pay, Cabot creates tailor-made payment plans to suit the consumer's situation using regulatory protocols within the United Kingdom to assess affordability and ensure that repayment plans are fair and balanced and therefore sustainable. Where contact is not made or the customer is unwilling to pay, Cabot refers the account to the appropriate escalation point in the collection process, which may include its internal debt collection agency, a third-party collection agency or legal action. Cabot also has robust internal legal collection capabilities, allowing the organization to address consumers across the entire willingness to pay spectrum. Cabot utilizes a similar collection approach for its debt servicing operations.

***Compliance and Enterprise Risk Management***

United States

We have established a compliance management system framework, operational procedures, and governance structures to enable us to conduct business in accordance with applicable rules, regulations, and guidelines. Our philosophy rests on well-established risk management principles including a model leveraging three lines of defense. Our first line of defense consists of business lines or other operating units, whose role is to own and manage risks and associated mitigating controls. Our second line of defense is comprised of strong legal, compliance, and enterprise risk management functions, who ensure that the business maintains policies and procedures in compliance with existing laws and regulations, advise the business on assessing risk and strengthening controls, and provide additional, related support. These second-line functions facilitate oversight by our Board of Directors and management, and are responsible for promoting compliance with applicable laws and regulations, assisting in formulating and maintaining policies and procedures, and engaging in training, risk assessments, testing, monitoring, complaint response, compliance audits and corrective actions. Our third line of defense is provided by our internal audit function, providing independent assurance that both first and second line functions are performing their roles appropriately within the context of our framework.

Beyond written policies, one of our core internal goals is the adherence to principled intent as it pertains to all consumer interactions. We believe that it is in our shareholders' and our employees' best interest to treat all consumers with the highest standards of integrity. Specifically, we have strict policies and a code of ethics that guide all dealings with our consumers. To reinforce existing written policies, we have established a number of quality assurance procedures. Through our Quality Assurance program, our Fair Debt Collection Practices Act training for new account managers, our Fair Debt Collection Practices Act recertification program for continuing account managers, and our Consumer Support Services department, we take significant steps to ensure compliance with applicable laws and regulations and seek to promote consumer satisfaction.

Our Quality Assurance team aims to enhance the skills of account managers and to drive compliance initiatives through active call monitoring, account manager coaching and mentoring, and the tracking and distribution of company-wide best practices. Finally, our Consumer Support Services department works directly with consumers to seek to resolve incoming consumer inquiries and to respond to consumer disputes as they may arise. We continually monitor applicable changes to laws governing statutes of limitations and disclosures to consumers.

Credit originators who sell us defaulted consumer receivables routinely conduct examinations of our collection practices and procedures and typically make reports with recommendations to us as to how they believe we can improve those practices and procedures. We respond to these reports in the ordinary course of business and make changes to our practices and procedures that we believe are appropriate to address any issues raised in such reports.

International

Cabot has established a compliance framework, operational procedures, and governance structures to enable it to conduct business in accordance with applicable rules, regulations, and guidelines. Cabot's employees undergo comprehensive training on legal and regulatory compliance, and Cabot engages in regular call monitoring checks, data checks, performance reviews, and other operational reviews to ensure compliance with company guidelines. The laws and regulations under which Cabot operates have at their core the fair treatment of consumers, which is embedded within Cabot's processes and culture.

***Information Technology***

*Technical Infrastructure.* Our internal network has been configured to be redundant in all critical functions, at all sites. This redundancy has been implemented within the local area network switches and the data center network and includes fully redundant Multiprotocol Label Switching (MPLS) networks. We have the capability to handle high transaction volume in our server network architecture with scalability to meet and exceed our future growth plans. Redundancy, coupled with seamless scalability and our high performance infrastructure, will allow for rapid business transformation and growth.

*Omni-Channel Enabled Dialer Technology.* Our call centers employ the use of upgraded dialer technology that expands our ability to service the consumer in their preferred channel of communication. This technology allows additional call volume capacity and greater efficiency through shorter wait times and an increase in the number of live contacts. This technology helps maximize account manager productivity and further optimizes the yield on our portfolio purchases. Additionally, the use of predictive dialing technology helps us comply with applicable federal and state laws in the United States that restrict the time, place, and manner in which debt collectors can call consumers. Recognizing mobile phone dialing has a different set of legal restrictions, we utilize a distinctly different platform for non-consented mobile phones in order to comply with all laws while providing a framework for us to maximize contact with our consumers.

*Computer Hardware.* We have made significant improvements in our data centers, and now have redundancy in support of continued growth. We use a robust computer platform to perform our daily operations, including the collection efforts of our global workforce. Our custom software applications are integrated within our database server environment allowing us to process transaction loads with speed and efficiency. The computer platform offers us reliability and expansion opportunities. Furthermore, this hardware incorporates state of the art data security protection. We back up our data utilizing a tapeless configuration, and copies are replicated to a secure secondary data center. We also mirror our production data to a remote location to give us full protection in the event of the loss of our primary data center. To ensure the integrity and reliability of our computer platform, we periodically engage outside auditors specializing in information technology and cybersecurity to examine both our operating systems and disaster recovery plans.

*Process Control.* To provide assurance that our entire infrastructure continues to operate efficiently and securely, we have developed a strong process and control environment. These governance, risk management, and control protocols govern all areas of the enterprise: from physical security and cybersecurity, to change management, data protection, and segregation of duties.

*Cybersecurity.* We divide our cybersecurity and information security functions into the four core tenants that we believe make up a solid information security practice: (1) security strategy and architecture; (2) operational security; (3) vulnerability and threat management; and (4) IT governance, risk and controls. We invest in cybersecurity and advanced technologies, including next generation threat prevention and threat intelligence solutions, to protect our organization and consumer and proprietary data throughout its life cycle. We believe that our adoption and implementation of leading security frameworks for the financial services industry and the regulatory environments and geographies in which we operate demonstrates our commitment to cybersecurity and information security.

***Competition***

The consumer credit recovery industry is highly competitive in both the United States and the United Kingdom. We compete with a wide range of collection and financial services companies, traditional contingency collection agencies and in-house recovery departments. Competitive pressures affect the availability and pricing of receivable portfolios, as well as the availability and cost of qualified recovery personnel. In the United States, we believe some of our major competitors, which include companies that focus primarily on the purchase of charged-off receivable portfolios, have continued to diversify into third-party agency collections and into offering credit card and other financial services as part of their recovery strategy.

When purchasing receivables, we compete primarily on the basis of price, the ease of negotiating and closing the prospective portfolio purchases with us, our ability to obtain funding, and our reputation with respect to the quality of services that we provide. We believe that our ability to compete effectively in this market is also dependent upon, among other things, our relationships with credit originators and portfolio resellers of charged-off consumer receivables, and our ability to provide quality collection strategies in compliance with applicable laws.

We believe that smaller competitors in the United States and the United Kingdom are facing difficulties in the portfolio purchasing market because of the higher cost to operate due to increased regulatory pressure and scrutiny applied by regulators. In addition, sellers of charged-off consumer receivables are increasingly sensitive to the reputational risks involved in the industry and are therefore being more selective with buyers in the marketplace, resulting in consolidation within the portfolio purchasing and recovery industry. We believe this favors larger participants in this market, such as us, that are better able to adapt to these pressures.

***Government Regulation***

United States

Our debt purchasing and collection activities are subject to federal, state, and municipal statutes, rules, regulations, and ordinances that establish specific guidelines and procedures that debt purchasers and collectors must follow when collecting consumer accounts. It is our policy to comply with the provisions of all applicable laws in all of our recovery activities. Our failure to comply with these laws could have a material adverse effect on us to the extent that they limit our recovery activities or subject us to fines or penalties in connection with such activities.

The federal Fair Debt Collection Practices Act (“FDCPA”) and comparable state and local laws establish specific guidelines and procedures that debt collectors must follow when communicating with consumers, including the time, place and manner of the communications, and prohibit unfair, deceptive, or abusive debt collection practices. Until 2011, the Federal Trade Commission (“FTC”) administered, and had primary responsibility for the enforcement of, the FDCPA. In July 2011, pursuant to the Dodd-Frank Wall Street Reform and Consumer Financial Protection Act of 2010 (the “Dodd-Frank Act”), Congress transferred the FTC’s role of administering the FDCPA to the Consumer Financial Protection Bureau (“CFPB”), along with certain other federal statutes, and gave the CFPB authority to implement regulations under the FDCPA. The FTC and the CFPB share enforcement responsibilities under the FDCPA.

In addition to the FDCPA, the federal laws that directly or indirectly apply to our business (including the regulations that implement these laws) include the following:

- Dodd-Frank Act, including the Consumer Financial Protection Act (Title X of the Dodd-Frank Act, “CFPA”)
- Electronic Fund Transfer Act
- Equal Credit Opportunity Act
- Fair Credit Billing Act
- Fair Credit Reporting Act (“FCRA”)
- Federal Trade Commission Act (“FTCA”)
- Gramm-Leach-Bliley Act
- Health Insurance Portability and Accountability Act
- Servicemembers’ Civil Relief Act
- Telephone Consumer Protection Act (“TCPA”)
- Truth In Lending Act
- U.S. Bankruptcy Code
- Wire Act
- Credit CARD Act
- Foreign Corrupt Practices Act

The Dodd-Frank Act was adopted to reform and strengthen regulation and supervision of the U.S. financial services industry. It contains comprehensive provisions governing the oversight of financial institutions, some of which apply to us. Among other things, the Dodd-Frank Act established the CFPB, which has broad authority to implement and enforce “federal consumer financial law,” as well as authority to examine financial institutions, including credit issuers that may be sellers of receivables and debt buyers and collectors such as us, for compliance with federal consumer financial law. The CFPB has authority to prevent unfair, deceptive, or abusive acts or practices by issuing regulations or by using its enforcement authority

without first issuing regulations. The Dodd-Frank Act also authorizes state officials to enforce regulations issued by the CFPB and to enforce the CFPA general prohibition against unfair, deceptive, and abusive acts or practices.

The CFPB's authorities include the ability to issue regulations under all significant federal statutes that affect the collection industry, including the FDCPA, FCRA, and others. In July 2016, the CFPB released an outline of proposals under consideration for its debt collection rulemaking. The proposals are aimed at ensuring debt collectors, among other things: collect the correct debt; limit excessive or disruptive communications; stop collecting or suing for debt without proper documentation; and provide documentation substantiating debt to a consumer upon demand. In addition to consulting with business representatives, the CFPB will continue to seek input from the public, consumer groups, industry, and other stakeholders before continuing the rulemaking process. In July 2017, the CFPB issued an agenda that included plans to issue a Notice of Proposed Rulemaking concerning debt collectors' and debt buyers' communications practices and consumer disclosures.

The Dodd-Frank Act also gave the CFPB supervisory and examination authority over a variety of institutions that may engage in debt collection, including us. Accordingly, the CFPB is authorized to supervise and conduct examinations of our business practices. The prospect of supervision has increased the potential consequences of noncompliance with federal consumer financial law.

The CFPB can conduct hearings, adjudication proceedings, and investigations, either unilaterally or jointly with other state and federal regulators, to determine if federal consumer financial law has been violated. The CFPB has authority to impose monetary penalties for violations of applicable federal consumer financial laws (including the CFPA, FDCPA, and FCRA, among other consumer protection statutes), require remediation of practices, and pursue enforcement actions. The CFPB also has authority to obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief), costs, and monetary penalties ranging from $5,000 per day for ordinary violations of federal consumer financial laws to $25,000 per day for reckless violations and $1 million per day for knowing violations. In addition, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations implemented under Title X of the Dodd-Frank Act, the Dodd-Frank Act empowers state Attorneys General and state regulators to bring civil actions to remedy violations of state law. The CFPB has been active in its supervision, examination and enforcement of financial services companies, including bringing enforcement actions, imposing fines and mandating large refunds to customers of several financial institutions for practices relating to debt collection practices.

On September 9, 2015, we entered into a consent order (the "Consent Order") with the CFPB in which we settled allegations arising from our practices between 2011 and 2015. The Consent Order includes obligations on us to, among other things: (1) follow certain specified operational requirements, substantially all of which are already part of our current operations; (2) submit to the CFPB for review a comprehensive plan designed to ensure that our debt collection practices comply with all applicable federal consumer financial laws and the terms of the Consent Order; (3) pay redress to certain specified groups of consumers; and (4) pay a civil monetary penalty. We will continue to cooperate and engage with the CFPB and work to ensure compliance with the Consent Order. In addition, we are subject to ancillary state attorney general investigations related to similar debt collection practices.

In addition, the CFPB has issued guidance in the form of bulletins on debt collection and credit furnishing activities generally, including one that specifically addresses representations regarding credit reports and credit scores during the debt collection process, another that focuses on the application of the CFPA's prohibition of "unfair, deceptive, or abusive" acts or practices on debt collection and another that discusses the risks that in-person collection of consumer debt may create in violating the FDPCA and CFPA. The CFPB also accepts debt collection consumer complaints and released template letters for consumers to use when corresponding with debt collectors. The CFPB makes publicly available its data on consumer complaints. The Dodd-Frank Act also mandates the submission of multiple studies and reports to Congress by the CFPB, and CFPB staff regularly make speeches on topics related to credit and debt. All of these activities could trigger additional legislative or regulatory action. In addition, the CFPB has engaged in enforcement activity in sectors adjacent to our industry, impacting credit originators, collection firms, and payment processors, among others. The CFPB's enforcement activity in these spaces, especially in the absence of clear rules or regulatory expectations, can be disruptive to third parties as they attempt to define appropriate business practices. As a result, certain commercial relationships we maintain may be disrupted or impacted by changes in third-parties' business practices or perceptions of elevated risk relating to the debt collection industry.

Our activities are also subject to federal and state laws concerning identity theft, privacy, data security, the use of automated dialing equipment, and other laws related to consumers and consumer protection. In response to petitions filed by third parties, in July 2015, the Federal Communications Commission ("FCC") released a declaratory ruling interpreting the TCPA, which could impact the way consumers may be contacted on their cellular phones and could impact our operations and financial results.

In addition to the federal statutes detailed above, many states have general consumer protection statutes, laws, regulations, or court rules that apply to debt purchasing and collection. In a number of states and cities, we must maintain licenses to perform debt recovery services and must satisfy related bonding requirements. It is our policy to comply with all material licensing and bonding requirements. Our failure to comply with existing licensing requirements, changing interpretations of existing requirements, or adoption of new licensing requirements, could restrict our ability to collect in regions, subject us to increased regulation, increase our costs, or adversely affect our ability to collect our receivables.

State laws, among other things, also may limit the interest rate and the fees that a credit originator may impose on our consumers, limit the time in which we may file legal actions to enforce consumer accounts, and require specific account information for certain collection activities. By way of example, the California Fair Debt Buying Practices Act that directly applies to debt buyers, applies to accounts sold after January 1, 2014. The law requires debt buyers operating in the state to have in their possession specific account information before debt collection efforts can begin, among other requirements. Moreover, the New York State Department of Financial Services issued new debt collection regulations, which took effect in September 2015 and established new requirements for collecting debt in the state. In addition, other state and local requirements and court rulings in various jurisdictions may also affect our ability to collect.

The relationship between consumers and credit card issuers is also extensively regulated by federal and state consumer protection and related laws and regulations. These laws may affect some of our operations because the majority of our receivables originate through credit card transactions. The laws and regulations applicable to credit card issuers, among other things, impose disclosure requirements when a credit card account is advertised, when it is applied for and when it is opened, at the end of monthly billing cycles, and at year-end. Federal law requires, among other things, that credit card issuers disclose to consumers the interest rates, fees, grace periods, and balance calculation methods associated with their credit card accounts. Some laws prohibit discriminatory practices in connection with the extension of credit. If the originating institution fails to comply with applicable statutes, rules, and regulations, it could create claims and rights for consumers that would reduce or eliminate their obligations related to those receivables. When we acquire receivables, we generally require the credit originator or portfolio reseller to represent that they have complied with applicable statutes, rules, and regulations relating to the origination and collection of the receivables before they were sold to us.

Federal statutes further provide that, in some cases, consumers cannot be held liable for, or their liability is limited with respect to, charges to their credit card accounts that resulted from unauthorized use of their credit cards. These laws, among others, may give consumers a legal cause of action against us, or may limit our ability to recover amounts owing with respect to the receivables, whether or not we committed any wrongful act or omission in connection with the account.

These laws and regulations, and others similar to the ones listed above, as well as laws applicable to specific types of debt, impose requirements or restrictions on collection methods or our ability to enforce and recover certain of our receivables. Effects of the law, including those described above, and any new or changed laws, rules, or regulations, and reinterpretation of the same, may adversely affect our ability to recover amounts owing with respect to our receivables or the sale of receivables by creditors and resellers.

International

Our international operations are affected by foreign statutes, rules and regulations. It is our policy to comply with these laws in all of our recovery activities.

The debt collection and debt purchase industries in the United Kingdom are highly regulated by a number of different governmental bodies and firms operating within it are subject to high standards of monitoring and compliance, particularly following the transition in regulatory regimes from the Office of Fair Trading (“OFT”) to the Financial Conduct Authority (“FCA”) in April 2014. The key entities and regulations that govern Cabot’s business are set out below.

*Financial Conduct Authority Regulation*. U.K. debt purchase and collections businesses are principally regulated by the FCA, the UK Information Commissioner’s Office (“ICO”) and the UK Office of Communications (“OFCOM”). In March 2016, Cabot Credit Management Group Limited (“CCMG”), a Cabot subsidiary, was granted FCA authorization to conduct debt purchase and debt collection activities, as well as exercising the right of a lender. CCMG appointed other Cabot subsidiaries to carry out debt-collecting and debt administration services on its behalf. CCMG assumes full regulatory responsibility for such entities. The FCA regards debt collection as a ‘‘high risk’’ activity and may therefore dedicate special resources to more intensive monitoring of businesses in this sector. The FCA Handbook sets out the FCA rules and other provisions. Firms wishing to carry on regulated consumer credit activities must comply with all applicable sections of the FCA Handbook as well as the applicable consumer credit laws and regulations.

The FCA has applied its rules to consumer credit firms in a number of areas, including its high-level principles and conduct of business standards. The FCA has substantially greater powers than the OFT and given the FCA has only been

responsible for regulating consumer credit since April 2014, it is likely that the regulatory requirements applicable to the debt purchase industry will continue to increase, as the FCA deepens its understanding of the industry through continued supervision. In addition, it is likely that the compliance framework that will be needed to continue to satisfy the FCA requirements will demand incremental investment and resources in Cabot's compliance governance framework. For example, the FCA have now confirmed that the UK Senior Managers and Certification Regime (''SMCR'') will be extended to all sectors of the financial services industry (including consumer credit firms), at which point the majority of CCMG's senior management team below the executive committee is expected to become certified persons, which could result in additional costs for CCMG. The objective of the legislation is to raise standards of conduct in financial services. The final implementation date for SMCR has not been published, although it is expected to be in 2018 or 2019.

Companies authorized by the FCA must be able to demonstrate that they meet the threshold conditions for authorization and comply on an ongoing basis with the FCA's high level standards for authorized firms, such as its Principles for Business (including the principle of ''treating customers fairly''), and rules and guidance on Systems and Controls. In addition to the full authorization of its business with the FCA, CCMG has appointed certain individuals who have significant control or influence over the management of the business, known as "Approved Persons," and are jointly and severally liable for the acts and omissions of CCMG and its business affairs. Approved Persons are subject to statements of principle and codes of practice established and enforced by the FCA.

The FCA has significantly greater powers than the OFT, including, but not limited to, the ability to impose significant fines, ban certain individuals from carrying on trade within the financial services industry, impose requirements on a firm's permission, cease certain products from being collected upon and in extreme circumstances remove permissions to trade.

In addition to the permissions granted as part of this FCA authorization, in February 2017, CCMG was granted a variation of permissions from the FCA in order to administer regulated mortgage contracts.

*Debt Pre-Action Protocol*. In September 2014, the Civil Procedure Rules Committee ("CPRC"), a subcommittee to the Ministry of Justice of the United Kingdom, issued a consultation on proposals to introduce a designated pre-action protocol for court claims for the recovery of debt that requires all debt collection entities to make significant changes to their court and litigation processes. The objectives of the debt pre-action protocol are, among others, to encourage parties to use alternative dispute resolution procedures and to encourage the full exchange of information between parties at an early stage in proceedings. It requires a significant amount of information, if requested, to be disclosed to consumers, including copies of credit agreements where any aspect of the debt is disputed between the parties (including, but not limited to, the debt's existence, enforceability and amount). The new Debt Pre-Action Protocol came into force on October 1, 2017.

*Consumer protection*. The regulatory regime in the United Kingdom relating to the protection of consumers from unfair terms and practices changed in 2015. In October 2015, the U.K. Parliament introduced new laws that reformed most of the previous U.K. consumer laws and was largely driven by the European Commission's Directive for Consumer Rights. The U.K. Consumer Rights Act 2015 introduced enhanced consumer measures that can be imposed on businesses and gives greater protection to U.K. consumers from unfair business practices and unfair terms in consumer agreements.

Additionally, the Consumer Credit Act of 1974 (and its related regulations) and the U.K. Consumer Rights Act 2015 set forth requirements for the entry into and ongoing management of consumer credit arrangements in the United Kingdom. A failure to comply with these requirements can make agreements unenforceable or can result in a requirement that charged and collected interest be repaid.

*Data protection*. In addition to these regulations on debt collection and debt purchase activities, Cabot must comply with requirements established by the Data Protection Act of 1998 in relation to processing the personal data of its consumers. In September 2017, the U.K. government published the Data Protection Bill 2017, which is anticipated to become law in 2018. This will substantially replace the Data Protection Act of 1998 and address further detail and increase the regulation which will be brought in by the E.U. General Data Protection Regulation ("GDPR"). The GDPR came into effect in May 2016 and will be applicable to member states of the E.U. from May 2018. The GDPR will introduce significant changes to the data protection regime including but not limited to: the conditions for obtaining consent to process personal data; transparency and providing information to individuals regarding the processing of their personal data; enhanced rights for individuals; notification obligations for personal data breach; and new supervisory authorities, including a European Data Protection Board ("EDPB"). We have analyzed the GDPR requirements and are working to ensure that we become compliant.

*Ireland*. The regulatory regime in the Republic of Ireland has been subject to significant changes. In July 2015, the Irish Parliament introduced the Consumer Protection (Regulation of Credit Servicing Firms) Act 2015, which requires credit servicing firms to be regulated by the Central Bank of Ireland to ensure regulatory protection for consumers following loan book sales. The Consumer Protection (Regulation of Credit Servicing Firms) Act 2015 seeks to address concerns regarding the loss of regulatory protections for borrowers when portfolio of loans are sold and/or serviced to/by an unregulated entity. Cabot

is registered with and regulated by the Central Bank of Ireland for credit servicing activities and its activities are subject to detailed rules on consumer protection and was issued an unconditional authorization in May 2017. Cabot was already contractually obligated to ensure compliance with the relevant consumer protection codes through its debt sale and management agreements and is audited on a regular basis against such obligations.

In June 2016, the United Kingdom held a referendum in which voters approved the United Kingdom's withdrawal from the E.U., commonly referred to as "Brexit." In March 2017, the United Kingdom formally served notice on the European Council of its intention to withdraw from the E.U. The United Kingdom is expected to exit the E.U. by no later than April 2019. Brexit has created significant uncertainty about the future relationship between the United Kingdom and the E.U., including with respect to the laws and regulations that will apply as the United Kingdom determines which E.U. laws to replace or replicate in the event of a withdrawal. Additionally, Brexit could, among other outcomes, disrupt the free movement of goods, services and people between the United Kingdom and the E.U., undermine bilateral cooperation in key policy areas and significantly disrupt trade between the United Kingdom and the E.U. Given the lack of comparable precedent, it is unclear what financial, trade and legal implications Brexit will have and how it will affect us.

In addition, the other markets in which we currently operate are subject to local laws and regulations, and we have implemented compliance programs to facilitate compliance with all applicable laws and regulations in those markets. Our operations outside the United States are subject to the U.S. Foreign Corrupt Practices Act, which prohibits U.S. companies and their agents and employees from providing anything of value to a foreign official for the purposes of influencing any act or decision of these individuals in order to obtain an unfair advantage, to help, obtain, or retain business.

***Employees***

As of December 31, 2017, we had approximately 8,200 employees worldwide. None of our employees in North America are represented by a labor union or subject to the terms of a collective bargaining agreement. We have employees in the U.K., Spain and New Zealand who are represented by a collective bargaining agreement. We believe that our relations with our employees in all locations are good.

## Item 1A—Risk Factors

There are risks and uncertainties in our business that could cause our actual results to differ from those anticipated. We urge you to read these risk factors carefully in connection with evaluating our business and in connection with the forward-looking statements and other information contained in this Annual Report on Form 10-K. Any of the risks described herein could affect our business, financial condition, or future results and the actual outcome of matters as to which forward-looking statements are made. The list of risks is not intended to be exhaustive, and the order in which the risks appear is not intended as an indication of their relative weight or importance. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, also may adversely affect our business, financial condition and/or operating results.

### Risks Related to Our Business and Industry

***Financial and economic conditions affect the ability of consumers to pay their obligations, which could harm our financial results.***

Economic conditions globally and locally directly affect unemployment, credit availability, and real estate values. Adverse conditions, economic changes, and financial disruptions place financial pressure on the consumer, which may reduce our ability to collect on our consumer receivable portfolios and may adversely affect the value of our consumer receivable portfolios. Further, increased financial pressures on the financially distressed consumer may result in additional regulatory requirements or restrictions on our operations and increased litigation filed against us. These conditions could increase our costs and harm our business, financial condition, and operating results.

***Our operating results may be affected by factors that could cause them to fluctuate significantly in the future.***

Our operating results will likely vary in the future due to a variety of factors that could affect our revenues and operating expenses. We expect that our operating expenses as a percentage of collections will fluctuate in the future as we expand into new markets, increase our business development efforts, hire additional personnel, and incur increased insurance and regulatory compliance costs. In addition, our operating results have fluctuated and may continue to fluctuate as a result of the factors described below and elsewhere in this Annual Report on Form 10-K:

- the timing and ability of consumers to make payments, including the effects of seasonality and macroeconomic conditions on their ability to pay;
- any charge to earnings resulting from an allowance against the carrying value of our receivable portfolios;

- increases in operating expenses associated with the growth or change of our operations or compliance with increased regulatory and other legal requirements;
- the cost of credit; and
- the supply of receivables portfolios for sale on acceptable terms.

Because we recognize revenue on the basis of projected collections on purchased portfolios, we may experience variations in quarterly revenue and earnings due to the timing of portfolio purchases.

***We may not be able to purchase receivables at favorable prices, which could limit our growth or profitability.***

Our ability to continue to operate profitably depends upon the continued availability of receivable portfolios that meet our purchasing standards and are cost-effective based upon projected collections exceeding our costs. Due, in part, to fluctuating prices for receivable portfolios and competition within the marketplace, there has been considerable variation in our purchasing volume and pricing from quarter to quarter and we expect that to continue. The volume of our portfolio purchases may be limited when prices are high, and may or may not increase when portfolio pricing is more favorable to us. Further, our rates of return may decline when portfolio prices are high. We do not know how long portfolios will be available for purchase on terms acceptable to us, or at all.

The availability of receivable portfolios at favorable prices depends on a number of factors, including:

- defaults in consumer debt;
- continued origination of loans by originating institutions at sufficient volumes;
- continued sale of receivable portfolios by originating institutions and portfolio resellers at sufficient volumes and acceptable price levels;
- competition in the marketplace;
- our ability to develop and maintain favorable relationships with key major credit originators and portfolio resellers;
- our ability to obtain adequate data from credit originators or portfolio resellers to appropriately evaluate the collectability of, estimate the value of, and collect on portfolios; and
- changes in laws and regulations governing consumer lending, bankruptcy, and collections.

We enter into “forward flow” contracts, which are commitments to purchase receivables over a duration that is typically three to twelve months with a specifically defined volume, frequency, and pricing. In periods of decreasing prices, we may end up paying an amount higher for such debt portfolios in a forward flow contract than we would otherwise agree to pay at the time for a spot purchase, which could result in reduced returns. We would likely only be able to terminate such forward flow agreements in certain limited circumstances.

In addition, because of the length of time involved in collecting charged-off consumer receivables on acquired portfolios and the volatility in the timing of our collections, we may not be able to identify trends and make changes in our purchasing strategies in a timely manner. Ultimately, if we are unable to continually purchase and collect on a sufficient volume of receivables to generate cash collections that exceed our costs or to generate satisfactory returns, our business, financial condition and operating results will be adversely affected.

***A significant portion of our portfolio purchases during any period may be concentrated with a small number of sellers, which could adversely affect our volume and timing of purchases.***

A significant percentage of our portfolio purchases for any given fiscal quarter or year may be concentrated with a few large sellers, some of which may also involve forward flow arrangements. We cannot be certain that any of our significant sellers will continue to sell charged-off receivables to us on terms or in quantities acceptable to us, or that we would be able to replace these purchases with purchases from other sellers.

A significant decrease in the volume of purchases available from any of our principal sellers on terms acceptable to us would force us to seek alternative sources of charged-off receivables. Further, we have historically complemented our portfolio purchases from credit originators by purchasing portfolios from resellers or through the acquisition of portfolios from competitors looking to exit the market. As consolidation in the market continues, there may be fewer competitors to acquire on favorable terms. In addition, as the regulatory market continues to evolve, increased documentation requirements for collecting

on portfolios may make purchasing accounts through resellers more difficult. Several larger issuers have also begun to prohibit resale of portfolios.

We may be unable to find alternative sources from which to purchase charged-off receivables, and even if we could successfully replace these purchases, the search could take time and the receivables could be of lower quality, cost more, or both, any of which could adversely affect our business, financial condition and operating results.

***We face intense competition that could impair our ability to maintain or grow our purchasing volumes.***

The charged-off receivables purchasing market is highly competitive and fragmented. We compete with a wide range of other purchasers of charged-off consumer receivables. To the extent our competitors are able to better maximize recoveries on their assets or are willing to accept lower rates of return, we may not be able to grow or sustain our purchasing volumes or we may be forced to acquire portfolios at expected rates of return lower than our historical rates of return. Some of our competitors may obtain alternative sources of financing at more favorable rates than those available to us, the proceeds from which may be used to fund expansion and to increase the amount of charged-off receivables they purchase.

Barriers to entry into the consumer debt collection industry have traditionally been low. More recently, increased regulatory standards have made entry into the market more difficult and have resulted in sellers of charged-off consumer receivables being more selective with buyers in the marketplace. Companies with greater financial resources than we have may elect at a future date to enter the market for charged-off consumer receivables. We believe that the entrance of new market participants in our industry could lead to additional upward pricing pressure on charged-off consumer receivables as a result of increased demand, but also because new purchasers may pay higher prices for the portfolios than more experienced purchasers would due to a lack of experience, data and analytics necessary to properly assess risks and return potential of the portfolios or a desire to add size to their existing operations.

We face bidding competition in our acquisition of charged-off consumer receivables. We believe that successful bids are predominantly awarded based on price and, to a lesser extent, based on service, reputation, and relationships with the sellers of charged-off receivables. Some of our current competitors, and potential new competitors, may have more effective pricing and collection models, greater adaptability to changing market needs, and more established relationships in our industry than we do. Moreover, our competitors may elect to pay prices for portfolios that we determine are not economically sustainable and, in that event, we may not be able to continue to offer competitive bids for charged-off receivables.

If we are unable to develop and expand our business or to adapt to changing market needs as well as our current or future competitors, we may experience reduced access to portfolios of charged-off consumer receivables in sufficient face value amounts at appropriate prices, which could adversely affect our business, financial condition and operating results.

***We may purchase receivable portfolios that are unprofitable or we may not be able to collect sufficient amounts to recover our costs and to fund our operations.***

We acquire and service charged-off receivables that the obligors have failed to pay and the sellers have deemed uncollectible and have written off. The originating institutions and/or portfolio resellers generally make numerous attempts to recover on these nonperforming receivables, often using a combination of their in-house collection and legal departments, as well as third-party collection agencies. In order to operate profitably over the long term, we must continually purchase and collect on a sufficient volume of charged-off receivables to generate revenue that exceeds our costs. These receivables are difficult to collect, and we may not be successful in collecting amounts sufficient to cover the costs associated with purchasing the receivables and funding our operations. If we are not able to collect on these receivables, collect sufficient amounts to cover our costs or generate satisfactory returns, this may adversely affect our business, financial condition and operating results.

***We may experience losses on portfolios consisting of new types of receivables or receivables in new geographies due to our lack of collection experience with these receivables, which could harm our business, financial condition and operating results.***

We continually look for opportunities to expand the classes of assets that make up the portfolios we acquire. Therefore, we may acquire portfolios consisting of assets with which we have little or no collection experience or portfolios of receivables in new geographies where we do not historically maintain an operational footprint. Our lack of experience with these assets may hinder our ability to generate expected levels of profits from these portfolios. Further, our existing methods of collections may prove ineffective for these new receivables, and we may not be able to collect on these portfolios. Our inexperience with these receivables may have an adverse effect on our business, financial condition and operating results.

***The statistical models we use to project remaining cash flows from our receivable portfolios may prove to be inaccurate and, if so, our financial results may be adversely affected.***

We use internally developed models to project the remaining cash flows from our receivable portfolios. These models consider known data about our consumers' accounts, including, among other things, our collection experience and changes in external consumer factors, in addition to data known when we acquired the accounts. However, we may not be able to achieve the collections forecasted by our models. If we are not able to achieve the levels of forecasted collection, our revenues will be reduced or we may be required to record an allowance charge, which may adversely affect our business, financial condition and operating results.

***A significant portion of our collections relies upon our success in individual lawsuits brought against consumers and our ability to collect on judgments in our favor.***

We generate a significant portion of our revenue by collecting on judgments that are granted by courts in lawsuits filed against consumers. A decrease in the willingness of courts to grant these judgments, a change in the requirements for filing these cases or obtaining these judgments, or a decrease in our ability to collect on these judgments could have an adverse effect on our business, financial condition and operating results. As we increase our use of the legal channel for collections, our short-term margins may decrease as a result of an increase in upfront court costs and costs related to counter claims. We may not be able to collect on certain aged accounts because of applicable statutes of limitations and we may be subject to adverse effects of regulatory changes. Further, courts in certain jurisdictions require that a copy of the account statements or applications be attached to the pleadings in order to obtain a judgment against consumers. If we are unable to produce those account documents, these courts could deny our claims, and our business, financial condition and operating results may be adversely affected.

***Increases in costs associated with our collections through collection litigation can raise our costs associated with our collection strategies and the individual lawsuits brought against consumers to collect on judgments in our favor.***

We hire in-house counsel and contract with a nationwide network of attorneys that specialize in collection matters. In connection with collection litigation, we advance certain out-of-pocket court costs that are recoverable from the consumer, which we refer to as deferred court costs. These court costs may be difficult or impossible to collect, and we may not be successful in collecting amounts sufficient to cover the amounts deferred in our financial statements. If we are not able to recover these court costs, our business, financial condition and operating results may be adversely affected.

Further, we have substantial collection activity through our legal channel and, as a consequence, increases in deferred court costs, increases in costs related to counterclaims, and an increase in other court costs may increase our costs in collecting on these accounts, which may have an adverse effect on our business, financial condition and operating results.

***Sellers may deliver portfolios that contain accounts that do not meet our account collection criteria and cannot be returned, which could have an adverse effect on our cash flows and our operations.***

In the normal course of portfolio acquisitions, some accounts may be included in the portfolios that fail to conform to the terms of the purchase agreements and we may seek to return these accounts to the sellers for refund. However, we generally have a limited time in which to return these accounts to the sellers under the terms of our purchase agreements. In addition, sellers may not be able to meet their contractual obligations to buy these accounts back from us. Accounts that we are unable to return to sellers may yield no return. If sellers deliver portfolios containing too many accounts that do not conform to the terms of the purchase agreements, we may be unable to collect a sufficient amount and the portfolio purchase could generate lower returns or be unprofitable, which would have an adverse effect on our cash flows and our operations. If cash flows from operations are less than anticipated, our ability to satisfy our debt obligations and purchase new portfolios and, correspondingly, our business, financial condition and operating results, may be adversely affected.

***We are subject to audits conducted by sellers of debt portfolios, and may be required to implement specific changes to our policies and practices as a result of adverse findings by such sellers as a part of the audit process, which could limit our ability to purchase debt portfolios from them in the future, which could materially and adversely affect our business.***

Pursuant to purchase contracts, we are subject to audits that are conducted by sellers of debt portfolios. Such audits may occur with little notice and the assessment criteria used by each seller varies based on their own requirements, policies and standards. Although much of the assessment criteria is based on regulatory requirements, we may be asked to comply with additional terms and conditions that are unique to particular debt originators. From time to time, sellers may believe that we are not in compliance with certain of their criteria and in such cases, we may be required to dedicate resources and to incur expenses to address such concerns, including the implementation of new policies and procedures. In addition, to the extent that we are unable to satisfy the requirements of a particular seller, such seller could remove us from their panel of preferred purchasers, which could limit our ability to purchase debt portfolios from that seller in the future, which could adversely affect our business, financial condition and operating results.

***We are dependent upon third parties to service a substantial portion of our consumer receivable portfolios.***

We use outside collection services to collect a substantial portion of our charged-off receivables. We are dependent upon the efforts of third-party collection agencies and attorneys to help service and collect our charged-off receivables. Our third-party collection agencies and attorneys could fail to perform collection services for us adequately, remit those collections to us or otherwise perform their obligations adequately. In addition, one or more of those third-party collection agencies or attorneys could cease operations abruptly or become insolvent, or our relationships with such collection agencies or attorneys may otherwise change adversely. Further, we might not be able to secure replacement third-party collection agencies or attorneys or promptly transfer account information to our new third-party collection agencies, attorneys or in-house in the event our agreements with our third-party collection agencies and attorneys were terminated. Any of the foregoing factors could cause our business, financial condition and operating results to be adversely affected.

***We may incur allowance charges based on the authoritative accounting guidance for loans and debt securities acquired with deteriorated credit quality.***

We account for our portfolio revenue in accordance with the authoritative accounting guidance for loans and debt securities acquired with deteriorated credit quality. The authoritative guidance limits the revenue that may be accrued to the excess of the estimate of expected future cash flows over a portfolio's initial cost and requires that the excess of the contractual cash flows over the expected cash flows not be recognized as an adjustment of revenue, expense, or on the balance sheet. The authoritative accounting guidance maintains the IRR originally estimated when the receivable portfolios are purchased and, rather than lower the estimated IRR if the expected future cash flow estimates are decreased, the carrying value of our receivable portfolios would be written down to maintain the then-current IRR. Increases in expected future cash flows would be recognized prospectively through an upward adjustment of the IRR over a portfolio's remaining life. Any increased yield then becomes the new benchmark for allowance testing. Since the authoritative accounting guidance does not permit yields to be lowered, there is an increased probability of us having to incur allowance charges in the future, which would adversely affect our business, financial condition and operating results.

***Changes in accounting standards and their interpretations could adversely affect our operating results.***

U.S. GAAP are subject to interpretation by the Financial Accounting Standards Board, or FASB, the American Institute of Certified Public Accountants, the SEC, and various other bodies that promulgate and interpret appropriate accounting principles. These principles and related implementation guidelines and interpretations can be highly complex and involve subjective estimates. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. For example, in June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 applies a current expected credit loss model which is a new impairment model based on expected losses rather than incurred losses. ASU 2016-13 eliminates the current accounting model for loans and debt securities acquired with deteriorated credit quality under Accounting Standards Codification ("ASC") 310-30, which provides authoritative guidance for the accounting of the Company's investment in receivable portfolios. Under this new standard, entities will gross up the initial amortized cost for the purchased financial assets with credit deterioration ("PCD assets"), the initial amortized cost will be the sum of (1) the purchase price and (2) the estimate of credit losses as of the date of acquisition. After initial recognition of PCD assets and the related allowance, any change in estimated cash flows (favorable or unfavorable) will be immediately recognized in the income statement because the yield on PCD assets would be locked. ASU 2016-13 is effective for reporting periods beginning after December 15, 2019 with early adoption permitted for reporting periods beginning after December 15, 2018. We are in the process of determining the effects the adoption will have on our consolidated financial statements as well as whether to adopt the new guidance early. ASU 2016-13 and additional new accounting standards could have an adverse effect on our reported financial results, which could in turn cause our stock price to decline.

***If our goodwill or amortizable intangible assets become impaired we may be required to record a significant charge to earnings.***

As of December 31, 2017, we carry approximately $929.0 million in goodwill and approximately $75.7 million in amortizable intangible assets. Under authoritative guidance, we review our goodwill for potential impairment at least annually, and review our amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors that may indicate that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include adverse changes in estimated future cash flows, growth rates and discount rates. We may be required to record a significant charge in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined, which could adversely affect our business, financial condition and operating results.

***Our business is subject to extensive laws and regulations, which have increased and may continue to increase.***

As noted in detail in "Item 1 - Part 1 - Business - Government Regulation" of this Annual Report on Form 10-K, extensive laws and regulations directly apply to key portions of our business. Our failure or the failure of third-party agencies and attorneys, or the credit originators or portfolio resellers selling receivables to us, to comply with existing or new laws, rules, or regulations could limit our ability to recover on receivables, affect the willingness of financial institutions to sell portfolios to us, cause us to pay damages to consumers or result in fines or penalties, which could reduce our revenues, or increase our expenses, and consequently adversely affect our business, financial condition and operating results.

We sometimes purchase accounts in asset classes that are subject to industry-specific and/or issuer-specific restrictions that limit the collection methods that we can use on those accounts. Further, we have seen a trend in laws, rules and regulations requiring increased availability of historic information about receivables in order to collect. If credit originators or portfolio resellers are unable or unwilling to meet these evolving requirements, we may be unable to collect on certain accounts. Our inability to collect sufficient amounts from these accounts, through available collections methods, could adversely affect our business, financial condition and operating results.

In addition, the CFPB has engaged in enforcement activity in sectors adjacent to our industry, impacting credit originators, collection firms, and payment processors, among others. Enforcement activity in these spaces by the CFPB or others, especially in the absence of clear rules or regulatory expectations, may be disruptive to third parties as they attempt to define appropriate business practices. As a result, certain commercial relationships we maintain may be disrupted or impacted by changes in third-parties' business practices or perceptions of elevated risk relating to the debt collection industry, which could reduce our revenues, or increase our expenses, and consequently adversely affect our business, financial condition and operating results.

Additional consumer protection or privacy laws, rules and regulations may be enacted, or existing laws, rules or regulations may be reinterpreted or enforced in a different manner, imposing additional restrictions or requirements on the collection of receivables.

***Failure to comply with government regulation could result in the suspension or termination of our ability to conduct business, may require the payment of significant fines and penalties, or require other significant expenditures.***

The collections industry is heavily regulated under various federal, state, and local laws, rules, and regulations. Many states and several cities require that we be licensed as a debt collection company. The CFPB, FTC, state Attorneys General and other regulatory bodies have the authority to investigate a variety of matters, including consumer complaints against debt collection companies, and can bring enforcement actions and seek monetary penalties, consumer restitution, and injunctive relief. If we, or our third-party collection agencies or law firms fail to comply with applicable laws, rules, and regulations, including, but not limited to, identity theft, privacy, data security, the use of automated dialing equipment, laws related to consumer protection, debt collection, and laws applicable to specific types of debt, it could result in the suspension or termination of our ability to conduct collection operations, which would adversely affect us. Further, our ability to collect our receivables may be affected by state laws, which require that certain types of account documentation be presented prior to the institution of any collection activities. In addition, new federal, state or local laws or regulations, or changes in the ways these rules or laws are interpreted or enforced, could limit our activities in the future and/or significantly increase the cost of regulatory compliance. Finally, our operations outside the United States are subject to foreign and U.S. laws and regulations that apply to our international operations, including the Foreign Corrupt Practices Act, the U.K. Bribery Act and other local laws prohibiting corrupt payments to government officials. Violations of these laws and regulations could result in fines and penalties, criminal sanctions, prohibitions on the conduct of our business and reputational damage. Any of the foregoing could have an adverse effect on our business, financial condition and operating results.

***Failure to comply with the regulatory regime to which Cabot is subject may adversely affect our business, financial condition and operating results.***

The debt purchase and collections sector and the broader consumer credit industry in the United Kingdom and the other jurisdictions in which Cabot operates is highly regulated under various laws and regulations. These laws and regulations are also subject to review from time to time and may be subject to significant change. In addition, this legislation is principles-based and therefore the interpretation of compliance is complex and may change over time. Failure to comply with such legislation or regulation may adversely affect the enforceability of the credit agreements underlying Cabot's debt portfolios.

UK debt purchase and collections businesses are principally regulated by the FCA, the ICO and the OFCOM. In March 2016, CCMG was granted FCA authorization to conduct debt purchase and debt collection activities, as well as exercising the right of a lender. In addition to the full authorization of its business with the FCA, CCMG has appointed certain individuals who have significant control or influence over the management of the business, known as "Approved Persons," and who will jointly and severally be liable for the acts and omissions of the company and its business affairs. Approved Persons

will be subject to statements of principle and codes of practice established and enforced by the FCA. The FCA regards debt collection as a "high risk" activity and therefore dedicates special resources to more intensive monitoring of businesses in this sector. The FCA Handbook has a specialist consumer credit sourcebook ("CONC") for the consumer credit sector, which includes rules and guidance in relation to, inter alia, the handling of vulnerable customers; communications with customers; arrears, default and recovery of debt; debt advice and statute barred debt. While UK debt purchase and collection businesses are principally regulated by the FCA and the provisions of the FSMA, there is additional legislation and regulation that governs consumer credit, including the Consumer Credit Act 1974 (as amended) ("CCA") which imposes various obligations on lenders, and any person who exercises the rights and duties of lenders, including to provide post-contract information such as statements of account, notices of sums in arrears and default notices. Any failure to comply with such legislation or regulation could result in FCA action. The FCA and the previous regulator, the UK Office of Fair Trading (the "OFT"), have already taken action against, and have imposed requirements on, a number of well-known financial institutions, other financial institutions and debt management companies. In addition, Cabot is subject to various regulations concerning consumer protection and data protection, among others, as well as regulations in the other jurisdictions in which it operates.

Compliance with this extensive regulatory framework is expensive and labor-intensive. Failure to comply with any applicable laws, regulations, rules or contractual compliance obligations could result in investigations, information gathering, public censures, financial penalties, disciplinary measures, liability and/or enforcement actions being brought against Cabot, including licenses or permissions that Cabot needs to do business not being granted or being revoked or the suspension or termination of its ability to conduct collections. In addition, Cabot's debt purchase contracts with vendors include certain conditions. Failure to comply or revocation of a permission or authorization, or other actions taken by Cabot that may damage the reputation of the vendor, may entitle the vendor to terminate any agreements with Cabot and/or to repurchase debt portfolios Cabot previously purchased from it. Damage to Cabot's reputation, whether because of a failure to comply with applicable laws, regulations or rules, revocation of a permission or authorization, any other regulatory action or Cabot's failure to comply with contractual compliance obligations, could deter vendors from choosing Cabot as their debt purchase or collections provider. Failure to comply with any of the requirements issued by the FCA or the requirements of any applicable legislation or regulation is likely to have serious consequences. For example, the FCA may undertake investigations and information-gathering in connection with any aspect of Cabot's operations. The FCA may also commence disciplinary action against authorized entities within Cabot or an Approved Person, which may include public censure or instituting a ban on conducting business within the consumer credit sector. The FCA may revoke or impose restrictions or temporary suspensions on CCMG's authorization, which would be publicly known and involve serious reputational damage, as well as significantly impact our business. The FCA may impose requirements demanding changes in Cabot's business practices, which may interfere with Cabot's ability to carry on regulated activities and adversely affect its reputation and ability to acquire additional purchased loan portfolios.

Cabot's subsidiary entities in Ireland are subject to the Consumer Protection (Regulation of Credit Servicing Firms) Act, as amended (the "Irish Credit Servicing Act 2015"). Cabot Financial (Ireland) Limited received confirmation of its authorization from the CBI in May 2017 and is contractually obligated to ensure compliance with the relevant consumer protection codes through its debt sale and collection agreements. Failure to comply with any of the requirements issued by the CBI or the requirements of any applicable legislation or regulation is likely to have serious consequences, including investigations being carried out and /or disciplinary actions (including public censure, restrictions on operations or the suspension of regulatory authorizations) being imposed on Cabot.

As a debt purchaser, Cabot must comply with the requirements established by the Data Protection Act 1998 (as amended) (the "Data Protection Act") in relation to processing the personal data of customers. Failure to maintain the appropriate data protection registrations with the ICO or to comply with an ICO enforcement notice could result in criminal proceedings and could negatively impact our ability to otherwise comply with the requirements of the Data Protection Act. Cabot's ability to price debt portfolios, trace consumers and develop tailored repayment plans depends on its ability to use personal data in its consumer data intelligence systems. Depending on their nature and scope, changes to data protection laws, practices, regulations and guidance could require additional investments and resources in Cabot's compliance governance framework, or could alter the way in which Cabot obtains, collects and uses data. The General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679) (the "EU Data Protection Regulation") came into effect in May 2016 and will become directly applicable in Member States from May 2018. The EU Data Protection Regulation introduces substantial changes to the EU data protection regime and will impose a substantially higher compliance burden on Cabot, may increase its data protection costs and may restrict its ability to use data. Examples of this higher burden include expanding the requirement for informed opt-in consent by customers to processing of personal data and granting customers a "right to be forgotten," restrictions on the use of personal data for profiling purposes, disclosure requirements of data sources to customers, the possibility of having to deal with a higher number of subject access requests, among other requirements.

Any of the developments described above, including the FCA's imposition of additional requirements on Cabot's operations or failure by Cabot to maintain FCA authorization for its collection activities, the addition, reinterpretation or

enforcement of any laws, rules, regulations, or protocols, or increased enforcement of existing consumer protection or privacy laws, rules and regulations, may adversely affect our ability to collect on receivables and may increase our costs associated with regulatory compliance, which could adversely affect our business, financial condition and operating results.

***Economic conditions and regulatory changes leading up to and following the United Kingdom's expected exit from the European Union could have a material adverse effect on our business, financial condition and results of operations.***

In June 2016, the United Kingdom held a referendum in which voters approved the United Kingdom's exit from the E.U., commonly referred to as "Brexit." In March 2017, the United Kingdom formally served notice on the European Council of its intention to withdraw from the E.U. The United Kingdom is expected to exit the E.U. by no later than April 2019. Brexit has created significant uncertainty about the future relationship between the United Kingdom and the E.U., including with respect to the laws and regulations that will apply as the United Kingdom determines which E.U. laws to replace or replicate in the event of a withdrawal. Additionally, Brexit could, among other outcomes, disrupt the free movement of goods, services and people between the U.K. and the E.U., undermine bilateral cooperation in key policy areas and significantly disrupt trade between the U.K. and the E.U. Consequences such as deterioration in economic conditions, volatility in currency exchange rates or changes in regulation may adversely affect our business, financial condition and operating results.

***Our business, financial condition and operating results may be adversely affected if consumer bankruptcy filings increase or if bankruptcy laws change.***

Our business model may be uniquely vulnerable to an economic recession, which typically results in an increase in the amount of defaulted consumer receivables, thereby contributing to an increase in the amount of personal bankruptcy filings. Under certain bankruptcy filings, a consumer's assets are sold to repay credit originators, with priority given to holders of secured debt. Since the defaulted consumer receivables we purchase are generally unsecured, we often are not able to collect on those receivables. In addition, since we purchase receivables that may have been delinquent for a long period of time, this may be an indication that many of the consumers from whom we collect will be unable to pay their debts going forward and are more likely to file for bankruptcy in an economic recession. Furthermore, potential changes to existing bankruptcy laws could contribute to an increase in consumer bankruptcy filings. We cannot be certain that our collection experience would not decline with an increase in consumer bankruptcy filings. If our actual collection experience with respect to a defaulted consumer receivable portfolio is significantly lower than we projected when we purchased the portfolio, our business, financial condition and operating results could be adversely affected.

***We are subject to ongoing risks of regulatory investigations and litigation, including individual and class action lawsuits, under consumer credit, consumer protection, theft, privacy, collections, and other laws, and we may be subject to awards of substantial damages or be required to make other expenditures or change our business practices as a result.***

We operate in an extremely litigious climate and currently are, and may in the future be, named as defendants in litigation, including individual and class action lawsuits under consumer credit, consumer protection, theft, privacy, data security, automated dialing equipment, debt collections, and other laws. Many of these cases present novel issues on which there is no clear legal precedent, which increases the difficulty in predicting both the potential outcomes and costs of defending these cases. We are subject to ongoing risks of regulatory investigations, inquiries, litigation, and other actions by the CFPB, FTC, state Attorneys General, or other governmental bodies relating to our activities. These litigation and regulatory actions involve potential compensatory or punitive damage claims, fines, costs, sanctions, civil monetary penalties, consumer restitution, or injunctive relief, as well as other forms of relief, that could require us to pay damages, make other expenditures or result in changes to our business practices. Any changes to our business practices could result in lower collections, increased cost to collect or reductions in estimated remaining collections. Actual losses incurred by us in connection with judgments or settlements of these matters may be more than our associated reserves. Further, defending lawsuits and responding to governmental inquiries or investigations, regardless of their merit, could be costly and divert management's attention from the operation of our business. All of these factors could have an adverse effect on our business, financial condition and operating results.

***Negative publicity associated with litigation, governmental investigations, regulatory actions, and other public statements could damage our reputation.***

From time to time there are negative news stories about our industry or company, especially with respect to alleged conduct in collecting debt from consumers. These stories may follow the announcements of litigation or regulatory actions involving us or others in our industry. Negative publicity about our alleged or actual debt collection practices or about the debt collection industry in general could adversely affect our stock price, our position in the marketplace in which we compete, and our ability to purchase charged-off receivables, any of which could have an adverse effect on our business, financial condition and operating results.

***We may make acquisitions that prove unsuccessful and any mergers, acquisitions, dispositions or joint venture activities may change our business and financial results and introduce new risks.***

From time to time, we may make acquisitions of, or otherwise invest in, other companies that could complement our business, including the acquisition of entities in diverse geographic regions and entities offering greater access to businesses and markets that we do not currently serve. The acquisitions we make may be unprofitable or may take some time to achieve profitability. In addition, we may not successfully operate the businesses that we acquire, or may not successfully integrate these businesses with our own, which may result in our inability to maintain our goals, objectives, standards, controls, policies, culture, or profitability. Also, minority shareholders in certain entities that we have acquired have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value, while others have the right to force a sale of the entity if we choose not to purchase their interests at fair value, which could result in additional constraints on our resources. Through acquisitions, we may enter markets in which we have limited or no experience. Any acquisition may result in a potentially dilutive issuance of equity securities, and the incurrence of additional debt which could reduce our profitability. We also pursue dispositions and joint ventures from time to time. Any such transactions could change our business lines, geographic reach, financial results or capital structure. Our company could be larger or smaller after any such transactions and may have a different investment profile.

***We may consume resources in pursuing business opportunities, financings or other transactions that are not consummated, which may strain or divert our resources.***

We anticipate that the investigation of various transactions, and the negotiation, drafting, and execution of relevant agreements, disclosure documents and other instruments with respect to such transactions, will require substantial management time and attention and substantial costs for financial advisors, accountants, attorneys and other advisors. If a decision is made not to consummate a specific transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific transaction, we may fail to consummate the transaction for any number of reasons, including those beyond our control. Any such event could consume significant management time and result in a loss to us of the related costs incurred, which could adversely affect our financial position and our business.

***We are dependent on our management team for the adoption and implementation of our strategies and the loss of its services could have an adverse effect on our business.***

Our management team has considerable experience in finance, banking, consumer collections, and other industries. We believe that the expertise of our executives obtained by managing businesses across numerous other industries has been critical to the enhancement of our operations. Our management team has created a culture of new ideas and progressive thinking, coupled with increased use of technology and statistical analysis. The management teams at each of our operating subsidiaries are also important to the success of their respective operations. The loss of the services of one or more key members of management could disrupt our collective operations and seriously impair our ability to continue to acquire or collect on portfolios of charged-off receivables and to manage and expand our business, any of which could have an adverse effect on business, financial condition and operating results.

***We may not be able to manage our growth effectively, including the expansion of our foreign operations.***

We have expanded significantly in recent years. Continued growth will place additional demands on our resources, and we cannot be sure that we will be able to manage our growth effectively. For example, continued growth could place strains on our management, operations, and financial resources that our infrastructure, facilities, and personnel may not be able to adequately support. In addition, the recent expansion of our foreign operations subjects us to a number of additional risks and uncertainties, including:

- compliance with and changes in international laws, including regulatory and compliance requirements that could affect our business;
- differing accounting standards and practices;
- increased exposure to U.S. laws that apply abroad, such as the Foreign Corrupt Practices Act, and exposure to other anti-corruption laws such as the U.K. Bribery Act;
- social, political and economic instability or recessions;
- fluctuations in foreign economies and currency exchange rates;
- difficulty in hiring, staffing and managing qualified and proficient local employees and advisors to run international operations;

- the difficulty of managing and operating an international enterprise, including difficulties in maintaining effective communications with employees due to distance, language, and cultural barriers;
- difficulties implementing and maintaining effective internal controls and risk management and compliance initiatives;
- potential disagreements with our joint venture business partners;
- differing labor regulations and business practices; and
- foreign and, in some circumstances, U.S. tax consequences.

To support our growth and improve our international operations, we continue to make investments in infrastructure, facilities, and personnel in our operations; however, these additional investments may not be successful or our investments may not produce profitable results. If we cannot manage our growth effectively, our business, financial condition and operating results may be adversely affected.

***If our technology and telecommunications systems were to fail, or if we are not able to successfully anticipate, invest in, or adopt technological advances within our industry, it could have an adverse effect on our operations.***

Our success depends in large part on sophisticated computer and telecommunications systems. The temporary or permanent loss of our computer and telecommunications equipment and software systems, through casualty, operating malfunction, software virus, or service provider failure, could disrupt our operations. In the normal course of our business, we must record and process significant amounts of data quickly and accurately to properly bid on prospective acquisitions of receivable portfolios and to access, maintain, and expand the databases we use for our collection activities. Any simultaneous failure of our information systems and their backup systems would interrupt our business operations.

In addition, our business relies on computer and telecommunications technologies, and our ability to integrate new technologies into our business is essential to our competitive position and our success. We may not be successful in anticipating, investing in, or adopting technological changes on a timely or cost-effective basis. Computer and telecommunications technologies are evolving rapidly and are characterized by short product life cycles.

We continue to make significant modifications to our information systems to ensure that they continue to be adequate for our current and foreseeable demands and continued expansion, and our future growth may require additional investment in these systems. These system modifications may exceed our cost or time estimates for completion or may be unsuccessful. If we cannot update our information systems effectively, our business, financial condition and operating results may be adversely affected.

***In the event of a cyber security breach or similar incident, our business and operations could suffer.***

We rely on information technology networks and systems to process and store electronic information. We collect and store sensitive data, including personally identifiable information of our consumers, on our information technology networks. Despite the implementation of security measures, our information technology networks and systems may be vulnerable to disruptions and shutdowns due to attacks by hackers or breaches due to malfeasance by contractors, employees and others who have access to our networks and systems. The occurrence of any of these cyber security events could compromise our networks and the information stored on our networks could be accessed. Any such access could disrupt our operations or result in legal claims, liability, reputational damage or regulatory penalties under laws protecting the privacy of personal information, any of which could adversely affect our business, financial condition and operating results.

***We rely on third parties to provide us with services in connection with certain aspects of our business, and any failure by these third parties to perform their obligations, or our inability to arrange for alternative third party providers for such services, could have an adverse effect on our business, financial condition and operating results.***

We have entered into agreements with third parties to provide us with services in connection with our business, including payment processing, credit card authorization and processing, payroll processing, record keeping for retirement and benefit plans and certain information technology functions. Any failure by a third party to provide us with contracted services on a timely basis or within service level expectations and performance standards may have an adverse effect on our business, financial condition and operating results. In addition, we may be unable to find, or enter into agreements with, suitable replacement third party providers for such services, which could adversely affect our business, financial condition and operating results.

***We may not be able to adequately protect the intellectual property rights upon which we rely and, as a result, any lack of protection may diminish our competitive advantage.***

We rely on proprietary software programs and valuation and collection processes and techniques, and we believe that these assets provide us with a competitive advantage. We consider our proprietary software, processes, and techniques to be trade secrets, but they are not protected by patent or registered copyright. We may not be able to protect our technology and data resources adequately, which may diminish our competitive advantage, which may, in turn, adversely affect our business, financial condition and operating results.

***Exchange rate fluctuations could adversely affect our business, financial condition and operating results.***

Because we conduct some business in currencies other than U.S. dollars but report our financial results in U.S. dollars, we face exposure to fluctuations in currency exchange rates upon translation of these business results into U.S. dollars. In the normal course of business, we employ various strategies to manage these risks, including the use of derivative instruments. These strategies may not be effective in protecting us against the effects of fluctuations from movements in foreign exchange rates. Fluctuations in the foreign currency exchange rates could adversely affect our business, financial condition and operating results.

***Taxes could adversely affect our results of operations, cash flows and financial condition.***

We are subject to taxes in the United States and in foreign jurisdictions. Significant judgment is required in determining our worldwide provision for taxes. We regularly are under audit by tax authorities, and economic and political pressures to increase tax revenues in various jurisdictions may make resolving tax disputes more difficult. The final determination of tax audits and any related litigation could be different from our historical income tax provisions and accruals. In addition, potential adverse tax consequences could limit our ability to repatriate funds held in jurisdictions outside of the United States. Moreover, there may be unfavorable changes in the tax laws (or in the interpretation thereof) in the future. Accordingly, taxes could have an adverse effect on our results of operations, cash flows and financial condition.

***Recent U.S. tax legislation may materially adversely affect our financial condition, results of operations and cash flows.***

On December 22, 2017, legislation commonly known as the Tax Cuts and Jobs Act (the “Tax Reform Act”) was signed into law by President Trump. The Tax Reform Act has significantly changed the U.S. federal income taxation of U.S. corporations, including, but not limited to, reducing the U.S. corporate income tax rate, eliminating the corporate alternative minimum tax, limiting interest deductions, permitting immediate expensing of certain capital expenditures, adopting elements of a territorial tax system, imposing a one-time transition tax (or “repatriation tax”) on all undistributed earnings and profits of certain U.S.-owned foreign corporations, revising the rules governing net operating losses and the rules governing foreign tax credits, and introducing new anti-base erosion provisions. Many of these changes are effective beginning with our 2018 taxable year, without any transition periods or grandfathering for existing transactions. The Tax Reform Act is unclear in many respects and could be subject to potential amendments and technical corrections, as well as interpretations and implementing regulations by the U.S. Treasury Department and Internal Revenue Service (“IRS”), any of which could lessen or increase certain adverse impacts of the legislation. In addition, it is unclear how these U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities.

While some of the changes made by the Tax Reform Act may adversely affect the Company in one or more reporting periods and prospectively, other changes may be beneficial on a going forward basis. We continue to work with our tax advisors and auditors to determine the full impact that the Tax Reform Act will have on us. We urge our investors to consult with their legal and tax advisors with respect to such legislation.

***Risks Related to Our Indebtedness and Common Stock***

***Our significant indebtedness could adversely affect our financial health and could harm our ability to react to changes to our business.***

As described in greater detail in Note 9, “Debt” to our consolidated financial statements, as of December 31, 2017, our total long-term indebtedness outstanding was approximately $3.4 billion, which includes $2.0 billion of debt at our Cabot subsidiary. Our substantial indebtedness could have important consequences to investors. For example, it could:

- increase our vulnerability to general economic downturns and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate requirements;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- place us at a competitive disadvantage compared to competitors that have less debt;
- increase our exposure to market and regulatory changes that could diminish the amount and value of our inventory that we borrow against under our secured credit facilities; and
- limit, along with the financial and other restrictive covenants contained in the documents governing our indebtedness, our ability to borrow additional funds, make investments and incur liens, among other things.

Any of these factors could adversely affect our business, financial condition and operating results. If we do not have sufficient earnings to service our debt, we may be required to refinance all or part of our existing debt, sell assets, borrow more money, or sell securities, none of which we can guarantee we will be able to do.

***Servicing our indebtedness requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial indebtedness.***

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness or to make cash payments in connection with any conversion of our convertible notes depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our indebtedness and make necessary capital expenditures. If we are unable to generate adequate cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring indebtedness or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at that time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations which could, in turn, adversely affect our business, financial condition and operating results.

***Despite our current indebtedness levels, we may still incur substantially more indebtedness or take other actions which would intensify the risks discussed above.***

Despite our current consolidated indebtedness levels, we and our subsidiaries may be able to incur substantial additional indebtedness in the future, some of which may be secured indebtedness under our Third Amended and Restated Credit Agreement (as amended, the “Restated Credit Agreement”), subject to the restrictions contained in our debt instruments. We are not restricted under the terms of the indentures governing our convertible notes from incurring additional indebtedness, securing existing or future indebtedness, recapitalizing our indebtedness or taking a number of other actions that could have the effect of diminishing our ability to make payments on our indebtedness. Although the Restated Credit Agreement and some of our other existing debt currently limit the ability of us and certain of our subsidiaries to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, additional indebtedness incurred in compliance with these restrictions, including additional secured indebtedness, could be substantial. Also, these restrictions will not prevent us from incurring obligations that do not constitute indebtedness. To the extent new indebtedness or other new obligations are added to our current levels, the risks described above could intensify. Moreover, if the facilities under the Restated Credit Agreement are repaid or mature, we may not be subject to similar restrictions under the terms of any subsequent indebtedness.

***We may not be able to continue to satisfy the covenants in our debt agreements.***

Our debt agreements impose a number of covenants, including restrictive covenants on how we operate our business. Failure to satisfy any one of these covenants could result in negative consequences including the following, each of which could have an adverse effect on our business, financial condition and operating results:

- acceleration of outstanding indebtedness;
- exercise by our lenders of rights with respect to the collateral pledged under certain of our outstanding indebtedness;
- our inability to continue to purchase receivables needed to operate our business; or
- our inability to secure alternative financing on favorable terms, if at all.

***Increases in interest rates could adversely affect our business, financial condition and operating results.***

Portions of our outstanding debt bear interest at a variable rate. Increases in interest rates could increase our interest expense which would, in turn, lower our earnings. We may periodically evaluate whether to enter into derivative financial instruments, such as interest rate swap agreements, to reduce our exposure to fluctuations in interest rates on variable interest rate debt and their impact on earnings and cash flows. These strategies may not be effective in protecting us against the effects of fluctuations from movements in interest rates. Increases in interest rates could adversely affect our business, financial condition and operating results.

***Our common stock price may be subject to significant fluctuations and volatility.***

The market price of our common stock has been subject to significant fluctuations. Since the beginning of fiscal year 2017, our stock price has ranged from a low of $27.80 on January 9, 2017 to a high of $52.00 on November 3, 2017. These fluctuations could continue. Among the factors that could affect our stock price are:

- our operating and financial performance and prospects;
- our ability to repay our debt;
- our access to financial and capital markets to refinance our debt;
- investor perceptions of us and the industry and markets in which we operate;
- future sales of equity or equity-related securities;
- changes in earnings estimates or buy/sell recommendations by analysts;
- changes in the supply of, demand for or price of portfolios;
- our acquisition activity, including our expansion into new markets;
- regulatory changes affecting our industry generally or our business and operations;
- general financial, domestic, international, economic and other market conditions; and
- the number of short positions on our stock at any particular time.

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this Annual Report on Form 10-K, elsewhere in our filings with the SEC from time to time or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability.

The price of our common stock could also be affected by possible sales of our common stock by investors who view our convertible notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our common stock.

If securities or industry analysts have a negative outlook regarding our stock or our industry, or our operating results do not meet their expectations, our stock price could decline. The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us. If one or more of the analysts who cover our company downgrade our stock or if our operating results do not meet their expectations, our stock price could decline.

***Future sales of our common stock or the issuance of other equity securities may adversely affect the market price of our common stock.***

In the future, we may sell additional shares of our common stock or other equity or equity-related securities to raise capital or issue equity securities to finance acquisitions. In addition, a substantial number of shares of our common stock are reserved for issuance upon the exercise of stock options or vesting of restricted stock awards, upon conversion of our convertible notes and the warrant transactions entered into in connection with certain of our convertible notes. We are not restricted from issuing additional common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive, common stock.

The liquidity and trading volume of our common stock is limited. The issuance or sale of substantial amounts of our common stock or other equity or equity-related securities (or the perception that such issuances or sales may occur) could

adversely affect the market price of our common stock as well as our ability to raise capital through the sale of additional equity or equity-related securities. We cannot predict the effect that future issuances or sales of our common stock or other equity or equity-related securities would have on the market price of our common stock.

***We may not have the ability to raise the funds necessary to repurchase our convertible notes upon a fundamental change or to settle conversions in cash, and our future indebtedness may contain limitations on our ability to pay cash upon conversion of our convertible notes.***

Holders of our convertible notes will have the right to require us to repurchase their convertible notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of their principal amount, plus accrued and unpaid interest, if any. In addition, upon a conversion of convertible notes, unless we elect to deliver solely shares of our common stock to settle the conversion (other than paying cash in lieu of delivering any fractional shares of our common stock), we will be required to make cash payments for each $1,000 in principal amount of convertible notes converted of at least the lesser of $1,000 and the sum of certain daily conversion values. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of convertible notes surrendered therefor or to settle conversions in cash. In addition, our Restated Credit Agreement contains certain restrictive covenants that limit our ability to engage in specified types of transactions, which may affect our ability to repurchase our convertible notes. Further, our ability to repurchase our convertible notes or to pay cash upon conversion may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase convertible notes or to pay cash upon conversion of the convertible notes at a time when the repurchase or cash payment upon conversion is required by any indenture pursuant to which the convertible notes were offered would constitute a default under the relevant indenture. Such default could constitute a default under another indenture, our Restated Credit Agreement or other agreements governing our future indebtedness. If the repayment of any indebtedness were to be accelerated, we may not have sufficient funds to repay such indebtedness and repurchase the convertible notes.

***The conditional conversion feature of our convertible notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion feature of any of our convertible notes is triggered, holders of those convertible notes will be entitled to convert the convertible notes at any time during specified periods at their option. Even if holders do not elect to convert their convertible notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the relevant series of convertible notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

***The accounting method for convertible debt securities that may be settled in cash, such as our convertible notes, could have a material effect on our reported financial results.***

Under U.S. generally accepted accounting principles, or GAAP, an entity must separately account for the debt component and the embedded conversion option of convertible debt instruments that may be settled entirely or partially in cash upon conversion, such as our convertible notes, in a manner that reflects the issuer’s economic interest cost. The effect of the accounting treatment for such instruments is that the value of such embedded conversion option would be treated as original issue discount for purposes of accounting for the debt component of the convertible notes, and that original issue discount is amortized into interest expense over the term of the convertible notes using an effective yield method. As a result, we will be required to record a greater amount of non-cash interest expense as a consequence of the amortization of the original issue discount to face amount of the convertible notes over the respective terms of the convertible notes and as a consequence of the amortization of the debt issuance costs. Accordingly, we will report lower net income in our financial results because of the recognition of both the current period’s amortization of the debt discount and the coupon interest of the convertible notes, which could adversely affect our reported or future financial results and the trading price of our common stock.

Under certain circumstances, convertible debt instruments (such as our convertible notes) that may be settled entirely or partially in cash are evaluated for their impact on earnings per share utilizing the treasury stock method, the effect of which is that any shares issuable upon conversion of the convertible notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the convertible notes exceeds their respective principal amount. Under the treasury stock method, for diluted earnings per share purposes, the convertible debt instrument is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be certain that the accounting standards in the future will continue to permit the use of the treasury stock method, as is currently the case with our convertible notes. If we are unable to use the treasury stock method in accounting for any shares issuable upon conversion of our convertible notes, then our diluted earnings per share could be further adversely affected. In addition, if the conditional conversion feature of our convertible notes is triggered, even if holders of such notes do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the

outstanding principal of such notes as a current rather than long-term liability, which could result in a reduction of our net working capital.

***Provisions in our charter documents and Delaware law may delay or prevent acquisition of us, which could decrease the value of shares of our common stock.***

Our certificate of incorporation and bylaws and Delaware law contain provisions that could make it more difficult for a third party to acquire us without the consent of our Board of Directors. These provisions include advance notice provisions, limitations on actions by our stockholders by written consent and special approval requirements for transactions involving interested stockholders. We are authorized to issue up to five million shares of preferred stock, the relative rights and preferences of which may be fixed by our Board of Directors, subject to the provisions of our articles of incorporation, without stockholder approval. The issuance of preferred stock could be used to dilute the stock ownership of a potential hostile acquirer. The provisions that discourage potential acquisitions of us and adversely affect the voting power of the holders of common stock may adversely affect the price of our common stock and the value of the Convertible Notes.

***We do not intend to pay dividends on our common stock for the foreseeable future.***

We have never declared or paid cash dividends on our common stock. In addition, we must comply with the covenants in our credit facilities if we want to pay cash dividends. We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and do not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board of Directors and will depend upon our financial condition, operating results, capital requirements, restrictions contained in current or future financing instruments and such other factors as our Board of Directors deems relevant. As a result, receiving a return on an investment in Encore's common stock may only occur if the trading price of our common stock increases.

## Item 1B—Unresolved Staff Comments

None.

## Item 2—Properties

We lease the following properties with more than 30,000 square feet:

| Location | Primary use | Approximate square footage |
|---|---|---|
| San Diego, CA | Corporate headquarters, internal legal and consumer support services | 118,000 |
| United Kingdom | Cabot corporate office, call center, internal legal and consumer support services | 210,000 |
| India | Call center and administrative offices | 146,000 |
| Troy, MI | Call center and administrative offices | 62,000 |
| St. Cloud, MN | Call center and administrative offices | 46,000 |
| Spain | Call center and administrative offices | 46,000 |
| Roanoke, VA | Call center and administrative offices | 40,000 |
| Australia | Baycorp corporate office, call center, and administrative offices | 33,000 |
| Costa Rica | Call center and administrative offices | 32,000 |
| Phoenix, AZ | Call center and administrative offices | 31,000 |

The properties listed in the table above are our principal properties. We also lease other immaterial office space in the United States, Ireland, France, Italy, Colombia, Peru, New Zealand, and the Philippines.

We believe that our current leased facilities are generally well maintained and in good operating condition. We believe that these facilities are suitable and sufficient for our operational needs. Our policy is to improve, replace, and supplement the facilities as considered appropriate to meet the needs of our operations.

## Item 3—Legal Proceedings

Information with respect to this item may be found in Note 13, "Commitments and Contingencies" to the consolidated financial statements in Item 8, which is incorporated herein by reference.

## Item 4—Mine Safety Disclosures

Not applicable.

## PART II

### Item 5—Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the NASDAQ Global Select Market under the symbol "ECPG."

The high and low sales prices of our common stock, as reported by NASDAQ Global Select Market for each quarter during our two most recent fiscal years, are reported below:

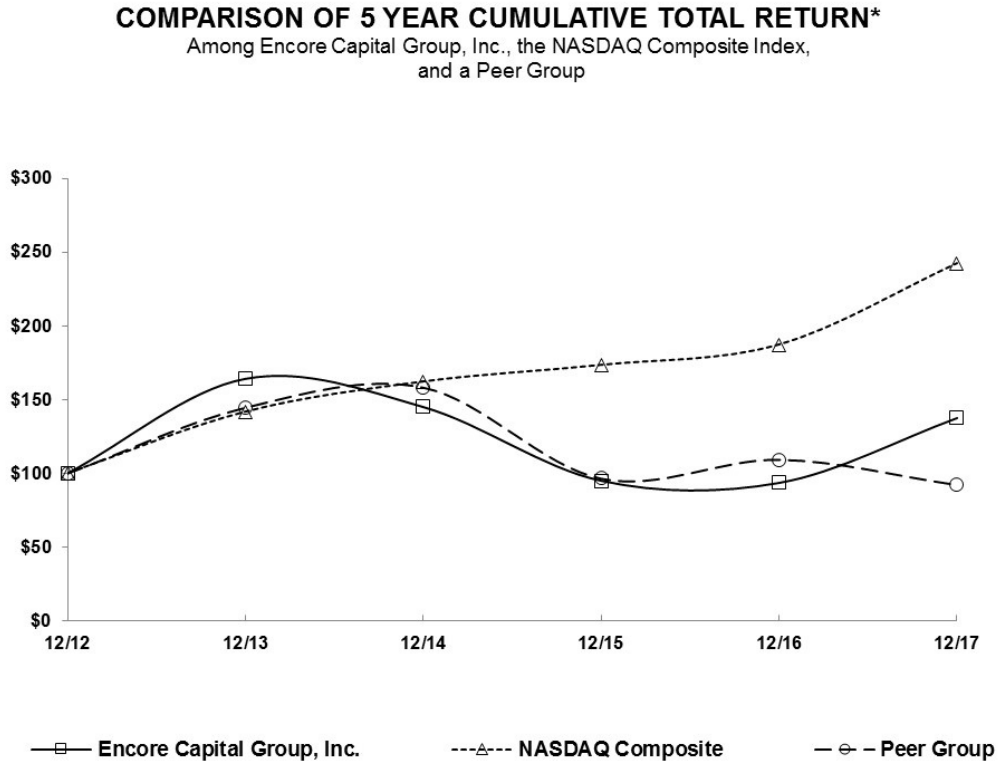
| | Market Price | |
|---|---|---|
| | High | Low |
| Fiscal Year 2017 | | |
| First Quarter | $ 35.93 | $ 27.80 |
| Second Quarter | 41.38 | 29.80 |
| Third Quarter | 44.95 | 37.30 |
| Fourth Quarter | 52.00 | 42.00 |
| Fiscal Year 2016 | | |
| First Quarter | $ 29.44 | $ 16.09 |
| Second Quarter | 29.02 | 21.45 |
| Third Quarter | 25.52 | 20.32 |
| Fourth Quarter | 30.40 | 17.66 |

The closing price of our common stock on February 8, 2018, was $39.70 per share and there were 8 stockholders of record. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial owners of our stock represented by these stockholders of record.

***Performance Graph***

The following performance graph and related information shall not be deemed "soliciting material" or "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each, as amended, except to the extent that we specifically incorporate it by reference into such filing.

The following graph compares the total cumulative stockholder return on our common stock for the period from December 31, 2012 through December 31, 2017, with the cumulative total return of (a) the NASDAQ Composite Index and (b) Asta Funding, Inc. and PRA Group, Inc., which we believe are comparable companies. The comparison assumes that $100 was invested on December 31, 2012, in our common stock and in each of the comparison indices (including reinvestment of dividends). The stock price performance reflected in the following graph is not necessarily indicative of future stock price performance.




*$100 invested on 12/31/12 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

| | 12/12 | 12/13 | 12/14 | 12/15 | 12/16 | 12/17 |
|---|---|---|---|---|---|---|
| **Encore Capital Group, Inc.** | **$ 100.00** | **$ 164.14** | **$ 145.00** | **$ 94.97** | **$ 93.57** | **$ 137.49** |
| **NASDAQ Composite Index** | **$ 100.00** | **$ 141.63** | **$ 162.09** | **$ 173.33** | **$ 187.19** | **$ 242.29** |
| **Peer Group** | **$ 100.00** | **$ 144.52** | **$ 158.11** | **$ 96.53** | **$ 109.35** | **$ 92.30** |

***Dividend Policy***

As a public company, we have never declared or paid dividends on our common stock. However, the declaration, payment, and amount of future dividends, if any, is subject to the discretion of our Board of Directors, which may review our dividend policy from time to time in light of the then existing relevant facts and circumstances. Under the terms of our revolving credit facility, we are permitted to declare and pay dividends in an amount not to exceed, during any fiscal year, 20% of our audited consolidated net income for the then most recently completed fiscal year, so long as no default or unmatured default under the facility has occurred and is continuing or would arise as a result of the dividend payment. We may also be subject to additional dividend restrictions under future debt agreements or the terms of securities we may issue in the future.

***Share Repurchases***

On August 12, 2015, our Board of Directors approved a $50.0 million share repurchase program. Repurchases under this program are expected to be made with cash on hand and may be made from time to time, subject to market conditions and other factors, in the open market, through private transactions, block transactions, or other methods as determined by the management and our Board of Directors, and in accordance with market conditions, other corporate considerations, and applicable regulatory requirements. The program does not obligate the Company to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company's discretion. As of December 31, 2017, we had not made any repurchases under the share repurchase program.

***Recent Sales of Unregistered Securities***

In March 2017, we sold $150.0 million of 3.25% convertible senior notes due March 15, 2022 in a private placement transaction. Information regarding this transaction is set forth in our Form 8-K filed on March 3, 2017.

## Item 6—Selected Financial Data

This table presents selected historical financial data of Encore Capital Group, Inc. and its consolidated subsidiaries. This information should be carefully considered in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report on Form 10-K, including the acquisitions described therein that materially affected our results. The selected financial data in this section are not intended to replace the consolidated financial statements. The selected financial data (except for "Selected Operating Data") in the table below, as of December 31, 2015, 2014 and 2013 and for the years ended December 31, 2014 and 2013, were derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K. The selected financial data as of December 31, 2017 and 2016, and for the years ended December 31, 2017, 2016, and 2015, were derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The Selected Operating Data were derived from our books and records *(in thousands, except per share data):*

| | As of and For The Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| Revenues | | | | | |
| Revenue from receivable portfolios, net[1] | $ 1,094,609 | $ 946,615 | $ 1,072,436 | $ 992,832 | $ 744,870 |
| Other revenues | 92,429 | 82,643 | 57,531 | 50,597 | 11,407 |
| Total revenues | 1,187,038 | 1,029,258 | 1,129,967 | 1,043,429 | 756,277 |
| Operating expenses | | | | | |
| Salaries and employee benefits | 315,742 | 281,097 | 262,281 | 238,942 | 159,319 |
| Cost of legal collections | 200,058 | 200,855 | 229,847 | 205,661 | 186,959 |
| Other operating expenses | 104,938 | 100,737 | 93,210 | 89,934 | 63,229 |
| Collection agency commissions | 43,703 | 36,141 | 37,858 | 33,343 | 33,097 |
| General and administrative expenses | 158,080 | 134,046 | 191,357 | 139,977 | 106,813 |
| Depreciation and amortization | 39,977 | 34,868 | 33,160 | 27,101 | 13,057 |
| Total operating expenses | 862,498 | 787,744 | 847,713 | 734,958 | 562,474 |
| Income from operations | 324,540 | 241,514 | 282,254 | 308,471 | 193,803 |
| Other (expense) income | | | | | |
| Interest expense | (204,161) | (198,367) | (186,556) | (166,942) | (73,269) |
| Other income (expense) | 10,847 | 14,228 | 2,235 | 113 | (4,225) |
| Total other expense | (193,314) | (184,139) | (184,321) | (166,829) | (77,494) |
| Income from continuing operations before income taxes | 131,226 | 57,375 | 97,933 | 141,642 | 116,309 |
| Provision for income taxes | (52,049) | (38,205) | (27,162) | (48,569) | (43,653) |
| Income from continuing operations | 79,177 | 19,170 | 70,771 | 93,073 | 72,656 |
| (Loss) income from discontinued operations, net of tax | (199) | (2,353) | (23,387) | 5,205 | 1,084 |
| Net income | 78,978 | 16,817 | 47,384 | 98,278 | 73,740 |
| Net loss (income) attributable to noncontrolling interest | 4,250 | 59,753 | (2,249) | 5,448 | 1,559 |
| Net income attributable to Encore Capital Group, Inc. stockholders | $ 83,228 | $ 76,570 | $ 45,135 | $ 103,726 | $ 75,299 |
| **Amounts attributable to Encore Capital Group, Inc.:** | | | | | |
| Income from continuing operations | 83,427 | 78,923 | 68,522 | 98,521 | 74,215 |
| (Loss) income from discontinued operations, net of tax | (199) | (2,353) | (23,387) | 5,205 | 1,084 |
| Net income | $ 83,228 | $ 76,570 | $ 45,135 | $ 103,726 | $ 75,299 |

| | As of and For The Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| **Earnings (loss) per share attributable to Encore Capital Group, Inc.:** | | | | | |
| Basic earnings (loss) per share from: | | | | | |
| Continuing operations | $ 3.21 | $ 3.07 | $ 2.66 | $ 3.81 | $ 3.01 |
| Discontinued operations | $ (0.01) | $ (0.09) | $ (0.91) | $ 0.20 | $ 0.04 |
| Net basic earnings per share | $ 3.20 | $ 2.98 | $ 1.75 | $ 4.01 | $ 3.05 |
| Diluted earnings (loss) per share from: | | | | | |
| Continuing operations | $ 3.16 | $ 3.05 | $ 2.57 | $ 3.58 | $ 2.83 |
| Discontinued operations | $ (0.01) | $ (0.09) | $ (0.88) | $ 0.19 | $ 0.04 |
| Net diluted earnings per share | $ 3.15 | $ 2.96 | $ 1.69 | $ 3.77 | $ 2.87 |
| Weighted-average shares outstanding: | | | | | |
| Basic | 25,972 | 25,713 | 25,722 | 25,853 | 24,659 |
| Diluted | 26,405 | 25,909 | 26,647 | 27,495 | 26,204 |
| Selected operating data: | | | | | |
| Purchases of receivable portfolios, at cost | $ 1,058,235 | $ 906,719 | $ 1,023,722 | $ 1,251,360 | $ 1,204,779 |
| Gross collections for the period | 1,767,644 | 1,685,604 | 1,700,725 | 1,607,497 | 1,279,506 |
| Consolidated statements of financial condition data: | | | | | |
| Cash and cash equivalents | $ 212,139 | $ 149,765 | $ 123,993 | $ 91,519 | $ 118,539 |
| Investment in receivable portfolios, net | 2,890,613 | 2,382,809 | 2,440,669 | 2,143,560 | 1,590,249 |
| Total assets | 4,490,712 | 3,670,497 | 4,174,819 | 3,711,631 | 2,657,208 |
| Total debt | 3,446,876 | 2,805,983 | 2,944,063 | 2,550,646 | 1,654,301 |
| Total liabilities | 3,766,801 | 3,069,982 | 3,526,331 | 3,046,692 | 2,054,737 |
| Total Encore equity | 581,862 | 559,304 | 596,453 | 623,000 | 571,897 |

(1) Includes net allowance reversal of $41.2 million for the year ended December 31, 2017, net allowance charge of $84.2 million for the year ended December 31, 2016, and net allowance reversals of $6.8 million, $17.4 million and $12.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

## Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations

*This Annual Report on Form 10-K contains "forward-looking statements" relating to Encore Capital Group, Inc. ("Encore") and its subsidiaries (which we may collectively refer to as the "Company," "we," "our" or "us") within the meaning of the securities laws. The words "believe," "expect," "anticipate," "estimate," "project," "intend," "plan," "will," "may," and similar expressions often characterize forward-looking statements. These statements may include, but are not limited to, projections of collections, revenues, income or loss, estimates of capital expenditures, plans for future operations, products or services, and financing needs or plans, as well as assumptions relating to these matters. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we caution that these expectations or predictions may not prove to be correct or we may not achieve the financial results, savings or other benefits anticipated in the forward-looking statements. These forward-looking statements are necessarily estimates reflecting the best judgment of our senior management and involve a number of risks and uncertainties, some of which may be beyond our control or cannot be predicted or quantified, that could cause actual results to differ materially from those suggested by the forward-looking statements. Many factors including, but not limited to, those set forth in this Annual Report on Form 10-K under "Part I, Item 1A. Risk Factors," could cause our actual results, performance, achievements, or industry results to be very different from the results, performance, achievements or industry results expressed or implied by these forward-looking statements. Our business, financial condition, or results of operations could also be materially and adversely affected by other factors besides those listed. Forward-looking statements speak only as of the date the statements were made. We do not undertake any obligation to update or revise any forward-looking statements to reflect new information or future events, or for any other reason, even if experience or future events make it clear that any expected results expressed or implied by these forward-looking statements will not be realized. In addition, it is generally our policy not to make any specific projections as to future earnings, and we do not endorse projections regarding future performance that may be made by third parties.*

### Our Business

We are an international specialty finance company providing debt recovery solutions and other related services for consumers across a broad range of financial assets. We purchase portfolios of defaulted consumer receivables at deep discounts to face value and manage them by working with individuals as they repay their obligations and work toward financial recovery. Defaulted receivables are consumers' unpaid financial commitments to credit originators, including banks, credit unions, consumer finance companies, commercial retailers, and telecommunication companies. Defaulted receivables may also include receivables subject to bankruptcy proceedings.

#### *United States*

We are a market leader in portfolio purchasing and recovery in the United States, including Puerto Rico.

#### *Europe*

Cabot Credit Management plc (together with its subsidiaries, "Cabot"), our largest international subsidiary, is one of the largest credit management services providers in Europe and is a market leader in the United Kingdom and Ireland. We control Cabot via our majority ownership interest in the indirect holding company of Cabot, Janus Holdings S.a r.l. ("Janus Holdings").

In addition, we have certain subsidiaries that focus on (a) consumer non-performing loans, including insolvencies (in particular, individual voluntary arrangements, or "IVAs") in the United Kingdom and bank and non-bank receivables in Spain and (b) credit management services in Spain (collectively, "Grove").

#### *Latin America*

Our majority-owned subsidiary Refinancia S.A. (together with its subsidiaries, "Refinancia") is a market leader in debt collection and management in Colombia and Peru. In addition to purchasing defaulted receivables, Refinancia offers portfolio management services to banks for non-performing loans. Refinancia also specializes in non-traditional niches in the geographic areas in which it operates, including point-of-purchase lending to consumers and providing financial solutions to individuals who have previously defaulted on their credit obligations.

In addition to operations in Colombia and Peru, we evaluate and purchase non-performing loans in other countries in Latin America, including Mexico and Brazil. We also invest in non-performing secured residential mortgages in Latin America.

#### *Asia Pacific*

Our subsidiary Baycorp Holdings Pty Limited (together with its subsidiaries, "Baycorp") specializes in the management of non-performing loans in Australia and New Zealand. In addition to purchasing defaulted receivables, Baycorp offers portfolio management services to banks for non-performing loans. We acquired a majority ownership interest in Baycorp in October 2015 and acquired the remaining minority equity ownership interest in Baycorp in January 2018.

In India, we have invested in Encore Asset Reconstruction Company (“EARC”), which has completed initial immaterial purchases.

To date, operating results from our international operations on an individual basis, other than from Cabot, have not been significant to our total consolidated operating results. Our long-term growth strategy involves continuing to invest in our core portfolio purchasing and recovery business, strengthening and developing our international businesses, and leveraging our core competencies to explore expansion into adjacent asset classes.

***Additional Developments***

On March 31, 2016, we completed the divestiture of our membership interests in Propel Acquisition LLC (“Propel”). Propel represented our entire tax lien business reportable segment prior to the divestiture. Propel’s operations are presented as discontinued operations in our consolidated statements of operations. Beginning in the first quarter 2016, we conduct business through one reportable segment, portfolio purchasing and recovery.

In the first quarter of 2017, we and our co-investor in Cabot, J.C. Flowers & Co. LLC (“J.C. Flowers”), began exploring options in relation to a potential initial public offering (“IPO”) by Cabot. In October 2017, Cabot announced its intention to proceed with an IPO and to apply for admission of its ordinary shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trade on the main market for listed securities of the London Stock Exchange. In November 2017, Cabot decided to not go forward with the IPO as a result of poor performance of other IPOs on the London Stock Exchange and unfavorable equity market conditions in the U.K., as a result, all direct costs related to the IPO were recognized in the fourth quarter of 2017. Cabot continues to assess options and ensure readiness in relation to a potential IPO.

In November 2017, Cabot completed the acquisition of Wescot Credit Services Limited (“Wescot”), a leading U.K. contingency debt collection and business process outsourcing (BPO) services company.

***Government Regulation***

Our U.S. debt purchasing business and collection activities are subject to federal, state and municipal statutes, rules, regulations and ordinances that establish specific guidelines and procedures that debt purchasers and collectors must follow when collecting consumer accounts, including among others, specific guidelines and procedures for communicating with consumers and prohibitions on unfair, deceptive or abusive debt collection practices. Additionally, our international operations are affected by foreign statutes, rules and regulations regarding debt collection and debt purchase activities. These statutes, rules, regulations, ordinances, guidelines and procedures are modified from time to time by the relevant authorities charged with their administration, which could affect the way we conduct our business. See “Part I - Item 1 - Business - Government Regulation” in this Annual Report on Form 10-K.

**Portfolio Purchasing and Recovery**

***United States***

We purchase receivables based on robust, account-level valuation methods and employ proprietary statistical and behavioral models across our U.S. operations. These methods and models allow us to value portfolios accurately (and limit the risk of overpaying), avoid buying portfolios that are incompatible with our methods or strategies and align the accounts we purchase with our business channels to maximize future collections. As a result, we have been able to realize significant returns from the receivables we acquire. We maintain strong relationships with many of the largest financial service providers in the United States.

While seasonality does not have a material impact on our business, collections are generally strongest in our first calendar quarter, slower in the second and third calendar quarters, and slowest in the fourth calendar quarter. Relatively higher collections in the first quarter could result in a lower cost-to-collect ratio compared to the other quarters, as our fixed costs are relatively constant and applied against a larger collection base. The seasonal impact on our business may also be influenced by our purchasing levels, the types of portfolios we purchase, and our operating strategies.

Collection seasonality can also affect revenue as a percentage of collections, also referred to as our revenue recognition rate. Generally, revenue for each pool group declines steadily over time, whereas collections can fluctuate from quarter to quarter based on seasonality, as described above. In quarters with lower collections (*e.g.*, the fourth calendar quarter), the revenue recognition rate can be higher than in quarters with higher collections (*e.g.*, the first calendar quarter).

In addition, seasonality could have an impact on the relative level of quarterly earnings. In quarters with stronger collections, total costs are higher as a result of the additional efforts required to generate those collections. Since revenue for each pool group declines steadily over time, in quarters with higher collections and higher costs (*e.g.*, the first calendar

quarter), all else being equal, earnings could be lower than in quarters with lower collections and lower costs (*e.g.*, the fourth calendar quarter). Additionally, in quarters where a greater percentage of collections come from our legal and agency outsourcing channels, cost to collect will be higher than if there were more collections from our internal collection sites.

***International***

Through Cabot, we purchase paying and non-paying receivable portfolios using a proprietary pricing model that utilizes account-level statistical and behavioral data. This model allows Cabot to value portfolios with a high degree of accuracy and quantify portfolio performance in order to maximize future collections. As a result, Cabot has been able to realize significant returns from the assets it has acquired. Cabot maintains strong relationships with many of the largest financial services providers in the United Kingdom and continues to expand in the United Kingdom and the rest of Europe with its acquisitions of portfolios and other credit management services providers.

While seasonality does not have a material impact on Cabot's operations, collections are generally strongest in the second and third calendar quarters and slower in the first and fourth quarters, largely driven by the impact of the December holiday season and the New Year holiday, and the related impact on its customers' ability to repay their balances. This drives a higher level of plan defaults over this period, which are typically repaired across the first quarter of the following year. The August vacation season in the United Kingdom also has an unfavorable effect on the level of collections, but this is traditionally compensated for by higher collections in July and September.

**Purchases and Collections**

***Portfolio Pricing, Supply and Demand***

***United States***

Industry delinquency and charge-off rates, which had been at historic lows, have continued to increase, creating higher volumes of charged-off accounts that are sold. In addition, issuers have continued to increase the amount of fresh portfolios in their sales. Fresh portfolios are portfolios that are generally sold within six months of the consumer's account being charged-off by the financial institution. Meanwhile, prices for portfolios offered for sale started to decrease after several years of elevated pricing, especially for fresh portfolios. We believe the softening in pricing, especially for fresh portfolios, was primarily due to this growth, and anticipated future growth, in supply. In addition to selling a higher volume of charged-off accounts, issuers sold their volume earlier in the calendar year than they had in the past.

We believe that smaller competitors continue to face difficulties in the portfolio purchasing market because of the high cost to operate due to regulatory pressure and because issuers are being more selective with buyers in the marketplace, resulting in consolidation within the portfolio purchasing and recovery industry. We believe this favors larger participants, such as Encore, because the larger market participants are better able to adapt to these pressures.

***International***

The U.K. market for charged-off portfolios has grown significantly in recent years driven by a consolidation of sellers and a material backlog of portfolio coming to market from credit issuers who are selling an increasing proportion of their non-performing loans. Prices for portfolios offered for sale directly from credit issuers remain at levels higher than historical averages. We expect that as a result of an increase in available funding to industry participants, and lower return requirements for certain debt purchasers, pricing will remain elevated. However, we believe that with our competitive advantages, we will continue to be able to generate strong risk adjusted returns in the U.K. market.

The U.K. insolvency market as a whole has remained flat over the past twelve months, although we are seeing an increase in individual insolvencies driven by high unemployment rates. We expect that this trend will drive increased purchasing opportunities once large retail banks start to off-load their insolvency portfolios.

The Spanish debt market continues to be one of the largest in Europe with a significant amount of debt to be sold and serviced. In particular, we anticipate strong debt purchasing and servicing opportunities in the secured and small and medium enterprise asset classes given the backlog of non-performing debt that has accumulated in these sectors. Additionally, financial institutions continue to experience both market and regulatory pressure to dispose of non-performing loans which should further increase debt purchasing opportunities in Spain.

Although pricing has been elevated, we believe that as our European businesses increase in scale and expand to other markets, and with anticipated improvements in liquidation and improved efficiencies in collections, our margins will remain competitive. Additionally, Cabot's continuing investment in its litigation liquidation channel has enabled them to collect from

consumers who have the ability to pay, but have so far been unwilling to do so. This enables Cabot to mitigate some of the impact of elevated pricing.

***Purchases by Type and Geographic Location***

The following table summarizes the types and geographic locations of consumer receivable portfolios we purchased during the periods presented *(in thousands):*

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| United States: | | | |
| Credit card | $ 511,656 | $ 517,590 | $ 481,759 |
| Other | 24,250 | 43,953 | 24,373 |
| Subtotal | 535,906 | 561,543 | 506,132 |
| Europe: | | | |
| Credit card | 461,577 | 237,473 | 396,364 |
| Other | 2,559 | 27,240 | 27,200 |
| Subtotal | 464,136 | 264,713 | 423,564 |
| Other geographies: | | | |
| Credit card | 45,941 | 70,902 | 86,638 |
| Other | 12,252 | 9,561 | 7,388 |
| Subtotal | 58,193 | 80,463 | 94,026 |
| Total purchases | $ 1,058,235 | $ 906,719 | $ 1,023,722 |

During the year ended December 31, 2017, we invested $1,058.2 million to acquire portfolios, primarily charged-off credit card portfolios, with face values aggregating $10.1 billion, for an average purchase price of 10.5% of face value.

During the year ended December 31, 2016, we invested $906.7 million to acquire portfolios, primarily charged-off credit card portfolios, with face values aggregating $9.8 billion, for an average purchase price of 9.2% of face value.

During the year ended December 31, 2015, we invested $1,023.7 million to acquire portfolios, primarily charged-off credit card portfolios, with face values aggregating $12.7 billion, for an average purchase price of 8.0% of face value. Purchases of charged-off credit card portfolios in Europe include $216.0 million of receivables acquired in connection with Cabot's acquisition of Hillesden Securities Ltd and its subsidiaries ("dlc") in June 2015. Purchases of charged-off credit card portfolios in other geographies include $60.3 million acquired in connection with the acquisition of Baycorp.

The decrease in capital deployment in the United States for the year ended December 31, 2017, as compared to 2016, was primarily the result of our disciplined approach to capital deployment. Due to the improved pricing environment in the United States and our progress on liquidation improvement initiatives, we were able to deploy capital on portfolios with higher returns enabling us to purchase similar amounts of total estimated gross collections for less.

The increase in capital deployment in Europe for the year ended December 31, 2017, as compared to 2016, was due to our continued strategic expansion in the European debt purchasing market.

The increase in capital deployment in the United States for the year ended December 31, 2016, as compared to 2015, was primarily the result of increased purchasing volume due to the improved pricing environment. The decrease in capital deployment in Europe for the year ended December 31, 2016, as compared to 2015, was due to the $216.0 million of receivable portfolios acquired in connection with the acquisition of dlc in June 2015. Excluding the portfolios acquired in connection with the acquisition of dlc, capital deployment in Europe increased during the year ended December 31, 2016 as compared to 2015, primarily as a result of Cabot's investment in Spain, France and Portugal as part of its European expansion strategy.

Typically the average purchase price, as a percentage of face value, is higher for fresh portfolios as compared to more seasoned portfolios because fresh paper generally has higher returns. As a result, in periods that we purchase a higher percentage of fresh paper (such as was the case in 2017), we expect that our purchase price as a percentage of face value would be higher than would be in periods where a higher ratio of seasoned paper was purchased.

***Collections by Channel and Geographic Location***

We currently utilize three channels for the collection of our receivables: collection sites, legal collections and collection agencies. The collection sites channel consists of collections that result from our call centers, direct mail program and online collections. The legal collections channel consists of collections that result from our internal legal channel or from our network of retained law firms. The collection agencies channel consists of collections from third-party collection agencies that we utilize when we believe they can liquidate better or less expensively than we can, or to supplement capacity in our internal call centers. The collection agencies channel also includes collections on accounts purchased where we maintain the collection agency servicing until the accounts can be recalled and placed in our collection channels. The following table summarizes the total collections by collection channel and geographic area *(in thousands)*:

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2017** | **2016** | **2015** |
| United States: | | | |
| Collection sites | $ 503,086 | $ 470,898 | $ 480,485 |
| Legal collections | 546,423 | 557,250 | 633,166 |
| Collection agencies | 51,432 | 53,572 | 68,283 |
| Subtotal | 1,100,941 | 1,081,720 | 1,181,934 |
| Europe: | | | |
| Collection sites | 300,545 | 250,036 | 234,904 |
| Legal collections | 116,620 | 122,392 | 92,464 |
| Collection agencies | 137,155 | 121,572 | 148,758 |
| Subtotal | 554,320 | 494,000 | 476,126 |
| Other geographies: | | | |
| Collection sites | 88,129 | 79,680 | 38,334 |
| Legal collections | 7,892 | 9,936 | 1,145 |
| Collection agencies | 16,362 | 20,268 | 3,186 |
| Subtotal | 112,383 | 109,884 | 42,665 |
| Total collections | $ 1,767,644 | $ 1,685,604 | $ 1,700,725 |

Gross collections increased by $82.0 million, or 4.9%, to $1,767.6 million during the year ended December 31, 2017, from $1,685.6 million during the year ended December 31, 2016. The increase of collections in the United States was primarily due to the acquisition of portfolios with higher returns in recent periods and our continued effort in improving liquidation, partially offset by delays in collections on portfolios impacted by the hurricanes. The increase in collections in Europe was primarily the result of increased purchasing volume and implementing certain liquidation improvement initiatives. The increase was partially offset by the unfavorable impact of foreign currency translation, primarily driven by the weakening of the British Pound against the U.S. dollar, based on average exchange rates during the periods.

Gross collections decreased $15.1 million, or 0.9%, to $1,685.6 million during the year ended December 31, 2016, from $1,700.7 million during the year ended December 31, 2015. The decrease was primarily due to decreased collections in the United States, offset by increased collections in Europe and other geographies. The increase in collections in Europe was primarily the result of increased purchasing volume and implementing certain liquidation improvement initiatives. The increase was partially offset by the unfavorable impact of foreign currency translation, primarily driven by the weakening of the British Pound against the U.S. dollar. In other geographies, collections continued to increase as we expand internationally. The decrease of collections in the United States was primarily due to a decrease in legal collections resulting from temporary delays in receiving media from issuers required to initiate the legal process for a number of accounts.

**Results of Operations**

Results of operations, in dollars and as a percentage of total revenues, were as follows *(in thousands, except percentages)*:

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2015 | |
| Revenues | | | | | | |
| Revenue from receivable portfolios, net | $ 1,094,609 | 92.2 % | $ 946,615 | 92.0 % | $ 1,072,436 | 94.9 % |
| Other revenues | 92,429 | 7.8 % | 82,643 | 8.0 % | 57,531 | 5.1 % |
| Total revenues | 1,187,038 | 100.0 % | 1,029,258 | 100.0 % | 1,129,967 | 100.0 % |
| Operating expenses | | | | | | |
| Salaries and employee benefits | 315,742 | 26.6 % | 281,097 | 27.3 % | 262,281 | 23.2 % |
| Cost of legal collections | 200,058 | 16.9 % | 200,855 | 19.5 % | 229,847 | 20.3 % |
| Other operating expenses | 104,938 | 8.8 % | 100,737 | 9.8 % | 93,210 | 8.2 % |
| Collection agency commissions | 43,703 | 3.7 % | 36,141 | 3.5 % | 37,858 | 3.5 % |
| General and administrative expenses | 158,080 | 13.3 % | 134,046 | 13.0 % | 191,357 | 16.9 % |
| Depreciation and amortization | 39,977 | 3.4 % | 34,868 | 3.4 % | 33,160 | 2.9 % |
| Total operating expenses | 862,498 | 72.7 % | 787,744 | 76.5 % | 847,713 | 75.0 % |
| Income from operations | 324,540 | 27.3 % | 241,514 | 23.5 % | 282,254 | 25.0 % |
| Other (expense) income | | | | | | |
| Interest expense | (204,161) | (17.2)% | (198,367) | (19.3)% | (186,556) | (16.5)% |
| Other income | 10,847 | 1.0 % | 14,228 | 1.4 % | 2,235 | 0.2 % |
| Total other expense | (193,314) | (16.2)% | (184,139) | (17.9)% | (184,321) | (16.3)% |
| Income from continuing operations before income taxes | 131,226 | 11.1 % | 57,375 | 5.6 % | 97,933 | 8.7 % |
| Provision for income taxes | (52,049) | (4.5)% | (38,205) | (3.7)% | (27,162) | (2.4)% |
| Income from continuing operations | 79,177 | 6.6 % | 19,170 | 1.9 % | 70,771 | 6.3 % |
| Loss from discontinued operations, net of tax | (199) | 0.0 % | (2,353) | (0.3)% | (23,387) | (2.1)% |
| Net income | 78,978 | 6.6 % | 16,817 | 1.6 % | 47,384 | 4.2 % |
| Net loss (income) attributable to noncontrolling interest | 4,250 | 0.4 % | 59,753 | 5.8 % | (2,249) | (0.2)% |
| Net income attributable to Encore Capital Group, Inc. stockholders | $ 83,228 | 7.0 % | $ 76,570 | 7.4 % | $ 45,135 | 4.0 % |

***Results of Operations—Cabot***

The following tables summarize the operating results contributed by Cabot during the periods presented *(in thousands)*:

| | Year Ended December 31, 2017 | | |
|---|---|---|---|
| | Janus Holdings | Encore Europe [1] | Consolidated |
| Total revenues | $ 399,875 | $ — | $ 399,875 |
| Total operating expenses | (230,401) | — | (230,401) |
| Income from operations | 169,474 | — | 169,474 |
| Interest expense-non-PEC | (105,634) | — | (105,634) |
| PEC interest (expense) income | (50,787) | 24,888 | (25,899) |
| Other income | 7,373 | — | 7,373 |
| Income before income taxes | 20,426 | 24,888 | 45,314 |
| Provision for income taxes | (17,218) | — | (17,218) |
| Net income | 3,208 | 24,888 | 28,096 |
| Net income attributable to noncontrolling interest | (643) | (1,280) | (1,923) |
| Net income attributable to Encore Capital Group, Inc. stockholders | $ 2,565 | $ 23,608 | $ 26,173 |

| | Year Ended December 31, 2016 | | |
|---|---|---|---|
| | Janus Holdings | Encore Europe[1] | Consolidated |
| Total revenues | $ 242,114 | $ — | $ 242,114 |
| Total operating expenses | (197,341) | — | (197,341) |
| Income from operations | 44,773 | — | 44,773 |
| Interest expense-non-PEC | (109,178) | — | (109,178) |
| PEC interest (expense) income | (47,646) | 23,349 | (24,297) |
| Other income | 15,270 | — | 15,270 |
| (Loss) income before income taxes | (96,781) | 23,349 | (73,432) |
| Income tax benefit | 12,073 | — | 12,073 |
| Net (loss) income | (84,708) | 23,349 | (61,359) |
| Net loss attributable to noncontrolling interest | 11,863 | 36,350 | 48,213 |
| Net (loss) income attributable to Encore Capital Group, Inc. stockholders | $ (72,845) | $ 59,699 | $ (13,146) |

(1) Includes only the results of operations related to Janus Holdings and therefore does not represent the complete financial performance of Encore Europe.

| | Year Ended December 31, 2015 | | |
|---|---|---|---|
| | Janus Holdings | Encore Europe[1] | Consolidated |
| Total revenues | $ 349,379 | $ — | $ 349,379 |
| Total operating expenses | (188,296) | — | (188,296) |
| Income from operations | 161,083 | — | 161,083 |
| Interest expense-non-PEC | (106,318) | — | (106,318) |
| PEC interest (expense) income | (48,013) | 23,529 | (24,484) |
| Other income | 591 | — | 591 |
| Income before income taxes | 7,343 | 23,529 | 30,872 |
| Income tax benefit | 1,294 | — | 1,294 |
| Net income | 8,637 | 23,529 | 32,166 |
| Net income attributable to noncontrolling interest | (1,211) | (3,705) | (4,916) |
| Net income attributable to Encore Capital Group, Inc. stockholders | $ 7,426 | $ 19,824 | $ 27,250 |

(1) Includes only the results of operations related to Janus Holdings and therefore does not represent the complete financial performance of Encore Europe.

For all periods presented, Janus Holdings recognized all interest expense related to the outstanding preferred equity certificates ("PECs") owed to Encore and other minority shareholders, while the interest income from PECs owed to Encore was recognized at Janus Holdings' parent company, Encore Europe Holdings, S.a r.l. ("Encore Europe"), which is a wholly-owned subsidiary of Encore.

**Comparison of Results of Operations**

**Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**

**Revenues**

Our revenues consist of portfolio revenue and other revenue.

Portfolio revenue consists of accretion revenue and zero basis revenue. Accretion revenue represents revenue derived from pools (quarterly groupings of purchased receivable portfolios) with a cost basis that has not been fully amortized. Revenue from pools with a remaining unamortized cost basis is accrued based on each pool's effective interest rate applied to each pool's remaining unamortized cost basis. The cost basis of each pool is increased by revenue earned and decreased by gross collections and portfolio allowances. The effective interest rate is the internal rate of return ("IRR") derived from the timing and amounts of actual cash received and anticipated future cash flow projections for each pool. All collections realized after the net book value of a portfolio has been fully recovered, or Zero Basis Portfolios ("ZBA"), are recorded as revenue, or zero basis revenue. We account for our investment in receivable portfolios utilizing the interest method in accordance with the authoritative guidance for loans and debt securities acquired with deteriorated credit quality. We may incur allowance charges when actual cash flows from our receivable portfolios underperform compared to our expectations or when there is a change in the timing of cash flows. Factors that may contribute to underperformance and to the recording of valuation allowances may include both internal as well as external factors. Internal factors that may have an impact on our collections include operational activities such as capacity and the productivity of our collection staff. External factors that may have an impact on our collections include new laws or regulations, new interpretations of existing laws or regulations, and the overall condition of the economy. We record allowance reversals on pool groups that have historic allowance reserves when actual cash flows from these receivable portfolios outperform our expectations. Allowance reversals are included in portfolio revenue.

Other revenues consist primarily of fee-based income earned on accounts collected on behalf of others, primarily credit originators. Certain of the Company's international subsidiaries earn fee-based income by providing portfolio management services to credit originators for non-performing loans.

Total revenues were $1,187.0 million during the year ended December 31, 2017, an increase of $157.7 million, or 15.3%, compared to total revenues of $1,029.3 million during the year ended December 31, 2016.

Our operating results are impacted by foreign currency translation, which represents the effect of translating operating results where the functional currency is different than our U.S. dollar reporting currency. The strengthening of the U.S. dollar

relative to other foreign currencies has an unfavorable impact on our international revenues, and the weakening of the U.S. dollar relative to other foreign currencies has a favorable impact on our international revenues. Our revenues were unfavorably impacted by foreign currency translation, primarily by the weakening of the British Pound, which devalued, based on average exchange rates, against the U.S. dollar by 4.9%, during the year ended December 31, 2017 as compared to the year ended December 31, 2016.

Portfolio revenue was $1,094.6 million during the year ended December 31, 2017, an increase of $148.0 million, or 15.6%, compared to revenue of $946.6 million during the year ended December 31, 2016. The increase in portfolio revenue during the year ended December 31, 2017 compared to 2016 was due to the allowance charge of $94.0 million on certain pool groups in Europe recorded during year ended December 31, 2016 and a $45.7 million reversal during the year ended December 31, 2017 of a portion of the previously recorded portfolio allowance as a result of sustained improvements in portfolio collections driven by liquidation improvement initiatives. These increases were partially offset by an allowance charge of $11.4 million recorded on pool groups in the United States, primarily due to two pool groups that were heavily concentrated in Puerto Rico for which collections have been impacted as a result of hurricanes and the unfavorable impact of foreign currency translation, primarily from the weakening of the British Pound against the U.S. dollar.

The following tables summarize collections, revenue, end of period receivable balance and other related supplemental data, by year of purchase (*in thousands, except percentages*):

| | Year Ended December 31, 2017 | | | | | As of December 31, 2017 | |
|---|---|---|---|---|---|---|---|
| | Collections(1) | Gross Revenue(2) | Revenue Recognition Rate(3) | Net Reversal (Portfolio Allowance) | Revenue % of Total Revenue | Unamortized Balances | Monthly IRR |
| **United States:** | | | | | | | |
| ZBA[4] | $ 139,373 | $ 132,746 | 95.2% | $ 6,942 | 12.6% | $ — | — |
| 2007[5] | 1,548 | 210 | 13.6% | — | 0.0% | — | — |
| 2008 | 4,636 | 1,891 | 40.8% | 613 | 0.2% | 1,497 | 5.2% |
| 2009[5] | — | — | — | — | — | — | — |
| 2010[5] | 1,106 | 299 | 27.0% | — | 0.0% | — | — |
| 2011 | 20,173 | 16,928 | 83.9% | — | 1.6% | 4,598 | 25.0% |
| 2012 | 71,301 | 51,300 | 71.9% | (2,337) | 4.8% | 16,432 | 18.6% |
| 2013 | 139,329 | 97,720 | 70.1% | — | 9.3% | 48,735 | 16.0% |
| 2014 | 142,147 | 77,566 | 54.6% | (9,028) | 7.4% | 112,788 | 4.5% |
| 2015 | 186,391 | 77,785 | 41.7% | — | 7.4% | 202,747 | 2.6% |
| 2016 | 283,035 | 140,367 | 49.6% | — | 13.3% | 369,851 | 2.6% |
| 2017 | 111,902 | 72,515 | 64.8% | — | 6.9% | 494,880 | 2.7% |
| Subtotal | 1,100,941 | 669,327 | 60.8% | (3,810) | 63.5% | 1,251,528 | 3.7% |
| **Europe:** | | | | | | | |
| 2013 | 146,993 | 96,093 | 65.4% | 41,716 | 9.1% | 269,999 | 3.1% |
| 2014 | 137,806 | 82,532 | 59.9% | 4,012 | 7.9% | 288,430 | 2.4% |
| 2015 | 103,823 | 52,969 | 51.0% | — | 5.0% | 231,691 | 2.0% |
| 2016 | 97,587 | 47,285 | 48.5% | — | 4.5% | 213,514 | 2.0% |
| 2017 | 68,111 | 37,200 | 54.6% | — | 3.5% | 451,222 | 1.6% |
| Subtotal | 554,320 | 316,079 | 57.0% | 45,728 | 30.0% | 1,454,856 | 2.1% |
| **Other geographies:** | | | | | | | |
| ZBA[4] | 11,409 | 11,388 | 99.8% | — | 1.1% | — | — |
| 2013 | 881 | — | 0.0% | — | 0.0% | 140 | 0.0% |
| 2014 | 7,808 | 16,622 | 212.9% | — | 1.6% | 57,727 | 2.3% |
| 2015 | 41,500 | 22,073 | 53.2% | — | 2.1% | 34,589 | 5.0% |
| 2016 | 35,313 | 14,411 | 40.8% | (682) | 1.4% | 45,058 | 2.4% |
| 2017 | 15,472 | 3,473 | 22.4% | — | 0.3% | 46,715 | 1.2% |
| Subtotal | 112,383 | 67,967 | 60.5% | (682) | 6.5% | 184,229 | 2.5% |
| Total | $ 1,767,644 | $ 1,053,373 | 59.6% | $ 41,236 | 100.0% | $ 2,890,613 | 3.0% |

(1) Does not include amounts collected on behalf of others.

(2) Gross revenue excludes the effects of net portfolio allowance or net portfolio allowance reversals.

(3) Revenue recognition rate excludes the effects of net portfolio allowance or net portfolio allowance reversals.

(4) ZBA revenue typically has a 100% revenue recognition rate. However, collections on ZBA pool groups where a valuation allowance remains must first be recorded as an allowance reversal until the allowance for that pool group is zero. Once the entire valuation allowance is reversed, the revenue recognition rate will become 100%. ZBA gross revenue includes an immaterial amount of accounts that are returned to the seller in accordance with the respective purchase agreement ("Put-Backs").

(5) Total collections realized exceed the net book value of the portfolio and have been converted to ZBA.

| | Year Ended December 31, 2016 | | | | | As of December 31, 2016 | |
|---|---|---|---|---|---|---|---|
| | Collections(1) | Gross Revenue(2) | Revenue Recognition Rate(3) | Net Reversal (Portfolio Allowance) | Revenue % of Total Revenue | Unamortized Balances | Monthly IRR |
| **United States:** | | | | | | | |
| ZBA(4) | $ 137,287 | $ 130,627 | 95.1% | $ 6,820 | 12.7% | $ — | — |
| 2007 | 2,200 | 748 | 34.0% | 795 | 0.1% | 941 | 4.5% |
| 2008 | 8,687 | 4,301 | 49.5% | 2,219 | 0.4% | 3,631 | 5.2% |
| 2009(5) | — | — | — | — | — | — | — |
| 2010 | 10,402 | 7,493 | 72.0% | — | 0.7% | 807 | 25.0% |
| 2011 | 54,991 | 35,643 | 64.8% | — | 3.4% | 7,866 | 17.7% |
| 2012 | 113,068 | 72,877 | 64.5% | — | 7.1% | 38,886 | 11.7% |
| 2013 | 196,752 | 126,666 | 64.4% | — | 12.3% | 90,720 | 9.1% |
| 2014 | 216,356 | 112,554 | 52.0% | — | 10.9% | 187,083 | 4.1% |
| 2015 | 231,101 | 103,073 | 44.6% | — | 10.0% | 313,089 | 2.4% |
| 2016 | 110,876 | 65,639 | 59.2% | — | 6.4% | 515,260 | 2.4% |
| Subtotal | 1,081,720 | 659,621 | 61.0% | 9,834 | 64.0% | 1,158,283 | 3.7% |
| **Europe:** | | | | | | | |
| 2013 | 165,616 | 127,606 | 77.0% | (76,018) | 12.4% | 256,725 | 3.0% |
| 2014 | 156,666 | 93,657 | 59.8% | (13,150) | 9.1% | 308,568 | 2.1% |
| 2015 | 127,083 | 62,769 | 49.4% | (4,843) | 6.1% | 255,445 | 1.6% |
| 2016 | 44,635 | 24,733 | 55.4% | — | 2.4% | 230,225 | 1.8% |
| Subtotal | 494,000 | 308,765 | 62.5% | (94,011) | 30.0% | 1,050,963 | 2.1% |
| **Other geographies:** | | | | | | | |
| ZBA(4) | 7,552 | 7,433 | 98.4% | — | 0.7% | — | — |
| 2013 | 1,548 | — | 0.0% | — | 0.0% | 1,008 | 0.0% |
| 2014 | 17,443 | 17,675 | 101.3% | — | 1.7% | 56,691 | 2.2% |
| 2015 | 57,055 | 27,810 | 48.7% | — | 2.7% | 51,758 | 3.5% |
| 2016 | 26,286 | 9,488 | 36.1% | — | 0.9% | 64,106 | 1.9% |
| Subtotal | 109,884 | 62,406 | 56.8% | — | 6.0% | 173,563 | 2.4% |
| Total | $ 1,685,604 | $ 1,030,792 | 61.2% | $ (84,177) | 100.0% | $ 2,382,809 | 2.9% |

(1) Does not include amounts collected on behalf of others.

(2) Gross revenue excludes the effects of net portfolio allowance or net portfolio allowance reversals.

(3) Revenue recognition rate excludes the effects of net portfolio allowance or net portfolio allowance reversals.

(4) ZBA revenue typically has a 100% revenue recognition rate. However, collections on ZBA pool groups where a valuation allowance remains must first be recorded as an allowance reversal until the allowance for that pool group is zero. Once the entire valuation allowance is reversed, the revenue recognition rate will become 100%. ZBA gross revenue includes an immaterial amount of accounts that are returned to the seller in accordance with the respective purchase agreement ("Put-Backs").

(5) Total collections realized exceed the net book value of the portfolio and have been converted to ZBA.

Other revenues were $92.4 million and $82.6 million for the years ended December 31, 2017 and 2016, respectively. Other revenues primarily consist of fee-based income earned at our international subsidiaries that provide portfolio management services to credit originators for non-performing loans. The increases in other revenues were primarily attributable to additional fee-based income earned from recently acquired fee-based service providers, including Wescot, which was acquired by Cabot in November 2017. These increases were partially offset by the unfavorable impact of foreign currency translation, primarily from the weakening of the British Pound against the U.S. dollar.

**Operating Expenses**

Total operating expenses were $862.5 million during the year ended December 31, 2017, an increase of $74.8 million, or 9.5%, compared to total operating expenses of $787.7 million during the year ended December 31, 2016.

Our operating results are impacted by foreign currency translation, which represents the effect of translating operating results where the functional currency is different than our U.S. dollar reporting currency. The strengthening of the U.S. dollar relative to other foreign currencies has a favorable impact on our international operating expenses, and the weakening of the U.S. dollar relative to other foreign currencies has an unfavorable impact on our international operating expenses.

Operating expenses are explained in more detail as follows:

***Salaries and Employee Benefits***

Salaries and employee benefits increased $34.6 million, or 12.3%, to $315.7 million during the year ended December 31, 2017, from $281.1 million during the year ended December 31, 2016. The increase was primarily the result of an increase in headcount at our domestic sites as part of initiatives to increase collections capacity and an increase at our international subsidiaries resulting from recent acquisitions. The increase was partially offset by the impact of foreign currency translation, primarily from the weakening of the British Pound against the U.S. dollar.

Stock-based compensation decreased $2.2 million, or 17.6%, to $10.4 million during the year ended December 31, 2017, from $12.6 million during the year ended December 31, 2016. The decrease was primarily attributable to larger expense reversals during the current year as compared to the corresponding periods in the prior year resulting from adjustments to estimated vesting of certain performance-based awards and reversals for current period actual forfeitures.

***Cost of Legal Collections***

Cost of legal collections includes primarily contingent fees paid to our network of attorneys and the cost of litigation. We pursue legal collections using a network of attorneys that specialize in collection matters and through our internal legal channel. Under the agreements with our contracted attorneys, we advance certain out-of-pocket court costs, or Deferred Court Costs. We capitalize these costs in the consolidated financial statements and provide a reserve for those costs that we believe will ultimately be uncollectible. We determine the reserve based on an estimated court cost recovery rate based on our analysis of historical court costs recovery data. Based on trends of historical court costs recovery data during the year ended December 31, 2016, we noted a decrease in the estimated court cost recovery rate in the United Kingdom. Based on the revised estimated court cost recovery rate, we recorded an additional court costs reserve in the cost of legal collections of approximately $11.3 million during the year ended December 31, 2016.

The cost of legal collections decreased slightly by $0.8 million, or 0.4%, to $200.1 million during the year ended December 31, 2017, compared to $200.9 million during the year ended December 31, 2016. Cost of legal collections in the United States increased by $9.8 million, or 6.0%, while cost of legal collections in Europe decreased by $11.0 million, or 30.0% as compared to the prior year. The cost of legal collections as a percentage of gross collections through this channel increased to 29.8% during the year ended December 31, 2017, from 29.1% during the year ended December 31, 2016. The cost as a percentage of legal collections in the United States increased to 31.5% during the year ended December 31, 2017 from 29.1% during the prior year and the cost as a percentage of legal collections in Europe decreased to 22.0% during the year ended December 31, 2017 from 29.9% during the prior year.

The increases in the cost of legal collections and the cost of legal collections as a percentage of gross collections in the United States during the periods presented were due to increased placements in the legal channel. During the first three quarters in 2016, we experienced temporary delays in receiving media from issuers required to initiate the legal process for a number of accounts, as a result, the volume of accounts placed in our legal channel was reduced during that period. Since those temporary delays subsided in the fourth quarter of 2016, we have increased placement volume in the legal channel and expect increased volume in our legal channel in the near future.

The decreases in the cost of legal collections and the cost of legal collections as a percentage of gross collections in Europe during the periods presented were due to the recording of an approximately $11.3 million additional court cost reserve during the year ended December 31, 2016 as discussed above, and reduction in upfront court costs as a result of fewer accounts placed in this channel.

***Other Operating Expenses***

Other operating expenses increased $4.2 million, or 4.2%, to $104.9 million during the year ended December 31, 2017, from $100.7 million during the year ended December 31, 2016. The increase in other operating expenses was primarily due to an increase in new domestic marketing programs and mailing initiatives and increase at our international subsidiaries resulting

from recent acquisitions. The increase was partially offset by the impact of foreign currency translation, primarily from the weakening of the British Pound against the U.S. dollar.

***Collection Agency Commissions***

During the year ended December 31, 2017, we incurred $43.7 million in commissions to third-party collection agencies, or 21.3% of the related gross collections of $204.9 million. During the period, the commission rate as a percentage of related gross collections was 7.3% and 24.6% for our collection outsourcing channels in the United States and Europe, respectively. During the year ended December 31, 2016, we incurred $36.1 million in commissions, or 18.5%, of the related gross collections of $195.4 million. During 2016, the commission rate as a percentage of related gross collections was 9.0% and 22.7% for our collection outsourcing channels in the United States and Europe, respectively.

Collections through this channel vary from period to period depending on, among other things, the number of accounts placed with an agency versus accounts collected internally. Commissions, as a percentage of collections in this channel, also vary from period to period depending on, among other things, the amount of time that has passed since the charge-off of the accounts placed with an agency, the asset class, and the geographic location of the receivables. Generally, freshly charged-off accounts have a lower commission rate than accounts that have been charged off for a longer period of time. Additionally, commission rates are lower in the United Kingdom, where most of the receivables in this channel are semi-performing loans and IVAs, while the commission rates are higher in other European countries where most of the receivables in this channel are non-performing loans.

***General and Administrative Expenses***

General and administrative expenses increased $24.1 million, or 17.9%, to $158.1 million during the year ended December 31, 2017, from $134.0 million during the year ended December 31, 2016. The increase was primarily due to expenses related to Cabot's withdrawn IPO of $13.4 million, reduction in gain on reversal of acquisition-related contingent consideration of approximately $5.3 million, and additional infrastructure costs at our domestic sites. The increase was partially offset by reduction in settlement fees and related administrative expenses of $6.3 million, and the impact of foreign currency translation, primarily from the weakening of the British Pound against the U.S. dollar.

***Depreciation and Amortization***

Depreciation and amortization expense increased $5.1 million, or 14.7%, to $40.0 million during the year ended December 31, 2017, from $34.9 million during the year ended December 31, 2016. The increase was primarily due to write-off of certain long-lived and intangible assets in connection with integrating our operating platforms and increase in fixed assets and intangibles at our international subsidiaries resulting from recent acquisitions.

**Interest Expense**

Interest expense increased $5.8 million to $204.2 million during the year ended December 31, 2017, from $198.4 million during the year ended December 31, 2016.

The following table summarizes our interest expense (*in thousands, except percentages*):

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2017 | 2016 | $ Change | % Change |
| Stated interest on debt obligations | $ 157,287 | $ 159,883 | $ (2,596) | (1.6)% |
| Interest expense on preferred equity certificates | 25,899 | 24,297 | 1,602 | 6.6 % |
| Amortization of loan fees and other loan costs | 13,502 | 12,618 | 884 | 7.0 % |
| Amortization of debt discount | 10,338 | 10,520 | (182) | (1.7)% |
| Accretion of debt premium | (2,865) | (8,951) | 6,086 | (68.0)% |
| Total interest expense | $ 204,161 | $ 198,367 | $ 5,794 | 2.9 % |

The payment of the accumulated interest on the PECs issued in connection with the acquisition of a controlling interest in Cabot will only be satisfied in connection with the disposition of the noncontrolling interest of J.C. Flowers and management.

The increase in interest expense during the year ended December 31, 2017 as compared to the corresponding period in 2016 was primarily attributable to higher interest expense in the United States related to our recent issuance of convertible debt, senior notes and higher weighted interest rates. The increase was partially offset by lower interest expense in our international

subsidiaries due to various refinancing transactions and the favorable impact of foreign currency translation, primarily from the weakening of the British Pound against the U.S. dollar.

**Other Income**

Other income consists primarily of foreign currency exchange gains or losses, interest income, and gains or losses recognized on certain transactions outside of our normal course of business. Other income was $10.8 million during the year ended December 31, 2017, down from $14.2 million during the year ended December 31, 2016. The decrease was primarily due to lower net gain recognized on foreign exchange contracts in the current period compared to prior year.

In 2016, Encore and Cabot collectively began entering into currency exchange forward contracts to reduce the effects of currency exchange rate fluctuations between the British Pound and Euro. These derivative contracts generally mature within one to three months and are not designated as hedge instruments for accounting purposes. The gains or losses on these derivative contracts are recognized in other income or expense based on the changes in fair value.

**Provision for Income Taxes**

During the years ended December 31, 2017 and 2016, we recorded income tax provisions for income from continuing operations of $52.0 million and $38.2 million, respectively.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act (the “Tax Reform Act”) was signed into law by President Trump. The Tax Reform Act significantly revised the U.S. corporate income tax regime by, among other things, lowering the U.S. corporate tax rate from a top rate of 35% to a flat rate of 21% effective January 1, 2018, while also repealing the deduction for domestic production activities, implementing elements of a territorial tax system and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. Shortly after enactment, the SEC staff issued Staff Accounting Bulletin (“SAB”) 118, which provides guidance on accounting for the Tax Reform Act’s impact. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Reform Act for which the accounting under ASC 740 is complete. To the extent that a company’s accounting for certain income tax effects of the Tax Reform Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. As a result of the Tax Reform Act, we recorded an additional net tax expense of $1.2 million during the year ended December 31, 2017. This net tax expense represents a provisional amount and our current best estimate. The provisional amount incorporates assumptions made based upon our current interpretation of the Tax Reform Act and may change as we receive additional clarification and implementation guidance. We did not record any deemed repatriation tax on unremitted foreign earnings and profits (“E&P”) due to the deficit in accumulated foreign E&P as of December 31, 2017.

Because of the complexity of the new Global Intangible Low-Taxed Income (“GILTI”) tax rules, we continue to evaluate this and other provisions of the Tax Reform Act and the application of Accounting Standards Codification 740, “*Income Taxes*.” Under U.S. GAAP, we are allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the “period cost method”) or (2) factoring such amounts into our measurement of its deferred taxes (the “deferred method”). We have not yet adopted an accounting policy with respect to GILTI at December 31, 2017.

The effective tax rates for the respective periods are shown below:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Federal provision | 35.0 % | 35.0 % |
| State provision | 0.5 % | 2.3 % |
| Foreign rate differential[1] | (20.0)% | (3.6)% |
| Transaction costs[2] | 5.0 % | 0.0 % |
| Tax reserves | 0.0 % | (3.2)% |
| Permanent items[3] | 10.2 % | 14.7 % |
| Change in valuation allowance[4] | 8.2 % | 20.7 % |
| Other[5] | 0.8 % | 0.7 % |
| Effective rate | 39.7 % | 66.6 % |

(1) Relates primarily to the lower tax rate on the income attributable to international operations.

(2) Relates primarily to the effect of certain costs related to the withdrawn Cabot IPO that are disallowed for U.K. tax purposes.

(3) Represents a provision for nondeductible expenses including interest expense reported in a foreign subsidiary and certain foreign income subject to tax in the U.S. under Internal Revenue Code Section 951 (Subpart F).

(4) Valuation allowance recorded as a result of certain foreign subsidiaries' cumulative operating losses for tax purposes.

(5) Includes the impact from the Tax Reform Act for the year ended December 31, 2017.

The effective tax rate for the year ended December 31, 2017 decreased to 39.7% as compared to 66.6% for the year ended December 31, 2016. The decrease in effective tax rate was primarily the result of a lower tax rate on income attributable to international operations and reduced impact of changes in valuation allowances related to certain foreign subsidiaries.

Our effective tax rate could fluctuate significantly on a quarterly basis and could be adversely affected to the extent earnings are lower than anticipated in countries that have lower statutory tax rates and higher than anticipated in countries that have higher statutory tax rates.

**Cost per Dollar Collected**

We utilize adjusted operating expenses in order to facilitate a comparison of approximate cash costs to cash collections for our portfolio purchasing and recovery business. The calculation of adjusted operating expenses is illustrated in detail in the "Non-GAAP Disclosure" section. The following table summarizes our overall cost per dollar collected by geographic location during the periods presented:

| | Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| United States | 44.2% | 40.5% |
| Europe | 28.2% | 32.8% |
| Other geographies | 48.6% | 44.1% |
| Overall cost per dollar collected | 39.5% | 38.5% |

Our overall cost per dollar collected (or "cost-to-collect") for the year ended December 31, 2017 was 39.5%, up 100 basis points from 38.5% during the prior period. Cost-to collect increased in the United States and other geographies and decreased in Europe during the periods presented.

Cost-to-collect in the United States increased due to a combination of (a) increased legal spending resulting from increased placements in the legal channel due to the ceasing of prior temporary delays in receiving media from issuers required to initiate the legal process, (b) the acquisition of an increased volume of accounts, which generates increased near-term expenses from account manager hiring, legal placements, and letter volumes and (c) increased investments to increase collection capacity.

We expect to incur upfront costs in building collection channels in connection with any growth in our presence in the Latin American and Asia Pacific markets. As a result, cost-to-collect in other geographies may become elevated in the near term and may fluctuate over time.

Cost-to-collect in Europe deceased primarily due to the recording of a large court costs reserve in the United Kingdom during the year ended December 31, 2016. Refer to “Cost of Legal Collections” in the operating expenses section above for further details.

Over time, we expect our cost-to-collect to remain competitive, but also to fluctuate from quarter to quarter based on seasonality, product mix of purchases, acquisitions, foreign exchange rates, the cost of new operating initiatives, and the changing regulatory and legislative environment.

**Year Ended December 31, 2016 Compared to Year Ended December 31, 2015**

**Revenues**

Total revenues were $1,029.3 million during the year ended December 31, 2016, a decrease of $100.7 million, or 8.9%, compared to total revenues of $1,130.0 million during the year ended December 31, 2015.

Our operating results are impacted by foreign currency translation, which represents the effect of translating operating results where the functional currency is different than our U.S. dollar reporting currency. The strengthening of the U.S. dollar relative to other foreign currencies has an unfavorable impact on our international revenues, and the weakening of the U.S. dollar relative to other foreign currencies has a favorable impact on our international revenues. Our revenues were impacted by foreign currency translation, primarily by the weakening of the British Pound, which devalued against the U.S. dollar by 11.4%, during the year ended December 31, 2016 as compared to the year ended December 31, 2015.

Portfolio revenue was $946.6 million during the year ended December 31, 2016, a decrease of $125.8 million, or 11.7%, compared to revenue of $1,072.4 million during the year ended December 31, 2015. The decrease in portfolio revenue during the year ended December 31, 2016, compared to the year ended December 31, 2015 was the result of allowance charges recorded on certain pools in Europe and the negative impact of foreign currency translation, primarily from the weakening of the British Pound against the U.S. dollar.

During the year ended December 31, 2016, we recorded a net allowance charge of $84.2 million, compared to a net portfolio allowance reversal of $6.8 million during the year ended December 31, 2015. During the quarter ended September 30, 2016, we recorded a portfolio allowance charges of $94.0 million resulting from delays or shortfalls in near term collections against our forecasts for certain pools in Europe. These allowance charges, net of portfolio allowance reversals on other pools, attributed to the net portfolio allowance of $84.2 million during the year ended December 31, 2016. The net portfolio allowance reversals recorded in 2015 were primarily due to the reversal of remaining allowance reserves for certain ZBA pool groups with cash collections, offset by an $8.3 million portfolio allowance charge resulting from our settlement with the Consumer Financial Protection Bureau (“CFPB”).

During the quarter ended September 30, 2016, we revised the forecasting methodology we use to value and calculate IRRs on certain portfolios in Europe by extending the collection forecast from 120 months to 180 months. This change was made as a result of (1) our observation that older portfolios in Europe have consistently experienced cash collections beyond 120 months, (2) an expectation that regulatory changes in the United Kingdom resulting in a reduction in the number of highly discounted near term one-time settlements, an increase in the number of payment plans, and an increase in the length of existing payment plans will cause a lengthening of our collections curve, (3) an expectation that, as a result of a higher percentage of semi-performing account purchases in the United Kingdom in recent years, newer vintages will have a larger percentage of collections after 120 months and (4) our increased confidence in our ability to forecast future cash collections to 180 months. The increase in the collection forecast from 120 months to 180 months was applied effective July 1, 2016, to certain portfolios in Europe for which we could accurately forecast through such term. In addition, during the three months ended September 30, 2016, we recorded allowance charges of approximately $94.0 million resulting from delays or shortfalls in collections against the forecasts for certain pools in Europe. These changes in forecasted future cash flows resulted in an increase in the aggregate total estimated remaining collections (“ERC”) for the receivable portfolios of approximately $296.5 million as of September 30, 2016. The increase in the collection forecast from 120 months to 180 months had the effect of reducing the allowance charges by approximately $13.2 million. For portfolios in Europe that were not extended to 180 months, we will continue to include collection forecast to 120 months in calculating accretion revenue and in our estimated remaining collection disclosures. In the United States, we will continue to include collection forecast to 120 months in

calculating accretion revenue. Expected collections beyond the 120-month collection forecast in the United States are included in our estimated remaining collection disclosures but are not included in the calculation of accretion revenue.

The following tables summarize collections, revenue, end of period receivable balance and other related supplemental data, by year of purchase (*in thousands, except percentages*):

| | Year Ended December 31, 2016 | | | | | As of December 31, 2016 | |
|---|---|---|---|---|---|---|---|
| | Collections(1) | Gross Revenue(2) | Revenue Recognition Rate(3) | Net Reversal (Portfolio Allowance) | Revenue % of Total Revenue | Unamortized Balances | Monthly IRR |
| **United States:** | | | | | | | |
| ZBA[4] | $ 137,287 | $ 130,627 | 95.1% | $ 6,820 | 12.7% | $ — | — |
| 2007 | 2,200 | 748 | 34.0% | 795 | 0.1% | 941 | 4.5% |
| 2008 | 8,687 | 4,301 | 49.5% | 2,219 | 0.4% | 3,631 | 5.2% |
| 2009[5] | — | — | — | — | — | — | — |
| 2010 | 10,402 | 7,493 | 72.0% | — | 0.7% | 807 | 25.0% |
| 2011 | 54,991 | 35,643 | 64.8% | — | 3.4% | 7,866 | 17.7% |
| 2012 | 113,068 | 72,877 | 64.5% | — | 7.1% | 38,886 | 11.7% |
| 2013 | 196,752 | 126,666 | 64.4% | — | 12.3% | 90,720 | 9.1% |
| 2014 | 216,356 | 112,554 | 52.0% | — | 10.9% | 187,083 | 4.1% |
| 2015 | 231,101 | 103,073 | 44.6% | — | 10.0% | 313,089 | 2.4% |
| 2016 | 110,876 | 65,639 | 59.2% | | 6.4% | 515,260 | 2.4% |
| Subtotal | 1,081,720 | 659,621 | 61.0% | 9,834 | 64.0% | 1,158,283 | 3.7% |
| **Europe:** | | | | | | | |
| 2013 | 165,616 | 127,606 | 77.0% | (76,018) | 12.4% | 256,725 | 3.0% |
| 2014 | 156,666 | 93,657 | 59.8% | (13,150) | 9.1% | 308,568 | 2.1% |
| 2015 | 127,083 | 62,769 | 49.4% | (4,843) | 6.1% | 255,445 | 1.6% |
| 2016 | 44,635 | 24,733 | 55.4% | — | 2.4% | 230,225 | 1.8% |
| Subtotal | 494,000 | 308,765 | 62.5% | (94,011) | 30.0% | 1,050,963 | 2.1% |
| **Other geographies:** | | | | | | | |
| ZBA[4] | 7,552 | 7,433 | 98.4% | — | 0.7% | — | — |
| 2013 | 1,548 | — | — | — | — | 1,008 | 0.0% |
| 2014 | 17,443 | 17,675 | 101.3% | — | 1.7% | 56,691 | 2.2% |
| 2015 | 57,055 | 27,810 | 48.7% | — | 2.7% | 51,758 | 3.5% |
| 2016 | 26,286 | 9,488 | 36.1% | — | 0.9% | 64,106 | 1.9% |
| Subtotal | 109,884 | 62,406 | 56.8% | — | 6.0% | 173,563 | 2.4% |
| Total | $ 1,685,604 | $ 1,030,792 | 61.2% | $ (84,177) | 100.0% | $ 2,382,809 | 2.9% |

(1) Does not include amounts collected on behalf of others.

(2) Gross revenue excludes the effects of net portfolio allowance or net portfolio allowance reversals.

(3) Revenue recognition rate excludes the effects of net portfolio allowance or net portfolio allowance reversals.

(4) ZBA revenue typically has a 100% revenue recognition rate. However, collections on ZBA pool groups where a valuation allowance remains must first be recorded as an allowance reversal until the allowance for that pool group is zero. Once the entire valuation allowance is reversed, the revenue recognition rate will become 100%. ZBA gross revenue includes an immaterial amount of Put-Backs.

(5) Total collections realized exceed the net book value of the portfolio and have been converted to ZBA.

| | Year Ended December 31, 2015 | | | | | As of December 31, 2015 | |
|---|---|---|---|---|---|---|---|
| | Collections(1) | Gross Revenue(2) | Revenue Recognition Rate(3) | Net Reversal (Portfolio Allowance) | Revenue % of Total Revenue | Unamortized Balances | Monthly IRR |
| **United States:** | | | | | | | |
| ZBA(4) | $ 103,398 | $ 91,876 | 88.9% | $ 11,765 | 8.6% | $ — | — |
| 2007 | 3,150 | 1,118 | 35.5% | 1,009 | 0.1% | 1,573 | 4.6% |
| 2008 | 13,529 | 8,665 | 64.0% | 2,311 | 0.8% | 5,798 | 10.0% |
| 2009(5) | 18,084 | 10,347 | 57.2% | — | 1.0% | — | — |
| 2010 | 42,615 | 25,629 | 60.1% | — | 2.4% | 3,742 | 21.2% |
| 2011 | 112,753 | 85,303 | 75.7% | — | 8.0% | 27,257 | 18.5% |
| 2012 | 176,914 | 108,968 | 61.6% | — | 10.2% | 79,973 | 8.6% |
| 2013 | 298,068 | 176,878 | 59.3% | — | 16.6% | 161,539 | 7.4% |
| 2014 | 307,814 | 146,583 | 47.6% | — | 13.8% | 291,402 | 3.6% |
| 2015 | 105,609 | 47,300 | 44.8% | — | 4.4% | 445,527 | 1.8% |
| Impact of CFPB settlement | — | — | — | (8,322) | — | — | — |
| Subtotal | 1,181,934 | 702,667 | 59.5% | 6,763 | 65.9% | 1,016,811 | 4.4% |
| **Europe:** | | | | | | | |
| 2013 | 212,129 | 171,750 | 81.0% | — | 16.1% | 439,619 | 3.1% |
| 2014 | 198,127 | 122,490 | 61.8% | — | 11.5% | 444,618 | 2.1% |
| 2015 | 65,870 | 38,129 | 57.9% | — | 3.6% | 384,231 | 1.9% |
| Subtotal | 476,126 | 332,369 | 69.8% | — | 31.2% | 1,268,468 | 2.4% |
| **Other geographies:** | | | | | | | |
| ZBA(4) | 4,565 | 4,571 | 100.1% | — | 0.4% | — | — |
| 2012(5) | 471 | — | 0.0% | — | 0.0% | — | — |
| 2013 | 6,507 | 319 | 4.9% | — | 0.0% | 2,480 | 0.0% |
| 2014 | 16,062 | 19,910 | 124.0% | — | 1.9% | 67,714 | 2.4% |
| 2015 | 15,060 | 5,837 | 38.8% | — | 0.5% | 85,196 | 2.9% |
| Subtotal | 42,665 | 30,637 | 71.8% | — | 2.9% | 155,390 | 2.6% |
| Total | $ 1,700,725 | $ 1,065,673 | 62.7% | $ 6,763 | 100.0% | $ 2,440,669 | 3.2% |

(1) Does not include amounts collected on behalf of others.

(2) Gross revenue excludes the effects of net portfolio allowance or net portfolio allowance reversals.

(3) Revenue recognition rate excludes the effects of net portfolio allowance or net portfolio allowance reversals.

(4) ZBA revenue typically has a 100% revenue recognition rate. However, collections on ZBA pool groups where a valuation allowance remains must first be recorded as an allowance reversal until the allowance for that pool group is zero. Once the entire valuation allowance is reversed, the revenue recognition rate will become 100%. ZBA gross revenue includes an immaterial amount of Put-Backs.

(5) Total collections realized exceed the net book value of the portfolio and have been converted to ZBA.

Other revenues were $82.6 million and $57.5 million for the years ended December 31, 2016 and 2015, respectively. The increase in other revenues was primarily attributable to fee-based income earned at our international subsidiaries that provide portfolio management services to credit originators for non-performing loans, offset by the negative impact of foreign currency translation. Most of our other revenues are from our international subsidiaries and therefore, other revenues were unfavorably impacted by the strengthening of the U.S. dollar relative to other foreign currencies during the periods presented.

**Operating Expenses**

Total operating expenses were $787.7 million during the year ended December 31, 2016, a decrease of $60.0 million, or 7.1%, compared to total operating expenses of $847.7 million during the year ended December 31, 2015.

Operating expenses are explained in more detail as follows:

***Salaries and Employee Benefits***

Salaries and employee benefits increased $18.8 million, or 7.2%, to $281.1 million during the year ended December 31, 2016, from $262.3 million during the year ended December 31, 2015. The increase was primarily the result of increases in compensation expense of approximately $33.4 million for our international subsidiaries, offset by a decrease of $9.4 million in stock-based compensation expense and a net decrease in other salaries and employee benefits in our U.S. operations.

Stock-based compensation decreased $9.4 million, or 42.6%, to $12.6 million during the year ended December 31, 2016, from $22.0 million during the year ended December 31, 2015. The decreases were primarily attributable to expense reversals resulting from adjustments to estimated vesting of certain performance-based awards and lower fair value of equity awards granted in recent periods.

***Cost of Legal Collections***

Cost of legal collections includes primarily contingent fees paid to our network of attorneys and the cost of litigation. We pursue legal collections using a network of attorneys that specialize in collection matters and through our internal legal channel. Under the agreements with our contracted attorneys, we advance certain out-of-pocket court costs, or Deferred Court Costs. We capitalize these costs in the consolidated financial statements and provide a reserve for those costs that we believe will ultimately be uncollectible. We determine the reserve based on an estimated court cost recovery rate based on our analysis of historical court costs recovery data. Based on recent trends of historical court costs recovery data, we noted a decrease in the estimated court cost recovery rate in the United Kingdom. Based on the revised estimated court cost recovery rate, we recorded an additional court costs reserve in the cost of legal collections of approximately $11.3 million during the three months ended September 30, 2016.

The cost of legal collections decreased $28.9 million, or 12.6%, to $200.9 million during the year ended December 31, 2016, compared to $229.8 million during the year ended December 31, 2015. Cost of legal collections in the United States decreased by $39.6 million, or 19.6%, while cost of legal collections in Europe increased by $8.9 million, or 32.3% as compared to the prior year. The cost of legal collections as a percentage of gross collections through this channel decreased to 29.1% during the year ended December 31, 2016, from 31.6% during the year ended December 31, 2015. During the year ended December 31, 2016, the cost of legal collections was 29.1% and 29.9% in the United States and Europe, respectively. During the year ended December 31, 2015, the cost of legal collections was 31.9% and 29.9% in the United States and Europe, respectively.

The decreases in the cost of legal collections and the cost of legal collections as a percentage of gross collections in the United States during the periods presented were due to a reduction in upfront court costs as a result of fewer accounts placed in this channel because of temporary delays in receiving media from issuers required to initiate the legal process for a number of accounts as compared to the corresponding period in the prior year. We began to see increased placement volume in the fourth quarter of 2016 and expect increased placements in our legal channel thereafter.

***Other Operating Expenses***

Other operating expenses increased $7.5 million, or 8.1%, to $100.7 million during the year ended December 31, 2016, from $93.2 million during the year ended December 31, 2015. The increases in other operating expenses was primarily due to increased costs relating to acquired international subsidiaries offset by lower domestic expenses.

***Collection Agency Commissions***

During the year ended December 31, 2016, we incurred $36.1 million in commissions to third-party collection agencies, or 18.5% of the related gross collections of $195.4 million. During the period, the commission rate as a percentage of related gross collections was 9.0% and 22.7% for our collection outsourcing channels in the United States and Europe, respectively. During the year ended December 31, 2015, we incurred $37.9 million in commissions, or 17.2%, of the related gross collections of $220.2 million. During 2015, the commission rate as a percentage of related gross collections was 14.4% and 18.5% for our collection outsourcing channels in the United States and Europe, respectively.

Collections through this channel vary from period to period depending on, among other things, the number of accounts placed with an agency versus accounts collected internally. Commissions, as a percentage of collections in this channel, also vary from period to period depending on, among other things, the amount of time that has passed since the charge-off of the accounts placed with an agency, the asset class, and the geographic location of the receivables. Generally, freshly charged-off accounts have a lower commission rate than accounts that have been charged off for a longer period of time. Additionally, commission rates are lower in the United Kingdom, where most of the receivables in this channel are semi-performing loans

and IVAs, while the commission rates are higher in other European countries where most of the receivables in this channel are non-performing loans.

***General and Administrative Expenses***

General and administrative expenses decreased $57.4 million, or 30.0%, to $134.0 million during the year ended December 31, 2016, from $191.4 million during the year ended December 31, 2015. The decrease was primarily due to CFPB related expenses of approximately $53.7 million recorded during the year ended December 31, 2015 and a reversal of an acquisition-related contingent consideration of approximately $8.1 million recorded during the year ended December 31, 2016.

***Depreciation and Amortization***

Depreciation and amortization expense increased $1.7 million, or 5.2%, to $34.9 million during the year ended December 31, 2016, from $33.2 million during the year ended December 31, 2015. The increase was primarily attributable to additional amortization expenses resulting from intangible assets acquired through our recent acquisitions.

**Interest Expense**

Interest expense increased $11.8 million to $198.4 million during the year ended December 31, 2016, from $186.6 million during the year ended December 31, 2015.

The following table summarizes our interest expense (*in thousands, except percentages*):

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2016 | 2015 | $ Change | % Change |
| Stated interest on debt obligations | $ 159,883 | $ 151,617 | $ 8,266 | 5.5 % |
| Interest expense on preferred equity certificates | 24,297 | 24,484 | (187) | (0.8)% |
| Amortization of loan fees and other loan costs | 12,618 | 11,792 | 826 | 7.0 % |
| Amortization of debt discount | 10,520 | 9,410 | 1,110 | 11.8 % |
| Accretion of debt premium | (8,951) | (10,747) | 1,796 | (16.7)% |
| Total interest expense | $ 198,367 | $ 186,556 | $ 11,811 | 6.3 % |

The payment of the accumulated interest on the PECs issued in connection with the acquisition of a controlling interest in Cabot will only be satisfied in connection with the disposition of the noncontrolling interest of J.C. Flowers and management.

The increase in interest expense was primarily attributable to increased average debt levels in the United States and Europe and interest expense recognized by Baycorp, which was acquired in October 2015.

**Other Income**

Other income consists primarily of foreign currency exchange gains or losses, interest income, and gains or losses recognized on certain transactions outside of our normal course of business. Other income was $14.2 million during the year ended December 31, 2016, up from $2.2 million during the year ended December 31, 2015. The increase was primarily due to net gains recognized on foreign exchange contracts of approximately $8.2 million.

In 2016, Encore and Cabot collectively began entering into currency exchange forward contracts to reduce the effects of currency exchange rate fluctuations between the British Pound and Euro. These derivative contracts generally mature within one to three months and are not designated as hedge instruments for accounting purposes. The gains or losses on these derivative contracts are recognized in other income or expense based on the changes in fair value. Before the effect of income tax and noncontrolling interest, the net gain on these derivative contracts recognized in our consolidated statements of income was $8.2 million during the year ended December 31, 2016.

**Provision for Income Taxes**

During the years ended December 31, 2016 and 2015, we recorded income tax provisions for income from continuing operations of $38.2 million and $27.2 million, respectively.

The effective tax rates for the respective periods are shown below:

| | Year Ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Federal provision | 35.0 % | 35.0 % |
| State provision | 2.3 % | 0.2 % |
| Foreign rate differential[1] | (3.6)% | (7.8)% |
| Tax reserves[2] | (3.2)% | (2.0)% |
| Permanent items[3] | 14.7 % | 6.0 % |
| Change in valuation allowance[4] | 20.7 % | (5.6)% |
| Other | 0.7 % | 1.9 % |
| Effective rate | 66.6 % | 27.7 % |

(1) Relates primarily to the lower tax rate on the income attributable to international operations.

(2) Represents release of reserves taken for a certain tax position.

(3) Represents a provision for nondeductible items including interest expense reported in a foreign subsidiary. The Company incurred a $10.0 million civil monetary penalty related to a settlement with the CFPB during the year ended December 31, 2015, which is not deductible for income tax purposes.

(4) Valuation allowance increased in 2016 due to a foreign subsidiary's cumulative operating losses for tax purposes.

The effective tax rate for the year ended December 31, 2016 increased to 66.6% as compared to 27.7% for the year ended December 31, 2015. The increase in effective tax rate was primarily the result of the recording of a large valuation allowance at one of our foreign subsidiaries, nondeductible items including interest reported in a foreign subsidiary and proportionately less income realized in countries that have lower statutory tax rates than the U.S. federal rate.

During the year ended December 31, 2016, one of our foreign subsidiaries has incurred cumulative operating losses. Management did not have enough positive evidence to support the fact that the net operating loss carryforwards at this jurisdiction can be realized, therefore, we recorded a valuation allowance against the current and previously established deferred tax assets.

Our effective tax rate could fluctuate significantly on a quarterly basis and could be adversely affected to the extent earnings are lower than anticipated in countries that have lower statutory tax rates and higher than anticipated in countries that have higher statutory tax rates.

**Cost per Dollar Collected**

We utilize adjusted operating expenses in order to facilitate a comparison of approximate cash costs to cash collections for our portfolio purchasing and recovery business. The calculation of adjusted operating expenses is illustrated in detail in the "Non-GAAP Disclosure" section. The following table summarizes our overall cost per dollar collected by geographic location during the periods presented:

| | Year Ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| United States | 40.5% | 42.0% |
| Europe | 32.8% | 33.0% |
| Other geographies | 44.1% | 32.9% |
| Overall cost per dollar collected | 38.5% | 39.2% |

Our overall cost per dollar collected (or "cost-to-collect") for the year ended December 31, 2016 was 38.5%, down 70 basis points from 39.2% during the prior period. The decrease in overall cost-to-collect during the year ended December 31, 2016 as compared to the prior year, was primarily due to improved cost-to-collect in the United States and Europe, offset by higher cost-to-collect in other geographies. To counter higher prices in the United States, we implemented innovative consumer-centric programs aimed at increasing liquidations. These programs were initiated in the beginning of 2014 and have become increasingly successful. As we continue to grow our presence in the Latin American and Australasian markets, we expect to incur upfront cost in building our collection channels. As a result, cost-to-collect in other geographies may become elevated in the near term and may fluctuate over time.

Over time, we expect our cost-to-collect to remain competitive, but also to fluctuate from quarter to quarter based on seasonality, acquisitions, the cost of investments in new operating initiatives, and the changing regulatory and legislative environment.

**Non-GAAP Disclosure**

In addition to the financial information prepared in conformity with Generally Accepted Accounting Principles ("GAAP"), we provide historical non-GAAP financial information. Management believes that the presentation of such non-GAAP financial information is meaningful and useful in understanding the activities and business metrics of our operations. Management believes that these non-GAAP financial measures reflect an additional way of viewing aspects of our business that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business.

Management believes that the presentation of these measures provides investors with greater transparency and facilitates comparison of operating results across a broad spectrum of companies with varying capital structures, compensation strategies, derivative instruments, and amortization methods, which provide a more complete understanding of our financial performance, competitive position, and prospects for the future. Readers should consider the information in addition to, but not instead of, our financial statements prepared in accordance with GAAP. This non-GAAP financial information may be determined or calculated differently by other companies, limiting the usefulness of these measures for comparative purposes.

***Adjusted Income From Continuing Operations Per Share.*** Management uses non-GAAP adjusted income from continuing operations attributable to Encore and adjusted income from continuing operations per share (which we also refer to from time to time as adjusted earnings per share), to assess operating performance, in order to highlight trends in our business that may not otherwise be apparent when relying on financial measures calculated in accordance with GAAP. Adjusted income from continuing operations attributable to Encore excludes non-cash interest and issuance cost amortization relating to our convertible notes, acquisition, integration and restructuring related expenses, settlement fees and related administrative expenses, amortization of certain acquired intangible assets and other charges or gains that are not indicative of ongoing operations.

The following table provides a reconciliation between income from continuing operations and diluted income from continuing operations per share attributable to Encore calculated in accordance with GAAP to adjusted income from continuing operations and adjusted income from continuing operations per share attributable to Encore, respectively. GAAP diluted earnings per share for the years ended December 31, 2017 and 2015, includes the effect of approximately 0.2 million and 0.7 million, respectively, common shares that are issuable upon conversion of certain convertible senior notes because the average stock price during the respective periods exceeded the conversion price of these notes. However, as described in Note 9, "Debt—Encore Convertible Notes," in the notes to our consolidated financial statements, we have certain hedging transactions in place that have the effect of increasing the effective conversion price of some of these notes. Accordingly, while these common shares are included in our diluted earnings per share, the hedge transactions will offset the impact of this dilution and no shares will be issued unless our stock price exceeds the effective conversion price, thereby creating a discrepancy between the accounting effect of those notes under GAAP and their economic impact. There was no dilutive effect relating to our convertible senior notes during the year ended December 31, 2016.

We have presented the following metrics both including and excluding the dilutive effect of these convertible senior notes to better illustrate the economic impact of those notes and the related hedging transactions to shareholders, with the GAAP item under the “Per Diluted Share-Accounting” and “Per Diluted Share-Economic” (non-GAAP) columns, respectively *(in thousands, except per share data):*

| | Year Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | | 2015 | | |
| | $ | Per Diluted Share—Accounting | Per Diluted Share—Economic | $ | Per Diluted Share—Accounting | Per Diluted Share—Economic | $ | Per Diluted Share—Accounting | Per Diluted Share—Economic |
| GAAP net income from continuing operations attributable to Encore, as reported | $ 83,427 | $ 3.16 | $ 3.18 | $ 78,923 | $ 3.05 | $ 3.05 | $ 68,522 | $ 2.57 | $ 2.64 |
| Adjustments: | | | | | | | | | |
| Convertible notes non-cash interest and issuance cost amortization | 12,353 | 0.47 | 0.47 | 11,830 | 0.46 | 0.46 | 11,332 | 0.43 | 0.44 |
| Acquisition, integration and restructuring related expenses[1] | 16,628 | 0.63 | 0.63 | 17,630 | 0.68 | 0.68 | 16,933 | 0.64 | 0.65 |
| Net gain on fair value adjustments to contingent considerations[2] | (2,822) | (0.11) | (0.11) | (8,111) | (0.31) | (0.31) | — | — | — |
| Settlement fees and related administrative expenses[3] | — | — | — | 6,299 | 0.24 | 0.24 | 63,019 | 2.36 | 2.43 |
| Amortization of certain acquired intangible assets[4] | 3,561 | 0.13 | 0.14 | 2,593 | 0.10 | 0.10 | — | — | — |
| Expenses related to withdrawn Cabot IPO[5] | 15,339 | 0.58 | 0.58 | — | — | — | — | — | — |
| Income tax effect of the adjustments[6] | (7,936) | (0.30) | (0.30) | (12,577) | (0.49) | (0.49) | (28,514) | (1.07) | (1.11) |
| Adjustments attributable to noncontrolling interest[7] | (15,720) | (0.60) | (0.60) | (6,461) | (0.25) | (0.25) | (5,273) | (0.20) | (0.20) |
| Impact from tax reform[8] | 1,182 | 0.05 | 0.05 | — | — | — | — | — | — |
| Adjusted income from continuing operations attributable to Encore | $ 106,012 | $ 4.01 | $ 4.04 | $ 90,126 | $ 3.48 | $ 3.48 | $ 126,019 | $ 4.73 | $ 4.85 |

(1) Amount represents acquisition, integration and restructuring related expenses. We adjust for this amount because we believe these expenses are not indicative of ongoing operations; therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors’ results.

(2) Amount represents the net gain recognized as a result of fair value adjustments to contingent considerations that were established for our acquisitions of debt solution service providers in Europe. We have adjusted for this amount because we do not believe this is indicative of ongoing operations. Refer to Note 4 “Fair Value Measurement - Contingent Consideration” in the notes to our consolidated financial statements for further details.

(3) Amount represents litigation and government settlement fees and related administrative expenses. For the year ended December 31, 2016, amount consists of settlement and administrative fees related to certain TCPA settlements. For the year ended December 31, 2015, amount relates to the consent order with the CFPB that we entered into in September 2015. We believe these fees and expenses are not indicative of ongoing operations, therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors’ results.

(4) As we continue to acquire debt solution service providers around the world, the acquired intangible assets, such as trade names and customer relationships, have grown substantially, particularly in recent quarters. These intangible assets are valued at the time of the acquisition and amortized over their estimated lives. We believe that amortization of acquisition-related intangible assets, especially the amortization of an acquired company's trade names and customer relationships, is the result of pre-acquisition activities. In addition, the amortization of these acquired intangibles is a non-cash static expense that is not affected by operations during any reporting period. As a result, the amortization of certain acquired intangible assets is excluded from our adjusted income from continuing operations attributable to Encore and adjusted income from continuing operations per share.

(5) In October 2017, Cabot announced its intention to proceed with an initial public offering and to apply for admission of its ordinary shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trade on the main market for listed securities of the London Stock Exchange. In November 2017, Encore announced that Cabot has decided to not go forward with its previously announced initial public offering as a result of poor performance of other IPOs on the London Stock Exchange and unfavorable equity market conditions in the U.K. We believe these expenses are not indicative of ongoing operations, therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.

(6) Amount represents the total income tax effect of the adjustments, which is calculated based on the applicable marginal tax rate of the jurisdiction in which the portion of the adjustment occurred.

(7) Certain of the above pre-tax adjustments include expenses recognized by our partially-owned subsidiaries. This adjustment represents the portion of the non-GAAP adjustments that are attributable to noncontrolling interest.

(8) As a result of the Tax Reform Act, we incurred a net additional tax expense of approximately $1.2 million. We believe the Tax Reform Act related expenses are not indicative of our ongoing operations, therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results. Refer to Note 12 "Income Taxes" in the notes to our consolidated financial statements for further details.

***Adjusted EBITDA.*** Management utilizes adjusted EBITDA (defined as net income before discontinued operations, interest income and expense, taxes, depreciation and amortization, stock-based compensation expenses, acquisition, integration and restructuring related expenses, settlement fees and related administrative expenses and other charges or gains that are not indicative of ongoing operations), in the evaluation of our operating performance. Adjusted EBITDA for the periods presented is as follows *(in thousands):*

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| GAAP net income, as reported | $ 78,978 | $ 16,817 | $ 47,384 |
| Adjustments: | | | |
| Loss (income) from discontinued operations, net of tax | 199 | 2,353 | 23,387 |
| Interest expense | 204,161 | 198,367 | 186,556 |
| Interest income[1] | (3,635) | (2,538) | (1,664) |
| Provision for income taxes | 52,049 | 38,205 | 27,162 |
| Depreciation and amortization | 39,977 | 34,868 | 33,160 |
| Stock-based compensation expense | 10,399 | 12,627 | 22,008 |
| Acquisition, integration and restructuring related expenses[2] | 11,962 | 16,712 | 15,528 |
| Net gain on fair value adjustments to contingent considerations[3] | (2,822) | (8,111) | — |
| Settlement fees and related administrative expenses[4] | — | 6,299 | 63,019 |
| Expenses related to withdrawn Cabot IPO[5] | 15,339 | — | — |
| Adjusted EBITDA | $ 406,607 | $ 315,599 | $ 416,540 |
| | | | |
| Collections applied to principal balance[6] | $ 673,035 | $ 738,989 | $ 628,289 |

(1) In the fourth quarter of 2016, we made a change to our presentation of adjusted EBITDA to adjust for interest income. In previous years we did not include interest income as an adjustment because it was immaterial. We have updated prior periods for comparability.

(2) Amount represents acquisition, integration and restructuring related expenses. We adjust for this amount because we believe these expenses are not indicative of ongoing operations; therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.

(3) Amount represents the net gain recognized as a result of fair value adjustments to contingent considerations that were established for our acquisitions of debt solution service providers in Europe. We have adjusted for this amount because we do not believe this is indicative of ongoing operations. Refer to Note 4 "Fair Value Measurement - Contingent Consideration" in the notes to our consolidated financial statements for further details.

(4) Amount represents litigation and government settlement fees and related administrative expenses. For the year ended December 31, 2016, amount consists of settlement and administrative fees related to certain TCPA settlements. For the year ended December 31, 2015, amount relates to the consent order with the CFPB that we entered into in September 2015. We believe these fees and expenses are not indicative of ongoing operations, therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.

(5) In October 2017, Cabot announced its intention to proceed with an initial public offering and to apply for admission of its ordinary shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trade on the main market for listed securities of the London Stock Exchange. In November 2017, Encore announced that Cabot has decided to not go forward with its previously announced initial public offering as a result of poor performance of other IPOs on the London Stock Exchange and unfavorable equity market conditions in the U.K. We believe these expenses are not indicative of ongoing operations, therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.

(6) Amount represents (a) gross collections from receivable portfolios less (b) revenue from receivable portfolios, net.

***Adjusted Operating Expenses.*** Management utilizes adjusted operating expenses in order to facilitate a comparison of approximate cash costs to cash collections for our portfolio purchasing and recovery business. Adjusted operating expenses for our portfolio purchasing and recovery business are calculated by starting with GAAP total operating expenses and backing out stock-based compensation expense, operating expenses related to non-portfolio purchasing and recovery business, acquisition, integration and restructuring related operating expenses, settlement fees and related administrative expenses and other charges or gains that are not indicative of ongoing operations. Adjusted operating expenses related to our portfolio purchasing and recovery business for the periods presented are as follows *(in thousands):*

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| GAAP total operating expenses, as reported | $ 862,498 | $ 787,744 | $ 847,713 |
| Adjustments: | | | |
| Stock-based compensation expense | (10,399) | (12,627) | (22,008) |
| Operating expenses related to non-portfolio purchasing and recovery business[1] | (125,028) | (110,875) | (88,548) |
| Acquisition, integration and restructuring related operating expenses[2] | (16,628) | (17,630) | (15,528) |
| Net gain on fair value adjustments to contingent considerations[3] | 2,822 | 8,111 | — |
| Settlement fees and related administrative expenses[4] | — | (6,299) | (54,697) |
| Expenses related to withdrawn Cabot IPO[5] | (15,339) | — | — |
| Adjusted operating expenses related to portfolio purchasing and recovery business | $ 697,926 | $ 648,424 | $ 666,932 |

(1) Operating expenses related to non-portfolio purchasing and recovery business include operating expenses from other operating segments that primarily engage in fee-based business, as well as corporate overhead not related to our portfolio purchasing and recovery business.

(2) Amount represents acquisition, integration and restructuring related operating expenses. We adjust for this amount because we believe these expenses are not indicative of ongoing operations; therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.

(3) Amount represents the net gain recognized as a result of fair value adjustments to contingent considerations that were established for our acquisitions of debt solution service providers in Europe. We have adjusted for this amount because we do not believe this is indicative of ongoing operations. Refer to Note 4 "Fair Value Measurement - Contingent Consideration" in the notes to our consolidated financial statements for further details.

(4) Amount represents litigation and government settlement fees and related administrative expenses. For the year ended December 31, 2016, amount consists of settlement and administrative fees related to certain TCPA settlements. For the year ended December 31, 2015, amount relates to the consent order with the CFPB that we entered into in September 2015. We believe these fees and expenses are not indicative of ongoing operations, therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.

(5) In October 2017, Cabot announced its intention to proceed with an initial public offering and to apply for admission of its ordinary shares to the premium listing segment of the Official List of the Financial Conduct Authority and to trade on the main market for listed securities of the London Stock Exchange. In November 2017, Encore announced that Cabot has decided to not go forward with its previously announced initial public offering as a result of poor performance of other IPOs on the London Stock Exchange and unfavorable equity market conditions in the U.K. We believe these expenses are not indicative of ongoing operations, therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.

**Supplemental Performance Data**

The tables included in this supplemental performance data section include detail for purchases, collections and ERC by year of purchase. During any fiscal quarter in which we acquire an entity that has portfolio, the entire historical portfolio of the acquired company is aggregated into static pools for the quarter of acquisition based on common characteristics, resulting in pools for that quarter that may consist of several different vintages of portfolio. These quarterly pools are included in the tables in this section by year of purchase. For example, with the acquisition of Cabot in July 2013, all of Cabot's historical portfolio to the date of the acquisition (which includes several years of historical purchases at various stages of maturity) is included in 2013 for Europe.

Our collection expectations are based on demographic data, account characteristics, and economic variables. Additional adjustments are made to account for qualitative factors that may affect the payment behavior of our consumers and servicing related adjustments to ensure our collection expectations are aligned with our operations. We continue to refine our process of forecasting collections both domestically and internationally with a focus on operational enhancements. Our collection expectations vary between types of portfolio and geographic location. For example, in the U.K., due to the higher concentration of payment plans, as compared to the U.S. and other locations in Europe, we expect to receive streams of collections over longer periods of time. As a result, past performance of pools in certain geographic locations or of certain types of portfolio are not necessarily a suitable indicator of future results in other locations or for other types of portfolio.

The supplemental performance data presented in this section is impacted by foreign currency translation, which represents the effect of translating financial results where the functional currency of our foreign subsidiary is different than our U.S. dollar reporting currency. For example, the strengthening of the U.S. dollar relative to other foreign currencies has an unfavorable reporting impact on our international purchases, collections, and ERC, and the weakening of the U.S. dollar relative to other foreign currencies has a favorable impact on our international purchases, collections, and ERC.

We utilize proprietary forecasting models to continuously evaluate the economic life of each pool.

During the quarter ended September 30, 2016, we revised the forecasting methodology we use to value and calculate IRRs on certain portfolios in Europe and extended the collection forecast from 120 months to 180 months. The increase in the collection forecast from 120 months to 180 months was applied effective July 1, 2016, to certain portfolios in Europe for which we could accurately forecast through such term. For portfolios in Europe that were not extended to 180 months, we continue to include the collection forecast to 120 months in calculating accretion revenue and in our estimated remaining collection disclosures. In the United States, we include the collection forecast to 120 months in calculating accretion revenue. Expected collections beyond the 120 month collection forecast in the United States are included in our estimated remaining collection disclosures but are not included in the calculation of accretion revenue.

***Cumulative Collections to Purchase Price Multiple***

The following table summarizes our consumer and bankruptcy receivable purchases and related gross collections by year of purchase *(in thousands, except multiples)*:

| Year of Purchase | Purchase Price[1] | Cumulative Collections through December 31, 2017 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | <2008 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Total[2] | CCM[3] |
| *United States:* | | | | | | | | | | | | | | |
| <2008 | $ 923,144 | $1,732,000 | $329,254 | $225,765 | $143,969 | $ 96,172 | $ 66,574 | $ 49,054 | $ 36,443 | $ 30,837 | $ 25,313 | $ 21,182 | $ 2,756,563 | 3.0 |
| 2008 | 227,749 | — | 69,049 | 165,164 | 127,799 | 87,850 | 59,507 | 41,773 | 29,776 | 23,247 | 18,563 | 14,959 | 637,687 | 2.8 |
| 2009 | 252,974 | — | — | 96,529 | 206,773 | 164,605 | 111,569 | 80,443 | 58,345 | 42,960 | 30,150 | 22,835 | 814,209 | 3.2 |
| 2010 | 357,345 | — | — | — | 125,853 | 288,788 | 220,686 | 156,806 | 111,993 | 83,578 | 55,650 | 40,193 | 1,083,547 | 3.0 |
| 2011 | 383,876 | — | — | — | — | 123,596 | 301,949 | 226,521 | 155,180 | 112,906 | 77,257 | 56,287 | 1,053,696 | 2.7 |
| 2012 | 548,918 | — | — | — | — | — | 187,721 | 350,134 | 259,252 | 176,914 | 113,067 | 74,507 | 1,161,595 | 2.1 |
| 2013 | 552,127 | — | — | — | — | — | — | 230,051 | 397,646 | 298,068 | 203,386 | 147,503 | 1,276,654 | 2.3 |
| 2014 | 518,565 | — | — | — | — | — | — | — | 144,178 | 307,814 | 216,357 | 142,147 | 810,496 | 1.6 |
| 2015 | 500,414 | — | — | — | — | — | — | — | — | 105,610 | 231,102 | 186,391 | 523,103 | 1.0 |
| 2016 | 555,811 | — | — | — | — | — | — | — | — | — | 110,875 | 283,035 | 393,910 | 0.7 |
| 2017 | 534,269 | — | — | — | — | — | — | — | — | — | — | 111,902 | 111,902 | 0.2 |
| Subtotal | 5,355,192 | 1,732,000 | 398,303 | 487,458 | 604,394 | 761,011 | 948,006 | 1,134,782 | 1,192,813 | 1,181,934 | 1,081,720 | 1,100,941 | 10,623,362 | 2.0 |
| *Europe:* | | | | | | | | | | | | | | |
| 2013 | 619,079 | — | — | — | — | — | — | 134,259 | 249,307 | 212,129 | 165,610 | 146,993 | 908,298 | 1.5 |
| 2014 | 630,342 | — | — | — | — | — | — | — | 135,549 | 198,127 | 156,665 | 137,806 | 628,147 | 1.0 |
| 2015 | 423,329 | — | — | — | — | — | — | — | — | 65,870 | 127,084 | 103,823 | 296,777 | 0.7 |
| 2016 | 258,868 | — | — | — | — | — | — | — | — | — | 44,641 | 97,587 | 142,228 | 0.5 |
| 2017 | 464,123 | — | — | — | — | — | — | — | — | — | — | 68,111 | 68,111 | 0.1 |
| Subtotal | 2,395,741 | — | — | — | — | — | — | 134,259 | 384,856 | 476,126 | 494,000 | 554,320 | 2,043,561 | 0.9 |
| *Other geographies:* | | | | | | | | | | | | | | |
| 2012 | 6,721 | — | — | — | — | — | — | 3,848 | 2,561 | 1,208 | 542 | 551 | 8,710 | 1.3 |
| 2013 | 29,568 | — | — | — | — | — | — | 6,617 | 17,615 | 10,334 | 4,606 | 3,339 | 42,511 | 1.4 |
| 2014 | 86,989 | — | — | — | — | — | — | — | 9,652 | 16,062 | 18,403 | 9,813 | 53,930 | 0.6 |
| 2015 | 91,126 | — | — | — | — | — | — | — | — | 15,061 | 57,064 | 43,499 | 115,624 | 1.3 |
| 2016 | 79,804 | — | — | — | — | — | — | — | — | — | 29,269 | 39,710 | 68,979 | 0.9 |
| 2017 | 58,096 | — | — | — | — | — | — | — | — | — | — | 15,471 | 15,471 | 0.3 |
| Subtotal | 352,304 | — | — | — | — | — | — | 10,465 | 29,828 | 42,665 | 109,884 | 112,383 | 305,225 | 0.9 |
| Total | $8,103,237 | $1,732,000 | $398,303 | $487,458 | $604,394 | $761,011 | $948,006 | $1,279,506 | $1,607,497 | $1,700,725 | $1,685,604 | $1,767,644 | $12,972,148 | 1.6 |

(1) Adjusted for Put-Backs and Recalls. Recalls represent accounts that are recalled by the seller in accordance with the respective purchase agreement (“Recalls”).

(2) Cumulative collections from inception through December 31, 2017, excluding collections on behalf of others.

(3) Cumulative Collections Multiple (“CCM”) through December 31, 2017 refers to collections as a multiple of purchase price.

***Total Estimated Collections to Purchase Price Multiple***

The following table summarizes our purchases, resulting historical gross collections, and estimated remaining gross collections for purchased receivables, by year of purchase *(in thousands, except multiples)*:

| | Purchase Price[1] | Historical Collections[2] | Estimated Remaining Collections | Total Estimated Gross Collections | Total Estimated Gross Collections to Purchase Price |
|---|---|---|---|---|---|
| *United States:* | | | | | |
| <2008 | $ 923,144 | $ 2,756,563 | $ 41,951 | $ 2,798,514 | 3.0 |
| 2008 | 227,749 | 637,687 | 35,566 | 673,253 | 3.0 |
| 2009 | 252,974 | 814,209 | 59,488 | 873,697 | 3.5 |
| 2010 | 357,345 | 1,083,547 | 101,200 | 1,184,747 | 3.3 |
| 2011 | 383,876 | 1,053,696 | 130,492 | 1,184,188 | 3.1 |
| 2012 | 548,918 | 1,161,595 | 149,282 | 1,310,877 | 2.4 |
| 2013[3] | 552,127 | 1,276,654 | 254,062 | 1,530,716 | 2.8 |
| 2014[3] | 518,565 | 810,496 | 268,005 | 1,078,501 | 2.1 |
| 2015 | 500,414 | 523,103 | 371,148 | 894,251 | 1.8 |
| 2016 | 555,811 | 393,910 | 681,784 | 1,075,694 | 1.9 |
| 2017 | 534,269 | 111,902 | 956,881 | 1,068,783 | 2.0 |
| Subtotal | 5,355,192 | 10,623,362 | 3,049,859 | 13,673,221 | 2.6 |
| *Europe:* | | | | | |
| 2013[3] | 619,079 | 908,298 | 863,349 | 1,771,647 | 2.9 |
| 2014[3] | 630,342 | 628,147 | 762,660 | 1,390,807 | 2.2 |
| 2015[3] | 423,329 | 296,777 | 492,899 | 789,676 | 1.9 |
| 2016 | 258,868 | 142,228 | 450,068 | 592,296 | 2.3 |
| 2017 | 464,123 | 68,111 | 927,388 | 995,499 | 2.1 |
| Subtotal | 2,395,741 | 2,043,561 | 3,496,364 | 5,539,925 | 2.3 |
| *Other geographies:* | | | | | |
| 2012 | 6,721 | 8,710 | 1,308 | 10,018 | 1.5 |
| 2013 | 29,568 | 42,511 | 2,749 | 45,260 | 1.5 |
| 2014 | 86,989 | 53,930 | 134,764 | 188,694 | 2.2 |
| 2015 | 91,126 | 115,624 | 101,702 | 217,326 | 2.4 |
| 2016 | 79,804 | 68,979 | 83,742 | 152,721 | 1.9 |
| 2017 | 58,096 | 15,471 | 84,826 | 100,297 | 1.7 |
| Subtotal | 352,304 | 305,225 | 409,091 | 714,316 | 2.0 |
| Total | $ 8,103,237 | $ 12,972,148 | $ 6,955,314 | $ 19,927,462 | 2.5 |

(1) Adjusted for Put-Backs and Recalls.

(2) Cumulative collections from inception through December 31, 2017, excluding collections on behalf of others.

(3) Includes portfolios acquired in connection with certain business combinations.

***Estimated Remaining Gross Collections by Year of Purchase***

The following table summarizes our estimated remaining gross collections for purchased receivables by year of purchase *(in thousands)*:

| | Estimated Remaining Gross Collections by Year of Purchase[1], [2] | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **>2026** | **Total** |
| *United States:* | | | | | | | | | | | |
| <2008 | $ 17,328 | $ 13,349 | $ 7,004 | $ 3,292 | $ 978 | $ — | $ — | $ — | $ — | $ — | $ 41,951 |
| 2008 | 12,164 | 9,601 | 6,226 | 4,035 | 2,612 | 928 | — | — | — | — | 35,566 |
| 2009 | 20,351 | 15,172 | 9,834 | 6,373 | 4,124 | 2,674 | 960 | — | — | — | 59,488 |
| 2010 | 33,045 | 25,463 | 16,499 | 10,693 | 6,927 | 4,495 | 2,921 | 1,157 | — | — | 101,200 |
| 2011 | 42,323 | 32,369 | 20,958 | 13,579 | 8,704 | 5,647 | 3,671 | 2,386 | 855 | — | 130,492 |
| 2012 | 50,502 | 35,980 | 23,241 | 15,027 | 9,645 | 6,155 | 4,001 | 2,601 | 1,690 | 440 | 149,282 |
| 2013[3] | 94,831 | 75,661 | 35,578 | 23,022 | 14,915 | 6,418 | 1,493 | 971 | 631 | 542 | 254,062 |
| 2014[3] | 90,799 | 63,830 | 41,416 | 26,945 | 17,629 | 11,600 | 6,869 | 3,623 | 2,355 | 2,939 | 268,005 |
| 2015 | 126,409 | 84,898 | 56,761 | 34,978 | 23,143 | 15,697 | 10,744 | 7,234 | 4,593 | 6,691 | 371,148 |
| 2016 | 227,336 | 156,021 | 105,260 | 69,137 | 42,708 | 28,624 | 19,713 | 13,604 | 9,060 | 10,321 | 681,784 |
| 2017 | 253,380 | 261,141 | 165,392 | 106,142 | 67,111 | 40,415 | 26,454 | 18,262 | 12,728 | 5,856 | 956,881 |
| Subtotal | 968,468 | 773,485 | 488,169 | 313,223 | 198,496 | 122,653 | 76,826 | 49,838 | 31,912 | 26,789 | 3,049,859 |
| *Europe:* | | | | | | | | | | | |
| 2013[3] | 104,046 | 119,763 | 108,879 | 98,585 | 88,139 | 78,023 | 68,914 | 61,108 | 54,390 | 81,502 | 863,349 |
| 2014[3] | 97,172 | 109,116 | 96,667 | 84,297 | 74,224 | 65,356 | 57,242 | 49,898 | 43,309 | 85,379 | 762,660 |
| 2015[3] | 76,400 | 73,192 | 61,924 | 53,001 | 45,515 | 39,110 | 33,075 | 27,627 | 23,045 | 60,010 | 492,899 |
| 2016 | 65,577 | 70,493 | 64,146 | 52,611 | 41,076 | 32,182 | 26,576 | 23,019 | 25,646 | 48,742 | 450,068 |
| 2017 | 135,255 | 136,661 | 112,016 | 96,210 | 80,971 | 69,611 | 59,978 | 49,820 | 42,762 | 144,104 | 927,388 |
| Subtotal | 478,450 | 509,225 | 443,632 | 384,704 | 329,925 | 284,282 | 245,785 | 211,472 | 189,152 | 419,737 | 3,496,364 |
| *Other geographies:* | | | | | | | | | | | |
| 2012 | 472 | 306 | 226 | 190 | 114 | — | — | — | — | — | 1,308 |
| 2013 | 1,559 | 686 | 291 | 154 | 59 | — | — | — | — | — | 2,749 |
| 2014 | 14,161 | 24,006 | 26,647 | 23,581 | 22,484 | 15,647 | 6,400 | 1,479 | 90 | 269 | 134,764 |
| 2015[3] | 23,777 | 24,228 | 18,174 | 12,830 | 8,578 | 5,601 | 3,287 | 2,319 | 1,383 | 1,525 | 101,702 |
| 2016 | 22,264 | 21,371 | 15,636 | 10,467 | 5,874 | 3,486 | 2,242 | 1,616 | 786 | — | 83,742 |
| 2017 | 12,056 | 17,428 | 14,251 | 12,313 | 11,116 | 9,649 | 5,009 | 1,683 | 995 | 326 | 84,826 |
| Subtotal | 74,289 | 88,025 | 75,225 | 59,535 | 48,225 | 34,383 | 16,938 | 7,097 | 3,254 | 2,120 | 409,091 |
| Total | $ 1,521,207 | $ 1,370,735 | $ 1,007,026 | $ 757,462 | $ 576,646 | $ 441,318 | $ 339,549 | $ 268,407 | $ 224,318 | $ 448,646 | $ 6,955,314 |

(1) ERC for Zero Basis Portfolios can extend beyond our collection forecasts. As of December 31, 2017, ERC for Zero Basis Portfolios include approximately $351.7 million for purchased consumer and bankruptcy receivables in the United States. ERC for Zero Basis Portfolios in Europe and other geographies were immaterial.

(2) The collections forecast of each pool is generally estimated up to 120 months in the United States and up to 180 months in Europe. Expected collections beyond the 120 month collection forecast in the United States are included in ERC but are not included in the calculation of IRRs.

(3) Includes portfolios acquired in connection with certain business combinations

***Unamortized Balances of Portfolios***

The following table summarizes the remaining unamortized balances of our purchased receivable portfolios by year of purchase *(in thousands, except percentages)*:

| | Unamortized Balance as of December 31, 2017 | Purchase Price[1] | Unamortized Balance as a Percentage of Purchase Price | Unamortized Balance as a Percentage of Total |
|---|---|---|---|---|
| *United States:* | | | | |
| 2008 | $ 1,497 | $ 227,749 | 0.7% | 0.1% |
| 2009[2] | — | — | — | — |
| 2010[2] | — | — | — | — |
| 2011 | 4,598 | 383,876 | 1.2% | 0.4% |
| 2012 | 16,432 | 548,918 | 3.0% | 1.3% |
| 2013[3] | 48,735 | 552,127 | 8.8% | 3.9% |
| 2014[3] | 112,788 | 518,565 | 21.7% | 9.0% |
| 2015 | 202,747 | 500,414 | 40.5% | 16.2% |
| 2016 | 369,851 | 555,811 | 66.5% | 29.6% |
| 2017 | 494,880 | 534,269 | 92.6% | 39.5% |
| Subtotal | 1,251,528 | 3,821,729 | 32.7% | 100.0% |
| *Europe:* | | | | |
| 2013[3] | 269,999 | 619,079 | 43.6% | 18.6% |
| 2014[3] | 288,430 | 630,342 | 45.8% | 19.8% |
| 2015[3] | 231,691 | 423,329 | 54.7% | 15.9% |
| 2016 | 213,514 | 258,868 | 82.5% | 14.7% |
| 2017 | 451,222 | 464,123 | 97.2% | 31.0% |
| Subtotal | 1,454,856 | 2,395,741 | 60.7% | 100.0% |
| *Other geographies:* | | | | |
| 2013 | 140 | 29,568 | 0.5% | 0.1% |
| 2014 | 57,727 | 86,989 | 66.4% | 31.3% |
| 2015 | 34,589 | 91,126 | 38.0% | 18.8% |
| 2016 | 45,058 | 79,804 | 56.5% | 24.5% |
| 2017 | 46,715 | 58,096 | 80.4% | 25.3% |
| Subtotal | 184,229 | 345,583 | 53.3% | 100.0% |
| Total | $ 2,890,613 | $ 6,563,053 | 44.0% | 100.0% |

(1) Purchase price refers to the cash paid to a seller to acquire a portfolio less Put-Backs, Recalls, and other adjustments.

(2) Total collections realized exceed the net book value of the portfolio and have been converted to ZBA.

(3) Includes portfolios acquired in connection with certain business combinations.

***Estimated Future Amortization of Portfolios***

As of December 31, 2017, we had $2.9 billion in investment in receivable portfolios. This balance will be amortized based upon current projections of cash collections in excess of revenue applied to the principal balance. The estimated amortization of the investment in receivable portfolios balance is as follows *(in thousands):*

| Years Ending December 31, | United States | Europe | Other Geographies | Total Amortization |
|---|---|---|---|---|
| 2018 | $ 334,448 | $ 116,941 | $ 8,822 | $ 460,211 |
| 2019 | 332,408 | 188,880 | 32,993 | 554,281 |
| 2020 | 213,943 | 167,891 | 34,634 | 416,468 |
| 2021 | 142,543 | 149,104 | 31,163 | 322,810 |
| 2022 | 81,121 | 130,488 | 49,357 | 260,966 |
| 2023 | 62,693 | 115,080 | 12,595 | 190,368 |
| 2024 | 39,074 | 104,946 | 7,238 | 151,258 |
| 2025 | 26,374 | 95,233 | 4,391 | 125,998 |
| 2026 | 15,038 | 100,866 | 2,737 | 118,641 |
| 2027 | 3,886 | 91,375 | 299 | 95,560 |
| 2028 | — | 88,422 | — | 88,422 |
| 2029 | — | 47,821 | — | 47,821 |
| 2030 | — | 27,780 | — | 27,780 |
| 2031 | — | 21,208 | — | 21,208 |
| 2032 | — | 8,821 | — | 8,821 |
| Total | $ 1,251,528 | $ 1,454,856 | $ 184,229 | $ 2,890,613 |

***Headcount by Function by Geographic Location***

The following table summarizes our headcount by function and by geographic location:

| | Headcount as of December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | 2016 | | 2015 | |
| | Domestic | International | Domestic | International | Domestic[1] | International |
| General & Administrative | 923 | 2,693 | 894 | 2,151 | 944 | 2,198 |
| Account Manager | 381 | 4,239 | 287 | 3,371 | 269 | 3,254 |
| Total | 1,304 | 6,932 | 1,181 | 5,522 | 1,213 | 5,452 |

(1) Headcount as of December 31, 2015 includes 79 Propel employees.

***Purchases by Quarter***

The following table summarizes the receivable portfolios we purchased by quarter, and the respective purchase prices (*in thousands*):

| Quarter | # of Accounts | Face Value | Purchase Price |
|---|---|---|---|
| Q1 2015 | 734 | $ 1,041,011 | $ 125,154 |
| Q2 2015[(1)] | 2,970 | 5,544,885 | 418,780 |
| Q3 2015 | 1,267 | 2,085,381 | 187,180 |
| Q4 2015[(1)] | 2,363 | 4,068,252 | 292,608 |
| Q1 2016 | 1,450 | 3,544,338 | 256,753 |
| Q2 2016 | 946 | 2,841,527 | 233,116 |
| Q3 2016 | 874 | 1,475,381 | 206,359 |
| Q4 2016 | 1,159 | 1,943,775 | 210,491 |
| Q1 2017 | 807 | 1,657,393 | 218,727 |
| Q2 2017 | 1,347 | 2,441,909 | 246,415 |
| Q3 2017 | 1,010 | 3,018,072 | 292,332 |
| Q4 2017 | 1,434 | 2,985,978 | 300,761 |

(1) Includes portfolios acquired in connection with certain business combinations.

**Liquidity and Capital Resources**

**Liquidity**

The following table summarizes our cash flow activity, including the cash flows from discontinued operations, for the periods presented *(in thousands)*:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Net cash provided by operating activities | $ 123,818 | $ 130,332 | $ 116,149 |
| Net cash used in investing activities | (452,131) | (168,789) | (472,709) |
| Net cash provided by financing activities | 378,217 | 43,253 | 400,121 |

***Operating Cash Flows***

Cash flows from operating activities represent the cash receipts and disbursements related to all of our activities other than investing and financing activities. Operating cash flows are derived by adjusting net income for non-cash operating items such as depreciation and amortization, allowance charges and stock-based compensation charges, and changes in operating assets and liabilities which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in results of operations.

Net cash provided by operating activities was $123.8 million, $130.3 million, and $116.1 million for the years ended December 31, 2017, 2016, and 2015, respectively.

Cash provided by operating activities during the year ended December 31, 2017 was primarily related to net income of $79.0 million, various non-cash add backs in operating activities, including portfolio allowance reversals, and changes in operating assets and liabilities. Cash provided by operating activities during the year ended December 31, 2016 was primarily related to net income of $16.8 million, adjustments for discontinued operations, various non-cash add backs in operating activities, including portfolio allowance charges, and changes in operating assets and liabilities. Cash provided by operating activities during the year ended December 31, 2015 was primarily related to net income of $47.4 million, $23.4 million loss from discontinued operations, in addition to other non-cash add backs in operating activities and changes in operating assets and liabilities.

***Investing Cash Flows***

Net cash used in investing activities was $452.1 million, $168.8 million and $472.7 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The cash flows used in investing activities during the year ended December 31, 2017 were primarily related to receivable portfolio purchases of $1,045.8 million, offset by collection proceeds applied to the principal of our receivable portfolios in the amount of $709.4 million. The cash flows used in investing activities during the year ended December 31, 2016 were primarily related to receivable portfolio purchases of $907.4 million, offset by collection proceeds applied to the principal of our receivable portfolios in the amount of $659.3 million and $106.0 million of proceeds from divestiture of Propel, net of cash divested. The cash flows used in investing activities during the year ended December 31, 2015 were primarily related to cash paid for acquisitions, net of cash acquired, of $276.6 million, receivable portfolio purchases (excluding the portfolios acquired from the acquisition of dlc of $216.0 million and from the acquisition of Baycorp of $60.3 million) of $749.8 million, offset by collection proceeds applied to the principal of our receivable portfolios in the amount of $635.9 million.

***Financing Cash Flows***

Net cash provided by financing activities was $378.2 million, $43.3 million and $400.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The cash provided by financing activities during the year ended December 31, 2017 primarily reflects $1,434.5 million in borrowings under our credit facilities, $325.0 million proceeds from senior secured notes and $150.0 million of proceeds from the issuance of Encore's convertible senior notes due 2022, offset by $1,168.1 million in repayments of amounts outstanding under our credit facilities, $204.2 million of repayments of senior secured notes and $125.4 million in repayments of Encore's convertible notes due 2017. The cash provided by financing activities during the year ended December 31, 2016 primarily reflects $586.0 million in borrowings under our credit facilities and $442.6 million of proceeds from Cabot's senior secured notes due 2023, offset by $615.9 million in repayments of amounts outstanding under our credit facilities and $352.5 million in repayment of Cabot's senior secured notes due 2019. The cash provided by financing activities during the year ended December 31, 2015 primarily reflects $1.1 billion in borrowings under our credit facilities and $332.7 million of proceeds from Cabot's floating rate notes, offset by $898.1 million in repayments of amounts outstanding under our credit facilities and $33.2 million in repurchases of our common stock.

**Capital Resources**

Historically, we have met our cash requirements by utilizing our cash flows from operations, bank borrowings, convertible debt offerings, and equity offerings. From time to time, depending on the capital markets, we consider additional financings to fund our operations and acquisitions. Our primary cash requirements have included the purchase of receivable portfolios, the acquisition of U.S. and international entities, operating expenses, the payment of interest and principal on borrowings, and the payment of income taxes.

We have a revolving credit facility and term loan facility pursuant to a Third Amended and Restated Credit Agreement dated December 20, 2016 (as amended, the "Restated Credit Agreement"). The Restated Credit Agreement includes a revolving credit facility of $794.6 million (the "Revolving Credit Facility"), a term loan facility of $187.1 million (the "Term Loan Facility", and together with the Revolving Credit Facility, the "Senior Secured Credit Facilities"), and an accordion feature that allows us to increase the Revolving Credit Facility by an additional $250.0 million (approximately $125.3 million of which had been exercised as of December 31, 2017). The Senior Secured Credit Facilities have a five-year maturity, expiring in December 2021, except with respect to (1) revolving commitments under the Revolving Credit Facility $168.6 million expiring in February 2019 and (2) a subtranche of the Term Loan Facility of $17.0 million expiring in February 2019. As of December 31, 2017, we had $329.0 million outstanding and $212.7 million of availability under the Revolving Credit Facility and $181.7 million outstanding under the Term Loan Facility.

Through Cabot Financial (UK) Limited ("Cabot Financial UK"), an indirect subsidiary, we have a revolving credit facility of £295.0 million (the "Cabot Credit Facility"). As of December 31, 2017, we had £132.5 million (approximately $179.0 million) outstanding and £162.5 million (approximately $219.5 million) of availability under the Cabot Credit Facility.

Currently, all of our portfolio purchases are funded with cash from operations and borrowings under our Senior Secured Credit Facilities and our Cabot Credit Facility.

We are in compliance with all covenants under our financing arrangements. See Note 9, "Debt" to our consolidated financial statements for a further discussion of our debt.

In March 2017, we sold $150.0 million aggregate principal amount of 3.25% Convertible Senior Notes due 2022 (the "2022 Convertible Notes") that mature on March 15, 2022 in private placement transactions. The 2022 Convertible Notes bear interest at a rate of 3.25% per year, payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2017.

The net proceeds from the sale of the $150.0 million aggregate principal amount of the 2022 Convertible Notes were approximately $145.3 million, after deducting the initial purchasers' discounts and the estimated offering expenses. We used approximately $60.4 million of the net proceeds from the offering to repurchase, in separate transactions, $50.0 million aggregate principal amount of our 3.0% 2017 convertible senior notes (the "2017 Convertible Notes").

In 2010 and 2011 we entered into an aggregate of $75.0 million of senior secured notes with certain affiliates of Prudential Capital Group and in August 2017, we entered into an additional $325.0 million in senior secured notes with a group of insurance companies (the "Senior Secured Notes").

In August 2017 Cabot Securitisation UK Limited, a subsidiary of Cabot, entered into a senior facility agreement (the "Senior Facility Agreement") for an initial committed amount of £260.0 million (approximately $332.9 million) (the "Cabot Securitisation Senior Facility"). In December 2017, an accordion feature was exercised and the size of the Cabot Securitisation Senior Facility was increased by £40.0 million to a final size of £300.0 million, of which £290 million was drawn as of year-end. A portion of the proceeds from the Senior Facility Agreement were used to redeem in full the outstanding 10.5% Senior Secured Notes due 2020 issued by Marlin Intermediate Holdings plc ("Marlin"), another subsidiary of Cabot.

Our cash and cash equivalents at December 31, 2017 consisted of $40.7 million held by U.S.-based entities and $171.4 million held by foreign entities. Most of our cash and cash equivalents held by foreign entities is indefinitely reinvested and may be subject to material tax effects if repatriated. However, we believe that our U.S. sources of cash and liquidity are sufficient to meet our business needs in the United States and do not expect that we will need to repatriate the funds.

We believe that we have sufficient liquidity to fund our operations for at least the next twelve months, given our expectation of continued positive cash flows from operations, our cash and cash equivalents, our access to capital markets, and availability under our credit facilities. Our future cash needs will depend on our acquisitions of portfolios and businesses.

**Future Contractual Cash Obligations**

The following table summarizes our future contractual cash obligations as of December 31, 2017 (*in thousands*):

| | Payment Due By Period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **Less Than 1 Year** | **1 – 3 Years** | **3 – 5 Years** | **More Than 5 Years** |
| Principal payments on debt | $ 3,268,253 | $ 33,075 | $ 619,237 | $ 2,012,797 | $ 603,144 |
| Estimated interest payments[1] | 744,969 | 166,219 | 322,051 | 170,478 | 86,221 |
| Capital leases | 7,977 | 2,963 | 3,048 | 1,966 | — |
| Operating leases | 89,150 | 19,064 | 26,715 | 20,285 | 23,086 |
| Purchase commitments on receivable portfolios | 525,591 | 501,988 | 23,603 | — | — |
| Preferred equity certificates[2] | 253,324 | — | — | — | 253,324 |
| Total contractual cash obligations[3] | $ 4,889,264 | $ 723,309 | $ 994,654 | $ 2,205,526 | $ 965,775 |

(1) Estimated interest payments are calculated based on outstanding principal amounts, applicable fixed interest rates or currently effective interest rates as of December 31, 2017 for variable rate debt, timing of scheduled payments and the term of the debt obligations.

(2) As of December 31, 2017, we carried a liability of approximately $253.3 million related to principal and accumulated interests for PECs issued in connection with the Cabot Acquisition. The PECs have a maturity date of May 2043, accrue interest at 12% per annum, and are held by Cabot's noncontrolling interest holders. The future accrued interest is excluded from the table above due to uncertainty in determining the timing of the payment because the payment will only be satisfied in connection with the disposition of the noncontrolling interest. See Note 9, "Debt" to our consolidated financial statements for additional information on our PECs.

(3) We had approximately $22.2 million of liabilities and accrued interests related to uncertain tax positions at December 31, 2017. We are unable to reasonably estimate the timing of the cash settlement with the tax authorities due to the uncertainties related to these tax matters and, as a result, these obligations are not included in the table. See Note 12, "Income Taxes" to our consolidated financial statements for additional information on our uncertain tax positions.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements as defined by Item 303(a)(4) of Regulation S-K.

**Critical Accounting Policies and Estimates**

We prepare our financial statements, in conformity with GAAP, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Note 1, "Ownership, Description of Business and Summary of Significant Accounting Policies" of the notes to consolidated financial statements describes the significant accounting policies and methods used in the preparation of our consolidated financial statements.

We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. Actual results may differ from these estimates and such differences may be material. We refer to accounting estimates of this type as critical accounting policies and estimates, which we discuss further below. We have reviewed our critical accounting policies and estimates with the audit committee of our board of directors.

*Investment in Receivable Portfolios and Related Revenue*. As permitted by the authoritative guidance for loans and debt securities acquired with deteriorated credit quality, static pools are established on a quarterly basis with accounts purchased during the quarter that have common risk characteristics. Discrete receivable portfolio purchases during a quarter are aggregated into pools based on these common risk characteristics. Once a static pool is established, the portfolios are permanently assigned to the pool. The discount (*i.e*., the difference between the cost of each static pool and the related aggregate contractual receivable balance) is not recorded because we expect to collect a relatively small percentage of each static pool's contractual receivable balance. As a result, receivable portfolios are recorded at cost at the time of acquisition. The purchase cost of the portfolios includes certain fees paid to third parties incurred in connection with the direct acquisition of the receivable portfolios.

In compliance with the authoritative guidance, we account for our investments in consumer receivable portfolios using either the interest method or the cost recovery method. The interest method applies an IRR, to the cost basis of the pool, which remains unchanged throughout the life of the pool, unless there is an increase in subsequent expected cash flows. Subsequent increases in expected cash flows are generally recognized prospectively through an upward adjustment of the pool's IRR over its remaining life. Subsequent decreases in expected cash flows do not change the IRR, but are recognized as an allowance to the cost basis of the pool, and are reflected in the consolidated statements of income as a reduction in revenue, with a corresponding valuation allowance, offsetting the investment in receivable portfolios in the consolidated statements of financial condition.

We account for each static pool as a unit for the economic life of the pool (similar to one loan) for recognition of revenue from receivable portfolios, for collections applied to the cost basis of receivable portfolios and for provision for loss or allowance. Revenue from receivable portfolios is accrued based on each pool's IRR applied to each pool's adjusted cost basis. The cost basis of each pool is increased by revenue earned and decreased by gross collections and portfolio allowances.

If the amount and timing of future cash collections on a pool of receivables are not reasonably estimable, we account for that pool using the cost recovery method. The accounts in these portfolios have different risk characteristics than those included in other portfolios acquired during the same quarter, or the necessary information was not available to estimate future cash flows and, accordingly, they were not aggregated with other portfolios. Under the cost recovery method of accounting, no revenue is recognized until the carrying value of a cost recovery portfolio has been fully recovered.

*Deferred Court Costs.* We pursue legal collection using a network of attorneys that specialize in collection matters and through our internal legal channel. We generally pursue collections through legal means only when we believe a consumer has sufficient assets to repay their indebtedness but has, to date, been unwilling to pay. In connection with our agreements with our contracted attorneys, we advance certain out-of-pocket court costs, or Deferred Court Costs. We capitalize these costs in the consolidated financial statements and provide a reserve for those costs that we believe will ultimately be uncollectible. We determine the reserve based on our analysis of historical court costs recovery data. We estimate deferral periods for Deferred Court Costs based on jurisdiction and nature of litigation and writes off any Deferred Court Costs not recovered within the respective deferral period. Collections received through litigation are first applied against related court costs with the balance applied to the debtors' account.

*Goodwill and Other Intangible Assets.* Business combinations typically result in the recording of goodwill and other intangible assets. The excess of the purchase price over the fair value assigned to the tangible and identifiable intangible assets, liabilities assumed, and noncontrolling interest in the acquiree is recorded as goodwill.

Goodwill and indefinite-lived intangible assets are tested at the reporting unit level for impairment annually and in interim periods if certain events occur indicating that the carrying amounts may be impaired. Determining the number of reporting units and the fair value of a reporting unit requires us to make judgments and involves the use of significant estimates and assumptions. We have five reporting units identified for goodwill impairment testing purposes. The annual goodwill testing date for these reporting units is October 1st.

In January 2017, the FASB issued Accounting Standards Update ("ASU") 2017-04, Intangibles - Goodwill and Other (Topic 350). The amendments in this update simplify the test for goodwill impairment by eliminating Step 2 from the impairment test, which required the entity to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining fair value of assets acquired and liabilities assumed in a business combination. The amendments in this update are effective for public companies for annual or any interim goodwill impairments tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We did not early adopt this guidance for our annual goodwill impairment testing on October 1, 2017.

We first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The qualitative factors include economic environment, business climate, market capitalization, operating performance, competition, and other factors. We may proceed directly to the two-step quantitative test without performing the qualitative test.

The first step involves measuring the recoverability of goodwill at the reporting unit level by comparing the estimated fair value of the reporting unit in which the goodwill resides to its carrying value. The second step, if necessary, measures the amount of impairment, if any, by comparing the implied fair value of goodwill to its carrying value. We apply various valuation techniques to measure the fair value of each reporting unit, including the income approach and the market approach. For goodwill impairment analyses conducted at most of the reporting units, we use the income approach in determining fair value, specifically the discounted cash flow method, or DCF. In applying the DCF method, an identified level of future cash flow is estimated. Annual estimated cash flows and a terminal value are then discounted to their present value at an appropriate discount rate to obtain an indication of fair value. The discount rate utilized reflects estimates of required rates of return for investments that are seen as similar to an investment in the reporting unit. DCF analyses are based on management's long-term financial projections and require significant judgments, therefore, for most of our reporting units where we have access to reliable market participant data, the market approach is conducted in addition to the income approach in determining the fair value. We use a guideline company method under the market approach to estimate the fair value of equity and market value of invested capital ("MVIC"). The guideline company approach relies on estimated remaining collections data or earnings before interest, tax, depreciation and amortization ("EBITDA") for each of the selected guideline companies, which enables a direct comparison between the reporting unit and the selected peer group. We believe that the current methodology used in determining the fair value of our reporting units represent the best estimate. In addition, we compare the aggregate fair value of the reporting units to our overall market capitalization.

Significant judgments are required to estimate the fair value of reporting units including estimating future cash flows, determining appropriate discount rates, growth rates, comparable guideline companies and other assumptions. Future business conditions and/or activities could differ materially from the projections made by management, which in turn, could result in the need for impairment charges. We will perform additional impairment testing if events occur or circumstances change indicating that the carrying amounts may be impaired.

*Redeemable Noncontrolling Interest.* Some minority shareholders in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value and, in some cases, to force a sale of the subsidiary if we choose not to purchase their interests at fair value. The noncontrolling interest subject to these arrangements is included in temporary equity as redeemable noncontrolling interest, and is adjusted to its estimated redemption amount each reporting period with a corresponding adjustment to additional paid-in capital. Future reductions in the carrying amount are subject to a "floor" amount that is equal to the fair value of the redeemable noncontrolling interest at the time it was originally recorded. The recorded value of the redeemable noncontrolling interest cannot go below the floor. Adjustments to the carrying amount of redeemable noncontrolling interest are charged to retained earnings (or to additional paid-in capital if there are no retained earnings) and do not affect net income or comprehensive income in the consolidated financial statements.

*Income Taxes.* We use the liability method of accounting for income taxes. When we prepare the consolidated financial statements, we estimate our income taxes based on the various jurisdictions where we conduct business. This requires us to

estimate our current tax exposure and to assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. Deferred income taxes are recognized based on the differences between the financial statement and income tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. We then assess the likelihood that our deferred tax assets will be realized. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. When we establish a valuation allowance or increase this allowance in an accounting period, we record a corresponding tax expense in our statement of income. When we reduce our valuation allowance in an accounting period, we record a corresponding tax benefit in our statement of income. We include interest and penalties related to income taxes within our provision for income taxes. See Note 12, “Income Taxes” to our consolidated financial statements for further discussion of income taxes.

**Recent Accounting Pronouncements**

Information regarding recent accounting pronouncements and the impact of those pronouncements, if any, on our consolidated financial statements is provided in this Annual Report in “Note 1, Ownership, Description of Business, and Summary of Significant Accounting Policies” to our consolidated financial statements.

## Item 7A—Quantitative and Qualitative Disclosures About Market Risk

We are exposed to economic risks from foreign currency exchange rates and interest rates. A portion of these risks is hedged, but the risks may affect our financial statements.

***Foreign Currency Exchange Rates***

We have operations in foreign countries, which expose us to foreign currency exchange rate fluctuations due to transactions denominated in foreign currencies. Our primary risk of loss due to foreign currency exchange rate risk is related to Euro to British Pound and Indian rupee to U.S. dollar exchange rates. We continuously evaluate and manage our foreign currency risk through the use of derivative financial instruments, including foreign currency forward contracts with financial counterparties where practicable. Such derivative instruments are viewed as risk management tools and are not used for speculative or trading purposes.

Beginning in 2016, we have currency exchange forward contracts to reduce the effects of currency exchange rate fluctuations between the British Pound and Euro. These derivative contracts generally mature within one to three months and are not designated as hedge instruments for accounting purposes. The gains or losses on these derivative contracts are recognized in other income or expense based on the changes in fair value.

As of December 31, 2017, we had outstanding foreign currency forward contracts that hedge our risk of foreign currency exchange between the British Pound and Euro with a net fair value liability position of approximately $1.1 million. The functional currency of the subsidiary that carries the hedge contracts is British Pound and the reporting currency is the U.S. dollar. We considered the historical trends in currency exchange rates and determined that it was reasonably possible that changes in exchange rates of 10% between the British Pound and the Euro and 10% between the British Pound and U.S. dollar could be experienced in the near term. If the Euro weakened by 10% against the British Pound and the U.S. dollar weakened by 10% against the British Pound at December 31, 2017, the result would have had an unfavorable effect to the fair value of the derivatives of approximately $8.8 million. If the Euro strengthened by 10% against the British Pound and the U.S. dollar strengthened by 10% against the British Pound at December 31, 2017, the result would have had a favorable effect to the fair value of the derivatives of approximately $10.7 million.

In addition, we have currency exchange forward contracts that hedge the forecasted monthly cash settlements resulting from the expenses incurred by our operations in India. These foreign currency forward contracts are designated as cash flow hedging instruments and qualify for hedge accounting treatment. Gains and losses arising from the effective portion of such contracts are recorded as a component of accumulated other comprehensive income (“OCI”) as gains and losses on derivative instruments, net of income taxes. The hedging gains and losses in OCI are subsequently reclassified into earnings in the same period in which the underlying transactions affect our earnings. If all or a portion of the forecasted transaction is cancelled, this would render all or a portion of the cash flow hedge ineffective and we would reclassify the ineffective portion of the hedge into earnings. We generally do not experience ineffectiveness of the hedge relationship and the accompanying consolidated financial statements do not include any such gains or losses.

As of December 31, 2017, our outstanding foreign currency forward contracts that hedge our risk of foreign currency exchange against the Indian rupee had a fair value asset position of $1.9 million. We considered the historical trends in currency exchange rates and determined that it was reasonably possible that changes in exchange rates of 10% for the Indian rupee could be experienced in the near term. If the U.S. dollar weakened by 10% against the Indian rupee at December 31, 2017, the result would have had a favorable effect to the fair value of the derivatives of approximately $1.8 million. If the U.S.

dollar strengthened by 10% against the Indian rupee at December 31, 2017 the result would have had an unfavorable effect to the fair value of the derivatives of approximately $1.5 million.

***Interest Rates***

We have variable-interest-bearing borrowings under our credit facilities that subject us to interest rate risk. We have, from time to time, utilized derivative financial instruments, including interest rate swap contracts and interest rate caps with financial counterparties to manage our interest rate risk. As of December 31, 2017, our subsidiary Baycorp had two interest rate swap agreements outstanding with a total notional amount of $30.0 million Australian dollars (approximately $23.4 million U.S. dollars). The interest rate swap instrument is designated as a cash flow hedge and accounted for using hedge accounting. As of December 31, 2017, our subsidiary Cabot holds two interest rate cap contracts with an aggregate notional amount of £300.0 million (approximately $405.3 million) that are used to manage its risk related to interest rate fluctuations. The Company does not apply hedge accounting on the interest rate cap contracts.

Our variable-interest-bearing debt is subject to the risk of interest rate fluctuations. Significant increases in future interest rates on our variable rate debt could lead to a material decrease in future earnings assuming all other factors remained constant. If the market interest rates for our variable rate agreements increase 10%, interest expense on such outstanding debt would increase by approximately $6.6 million, on an annualized basis. Conversely, if the market interest rates decreased an average of 10%, our interest expense on such outstanding debt would decrease by $6.6 million on an annualized basis.

Our analysis and methods used to assess and mitigate the risks discussed above should not be considered projections of future risks.

## Item 8—Financial Statements and Supplementary Data

Our consolidated financial statements, the notes thereto and the Report of BDO USA, LLP, our Independent Registered Public Accounting Firm, are included in this Annual Report on Form 10-K on pages F-1 through F-42.

## Item 9—Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

## Item 9A—Controls and Procedures

***Evaluation of Disclosure Controls and Procedures***

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e) and 15d-15(e). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report on Form 10-K, our disclosure controls and procedures are effective in enabling us to record, process, summarize and report information required to be included in our periodic SEC filings within the required time period.

***Management's Report on Internal Control over Financial Reporting***

The Company's management, including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for Encore Capital Group, Inc. and its subsidiaries (the "Company"). The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changing conditions, effectiveness of internal control over financial reporting may vary over time. The Company's processes contain self-monitoring mechanisms and actions are taken to correct deficiencies as they are identified.

Management has assessed the effectiveness of Encore's internal control over financial reporting as of December 31, 2017, based on the criteria for effective internal control described in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2017.

BDO USA, LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, was engaged to attest to and report on the effectiveness of Encore's internal control over financial reporting as of December 31, 2017, as stated in its report below.

## Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Encore Capital Group, Inc.
San Diego, California

**Opinion on Internal Control over Financial Reporting**

We have audited Encore Capital Group, Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statements of financial condition of the Company as of December 31, 2017 and 2016 and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and our report dated February 21, 2018 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

San Diego, California

February 21, 2018

***Changes in Internal Control over Financial Reporting***

There were no changes in our system of internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In the course of our ongoing preparations for management's report on internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, we have identified areas in need of improvement and have taken remedial actions to strengthen the affected controls as appropriate. We make these and other changes, which do not have a material effect on our overall internal control over financial reporting, to enhance the effectiveness of our internal control over financial reporting.

## Item 9B—Other Information

None.

## PART III

### Item 10—Directors, Executive Officers and Corporate Governance

The information under the captions “Election of Directors,” “Executive Officers” and “Section 16(a) Beneficial Ownership Reporting Compliance,” appearing in the 2018 Proxy Statement to be filed no later than April 30, 2018, is hereby incorporated by reference.

### Item 11—Executive Compensation

The information under the caption “Executive Compensation and Other Information,” appearing in the 2018 Proxy Statement to be filed no later than April 30, 2018, is hereby incorporated by reference.

### Item 12—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information under the captions “Security Ownership of Principal Stockholders and Management” and “Equity Compensation Plan Information,” appearing in the 2018 Proxy Statement to be filed no later than April 30, 2018, is hereby incorporated by reference.

### Item 13—Certain Relationships and Related Transactions, and Director Independence

The information under the captions “Certain Relationships and Related Transactions” and “Election of Directors—Corporate Governance—Director Independence,” appearing in the 2018 Proxy Statement to be filed no later than April 30, 2018, is hereby incorporated by reference.

### Item 14—Principal Accountant Fees and Services

The information under the caption “Independent Registered Public Accounting Firm,” appearing in the 2018 Proxy Statement to be filed no later than April 30, 2018, is hereby incorporated by reference.

## PART IV
## Item 15—Exhibits and Financial Statement Schedules

(a) Financial Statements.

The following consolidated financial statements of Encore Capital Group, Inc. are filed as part of this annual report on Form 10-K:



(b) Exhibits.

| | | Incorporated By Reference | | | | |
|---|---|---|---|---|---|---|
| **Exhibit Number** | **Exhibit Description** | **Form** | **File Number** | **Exhibit** | **Filing Date** | **Filed or Furnished Herewith** |
| 2.1 | Agreement and Plan of Merger dated March 6, 2013, by and among Encore Capital Group, Inc., Pinnacle Sub, Inc. and Asset Acceptance Capital Corp. | 8-K | 000-26489 | 2.1 | 3/6/2013 | |
| 2.2 | Stock Purchase Agreement, dated August 1, 2014, by and among Encore Capital Group, Inc., the sellers party thereto, Atlantic Credit & Finance, Inc. and Richard Woolwine as the sellers' representative | 10-Q | 000-26489 | 2.1 | 8/7/2014 | |
| 2.3 | Securities Purchase Agreement, dated February 19, 2016, by and among Encore Capital Group, Inc. and certain funds affiliated with Prophet Capital Asset Management LP | 10-K | 000-26489 | 2.4 | 2/24/2016 | |
| 3.1.1 | Restated Certificate of Incorporation | S-1/A | 333-77483 | 3.1 | 6/14/1999 | |
| 3.1.2 | Certificate of Amendment to the Certificate of Incorporation | 8-K | 000-26489 | 3.1 | 4/4/2002 | |
| 3.2 | Bylaws, as amended through February 8, 2011 | 10-K | 000-26489 | 3.3 | 2/14/2011 | |
| 4.1 | Form of Common Stock Certificate | S-3 | 333-163876 | 4.7 | 12/21/2009 | |
| 4.2 | Third Amended and Restated Senior Secured Note Purchase Agreement (including the forms of the Notes), dated as of August 11, 2017, by and among Encore Capital Group, Inc. and the purchasers named therein | 8-K | 000-26489 | 10.1 | 8/17/2017 | |
| 4.3 | Indenture (including the form of the Note), dated as of June 24, 2013, by and among Encore Capital Group, Inc., Midland Credit Management, Inc., as guarantor, and Union Bank, N.A., as trustee | 8-K | 000-26489 | 4.1 | 6/24/2013 | |

| Exhibit Number | Exhibit Description | Incorporated By Reference | | | | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| | | Form | File Number | Exhibit | Filing Date | |
| 4.4 | Indenture (including the form of the Note), dated August 2, 2013, by and among Cabot Financial (Luxembourg) S.A., Cabot Credit Management Limited, Cabot Financial Limited and all material subsidiaries of Cabot Financial Limited, as guarantors, J.P. Morgan Europe Limited, as security agent, and Citibank, N.A., London Branch as trustee | 8-K | 000-26489 | 4.1 | 8/6/2013 | |
| 4.4.1 | First Supplemental Indenture, dated March 14, 2014, by and among Cabot Financial (Luxembourg) S.A., Cabot Financial Limited, Cabot Credit Management Limited, as guarantor, and Citibank, N.A., London Branch, as trustee | 10-Q | 000-26489 | 4.1 | 8/7/2014 | |
| 4.4.2 | Second Supplemental Indenture, dated May 19, 2014, by and among Cabot Financial (Luxembourg) S.A., Cabot Financial Limited, Citibank, N.A., London Branch, as trustee, and the guarantors party thereto | 8-K | 000-26489 | 4.2 | 5/20/2014 | |
| 4.4.3 | Third Supplemental Indenture, dated May 28, 2015, by and among Cabot Asset Purchases (Ireland) Limited, Cabot Financial (Ireland) Limited, Cabot Financial (Luxembourg) S.A., Cabot Credit Management Limited, Cabot Financial Limited and Citibank, N.A., London Branch, as trustee | 10-K | 000-26489 | 4.23 | 2/24/2016 | |
| 4.4.4 | Fourth Supplemental Indenture, dated July 28, 2015, by and among Hillesden Securities Limited, Cabot Financial (Luxembourg) S.A., Cabot Credit Management Limited, Cabot Financial Limited and Citibank, N.A., London Branch, as trustee | 10-K | 000-26489 | 4.27 | 2/24/2016 | |
| 4.4.5 | Fifth Supplemental Indenture, dated November 11, 2015, by and among Cabot Financial (Luxembourg) II S.A., Cabot Financial (Treasury) Ireland, Cabot Financial (Luxembourg) S.A., Cabot Credit Management Limited, Cabot Financial Limited and Citibank, N.A., London Branch, as trustee | 10-K | 000-26489 | 4.32 | 2/24/2016 | |
| 4.5 | Indenture (including the form of the Note), dated September 20, 2012, by and among Cabot Financial (Luxembourg) S.A., Cabot Credit Management Limited, Cabot Financial Limited and all material subsidiaries of Cabot Financial Limited, as guarantors, J.P. Morgan Europe Limited, as security agent, and Citibank, N.A., London Branch as trustee | 10-Q | 000-26489 | 4.1 | 11/7/2013 | |
| 4.5.1 | First Supplemental Indenture, dated June 13, 2013, between Cabot Financial (Luxembourg) S.A. and Citibank, N.A., London Branch as trustee | 10-Q | 000-26489 | 4.2 | 11/7/2013 | |
| 4.5.2 | Second Supplemental Indenture, dated March 14, 2014, by and among Cabot Financial (Luxembourg) S.A., Cabot Financial Limited, Cabot Credit Management Limited, as guarantor, and Citibank, N.A., London Branch, as trustee | 10-Q | 000-26489 | 4.2 | 5/8/2014 | |

| Exhibit Number | Exhibit Description | Incorporated By Reference | | | | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| | | Form | File Number | Exhibit | Filing Date | |
| 4.5.3 | Third Supplemental Indenture, dated May 19, 2014, by and among Cabot Financial (Luxembourg) S.A., Cabot Financial Limited, Citibank, N.A., London Branch, as trustee, and the guarantors party thereto | 8-K | 000-26489 | 4.1 | 5/20/2014 | |
| 4.5.4 | Fourth Supplemental Indenture, dated May 28, 2015, by and among Cabot Asset Purchases (Ireland) Limited, Cabot Financial (Ireland) Limited, Cabot Financial (Luxembourg) S.A., Cabot Credit Management Limited, Cabot Financial Limited and Citibank, N.A., London Branch, as trustee | 10-K | 000-26489 | 4.22 | 2/24/2016 | |
| 4.5.5 | Fifth Supplemental Indenture, dated July 28, 2015, by and among Hillesden Securities Limited, Cabot Financial (Luxembourg) S.A., Cabot Credit Management Limited, Cabot Financial Limited and Citibank, N.A., London Branch, as trustee | 10-K | 000-26489 | 4.26 | 2/24/2016 | |
| 4.5.6 | Sixth Supplemental Indenture, dated November 11, 2015, by and among Cabot Financial (Luxembourg) II S.A., Cabot Financial (Treasury) Ireland, Cabot Financial (Luxembourg) S.A., Cabot Credit Management Limited, Cabot Financial Limited and Citibank, N.A., London Branch, as trustee | 10-K | 000-26489 | 4.31 | 2/24/2016 | |
| 4.6 | Indenture (including form of Note), dated as of March 11, 2014, by and between Encore Capital Group, Inc., Midland Credit Management, Inc., as guarantor, and Union Bank, N.A., as trustee | 8-K | 000-26489 | 4.1 | 3/11/2014 | |
| 4.7 | Indenture (including form of Note), dated March 27, 2014, between Cabot Financial (Luxembourg) S.A., Cabot Credit Management Limited, Cabot Financial Limited, the subsidiary guarantors party thereto, J.P. Morgan Europe Limited, as security agent, Citibank, N.A., London Branch as trustee, principal paying agent and transfer agent and Citigroup Global Markets Deutschland AG, as registrar | 8-K | 000-26489 | 4.1 | 3/28/2014 | |
| 4.7.1 | Supplemental Indenture, dated May 28, 2015, by and among Cabot Asset Purchases (Ireland) Limited, Cabot Financial (Ireland) Limited, Cabot Financial (Luxembourg) S.A., Cabot Credit Management Limited, Cabot Financial Limited and Citibank, N.A., London Branch, as trustee | 10-K | 000-26489 | 4.25 | 2/24/2016 | |
| 4.7.2 | Second Supplemental Indenture, dated July 28, 2015, by and among Hillesden Securities Limited, Cabot Financial (Luxembourg) S.A., Cabot Credit Management Limited, Cabot Financial Limited and Citibank, N.A., London Branch, as trustee | 10-K | 000-26489 | 4.29 | 2/24/2016 | |
| 4.7.3 | Third Supplemental Indenture, dated November 11, 2015, by and among Cabot Financial (Luxembourg) II S.A., Cabot Financial (Treasury) Ireland, Cabot Financial (Luxembourg) S.A., Cabot Credit Management Limited, Cabot Financial Limited and Citibank, N.A., London Branch, as trustee | 10-K | 000-26489 | 4.34 | 2/24/2016 | |

| Exhibit Number | Exhibit Description | Incorporated By Reference | | | | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| | | Form | File Number | Exhibit | Filing Date | |
| 4.8 | Indenture (including form of Note), dated November 11, 2015, between Cabot Financial (Luxembourg) II S.A., Cabot Credit Management Limited, Cabot Financial Limited, the subsidiary guarantors party thereto, J.P. Morgan Europe Limited, as security agent, Citibank, N.A., London Branch as trustee, principal paying agent and transfer agent and Citigroup Global Markets Deutschland AG, as registrar | 8-K | 000-26489 | 4.1 | 11/13/2015 | |
| 4.9 | Indenture (including form of Note), dated October 6, 2016, between Cabot Financial (Luxembourg) S.A., Cabot Credit Management Limited, Cabot Financial Limited, the subsidiary guarantors party thereto, J.P. Morgan Europe Limited, as security agent, Citibank, N.A., London Branch as trustee, principal paying agent and transfer agent and Citigroup Global Markets Deutschland AG, as registrar | 8-K | 000-26489 | 4.1 | 10/7/2016 | |
| 4.10 | Indenture (including Form of Note), dated March 3, 2017, by and among Encore Capital Group, Inc., Midland Credit Management, Inc., as guarantor, and MUFG Union Bank, N.A., as trustee | 8-K | 000-26489 | 4.1 | 3/3/2017 | |
| 10.1+ | Form of Indemnification Agreement | 8-K | 000-26489 | 10.1 | 5/4/2006 | |
| 10.2+ | Severance protection letter agreement, dated March 11, 2009, between Encore Capital Group, Inc. and Paul Grinberg | 8-K | 000-26489 | 10.2 | 3/13/2009 | |
| 10.2.1+ | Amendment, dated January 9, 2013, to the Severance Protection Letter Agreement dated March 11, 2009 between Encore Capital Group, Inc. and Paul Grinberg | 8-K | 000-26489 | 10.1 | 1/15/2013 | |
| 10.2.2+ | Letter Agreement, dated January 9, 2013, between Encore Capital Group, Inc. and Paul Grinberg | 8-K | 000-26489 | 10.2 | 1/15/2013 | |
| 10.2.3+ | Letter Agreement, dated February 24, 2014, between Encore Capital Group, Inc. and Paul Grinberg | 8-K | 000-26489 | 10.1 | 2/24/2014 | |
| 10.3+ | Encore Capital Group, Inc. 2005 Stock Incentive Plan, as amended and restated | 8-K | 000-26489 | 10.1 | 6/15/2009 | |
| 10.3.1+ | Amended Form of Restricted Stock Unit Grant Notice and Agreement under the Encore Capital Group, Inc. 2005 Stock Incentive Plan | 10-Q | 000-26489 | 10.2 | 7/30/2009 | |
| 10.3.2+ | Form of Non-Incentive Stock Option Agreement under the Encore Capital Group, Inc. 2005 Stock Incentive Plan | 10-Q | 000-26489 | 10.3 | 11/1/2012 | |
| 10.4+ | Encore Capital Group, Inc. 2013 Incentive Compensation Plan | Def 14A | 000-26489 | Appendix A | 4/26/2013 | |
| 10.4.1+ | First Amendment to Encore Capital Group, Inc. 2013 Incentive Compensation Plan, dated February 20, 2014 | 10-K | 000-26489 | 10.84 | 2/25/2014 | |
| 10.4.2+ | Form of Non-Incentive Stock Option Agreement under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan | 10-Q | 000-26489 | 10.5 | 8/8/2013 | |

| Exhibit Number | Exhibit Description | Incorporated By Reference | | | | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| | | Form | File Number | Exhibit | Filing Date | |
| 10.4.3+ | Form of Restricted Stock Award Grant Notice and Agreement (Executive) under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan | 10-Q | 000-26489 | 10.6 | 8/8/2013 | |
| 10.4.4+ | Form of Restricted Stock Award Grant Notice and Agreement (Non-Executive) under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan | 10-Q | 000-26489 | 10.7 | 8/8/2013 | |
| 10.4.5+ | Form of Restricted Stock Unit Grant Notice and Agreement (Executive) under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan | 10-Q | 000-26489 | 10.8 | 8/8/2013 | |
| 10.4.6+ | Form of Performance Stock Grant Notice and Agreement under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan | 10-Q | 000-26489 | 10.9 | 8/8/2013 | |
| 10.4.7+ | Form of Performance Stock Unit Grant Notice and Agreement under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan | 10-Q | 000-26489 | 10.10 | 8/8/2013 | |
| 10.4.8+ | Form of Restricted Stock Unit Grant Notice and Agreement (Non-Employee Director) under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan | 10-Q | 000-26489 | 10.11 | 8/8/2013 | |
| 10.4.9+ | Form of Performance Stock Grant Notice and Agreement (TSR) under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan | 10-Q | 000-26489 | 10.1 | 5/10/2016 | |
| 10.4.10+ | Form of Restricted Stock Award Grant Notice and Agreement (Executive - Umbrella) under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan | 10-Q | 000-26489 | 10.2 | 5/10/2016 | |
| 10.4.11+ | Form of Performance Stock Award Grant Notice and Agreement under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan | 10-Q | 000-26489 | 10.3 | 5/10/2016 | |
| 10.4.12+ | Form of Restricted Stock Award Grant Notice and Agreement (Retention) under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan | 10-K | 000-26489 | 10.105 | 2/23/2017 | |
| 10.4.13+ | Form of Restricted Cash Award Grant Notice and Agreement (Retention) under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan | 10-K | 000-26489 | 10.106 | 2/23/2017 | |
| 10.4.14+ | Form of Performance Stock Option Agreement under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan | 10-K | 000-26489 | 10.108 | 2/23/2017 | |
| 10.5+ | Encore Capital Group, Inc. Executive Separation Plan | 10-Q | 000-26489 | 10.2 | 11/6/2014 | |
| 10.6+ | Employment offer letter dated October 9, 2014 by and between Encore Capital Group, Inc. and Jonathan Clark | 8-K | 000-26489 | 10.1 | 2/26/2015 | |
| 10.7+ | Non-Employee Director Compensation Program Guidelines, effective January 1, 2018 | | | | | X |
| 10.8+ | Non-Employee Director Deferred Stock Compensation Plan | 10-Q | 000-26489 | 10.2 | 8/4/2016 | |
| 10.8.1+ | First Amendment to Non-Employee Director Deferred Stock Compensation Plan, dated August 6, 2016 | 10-Q | 000-26489 | 10.1 | 11/9/2016 | |
| 10.9+ | Letter, dated June 15, 2017, from Encore Capital Group, Inc. to Ashish Masih | 8-K | 000-26489 | 10.1 | 6/20/2017 | |

| Exhibit Number | Exhibit Description | Incorporated By Reference | | | | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| | | Form | File Number | Exhibit | Filing Date | |
| 10.10+ | Letter, dated June 15, 2017, from Encore Capital Group, Inc. to Paul Grinberg | 8-K | 000-26489 | 10.2 | 6/20/2017 | |
| 10.11+ | The Encore Capital Group, Inc. 2017 Incentive Award Plan | 8-K | 000-26489 | 10.3 | 6/20/2017 | |
| 10.11.1+ | Form of Restricted Stock Unit Grant Notice and Award Agreement under the Encore Capital Group, Inc. 2017 Incentive Award Plan | 8-K | 000-26489 | 10.4 | 6/20/2017 | |
| 10.11.2+ | Form of Restricted Stock Unit Grant Notice and Award Agreement under the Encore Capital Group, Inc. 2017 Incentive Award Plan | 8-K | 000-26489 | 10.5 | 6/20/2017 | |
| 10.11.3+ | Form of Restricted Stock Award Grant Notice and Award Agreement under the Encore Capital Group, Inc. 2017 Incentive Award Plan | 8-K | 000-26489 | 10.6 | 6/20/2017 | |
| 10.11.4+ | Form of Stock Option Grant Notice and Award Agreement under the Encore Capital Group, Inc. 2017 Incentive Award Plan | 8-K | 000-26489 | 10.7 | 6/20/2017 | |
| 10.12 | Third Amended and Restated Credit Agreement, dated December 20, 2016, by and among Encore Capital Group, Inc., the several banks and other financial institutions and lenders from time to time party thereto and listed on the signature pages thereof, and SunTrust Bank, as administrative agent and collateral agent | 8-K | 000-26489 | 10.1 | 12/27/2016 | |
| 10.12.1 | Incremental Term Loan and Extension Agreement, dated March 2, 2017, by and among Encore Capital Group, Inc., Cathay Bank, Opus Bank, Umpqua Bank, SunTrust Bank, and each of the guarantors, party thereto | 10-Q | 000-26489 | 10.2 | 5/4/2017 | |
| 10.12.2 | Incremental Facility Agreement, dated March 29, 2017, by and among Encore Capital Group, Inc., Woodforest National Bank, SunTrust Bank, and each of the guarantors, party thereto | 10-Q | 000-26489 | 10.4 | 5/4/2017 | |
| 10.12.3 | Amendment No.1 to Third Amended and Restated Credit Agreement, dated June 13, 2017, by and among Encore Capital Group, Inc., the several banks and other financial institutions and lenders from time to time party thereto and listed on the signature pages thereof, and SunTrust Bank, as administrative agent and collateral agent | 10-Q | 000-26489 | 10.1 | 8/3/2017 | |
| 10.12.4 | Amendment No. 2 to Third Amended and Restated Credit Agreement, dated June 29, 2017, by and among Encore Capital Group, Inc., the several banks and other financial institutions and lenders from time to time party thereto and listed on the signature pages thereof, and SunTrust Bank, as administrative agent and collateral agent | 10-Q | 000-26489 | 10.9 | 8/3/2017 | |
| 10.12.5 | Letter Agreement, dated August 3, 2017, related to the Third Amended and Restated Credit Agreement dated as of December 20, 2016 | 10-Q | 000-26489 | 10.3 | 11/2/2017 | |
| 10.12.6 | Incremental Facility Agreement, dated August 15, 2017, by and among Encore Capital Group, Inc., DNB Capital, LLC, SunTrust Bank, and each of the guarantors, party thereto | 10-Q | 000-26489 | 10.5 | 11/2/2017 | |

| Exhibit Number | Exhibit Description | Incorporated By Reference | | | | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| | | Form | File Number | Exhibit | Filing Date | |
| 10.12.7 | Incremental Facility Agreement, dated September 26, 2017, by and among Encore Capital Group, Inc., Regions Bank, SunTrust Bank, and each of the guarantors, party thereto | 10-Q | 000-26489 | 10.6 | 11/2/2017 | |
| 10.12.8 | Incremental Facility Agreement, dated January 22, 2018, by and among Encore Capital Group, Inc., Umpqua Bank, SunTrust Bank, and each of the guarantors, party thereto | | | | | X |
| 10.13 | Second Amended and Restated Pledge and Security Agreement, dated November 5, 2012, by and among Encore Capital Group, Inc., certain of its subsidiaries and SunTrust Bank, as collateral agent | 8-K | 000-26489 | 10.2 | 11/7/2012 | |
| 10.13.1 | Amendment No. 1, dated December 20, 2016, to Second Amended and Restated Pledge and Security Agreement, dated November 5, 2012, by and among Encore Capital Group, Inc., certain of its subsidiaries and SunTrust Bank, as collateral agent | 8-K | 000-26489 | 10.1 | 12/27/2016 | |
| 10.13.2 | Amendment No. 2, dated August 11, 2017, to Second Amended and Restated Pledge and Security Agreement, dated November 5, 2012, by and among Encore Capital Group, Inc., certain of its subsidiaries and SunTrust Bank, as collateral agent | 10-Q | 000-26489 | 10.4 | 11/2/2017 | |
| 10.14 | Amended and Restated Guaranty, dated November 5, 2012, by and among certain subsidiaries of Encore Capital Group, Inc. and SunTrust Bank, as administrative agent | 8-K | 000-26489 | 10.3 | 11/7/2012 | |
| 10.14.1 | Amendment No. 1, dated February 25, 2014, to Amended and Restated Guaranty, dated November 5, 2012, by and among certain subsidiaries of Encore Capital Group, Inc. and SunTrust Bank, as administrative agent | 10-K | 000-26489 | 10.88 | 2/25/2014 | |
| 10.15 | Second Amended and Restated Intercreditor Agreement, dated as of August 11, 2017, by and among Encore Capital Group, Inc., certain of its subsidiaries, SunTrust Bank, as administrative agent for the lenders, the holders of the Company's 7.75% Senior Secured Notes due 2017, 7.375% Senior Secured Notes due 2018 and 5.625% Senior Secured Notes due 2024, and SunTrust Bank, as collateral agent | 8-K | 000-26489 | 10.2 | 8/17/2017 | |
| 10.16 | Securities Purchase Agreement, dated May 29, 2013, by and between Encore Capital Group, Inc. and JCF III Europe S.À R.L. | 10-Q | 000-26489 | 10.16 | 8/8/2013 | |
| 10.16.1 | Amendment, dated July 1, 2013, to Securities Purchase Agreement, dated May 29, 2013, by and between Encore Capital Group, Inc. and JCF III Europe S.À R.L. | 10-Q | 000-26489 | 10.23 | 8/8/2013 | |
| 10.16.2* | Investors Agreement, dated July 1, 2013, by and between Encore Europe Holdings S.À R.L., JCF III Europe S.À R.L. and the other parties thereto | 10-Q/A | 000-26489 | 10.24 | 12/20/2013 | |
| 10.16.3 | Second Amendment to Securities Purchase Agreement, dated September 25, 2013, by and between Encore Europe Holdings S.À R.L. and JCF III Europe S.À R.L. | 10-Q | 000-26489 | 10.2 | 11/7/2013 | |

| Exhibit Number | Exhibit Description | Incorporated By Reference | | | | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| | | Form | File Number | Exhibit | Filing Date | |
| 10.17.1 | Letter Agreement, dated June 18, 2013, between Barclays Bank PLC and Encore Capital Group, Inc., regarding the Capped Call Transaction | 8-K | 000-26489 | 10.1 | 6/24/2013 | |
| 10.17.2 | Letter Agreement, dated June 18, 2013, between Credit Suisse International and Encore Capital Group, Inc., regarding the Capped Call Transaction | 8-K | 000-26489 | 10.2 | 6/24/2013 | |
| 10.17.3 | Letter Agreement, dated June 18, 2013, between Morgan Stanley & Co. International plc and Encore Capital Group, Inc., regarding the Capped Call Transaction | 8-K | 000-26489 | 10.3 | 6/24/2013 | |
| 10.17.4 | Letter Agreement, dated June 18, 2013, between RBC Capital Markets, LLC and Encore Capital Group, Inc., regarding the Capped Call Transaction | 8-K | 000-26489 | 10.4 | 6/24/2013 | |
| 10.18.1 | Letter Agreement, dated July 18, 2013, between Barclays Bank PLC and Encore Capital Group, Inc., regarding the Capped Call Transaction | 8-K | 000-26489 | 10.1 | 7/23/2013 | |
| 10.18.2 | Letter Agreement, dated July 18, 2013, between Credit Suisse International and Encore Capital Group, Inc., regarding the Capped Call Transaction | 8-K | 000-26489 | 10.2 | 7/23/2013 | |
| 10.18.3 | Letter Agreement, dated July 18, 2013, between Morgan Stanley & Co. International plc and Encore Capital Group, Inc., regarding the Capped Call Transaction | 8-K | 000-26489 | 10.3 | 7/23/2013 | |
| 10.18.4 | Letter Agreement, dated July 18, 2013, between RBC Capital Markets, LLC and Encore Capital Group, Inc., regarding the Capped Call Transaction | 8-K | 000-26489 | 10.4 | 7/23/2013 | |
| 10.19 | Amended and Restated Senior Facilities Agreement, dated December 12, 2017, by and among Cabot Financial (UK) Limited, the several guarantors, banks and other financial institutions and lenders from time to time party thereto and J.P. Morgan Europe Limited as Agent and Security Agent | | | | | X |
| 10.20 | Share Sale and Purchase Agreement, dated February 7, 2014, by and among Cabot Financial Holdings Group Limited, certain funds managed by Duke Street and certain individuals, including certain executive management of Marlin Financial Group Limited | 10-K | 000-26489 | 10.82 | 2/25/2014 | |
| 10.21.1 | Letter Agreement, dated March 5, 2014, between Citibank, N.A. and Encore Capital Group, Inc., regarding the Base Capped Call Transaction | 8-K | 000-26489 | 10.1 | 3/11/2014 | |
| 10.21.2 | Letter Agreement, dated March 5, 2014, between Credit Suisse International and Encore Capital Group, Inc., regarding the Base Capped Call Transaction | 8-K | 000-26489 | 10.2 | 3/11/2014 | |
| 10.21.3 | Letter Agreement, dated March 5, 2014, between Morgan Stanley & Co. LLC and Encore Capital Group, Inc., regarding the Base Capped Call Transaction | 8-K | 000-26489 | 10.3 | 3/11/2014 | |

| Exhibit Number | Exhibit Description | Incorporated By Reference | | | | Filed or Furnished Herewith |
|---|---|---|---|---|---|---|
| | | Form | File Number | Exhibit | Filing Date | |
| 10.21.4 | Letter Agreement, dated March 5, 2014, between Société Générale and Encore Capital Group, Inc., regarding the Base Capped Call Transaction | 8-K | 000-26489 | 10.4 | 3/11/2014 | |
| 10.21.5 | Letter Agreement, dated March 6, 2014, between Citibank, N.A. and Encore Capital Group, Inc., regarding the Additional Capped Call Transaction | 8-K | 000-26489 | 10.5 | 3/11/2014 | |
| 10.21.6 | Letter Agreement, dated March 6, 2014, between Credit Suisse International and Encore Capital Group, Inc., regarding the Additional Capped Call Transaction | 8-K | 000-26489 | 10.6 | 3/11/2014 | |
| 10.21.7 | Letter Agreement, dated March 6, 2014, between Morgan Stanley & Co. LLC and Encore Capital Group, Inc., regarding the Additional Capped Call Transaction | 8-K | 000-26489 | 10.7 | 3/11/2014 | |
| 10.21.8 | Letter Agreement, dated March 6, 2014, between Société Générale and Encore Capital Group, Inc., regarding the Additional Capped Call Transaction | 8-K | 000-26489 | 10.8 | 3/11/2014 | |
| 10.22 | Senior Facility Agreement, dated August 23, 2017, between Cabot Securitisation UK Limited, Cabot Financial (UK) Limited, HSBC Corporate Trust Company (UK) Limited as Security Trustee and Senior Agent and Goldman Sachs International Bank as Senior Lender | 8-K | 000-26489 | 4.1 | 8/28/2017 | |
| 21 | List of Subsidiaries | | | | | X |
| 23 | Consent of Independent Registered Public Accounting Firm, BDO USA, LLP, dated February 21, 2018 | | | | | X |
| 31.1 | Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934 | | | | | X |
| 31.2 | Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934 | | | | | X |
| 32.1 | Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith) | | | | | X |
| 101.INS | XBRL Instance Document | | | | | X |
| 101.SCH | XBRL Taxonomy Extension Schema Document | | | | | X |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document | | | | | X |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document | | | | | X |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document | | | | | X |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document | | | | | X |

| | |
|---|---|
| * | The asterisk denotes that confidential portions of this exhibit have been omitted in reliance on Rule 24b-2 of the Securities Exchange Act of 1934. The confidential portions have been submitted separately to the Securities and Exchange Commission. |
| + | Management contract or compensatory plan or arrangement. |

**Item 16—Form 10-K Summary**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ENCORE CAPITAL GROUP, INC.,
a Delaware corporation

By: /s/ ASHISH MASIH
**Ashish Masih**
**President and Chief Executive Officer**

Date: February 21, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Name and Signature | Title | Date |
|---|---|---|
| /s/ ASHISH MASIH<br>**Ashish Masih** | President and Chief Executive Officer and Director (Principal Executive Officer) | February 21, 2018 |
| /s/ JONATHAN C. CLARK<br>**Jonathan C. Clark** | Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer) | February 21, 2018 |
| /s/ ASHWINI GUPTA<br>**Ashwini Gupta** | Director | February 21, 2018 |
| /s/ WENDY HANNAM<br>**Wendy Hannam** | Director | February 21, 2018 |
| /s/ MICHAEL P. MONACO<br>**Michael P. Monaco** | Director | February 21, 2018 |
| /s/ LAURA OLLE<br>**Laura Olle** | Director | February 21, 2018 |
| /s/ FRANCIS E. QUINLAN<br>**Francis E. Quinlan** | Director | February 21, 2018 |
| /s/ NORMAN R. SORENSEN<br>**Norman R. Sorensen** | Director | February 21, 2018 |
| /s/ RICHARD J. SREDNICKI<br>**Richard J. Srednicki** | Director | February 21, 2018 |

**ENCORE CAPITAL GROUP, INC.**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

## Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Encore Capital Group, Inc.
San Diego, California

**Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated statements of financial condition of Encore Capital Group, Inc. (the “Company”) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated February 21, 2018 expressed an unqualified opinion thereon.

**Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2001.

San Diego, California

February 21, 2018

**ENCORE CAPITAL GROUP, INC.**
**Consolidated Statements of Financial Condition**
(In Thousands, Except Par Value Amounts)

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 212,139 | $ 149,765 |
| Investment in receivable portfolios, net | 2,890,613 | 2,382,809 |
| Deferred court costs, net | 79,963 | 65,187 |
| Property and equipment, net | 76,276 | 72,257 |
| Other assets | 302,728 | 215,447 |
| Goodwill | 928,993 | 785,032 |
| Total assets | $ 4,490,712 | $ 3,670,497 |
| **Liabilities and equity** | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | $ 284,774 | $ 234,398 |
| Debt, net | 3,446,876 | 2,805,983 |
| Other liabilities | 35,151 | 29,601 |
| Total liabilities | 3,766,801 | 3,069,982 |
| Commitments and contingencies | | |
| Redeemable noncontrolling interest | 151,978 | 45,755 |
| Redeemable equity component of convertible senior notes | — | 2,995 |
| Equity: | | |
| Convertible preferred stock, $.01 par value, 5,000 shares authorized, no shares issued and outstanding | — | — |
| Common stock, $.01 par value, 50,000 shares authorized, 25,801 shares and 25,593 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively | 258 | 256 |
| Additional paid-in capital | 42,646 | 103,392 |
| Accumulated earnings | 616,314 | 560,567 |
| Accumulated other comprehensive loss | (77,356) | (104,911) |
| Total Encore Capital Group, Inc. stockholders' equity | 581,862 | 559,304 |
| Noncontrolling interest | (9,929) | (7,539) |
| Total equity | 571,933 | 551,765 |
| Total liabilities, redeemable equity and equity | $ 4,490,712 | $ 3,670,497 |

The following table includes assets that can only be used to settle the liabilities of the Company's consolidated variable interest entities ("VIEs") and the creditors of the VIEs have no recourse to the Company. These assets and liabilities are included in the consolidated statements of financial condition above. See Note 10, "Variable Interest Entities" for additional information on the Company's VIEs.

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 88,902 | $ 55,823 |
| Investment in receivable portfolios, net | 1,342,300 | 972,841 |
| Deferred court costs, net | 26,482 | 22,760 |
| Property and equipment, net | 23,138 | 19,284 |
| Other assets | 122,263 | 79,767 |
| Goodwill | 724,054 | 584,868 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | $ 151,208 | $ 99,689 |
| Debt, net | 2,014,202 | 1,514,799 |
| Other liabilities | 1,494 | 1,921 |

*See accompanying notes to consolidated financial statements*

**ENCORE CAPITAL GROUP, INC.**
**Consolidated Statements of Operations**
(In Thousands, Except Per Share Amounts)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Revenues | | | |
| Revenue from receivable portfolios, net | $ 1,094,609 | $ 946,615 | $ 1,072,436 |
| Other revenues | 92,429 | 82,643 | 57,531 |
| Total revenues | 1,187,038 | 1,029,258 | 1,129,967 |
| Operating expenses | | | |
| Salaries and employee benefits | 315,742 | 281,097 | 262,281 |
| Cost of legal collections | 200,058 | 200,855 | 229,847 |
| Other operating expenses | 104,938 | 100,737 | 93,210 |
| Collection agency commissions | 43,703 | 36,141 | 37,858 |
| General and administrative expenses | 158,080 | 134,046 | 191,357 |
| Depreciation and amortization | 39,977 | 34,868 | 33,160 |
| Total operating expenses | 862,498 | 787,744 | 847,713 |
| Income from operations | 324,540 | 241,514 | 282,254 |
| Other (expense) income | | | |
| Interest expense | (204,161) | (198,367) | (186,556) |
| Other income | 10,847 | 14,228 | 2,235 |
| Total other expense | (193,314) | (184,139) | (184,321) |
| Income from continuing operations before income taxes | 131,226 | 57,375 | 97,933 |
| Provision for income taxes | (52,049) | (38,205) | (27,162) |
| Income from continuing operations | 79,177 | 19,170 | 70,771 |
| Loss from discontinued operations, net of tax | (199) | (2,353) | (23,387) |
| Net income | 78,978 | 16,817 | 47,384 |
| Net loss (income) attributable to noncontrolling interest | 4,250 | 59,753 | (2,249) |
| Net income attributable to Encore Capital Group, Inc. stockholders | $ 83,228 | $ 76,570 | $ 45,135 |
| **Amounts attributable to Encore Capital Group, Inc.:** | | | |
| Income from continuing operations | $ 83,427 | $ 78,923 | $ 68,522 |
| Loss from discontinued operations, net of tax | (199) | (2,353) | (23,387) |
| Net income | $ 83,228 | $ 76,570 | $ 45,135 |
| **Earnings (loss) per share attributable to Encore Capital Group, Inc.:** | | | |
| Basic earnings (loss) per share from: | | | |
| Continuing operations | $ 3.21 | $ 3.07 | $ 2.66 |
| Discontinued operations | $ (0.01) | $ (0.09) | $ (0.91) |
| Net basic earnings per share | $ 3.20 | $ 2.98 | $ 1.75 |
| Diluted earnings (loss) per share from: | | | |
| Continuing operations | $ 3.16 | $ 3.05 | $ 2.57 |
| Discontinued operations | $ (0.01) | $ (0.09) | $ (0.88) |
| Net diluted earnings per share | $ 3.15 | $ 2.96 | $ 1.69 |
| Weighted average shares outstanding: | | | |
| Basic | 25,972 | 25,713 | 25,722 |
| Diluted | 26,405 | 25,909 | 26,647 |

*See accompanying notes to consolidated financial statements*

**ENCORE CAPITAL GROUP, INC.**
**Consolidated Statements of Comprehensive Income**
(In Thousands)

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Net income | $ 78,978 | $ 16,817 | $ 47,384 |
| Other comprehensive income (loss), net of tax: | | | |
| Change in unrealized gains/losses on derivative instruments: | | | |
| Unrealized gain (loss) on derivative instruments | 1,242 | 407 | (1,527) |
| Income tax effect | (200) | (87) | (151) |
| Unrealized gain (loss) on derivative instruments, net of tax | 1,042 | 320 | (1,678) |
| Change in foreign currency translation: | | | |
| Unrealized gain (loss) on foreign currency translation | 28,362 | (67,943) | (57,144) |
| Income tax effect | — | 361 | (1,468) |
| Unrealized gain (loss) on foreign currency translation, net of tax | 28,362 | (67,582) | (58,612) |
| Other comprehensive income (loss), net of tax | 29,404 | (67,262) | (60,290) |
| Comprehensive income (loss) | 108,382 | (50,445) | (12,906) |
| Comprehensive loss (income) attributable to noncontrolling interest: | | | |
| Net loss (income) | 4,250 | 59,753 | (2,249) |
| Unrealized (income) loss on foreign currency translation | (1,849) | 20,173 | 3,390 |
| Comprehensive loss attributable to noncontrolling interest | 2,401 | 79,926 | 1,141 |
| Comprehensive income (loss) attributable to Encore Capital Group, Inc. stockholders | $ 110,783 | $ 29,481 | $ (11,765) |

*See accompanying notes to consolidated financial statements*

**ENCORE CAPITAL GROUP, INC.**
**Consolidated Statements of Equity**
(In Thousands)

| | Common Stock | | Additional Paid-In Capital | Accumulated Earnings | Accumulated Other Comprehensive Income (Loss) | Noncontrolling Interest | Total Equity |
|---|---|---|---|---|---|---|---|
| | Shares | Par | | | | | |
| **Balance at December 31, 2014** | 25,794 | $ 258 | $ 125,310 | $ 498,354 | $ (922) | $ 3,981 | $ 626,981 |
| Net income | — | — | — | 45,135 | — | 878 | 46,013 |
| Other comprehensive loss, net of tax | — | — | — | — | (56,900) | — | (56,900) |
| Initial noncontrolling interest related to business combinations | — | — | — | — | — | 2,426 | 2,426 |
| Change in fair value of redeemable noncontrolling interest | — | — | (2,349) | — | — | — | (2,349) |
| Exercise of stock options and issuance of share-based awards, net of shares withheld for employee taxes | 333 | 3 | (5,321) | — | — | — | (5,318) |
| Repurchase of common stock | (839) | (8) | (33,177) | — | — | — | (33,185) |
| Stock-based compensation | — | — | 22,008 | — | — | — | 22,008 |
| Tax benefit related to stock-based compensation | — | — | 1,251 | — | — | — | 1,251 |
| Reclassification of redeemable equity component of convertible senior notes | — | — | 2,948 | — | — | — | 2,948 |
| Other | — | — | (137) | — | — | — | (137) |
| **Balance at December 31, 2015** | 25,288 | 253 | 110,533 | 543,489 | (57,822) | 7,285 | 603,738 |
| Net income (loss) | — | — | — | 76,570 | — | (11,922) | 64,648 |
| Other comprehensive loss, net of tax | — | — | — | — | (47,089) | (3,677) | (50,766) |
| Initial noncontrolling interest related to business combinations | — | — | — | — | — | 775 | 775 |
| Change in fair value of redeemable noncontrolling interest | — | — | (14,702) | (59,492) | — | — | (74,194) |
| Purchase of noncontrolling interest | — | — | (1,280) | — | — | — | (1,280) |
| Exercise of stock options and issuance of share-based awards, net of shares withheld for employee taxes | 305 | 3 | (4,481) | — | — | — | (4,478) |
| Stock-based compensation | — | — | 12,627 | — | — | — | 12,627 |
| Tax benefit related to stock-based compensation | — | — | (2,324) | — | — | — | (2,324) |
| Reclassification of redeemable equity component of convertible senior notes | — | — | 3,130 | — | — | — | 3,130 |
| Other | — | — | (111) | — | — | — | (111) |
| **Balance at December 31, 2016** | 25,593 | 256 | 103,392 | 560,567 | (104,911) | (7,539) | 551,765 |
| Net income | — | — | — | 83,228 | — | 655 | 83,883 |
| Other comprehensive gain (loss), net of tax | — | — | — | — | 27,555 | (707) | 26,848 |
| Change in fair value of redeemable noncontrolling interest | — | — | (81,074) | (27,222) | — | — | (108,296) |
| Purchase of noncontrolling interest | — | — | 806 | — | — | (2,338) | (1,532) |
| Exercise of stock options and issuance of share-based awards, net of shares withheld for employee taxes | 208 | 2 | (2,117) | — | — | — | (2,115) |
| Stock-based compensation | — | — | 10,399 | — | — | — | 10,399 |
| Issuance of convertible senior notes | — | — | 12,341 | — | — | — | 12,341 |
| Settlement and repurchase of convertible senior notes | 622 | 6 | (7,881) | — | — | — | (7,875) |
| Convertible note hedge transactions | (622) | (6) | 3,525 | — | — | — | 3,519 |
| Reclassification of redeemable equity component of convertible senior notes | — | — | 2,995 | — | — | — | 2,995 |
| Reclassification of certain income tax effects of items within accumulated other comprehensive income to retained earnings | — | — | — | (259) | — | — | (259) |
| Other | — | — | 260 | — | — | — | 260 |
| **Balance at December 31, 2017** | 25,801 | $ 258 | $ 42,646 | $ 616,314 | $ (77,356) | $ (9,929) | $ 571,933 |

*See accompanying notes to consolidated financial statements*

**ENCORE CAPITAL GROUP, INC.**
**Consolidated Statements of Cash Flows**
(In Thousands)

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2017** | **2016** | **2015** |
| **Operating activities:** | | | |
| Net income | $ 78,978 | $ 16,817 | $ 47,384 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Loss from discontinued operations, net of income taxes | 199 | 2,353 | 23,387 |
| Depreciation and amortization | 39,977 | 34,868 | 33,160 |
| Other non-cash expense, net | 35,676 | 22,807 | 35,104 |
| Stock-based compensation expense | 10,399 | 12,627 | 22,008 |
| Deferred income taxes | 28,970 | (52,905) | (16,665) |
| (Reversal of) provision for allowances on receivable portfolios, net | (41,236) | 84,177 | (6,763) |
| Changes in operating assets and liabilities | | | |
| Deferred court costs and other assets | (4,101) | (20,364) | (33,430) |
| Prepaid income tax and income taxes payable | (26,699) | 25,417 | (29,504) |
| Accounts payable, accrued liabilities and other liabilities | 1,655 | 2,439 | 43,135 |
| Net cash provided by operating activities from continuing operations | 123,818 | 128,236 | 117,816 |
| Net cash provided by (used in) operating activities from discontinued operations | — | 2,096 | (1,667) |
| Net cash provided by operating activities | 123,818 | 130,332 | 116,149 |
| **Investing activities:** | | | |
| Cash paid for acquisitions, net of cash acquired | (96,390) | (675) | (276,575) |
| Proceeds from divestiture of business, net of cash divested | — | 106,041 | — |
| Purchases of assets held for sale | — | (19,874) | — |
| Purchases of receivable portfolios, net of put-backs | (1,045,829) | (907,413) | (749,760) |
| Collections applied to investment in receivable portfolios, net | 709,420 | 659,321 | 635,899 |
| Purchases of property and equipment | (28,126) | (31,668) | (28,624) |
| Other, net | 8,794 | 10,794 | (1,233) |
| Net cash used in investing activities from continuing operations | (452,131) | (183,474) | (420,293) |
| Net cash provided by (used in) investing activities from discontinued operations | — | 14,685 | (52,416) |
| Net cash used in investing activities | (452,131) | (168,789) | (472,709) |
| **Financing activities:** | | | |
| Payment of loan costs | (28,972) | (32,338) | (17,995) |
| Proceeds from credit facilities | 1,434,480 | 586,016 | 1,084,393 |
| Repayment of credit facilities | (1,168,069) | (615,857) | (898,086) |
| Proceeds from senior secured notes | 325,000 | 442,610 | 332,693 |
| Repayment of senior secured notes | (204,241) | (352,549) | (15,000) |
| Proceeds from issuance of convertible senior notes | 150,000 | — | — |
| Repayment of convertible senior notes | (125,407) | — | — |
| Repayment of securitized notes | — | (935) | (44,251) |
| Repurchase of common stock | — | — | (33,185) |
| Proceeds from other debt | 33,197 | 36,172 | — |
| Payment for the purchase of noncontrolling interest | (29,731) | (4,842) | — |
| Other, net | (8,040) | (15,024) | (8,448) |
| Net cash provided by financing activities | 378,217 | 43,253 | 400,121 |
| Net increase in cash and cash equivalents | 49,904 | 4,796 | 43,561 |
| Effect of exchange rate changes on cash and cash equivalents | 12,470 | (8,624) | (14,131) |
| Cash and cash equivalents, beginning of period | 149,765 | 153,593 | 124,163 |
| Cash and cash equivalents, end of period | 212,139 | 149,765 | 153,593 |
| Cash and cash equivalents of discontinued operations, end of period | — | — | 29,600 |
| Cash and cash equivalents of continuing operations, end of period | $ 212,139 | $ 149,765 | $ 123,993 |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid for interest | $ 162,545 | $ 147,899 | $ 151,946 |
| Cash paid for income taxes, net | 44,365 | 60,071 | 84,101 |
| Supplemental schedule of non-cash investing and financing activities: | | | |
| Conversion of convertible senior notes | $ 28,277 | $ — | $ — |
| Fixed assets acquired through capital lease | 3,577 | 55 | 2,220 |

*See accompanying notes to consolidated financial statements*

**ENCORE CAPITAL GROUP, INC.**
**Notes to Consolidated Financial Statements**

## Note 1: Ownership, Description of Business, and Summary of Significant Accounting Policies

Encore Capital Group, Inc. ("Encore"), through its subsidiaries (collectively with Encore, the "Company"), is an international specialty finance company providing debt recovery solutions and other related services for consumers across a broad range of financial assets. The Company purchases portfolios of defaulted consumer receivables at deep discounts to face value and manages them by working with individuals as they repay their obligations and work toward financial recovery. Defaulted receivables are consumers' unpaid financial commitments to credit originators, including banks, credit unions, consumer finance companies, commercial retailers, and telecommunication companies. Defaulted receivables may also include receivables subject to bankruptcy proceedings.

### *Basis of Consolidation*

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), and reflect the accounts and operations of the Company and those of its subsidiaries in which the Company has a controlling financial interest. The Company also consolidates VIEs, for which it is the primary beneficiary. The primary beneficiary has both (a) the power to direct the activities of the VIE that most significantly affect the entity's economic performance and (b) either the obligation to absorb losses or the right to receive benefits. Refer to Note 10, "Variable Interest Entities" for further details. All intercompany transactions and balances have been eliminated in consolidation.

### *Translation of Foreign Currencies*

The financial statements of certain of the Company's foreign subsidiaries are measured using their local currency as the functional currency. Assets and liabilities of foreign operations are translated into U.S. dollars using period-end exchange rates, and revenues and expenses are translated into U.S. dollars using average exchange rates in effect during each period. The resulting translation adjustments are recorded as a component of other comprehensive income or loss. Equity accounts are translated at historical rates, except for the change in retained earnings during the year which is the result of the income statement translation process. Intercompany transaction gains or losses at each period end arising from subsequent measurement of balances for which settlement is not planned or anticipated in the foreseeable future are included as translation adjustments and recorded within other comprehensive income or loss. Translation gains or losses are the material components of accumulated other comprehensive income or loss. Transaction gains and losses are included in other income or expense.

### *Reclassifications*

Certain immaterial reclassifications have been made to the consolidated financial statements to conform to the current year's presentation.

### *Change in Accounting Principle*

In February 2018, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02"). ASU 2018-02 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted either (1) in the period of adoption or (2) retrospectively to each period in which the effect of the change in the federal income tax rate in the Tax Cuts and Jobs Act is recognized. The Company early adopted this guidance for the year ending December 31, 2017. The Company elected to reclassify the income tax effects of the Tax Cuts and Jobs Act from accumulated other comprehensive income to retained earnings in the period of adoption using the security by security approach. The adoption of ASU 2018-02 resulted in a reclassification of $0.3 million due to tax rate changes for certain hedge instruments from accumulated other comprehensive income to accumulated earnings.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public entities, ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted. Upon adoption of this standard, excess tax benefits and tax deficiencies will be recognized as income tax expense, and the tax effects of exercised or vested awards will be treated as discrete items in the period in which they occur. As such, implementation of this standard could create volatility in an entity's effective income tax rate on a quarter by quarter basis. The volatility in the effective income tax rate is due primarily to fluctuations in the stock price and the timing of stock option exercises and vesting of restricted share grants. The standard also requires excess tax benefits to be presented as an operating activity on the

statement of cash flows rather than as a financing activity. An entity may elect to apply the change in presentation in the statement of cash flows either prospectively or retrospectively to all periods presented. Further, the amendments allow an entity to make an accounting policy election to either estimate forfeitures or recognize forfeitures as they occur. If an election is made, the change to recognize forfeitures as they occur must be adopted using a modified retrospective approach with a cumulative effect adjustment recorded to opening retained earnings.

ASU 2016-09 became effective for the Company on January 1, 2017. The Company applied the change in presentation to the statement of cash flows retrospectively for all periods presented after adoption date. The Company believes that the new standard may cause volatility in its effective tax rates and earnings per share due to the tax effects related to share-based payments being recorded to the income statement. The volatility in future periods will depend on the Company's stock price at the awards' vest dates and the number of awards that vest in each period. The Company will not elect an accounting policy change to record forfeitures as they occur and will continue to estimate forfeitures at each period.

***Recent Accounting Pronouncements***

Other than the adoption of ASU 2016-09 as discussed in the "Change in Accounting Principle" section above, there have been no new accounting pronouncements made effective during year ended December 31, 2017 that have significance, or potential significance, to the Company's consolidated financial statements.

*Recent Accounting Pronouncements Not Yet Effective*

In August 2017, the FASB issued ASU No. 2017-12, Targeted Improvements to Accounting for Hedging Activities—Derivatives and Hedging (Topic 815) ("ASU 2017-12") which amends the hedge accounting recognition and presentation requirements in Accounting Standards Codification ("ASC") 815. ASU 2017-12 improves Topic 815 Derivatives and Hedging by simplifying and expanding the eligible hedging strategies for financial and nonfinancial risks by more closely aligning hedge accounting with a company's risk management activities, and also simplifies its application through targeted improvements in key practice areas. This includes expanding the list of items eligible to be hedged and amending the methods used to measure the effectiveness of hedging relationships. In addition, the ASU prescribes how hedging results should be presented and requires incremental disclosures. These changes are intended to allow preparers more flexibility and to enhance the transparency of how hedging results are presented and disclosed. Further, the new standard provides partial relief on the timing of certain aspects of hedge documentation and eliminates the requirement to recognize hedge ineffectiveness separately in earnings in the current period. The ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. The Company is evaluating the impact of adopting this guidance on its consolidated financial statements as well as whether to adopt the new guidance early.

In May 2017, the FASB issued ASU No. 2017-09, Compensation—Stock Compensation (Topic 718) ("ASU 2017-09"). ASU 2017-09 provides clarity in order to reduce both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. Under the new guidance, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period. The Company does not anticipate that the adoption of ASU 2017-09 will have a material impact on its consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350). The amendments in this update simplify the test for goodwill impairment by eliminating Step 2 from the impairment test, which required the entity to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining fair value of assets acquired and liabilities assumed in a business combination. The amendments in this update are effective for public companies for annual or any interim goodwill impairments tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company did not early adopt this guidance for its annual goodwill impairment testing on October 1, 2017.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805); Clarifying the Definition of a Business. The amendments in this update clarify the definition of a business to help companies evaluate whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The amendments in this update are effective for public companies for annual periods beginning after December 15, 2017, including interim periods within those periods. The Company is evaluating the impact of adopting this guidance on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). The FASB issued ASU 2016-15 to decrease the diversity in practice in how

certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this update provide guidance on eight specific cash flow issues. ASU 2016-15 is effective for reporting periods beginning after December 15, 2017, with early adoption permitted, provided that all of the amendments are adopted in the same period. The guidance requires application using a retrospective transition method. The Company will adopt the guidance of ASU 2016-15 in the first quarter of 2018.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 applies a current expected credit loss model which is a new impairment model based on expected losses rather than incurred losses. Under this model, an entity would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect from financial assets measured at amortized cost. The estimate of expected credit losses should consider historical information, current information, as well as reasonable and supportable forecasts, including estimates of prepayments. The expected credit losses, and subsequent adjustments to such losses, will be recorded through an allowance account that is deducted from the amortized cost basis of the financial asset, with the net carrying value of the financial asset presented on the consolidated balance sheet at the amount expected to be collected. ASU 2016-13 eliminates the current accounting model for loans and debt securities acquired with deteriorated credit quality under ASC 310-30, which provides authoritative guidance for the accounting of the Company's investment in receivable portfolios. Under this new standard, entities will gross up the initial amortized cost for the purchased financial assets with credit deterioration ("PCD assets"), the initial amortized cost will be the sum of (1) the purchase price and (2) the estimate of credit losses as of the date of acquisition. After initial recognition of PCD assets and the related allowance, any change in estimated cash flows (favorable or unfavorable) will be immediately recognized in the income statement because the yield on PCD assets would be locked. ASU 2016-13 is effective for reporting periods beginning after December 15, 2019 with early adoption permitted for reporting periods beginning after December 15, 2018. The guidance will be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period in which ASU 2016-13 is adopted. However, the FASB has determined that financial assets for which the guidance in Subtopic 310-30, Receivables-Loans and Debt Securities Acquired with Deteriorated Credit Quality, has previously been applied should prospectively apply the guidance in ASU 2016-13 for PCD assets. A prospective transition approach should be used for PCD assets where upon adoption, the amortized cost basis should be adjusted to reflect the addition of the allowance for credit losses. This transition relief will avoid the need for a reporting entity to reassess its purchased financial assets that exist as of the date of adoption to determine whether they would have met at acquisition the new criteria of more-than insignificant credit deterioration since origination. The transition relief also will allow an entity to accrete the remaining noncredit discount (based on the revised amortized cost basis) into interest income at the effective interest rate at the adoption date of ASU 2016-13. The same transition requirements should be applied to beneficial interests that previously applied Subtopic 310-30 or have a significant difference between contractual cash flows and expected cash flows. The Company is in the process of determining the effects the adoption will have on its consolidated financial statements as well as whether to adopt the new guidance early.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 changes accounting for leases and requires lessees to recognize the assets and liabilities arising from all leases, including those classified as operating leases under previous accounting guidance, on the balance sheet and requires disclosure of key information about leasing arrangements to increase transparency and comparability among organizations. The new guidance must be adopted using the modified retrospective approach and will be effective for the Company starting in the first quarter of fiscal year 2019. Early adoption is permitted. The Company is in the process of determining the effects the adoption will have on its consolidated financial statements as well as whether to adopt the new guidance early.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying ASU 2014-09, companies will perform a five-step analysis of transactions to determine when and how revenue is recognized. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB's ASC. ASU 2014-09 is effective for annual reporting periods (including interim periods within that reporting period) beginning after December 15, 2016 and shall be applied using either a full retrospective or modified retrospective approach. Early application is not permitted. In August 2015, FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 for all public companies for all annual periods beginning after December 15, 2017 with early adoption permitted only as of annual reporting periods beginning after December 31, 2016, including interim periods within the reporting period. In March 2016, the FASB issued ASU 2016-08 as an amendment to ASU 2014-09, which clarifies how to identify the unit of accounting for the principal versus agent evaluation, how to apply the control principle to certain types of arrangements, such as service transactions, and reframed the indicators in the guidance to focus on evidence that an entity is

acting as a principal rather than as an agent. The Company's investment in receivable portfolios is outside of the scope of Topic 606 since it is accounted for in accordance with ASC 310-30. The Company will adopt the new standard effective January 1, 2018, using the modified retrospective approach. As the majority of the Company's revenues are not subject to the new guidance, the adoption of ASU 2014-09 will not have a material impact on the Company's consolidated financial statements.

With the exception of the updated standards discussed above, there have been no new accounting pronouncements not yet effective that have significance, or potential significance, to the Company's consolidated financial statements.

***Use of Estimates***

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at the date of purchase. The Company invests its excess cash in bank deposits and money market instruments, which are afforded the highest ratings by nationally recognized rating firms. The carrying amounts reported in the consolidated statements of financial condition for cash and cash equivalents approximate their fair value.

Included in cash and cash equivalents are cash collected on behalf of and due to third party clients. A corresponding balance is included in accounts payable and accrued liabilities. The balance of cash held for clients was $21.0 million and $15.1 million at December 31, 2017 and 2016, respectively.

***Investment in Receivable Portfolios***

In accordance with the authoritative guidance for loans and debt securities acquired with deteriorated credit quality, discrete receivable portfolio purchases during the same fiscal quarter are aggregated into pools based on common risk characteristics. Common risk characteristics include risk ratings (e.g. FICO or similar scores), financial asset type, collateral type, size, interest rate, date of origination, term, and geographic location. The Company's static pools are typically grouped into credit card, purchased consumer bankruptcy, and mortgage portfolios. The Company further groups these static pools by geographic region or location. Portfolios acquired in business combinations are also grouped into these pools. During any fiscal quarter in which the Company has an acquisition of an entity that has portfolio, the entire historical portfolio of the acquired company is aggregated into the pool groups for that quarter, based on common characteristics, resulting in pools for that quarter that may consist of several different vintages of portfolio. Once a static pool is established, the portfolios are permanently assigned to the pool. The discount (*i.e.*, the difference between the cost of each static pool and the related aggregate contractual receivable balance) is not recorded because the Company expects to collect a relatively small percentage of each static pool's contractual receivable balance. As a result, receivable portfolios are recorded at cost at the time of acquisition. The purchase cost of the portfolios includes certain fees paid to third parties incurred in connection with the direct acquisition of the receivable portfolios.

In compliance with the authoritative guidance, the Company accounts for its investments in receivable portfolios using either the interest method or the cost recovery method. The interest method applies an internal rate of return ("IRR") to the cost basis of the pool, which remains unchanged throughout the life of the pool, unless there is an increase in subsequent expected cash flows. Subsequent increases in expected cash flows are recognized prospectively through an upward adjustment of the pool's IRR over its remaining life. Subsequent decreases in expected cash flows do not change the IRR, but are recognized as an allowance to the cost basis of the pool, and are reflected in the consolidated statements of income as a reduction in revenue, with a corresponding valuation allowance, offsetting the investment in receivable portfolios in the consolidated statements of financial condition. With gross collections being discounted at monthly IRRs, when collections are lower in the near term, even if substantially higher collections are expected later in the collection curve, an allowance charge could result.

The Company accounts for each static pool as a unit for the economic life of the pool (similar to one loan) for recognition of revenue from receivable portfolios, for collections applied to the cost basis of receivable portfolios and for provision for loss or allowance. Revenue from receivable portfolios is accrued based on each pool's IRR applied to each pool's adjusted cost basis. The cost basis of each pool is increased by revenue earned and portfolio allowance reversals and decreased by gross collections and portfolio allowances.

If the amount and timing of future cash collections on a pool of receivables are not reasonably estimable, the Company accounts for such portfolios on the cost recovery method Cost Recovery Portfolios. The accounts in these portfolios have different risk characteristics than those included in other portfolios acquired during the same quarter, or the necessary

information was not available to estimate future cash flows and, accordingly, they were not aggregated with other portfolios. Under the cost recovery method of accounting, no revenue is recognized until the carrying value of a Cost Recovery Portfolio has been fully recovered. See Note 5, “Investment in Receivable Portfolios, Net” for further discussion of investment in receivable portfolios.

***Fee-based Income***

Certain of the Company’s international subsidiaries earn fee-based income by providing portfolio management services to credit originators for non-performing loans. The Company recognizes fee-based income in accordance with the authoritative guidance for revenue recognition, specifically principal agent considerations. The revenue recognition guidance requires an analysis to be completed to determine if certain revenues should be reported gross or reported net of their related operating expense. This analysis includes an assessment of who retains credit risk, controls vendor selection, establishes pricing and remains the primary obligor on the transaction. The Company considers each of these factors to determine the correct method of recognizing fee-based income. Fee-based income is included in “Other Revenues” in the Company’s consolidated statements of operations.

***Goodwill and Other Intangible Assets***

Goodwill represents the excess of purchase price over the value assigned to the tangible and identifiable intangible assets, liabilities assumed, and noncontrolling interest of businesses acquired. Acquired intangible assets other than goodwill are amortized over their useful lives unless the lives are determined to be indefinite. In accordance with authoritative guidance on goodwill and other intangible assets, goodwill and other indefinite-lived intangible assets are tested at the reporting unit level annually for impairment and in interim periods if certain events occur indicating the fair value of a reporting unit may be below its carrying value. See Note 15, “Goodwill and Identifiable Intangible Assets” for further discussion of the Company’s goodwill and other intangible assets.

***Property and Equipment***

Property and equipment are recorded at cost, less accumulated depreciation and amortization. The provision for depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets as follows:

| Fixed Asset Category | Estimated Useful Life |
|---|---|
| Leasehold improvements | Lesser of lease term, including periods covered by renewal options, or useful life |
| Furniture, fixtures and equipment | 5 to 10 years |
| Computer hardware and software | 3 to 5 years |

Maintenance and repairs are charged to expense in the year incurred. Expenditures for major renewals that extend the useful lives of fixed assets are capitalized and depreciated over the useful lives of such assets.

***Deferred Court Costs***

The Company pursues legal collections using a network of attorneys that specialize in collection matters and through its internal legal channel. The Company generally pursues collections through legal means only when it believes a consumer has sufficient assets to repay their indebtedness but has, to date, been unwilling to pay. In order to pursue legal collections the Company is required to pay certain upfront costs to the applicable courts that are recoverable from the consumer (“Deferred Court Costs”). The Company capitalizes Deferred Court Costs in its consolidated financial statements and provides a reserve for those costs that it believes will ultimately be uncollectible. The Company determines the reserve based on an estimated court cost recovery rate established based on its analysis of historical court costs recovery data. The Company estimates deferral periods for Deferred Court Costs based on jurisdiction and nature of litigation and writes off any Deferred Court Costs not recovered within the respective deferral period. Collections received from debtors are first applied against related court costs with the balance applied to the debtors’ account balance. See Note 6, “Deferred Court Costs, Net” for further discussion.

***Income Taxes***

The Company uses the liability method of accounting for income taxes in accordance with the authoritative guidance for Income Taxes. When the Company prepares its consolidated financial statements, it estimates income taxes based on the various jurisdictions and countries where it conducts business. This requires the Company to estimate current tax exposure and to assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. Deferred income taxes are recognized based on the differences between the financial statement and income tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company then

assesses the likelihood that deferred tax assets will be realized. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. When the Company establishes a valuation allowance or increases this allowance in an accounting period, it records a corresponding tax expense in the consolidated statement of income. The Company includes interest and penalties related to income taxes within its provision for income taxes. See Note 12, “Income Taxes” for further discussion.

Management must make significant judgments to determine the provision for income taxes, deferred tax assets and liabilities, and any valuation allowance to be recorded against deferred tax assets.

***Stock-Based Compensation***

The Company determines stock-based compensation expense for all share-based payment awards based on the measurement date fair value. The Company has certain share awards that include market conditions that affect vesting, the fair value of these shares is estimated using a lattice model. Compensation cost is not adjusted if the market condition is not met, as long as the requisite service is provided. For share awards that require service and performance conditions, the Company recognizes compensation cost only for those awards expected to meet the service and performance vesting conditions over the requisite service period of the award. Forfeiture rates are estimated based on the Company’s historical experience. See Note 11, “Stock-Based Compensation” for further discussion.

***Derivative Instruments and Hedging Activities***

The Company recognizes all derivative financial instruments in its consolidated financial statements at fair value. Changes in the fair value of derivative instruments are recorded in earnings unless hedge accounting criteria are met. The Company designates certain derivative instruments as cash flow hedges. The effective portion of the changes in fair value of these cash flow hedges is recorded each period, net of tax, in accumulated other comprehensive income or loss until the related hedged transaction occurs. Any ineffective portion of the changes in fair value of these cash flow hedges is recorded in earnings. In the event the hedged cash flow does not occur, or it becomes probable that it will not occur, the Company would reclassify the amount of any gain or loss on the related cash flow hedge to income or expense at that time. See Note 4, “Derivatives and Hedging Instruments” for further discussion.

***Redeemable Noncontrolling Interest***

Some minority shareholders in certain subsidiaries of the Company have the right, at certain times, to require the Company to acquire their ownership interest in those entities at fair value, and in some cases, to force a sale of the subsidiary if the Company chooses not to purchase their interests at fair value. The noncontrolling interest subject to these arrangements is included in temporary equity as redeemable noncontrolling interest, and is adjusted to its estimated redemption amount each reporting period. Future reductions in the carrying amount are subject to a “floor” amount that is equal to the fair value of the redeemable noncontrolling interest at the time it was originally recorded. The recorded value of the redeemable noncontrolling interest cannot go below the floor level. Adjustments to the carrying amount of redeemable noncontrolling interest are charged to retained earnings (or to additional paid-in capital if there are no retained earnings) and do not affect net income or comprehensive income in the consolidated financial statements.

***Earnings Per Share***

Basic earnings per share is calculated by dividing net earnings attributable to Encore by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is calculated on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options, restricted stock, and the dilutive effect of the convertible senior notes.

On April 24, 2014, the Company’s Board of Directors approved a $50.0 million share repurchase program. In May 2014, the Company repurchased 400,000 shares of its common stock for approximately $16.8 million. In May 2015, the Company repurchased 839,295 shares of common stock for approximately $33.2 million, which represented the remaining amount allowed under this share repurchase program. The Company’s practice is to retire the shares repurchased.

On August 12, 2015, the Company’s Board of Directors approved a new $50.0 million share repurchase program. Repurchases under this program are expected to be made with cash on hand and may be made from time to time, subject to market conditions and other factors, in the open market, through private transactions, block transactions, or other methods as determined by the Company’s management and Board of Directors, and in accordance with market conditions, other corporate considerations, and applicable regulatory requirements. The program does not obligate the Company to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company’s discretion. As of December 31, 2017, we had not made any repurchases under the share repurchase program.

A reconciliation of shares used in calculating earnings per basic and diluted shares follows *(in thousands)*:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Weighted average common shares outstanding—basic | 25,972 | 25,713 | 25,722 |
| Dilutive effect of stock-based awards | 255 | 196 | 253 |
| Dilutive effect of convertible senior notes | 178 | — | 672 |
| Weighted average common shares outstanding—diluted | 26,405 | 25,909 | 26,647 |

Anti-dilutive employee stock options outstanding were approximately 107,000, 3,000 and zero for the years ended December 31, 2017, 2016, and 2015, respectively.

The Company has the following convertible senior notes outstanding: $172.5 million convertible senior notes due 2020 at a conversion price equivalent to approximately $45.72 per share of the Company's common stock (the "2020 Convertible Notes"), $161.0 million convertible senior notes due 2021 at a conversion price equivalent to approximately $59.39 per share of the Company's common stock (the "2021 Convertible Notes") and $150.0 million convertible senior notes due 2022 at a conversion price equivalent to approximately $45.57 per share of the Company's common stock (the "2022 Convertible Notes"). Prior to November 2017, the company had $115.0 million convertible senior notes due 2017 at a conversion price equivalent to approximately $31.56 per share of the Company's common stock (the "2017 Convertible Notes").

In the event of conversion, the 2017 Convertible Notes were convertible into cash up to the aggregate principal amount and permit the excess conversion premium to be settled in cash or shares of the Company's common stock. For the 2020 Convertible Notes,2021 Convertible Notes and 2022 Convertible Notes, the Company has the option to pay cash, issue shares of common stock or any combination thereof for the aggregate amount due upon conversion. The Company's intent is to settle the principal amount of the 2020, 2021 and 2022 Convertible Notes in cash upon conversion. As a result, upon conversion of all the convertible senior notes, only the amounts payable in excess of the principal amounts are considered in diluted earnings per share under the treasury stock method. Diluted earnings per share during the periods presented above included the effect of the common shares issuable upon conversion of certain of the convertible senior notes because the average stock price exceeded the conversion price of these notes. However, as described in Note 9, "Debt-Encore Convertible Notes," the Company entered into certain hedge transactions that have the effect of increasing the effective conversion price of the 2017 Convertible Notes to $60.00, the 2020 Convertible Notes to $61.55, and the 2021 Convertible Notes to $83.14. On January 2, 2014 the 2017 Convertible Notes became convertible as certain conditions for conversion were met in the immediately preceding calendar quarter as defined in the applicable indenture. In November 2017, the 2017 Convertible Notes were converted.

**Note 2: Discontinued Operations**

On March 31, 2016, the Company completed its previously announced divestiture of its membership interests in Propel Acquisition LLC ("Propel") pursuant to the Securities Purchase Agreement (the "Purchase Agreement"), dated February 19, 2016, among the Company and certain funds affiliated with Prophet Capital Asset Management LP. Pursuant to the Purchase Agreement, the application of the purchase price formula resulted in cash consideration paid to the Company at closing of $144.4 million (net proceeds were $106.0 million after divestiture of $38.4 million in cash), subject to customary post-closing adjustments. The purchase price was finalized in January 2017.

During the three months ended March 31, 2016, the Company recognized a loss of $3.0 million related to the sale of Propel, this loss was reduced to $2.0 million based on the adjustments recorded in the fourth quarter of 2016 and the first quarter of 2017. Propel represented the Company's entire tax lien business reportable segment. Propel's operations are presented as discontinued operations in the Company's consolidated statements of operations. Certain immaterial costs that may be eliminated as a result of the sale remained in continuing operations.

The following table presents the results of the discontinued operations during the periods presented (*in thousands*):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Revenue | $ — | $ 4,950 | $ 31,605 |
| Salaries and employee benefits | — | (3,074) | (8,053) |
| Other operating expenses | — | (1,366) | (4,972) |
| General and administrative expenses | — | (1,551) | (5,470) |
| Depreciation and amortization | — | (127) | (785) |
| Impairment charge for goodwill and identifiable intangible assets | — | — | (49,277) |
| Loss from discontinued operations, before income taxes | — | (1,168) | (36,952) |
| Loss on sale of discontinued operations, before income taxes | (322) | (1,679) | — |
| Total loss on discontinued operations, before income taxes | (322) | (2,847) | (36,952) |
| Income tax benefit | 123 | 494 | 13,565 |
| Total loss from discontinued operations, net of tax | $ (199) | $ (2,353) | $ (23,387) |

**Note 3: Fair Value Measurements**

The authoritative guidance for fair value measurements defines fair value as the price that would be received upon sale of an asset or the price paid to transfer a liability, in an orderly transaction between market participants at the measurement date (*i.e.*, the "exit price"). The guidance utilizes a fair value hierarchy that prioritizes the inputs used in valuation techniques to measure fair value into three broad levels. The following is a brief description of each level:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs, including inputs that reflect the reporting entity's own assumptions.

***Financial Instruments Required To Be Carried At Fair Value***

Financial assets and liabilities measured at fair value on a recurring basis are summarized below (*in thousands*):

| | Fair Value Measurements as of December 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Foreign currency exchange contracts | $ — | $ 1,912 | $ — | $ 1,912 |
| Interest rate cap contracts | — | 3,922 | — | 3,922 |
| **Liabilities** | | | | |
| Foreign currency exchange contracts | — | (1,110) | — | (1,110) |
| Interest rate swap agreements | — | (7) | — | (7) |
| Contingent consideration | — | — | (10,612) | (10,612) |
| **Temporary Equity** | | | | |
| Redeemable noncontrolling interest | — | — | (151,978) | (151,978) |

| | Fair Value Measurements as of December 31, 2016 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Foreign currency exchange contracts | $ — | $ 1,122 | $ — | $ 1,122 |
| **Liabilities** | | | | |
| Foreign currency exchange contracts | — | (1,360) | — | (1,360) |
| Interest rate swap agreements | — | (131) | — | (131) |
| Contingent consideration | — | — | (2,531) | (2,531) |
| **Temporary Equity** | | | | |
| Redeemable noncontrolling interest | — | — | (45,755) | (45,755) |

***Derivative Contracts:***

The Company uses derivative instruments to manage its exposure to fluctuations in interest rates and foreign currency exchange rates. Fair values of these derivative instruments are estimated using industry standard valuation models. These models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rate curves, foreign currency exchange rates, and forward and spot prices for currencies.

***Contingent consideration:***

The Company carries certain contingent liabilities resulting from its mergers and acquisition activities. Certain sellers of the Company's acquired entities could earn additional earn-out payments in cash based on the entities' subsequent operating performance. The Company recorded the acquisition date fair values of these contingent liabilities, based on the likelihood of contingent earn-out payments, as part of the consideration transferred. The earn-out payments are subsequently remeasured to fair value at each reporting date. During the year ended December 31, 2017, the Company recorded additional contingent consideration of approximately $10.8 million resulting from Cabot's acquisitions of debt solution service providers in the United Kingdom. The Company reviewed the earn-out analysis during the year ended December 31, 2017 and determined that, based on actual and forecasted operating performance, there would be reduced future earn-out payments to two sellers but an increase in future earn-out payment to another seller. The earn-out analysis resulted in a net reversal to the contingent considerations of approximately $2.8 million. During the year ended December 31, 2016, the Company determined that there would be no future earn-out payment relating to one of its previously acquired debt solution service providers in Europe and reversed the entire contingent consideration of approximately $8.1 million. The change in fair value of the contingent considerations was recorded in general and administrative expenses in the Company's consolidated statements of operations. As of December 31, 2017, the fair value of the contingent consideration was approximately $10.6 million.

The following table provides a roll-forward of the fair value of contingent consideration for the years ended December 31, 2017, 2016 and 2015 *(in thousands)*:

| | Amount |
|---|---|
| Balance at December 31, 2014 | $ — |
| Issuance of contingent consideration in connection with acquisition | 10,587 |
| Change in fair value of contingent consideration | 132 |
| Effect of foreign currency translation | (316) |
| Balance at December 31, 2015 | 10,403 |
| Change in fair value of contingent consideration | (7,602) |
| Effect of foreign currency translation | (270) |
| Balance at December 31, 2016 | 2,531 |
| Issuance of contingent consideration in connection with acquisition | 10,808 |
| Change in fair value of contingent consideration | (2,465) |
| Payment of contingent consideration | (781) |
| Effect of foreign currency translation | 519 |
| Balance at December 31, 2017 | $ 10,612 |

***Redeemable Noncontrolling Interest:***

Some minority shareholders in certain subsidiaries of the Company have the right, at certain times, to require the Company to acquire their ownership interest in those entities at fair value and, in some cases, to force a sale of the subsidiary if the Company chooses not to purchase their interests at fair value. The noncontrolling interest subject to these arrangements is included in temporary equity as redeemable noncontrolling interest, and is adjusted to its estimated redemption amount each reporting period with a corresponding adjustment to additional paid-in capital. Future reductions in the carrying amount are subject to a "floor" amount that is equal to the fair value of the redeemable noncontrolling interest at the time it was originally recorded. The recorded value of the redeemable noncontrolling interest cannot go below the floor level. Adjustments to the carrying amount of redeemable noncontrolling interest are charged to retained earnings (or to additional paid-in capital if there are no retained earnings) and do not affect net income or comprehensive income in the consolidated financial statements.

The components of the change in the redeemable noncontrolling interest for the years ended December 31, 2017, 2016 and 2015 are presented in the following table *(in thousands)*:

| | Amount |
|---|---|
| Balance at December 31, 2014 | $ 28,885 |
| Addition to redeemable noncontrolling interest | 9,409 |
| Net income attributable to redeemable noncontrolling interest | 1,371 |
| Adjustment of the redeemable noncontrolling interest to fair value | 2,349 |
| Effect of foreign currency translation attributable to redeemable noncontrolling interest | (3,390) |
| Balance at December 31, 2015 | 38,624 |
| Addition to redeemable noncontrolling interest | 826 |
| Redemption of redeemable noncontrolling interest | (3,562) |
| Net loss attributable to redeemable noncontrolling interest | (47,831) |
| Adjustment of the redeemable noncontrolling interest to fair value | 74,194 |
| Effect of foreign currency translation attributable to redeemable noncontrolling interest | (16,496) |
| Balance at December 31, 2016 | 45,755 |
| Addition to redeemable noncontrolling interest | 277 |
| Net loss attributable to redeemable noncontrolling interest | (4,905) |
| Adjustment of the redeemable noncontrolling interest to fair value | 108,296 |
| Effect of foreign currency translation attributable to redeemable noncontrolling interest | 2,555 |
| Balance at December 31, 2017 | $ 151,978 |

***Financial Instruments Not Required To Be Carried At Fair Value***

***Investment in Receivable Portfolios:***

The Company records its investment in receivable portfolios at cost, which represents a significant discount from the contractual receivable balances due. The Company computes the fair value of its investment in receivable portfolios using Level 3 inputs by discounting the estimated future cash flows generated by its proprietary forecasting models. The key inputs include the estimated future gross cash flow, average cost to collect, and discount rate. In accordance with authoritative guidance related to fair value measurements, the Company estimates the average cost to collect and discount rates based on its estimate of what a market participant might use in valuing these portfolios. The determination of such inputs requires significant judgment, including assessing the assumed market participant's cost structure, its determination of whether to include fixed costs in its valuation, its collection strategies, and determining the appropriate weighted average cost of capital. The Company evaluates the use of these key inputs on an ongoing basis and refines the data as it continues to obtain better information from market participants in the debt recovery and purchasing business.

In the Company's current analysis, the fair value of investment in receivable portfolios was approximately $3,415.3 million and $2,446.6 million as of December 31, 2017 and 2016, respectively, as compared to the carrying value of $2,890.6 million and $2,382.8 million as of December 31, 2017 and 2016, respectively. A 100 basis point fluctuation in the cost to collect and discount rate used would result in an increase or decrease in the fair value of U.S., European and other geographies portfolios by approximately $44.9 million, $64.5 million and $6.6 million, respectively, as of December 31, 2017. This fair value calculation does not represent, and should not be construed to represent, the underlying value of the Company or the amount which could be realized if its investment in receivable portfolios were sold.

***Deferred Court Costs:***

The Company capitalizes deferred court costs and provides a reserve for those costs that it believes will ultimately be uncollectible. The carrying value of net deferred court costs approximates fair value.

***Debt:***

The majority of Encore and its subsidiaries' borrowings are carried at historical amounts, adjusted for additional borrowings less principal repayments, which approximate fair value. These borrowings include Encore's senior secured notes and borrowings under its revolving credit and term loan facilities, Cabot's senior secured notes and borrowings under its revolving credit facility, and other borrowing under revolving credit facilities at certain of the Company's other subsidiaries.

Encore's convertible senior notes are carried at historical cost, adjusted for the debt discount. The carrying value of the convertible senior notes was $450.8 million and $416.5 million, as of December 31, 2017 and 2016, respectively. The fair value estimate for these convertible senior notes, which incorporates quoted market prices using Level 2 inputs, was approximately $520.9 million and $431.7 million as of December 31, 2017 and 2016, respectively.

Cabot's senior secured notes are carried at historical cost, adjusted for debt discount and debt premium. The carrying value of Cabot's senior secured notes was $1,214.6 million and $1,295.7 million, as of December 31, 2017 and 2016, respectively. The fair value estimate for these senior notes, which incorporates quoted market prices using Level 2 inputs, was $1,258.9 million and $1,312.7 million as of December 31, 2017 and 2016, respectively.

The Company's preferred equity certificates are legal obligations to the noncontrolling shareholders of certain subsidiaries. They are carried at the face amount, plus any accrued interest. The Company determined that the carrying value of these preferred equity certificates approximated fair value as of December 31, 2017 and 2016.

**Note 4: Derivatives and Hedging Instruments**

The Company may periodically enter into derivative financial instruments to manage risks related to interest rates and foreign currency. Certain of the Company's derivative financial instruments qualify for hedge accounting treatment under the authoritative guidance for derivatives and hedging.

The following table summarizes the fair value of derivative instruments as recorded in the Company's consolidated statements of financial condition *(in thousands):*

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Balance Sheet Location | Fair Value | Balance Sheet Location | Fair Value |
| Derivatives designated as hedging instruments: | | | | |
| Foreign currency exchange contracts | Other assets | $ 1,912 | Other assets | $ 707 |
| Foreign currency exchange contracts | Other liabilities | — | Other liabilities | (51) |
| Interest rate swap agreements | Other liabilities | (7) | Other liabilities | (27) |
| Derivatives not designated as hedging instruments: | | | | |
| Foreign currency exchange contracts | Other assets | — | Other assets | 415 |
| Foreign currency exchange contracts | Other liabilities | (1,110) | Other liabilities | (1,309) |
| Interest rate swap agreements | Other liabilities | — | Other liabilities | (104) |
| Interest rate cap contracts | Other assets | 3,922 | Other assets | — |

***Derivatives Designated as Hedging Instruments***

The Company has operations in foreign countries, which expose the Company to foreign currency exchange rate fluctuations due to transactions denominated in foreign currencies. To mitigate a portion of this risk, the Company enters into derivative financial instruments, principally foreign currency forward contracts with financial counterparties. The Company adjusts the level and use of derivatives as soon as practicable after learning that an exposure has changed and reviews all exposures and derivative positions on an ongoing basis.

Certain of the foreign currency forward contracts are designated as cash flow hedging instruments and qualify for hedge accounting treatment. Gains and losses arising from the effective portion of such contracts are recorded as a component of

accumulated other comprehensive income ("OCI") as gains and losses on derivative instruments, net of income taxes. The hedging gains and losses in OCI are subsequently reclassified into earnings in the same period in which the underlying transactions affect the Company's earnings. If all or a portion of the forecasted transaction is cancelled, this would render all or a portion of the cash flow hedge ineffective and the Company would reclassify the ineffective portion of the hedge into earnings. The Company generally does not experience ineffectiveness of the hedge relationship and the accompanying consolidated financial statements do not include any such gains or losses.

As of December 31, 2017, the total notional amount of the forward contracts that are designated as cash flow hedging instruments was $12.6 million. All of these outstanding contracts qualified for hedge accounting treatment. The Company estimates that approximately $1.9 million of net derivative gain included in OCI will be reclassified into earnings within the next 12 months. No gains or losses were reclassified from OCI into earnings as a result of forecasted transactions that failed to occur during the years ended December 31, 2017, 2016, or 2015.

The Company may periodically enter into interest rate swap agreements, to reduce its exposure to fluctuations in interest rates on variable interest rate debt and their impact on earnings and cash flows. As of December 31, 2017, there were two interest rate swap agreements outstanding with a total notional amount of $30.0 million Australian dollars (approximately $23.4 million U.S. dollars). The interest rate swap instrument is designated as cash flow hedge and accounted for using hedge accounting.

The following table summarizes the effects of derivatives in cash flow hedging relationships designated as hedging instruments on the Company's consolidated statements of income for the years ended December 31, 2017 and 2016 *(in thousands):*

| | Gain or (Loss) Recognized in OCI- Effective Portion | | Location of Gain or (Loss) Reclassified from OCI into Income - Effective Portion | Gain or (Loss) Reclassified from OCI into Income - Effective Portion | | Location of Gain or (Loss) Recognized - Ineffective Portion and Amount Excluded from Effectiveness Testing | Amount of Gain or (Loss) Recognized - Ineffective Portion and Amount Excluded from Effectiveness Testing | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | | 2017 | 2016 | | 2017 | 2016 |
| Foreign currency exchange contracts | $ 2,302 | $ 1,404 | Salaries and employee benefits | $ 1,280 | $ 755 | Other (expense) income | $ — | $ — |
| Foreign currency exchange contracts | 310 | (5) | General and administrative expenses | 76 | 105 | Other (expense) income | — | — |
| Interest rate swap agreements | 9 | (131) | Interest expense | 110 | — | Other (expense) income | — | — |

***Derivatives Not Designated as Hedging Instruments***

In 2016, Encore and its Cabot subsidiary collectively began entering into currency exchange forward contracts to reduce the effects of currency exchange rate fluctuations between the British Pound and Euro. These derivative contracts generally mature within one to three months and are not designated as hedge instruments for accounting purposes. The Company continues to monitor the level of exposure of the foreign currency exchange risk and may enter into additional short-term forward contracts on an ongoing basis. The gains or losses on these derivative contracts are recognized in other income or expense based on the changes in fair value. The Company's Cabot subsidiary also holds two interest rate cap contracts with an aggregate notional amount of £300.0 million (approximately $405.3 million) that are used to manage its risk related to interest rate fluctuations. The Company does not apply hedge accounting on the interest rate cap contracts.

The following table summarizes the effects of derivatives in cash flow hedging relationships not designated as hedging instruments on the Company's consolidated statements of income for the years ended December 31, 2017 and 2016 *(in thousands)*:

| Derivatives Not Designated as Hedging Instruments | Location of Gain or (Loss) Recognized in income on Derivative | Amount of Gain or (Loss) Recognized in Income on Derivative | | |
|---|---|---|---|---|
| | | 2017 | 2016 | 2015 |
| Foreign currency exchange contracts | Other income (expense) | $ 1,755 | $ 8,248 | $ — |
| Interest rate cap contracts | Interest expense | 2,026 | — | — |
| Interest rate swap agreements | Interest expense | 110 | 144 | 92 |

**Note 5: Investment in Receivable Portfolios, Net**

The Company utilizes its proprietary forecasting models to continuously evaluate the economic life of each pool. During the quarter ended September 30, 2016, the Company revised the forecasting methodology it uses to value and calculate IRRs on certain portfolios in Europe by extending the collection forecast from 120 months to 180 months. The increase in the collection forecast was applied effective July 1, 2016 to certain portfolios in Europe for which the Company could accurately forecast through such term. In addition, during the three months ended September 30, 2016, the Company recorded allowance charges of approximately $94.0 million resulting from delays or shortfalls in near term collections against the forecasts for certain pools in Europe. For portfolios in Europe that were not extended to 180 months, the Company will continue to include collection forecasts to 120 months in calculating accretion revenue and in its estimated remaining collection disclosures. In the United States, the Company will continue to include collection forecasts to 120 months in calculating accretion revenue. Expected collections beyond the 120 month collection forecast in the United States are included in its estimated remaining collection disclosures but are not included in the calculation of accretion revenue. Subsequent to the recording of the allowance charges for certain pools in Europe, the Company has experienced sustained improvements in collections resulting primarily from its liquidation improvement initiatives. As a result, during the year ended December 31, 2017, the Company reversed approximately $45.7 million of the previously recorded allowance charges for certain pool groups in Europe and raised IRRs for certain other pool groups in Europe.

Additionally, during the year ended December 31, 2017, the Company recorded an allowance charge of $11.4 million on pool groups in the United States, primarily due to two pool groups that were heavily concentrated in Puerto Rico for which collections have been impacted as a result of hurricanes.

Accretable yield represents the amount of revenue the Company expects to generate over the remaining life of its existing investment in receivable portfolios based on estimated future cash flows. Total accretable yield is the difference between future estimated collections and the current carrying value of a portfolio. All estimated cash flows on portfolios where the cost basis has been fully recovered are classified as zero basis cash flows.

The following table summarizes the Company's accretable yield and an estimate of zero basis future cash flows at the beginning and end of the period presented *(in thousands)*:

| | Accretable Yield | Estimate of Zero Basis Cash Flows | Total |
|---|---|---|---|
| Balance at December 31, 2015 | $ 3,047,640 | $ 223,031 | $ 3,270,671 |
| Revenue recognized, net | (801,736) | (144,879) | (946,615) |
| Net additions on existing portfolios | 441,632 | 287,116 | 728,748 |
| Additions for current purchases, net | 861,698 | — | 861,698 |
| Effect of foreign currency translation | (457,230) | 236 | (456,994) |
| Balance at December 31, 2016 | 3,092,004 | 365,504 | 3,457,508 |
| Revenue recognized, net | (943,533) | (151,076) | (1,094,609) |
| Net additions on existing portfolios | 365,357 | 155,160 | 520,517 |
| Additions for current purchases, net | 1,019,856 | — | 1,019,856 |
| Effect of foreign currency translation | 161,385 | 44 | 161,429 |
| Balance at December 31, 2017 | $ 3,695,069 | $ 369,632 | $ 4,064,701 |

During the year ended December 31, 2017, the Company purchased receivable portfolios with a face value of $10.1 billion for $1.1 billion, or a purchase cost of 10.5% of face value. The estimated future collections at acquisition for all portfolios purchased during the year amounted to $2.2 billion.

During the year ended December 31, 2016, the Company purchased receivable portfolios with a face value of $9.8 billion for $0.9 billion, or a purchase cost of 9.2% of face value. The estimated future collections at acquisition for all portfolios purchased during the year amounted to $1.7 billion.

All collections realized after the net book value of a portfolio has been fully recovered ("Zero Basis Portfolios") are recorded as revenue ("Zero Basis Revenue"). During the years ended December 31, 2017, 2016, and 2015, Zero Basis Revenue was approximately $144.1 million, $138.1 million, and $96.4 million, respectively.

The following tables summarize the changes in the balance of the investment in receivable portfolios during the following periods (*in thousands, except percentages*):

| | Year Ended December 31, 2017 | | | |
|---|---|---|---|---|
| | Accrual Basis Portfolios | Cost Recovery Portfolios | Zero Basis Portfolios | Total |
| Balance, beginning of period | $ 2,368,366 | $ 14,443 | $ — | $ 2,382,809 |
| Purchases of receivable portfolios | 1,057,066 | 1,169 | — | 1,058,235 |
| Disposals or transfers to held for sale | (12,695) | (493) | — | (13,188) |
| Gross collections[1] | (1,613,351) | (3,511) | (150,782) | (1,767,644) |
| Put-backs and Recalls[2] | (2,577) | — | (294) | (2,871) |
| Foreign currency adjustments | 138,828 | (165) | — | 138,663 |
| Revenue recognized | 909,239 | — | 144,134 | 1,053,373 |
| Portfolio allowance reversals, net | 34,294 | — | 6,942 | 41,236 |
| Balance, end of period | $ 2,879,170 | $ 11,443 | $ — | $ 2,890,613 |
| Revenue as a percentage of collections[3] | 56.4% | 0.0% | 95.6% | 59.6% |

| | Year Ended December 31, 2016 | | | |
|---|---|---|---|---|
| | Accrual Basis Portfolios | Cost Recovery Portfolios | Zero Basis Portfolios | Total |
| Balance, beginning of period | $ 2,436,054 | $ 4,615 | $ — | $ 2,440,669 |
| Purchases of receivable portfolios | 906,719 | — | — | 906,719 |
| Transfer of portfolios | (13,076) | 13,076 | — | — |
| Gross collections[1] | (1,538,663) | (2,102) | (144,839) | (1,685,604) |
| Put-backs and Recalls[2] | (27,561) | (1,019) | (33) | (28,613) |
| Foreign currency adjustments | (196,842) | (127) | (8) | (196,977) |
| Revenue recognized | 892,732 | — | 138,060 | 1,030,792 |
| Portfolio (allowance) reversals, net | (90,997) | — | 6,820 | (84,177) |
| Balance, end of period | $ 2,368,366 | $ 14,443 | $ — | $ 2,382,809 |
| Revenue as a percentage of collections[3] | 58.0% | 0.0% | 95.3% | 61.2% |

(1) Does not include amounts collected on behalf of others.

(2) Put-backs represent accounts that are returned to the seller in accordance with the respective purchase agreement ("Put-Backs"). Recalls represent accounts that are recalled by the seller in accordance with the respective purchase agreement ("Recalls").

(3) Revenue as a percentage of collections excludes the effects of net portfolio allowances or net portfolio allowance reversals.

| | Year Ended December 31, 2015 | | | |
|---|---|---|---|---|
| | Accrual Basis Portfolios | Cost Recovery Portfolios | Zero Basis Portfolios | Total |
| Balance, beginning of period | $ 2,131,084 | $ 12,476 | $ — | $ 2,143,560 |
| Purchases of receivable portfolios | 1,023,722 | — | — | 1,023,722 |
| Gross collections[1] | (1,587,525) | (5,237) | (107,963) | (1,700,725) |
| Put-backs and Recalls[2] | (13,009) | (20) | (268) | (13,297) |
| Foreign currency adjustments | (82,443) | (2,604) | 20 | (85,027) |
| Revenue recognized | 969,227 | — | 96,446 | 1,065,673 |
| Portfolio (allowance) reversals, net | (5,002) | — | 11,765 | 6,763 |
| Balance, end of period | $ 2,436,054 | $ 4,615 | $ — | $ 2,440,669 |
| Revenue as a percentage of collections[3] | 61.1% | 0.0% | 89.3% | 62.7% |

(1) Does not include amounts collected on behalf of others.

(2) Put-backs represent accounts that are returned to the seller in accordance with the respective purchase agreement ("Put-Backs"). Recalls represent accounts that are recalled by the seller in accordance with the respective purchase agreement ("Recalls").

(3) Revenue as a percentage of collections excludes the effects of net portfolio allowances or net portfolio allowance reversals.

The following table summarizes the change in the valuation allowance for investment in receivable portfolios during the periods presented (*in thousands*):

| | Valuation Allowance |
|---|---|
| Balance at December 31, 2014 | $ 75,673 |
| Provision for portfolio allowances | 8,322 |
| Reversal of prior allowances | (15,085) |
| Allowance charged off to investment in receivable portfolios | (8,322) |
| Balance at December 31, 2015 | 60,588 |
| Provision for portfolio allowances | 94,011 |
| Reversal of prior allowances | (9,834) |
| Effect of foreign currency translation | (7,728) |
| Balance at December 31, 2016 | 137,037 |
| Provision for portfolio allowances | 12,047 |
| Reversal of prior allowances | (53,283) |
| Effect of foreign currency translation | 6,775 |
| Balance at December 31, 2017 | $ 102,576 |

**Note 6: Deferred Court Costs, Net**

The Company pursues legal collections using a network of attorneys that specialize in collection matters and through its internal legal channel. The Company generally pursues collections through legal means only when it believes a consumer has sufficient assets to repay their indebtedness but has, to date, been unwilling to pay. In order to pursue legal collections the Company is required to pay certain upfront costs to the applicable courts that are recoverable from the consumer ("Deferred Court Costs").

The Company capitalizes Deferred Court Costs in its consolidated financial statements and provides a reserve for those costs that it believes will ultimately be uncollectible. The Company determines the reserve based on an estimated court cost recovery rate established based on its analysis of historical court costs recovery data. The Company estimates deferral periods for Deferred Court Costs based on jurisdiction and nature of litigation and writes off any Deferred Court Costs not recovered within the respective deferral period. Collections received from debtors are first applied against related court costs with the balance applied to the debtors' account balance.

Deferred Court Costs for the deferral period consist of the following as of the dates presented (*in thousands*):

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Court costs advanced | $ 743,584 | $ 654,356 |
| Court costs recovered | (299,606) | (261,243) |
| Court costs reserve | (364,015) | (327,926) |
| Deferred court costs | $ 79,963 | $ 65,187 |

A roll forward of the Company's court cost reserve is as follows (*in thousands*):

| | December 31, 2017 | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Balance at beginning of period | $ (327,926) | $ (318,784) | $ (279,572) |
| Provision for court costs | (82,702) | (67,850) | (82,593) |
| Net down of reserve after deferral period | 50,743 | 53,527 | 42,745 |
| Effect of foreign currency translation | (4,130) | 5,181 | 636 |
| Balance at end of period | $ (364,015) | $ (327,926) | $ (318,784) |

**Note 7: Property and Equipment, Net**

Property and equipment consist of the following, as of the dates presented (*in thousands*):

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Furniture, fixtures and equipment | $ 17,712 | $ 19,230 |
| Computer equipment and software | 161,019 | 138,232 |
| Telecommunications equipment | 4,672 | 4,442 |
| Leasehold improvements | 21,479 | 17,493 |
| Other | 970 | 1,923 |
| | 205,852 | 181,320 |
| Less: accumulated depreciation and amortization | (129,576) | (109,063) |
| | $ 76,276 | $ 72,257 |

Depreciation and amortization expense for continuing operations was $31.1 million, $27.7 million, and $28.5 million for the years ended December 31, 2017, 2016, and 2015, respectively.

**Note 8: Other Assets**

Other assets consist of the following (*in thousands*):

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Identifiable intangible assets, net | $ 75,736 | $ 28,243 |
| Funds held in trust | 28,199 | — |
| Prepaid income taxes | 27,917 | 649 |
| Prepaid expenses | 27,606 | 18,036 |
| Service fee receivables | 25,609 | 15,156 |
| Other financial receivables | 18,997 | 18,732 |
| Deferred tax assets | 18,773 | 51,077 |
| Assets held for sale | 18,741 | 21,147 |
| Derivative instruments | 5,834 | 1,122 |
| Security deposits | 3,451 | 2,781 |
| Other | 51,865 | 58,504 |
| Total | $ 302,728 | $ 215,447 |

**Note 9: Debt**

The Company is in compliance with all covenants under its financing arrangements as of December 31, 2017. The components of the Company's consolidated debt and capital lease obligations were as follows *(in thousands)*:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Encore revolving credit facility | $ 328,961 | $ 578,000 |
| Encore term loan facility | 181,687 | 164,615 |
| Encore senior secured notes | 326,029 | 11,320 |
| Encore convertible notes | 483,500 | 448,500 |
| Less: debt discount | (32,720) | (31,968) |
| Cabot senior secured notes | 1,216,485 | 1,280,241 |
| Add: debt premium | — | 17,686 |
| Less: debt discount | (1,927) | (2,200) |
| Cabot senior revolving credit facility | 179,008 | 33,218 |
| Cabot securitisation senior facility | 391,790 | — |
| Preferred equity certificates | 253,324 | 205,975 |
| Other credit facilities | 68,001 | 74,565 |
| Other | 92,792 | 62,594 |
| Capital lease obligations | 6,069 | 5,091 |
| | 3,492,999 | 2,847,637 |
| Less: debt issuance costs, net of amortization | (46,123) | (41,654) |
| Total | $ 3,446,876 | $ 2,805,983 |

***Encore Revolving Credit Facility and Term Loan Facility***

The Company has a revolving credit facility and term loan facility pursuant to a Third Amended and Restated Credit Agreement dated December 20, 2016 (as amended, the "Restated Credit Agreement"). As of December 31, 2017, the Restated Credit Agreement includes a revolving credit facility of $794.6 million (the "Revolving Credit Facility"), a term loan facility of $187.1 million (the "Term Loan Facility", and together with the Revolving Credit Facility, the "Senior Secured Credit Facilities"), and an accordion feature that allows the Company to increase the Senior Secured Credit Facilities by an additional $250.0 million (approximately $125.3 million of which has been exercised). On January 22, 2018, the Company exercised an additional $10.0 million of the accordion feature, which is an additional term loan maturing in December 2021.

Provisions of the Restated Credit Agreement as of December 31, 2017 include, but are not limited to:

- Revolving Credit Facility commitments of (1) $626.0 million that expire in December 2021 and (2) $168.6 million that expire in February 2019, in each case with interest at a floating rate equal to, at the Company's option, either: (a) reserve adjusted London Interbank Offered Rate ("LIBOR"), plus a spread that ranges from 250 to 300 basis points depending on the cash flow leverage ratio of Encore and its restricted subsidiaries; or (b) alternate base rate, plus a spread that ranges from 150 to 200 basis points, depending on the cash flow leverage ratio of Encore and its restricted subsidiaries. "Alternate base rate," as defined in the Restated Credit Agreement, means the highest of (i) the per annum rate which the administrative agent publicly announces from time to time as its prime lending rate, (ii) the federal funds effective rate from time to time, plus 0.5% per annum, (iii) reserved adjusted LIBOR determined on a daily basis for a one month interest period, plus 1.0% per annum and (iv) zero;

- A $170.1 million term loan maturing in December 2021, with interest at a floating rate equal to, at the Company's option, either: (1) reserve adjusted LIBOR, plus a spread that ranges from 250 to 300 basis points, depending on the cash flow leverage ratio of Encore and its restricted subsidiaries; or (2) alternate base rate, plus a spread that ranges from 150 to 200 basis points, depending on the cash flow leverage ratio of Encore and its restricted subsidiaries. As of September 26, 2017, the date of the last update to the Restated Credit Agreement occurring in 2017, principal amortizes $4.3 million in 2017, $8.6 million in 2018 and $12.9 million in each of 2019 and 2020 with the remaining principal due in 2021;

- A $17.0 million term loan maturing in February 2019, with interest at a floating rate equal to, at the Company's option, either: (1) reserve adjusted LIBOR, plus a spread that ranges from 250 to 300 basis points, depending on the cash flow leverage ratio of Encore and its restricted subsidiaries; or (2) alternate base rate, plus a spread that ranges from 150 to 200 basis points, depending on the cash flow leverage ratio of Encore and its restricted subsidiaries. As of September 26, 2017, the date of the last update to the Restated Credit Agreement occurring in 2017, principal amortizes $1.1 million in 2017 and $2.2 million in 2018 with the remaining principal due in 2019;

- A borrowing base under the Revolving Credit Facility equal to 35% of all eligible non-bankruptcy estimated remaining collections plus 55% of eligible estimated remaining collections for consumer receivables subject to bankruptcy;

- A maximum cash flow leverage ratio permitted of 3.00:1.00;

- A maximum cash flow first-lien leverage ratio of 2.00:1.00;

- A minimum interest coverage ratio of 1.75:1.00;

- The allowance of indebtedness in the form of senior secured notes not to exceed $350.0 million;

- The allowance of additional unsecured or subordinated indebtedness not to exceed $1.1 billion, including junior lien indebtedness not to exceed $400.0 million;

- Restrictions and covenants, which limit the payment of dividends and the incurrence of additional indebtedness and liens, among other limitations;

- Repurchases of up to $150.0 million of Encore's common stock after July 9, 2015, subject to compliance with certain covenants and available borrowing capacity;

- A change of control definition, that excludes acquisitions of stock by Red Mountain Capital Partners LLC, JCF FPK I, LP and their respective affiliates of up to 50% of the outstanding shares of Encore's voting stock;

- Events of default which, upon occurrence, may permit the lenders to terminate the facility and declare all amounts outstanding to be immediately due and payable;

- A pre-approved acquisition limit of $225.0 million per fiscal year;
- A basket to allow for investments not to exceed the greater of (1) 200% of the consolidated net worth of Encore and its restricted subsidiaries; and (2) an unlimited amount such that after giving effect to the making of any investment, the cash flow leverage ratio is less than 1.25:1:00;
- A basket to allow for investments in persons organized under the laws of Canada in the amount of $50.0 million;
- A requirement that Encore and its restricted subsidiaries, for the four-month period ending February 2019, have sufficient cash or availability under the Revolving Credit Facility (excluding availability under revolving commitments expiring in February 2019) to satisfy any amounts due under the revolving commitments that expire in February 2019 and the sub-tranche of the Term Loan Facility that expires in February 2019;
- Collateralization by all assets of the Company, other than the assets of certain foreign subsidiaries and all unrestricted subsidiaries as defined in the Restated Credit Agreement.

At December 31, 2017, the outstanding balance under the Revolving Credit Facility was $329.0 million, which bore a weighted average interest rate of 4.03% and 3.56% for the years ended December 31, 2017 and 2016, respectively. Available capacity under the Revolving Credit Facility, subject to borrowing base and applicable debt covenants, was $212.7 million as of December 31, 2017, not including the $124.7 million additional capacity provided by the facility's remaining accordion feature. At December 31, 2017, the outstanding balance under the Term Loan Facility was $181.7 million.

***Encore Senior Secured Notes***

In 2010 and 2011 Encore entered into an aggregate of $75.0 million in senior secured notes with certain affiliates of Prudential Capital Group. $25.0 million of these senior secured notes bear an annual interest rate of 7.375% (the "7.375% Senior Secured Notes") and mature in 2018. The remaining $50.0 million of the senior secured notes matured in 2017. As of December 31, 2017, $1.0 million of the 7.375% Senior Secured Notes remained outstanding.

In August 2017, Encore entered into an additional $325.0 million in senior secured notes with a group of insurance companies (the "5.625% Senior Secured Notes," and together with the 7.375% Senior Secured Notes, the "Senior Secured Notes"). The 5.625% Senior Secured Notes bear an annual interest rate of 5.625%, mature in 2024 and beginning in November 2019 will require quarterly principal payments of $16.3 million. As of December 31, 2017, $325.0 million of the 5.625% Senior Secured Notes remained outstanding. As of December 31, 2017, in aggregate, $326.0 million of Senior Secured Notes remained outstanding.

The Senior Secured Notes are guaranteed in full by certain of Encore's subsidiaries. The Senior Secured Notes are *pari passu* with, and are collateralized by the same collateral as the Senior Secured Credit Facilities. The Senior Secured Notes may be accelerated and become automatically and immediately due and payable upon certain events of default, including certain events related to insolvency, bankruptcy, or liquidation. Additionally, any series of the Senior Secured Notes may be accelerated at the election of the holder or holders of a majority in principal amount of such series of Senior Secured Notes upon certain events of default by Encore, including the breach of affirmative covenants regarding guarantors, collateral, minimum revolving credit facility commitment or the breach of any negative covenant. Encore may prepay the Senior Secured Notes at any time for any reason. If Encore prepays the Senior Secured Notes, payment will be at the higher of par or the present value of the remaining scheduled payments of principal and interest on the portion being prepaid. The discount rate used to determine the present value is 50 basis points over the then current Treasury Rate corresponding to the remaining average life of the Senior Secured Notes. The covenants and material terms in the purchase agreement for the Senior Secured Notes are substantially similar to those in the Restated Credit Agreement. The holders of the Senior Secured Notes and the administrative agent for the lenders of the Restated Credit Agreement have an intercreditor agreement related to their pro rata rights to the collateral, actionable default, powers and duties and remedies, among other topics.

***Encore Convertible Notes***

In November and December 2012, Encore sold $115.0 million aggregate principal amount of 3.0% 2017 Convertible Notes that matured in November 2017 in private placement transactions (the "2017 Convertible Notes"). In June and July 2013, Encore sold $172.5 million aggregate principal amount of 3.0% 2020 Convertible Notes that mature on July 1, 2020 in private placement transactions (the "2020 Convertible Notes"). In March 2014, Encore sold $161.0 million aggregate principal amount of 2.875% 2021 Convertible Notes that mature on March 15, 2021 in private placement transactions (the "2021 Convertible Notes"). In March 2017, Encore sold $150.0 million aggregate principal amount of 3.25% 2022 Convertible Senior Notes that mature on March 15, 2022 in private placement transactions (the "2022 Convertible Notes" and together with the 2020 Convertible Notes and the 2021 Convertible Notes, the "Convertible Notes"). The interest on the Convertible Notes is payable semi-annually.

The net proceeds from the sale of the $150.0 million aggregate principal amount of the 2022 Convertible Notes were approximately $145.3 million, after deducting the initial purchasers' discounts and the estimated offering expenses payable by the Company.

Prior to the close of business on the business day immediately preceding their respective conversion date (listed below), holders may convert their Convertible Notes under certain circumstances set forth in the applicable Convertible Notes indentures. On or after their respective conversion dates until the close of business on the scheduled trading day immediately preceding their respective maturity date, holders may convert their Convertible Notes at any time. Certain key terms related to the convertible features for each of the Convertible Notes as of year ended December 31, 2017 are listed below.

| | 2020 Convertible Notes | 2021 Convertible Notes | 2022 Convertible Notes |
|---|---|---|---|
| Initial conversion price | $ 45.72 | $ 59.39 | $ 45.57 |
| Closing stock price at date of issuance | $ 33.35 | $ 47.51 | $ 35.05 |
| Closing stock price date | June 24, 2013 | March 5, 2014 | February 27, 2017 |
| Conversion rate (shares per $1,000 principal amount) | 21.8718 | 16.8386 | 21.9467 |
| Conversion date | January 1, 2020 | September 15, 2020 | September 15, 2021 |

The Company's 2017 Convertible Notes matured on November 27, 2017 and were settled by a cash payment of $65.0 million for the aggregate principal amount of the notes and the issuance of 621,599 shares of the Company's common stock for the excess conversion premium. At the same time, the Company received 621,612 shares from the counterparties to the convertible note hedge transactions associated with the 2017 Convertible Notes, and these shares have been cancelled. The net effect of the settlement of these transactions was no material change in the number of shares outstanding See "Convertible Notes Hedge Transactions."

In the event of conversion, holders of the Company's 2020 Convertible Notes, 2021 Convertible Notes and 2022 Convertible Notes will receive cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election. The Company's current intent is to settle conversions through combination settlement (*i.e.*, convertible into cash up to the aggregate principal amount, and shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election, for the remainder). As a result, and in accordance with authoritative guidance related to derivatives and hedging and earnings per share, only the conversion spread is included in the diluted earnings per share calculation, if dilutive. Under such method, the settlement of the conversion spread has a dilutive effect when, during any quarter, the average share price of the Company's common stock exceeds the initial conversion prices listed in the above table.

Authoritative guidance related to debt with conversion and other options requires that issuers of convertible debt instruments that, upon conversion, may be settled fully or partially in cash, must separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. Additionally, debt issuance costs are required to be allocated in proportion to the allocation of the liability and equity components and accounted for as debt issuance costs and equity issuance costs, respectively.

The debt and equity components, the issuance costs related to the equity component, the stated interest rate, and the effective interest rate for each of the Convertible Notes are listed below *(in thousands, except percentages)*:

| | 2020 Convertible Notes | 2021 Convertible Notes | 2022 Convertible Notes |
|---|---|---|---|
| Debt component | $ 140,247 | $ 143,645 | $ 137,266 |
| Equity component | $ 32,253 | $ 17,355 | $ 12,734 |
| Equity issuance cost | $ 1,106 | $ 581 | $ 398 |
| Stated interest rate | 3.000% | 2.875% | 3.250% |
| Effective interest rate | 6.350% | 4.700% | 5.200% |

The balances of the liability and equity components of all the Convertible Notes outstanding were as follows *(in thousands)*:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Liability component—principal amount | $ 483,500 | $ 448,500 |
| Unamortized debt discount | (32,720) | (31,968) |
| Liability component—net carrying amount | $ 450,780 | $ 416,532 |
| Equity component | $ 62,696 | $ 61,314 |

The debt discount is being amortized into interest expense over the remaining life of the convertible notes using the effective interest rates. Interest expense related to the convertible notes was as follows *(in thousands)*:

| | Year ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Interest expense—stated coupon rate | $ 15,721 | $ 13,263 |
| Interest expense—amortization of debt discount | 9,871 | 9,900 |
| Total interest expense—convertible notes | $ 25,592 | $ 23,163 |

*Convertible Notes Hedge Transactions*

In order to reduce the risk related to the potential dilution and/or the potential cash payments the Company may be required to make in the event that the market price of the Company's common stock becomes greater than the conversion prices of the Convertible Notes, the Company maintains a hedge program that increases the effective conversion price for the 2020 Convertible Notes and 2021 Convertible Notes. The Company did not hedge the 2022 Convertible Notes. All of the hedge instruments related to the Convertible Notes have been determined to be indexed to the Company's own stock and meet the criteria for equity classification. In accordance with authoritative guidance, the Company recorded the cost of the hedge instruments as a reduction in additional paid-in capital, and will not recognize subsequent changes in fair value of these financial instruments in its consolidated financial statements.

The details of the hedge program for each of the Convertible Notes are listed below *(in thousands, except conversion price)*:

| | 2020 Convertible Notes | 2021 Convertible Notes |
|---|---|---|
| Cost of the hedge transaction(s) | $ 18,113 | $ 19,545 |
| Initial conversion price | $ 45.72 | $ 59.39 |
| Effective conversion price | $ 61.55 | $ 83.14 |

In connection with the partial repurchase of the 2017 Convertible Notes, explained in further detail below, the Company terminated a portion of its convertible note hedge transactions in a notional amount corresponding to the amount of the 2017 Convertible Notes repurchased. The Company received approximately $5.6 million of proceeds in connection with the unwinding of the hedge transactions and recorded these proceeds as increase in additional paid-in capital. In connection with the final settlement of the convertible note hedge transactions related to the 2017 Convertible Notes on November 27, 2017, the Company received 621,612 shares from the counterparties to the hedge transactions. These shares have been cancelled.

*Conversion and Earnings Per Share Impact*

During the quarter ending December 31, 2013, the closing price of the Company's common stock exceeded 130% of the conversion price of the 2017 Convertible Notes for more than 20 trading days during a 30 consecutive trading day period, thereby satisfying one of the early conversion events. As a result, the 2017 Convertible Notes became convertible on demand effective January 2, 2014, and the holders were notified that they could elect to submit their 2017 Convertible Notes for conversion. No gain or loss was recognized when the debt became convertible. Upon becoming convertible, a portion of the equity component that was recorded at the time of the issuance of the 2017 Convertible Notes was considered redeemable and that portion of the equity was reclassified to temporary equity in the Company's consolidated statements of financial condition. Such amount was determined based on the cash consideration to be paid upon conversion and the carrying amount of the debt. Upon the conversion event, this temporary equity balance was recalculated based on the difference between the 2017

Convertible Notes principal and the debt carrying value. When the 2017 Convertible Notes were settled, an amount equal to the fair value of the liability component, immediately prior to the settlement, was deducted from the fair value of the total settlement consideration transferred and allocated to the liability component. The difference between the amount allocated to the liability and the net carrying amount of the 2017 Convertible Notes (including any unamortized debt issue costs and discount) was recognized in earnings as a loss on debt extinguishment. The remaining consideration was allocated to the reacquisition of the equity component and was recognized as a reduction in stockholders' equity.

In connection with the issuance of the 2022 Convertible Notes, as mentioned above, the Company used approximately $60.4 million of the net proceeds from the offering to repurchase, in separate transactions, $50.0 million aggregate principal amount of its 2017 Convertible Notes. In accordance with authoritative guidance, the total consideration allocated to the extinguishment of the liability component was approximately $49.7 million and the total consideration allocated to the re-acquisition of the equity component was approximately $10.7 million. Because the net carrying value of the repurchased portion of the 2017 Convertible Notes was $48.9 million, the Company recognized a loss of approximately $0.8 million on the repurchase transaction. The balance of the temporary equity component was extinguished at the time of maturity and conversion of the 2017 Convertible Notes.

In accordance with authoritative guidance related to derivatives and hedging and earnings per share calculation, only the conversion spread of the Convertible Notes is included in the diluted earnings per share calculation, if dilutive. Under such method, the settlement of the conversion spread has a dilutive effect when the average share price of the Company's common stock during any quarter exceeds the respective conversion price of each of the Convertible Notes.

***Cabot Senior Secured Notes***

On September 20, 2012, Cabot Financial (Luxembourg) S.A. ("Cabot Financial"), an indirect subsidiary of Encore, issued £265.0 million (approximately $438.4 million) in aggregate principal amount of 10.375% Senior Secured Notes due 2019 (the "Cabot 2019 Notes"). Interest on the Cabot 2019 Notes is payable semi-annually, in arrears, on April 1 and October 1 of each year. On October 6, 2016, the Cabot 2019 Notes were redeemed in full using the proceeds from the issuance of Senior Secured Notes due 2023 (the "Cabot 2023 Notes") as discussed below. A call premium of £13.7 million (approximately $17.4 million) was paid in connection with the redemption of the Cabot 2019 Notes. Since the Cabot 2019 Notes carried a premium of approximately £15.2 million (approximately $19.2 million) at the time of redemption, Cabot recognized a gain of approximately £1.4 million (approximately $1.8 million) on this transaction. The gain is included in other income in the Company's consolidated statements of operations for the year ended December 31, 2016.

On August 2, 2013, Cabot Financial issued £100.0 million (approximately $151.7 million) in aggregate principal amount of 8.375% Senior Secured Notes due 2020 (the "Cabot 2020 Notes"). Interest on the Cabot 2020 Notes is payable semi-annually, in arrears, on February 1 and August 1 of each year.

On March 27, 2014, Cabot Financial issued £175.0 million (approximately $291.8 million) in aggregate principal amount of 6.500% Senior Secured Notes due 2021 (the "Cabot 2021 Notes"). Interest on the Cabot 2021 Notes is payable semi-annually, in arrears, on April 1 and October 1 of each year.

On October 6, 2016, Cabot Financial issued £350.0 million (approximately $442.6 million) in aggregate principal amount of 7.500% Senior Secured Notes due 2023 (the "Cabot 2023 Notes" and together with the Cabot 2019 Notes, the Cabot 2020 Notes and the Cabot 2021 Notes, the "Cabot Notes"). Interest on the Cabot 2023 Notes is payable semi-annually, in arrears, on April 1 and October 1 of each year. The Cabot 2023 Notes were issued at a price equal to 100% of their face value. The proceeds from the offering were used to (1) redeem in full the Cabot 2019 Notes plus a call premium of £13.7 million (approximately $17.4 million), (2) partially repay amounts outstanding under Cabot's revolving credit facility, (3) pay accrued interest on the Cabot 2019 Notes, and (4) pay fees and expenses in relation to the offering of the Cabot 2023 Notes.

The Cabot Notes are fully and unconditionally guaranteed on a senior secured basis by the following indirect subsidiaries of the Company: Cabot Credit Management Limited ("CCM"), Cabot Financial Limited, and all material subsidiaries of Cabot Financial Limited (other than Cabot Financial and Marlin Intermediate Holdings plc). The Cabot Notes are secured by a first ranking security interest in all the outstanding shares of Cabot Financial and the guarantors (other than CCM and Marlin Midway Limited) and substantially all the assets of Cabot Financial and the guarantors (other than CCM). Subject to the Intercreditor Agreement described below under "Cabot Senior Revolving Credit Facility", the guarantees provided in respect of the Cabot Notes are *pari passu* with each such guarantee given in respect of the Cabot Floating Rate Notes, Marlin Bonds and the Cabot Credit Facility described below.

On November 11, 2015, Cabot Financial (Luxembourg) II S.A. ("Cabot Financial II"), an indirect subsidiary of Encore, issued €310.0 million (approximately $332.2 million) in aggregate principal amount of Senior Secured Floating Rate Notes due 2021 (the "Cabot Floating Rate Notes"). The Cabot Floating Rate Notes were issued at a 1%, or €3.1 million (approximately

$3.4 million), original issue discount, which is being amortized over the life of the notes and included as interest expense in the Company's consolidated statements of operations. The Cabot Floating Rate Notes bear interest at a rate equal to three-month EURIBOR plus 5.875% per annum, reset quarterly. Interest on the Cabot Floating Rate Notes is payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on February 15, 2016. The Cabot Floating Rate Notes will mature on November 15, 2021.

The Cabot Floating Rate Notes are fully and unconditionally guaranteed on a senior secured basis by the following indirect subsidiaries of the Company: CCM, Cabot Financial Limited and all material subsidiaries of Cabot Financial Limited (other than Cabot Financial II and Marlin Intermediate Holdings plc). The Cabot Floating Rate Notes are secured by a first-ranking security interest in all the outstanding shares of Cabot Financial II and the guarantors (other than CCM and Marlin Midway Limited) and substantially all the assets of Cabot Financial II and the guarantors (other than CCM).

On July 25, 2013, Marlin Intermediate Holdings plc ("Marlin"), a subsidiary of Cabot, issued £150.0 million (approximately $246.5 million) in aggregate principal amount of 10.5% Senior Secured Notes due 2020 (the "Marlin Bonds"). Cabot assumed the Marlin Bonds as a result of the acquisition of Marlin. The carrying value of the Marlin Bonds was adjusted to approximately $284.2 million to reflect the fair value of the Marlin Bonds at the time of acquisition. In September 2017, the Marlin Bonds were redeemed in full using a portion of the proceeds from a senior facility of Cabot Securitisation UK Limited ("Cabot Securitisation") as discussed below. A call premium of £7.9 million (approximately $10.5 million) was paid in connection with the redemption of the Marlin Bonds. Since the Marlin Bonds carried a premium of approximately £12.1 million (approximately $16.2 million) at the time of redemption, Cabot recognized a gain of approximately £4.3 million (approximately $5.7 million) on this transaction. The gain is included in other income in the Company's consolidated statements of operations for the year ended December 31, 2017.

Interest expense related to the Cabot Notes, Cabot Floating Rate Notes, and Marlin Bonds was as follows *(in thousands)*:

| | Year ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Interest expense—stated coupon rate | $ 93,691 | $ 105,606 |
| Interest income—accretion of debt premium | (2,865) | (8,951) |
| Interest expense—amortization of debt discount | 467 | 620 |
| Total interest expense—Cabot senior secured notes | $ 91,293 | $ 97,275 |

At December 31, 2017, the outstanding balance on the Cabot Notes, Cabot Floating Rate Notes, and Marlin Bonds was $1.2 billion.

***Cabot Senior Revolving Credit Facility***

On September 20, 2012, Cabot Financial (UK) Limited ("Cabot Financial UK") entered into an agreement for a senior committed revolving credit facility of £50.0 million (the "Cabot Credit Agreement"). Since such date there have been a number of amendments made, including, but not limited to, increases in the lenders' total commitments thereunder to £250.0 million. On December 12, 2017, Cabot Financial UK amended and restated its existing senior secured revolving credit facility agreement to, among other things, increase the total committed amount of the facility to £295.0 million (approximately $395.2 million) and extend the termination date for a £245.0 million tranche of commitments to September 2021 (as amended and restated, the "Cabot Credit Facility").

The Cabot Credit Facility consists of a £245.0 million tranche that expires in September 2021 and a £50.0 million tranche that expires in March 2022, and includes the following key provisions:

- Interest at LIBOR (or EURIBOR for any loan drawn in euro) plus 3.25% per annum, which may decrease to 2.75% upon certain specified conditions;
- A restrictive covenant that limits the loan to value ratio to 0.75 in the event that the Cabot Credit Facility is more than 20% utilized;
- A restrictive covenant that limits the super senior loan (i.e. the Cabot Credit Facility and any super priority hedging liabilities) to value ratio to 0.25 in the event that the Cabot Credit Facility is more than 20% utilized;
- Additional restrictions and covenants which limit, among other things, the payment of dividends and the incurrence of additional indebtedness and liens; and

- Events of default which, upon occurrence, may permit the lenders to terminate the Cabot Credit Facility and declare all amounts outstanding to be immediately due and payable.

The Cabot Credit Facility is unconditionally guaranteed by the following indirect subsidiaries of the Company: CCM, Cabot Financial Limited, and all material subsidiaries of Cabot Financial Limited. The Cabot Credit Facility is secured by first ranking security interests in all the outstanding shares of Cabot Financial UK and the guarantors (other than CCM) and substantially all the assets of Cabot Financial UK and the guarantors (other than CCM). Pursuant to the terms of intercreditor agreements entered into with respect to the relative positions of the Cabot Notes, the Cabot Floating Rate Notes, the Marlin Bonds and the Cabot Credit Facility, any liabilities in respect of obligations under the Cabot Credit Facility that are secured by assets that also secure the Cabot Notes, the Cabot Floating Rate Notes and the Marlin Bonds will receive priority with respect to any proceeds received upon any enforcement action over any such assets.

At December 31, 2017, the outstanding borrowings under the Cabot Credit Facility were approximately $179.0 million. The weighted average interest rate was 3.60% and 3.95% for the years ended December 31, 2017 and 2016, respectively.

***Cabot Securitisation Senior Facility***

On August 23, 2017, Cabot Securitisation entered into a senior facility agreement (the “Senior Facility Agreement”) for an initial committed amount of £260.0 million (approximately $332.9 million) (the “Cabot Securitisation Senior Facility”). In December 2017, an accordion feature was exercised and the size of the Cabot Securitisation Senior Facility was increased by £40.0 million to a final size of £300.0 million, of which £290.0 million was drawn as of year-end. The Senior Facility Agreement has an initial availability period ending in September 2020 and an initial repayment date in September 2022. The obligations of Cabot Securitisation under the Senior Facility Agreement are secured by first ranking security interests over all of Cabot Securitisation’s property, assets and rights (including receivables purchased from Cabot Financial UK from time to time), the book value of which was approximately £308.5 million (approximately $416.8 million) as of December 31, 2017. Funds drawn under the Senior Facility Agreement will bear interest at a rate per annum equal to LIBOR plus a margin of 2.85%. A portion of the proceeds from the Senior Facility Agreement were used to redeem the Marlin Bonds in full.

At December 31, 2017, the outstanding borrowings under the Cabot Securitisation Senior Facility were approximately $391.8 million. The weighted average interest rate was 3.10% for the year ended December 31, 2017.

***Preferred Equity Certificates***

On July 1, 2013, the Company, through its wholly owned subsidiary Encore Europe Holdings, S.a r.l. (“Encore Europe”), completed the acquisition of Cabot (the “Cabot Acquisition”) by acquiring 50.1% of the equity interest in Janus Holdings S.a r.l. (“Janus Holdings”). Encore Europe purchased from J.C. Flowers & Co. LLC (“J.C. Flowers”): (i) E Bridge preferred equity certificates issued by Janus Holdings, with a face value of £10,218,574 (approximately $15.5 million) (and any accrued interest thereof) (the “E Bridge PECs”), (ii) E preferred equity certificates issued by Janus Holdings with a face value of £96,729,661 (approximately $147.1 million) (and any accrued interest thereof) (the “E PECs”), (iii) 3,498,563 E shares of Janus Holdings (the “E Shares”), and (iv) 100 A shares of Cabot Holdings S.a r.l. (“Cabot Holdings”), the direct subsidiary of Janus Holdings, for an aggregate purchase price of approximately £115.1 million (approximately $175.0 million). The E Bridge PECs, E PECs, and E Shares represent 50.1% of all of the issued and outstanding equity and debt securities of Janus Holdings. The remaining 49.9% of Janus Holdings’ equity and debt securities are owned by J.C. Flowers and include: (a) J Bridge PECs with a face value of £10,177,781 (approximately $15.5 million), (b) J preferred equity certificates with a face value of £96,343,515 (approximately $146.5 million) (the “J PECs”), (c) 3,484,597 J shares of Janus Holdings (the “J Shares”), and (d) 100 A shares of Cabot Holdings. All of the PECs accrue interest at 12% per annum. Since PECs are legal form debt, the J Bridge PECs, J PECs and any accrued interests thereof are classified as liabilities and are included in debt in the Company’s accompanying consolidated statements of financial condition. In addition, certain other minority owners hold PECs at the Cabot Holdings level (the “Management PECs”). These PECs are also included in debt in the Company’s accompanying consolidated statements of financial condition. The E Bridge PECs and E PECs held by the Company, and their related interest eliminate in consolidation and therefore are not included in debt in the Company’s consolidated statements of financial condition. The J Bridge PECs, J PECs, and the Management PECs do not require the payment of cash interest expense as they have characteristics similar to equity with a preferred return. The ultimate payment of the accumulated interest would be satisfied only in connection with the disposition of the noncontrolling interest of J.C. Flowers and management.

On June 20, 2014, Encore Europe converted all of its E Bridge PECs into E Shares and E PECs, and J.C. Flowers converted all of its J Bridge PECs into J Shares and J PECs, in proportion to the number of E Shares and E PECs, or J Shares and J PECs, as applicable, outstanding on the closing date of the Cabot Acquisition.

As of December 31, 2017, the outstanding balance of the PECs, including accrued interest, was approximately $253.3 million.

***Capital Lease Obligations***

The Company has capital lease obligations primarily for computer equipment. As of December 31, 2017, the Company's combined obligations for capital leases were approximately $6.1 million. These capital lease obligations require monthly, quarterly or annual payments through 2022 and have implicit interest rates that range from zero to approximately 5.9%.

***Maturity Schedule***

The aggregate amounts of the Company's debt, including PECs, accrued interests on PECs, and capital lease obligations, maturing in each of the next five years and thereafter are as follows *(in thousands)*:

| | | |
|---|---|---|
| 2018 | $ | 35,249 |
| 2019 | | 203,964 |
| 2020 | | 417,434 |
| 2021 | | 1,257,489 |
| 2022 | | 757,042 |
| Thereafter | | 856,468 |
| Total | $ | 3,527,646 |

**Note 10: Variable Interest Entities**

A VIE is defined as a legal entity whose equity owners do not have sufficient equity at risk, or, as a group, the holders of the equity investment at risk lack any of the following three characteristics: decision-making rights, the obligation to absorb losses, or the right to receive the expected residual returns of the entity. The primary beneficiary is identified as the variable interest holder that has both the power to direct the activities of the VIE that most significantly affect the entity's economic performance and the obligation to absorb expected losses or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Company's VIEs include its subsidiary Janus Holdings and other immaterial special purpose entities that were created to purchase receivable portfolios in certain geographies.

Prior to March 31, 2016, the Company's VIEs included its special purpose entity used for the Propel securitization and its subsidiary Janus Holdings. On March 31, 2016, the Company completed the divestiture of 100% of its membership interests in Propel. Since Propel is the primary beneficiary of the VIE used for securitization, subsequent to the sale of Propel, the Company no longer consolidates this VIE.

Janus Holdings is the indirect parent company of Cabot. The Company has determined that Janus Holdings is a VIE and the Company is the primary beneficiary of the VIE. The key activities that affect Cabot's economic performance include, but are not limited to, operational budgets and purchasing decisions. Through its control of the board of directors of Janus Holdings, the Company controls the key operating activities at Cabot.

Assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against the Company's general assets. Conversely, liabilities recognized as a result of consolidating these VIEs do not represent additional claims on the Company's general assets; rather, they represent claims against the specific assets of the VIE.

The Company evaluates its relationships with its VIE on an ongoing basis to ensure that it continues to be the primary beneficiary.

**Note 11: Stock-Based Compensation**

In April 2017, Encore's Board of Directors (the "Board") approved the Encore Capital Group, Inc. 2017 Incentive Award Plan (the "2017 Plan"), which was then approved by the Company's stockholders on June 15, 2017. The 2017 Plan superseded the Company's 2013 Incentive Compensation Plan (as amended, the "2013 Plan"), which had previously superseded the Company's 2005 Stock Incentive Plan ("2005 Plan"). Board members, employees, and consultants of Encore and its subsidiaries and affiliates are eligible to receive awards under the 2017 Plan. Subject to certain adjustments, the Company may grant awards for an aggregate of 5,713,571 shares of the Company's common stock under the 2017 Plan. The aggregate number of shares available for issuance under the 2017 Plan will be reduced by 2.12 shares for each share delivered in settlement of any full value award and by one share for each share delivered in settlement of any stock option or stock appreciation right. If an

award under the 2017 Plan or the 2013 Plan expires, lapses or is terminated, exchanged for cash, surrendered, repurchased, canceled without having been fully exercised or forfeited, the unused shares covered by such award will again become or again be available for award grants under the 2017 Plan. Shares available under the 2017 Plan will be increased by 2.12 shares for each share subject to a full value award and by one share for each share subject to a stock option or a stock appreciation right, in each case, that become or again be available for issuance pursuant to the foregoing share counting provisions.

The 2017 Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock, restricted stock units, dividend equivalent rights, stock appreciation rights, cash awards, performance-based awards and any other types of awards not inconsistent with the 2017 Plan. The awards under the 2017 Plan consist of compensation subject to authoritative guidance for stock-based compensation.

In accordance with authoritative guidance for stock-based compensation, compensation expense is recognized only for those shares expected to vest, based on the Company's historical experience and future expectations. The Company has elected a policy of estimating expected forfeitures. Total stock-based compensation expense during the years ended December 31, 2017, 2016, and 2015 was $10.4 million, $12.6 million, and $22.0 million, respectively. The actual tax benefit from stock-based compensation arrangements totaled $3.6 million, $4.9 million, and $7.4 million for the years ended December 31, 2017, 2016, and 2015, respectively. Cash received from option exercise under all share-based payment arrangements for the years ended December 31, 2017, 2016 and 2015, was $0.5 million, $0.4 million and $1.0 million, respectively.

The Company's stock-based compensation arrangements are described below:

***Stock Options***

Under the 2005 Plan, option awards were generally granted with an exercise price equal to the market price of the Company's stock at the date of issuance. They generally vest over three to five years of continuous service, and have ten-year contractual terms. Other than the Performance Options discussed below, no options have been awarded under the 2013 Plan.

The Company uses the Black-Scholes option-pricing model to determine the fair-value of stock-based awards. All options are amortized ratably over the requisite service periods of the awards, which are generally the vesting periods. There were no options granted during the years ended December 31, 2017, 2016, or 2015. As of December 31, 2017, all outstanding stock options have been fully vested and all related compensation expenses have been fully recognized.

A summary of the Company's stock option activity as of December 31, 2017, and changes during the year then ended, is presented below:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term *(in years)* | Aggregate Intrinsic Value *(in thousands)* |
|---|---|---|---|---|
| Outstanding at December 31, 2016 | 103,546 | $ 15.24 | | |
| Exercised | (37,780) | 13.46 | | |
| Outstanding at December 31, 2017 | 65,766 | $ 16.27 | 2.5 | $ 1,699 |
| Exercisable at December 31, 2017 | 65,766 | $ 16.27 | 2.5 | $ 1,699 |

The total intrinsic value of options exercised during the years ended December 31, 2017, 2016 and 2015 was $0.8 million, $0.1 million and $1.2 million, respectively.

***Performance Stock Options***

Under the 2017 Plan and the 2013 Plan, the Company has granted performance stock options, with an exercise price equal to the closing price of the Company's stock at the date of issuance, that vest in equal annual installments over a three year service period but only if, within four years from the date of grant, the 20 trading day average of the closing price of the Company's stock (subject to dividend-related adjustments) exceeds a target equal to a 25% increase from the closing price on the date of grant. These performance options have a seven year contractual life.

The fair value for options granted was estimated at the date of grant using a lattice-based option valuation model with the assumptions noted in the following table. Expected volatility is based on the historical stock price volatility over the last seven years, which is commensurate with the performance options remaining contractual term. The risk-free rate for the periods within the contractual life of the option is based on the zero-coupon U.S. Treasury bill that is commensurate with the remaining performance measurement period of seven years at the time of grant. The expected term is assumed to occur at the midpoint of

the vesting of each tranche and the contractual term of the performance options granted and represents the period that options granted are expected to be outstanding. All options are amortized ratably over the requisite service periods of the awards, which are generally the vesting periods.

| | |
|---|---|
| Expected volatility | 39.61- 40.30% |
| Risk free interest rate | 1.98- 2.43% |
| Dividend yield | 0.00% |
| Expected term (in years) | 4.14- 5.01 |

A summary of the Company's performance stock option activity as of December 31, 2017, and changes during the year then ended, is presented below:

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term *(in years)* | Aggregate Intrinsic Value *(in thousands)* |
|---|---|---|---|---|
| Outstanding at December 31, 2016 | — | $ — | | |
| Awarded | 340,996 | 31.32 | | |
| Cancelled/forfeited | (74,474) | 30.95 | | |
| Outstanding at December 31, 2017 | 266,522 | $ 31.43 | 6.0 | $ 2,845 |
| Vested or Expected to Vest at December 31, 2017 | 244,865 | $ 31.47 | 6.0 | $ 2,603 |
| Exercisable at December 31, 2017 | — | $ — | — | $ — |

The weighted-average grant-date fair value of performance options granted during the year ended December 31, 2017 was $11.53. None of the performance options were exercised during the year ended December 31, 2017. As of December 31, 2017, there was $1.4 million of total unrecognized compensation cost related to non-vested performance stock options which is expected to be recognized over a period of approximately 1.5 years.

***Non-Vested Shares***

The Company's 2017 Plan (and previously, the 2013 Plan and 2005 Plan), permits restricted stock units, restricted stock awards, performance stock units, and performance stock awards (collectively "stock awards"). The fair value of non-vested shares with service condition and/or performance condition that affect vesting is equal to the closing sale price of the Company's common stock on the date of issuance. Compensation cost is recognized only for the awards that ultimately vest. The Company has certain share awards that include market conditions that affect vesting, the fair value of these shares is estimated using a lattice model. Compensation cost is not adjusted if the market condition is not met, as long as the requisite service is provided. For the majority of non-vested shares, shares are issued on the vesting dates net of the number of shares needed to satisfy minimal statutory tax withholding requirements. The tax obligations are then paid by the Company on behalf of the employees.

A summary of the status of the Company's stock awards as of December 31, 2017, and changes during the year then ended, is presented below:

| | Non-Vested Shares [1] | Weighted Average Grant Date Fair Value |
|---|---|---|
| Non-vested at December 31, 2016 | 1,006,471 | $ 31.69 |
| Awarded | 374,569 | $ 33.09 |
| Vested | (236,820) | $ 36.43 |
| Cancelled/forfeited | (338,463) | $ 31.61 |
| Non-vested at December 31, 2017 | 805,757 | $ 30.98 |

(1) Certain of the Company's stock awards have a vesting matrix under which the stock awards can vest at a maximum level that is 200% of the shares that would vest for achieving the performance goals at target. The number of shares presented is based on achieving the performance goals at target levels as defined in the stock award agreements. As of December 31, 2017 and 2016, the maximum number of non-vested performance shares that could vest under the provisions of the agreements was 1,038,272 and 1,340,375, respectively.

Unrecognized compensation cost related to non-vested shares as of December 31, 2017, was $10.0 million. The weighted-average remaining expense period, based on the unamortized value of these outstanding non-vested shares, was approximately 1.4 years. The fair value of restricted stock units and restricted stock awards vested for the years ended December 31, 2017, 2016, and 2015 was $7.8 million, $12.5 million, and $16.5 million, respectively.

**Note 12: Income Taxes**

Income tax expense for income from continuing operations was $52.0 million, $38.2 million, and $27.2 million, during the years ended December 31, 2017, 2016, and 2015, respectively.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act (the "Tax Reform Act") was signed into law by President Trump. The Tax Reform Act significantly revised the U.S. corporate income tax regime by, among other things, lowering the U.S. corporate tax rate from a top rate of 35% to a flat rate of 21% effective January 1, 2018, while also repealing the deduction for domestic production activities, implementing elements of a territorial tax system and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. Shortly after enactment, the SEC staff issued Staff Accounting Bulletin ("SAB") 118, which provides guidance on accounting for the Tax Reform Act's impact. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Reform Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Reform Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. As a result of the Tax Reform Act, the Company recorded an additional net tax expense of $1.2 million during the year ended December 31, 2017. This net tax expense represents a provisional amount and the Company's current best estimate. The provisional amount incorporates assumptions made based upon the Company's current interpretation of the Tax Reform Act and may change as the Company receives additional clarification and implementation guidance. The Company did not record any deemed repatriation tax on unremitted foreign earnings and profits ("E&P") due to the deficit in accumulated foreign E&P as of December 31, 2017.

Because of the complexity of the new Global Intangible Low-Taxed Income ("GILTI") tax rules, the Company continues to evaluate this and other provisions of the Tax Reform Act and the application of ASC 740, "*Income Taxes*." Under U.S. GAAP, the Company is allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the "period cost method") or (2) factoring such amounts into the Company's measurement of its deferred taxes (the "deferred method"). The Company has not yet adopted an accounting policy with respect to GILTI at December 31, 2017.

The effective tax rates for the respective periods are shown below:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Federal provision | 35.0 % | 35.0 % | 35.0 % |
| State provision | 0.5 % | 2.3 % | 0.2 % |
| Foreign rate differential[1] | (20.0)% | (3.6)% | (7.8)% |
| Transaction costs[2] | 5.0 % | 0.0 % | 0.0 % |
| Tax reserves | 0.0 % | (3.2)% | (2.0)% |
| Permanent items[3] | 10.2 % | 14.7 % | 6.0 % |
| Change in valuation allowance[4] | 8.2 % | 20.7 % | (5.6)% |
| Other[5] | 0.8 % | 0.7 % | 1.9 % |
| Effective rate | 39.7 % | 66.6 % | 27.7 % |

(1) Relates primarily to the lower tax rates on the income or loss attributable to international operations.

(2) Relates primarily to the effect of certain costs related to the withdrawn Cabot IPO that are disallowed for U.K. tax purposes.

(3) Includes nondeductible interest reported in a foreign subsidiary. The year ending December 31, 2017 also includes certain foreign income taxable in the U.S. under Internal Revenue Code Section 951 (Subpart F) in 2017. The year ending December 31, 2015 also includes a settlement with the Consumer Finance Protection Bureau (“CFPB”) for which the Company incurred a $10.0 million civil monetary penalty related to a settlement with the CFPB, which is not deductible for income tax purposes.

(4) Valuation allowance recorded as a result of certain foreign subsidiaries’ cumulative operating losses for tax purposes.

(5) Includes the impact from the Tax Reform Act for the year ended December 31, 2017.

The pretax income (loss) from continuing operations consisted of the following *(in thousands)*:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Domestic | $ 71,794 | $ 112,483 | $ 59,056 |
| Foreign | 59,432 | (55,108) | 38,877 |
| | $ 131,226 | $ 57,375 | $ 97,933 |

The income tax provisions for continuing operations consisted of the following *(in thousands)*:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Current expense (benefit): | | | |
| Federal | $ 9,969 | $ 58,816 | $ 38,831 |
| State | (794) | 1,173 | 363 |
| Foreign | 15,690 | 10,364 | 7,124 |
| | 24,865 | 70,353 | 46,318 |
| Deferred expense (benefit): | | | |
| Federal | 16,563 | (22,951) | (18,755) |
| State | 784 | 25 | (610) |
| Foreign | 9,837 | (9,222) | 209 |
| | 27,184 | (32,148) | (19,156) |
| | $ 52,049 | $ 38,205 | $ 27,162 |

The Company’s subsidiary in Costa Rica is operating under a 100% tax holiday through December 31, 2018 and a 50% tax holiday for the subsequent four years. The impact of the tax holiday in Costa Rica for the year ended December 31, 2017 was immaterial.

The Company has not provided for applicable income or withholding taxes on the undistributed earnings from continuing operations of its subsidiaries operating outside of the United States. Undistributed net income of these subsidiaries as of December 31, 2017, were approximately $145.7 million. Such undistributed earnings are considered permanently reinvested.

The Company does not provide deferred taxes on translation adjustments on unremitted earnings under the indefinite reversal exception. Determination of the amount of unrecognized deferred tax liability related to these earnings is not practicable due to the complexities of a hypothetical calculation.

The components of deferred tax assets and liabilities consisted of the following *(in thousands)*:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Deferred tax assets: | | |
| Stock-based compensation expense | $ 4,777 | $ 7,549 |
| Accrued expenses | 14,708 | 19,868 |
| Differences in income recognition related to receivable portfolios | 20,612 | 45,419 |
| Net operating losses | 46,615 | 26,386 |
| Difference in basis of bond and loan costs | 7,878 | 3,007 |
| Other | 522 | 6,067 |
| Total deferred tax assets | 95,112 | 108,296 |
| Valuation allowance | (34,642) | (18,892) |
| Total deferred tax assets net of valuation allowance | 60,470 | 89,404 |
| Deferred tax liabilities: | | |
| State taxes | (1,237) | (377) |
| Deferred court costs | (20,207) | (19,860) |
| Difference in basis of amortizable assets | (18,573) | (16,488) |
| Difference in basis of depreciable assets | (2,059) | (7,705) |
| Other | (9,144) | (1,555) |
| Total deferred tax liabilities | (51,220) | (45,985) |
| Net deferred tax asset[1] | $ 9,250 | $ 43,419 |

(1) The Company operates in multiple jurisdictions. In accordance with authoritative guidance relating to income taxes, deferred tax assets and liabilities are netted for each tax-paying component of the Company within a particular tax jurisdiction, and presented as a single amount in the statement of financial condition.

Certain of the Company's foreign subsidiaries have net operating loss carry forwards in the amount of approximately $159.7 million. In general, the foreign net operating losses can be carried forward indefinitely. Certain of the Company's domestic subsidiaries have state net operating loss carry forwards in the amount of approximately $32.5 million, which will generally begin to expire in 2021.

Valuation allowances are recognized on deferred tax assets if the Company believes that it is more likely than not that some or all of the deferred tax assets will not be realized. The Company believes the majority of the deferred tax assets will be realized due to the reversal of certain significant temporary differences and anticipated future taxable income from operations. As of December 31, 2017, valuation allowances increased to $34.6 million, as compared to $18.9 million as of December 31, 2016. The increase was primarily related to the recording of valuation allowance at certain of the Company's foreign subsidiaries that have incurred cumulative operating losses as of December 31, 2017. At this time, the Company does not have enough positive evidence to support the fact that the net operating loss carryforwards at these jurisdictions can be realized, therefore, the Company has recorded valuation allowances against the current and previously established deferred tax assets.

A reconciliation of the beginning and ending amount of the Company's unrecognized tax benefit is as follows *(in thousands)*:

| | Amount |
|---|---|
| Balance at December 31, 2014 | $ 38,425 |
| Increases related to current and prior year tax positions | 5,835 |
| Increases related to current year tax positions | 11,882 |
| Decreases related to settlements with taxing authorities | (8,193) |
| Balance at December 31, 2015 | 47,949 |
| Increases related to prior year tax positions | 2,505 |
| Increases related to current year tax positions | 1,259 |
| Decreases related to settlements with taxing authorities | (31,111) |
| Decreases related to prior year tax positions | (1,657) |
| Balance at December 31, 2016 | 18,945 |
| Increases related to current year tax positions | 5,902 |
| Decreases related to settlements with taxing authorities | (228) |
| Decreases related to current year tax positions | (4,599) |
| Balance at December 31, 2017 | $ 20,020 |

The Company had gross unrecognized tax benefits, inclusive of penalties and interest, of $22.2 million, $21.2 million and $58.5 million at December 31, 2017, 2016, and 2015 respectively. At December 31, 2017, 2016 and 2015, there were $9.9 million, $7.1 million and $14.9 million, respectively, of unrecognized tax benefits that if recognized, would result in a net tax benefit. During the year ended December 31, 2017, the increase in the Company's gross unrecognized tax benefit was primarily related to certain prepaid services to be performed within three and a half months of December 31, 2017. During the year ended December 31, 2016, the decrease in the Company's gross unrecognized tax benefit was primarily related to the settlement with tax authorities for unrecognized tax benefits associated with amortization of receivable portfolios. During the year ended December 31, 2015, the increase in the Company's gross unrecognized tax benefit was primarily associated with certain business combinations. The uncertain tax benefit is included in "Other liabilities" in the Company's consolidated statements of financial condition.

The Company believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, it is reasonably possible that certain changes may occur within the next 12 months, which could significantly increase or decrease the balance of the Company's gross unrecognized tax benefits.

The Company recognizes interest and penalties related to unrecognized tax benefits in its tax expense. The Company recognized expense of approximately $0.8 million, $0.5 million and $0.3 million in interest and penalties during the years ended December 31, 2017, 2016 and 2015, respectively. Interest and penalties accrued were $2.2 million as of both December 31, 2017 and December 31, 2016.

The Company files U.S. federal, state, and foreign income tax returns in jurisdictions with varying statutes of limitations. The 2014 through 2017 tax years remain subject to examination by federal taxing authorities, 2013 through 2017 tax years generally remain subject to examination by state tax authorities, and the 2014 through 2017 tax years remain subject to examination by foreign tax authorities.

**Note 13: Commitments and Contingencies**

***Litigation and Regulatory***

The Company is involved in disputes, legal actions, regulatory investigations, inquiries, and other actions from time to time in the ordinary course of business. The Company, along with others in its industry, is routinely subject to legal actions based on the Fair Debt Collection Practices Act ("FDCPA"), comparable state statutes, the Telephone Consumer Protection Act ("TCPA"), state and federal unfair competition statutes, and common law causes of action. The violations of law investigated or alleged in these actions often include claims that the Company lacks specified licenses to conduct its business, attempts to collect debts on which the statute of limitations has run, has made inaccurate or unsupported assertions of fact in support of its collection actions and/or has acted improperly in connection with its efforts to contact consumers. Such litigation and regulatory actions could involve potential compensatory or punitive damage claims, fines, sanctions, injunctive relief, or

changes in business practices. Many continue on for some length of time and involve substantial investigation, litigation, negotiation, and other expense and effort before a result is achieved, and during the process the Company often cannot determine the substance or timing of any eventual outcome.

On September 9, 2015, the Company entered into a consent order (the "Consent Order") with the CFPB in which it settled allegations arising from its practices between 2011 and 2015. The Consent Order includes obligations on the Company to, among other things: (1) follow certain specified operational requirements, substantially all of which are already part of the Company's current operations; (2) submit to the CFPB for review a comprehensive plan designed to ensure that its debt collection practices comply with all applicable federal consumer financial laws and the terms of the Consent Order; (3) pay redress to certain specified groups of consumers; and (4) pay a civil monetary penalty. The Company will continue to cooperate and engage with the CFPB and work to ensure compliance with the Consent Order. In addition, the Company is subject to ancillary state attorney general investigations related to similar debt collection practices. The Company has discussed with state attorneys general potential resolution of these investigations, which could include penalties, restitution, and/or the adoption of new operational requirements. In these discussions, the state attorneys general have taken certain positions with which the Company disagrees. If the Company is unable to resolve its differences with the state attorneys general, it is possible that they may file claims against the Company.

The Company incurred a one-time, after-tax charge of approximately $43 million in the third quarter of 2015. The Company believes this charge will cover all related impacts of the Consent Order, including civil monetary penalties, restitution, any such ancillary state regulatory matters, legal expenses and portfolio allowance charges on several pool groups due to the impact on the Company's current estimated remaining collections related to its existing receivable portfolios. The Company anticipates that after this one-time charge, any future earnings impact will be immaterial.

In certain legal proceedings, the Company may have recourse to insurance or third party contractual indemnities to cover all or portions of its litigation expenses, judgments, or settlements. In accordance with authoritative guidance, the Company records loss contingencies in its financial statements only for matters in which losses are probable and can be reasonably estimated. Where a range of loss can be reasonably estimated with no best estimate in the range, the Company records the minimum estimated liability. The Company continuously assesses the potential liability related to its pending litigation and regulatory matters and revises its estimates when additional information becomes available. As of December 31, 2017, other than reserves related to the CFPB Consent Order and ancillary state regulatory matters, the Company has no material reserves for legal matters. Additionally, based on the current status of litigation and regulatory matters, either the estimate of exposure is immaterial to the Company's financial statements or an estimate cannot yet be determined. The Company's legal costs are recorded to expense as incurred.

***Leases***

The Company leases office facilities in the United States, Europe, and other geographies. The leases are structured as operating leases, and the Company incurred related rent expense in the amounts of $21.3 million, $20.3 million, and $19.4 million during the years ended December 31, 2017, 2016, and 2015, respectively.

The Company has capital lease obligations primarily for certain computer equipment. Refer to Note 9, "Debt—Capital Lease Obligations" for additional information on the Company's capital leases. Amortization of assets under capital leases is included in depreciation and amortization expense.

Future minimum lease payments under lease obligations consist of the following for the years ending December 31, *(in thousands)*:

| | Capital Leases | Operating Leases | Total |
|---|---|---|---|
| 2018 | $ 2,963 | $ 19,064 | $ 22,027 |
| 2019 | 1,701 | 14,690 | 16,391 |
| 2020 | 1,347 | 12,025 | 13,372 |
| 2021 | 1,111 | 11,362 | 12,473 |
| 2022 | 855 | 8,923 | 9,778 |
| Thereafter | — | 23,086 | 23,086 |
| Total minimal leases payments | 7,977 | $ 89,150 | $ 97,127 |
| Less: Interest | (1,908) | | |
| Present value of minimal lease payments | $ 6,069 | | |

***Purchase Commitments***

In the normal course of business, the Company enters into forward flow purchase agreements and other purchase commitment agreements. As of December 31, 2017, the Company has entered into agreements to purchase receivable portfolios with a face value of approximately $3.1 billion for a purchase price of approximately $525.6 million. Most purchase commitments do not extend past one year.

***Guarantees***

Encore's Certificate of Incorporation and indemnification agreements between the Company and its officers and directors provide that the Company will indemnify and hold harmless its officers and directors for certain events or occurrences arising as a result of the officer or director serving in such capacity. The Company has also agreed to indemnify certain third parties under certain circumstances pursuant to the terms of certain underwriting agreements, registration rights agreements, credit facilities, portfolio purchase and sale agreements, and other agreements entered into by the Company in the ordinary course of business. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited. The Company believes the estimated fair value of these indemnification agreements is minimal and, as of December 31, 2017, has no liabilities recorded for these agreements.

**Note 14: Segment Information**

The Company conducts business through several operating segments that meet the aggregation criteria under authoritative guidance related to segment reporting. The Company's management relies on internal management reporting processes that provide segment revenue, segment operating income, and segment asset information in order to make financial decisions and allocate resources. Prior to the first quarter 2016 the Company had determined that it had two reportable segments: portfolio purchasing and recovery and tax lien business. As discussed in Note 2, "Discontinued Operations," on March 31, 2016, the Company completed the divestiture of its membership interests in Propel, which comprised the entire tax lien business segment. Propel's operations are presented as discontinued operations in the Company's consolidated statements of income. Beginning in the first quarter 2016, the Company has one reportable segment, portfolio purchasing and recovery.

The following tables present information about geographic areas in which the Company operates *(in thousands)*:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Revenues[1]: | | | |
| United States | $ 665,564 | $ 669,636 | $ 709,405 |
| International | | | |
| Europe[2] | 427,655 | 270,411 | 376,055 |
| Other geographies | 93,819 | 89,211 | 44,507 |
| Total | $ 1,187,038 | $ 1,029,258 | $ 1,129,967 |

(1) Revenues are attributed to countries based on location of customer.

(2) Based on the financial information that is used to produce the general-purpose financial statements, providing further geographic information is impracticable.

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| Long-lived assets[1]: | | |
| United States | $ 40,550 | $ 39,126 |
| International | | |
| United Kingdom | 25,287 | 20,860 |
| Other foreign countries | 10,439 | 12,271 |
| | 35,726 | 33,131 |
| Total | $ 76,276 | $ 72,257 |

(1) Long-lived assets consists of property and equipment, net.

**Note 15: Goodwill and Identifiable Intangible Assets**

In accordance with authoritative guidance, goodwill is tested for impairment at the reporting unit level annually and in interim periods if certain events occur that indicate that the fair value of a reporting unit may be below its carrying value. Determining the number of reporting units and the fair value of a reporting unit requires the Company to make judgments and involves the use of significant estimates and assumptions. The Company has five reporting units for goodwill impairment testing purposes. The annual goodwill testing date for these reporting units is October 1st.

The Company first assesses qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. The qualitative factors include economic environment, business climate, market capitalization, operating performance, competition, and other factors. The Company may proceed directly to the two-step quantitative test without performing the qualitative test.

The first step involves measuring the recoverability of goodwill at the reporting unit level by comparing the estimated fair value of the reporting unit in which the goodwill resides to its carrying value. The second step, if necessary, measures the amount of impairment, if any, by comparing the implied fair value of goodwill to its carrying value. The Company applies various valuation techniques to measure the fair value of each reporting unit, including the income approach and the market approach. For goodwill impairment analyses conducted at most of the reporting units, the Company uses the income approach in determining fair value, specifically the discounted cash flow method, or DCF. In applying the DCF method, an identified level of future cash flow is estimated. Annual estimated cash flows and a terminal value are then discounted to their present value at an appropriate discount rate to obtain an indication of fair value. The discount rate utilized reflects estimates of required rates of return for investments that are seen as similar to an investment in the reporting unit. DCF analyses are based on management's long-term financial projections and require significant judgments, therefore, for most of the Company's reporting units where the Company has access to reliable market participant data, the market approach is conducted in addition to the income approach in determining the fair value. The Company uses a guideline company method under the market approach to estimate the fair value of equity and the market value of invested capital ("MVIC"). The guideline company approach relies on estimated remaining collections data or the earnings before interest, tax, depreciation and amortization ("EBITDA") for each of the selected guideline companies, which enables a direct comparison between the reporting unit and the selected peer group. The Company believes that the current methodology used in determining the fair value at its reporting units represent its best estimates. In addition, the Company compares the aggregate fair value of the reporting units to its overall market capitalization.

According to authoritative guidance, if the carrying amount of a reporting unit is zero or negative, the traditional step two of the impairment test should be performed to measure the amount of impairment loss, if any, when it is more likely than not that a goodwill impairment exists. In considering whether it is more likely than not that a goodwill impairment exists, an entity can perform a step zero qualitative analysis. The Company conducted qualitative analysis for its reporting units that had negative carrying value and concluded that there was no indication that goodwill impairment existed at these reporting units.

Based on the annual goodwill impairment tests performed at October 1, 2017, no impairment existed at any of the Company's reporting units.

Management continues to evaluate and monitor all key factors impacting the carrying value of the Company's recorded goodwill and long-lived assets. Further adverse changes in the Company's actual or expected operating results, market capitalization, business climate, economic factors or other negative events that may be outside the control of management could result in a material non-cash impairment charge in the future.

The Company's goodwill is attributable to reporting units included in its portfolio purchasing and recovery segment. The following table summarizes the activity in the Company's goodwill balance, as follows *(in thousands):*

| | Total |
|---|---|
| Balance, December 31, 2016 | $ 785,032 |
| Goodwill acquired | 79,372 |
| Effect of foreign currency translation | 64,589 |
| Balance, December 31, 2017 | $ 928,993 |

The Company's acquired intangible assets are summarized as follows *(in thousands)*:

| | As of December 31, 2017 | | | As of December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer relationships | $ 73,875 | $ (6,800) | $ 67,075 | $ 21,200 | $ (3,220) | $ 17,980 |
| Developed technologies | 6,683 | (5,411) | 1,272 | 6,497 | (3,891) | 2,606 |
| Trade name and other | 14,413 | (7,024) | 7,389 | 12,566 | (4,909) | 7,657 |
| Total intangible assets | $ 94,971 | $ (19,235) | $ 75,736 | $ 40,263 | $ (12,020) | $ 28,243 |

The weighted-average useful lives of intangible assets at the time of acquisition were as follows:

| | Weighted-Average Useful Lives |
|---|---|
| Customer relationships | 10 |
| Developed technologies | 5 |
| Trade name and other | 8 |

The amortization expense for intangible assets that are subject to amortization was $8.9 million, $7.2 million, and $5.0 million for the years ended December 31, 2017, 2016, and 2015, respectively. Estimated future amortization expense related to finite-lived intangible assets at December 31, 2017 is as follows (*in thousands*):

| | |
|---|---|
| 2018 | $ 10,096 |
| 2019 | 8,599 |
| 2020 | 8,413 |
| 2021 | 8,311 |
| 2022 | 7,761 |
| Thereafter | 32,556 |
| Total | $ 75,736 |

**Note 16: Quarterly Information (Unaudited)**

The following table summarizes quarterly financial data for the periods presented (*in thousands, except per share amounts*):

| | Three Months Ended | | | |
|---|---|---|---|---|
| | March 31 | June 30 | September 30 | December 31 |
| **2017** | | | | |
| Gross collections | $ 440,863 | $ 446,182 | $ 442,996 | $ 437,603 |
| Revenues | 271,941 | 290,917 | 306,699 | 317,481 |
| Total operating expenses | 196,100 | 210,323 | 202,829 | 253,246 |
| Income from continuing operations | 15,178 | 19,076 | 42,144 | 2,779 |
| Net income | 14,979 | 19,076 | 42,144 | 2,779 |
| **Amounts attributable to Encore Capital Group, Inc.:** | | | | |
| Income from continuing operations | 22,297 | 20,255 | 28,194 | 12,681 |
| Net income attributable to Encore Capital Group, Inc. stockholders | 22,098 | 20,255 | 28,194 | 12,681 |
| **Earnings per share attributable to Encore Capital Group, Inc.:** | | | | |
| From continuing operations: | | | | |
| Basic | $ 0.86 | $ 0.78 | $ 1.08 | $ 0.49 |
| Diluted | 0.85 | 0.77 | 1.05 | 0.48 |
| From net income: | | | | |
| Basic | $ 0.85 | $ 0.78 | $ 1.08 | $ 0.49 |
| Diluted | 0.85 | 0.77 | 1.05 | 0.48 |
| **2016** | | | | |
| Gross collections | $ 447,805 | $ 434,100 | $ 406,961 | $ 396,738 |
| Revenues | 289,017 | 289,442 | 179,415 | 271,384 |
| Total operating expenses | 205,513 | 197,695 | 200,597 | 183,939 |
| Income (loss) from continuing operations | 29,789 | 30,833 | (51,946) | 10,494 |
| Net income (loss) | 26,607 | 30,833 | (51,946) | 11,323 |
| **Amounts attributable to Encore Capital Group, Inc.:** | | | | |
| Income (loss) from continuing operations | 28,876 | 29,588 | (1,524) | 21,983 |
| Net income (loss) | 25,694 | 29,588 | (1,524) | 22,812 |
| **Earnings (loss) per share attributable to Encore Capital Group, Inc.:** | | | | |
| From continuing operations: | | | | |
| Basic | $ 1.13 | $ 1.15 | $ (0.06) | $ 0.85 |
| Diluted | 1.12 | 1.14 | (0.06) | 0.85 |
| From net income: | | | | |
| Basic | $ 1.01 | $ 1.15 | $ (0.06) | $ 0.88 |
| Diluted | 0.99 | 1.14 | (0.06) | 0.88 |

# ENCORE CAPITAL GROUP, INC.

# NON-EMPLOYEE DIRECTOR COMPENSATION PROGRAM GUIDELINES

Approved by the Board of Directors on December 6, 2017 and adopted effective as of January 1, 2018

**ENCORE CAPITAL GROUP, INC.**

**NON-EMPLOYEE DIRECTOR COMPENSATION PROGRAM GUIDELINES**

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**ENCORE CAPITAL GROUP, INC.**

**NON-EMPLOYEE DIRECTOR COMPENSATION PROGRAM GUIDELINES**

## 1.0 DEFINITIONS

The following terms shall have the following meanings unless the context indicates otherwise:

1.1 *"2017 Plan"* shall mean the Company's 2013 Incentive Compensation Plan or the 2017 Incentive Award Plan, as applicable, as such plans may be amended, modified, or supplemented from time to time, and any successors to such plans.

1.2 "*Annual Meeting Date"* shall mean the date of the Company's annual meeting of shareholders for a given calendar year.

1.3 "*Beneficiary"* shall mean a beneficiary or beneficiaries designated in writing by a Non-Employee Director to receive any compensation under these Guidelines in the event of a Non-Employee Director's death. If no Beneficiary is designated by the Non-Employee Director, then the Non-Employee Director's estate shall be deemed to be the Non-Employee's Beneficiary.

1.4 *"Board"* shall mean the Board of Directors of the Company.

1.5 "*Business Day"* means any day that is not a Saturday, Sunday, or other day on which banking corporations in San Diego, California, are authorized or required by law to close.

1.6 *"Code"* shall mean the Internal Revenue Code of 1986, as amended from time to time, including applicable regulations promulgated thereunder.

1.7 "*Committee"* shall mean the Board's Compensation Committee.

1.8 "*Company"* shall mean Encore Capital Group, Inc., a Delaware corporation.

1.9 "*Deferred Compensation Plan"* means the Company's Non-Employee Director Deferred Stock Compensation Plan, as such plan may be amended, modified, or supplemented from time to time, and any successor to such plan.

1.10 "*Director Service Year"* shall mean the period beginning on a given Annual Meeting Date and ending on the date immediately preceding the next Annual Meeting Date.

1.11 "*Effective Date"* shall mean January 1, 2018.

1.12 "*Equity Award"* shall mean either a Stock Award or an RSU Award.

1.13 *"Equity Award Agreement"* shall mean a written agreement between the Company and a Non-Employee Director that establishes the terms, conditions, restrictions and/or limitations applicable to an Equity Award in addition to those established by these Guidelines and by the Committee's exercise of its administrative powers; *provided, however*, that if a Non-Employee Director defers receipt of any Equity Award pursuant to the Deferred Compensation Plan, then such Non-Employee Director's deferral election, coupled with the terms and conditions set forth in the Deferred Compensation Plan, shall be deemed to constitute an "Equity Award Agreement."

1.14 *"ERISA"* shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time, including applicable regulations promulgated thereunder.

1.15 *"Exchange Act"* shall mean the Securities Exchange Act of 1934, as amended from time to time, including applicable regulations thereunder.

1.16 "*Fair Market Value of a Share"* shall mean:

(a) if Shares are readily tradable on a national securities exchange or other market system, the closing price of a Share on the principal trading market for the Shares on the date of calculation (or on the last preceding trading date if Shares were not traded on such date), or

(b) if Shares are not readily tradable on a national securities exchange or other market system:

(i) the book value of a Share as of the last day of the last completed fiscal quarter preceding the date of calculation; or

(ii) any other value as otherwise determined in good faith by the Board.

1.17 *"Guidelines"* shall mean the Encore Capital Group, Inc. Non-Employee Director Compensation Program Guidelines.

1.18 *"Non-Employee Director"* shall mean a member of the Board who is not an employee of the Company.

1.19 *"Quarterly Payment Date"* shall mean September 1st, December 1st, March 1st, and June 1st in a given Director Service Year. By way of example, if the Annual Meeting Date for 20XX is June 15, 20XX and the Annual Meeting Date for 20YY is June 16, 20YY, then the "Quarterly Payment Dates" for the Director Service Year beginning on June 15, 20XX and ending on June 16, 20YY will be September 1, 20XX, December 1, 20XX, March 1, 20YY, and June 1, 20YY.

1.20 *"RSU Award"* shall mean an Equity Award granted in the form of restricted stock units, and which shall be paid in Shares to the Non-Employee Director (or to his or her Beneficiary) pursuant to the terms of the Equity Award Agreement evidencing such Equity Award.

1.21 *"Share"* shall mean a share of the Company's common stock, $.01 par value.

1.22 *"Stock Award"* shall mean an Equity Award granted in the form of Shares, and which shall be delivered to the Non-Employee Director (or his or her Beneficiary) in accordance with Section 6 below.

1.23 *"Stock Ownership and Retention Guidelines"* means the Company's Stock Ownership and Retention Guidelines as adopted by the Board, as such guidelines may be amended, supplemented, and modified from time to time.

1.24 *"Treasury Regulation"* shall mean the regulations promulgated under the Code by the United States Department of the Treasury, as amended from time to time.

1.25 *"Voting Members"* shall have the meaning set forth in Section 6.4.

2.0 **PURPOSE OF GUIDELINES**

2.1 **Purpose**. The purpose of these Guidelines is to implement and administer the Company's compensation program for Non-Employee Directors, which was originally adopted by the Board on December 7, 2011; amended by the Committee on May 13, 2014; further amended by the Board on December 17, 2014, effective January 1, 2015; further amended by the Board on April 21, 2016, effective June 1, 2016; and further amended by the Board on December 6, 2017, effective on the Effective Date.

2.2 **ERISA.** The director compensation program is not intended to be an employee benefit plan under ERISA, and thus the program and these Guidelines are intended to not be subject to ERISA.

2.3 **Code Section 409A.** The program and these Guidelines are intended to be fully compliant with Code Section 409A.

3.0 **TERM OF GUIDELINES; AMENDMENT AND TERMINATION OF GUIDELINES**

3.1 **Term**. These Guidelines shall be effective as of the Effective Date and shall terminate only when terminated by the Committee in accordance with Section 3.2 below.

3.2 **Termination of Guidelines**. The Committee may suspend or terminate these Guidelines at any time with or without prior notice; *provided, however*, that no action authorized by this Section 3.2 shall reduce the amount of any outstanding Equity Award or otherwise adversely change the terms and conditions thereof without the Non-Employee Director's prior written consent.

3.3 **Amendment of Guidelines**. The Committee may amend these Guidelines at any time with or without prior notice; *provided, however*, that no action authorized by this Section 3.3 shall reduce the amount of any outstanding Equity Award or otherwise adversely change the terms and conditions thereof without the Non-Employee Director's prior written consent.

3.4 **Amendment or Cancellation of Equity Award Agreements**. Subject to the provisions of the 2017 Plan, the Committee may amend or modify any Equity Award Agreement at any time; *provided, however,* that if the amendment or modification adversely affects the Non-Employee Director, such amendment or modification shall be by mutual agreement between the Committee and the Non-Employee Director or such other persons as may then have an interest therein.

3.5 **Restrictions to Amendment of Guidelines**. Notwithstanding anything contained in these Guidelines to the contrary, any amendment to these Guidelines or to any Equity Award Agreement that would result in compensation payable under these Guidelines to be subject to the penalty tax imposed by Code Section 409A shall be null and void and of no effect as if these Guidelines had never been amended.

4.0 **ADMINISTRATION**

4.1 **Responsibility**. The Committee shall have the responsibility, in its sole discretion, to control, operate, manage and administer these Guidelines in accordance with its terms.

4.2 **Award Agreement**. Each Equity Award granted under these Guidelines shall be evidenced by an Equity Award Agreement, which shall be signed by an authorized officer of the Company and the Non-Employee Director; *provided, however,* that in the event of any conflict between a provision of these Guidelines or the 2017 Plan and any provision of an Award Agreement, the provisions of these Guidelines or the 2017 Plan, as the case may be, shall control and prevail.

4.3 **Authority of the Committee**. The Committee shall have all the discretionary authority that may be necessary or helpful to enable it to discharge its responsibilities with respect to these Guidelines, including but not limited to the following:

(a) to determine eligibility for participation in these Guidelines;

(b) to determine the number of Shares underlying an Equity Award granted under these Guidelines;

(c) to grant Equity Awards to, and to enter into Award Agreements with, Non-Employee Directors;

(d) to supply any omission, correct any defect, or reconcile any inconsistency in these Guidelines in such manner and to such extent as it shall deem appropriate in its sole discretion to carry the same into effect;

(e) to issue administrative guidelines as an aid to administer these Guidelines and make changes in such administrative guidelines as it from time to time deems proper;

(f) to make rules for carrying out and administering these Guidelines and make changes in such rules as it from time to time deems proper;

(g) to the extent permitted under these Guidelines, grant waivers of Guidelines terms, conditions, restrictions, and limitations;

(h) to maintain these Guidelines' full compliance with the 2017 Plan and Code Section 409A; and

(i) to take any and all other actions it deems necessary or advisable for the proper operation or administration of these Guidelines.

4.4 **Action by the Committee**. The Committee may act only by a majority of its members. Any determination of the Committee may be made, without a meeting, by a writing or writings signed by all of the members of the Committee. In addition, the Committee may authorize any one or more of its members or an officer of the Company to execute and deliver documents on behalf of the Committee.

4.5 **Delegation of Authority**. The Committee may delegate to one or more of its members, or to one or more agents, such administrative duties as it may deem advisable; *provided, however*, that any such delegation shall be in writing. In addition, the Committee, or any person to whom it has delegated duties under this Section 4.5, may employ one or more persons to render advice with respect to any responsibility the Committee or such person may have under these Guidelines. The Committee may employ such legal or other counsel, consultants and agents as it may deem desirable for the administration of these Guidelines and may rely upon any opinion or computation received from any such counsel, consultant or agent. Expenses incurred by the Committee in the engagement of such counsel, consultant or agent shall be paid by the Company.

4.6 **Determinations and Interpretations by the Committee**. All determinations and interpretations made by the Committee shall be binding and conclusive on all Non-Employee Directors and their heirs, successors, and legal representatives.

4.7 **Liability**. No member of the Committee and no employee of the Company shall be liable for any act or failure to act hereunder, except in circumstances involving his or her bad faith, gross negligence or willful misconduct, or for any act or failure to act hereunder by any other member or employee or by

any agent to whom duties in connection with the administration of these Guidelines have been delegated.

4.8 **Indemnification**. The Company shall indemnify members of the Committee and any agent of the Committee against any and all liabilities or expenses to which they may be subjected by reason of any act or failure to act with respect to their duties on behalf of these Guidelines, except in circumstances involving such person's bad faith, gross negligence or willful misconduct.

## 5.0 ELIGIBILITY AND PARTICIPATION

5.1 **Eligibility**. All Non-Employee Directors shall be eligible to participate in the Company's director compensation program and to receive compensation in accordance with these Guidelines.

5.2 **Participation**. Each Non-Employee Director shall participate in the Company's director compensation program and receive compensation in accordance with these Guidelines.

5.3 **Waiver of Compensation under These Guidelines**. A Non-Employee Director may waive all or a portion of his or her compensation under these Guidelines at any time, provided that such waiver is in writing and provided that such waiver does not violate Code Section 409A.

## 6.0 COMPENSATION

6.1 **Annual Cash Compensation**. For each Director Service Year, each Non-Employee Director shall receive the following cash compensation for their annual service on the Board:

(a) An annual cash retainer of $60,000;

(b) If the Non-Employee Director is Chairman of the Board, an additional annual cash retainer of $70,000;

(c) If the Non-Employee Director is the chair of the Audit Committee or Consumer Experience and Compliance Committee of the Board, an annual cash retainer of $25,000 for each position as chair;

(d) If the Non-Employee Director is the chair of the Compensation Committee, Nominating and Corporate Governance Committee, Risk and Information Security Committee, or any other committee established by the Board, an annual cash retainer of $20,000 for each position as chair;

(e) If the Non-Employee Director is a member (but not chair) of the Audit Committee, Compensation Committee, Consumer Experience and Compliance Committee, Nominating and Corporate Governance Committee, Risk and Information Security Committee, or any other committee established by the Board, an annual cash retainer of $10,000 for each position as member;

(f) A $1,000 per meeting committee service fee for each committee of the Board on which the Non-Employee Director serves, for any committee meeting starting with the seventh ($7^{th}$) meeting of such committee in a Director Service Year; and

(g) If the Non-Employee Director is also a member of the Board of Directors of Cabot Credit Management Limited, the Company's subsidiary, an additional annual cash retainer of $50,000.

The cash payments under Sections 6.1(a), 6.1(b), 6.1(c), 6.1(d), 6.1(e), and 6.1(g) shall be paid quarterly, in arrears, as follows: 25% of each applicable payment shall be paid on or before the 5th Business Day following each Quarterly Payment Date for such Director Service Year. On each Quarterly Payment Date in a given Director Service Year, the Company shall determine the number of meetings held by each committee of the Board during such Director Service Year and, if such committee has met seven or more times during such Director Service Year, then the Company will also make cash payments to the members of such committee under Section 6.1(f) on such Quarterly Payment Date. If a Non-Employee Director's service on the Board, on a given committee, or as Chairman of the Board or chair of a committee is less than the entire Director Service Year, then the above amounts shall be prorated to reflect the Non-Employee Director's actual period of service on the Board, on a given committee, or as Chairman of the Board or chair of a given committee.

6.2 **Equity Awards**. In addition to the annual cash compensation set forth in Section 6.1, Non-Employee Directors shall receive the following Equity Awards as compensation for their service on the Board:

(a) Upon becoming a member of the Board, each Non-Employee Director shall receive an Equity Award with a grant date fair market value equal to $50,000, to be granted on the 5th Business Day following the date the Non-Employee Director becomes a member of the Board.

(b) For each Director Service Year, each Non-Employee Director shall receive an annual Equity Award retainer with a grant date fair market value equal to $120,000, to be granted on the 5th Business Day following the Annual Meeting Date for such Director Service Year; *provided* that if a person becomes a Non-Employee Director on a date other than the Annual Meeting Date for such Director Service Year, then the annual Equity Award retainer amount will be prorated to reflect the number of days remaining in such Director Service Year and the prorated annual Equity Award shall be granted on the 5th Business Day following the date the Non-Employee Director becomes a member of the Board.

6.3 **Terms and Conditions of Equity Awards**. The Committee, in its sole discretion, may grant either Stock Awards or RSU Awards, or a combination of both. Equity Awards shall have the following terms and conditions:

(a) Each Equity Award shall be issued pursuant to and shall be subject to the 2017 Plan.

(b) Each Equity Award (other than Stock Awards) shall be evidenced by an Equity Award Agreement signed by the Non-Employee Director to whom it is granted and an authorized official of the Company.

(c) The number of shares underlying each Equity Award shall be determined by dividing the applicable dollar amount of the Equity Award by the Fair Market Value of a Share on the date of grant, rounded down to whole Shares (i.e., any fractional shares shall be disregarded);

(d) Equity Awards shall be fully vested on the date of grant;

(e) Subject to the following sentence, all Shares underlying all Equity Awards granted to any Non-Employee Director shall be subject to the Stock Ownership and Retention Guidelines. Notwithstanding the foregoing, however, if the Equity Award is a Stock Award that is not deferred by the Non-Employee Director pursuant to Section 6.6, then the Non-Employee Director may sell a portion of the Shares issued pursuant to such Stock Award equal to an amount that would satisfy statutory minimum federal (including FICA and Social Security), state and local tax withholding requirements;

(f) If the award is a Stock Award that is not deferred pursuant to Section 6.6 below, then Shares (including appropriate legends if in certificate form) shall be issued in the Non-Employee Director's name as soon as practicable after the applicable grant date;

(g) If the award is an RSU Award that is not further deferred pursuant to Section 6.6 below, Shares underlying such RSU Award shall be issued to the Non-Employee Director within 10 Business Days following the date that the Non-Employee Director is no longer a member of the Board;

(h) Stock Awards that have not been deferred pursuant to Section 6.6 shall have full voting and dividend rights in the same manner and to the same extent as such rights are extended to the Company's shareholders; and

(i) RSU Awards shall have no voting rights but shall have dividend equivalent rights as set forth in the Equity Award Agreements for such RSU Awards.

6.4 **Clawback**. Notwithstanding anything contained in these Guidelines to the contrary, if a Non-Employee Director is determined, in the sole discretion of the affirmative vote of not less than a majority of the entire membership of the Board (excluding the Non-Employee Director whose compensation is at issue) (the "Voting Members"), by a resolution duly adopted by the Voting Members, to have not earned all or a portion of any compensation received from the Company because the Non-Employee Director has acted in a manner that is not in the Company's best interests or has failed to act in a manner that is in the Company's best interests during such member's tenure on the Board or as a result of his or her failure to complete a full term of Board service for any reason, then, at the sole discretion of the Voting Members, any cash or Equity Award, or any portion thereof as determined by the Voting Members, held by such Non-Employee Director, shall as of the date of the adoption of such resolution be subject to forfeiture and all rights of the Non-Employee Director to or with respect to such forfeited cash and/or Equity Award shall terminate. With respect to any cash compensation or Shares actually received by such Non-Employee Director, if so resolved by the Voting Members in accordance with these Guidelines, at the Voting Members' sole discretion, the Non-Employee Director may be required to pay back to the Company all or any portion of such cash compensation or deliver back to the Company all or any portion of such Shares as determined by the Voting Members. In the event that the Voting Members' determination is based upon such Non-Employee Director's action or inaction, as described above, then the Voting Members may consider whether any such repayment shall be assessed based on compensation received either at or after the time of the action or inaction. The Voting Members may also consider, if relevant, whether a prorated amount should be calculated for service rendered as a Board member, if the Non-Employee Director resigns before completing his or her service period as contemplated by periodic compensation payments.

6.5 **Expenses**. The Company shall promptly reimburse a Non-Employee Director for his or her reasonable expenses reasonably incurred in connection with his or her service to the Board and the Company, subject to the Company's reimbursement policy and the submission of written receipts or other valid documentation.

6.6 **Deferral**. A Non-Employee Director may defer any compensation paid or granted under these Guidelines pursuant to the Deferred Compensation Plan.

6.7 **Stock Ownership and Retention Guidelines**. Each Non-Employee Director will be subject to the Company's Stock Ownership and Retention Guidelines.

7.0 **MISCELLANEOUS**

7.1 **Listing of Awards and Related Matters**. If at any time the Committee determines that the listing, registration or qualification of Equity Awards on any securities exchange or under any applicable law, or the consent or approval of any governmental regulatory authority, is necessary or desirable as a condition of, or in connection with, the granting of an Equity Award, such Equity Award may not be exercised, distributed or paid out, as the case may be, in whole or in part, unless such listing, registration, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Committee.

7.2 **No Right, Title, or Interest in Company Assets**. Non-Employee Directors shall have no right, title, or interest whatsoever in or to any investments that the Company may make to aid it in meeting its obligations under these Guidelines. Nothing contained in these Guidelines, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Non-Employee Director, beneficiary, legal representative or any other person. To the extent that any person acquires a right to receive payments from the Company under these Guidelines, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in these Guidelines.

7.3 **No Right to Continued Service**. A Non-Employee Director's rights, if any, to continue to serve the Company as a member of the Board or otherwise shall not be enlarged or otherwise affected by these Guidelines, and the Company reserves the right to terminate the Non-Employee Director’s service to the Company in accordance with Company’s by-laws.

7.4 **Awards Subject to Foreign Laws**. The Committee may grant Equity Awards to individual Non-Employee Directors who are subject to the tax and/or other laws of nations other than the United States, and such Equity Awards may have terms and conditions as determined by the Committee as necessary to comply with applicable foreign laws. The Committee may take any action that it deems advisable to obtain approval of such Equity Awards by the appropriate foreign governmental entity; *provided, however*, that no such Equity Awards may be granted pursuant to this Section 7.4 and no action may be taken which would result in a violation of the Exchange Act or any other applicable law.

7.5 **Governing Law**. The Guidelines, all cash compensation and Equity Awards granted hereunder, and all actions taken in connection herewith shall be governed by and construed in accordance with the laws of the State of Delaware without reference to principles of conflict of laws, except as superseded by applicable federal law.

* * * * *

**Exhibit 10.19**

DATED 20 SEPTEMBER 2012
AS AMENDED BY AN AMENDMENT LETTER DATED 25 APRIL 2013
AS AMENDED AND RESTATED BY AN AMENDMENT AND RESTATEMENT AGREEMENT DATED 28 JUNE 2013, AS AMENDED BY AN AMENDMENT AGREEMENT DATED 25 JULY 2014, AS AMENDED AND RESTATED BY AN AMENDMENT AND RESTATEMENT AGREEMENT DATED 5 FEBRUARY 2015, AS AMENDED AND RESTATED BY AN AMENDMENT AND RESTATEMENT AGREEMENT DATED 11 NOVEMBER 2015, AS AMENDED BY AN AMENDMENT LETTER DATED 6 JUNE 2016, AS AMENDED BY AN AMENDMENT AGREEMENT DATED 6 OCTOBER 2016, AS AMENDED AND RESTATED BY AN AMENDMENT AND RESTATEMENT AGREEMENT DATED 31 MARCH 2017 AND AS AMENDED AND RESTATED BY AN AMENDMENT AND RESTATEMENT AGREEMENT DATED _____12 December____ 2017

CABOT FINANCIAL (UK) LIMITED

ARRANGED BY

DNB BANK ASA, LONDON BRANCH
HSBC BANK PLC
J.P. MORGAN SECURITIES PLC
LLOYDS BANK PLC
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.

AND

THE ROYAL BANK OF SCOTLAND PLC
AS MANDATED LEAD ARRANGERS

WITH

J.P. MORGAN EUROPE LIMITED
ACTING AS AGENT

AND

J.P. MORGAN EUROPE LIMITED
ACTING AS SECURITY AGENT

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# SENIOR FACILITIES AGREEMENT
RELATING TO A
£295,000,000 COMMITTED REVOLVING FACILITY

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**CONTENTS**

Clause Page

**THIS AGREEMENT** is originally dated 20 September 2012 and made between:

(1) **CABOT FINANCIAL LIMITED**, a private limited liability company incorporated under the laws of England and Wales with company registration number 5714535 and with its registered office at 1 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4UA (the "**Parent**");

(2) **THE SUBSIDIARIES** of the Parent listed in Part I of Schedule 1 (*The Original Parties*) as original borrowers (together with the Parent, the "**Original Borrowers**");

(3) **THE COMPANIES** listed in Part I of Schedule 1 (*The Original Parties*) as original guarantors (together with the Parent, the "**Original Guarantors**");

(4) **CABOT CREDIT MANAGEMENT LIMITED**, a private limited liability company incorporated under the laws of England and Wales with company registration number 5754978 and with its registered office at 1 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4UA as another guarantor ("**CCML**");

(5) **DNB BANK ASA, LONDON BRANCH**, **HSBC BANK PLC**, **J.P. MORGAN SECURITIES PLC**, **LLOYDS BANK PLC, THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.** and **THE ROYAL BANK OF SCOTLAND PLC** as mandated lead arrangers (the "**Arrangers**");

(6) **THE FINANCIAL INSTITUTIONS** listed in Part II-B of Schedule 1 (*The Original Parties*) as December 2017 effective date lenders (the "**December 2017 Effective Date Lenders**");

(7) **J.P. MORGAN EUROPE LIMITED** as agent of the other Finance Parties (the "**Agent**"); and

(8) **J.P. MORGAN EUROPE LIMITED** as security trustee for the Secured Parties (the "**Security Agent**").

**IT IS AGREED** as follows:

## 1. DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

In this Agreement:

"**2015 Effective Date**" means the "Effective Date" as defined in the amendment and restatement agreement in relation to this Agreement dated on or about 5 February 2015 between, among others, each of the Obligors, the Lenders, the Agent and the Security Agent.

"**2015 Second Effective Date**" means the "Effective Date" as defined in the amendment and restatement agreement in relation to this Agreement dated on or about 10 November 2015 between, among others, each of the Obligors, the Lenders, the Agent and the Security Agent.

"**2016 Amendment and Restatement Agreement**" means the amendment and restatement agreement in relation to this Agreement dated on or about 7 October 2016 between, among others, each of the Obligors, the Lenders, the Agent and the Security Agent.

"**2016 Effective Date**" means the "Effective Date" as defined in the 2016 Amendment and Restatement Agreement.

"**2018 IPO Completion Date**" means the date of completion of the Initial Public Offering, that is scheduled to take place during the first half of 2018, and as a result of which net proceeds of not less than £183,000,000 have been, or will be, raised and applied towards, among other things, repayment of financial indebtedness of the Group, where "**net proceeds**" (for the purpose of this definition) means the gross proceeds of the Initial Public Offering that is scheduled to take place during the first half of 2018, less the fees payable by the Parent (or any other member of the Group, as applicable) to the underwriters of such Initial Public Offering.

"**2023 Cabot Notes**" has the meaning given to that term in Schedule 14 (*Restricted Covenants*).

"**2023 Cabot Notes Indenture**" has the meaning given to that term in Schedule 14 (*Restrictive Covenants*)

"**Acceptable Bank**" means:

(a) any Arranger or Affiliate of an Arranger;

(b) a bank or financial institution which has a rating for its long-term unsecured and non credit-enhanced debt obligations of A- or higher by Standard & Poor's Rating Services, A- or higher by Fitch Ratings Ltd or A3 or higher by Moody's Investor Services Limited or a comparable rating from an internationally recognised credit rating agency; or

(c) any other bank or financial institution approved by the Agent.

"**Acceleration Notice**" means a notice served by the Agent pursuant to and in accordance with Clause 28.20 (*Acceleration*).

"**Accession Deed**" means a document substantially in the form set out in Schedule 6 (*Form of Accession Deed*).

"**Accounting Principles**" means generally accepted accounting principles, standards and practices in England as applied in the Original Financial Statements of the Parent, and shall include IFRS.

"**Accounting Reference Date**" means 31 December.

"**Additional Borrower**" means a company which becomes an Additional Borrower in accordance with Clause 32 (*Changes to the Obligors*).

"**Additional Guarantor**" means a company which becomes an Additional Guarantor in accordance with Clause 32 (*Changes to the Obligors*).

"**Additional Obligor**" means an Additional Borrower or an Additional Guarantor.

"**Additional Shareholder Funding**" has the meaning given to that term in Clause 26.2 (*Financial definitions*).

"**Affiliate**" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company. For the purposes of The Royal Bank of Scotland plc, "Affiliate" shall include The Royal Bank of Scotland N.V. and each of its subsidiaries or subsidiary undertakings but shall not include (i) the UK government or any member or instrumentality thereof, including Her Majesty's Treasury and UK Financial Investments Limited (or any directors, officers, employees or entities thereof) or (ii) any persons or entities controlled by or under common control with the UK government or any member or instrumentality thereof (including Her Majesty's Treasury and UK Financial Investments Limited) which are not part of The Royal Bank of Scotland Group plc and its subsidiaries or subsidiary undertakings (including The Royal Bank of Scotland N.V. and each of its subsidiaries or subsidiary undertakings).

"**Agent's Spot Rate of Exchange**" means:

(a) as at the date of this Agreement, the spot rate of exchange as displayed by ICE Data Services; or

(b) any other commercially available spot rate of exchange selected by the Agent and as agreed by the Parent,

in each case, for the purchase of the relevant currency with the Base Currency in the London foreign exchange market at or about 11:00 a.m. on a particular day.

"**Agreed Security Principles**" means the principles set out in Schedule 16 (*Agreed Security Principles*).

"**Alternative Reference Bank Rate**" means:

(a) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request by the Alternative Reference Banks:

(i) in relation to LIBOR:

(A) (other than where paragraph (B) below applies) as the rate at which the relevant Alternative Reference Bank could borrow funds in the London interbank market in the relevant currency and for the relevant period were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in that currency and for that period; or

(B) if different, as the rate (if any and applied to the relevant Alternative Reference Bank and the relevant currency and period) which contributors to the applicable Screen Rate are asked to submit to the relevant administrator; or

(ii) in relation to EURIBOR:

(A) (other than where paragraph (B) below applies) as the rate at which the relevant Alternative Reference Bank believes one prime bank is quoting to another prime bank for interbank term deposits in euro within the Participating Member States for the relevant period; or

(B) if different, as the rate (if any and applied to the relevant Alternative Reference Bank and the relevant period) which contributors to the applicable Screen Rate are asked to submit to the relevant administrator.

"**Alternative Reference Banks**" means, in relation to LIBOR and EURIBOR, such reputable banks as may be appointed by the Agent in consultation with the Parent, in each case acting out of their principal offices in such jurisdiction as the Agent may, in consultation with the Parent, select.

"**Ancillary Commencement Date**" means, in relation to an Ancillary Facility, the date on which that Ancillary Facility is first made available, which date shall be a Business Day within the Availability Period.

"**Ancillary Commitment**" means, in relation to an Ancillary Lender and an Ancillary Facility, the maximum Base Currency Amount which that Ancillary Lender has agreed (whether or not subject to satisfaction of conditions precedent) to make available from time to time under an Ancillary Facility and which has been authorised as such under Clause 9 (*Ancillary Facilities*), to the extent that amount is not cancelled or reduced under this Agreement or the Ancillary Documents relating to that Ancillary Facility.

"**Ancillary Document**" means each document relating to or evidencing the terms of an Ancillary Facility.

"**Ancillary Facility**" means any ancillary facility made available by an Ancillary Lender in accordance with Clause 9 (*Ancillary Facilities*).

"**Ancillary Lender**" means each Lender (or Affiliate of a Lender) which makes available an Ancillary Facility in accordance with Clause 9 (*Ancillary Facilities*).

"**Ancillary Outstandings**" means, at any time, in relation to an Ancillary Lender and an Ancillary Facility then in force the aggregate of the following amounts in the Base Currency outstanding under that Ancillary Facility (net of any credit balances on any account of any Borrower of an Ancillary Facility with the Ancillary Lender making available that Ancillary Facility to the extent that the credit balances are freely available to be set-off by that Ancillary Lender against liabilities owed to it by that Borrower under that Ancillary Facility):

(a) the principal amount under each overdraft facility and on-demand short term loan facility (**provided that** for the purpose of this definition, any amount of any outstanding utilisation under any BACS facility (or similar) made available by an Ancillary Lender shall, with the prior consent of that Ancillary Lender, be excluded (without any double counting));

(b) the face amount of each guarantee, bond and letter of credit under that Ancillary Facility; and

(c) the amount fairly representing the aggregate exposure (excluding interest and similar charges) of that Ancillary Lender under each other type of accommodation provided under that Ancillary Facility,

in each case as determined by such Ancillary Lender, acting reasonably in accordance with its normal banking practice and in accordance with the relevant Ancillary Document.

"**Approved List**" means the list of Lenders and potential Lenders held by the Agent (as the same may be amended from time to time pursuant to Clause 30.2 (*Conditions of assignment or transfer*)).

"**Assignment Agreement**" means an agreement substantially in the form set out in Schedule 5 (*Form of Assignment Agreement*) or any other form agreed between the relevant assignor and assignee **provided that** if that other form does not contain the undertaking set out in the form set out in Schedule 5 (*Form of Assignment Agreement*) it shall not be a Creditor/Agent Accession Undertaking as defined in, and for the purposes of, the Intercreditor Agreement.

"**Audit Laws**" means the EU Regulation (537/2014) on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC and the EU Directive (2014/56/EU) amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts and any law or regulation which implements that EU Directive (2014/56/EU).

"**Auditors**" means BDO LLP or any other accounting firm appointed by the Parent or the relevant member of the Group to act as its statutory auditors.

"**Authorisation**" means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

"**Availability Period**" means:

(a) in relation to Tranche 1, the period from and including the date of this Agreement to and including the date falling one Month prior to the Termination Date applicable to Tranche 1.

(b) in relation to Tranche 2, the period from and including the March 2017 Effective Date to and including the date falling one Month prior to the Termination Date applicable to Tranche 2.

"**Available Commitment**" means, subject to Clause 9.8 (*Affiliates of Lenders as Ancillary Lenders*) in relation to a Facility a Lender's Commitment under that Facility minus (subject as set out below):

(a) the Base Currency amount of its participation in any outstanding Utilisations under that Facility and the amount of the aggregate of its Ancillary Commitments under that Facility; and

(b) in relation to any proposed Utilisation, the amount of its participation in any other Utilisations that are due to be made under that Facility on or before the proposed Utilisation Date and the amount of its Ancillary Commitment in relation to any new Ancillary Facility that is due to be made available on or before the proposed Utilisation Date in place of Commitments under that Facility in accordance with Clause 9.2 (*Availability*); and

For the purposes of calculating a Lender's Available Commitment in relation to any proposed Utilisation, the following amounts shall not be deducted from a Lender's Commitment under that Facility:

(i) that Lender's participation in any Utilisations that are due to be repaid or prepaid on or before the proposed Utilisation Date; and

(ii) that Lender's (or its Affiliate's) Ancillary Commitments which were provided in place of Commitments under that Facility in accordance with Clause 9.2 (*Availability*) to the extent that they are due to be reduced or cancelled on or before the proposed Utilisation Date.

"**Available Facility**" means, in relation to a Facility, the aggregate for the time being of each Lender's Available Commitment in respect of that Facility.

"**Base Currency**" means Sterling.

"**Base Currency Amount**" means:

(a) in relation to a Utilisation, the amount specified in the Utilisation Request delivered by a Borrower for that Utilisation (or, if the amount requested is not denominated in the Base Currency, that amount converted into the Base Currency at the Agent's Spot Rate of Exchange on the date which is three Business Days before the Utilisation Date or, if later, on the date the Agent receives the Utilisation Request in accordance with the terms of this Agreement) and, in the case of a Letter of Credit, as adjusted under Clause 6.8 (*Revaluation of Letters of Credit*) at six-monthly intervals; and

(b) in relation to an Ancillary Commitment, the amount specified as such in the notice delivered to the Agent by the Parent pursuant to Clause 9.2 (*Availability*) (or, if the amount specified is not denominated in the Base Currency, that amount converted into the Base Currency at the Agent's Spot Rate of Exchange on the date which is three Business Days before the Ancillary Commencement Date for that Ancillary Facility or, if later, the date the Agent receives the notice of the Ancillary Commitment in accordance with the terms of this Agreement),

as adjusted to reflect any repayment, prepayment, consolidation or division of a Utilisation, or (as the case may be) cancellation or reduction of an Ancillary Facility.

"**Base Reference Bank Rate**" means:

(a) the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Agent at its request by the Base Reference Banks:

(i) in relation to LIBOR:

(A) (other than where paragraph (B) below applies) as the rate at which the relevant Base Reference Bank could borrow funds in the London interbank market in the relevant currency and for the relevant period were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in that currency and for that period; or

(B) if different, as the rate (if any and applied to the relevant Base Reference Bank and the relevant currency and period) which contributors to the applicable Screen Rate are asked to submit to the relevant administrator; or

(ii) in relation to EURIBOR:

(A) (other than where paragraph (B) below applies) as the rate at which the relevant Base Reference Bank believes one prime bank is quoting to another prime bank for interbank term deposits in euro within the Participating Member States for the relevant period; or

(B) if different, as the rate (if any and applied to the relevant Base Reference Bank and the relevant period) which contributors to the applicable Screen Rate are asked to submit to the relevant administrator.

"**Base Reference Banks**" means, in relation to LIBOR and EURIBOR, the principal London offices of Lloyds Bank plc and such other banks as may be appointed by the Agent in consultation with the Parent.

"**Borrower**" means an Original Borrower or an Additional Borrower unless it has ceased to be a Borrower in accordance with Clause 32 (*Changes to the Obligors*) and, in respect of an Ancillary Facility only, any Affiliate of a Borrower that becomes a borrower of that Ancillary Facility with the approval of the relevant Lender pursuant to the provisions of Clause 9.9 (*Affiliates of Borrowers*).

"**Break Costs**" means the amount (if any) by which:

(a) the interest (excluding the Margin) which a Lender should have received for the period from the date of receipt of all or any part of its participation in a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan

or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

(b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

"**Budget**" means:

(a) in relation to the period beginning on the Closing Date and ending on 31 December 2012, the budget to be delivered by the Parent to the Agent pursuant to Clause 4.1 (*Initial conditions precedent*); and

(b) in relation to any other period, any budget delivered by the Parent to the Agent in respect of that period pursuant to Clause 25.4 (*Budget*).

"**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in London and:

(a) (in relation to any date for payment or purchase of a currency other than euro) the principal financial centre of the country of that currency; or

(b) (in relation to any date for payment or purchase of euro) any TARGET Day.

"**Capital Stock**" has the meaning given to that term in Schedule 14 (*Restricted Covenants*).

"**Cash Equivalent Investments**" has the meaning given to "Cash Equivalents" in Schedule 14 (*Restrictive Covenants*).

"**Centre of Main Interests**" means the "centre of main interests" as such term is used in Article 3(1) of the Council Regulation (EC) no. 1346/2000 on insolvency proceedings.

"**Change in Law**" means the occurrence, after the date of this Agreement (or with respect to any Lender, if later, the date on which such Lender becomes a Lender), of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any governmental authority, or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any governmental authority; **provided however** notwithstanding anything herein to the contrary, the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder issued in connection therewith or in implementation thereof shall be deemed to be a "Change in Law", regardless of the date enacted, adopted, issued or implemented.

"**Change of Control**" means:

(a) prior to an Initial Public Offering:

(i) the Investors cease to control or own, legally and beneficially, directly or indirectly, more than 50% of the issued share capital and/or voting rights attaching to the issued shares of the Parent and/or the ability to determine the composition of the majority of the board of directors or equivalent body of the Parent; or

(ii) the Parent ceases to be a direct wholly-owned subsidiary of Cabot Credit Management Limited; and

(b) following an Initial Public Offering:

(i) a Change of Control as defined in Schedule 14 (*Restrictive Covenants*) occurs provided that, when used in such definition, paragraph 1 of the definition of Permitted Holders shall only apply to the extent that the terms of Clause 12 (*Mandatory Prepayment*) have been applied in relation to the relevant Change of Control; or

(ii) the Parent ceases to be a direct wholly-owned subsidiary of Cabot Credit Management Limited.

"**Charged Property**" means all of the assets of the Obligors which from time to time are, or are expressed to be, the subject of the Transaction Security.

"**Closing Date**" means the date on which the Notes are issued and the Agent notifies the Parent and the Lenders as required under Clause 4.1 (*Initial conditions precedent*).

"**Closing Date Dividend**" means the upstream dividend made by the Borrower ultimately received by Cabot Financial Limited as described in steps 11 to 15 of the Deloittes' steps paper dated 19 September 2012.

"**Commitment**" means a Tranche 1 Commitment or a Tranche 2 Commitment.

"**Competitor**" means any person whose business (or the business of any of its Affiliates, related trusts, partnerships, or funds, *excluding* the business of any of its Affiliates, related trusts, partnerships, and funds in circumstances where (i) the relevant entity's primary business does not concern distressed or non-performing consumer debts and (ii) the relevant entity is independently managed or controlled from such person) is in competition with any aspect of the general business carried on by the Group as a whole in the distressed or non-performing consumer debt purchase and distressed or non-performing consumer debt collection market (together with each other person acting on behalf, on the instructions, or for the account of, any such person), in each case save that, in the case of any banking institution only, any person with a division or business line, Affiliate, related trust, partnership or fund that is in competition with the Group and that division or business line, Affiliate, related trust, partnership or fund is not a material competitor of the Group shall not be a "Competitor".

"**Compliance Certificate**" means a certificate substantially in the form set out in Schedule 8 (*Form of Compliance Certificate*).

"**Confidential Information**" means all information relating to the Parent, any Obligor, the Group, the Finance Documents or a Facility of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or a Facility from either:

(a) any member of the Group or any of its advisers; or

(b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from any member of the Group or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

(i) is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of Clause 43 (*Confidentiality*);

(ii) is identified in writing at the time of delivery as non-confidential by any member of the Group or any of its advisers; or

(iii) is known by that Finance Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance Party is aware, unconnected with the Group and which, in either case, as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality; and

(iv) any Funding Rate or Reference Bank Quotation.

"**Confidentiality Undertaking**" means a confidentiality undertaking substantially in a recommended form of the LMA as set out in Schedule 9 (*LMA Form of Confidentiality Undertaking*) or in any other form agreed between the Parent and the Agent, in each case capable of being relied upon by (and not capable of being materially amended without the consent of) the Parent.

"**Consolidated EBITDA**" has the meaning given to that term in Schedule 14 (*Restrictive Covenants*).

"**Constitutional Documents**" means the constitutional documents of the Parent.

"**Consumer Debt or Account**" means any debt or account where the debtor is (i) an individual, or (ii) any other person in circumstances where an individual provides any surety, guarantee, credit support, Security, or other financial assistance which represents the principal credit support for the relevant debt or account in respect of that debt or account.

"**CTA**" means the Corporation Tax Act 2009.

"**Debt Purchase Transaction**" means, in relation to a person, a transaction where such person:

(a) purchases by way of assignment or transfer;

(b) enters into any sub-participation in respect of; or

(c) enters into any other agreement or arrangement having an economic effect substantially similar to a sub-participation in respect of,

any Commitment or amount outstanding under this Agreement.

"**December 2017 Amendment and Restatement Agreement**" means the amendment and restatement agreement in relation to this Agreement dated on or about 12 December 2017 between, among others, each of the Obligors, the Lenders, the Agent and the Security Agent.

"**December 2017 Effective Date**" means the "Effective Date" as defined in the December 2017 Amendment and Restatement Agreement.

"**Default**" means an Event of Default or any event or circumstance specified in Clause 28 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default, **provided that** any such event or circumstance which requires any determination as to materiality before it may become an Event of Default shall not be a Default until such determination is made.

"**Defaulting Lender**" means any Lender (other than a Lender which is a Sponsor Affiliate):

(a) which has failed to make its participation in a Loan available or has notified the Agent that it will not make its participation in a Loan available by the Utilisation Date of that Loan in accordance with Clause 5.4 (*Lenders' participation*) or has failed to provide cash collateral (or has notified the Issuing Bank that it will not provide cash collateral) in accordance with Clause 7.4 (*Cash collateral by Non-Acceptable L/C Lender*);

(b) which has otherwise rescinded or repudiated a Finance Document; or

(c) with respect to which an Insolvency Event has occurred and is continuing,

unless, in the case of paragraph (a) above:

(i) its failure to pay is caused by:

(A) administrative or technical error; or

(B) a Disruption Event; and

payment is made within three (3) Business Days of its due date; or

(ii) the Lender is disputing in good faith whether it is contractually obliged to make the payment in question.

"**Delegate**" means any delegate, agent, attorney or co-trustee appointed by the Security Agent.

"**Designated Gross Amount**" has the meaning given to that term in Clause 9.2 (*Availability*).

"**Designated Net Amount**" has the meaning given to that term in Clause 9.2 (*Availability*).

"**Disruption Event**" means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facilities (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:

(i) from performing its payment obligations under the Finance Documents; or

(ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

"**Environment**" means humans, animals, plants and all other living organisms including the ecological systems of which they form part and the following media:

(a) air (including, without limitation, air within natural or man-made structures, whether above or below ground);

(b) water (including, without limitation, territorial, coastal and inland waters, water under or within land and water in drains and sewers); and

(c) land (including, without limitation, land under water).

"**Environmental Claim**" means any claim, proceeding, formal notice or investigation by any person in respect of any Environmental Law.

"**Environmental Law**" means any applicable law or regulation which relates to:

(a) the pollution or protection of the Environment;

(b) the conditions of the workplace; or

(c) the generation, handling, storage, use, release or spillage of any substance which, alone or in combination with any other, is capable of causing harm to the Environment, including, without limitation, any waste.

"**Environmental Permits**" means any permit and other Authorisation and the filing of any notification, report or assessment required under any Environmental Law for the operation of the business of any member of the Restricted Group conducted on or from the properties owned or used by any member of the Restricted Group.

"**ERC**" has the meaning given to that term in Clause 26.2 (*Financial definitions*).

"**ERC Model**" has the meaning given to that term in Clause 26.2 (*Financial definitions*).

"**ERC Model Output**" means the spread sheet prepared by the Parent showing ERC broken down into the monthly estimated remaining collections over 84 months of each individual component debt portfolio, in the agreed form.

"**EUR**" or "**euro**" means the single currency unit of the Participating Member States.

"**EURIBOR**" means, in relation to any Loan in euro:

(a) the applicable Screen Rate as of the Specified Time for euro and for a period equal in length to the Interest Period of that Loan; or

(b) as otherwise determined pursuant to Clause 16.1 (*Unavailability of Screen Rate*),

and if, in either case, that rate is less than zero, EURIBOR will be deemed to be zero.

"**Event of Default**" means any event or circumstance specified as such in Clause 28 (*Events of Default*).

"**Excluded Bank Accounts**" means:

(a) each bank account the credit balance of which relates to monies held on trust for third parties;

(b) the bank accounts specified in Schedule 17 (*Excluded Bank Accounts*); and

(c) any other bank account approved by the Agent from time to time.

"**Existing Cap**" means each interest rate cap hedging agreement entered into before the date of this Agreement in respect of interest rate exposures relating to the Existing Facility.

"**Existing Facilities**" means the facilities documented by the Existing Facilities Agreement and any ancillary facility granted in connection therewith.

"**Existing Facilities Agreement**" the facility agreement originally dated 1 March 2005 (as amended and restated from time to time) made between, among others, Cabot Financial (UK) Limited as borrower, The Royal Bank of Scotland plc as arranger, agent and security agent and Citibank, N.A., London Branch, DNB Bank ASA, The Royal Bank of Scotland plc and WestLB AG as original lenders.

"**Existing Notes**" has the meaning given to that term in Schedule 14 (*Restricted Covenants*).

"**Expiry Date**" means, for a Letter of Credit, the last day of its Term.

"**Extension Request**" means a Tranche 1 Extension Request and/or a Tranche 2 Extension Request as the context requires.

"**Facility**" means Tranche 1 and/or Tranche 2 as the context requires.

"**Facility Office**" means:

(a) in respect of a Lender or the Issuing Bank, the office or offices notified by that Lender or the Issuing Bank to the Agent in writing on or before the date it becomes a Lender or the Issuing Bank (or, following that date, by not less than five (5) Business Days written notice) as the office or offices through which it will perform its obligations under this Agreement; or

(b) in respect of any other Finance Party, the office in the jurisdiction in which it is resident for tax purposes.

"**FATCA**" means:

(a) sections 1471 to 1474 of the US Internal Revenue Code of 1986 (the "**Code**") or any associated regulations or other official guidance;

(b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or

(c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

"**FATCA Application Date**" means:

(a) in relation to a "withholdable payment" described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014;

(b) in relation to a "withholdable payment" described in section 1473(1)(A)(ii) of the Code (which relates to "gross proceeds" from the disposition of property of a type that can produce interest from sources within the US), 1 January 2019; or

(c) in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within paragraphs (a) or (b) above, 1 January 2019,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of this Agreement.

"**FATCA Exempt Party**" means a Party that is entitled to receive payments free from any FATCA Deduction.

"**FATCA Deduction**" means a deduction or withholding from a payment under a Finance Document required by FATCA.

"**Fee Letter**" means:

(a) any letter or letters dated on or about the date of this Agreement between the Parent and the Agent or the Parent and the Arrangers setting out any of the fees referred to in Clause 17 (*Fees*); and

(b) any agreement setting out fees payable to a Finance Party referred to in Clause 2.2 (*Increase*), Clause 17.4 (*Fees payable in respect of Letters of Credit*) or Clause 17.5 (*Interest, commission and fees on Ancillary Facilities*) of this Agreement or under any other Finance Document.

"**Finance Document**" means this Agreement, the 2016 Amendment and Restatement Agreement, the March 2017 Amendment and Restatement Agreement, the December 2017 Amendment and Restatement Agreement, any Accession Deed, any Ancillary Document, any Compliance Certificate, any Fee Letter, any Hedging Agreement, the Intercreditor Agreement, any Resignation Letter, any Transaction Security Document, any Utilisation Request, any Transfer Certificate, any Assignment Agreement, any Increase Confirmation and any other document designated as a "Finance Document" by the Agent and the Parent **provided that** where the term "Finance Document" is used in, and construed for the purposes of, this Agreement or the Intercreditor Agreement, a Hedging Agreement shall be a Finance Document only for the purposes of:

(a) the definition of "Material Adverse Effect";

(b) the definition of "Transaction Document";

(c) the definition of "Transaction Security Document";

(d) paragraph (a)(iv) of Clause 1.2 (*Construction*); and

(e) Clause 28.1 (*Non-payment*), Clause 28.10 (*Unlawfulness and invalidity*), Clause 28.11 (*Intercreditor Agreement*), Clause 28.15 (*Repudiation and rescission of agreements*) and Clause 28.17 (*Material adverse change*).

"**Finance Party**" means the Agent, an Arranger, the Security Agent, a Lender, a Hedge Counterparty, the Issuing Bank or any Ancillary Lender **provided that** where the term "Finance Party" is used in, and construed for the purposes of, this Agreement or the Intercreditor Agreement, a Hedge Counterparty shall be a Finance Party only for the purposes of:

(a) the definition of "Secured Parties";

(b) paragraph (a)(i) of Clause 1.2 (*Construction*);

(c) Clause 28.17 (*Material adverse change*), paragraph (c) of Clause 24.4 (*Non-conflict with other obligations*) or Clause 24.19 (*Good title to assets*) of the definition of "Material Adverse Effect";

(d) Clause 34 (*Conduct of business by the Finance Parties*); and

(e) Clause 28.1 (*Non-payment*), Clause 28.10 (*Unlawfulness and invalidity*), Clause 28.11 (*Intercreditor Agreement*) and Clause 28.15 (*Repudiation and rescission of agreements*).

"**Financial Indebtedness**" has the meaning given to "Indebtedness" in Schedule 14 (*Restrictive Covenants*).

"**Financial Quarter**" has the meaning given to that term in Clause 26.2 (*Financial definitions*).

"**Financial Year**" has the meaning given to that term in Clause 26.2 (*Financial definitions*).

"**Funding Rate**" means any individual rate notified by a Lender to the Agent pursuant to paragraph (a)(ii) of Clause 16.4 (*Cost of funds*).

"**Funds Flow Statement**" means a funds flow statement in the agreed form.

"**GBP**", "**Sterling**" or "**£**" means the lawful currency for the time being of the United Kingdom.

"**Group**" means the Parent and each of its Subsidiaries for the time being.

"**Group Structure Chart**" means the group structure chart in the agreed form.

"**Guarantor**" means an Original Guarantor or an Additional Guarantor,

"**Hedge Counterparty**" means any person which is or has become a Party to the Intercreditor Agreement as a Hedge Counterparty in accordance with the provisions of the Intercreditor Agreement.

"**Hedging Agreement**" means any master agreement, confirmation, schedule or other agreement entered into or to be entered into by a member of the Restricted Group and a Hedge Counterparty for any purpose permitted under Clause 27.16 (*Treasury Transactions*).

"**HMRC**" means HM Revenue & Customs.

"**Holdco**" means the Parent, Cabot Credit Management Group Limited (formerly Cabot Financial Holdings Group Limited), Cabot Financial (Luxembourg) S.A., Cabot Financial (Luxembourg) II S.A., Cabot Financial Holdings Group Limited (formerly Cabot Credit Management Group Limited) and Cabot Financial Debt Recovery Services Limited.

"**Holding Company**" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

"**IFRS**" means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

"**Impaired Agent**" means the Agent at any time when:

(a) it has failed to make (or has notified a Party that it will not make) a payment required to be made by it under the Finance Documents by the due date for payment;

(b) the Agent otherwise rescinds or repudiates a Finance Document;

(c) (if the Agent is also a Lender) it is a Defaulting Lender under paragraphs (a) or (b) of the definition of "Defaulting Lender"; or

(d) an Insolvency Event has occurred and is continuing with respect to the Agent,

unless, in the case of paragraph (a) above:

(i) its failure to pay is caused by:

(A) administrative or technical error; or

(B) a Disruption Event; and

payment is made within three (3) Business Days of its due date; or

(ii) the Agent is disputing in good faith whether it is contractually obliged to make the payment in question.

"**Increase Confirmation**" means a confirmation substantially in the form set out in Schedule 15 (*Form of increase confirmation*).

"**Increase Lender**" has the meaning given to that term in Clause 2.2 (*Increase*).

"**Initial ERC**" means the ERC forecast dated 30 June 2012.

"**Initial Public Offering**" means an initial public offering on any recognised investment exchange of the shares of the Parent or any Holding Company of the Parent but excluding the Investors.

"**Insolvency Event**" in relation to a Finance Party means that the Finance Party:

(a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);

(b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;

(c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;

(d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;

(e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in paragraph (d) above and:

(i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or

(ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;

(f) has exercised in respect of it one or more of the stabilisation powers pursuant to Part 1 of the Banking Act 2009 and/or has instituted against it a bank insolvency proceeding pursuant to Part 2 of the Banking Act 2009 or a bank administration proceeding pursuant to Part 3 of the Banking Act 2009;

(g) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);

(h) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;

(i) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;

(j) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (i) above, including a Luxembourg Insolvency Event; or

(k) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

"**Intellectual Property**" means:

(a) any patents, trademarks, service marks, designs, business names, copyrights, database rights, design rights, domain names, moral rights, inventions, confidential information, knowhow and other intellectual property rights and interests (which may now or in the future subsist), whether registered or unregistered; and

(b) the benefit of all applications and rights to use such assets of each member of the Restricted Group (which may now or in the future subsist).

"**Intercreditor Agreement**" means the intercreditor agreement dated on or about the Closing Date and made between, among others, the Parent, the Debtors (as defined in the Intercreditor Agreement), the Security Agent, the Agent, the Lenders (as RCF Lenders), the Arranger (as Arranger), the Intra-Group Lenders, the Structural Creditors and the Note Trustee (each as defined in the Intercreditor Agreement).

"**Interest Period**" means, in relation to a Loan, each period determined in accordance with Clause 15 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 14.3 (*Default interest*).

"**Interpolated Screen Rate**" means, in relation to any Loan, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

(a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the Interest Period of that Loan; and

(b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Interest Period of that Loan,

each as of the Specified Time for the currency of that Loan.

"**Intra-Group Loans**" means a loan by the Parent to the Borrower and any other loans made by one member of the Restricted Group to another member of the Restricted Group.

"**Investment Grade Status**" shall have the meaning set out in the 2023 Cabot Notes Indenture as it applies to the 2023 Cabot Notes and for the purposes of Clause 29 (*Investment Grade Status*) shall have a corresponding meaning in respect of any other Permitted Financial Indebtedness.

"**Investors**" means Encore Capital Group, Inc. and any fund managed and/or advised by it, J.C. Flowers & Co. LLC and any fund managed and/or advised by it and, in each case, any of their respective Affiliates.

"**Issuing Bank**" means each Lender which has notified the Agent that it has agreed to the Parent's request to be an Issuing Bank pursuant to the terms of this Agreement (and if more than one Lender has so agreed, such Lenders shall be referred to, whether acting individually or together, as the "**Issuing Bank**") **provided that**, in respect of a Letter of Credit issued or to be issued pursuant to the terms of this Agreement, the "Issuing Bank" shall be the Issuing Bank which has issued or agreed to issue that Letter of Credit.

"**ITA**" means the Income Tax Act 2007.

"**Joint Venture**" means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity in which the interests of all members of the Restricted Group (taken together) are not more than 50%.

"**L/C Proportion**" means in respect of any Letter of Credit, the proportion (expressed as a percentage) borne by that Lender's Available Commitment in the relevant Facility to the Tranche 1 Available Facility or, as the case may be, the Tranche 2 Available Facility immediately prior to the issue of that Letter of Credit, adjusted to reflect any assignment or transfer under this Agreement to or by that Lender.

"**Legal Opinion**" means any legal opinion delivered to the Agent under Clause 4.1 (*Initial conditions precedent*) or Clause 32 (*Changes to the Obligors*).

"**Legal Reservations**" means:

(a) the principle that certain remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;

(b) the time barring of claims under any applicable limitation law (including the Limitation Acts), the possibility that an undertaking to assume liability for or indemnify a person against non-payment of stamp duty may be void and defences of acquiescence, set-off or counterclaim;

(c) the principle that in certain circumstances Security granted by way of fixed charge may be recharacterised as a floating charge or that Security purported to be constituted as an assignment may be recharacterised as a charge;

(d) the principle that additional interest imposed pursuant to any relevant agreement may be held to be unenforceable on the grounds that it is a penalty and thus void;

(e) the principle that an English court may not give effect to an indemnity for legal costs incurred by an unsuccessful litigant;

(f) the principle that the creation or purported creation of Security over any contract or agreement which is subject to a prohibition on transfer, assignment or charging

may be void, ineffective or invalid and may give rise to a breach of the contract or agreement over which Security has purportedly been created;

(g) similar principles, rights and defences under the laws of any Relevant Jurisdiction; and

(h) any other matters which are set out as qualifications or reservations as to matters of law of general application in the Legal Opinions.

"**Lender**" means a Tranche 1 Lender and/or a Tranche 2 Lender as the context requires.

"**Letter of Credit**" means:

(a) a letter of credit or guarantee in favour of third parties including counter guarantees for guarantees to such third parties and which:

(i) complies with the Letter of Credit Requirements;

(ii) is in substantially the form set out in Schedule 12 (*Form of Letter of Credit*); or

(iii) is in any other form requested by the Parent and agreed by the Relevant Majority Lenders in respect of the relevant Facility under which the Letter of Credit is to be issued and the Issuing Bank; or

(b) any guarantee, indemnity or other instrument in a form requested by a Borrower (or the Parent on its behalf) and agreed by the Relevant Majority Lenders in respect of the relevant Facility under which the Letter of Credit is to be issued and the Issuing Bank.

"**Letter of Credit Requirements**" means the requirements as to the form of a Letter of Credit as set out in Schedule 11 (*Letter of Credit Requirements*).

"**LIBOR**" means, in relation to any Loan:

(a) the applicable Screen Rate as of the Specified Time for the currency of that Loan and for a period equal in length to the Interest Period of that Loan; or

(b) as otherwise determined pursuant to Clause 16.1 (*Unavailability of Screen Rate*),

and if, in either case, that rate is less than zero, LIBOR shall be deemed to be zero.

"**Limitation Acts**" means the Limitation Act 1980 and the Foreign Limitation Periods Act 1984.

"**LMA**" means the Loan Market Association.

"**Loan**" means a Tranche 1 Loan or a Tranche 2 Loan.

"**LTV Ratios**" means the LTV Ratio and the SSRCF LTV Ratio.

"**LTV Ratio**" has the meaning given to it in Clause 26.2 (*Financial definitions*).

"**Luxembourg Guarantor**" means Cabot Financial (Luxembourg) S.A., Cabot Financial (Luxembourg) II S.A. and any other Guarantor which is incorporated and/or established in the Grand Duchy of Luxembourg from time to time.

"**Luxembourg Share Pledge Agreements**" means the agreements pursuant to which Luxembourg law share pledges are granted by Cabot Credit Management Group Limited (formerly Cabot Financial Holdings Group Limited) in favour of the Security Agent over the shares in:

(a) Cabot Financial (Luxembourg) S.A.; and

(b) Cabot Financial (Luxembourg) II S.A..

"**Majority Lenders**" means:

(a) in respect of any direction provided by the Majority Lenders under Clause 28.20 (*Acceleration*):

(i) prior to the date on which the definition of "Majority Super Senior Creditors" in each of the Intercreditor Agreement and the Marlin Intercreditor Agreement is amended with the references to "75%" included therein being amended to "66.67%" (the "**Majority ICA Amendment**"), a Lender or Lenders whose Commitments aggregate 75 per cent. or more of the Total Commitments (or if the Total Commitments have been reduced to zero, aggregated 75 per cent. or more of the Total Commitments immediately prior to that reduction); and

(ii) on and from the date of the Majority ICA Amendment, a Lender or Lenders whose Commitments aggregate 66.67 per cent. or more of the Total Commitments (or if the Total Commitments have been reduced to zero, aggregated 66.67 per cent. or more of the Total Commitments immediately prior to that reduction); and

(b) in any other case, a Lender or Lenders whose Commitments aggregate 66.67 per cent. or more of the Total Commitments (or if the Total Commitments have been reduced to zero, aggregated 66.67 per cent. or more of the Total Commitments immediately prior to that reduction).

"**Mandatory Prepayment Account**" means an interest-bearing account:

(a) held, or to be held, by a Borrower with the Agent or the Security Agent (or Affiliate of the Agent or the Security Agent);

(b) identified in a letter between the Parent and the Agent as a Mandatory Prepayment Account;

(c) subject to Security in favour of the Security Agent which Security is in form and substance satisfactory to the Agent and Security Agent (each acting reasonably); and

(d) from which no withdrawals may be made by any members of the Restricted Group except as contemplated by this Agreement,

as the same may be redesignated, substituted or replaced from time to time.

"**March 2017 Amendment and Restatement Agreement**" means the amendment and restatement agreement in relation to this Agreement dated on 31 March 2017 between, among others, each of the Obligors, the Lenders, the Agent and the Security Agent.

"**March 2017 Effective Date**" means the "Effective Date" as defined in the March 2017 Amendment and Restatement Agreement.

"**Margin**" means until (but excluding) the 2016 Effective Date 3.50 per cent. per annum, on and from the 2016 Effective Date until (but excluding) the 2018 IPO Completion Date 3.25 per cent. per annum, and on and from the 2018 IPO Completion Date 2.75 per cent. per annum.

"**Marlin Intercreditor Agreement**" has the meaning given to that term in Schedule 14 (*Restrictive Covenants*).

"**Material Adverse Effect**" means a material adverse effect on:

(a) the business, operations, assets or financial condition of the Restricted Group (taken as a whole); or

(b) the ability of the Obligors (taken as a whole) to perform their payment obligations under the Finance Documents; or

(c) the legality, validity, enforceability or ranking of any Security granted or purported to be granted pursuant to any of the Finance Documents, in any such case, in a manner or to an extent which is materially adverse to the interests of the Lenders under the Finance Documents and, if capable of remedy is not remedied within 15 Business Days of the earlier of:

(i) the Parent becoming aware of the issue; or

(ii) the giving of notice of the issue by the Agent,

**provided that** such period shall run concurrently with any applicable grace period contained in Clause 28 (*Events of Default*).

"**Material Company**" means, at any time:

(a) an Obligor; or

(b) a wholly-owned member of the Restricted Group that is the Holding Company of an Obligor; or

(c) a member of the Restricted Group which:

(i) has earnings before interest, tax, depreciation and amortisation calculated on the same basis as Consolidated EBITDA (but on an unconsolidated basis and excluding intra-Restricted Group items and investments in Restricted Subsidiaries of any member of the Restricted Group) representing more than five (5) per cent. of Consolidated EBITDA of the Restricted Group calculated on a consolidated basis; or

(ii) has gross assets (on an unconsolidated basis excluding intra-Restricted Group items, goodwill and investments in Restricted Subsidiaries of any member of the Restricted Group) representing five (5) per cent. or more of the gross assets of the Restricted Group calculated on a consolidated basis (excluding goodwill),

but does not include:

(d) a Permitted Purchase Obligations SPV; or

(e) a Restricted Subsidiary whose only assets are the Capital Stock in a Permitted Purchase Obligations SPV.

Compliance with the conditions set out in paragraph (c) above shall be determined by reference to:

(i) the most recent Annual Financial Statements of the Group (adjusted in accordance with Clause 25.8 (*Unrestricted Subsidiaries*)), supplied under paragraph (a) of Clause 25.1 (*Financial statements*) and the Compliance Certificate relating thereto;

(ii) the latest (if applicable) consolidated financial statements of the Subsidiary (audited to the extent required by law). However, if a Subsidiary has been acquired since the date as at which the latest Annual Financial Statements of the Group were prepared, the Annual Financial Statements shall be deemed to be adjusted in order to take into account the acquisition of that Subsidiary (that adjustment being certified by two directors of the Parent as representing an accurate reflection of the revised Consolidated EBITDA) or gross assets of the Restricted Group).

A report by the Auditors of the Parent that a Subsidiary is or is not a Material Company shall, in the absence of manifest error, be conclusive and binding on all Parties.

"**Material Event of Default**" means any event or circumstance constituting:

(a) an Event of Default under Clause 28.4 (*Other obligations*) to the extent that such Event of Default relates to a failure to comply that is material other than in the case of Clause 27.20 (*Note Purchase Condition*) where materiality will not be applied to such test; and

(b) an Event of Default under any Clause other than Clause 28.4 (*Other obligations*).

"**Member State**" means the territory of each Member State of the Community as defined in Article 5 and 6 of the Council Directive 2006/112/EC on the common system of value added tax.

"**Month**" means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

(a) (subject to paragraph (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;

(b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and

(c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will only apply to the last Month of any period.

"**New Shareholder Loan**" means each shareholder loan made directly or indirectly to the Parent after the Closing Date which is subordinated as Structural Liabilities pursuant to the Intercreditor Agreement or otherwise on comparable subordinated terms acceptable to the Majority Lenders.

"**Non-Acceptable L/C Lender**" means a Lender which:

(a) is not an Acceptable Bank within the meaning of paragraph (c) of the definition of "Acceptable Bank" (other than a Lender which each Issuing Bank has agreed is acceptable to it notwithstanding that fact);

(b) is a Defaulting Lender or an Insolvency Event has occurred in respect of a holding company of such Lender;

(c) is determined or declared as such by the Issuing Bank from time to time; or

(d) has failed to make (or has notified the Agent that it will not make) a payment to be made by it under Clause 7.3 (*Indemnities*) or Clause 33.10 (*Lenders' indemnity to the Agent*) or any other payment to be made by it under the Finance Documents to or for the account of any other Finance Party in its capacity as Lender by the due date for payment unless the failure to pay falls within the description of any of those items set out at paragraphs (i) and (ii) of the definition of Defaulting Lender.

"**Non-Consenting Lender**" has the meaning given to that term in Clause 42.4 (*Replacement of Lender*).

"**Non-Consumer Debt or Accounts**" means any debt or account that is not a Consumer Debt or Account.

"**Non-Permitted Jurisdiction Originated Account**" means a Portfolio Account originally issued or extended to a person:

(a) outside the United Kingdom or a Permitted Jurisdiction, unless such person was resident in the United Kingdom or a Permitted Jurisdiction at such time; and

(b) in a jurisdiction which is not a Sanctioned Country.

"**Non-UK Originated Account**" means a Portfolio Account originally issued or extended to a person outside the United Kingdom unless such person was resident in the United Kingdom at such time.

"**Note Documents**" means the Senior Note Documents (as such term is defined in the Intercreditor Agreement).

"**Note Indenture**" means the senior secured note indenture dated on or about the date hereof and between, among others, the Parent and the Note Trustee, as amended from time to time.

"**Note Trustee**" means Citibank, N.A., London Branch, or any successor trustee appointed in accordance with the Note Indenture.

"**Notes**" means the Senior Notes (as such term is defined in the Intercreditor Agreement).

"**Notice of Extension**" means a Tranche 1 Notice of Extension and/or a Tranche 2 Notice of Extension as the context requires.

"**Notifiable Debt Purchase Transaction**" has the meaning given to that term in paragraph (b) of Clause 31.2 (*Disenfranchisement on Debt Purchase Transactions entered into by Sponsor Affiliates*).

"**Obligor**" means a Borrower or a Guarantor.

"**Obligors' Agent**" means the Parent or such other person, appointed to act on behalf of each Obligor in relation to the Finance Documents pursuant to Clause 2.4 (*Obligors' Agent*).

"**Offering Memorandum**" means the offering memorandum for the Notes.

"**Optional Currency**" means a currency (other than the Base Currency) which complies with the conditions set out in Clause 4.3 (*Conditions relating to Optional Currencies*).

"**Original Financial Statements**" means:

(a) the audited financial statements of the Group for the fourteen months ending 31 December 2011;

(b) in relation to each Original Obligor (other than Cabot Financial (Luxembourg) S.A.) its audited financial statements for its Financial Year ended 31 December 2011; and

(c) in relation to any other Obligor, its audited (to the extent required by law to be audited) financial statements (to the extent required by law to be produced) delivered to the Agent as required by Clause 32 (*Changes to the Obligors*).

"**Original Lender**" means an Original Tranche 1 Lender and/or an Original Tranche 2 Lender as the context requires.

"**Original Obligor**" means an Original Borrower or an Original Guarantor.

"**Original Tranche 1 Lender**" means each financial institution listed in Part II-B of Schedule 1 (*The Original Parties*) as a December 2017 Effective Date Lender with a Tranche 1 Commitment greater than £0.

"**Original Tranche 2 Lender**" means each financial institution listed in Part II-B of Schedule 1 (*The Original Parties*) as a December 2017 Effective Date Lender with a Tranche 2 Commitment greater than £0.

"**Participating Member State**" means any member state of the European Union that adopts or has adopted the Euro as its lawful currency in accordance with legislation of the European Union relating to Economic and Monetary Union.

"**Party**" means a party to this Agreement.

"**Perfection Requirements**" means the making or procuring of appropriate registrations, filings, endorsements, stampings, intimation in accordance with local laws, notations in stock registries, notarisations, legalisation and/or notifications of the Transaction Security Documents and/or the Transaction Security created thereunder.

"**Permitted Acquisition**" means an acquisition (not being an acquisition by the Parent):

(a) of shares or other ownership interests in a company representing at least 50.1 per cent. of the issued share capital or other ownership interests of such company or of a business or undertaking carried on as a going concern (each a "**Business Acquisition**"); or

(b) an acquisition of Portfolio Accounts for consideration in cash,

but only if:

(i) in relation to a Business Acquisition, no Event of Default has occurred and is continuing at the time the relevant member of the Restricted Group contractually commits to the relevant acquisition or would result therefrom;

(ii) in relation to an acquisition of Portfolio Accounts, no Material Event of Default has occurred and is continuing at the time the relevant member

of the Restricted Group contractually commits to the relevant acquisition or would result therefrom;

(iii) in relation to a Business Acquisition, the acquired company, business, or undertaking is engaged in a business substantially similar to or complementary to that carried on by the Restricted Group in the debt purchase and debt collection market; and

(iv) in relation to an acquisition of a Portfolio Account:

(A) if the aggregate purchase value of Portfolio Accounts acquired by the Restricted Group since the most recent Quarter Date exceeds or will as a result of such acquisition of Portfolio Accounts exceed an amount equal to 30 per cent. of the amount budgeted for acquisitions of Portfolio Accounts in the Budget for the relevant Financial Year, the Parent has delivered a Compliance Certificate (amended to set out calculations in respect of the LTV Ratios and the acquired Portfolio Accounts only) signed by two directors showing in reasonable detail calculations demonstrating that it is in compliance with the LTV Ratios (calculated by reference to the last day of the most recently ended calendar Month); and

(B) in the case of a Portfolio Account constituting either (i) a Non-Consumer Debt or Account, or (ii) a Non-UK Originated Account, having regard to the circumstances applying at the time the relevant member of the Restricted Group contractually commits to the relevant acquisition, the relevant acquisition would not result in a failure to comply with the definition of "**Portfolio Account**";

(v) in relation to a Business Acquisition of less than 100 per cent. but more than 50.1 per cent. of the issued share capital or other ownership interest interests of a company which following the acquisition would constitute a Material Company, subject to such company becoming an Obligor and granting Security (on substantially the same or equivalent terms to the Transaction Security granted as a condition precedent to initial utilisation of the Facilities and subject to the Agreed Security Principles) over all its assets in favour of the Secured Parties as soon as practicable and in any event within:

(A) in the case of a Business Acquisition in England and Wales, 60 days; or

(B) in the case of a Business Acquisition in any other jurisdiction, 90 days,

of consummation of the relevant acquisition;

(vi) in relation to a Business Acquisition, the Parent has delivered a Compliance Certificate (amended to set out calculations in respect of the

LTV Ratios and the Portfolio Accounts only) signed by two directors showing in reasonable detail calculations demonstrating:

(A) that it will remain in compliance with the LTV Ratios immediately following completion of the relevant acquisition (calculated by reference to the last day of the most recently ended calendar Month and on a *pro forma* basis for the proposed Business Acquisition taking into account any Financial Indebtedness incurred or to be incurred by any member of the Restricted Group in relation to the proposed acquisition); and

(B) to the extent that the Business Acquisition includes an acquisition of any Non-Consumer Debt or Account or any Non-UK Originated Accounts, having regard to the circumstances applying at the time the relevant member of the Restricted Group contractually commits to the relevant acquisition, that the relevant acquisition would not result in a failure to comply with the definition of "**Portfolio Account**";

(vii) in relation to a Business Acquisition, the acquired company, business or undertaking is incorporated or established, and carries on its principal business, in the United Kingdom, European Union, United States of America or Canada;

(viii) in the reasonable opinion of the Parent, such acquisitions are directly or indirectly EBITDA enhancing over the next three Financial Years after the completion of such acquisition having regard to the Group as a whole and the nature of the Group's business in the debt purchase and debt collection market; and

(ix) in relation to an acquisition of Portfolio Accounts to be funded by a Utilisation in an amount of more than:

(A) 7.5% of ERC (as determined by reference to the Compliance Certificate most recently delivered to the Agent under this Agreement or (if relevant) the last day of the most recently ended calendar month on a *pro forma* basis for such acquisition), the Parent notifies the Agent of such acquisition promptly following its completion and provides the Agent with such information in relation to the acquisition as the Agent or the Lenders may reasonably require promptly upon request; or

(B) 15% of ERC (as determined by reference to the Compliance Certificate most recently delivered to the Agent under this Agreement or (if relevant) the last day of the most recently ended calendar month on a *pro forma* basis for such acquisition), the prior written consent of the Majority Lenders has been obtained.

"**Permitted Financial Indebtedness**" means any Financial Indebtedness which is permitted under this Agreement from time to time.

"**Permitted Joint Venture**" means any investment in a Joint Venture permitted in accordance with this Agreement from time to time.

"**Permitted Jurisdiction**" means each of Ireland, France, Spain, Portugal, Italy, Germany, the Netherlands and Poland.

"**Permitted Jurisdiction Non-UK Originated Account**" means a Portfolio Account originally issued or extended to a person outside the United Kingdom unless such person was resident in the United Kingdom at such time, **provided that**:

(a) the aggregate "ERC" amount of all Permitted Jurisdiction Originated Accounts in any individual Permitted Jurisdiction (calculated on the same basis as ERC and as set out in the further proviso below) at the time the relevant member of the Restricted Group contractually commits to the relevant acquisition does not exceed (i) in the case of each of Ireland, France and Spain, an amount equal to 20 per cent. of ERC and (ii) in the case of each other individual Permitted Jurisdiction, an amount equal to 10 per cent. of ERC (as determined in each case by reference to the Compliance Certificate most recently delivered to the Agent under this Agreement or if relevant the last day of the most recently ended calendar Month adjusted on a *pro forma* basis for the proposed acquisition); and

(b) the aggregate "ERC" amount of all Non-Permitted Jurisdiction Originated Accounts (calculated on the same basis as ERC and as set out in the further proviso below) at the time the relevant member of the Restricted Group contractually commits to the relevant acquisition does not exceed an amount equal to 5 per cent. of ERC (as determined by reference to the Compliance Certificate most recently delivered to the Agent under this Agreement or if relevant the last day of the most recently ended calendar Month adjusted on a *pro forma* basis for the proposed acquisition),

and **provided further that** for the purposes of this definition, when calculating the aggregate "ERC" amount of all such Permitted Jurisdiction Originated Accounts or all such Non-Permitted Jurisdiction Originated Accounts debt, it shall refer to the estimated remaining collections projected to be received over 84 Months from the debt portfolio of which such debt is a component multiplied by the ratio of Permitted Jurisdiction Originated Accounts or Non-Permitted Jurisdiction Originated Accounts to total accounts in that debt portfolio, respectively.

"**Permitted Jurisdiction Originated Account**" means a Portfolio Account originally issued or extended to a person in a Permitted Jurisdiction.

"**Permitted Payment**" has the meaning given to that term in the Intercreditor Agreement.

"**Permitted Purchase Obligations SPV**" has the meaning given to that term in Schedule 14 (*Restricted Covenants*).

"**Permitted Refinancing Indebtedness**" means any Refinancing Indebtedness (as defined in Schedule 14 (*Restrictive Covenants*) permitted pursuant to Section 4.09 of the 2023 Cabot Notes Indenture.

"**Permitted Reorganisation**" means:

(a) an amalgamation, merger, transfer, consolidation, liquidation, dissolution or corporate reconstruction (each a "**Reorganisation**") on a solvent basis of a member of the Restricted Group where:

(i) all of the business and assets of that member of the Restricted Group remain within the Restricted Group (and if that member of the Restricted Group was an Obligor immediately prior to such reorganisation being implemented, all of the business and assets of that member are retained by one or more other Obligors);

(ii) if it or its assets or the shares in it were subject to the Transaction Security immediately prior to such Reorganisation, the Security Agent will enjoy substantially the same or equivalent Security over the same assets or, as the case may be, over it or the shares in it (or in each case over the shares of its successor) or, where a member of the Group is being dissolved or liquidated, its assets (after payment of creditors) are passed up to its Holding Company (subject to such Holding Company granting the same or equivalent Security over the relevant assets in favour of the Security Agent); and

(iii) in the case of an amalgamation, merger or corporate reconstruction, if such member of the Group is an Obligor, the surviving entity is or becomes an Obligor to at least the same extent as such first mentioned Obligor immediately prior to the said amalgamation, merger or corporate reconstruction;

(b) any Reorganisation permitted under Schedule 14 (*Restrictive Covenants*); or

(c) any other Reorganisation of one or more members of the Restricted Group approved by the Majority Lenders (acting reasonably).

"**Person**" means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, limited liability partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organisations, whether or not legal entities, and governmental authorities.

"**Portfolio**" means the Portfolio Accounts.

"**Portfolio Account**" means:

(a) (i) a performing, sub-performing or charged-off consumer account, loans, receivables, mortgages, debentures, claims or other similar assets or instruments or any other consumer account owned by the Restricted Group (in each case, a "**Consumer Portfolio Account**"); (ii) (to the extent that, when calculating the aggregate "ERC" amount under the Notes, this is also taken into account and the same methodology is used) any sale, lease, licence, transfer or other disposal of any asset (including but not limited to real estate) owned or held (as relevant) by

the Restricted Group following any acceleration, enforcement or similar action or proceeding or following any restructuring arrangement (such action or proceeding, or restructuring arrangement, (in each case, as appropriate) having taken place prior to or following such asset being owned or held (as relevant) by the Restricted Group) in connection with any Consumer Portfolio Account; or (iii) any Non-Consumer Debt or Account; or

(b) a Right to Collect Account,

**provided that:**

(i) the aggregate "ERC" amount of all Non-Consumer Debt or Accounts (calculated on the same basis as ERC and as set out in the further proviso below) at the time the relevant member of the Restricted Group contractually commits to the relevant acquisition does not exceed an amount equal to 7.5 per cent. of ERC (as determined by reference to the Compliance Certificate most recently delivered to the Agent under this Agreement or if relevant the last day of the most recently ended calendar Month adjusted on a *pro forma* basis for the proposed acquisition); and

(ii) the aggregate "ERC" amount of all Permitted Jurisdiction Non-UK Originated Accounts (calculated on the same basis as ERC and as set out in the further proviso below) at the time the relevant member of the Restricted Group contractually commits to the relevant acquisition does not exceed an amount equal to the Relevant Percentage of ERC (as determined by reference to the Compliance Certificate most recently delivered to the Agent under this Agreement or if relevant the last day of the most recently ended calendar Month adjusted on a *pro forma* basis for the proposed acquisition),

and **provided further that** for the purposes of this definition, when calculating the aggregate "ERC" amount of all such Non-Consumer Debt or Accounts or all such Permitted Jurisdiction Non-UK Originated Accounts, it shall refer to the estimated remaining collections projected to be received over 84 Months from the debt portfolio of which such debt is a component multiplied by the ratio of Non-Consumer Debt or Accounts or Permitted Jurisdiction Non-UK Originated Accounts to total accounts in that debt portfolio, respectively.

For the purposes of this definition, "**Relevant Percentage**" means the percentage set out below in the column for the relevant Portfolio Accounts for the relevant time period during which the relevant member of the Restricted Group contractually commits to the relevant acquisition:

| **Time period during which the relevant member of the Restricted Group contractually commits to the relevant acquisition** | **Relevant Percentage in respect of Permitted Jurisdiction Non-UK Originated Accounts** |
|---|---|
| From the 2015 Second Effective Date to 31 December 2016 | 30 per cent. |
| From 1 January 2017 to 31 December 2017 | 40 per cent. |
| From 1 January 2018 onwards | 50 per cent. |

"**Quarter Date**" has the meaning given in Clause 26.2 (*Financial definitions*).

"**Quasi Security**" means any transaction in which a member of the Restricted Group agrees to:

(a) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by an Obligor or any other member of the Restricted Group;

(b) sell, transfer or otherwise dispose of any of its receivables on recourse terms;

(c) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or

(d) enter into any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

"**Quotation Day**" means, in relation to any period for which an interest rate is to be determined:

(a) (if the currency is sterling) the first day of that period;

(b) (if the currency is euro) two TARGET Days before the first day of that period; or

(c) (for any other currency) two Business Days before the first day of that period,

unless market practice differs in the Relevant Interbank Market for a currency, in which case the Quotation Day for that currency will be determined by the Agent in accordance with market practice in the Relevant Interbank Market (and if quotations would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days).

"**Receiver**" means a receiver or receiver and manager or administrative receiver of the whole or any part of the Charged Property.

"**Reference Bank Quotation**" means any quotation supplied to the Agent by a Base Reference Bank or an Alternative Reference Bank.

"**Related Fund**" in relation to a fund (the "**first fund**"), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

"**Relevant Acceleration Event**" has the meaning given to that term in Schedule 16 (*Agreed Security Principles*).

"**Relevant Geography**" means any Permitted Jurisdiction in respect of which the aggregate "ERC" amount of that Permitted Jurisdiction's Permitted Jurisdiction Originated Accounts (calculated on the same basis as ERC and as set out in the proviso below) at the relevant time of calculation exceeds 5 per cent. of ERC (as determined by reference to the Compliance Certificate most recently delivered to the Agent under this Agreement or if relevant the last day of the most recently ended calendar Month adjusted on a *pro forma* basis for the proposed acquisition), **provided that** for the purposes of this definition, when calculating the aggregate "ERC" amount of a Permitted Jurisdiction's Permitted Jurisdiction Originated Accounts, it shall refer to the estimated remaining collections projected to be received over 84 Months from the debt portfolio of which such debt is a component multiplied by the ratio of that Permitted Jurisdiction's Permitted Jurisdiction Originated Accounts to total accounts in that debt portfolio.

"**Relevant Jurisdiction**" means, in relation to an Obligor:

(a) its jurisdiction of incorporation;

(b) any jurisdiction where it conducts a substantial part of its business; and

(c) the jurisdiction whose laws govern the perfection of any of the Transaction Security Documents entered into by it.

"**Relevant Interbank Market**" means in relation to euro, the European interbank market and, in relation to any other currency, the London interbank market.

"**Relevant Majority Lenders**" means:

(a) in relation to Tranche 1, a Tranche 1 Lender or Tranche 1 Lenders whose Tranche 1 Commitments aggregate 66.67 per cent. or more of the Total Tranche 1 Commitments (or, if the Total Tranche 1 Commitments have been reduced to zero, aggregated 66.67 per cent. or more of the Total Tranche 1 Commitments immediately prior to that reduction); and

(b) in relation to Tranche 2, a Tranche 2 Lender or Tranche 2 Lenders whose Tranche 2 Commitments aggregate 66.67 per cent. or more of the Total Tranche 2 Commitments (or, if the Total Tranche 2 Commitments have been reduced to zero, aggregated 66.67 per cent. or more of the Total Tranche 2 Commitments immediately prior to that reduction).

"**Reliance Parties**" means the Agent, the Arranger, the Security Agent, the Issuing Bank, each Original Lender and each person who accedes as a Lender as part of the primary syndication of the Facilities within six months of this Agreement.

"**Renewal Request**" means a written notice delivered to the Agent in accordance with Clause 6.6 (*Renewal of a Letter of Credit*).

"**Repeating Representations**" means each of the representations set out in Clause 24.2 (*Status*), Clause 24.3 (*Binding obligations*), Clause 24.4 (*Non-conflict with other obligations*), Clause 24.5 (*Power and authority*), paragraph (a) of Clause 24.6 (*Validity and admissibility in evidence*), Clause 24.7 (*Governing law and enforcement*), Clause 24.10 (*No default*), paragraph (e) of Clause 24.11 (*No Misleading Information*) paragraphs (e) and (f) of Clause 24.12 (*Financial Statements)*, Clause 24.20 (*Legal and beneficial ownership*), Clause 24.21 (*Shares*), Clause 24.26 (*Centre of main interests and establishments*) and Clause 24.29 (*Money Laundering Act*).

"**Replacement Debt**" means Permitted Refinancing Indebtedness where the proceeds are applied within one (1) day of the incurrence of the Permitted Refinancing Indebtedness (**provided that** the Parent shall use its reasonable endeavours to procure that it is applied on the same day) in prepayment, purchase, defeasance, satisfaction and discharge or redemption of (a) the Notes or any Term Debt; or (b) any Permitted Refinancing Indebtedness.

"**Representative**" means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

"**Resignation Letter**" means a letter substantially in the form set out in Schedule 7 (*Form of Resignation Letter*).

"**Restricted Group**" means the Parent and the Restricted Subsidiaries.

"**Restricted Party**" means a person that is (i) listed on, or owned or controlled by a person listed on, or acting on behalf of a person listed on any Sanctions List, (ii) located in, incorporated under the laws of, or owned or controlled by, or acting on behalf of, a person located in or organised under the laws of a country or territory that is the target of country or territory-wide Sanctions (including, without limitation, Cuba, Burma, Myanmar, Iran, North Korea, Sudan and Syria); or (iii) otherwise a target of Sanctions.

"**Restricted Subsidiary**" means a Subsidiary of the Parent other than an Unrestricted Subsidiary.

"**Right to Collect Account**" means a performing, sub-performing or charged-off account, loan, receivable, mortgage, debenture or claim or other similar asset or instrument that is owned by a Person that is not a member of the Restricted Group (a "**Third Party**") and in respect of which:

(a) such Third Party is unable or unwilling to dispose of, or is not established for the purpose of disposing of, the relevant performing, sub-performing or charged-off account, loan, receivable, mortgage, debenture or claim or other similar asset or instrument to a member of the Restricted Group and:

(i) a member of the Restricted Group is entitled to collect and retain substantially all of the amounts due under such performing, sub-performing or charged-off account, loan, receivable, mortgage, debenture or claim or other similar asset or instrument or to receive amounts equivalent thereto; or

(ii) a member of the Restricted Group shall be entitled to the transfer of all such amounts received under such performing, sub-performing or charged-off account, loan, receivable, mortgage, debenture or claim or other similar asset or instrument and such amounts will be transferred to a member of the Restricted Group within a period of not more than 45 days from the date of their collection; or

(b)

(i) a member of the Restricted Group shall have legal (and beneficial) or beneficial title (or the relevant local law equivalent in each case) to such relevant performing, sub-performing or charged-off account, loan, receivable, mortgage, debenture or other claim or other similar asset or instrument and any amounts collected thereunder. Any amounts collected thereunder shall be transferred to a member of the Restricted Group within a period of not more than 45 days from the date of their collection; or

(ii) a member of the Restricted Group shall be legally (and beneficially) or beneficially entitled (or the relevant local law equivalent in each case) to collect and retain substantially all of the amounts due under such performing, sub-performing or charged-off account, loan, receivable, mortgage, debenture or claim or other similar asset or instrument or to receive amounts equivalent thereto.

For the avoidance of doubt, nothing in this definition shall restrict any Unrestricted Subsidiary from engaging in any of the activities applicable to Restricted Subsidiaries provided that such activity shall not constitute a Right to Collect Account unless a Restricted Subsidiary has the rights with respect to such Right to Collect Account detailed under paragraph (a) or (b) above.

"**Rollover Loan**" means one or more Loans:

(a) made or to be made on the same day that:

(i) a maturing Loan is due to be repaid; or

(ii) a demand by the Issuing Bank pursuant to a drawing in respect of a Letter of Credit or payment of outstandings under an Ancillary Facility is due to be met;

(b) the aggregate amount of which is equal to or less than the amount of the maturing Loan or the relevant claim in respect of that Letter of Credit or Ancillary Facility Utilisation; and

(c) made or to be made to the same Borrower for the purpose of:

(i) refinancing that maturing Loan or Ancillary Facility Utilisation; or

(ii) satisfying the relevant claim in respect of that Letter of Credit.

"**Sanctioned Country**" means a country or territory which is subject to:

(a) general trade, economic or financial sanctions or embargoes imposed, administered or enforced by (i) the U.S. Department of Treasury's Office of Foreign Assets Control, (ii) the United Nations Security Council, (iii) the European Union or (iv) Her Majesty's Treasury of the United Kingdom; or

(b) general economic or financial sanctions embargoes imposed by the US federal government and administered by the US State Department, the US Department of Commerce or the US Department of the Treasury.

"**Sanctioned Person**" means, at any time, (a) any person listed in any Sanctions-related list of designated persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State, or by the United Nations Security Council, the European Union or any EU member state, (b) any person operating, organized or resident in a Sanctioned Country or (c) any person owned or controlled by any such person or persons.

"**Sanctions**" means the economic sanctions laws, regulations, or restrictive measures administered, enacted or enforced by the Sanctions Authorities (including, without limitation, 31 C.F.R., Subtitle B, Chapter V; the Iran Sanctions Act of 1996, as amended; the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010; Executive Order 13590; and the National Defence Authorisation Act for Fiscal Year 2012).

"**Sanctions Authorities**" means (i) the United States government, including, without limitation, the Office of Foreign Assets Control of the US Department of Treasury and the United States Department of State; (ii) the United Nations; (iii) the European Union or its Member States, including, without limitation, the United Kingdom, Her Majesty's Treasury, and the Department for Business, Innovation and Skills; or (iv) the respective governmental institutions and agencies of any of the foregoing.

"**Sanctions List**" means the "Specially Designated Nationals and Blocked Persons" list maintained by the Office of Foreign Assets Control of the US Department of Treasury, the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by Her Majesty's Treasury, the consolidated list of persons, groups or entities subject to European Union sanctions administered by the European External Action Service or any similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities.

"**Screen Rate**" means:

(a) in relation to LIBOR, the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the

administration of that rate) for the relevant currency and period displayed on pages LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate); and

(b) in relation to EURIBOR, the euro interbank offered rate administered by the European Money Markets Institute (or any other person which takes over the administration of that rate) for the relevant period displayed on page EURIBOR01 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate),

or, in each case, on the appropriate page of such other information service which publishes that rate from time to time in place of Thomson Reuters. If such page or service ceases to be available, the Agent may specify another page or service displaying the relevant rate after consultation with the Parent and the Lenders.

"**Secured Parties**" has the meaning given to it in the Intercreditor Agreement.

"**Security**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Separate Loan**" has the meaning given to that term in Clause 10.1 (*Repayment of Loans*).

"**Specified Time**" means a time determined in accordance with Schedule 10 (*Timetables*).

"**Sponsor Affiliate**" means the Investors and each of their respective Affiliates, any trust of which any of the Investors or any of their respective Affiliates are a trustee, any partnership of any of the Investors or any of their respective Affiliates is a partner and any trust, fund or other entity which is managed by, or is directly or indirectly under the control of, any of the Investors or any of their respective Affiliates **provided that** any such trust partnership fund, or other entity which has been established for at least six (6) Months for the purpose of making, purchasing or investing in loans or debt securities and which is managed or controlled independently from all other trusts, partnerships, funds, or other entities managed or controlled by any of the Investors or any of their respective Affiliates which have been established for the primary or main purpose of investing in the share capital of companies shall not constitute a Sponsor Affiliate.

"**SSRCF LTV Ratio**" has the meaning given to it in Clause 26.2 (*Financial definitions*).

"**Structural Debt Document**" means any document or agreement evidencing the terms of any Structural Liabilities.

"**Structural Liabilities**" has the meaning given to it in the Intercreditor Agreement.

"**Subordinated Liabilities**" has the meaning given to that term in the Intercreditor Agreement.

"**Subsidiary**" means in relation to any person, any entity which is controlled directly or indirectly by that person and any entity (whether or not so controlled) treated as a

subsidiary in the latest financial statements of that person from time to time, and "control" for this purpose means the direct or indirect ownership of the majority of the voting share capital of such entity or the right or ability to determine the composition of a majority of the board of directors (or like board) of such entity, in each case whether by virtue of ownership of share capital, contract or otherwise.

"**Super Majority Lenders**" means, at any time a Lender or Lenders whose Commitments aggregate 85 per cent. or more of the Total Commitments or, if the Total Commitments have been reduced to zero, aggregate 85 per cent. or more of the Total Commitments immediately prior to that reduction.

"**TARGET Day**" means any day on which TARGET2 is open for the settlement of payments in euro.

"**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

"**Tax**" or "**Taxes**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty, interest or other additional amount payable in connection with any failure to pay or any delay in paying any of the same).

"**Term**" means each period determined under this Agreement for which the Issuing Bank is under a liability under a Letter of Credit.

"**Term Debt**" means on any date, Financial Indebtedness with a scheduled maturity date 12 Months or more from the date on which such Financial Indebtedness was incurred (and for the avoidance of doubt excluding the Facilities and any Ancillary Facility).

"**Termination Date**" means:

(a) in relation to any Tranche 1 Loan, 24 September 2021.

(b) in relation to any Tranche 2 Loan, the fifth anniversary of the March 2017 Effective Date.

"**Total Commitments**" means the aggregate of the Total Tranche 1 Commitments and the Total Tranche 2 Commitments.

"**Total Tranche 1 Commitments**" means the aggregate of the Tranche 1 Commitments, being £245,000,000 as at the December 2017 Effective Date.

"**Total Tranche 2 Commitments**" means the aggregate of the Tranche 2 Commitments, being £50,000,000 as at the December 2017 Effective Date.

"**Tranche 1**" means the revolving credit facility made available under this Agreement as described in paragraph (a)(i) of Clause 2.1 (*The Facility*).

"**Tranche 2**" means the revolving credit facility made available under this Agreement as described in paragraph (a)(ii) of Clause 2.1 (*The Facility*).

"**Tranche 1 Commitments**" means:

(a) in relation to any Lender on the December 2017 Effective Date, the amount set opposite its name under the heading "Tranche 1 Commitment" in Part II-B of Schedule 1 (*The Original Parties*) and the amount of any other Tranche 1 Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*); and

(b) in relation to any other Lender, the amount of any Tranche 1 Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*),

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Tranche 2 Commitments**" means:

(a) in relation to any Lender on the December 2017 Effective Date, the amount set opposite its name under the heading "Tranche 2 Commitment" in Part II-B of Schedule 1 (*The Original Parties*) and the amount of any other Tranche 2 Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*); and

(b) in relation to any other Lender, the amount of any Tranche 2 Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*),

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Tranche 1 Extension Request**" has the meaning given to that term in Clause 4.6 (*Option to Extend Tranche 1*).

"**Tranche 2 Extension Request**" has the meaning given to that term in Clause 4.7 (*Option to Extend Tranche 2*).

"**Tranche 1 Lender**" means:

(a) any Original Tranche 1 Lender; and

(b) any bank, financial institution, trust, fund or other entity which has become a Party as a Tranche 1 Lender in accordance with Clause 2.2 (*Increase*) or Clause 30 (*Changes to the Lenders*),

which in each case has not ceased to be a Tranche 1 Lender in accordance with the terms of this Agreement.

"**Tranche 2 Lender**" means:

(a) any Original Tranche 2 Lender; and

(b) any bank, financial institution, trust, fund or other entity which has become a Party as a Lender in accordance with Clause 2.2 (*Increase*) or Clause 30 (*Changes to the Lenders*),

which in each case has not ceased to be a Tranche 2 Lender in accordance with the terms of this Agreement.

"**Tranche 1 Loan**" means a loan made or to be made under Tranche 1 or the principal amount outstanding for the time being of that loan.

"**Tranche 2 Loan**" means a loan made or to be made under Tranche 2 or the principal amount outstanding for the time being of that loan.

"**Tranche 1 Notice of Extension**" has the meaning given to that term in Clause 4.6 (*Option to Extend Tranche 1*).

"**Tranche 2 Notice of Extension**" has the meaning given to that term in Clause 4.7 (*Option to Extend Tranche 2*).

"**Tranche 1 Utilisations**" means a Tranche 1 Loan or a Letter of Credit used under Tranche 1.

"**Tranche 2 Utilisations**" means a Tranche 2 Loan or a Letter of Credit used under Tranche 2.

"**Transaction Documents**" means the Finance Documents, the Note Documents, the Structural Debt Documents and the Constitutional Documents.

"**Transaction Security**" means the Security created or expressed to be created in respect of the obligations of any of the Obligors under any of the Finance Documents pursuant to the Transaction Security Documents.

"**Transaction Security Documents**" means each of the documents listed as being a Transaction Security Document in Part III of Schedule 2 (*Conditions Precedent*), any document required to be delivered to the Agent under paragraph 11 of Part II of Schedule 2 (*Conditions Precedent*) together with any other document entered into by any Obligor creating or expressed to create any Security over all or any part of its assets in respect of the obligations of any of the Obligors under any of the Finance Documents.

"**Transfer Certificate**" means a certificate substantially in the form set out in Schedule 4 (*Form of Transfer Certificate*) or any other form agreed between the Agent and the Parent.

"**Transfer Date**" means, in relation to an assignment or a transfer, the later of:

(a) the proposed Transfer Date specified in the relevant Assignment Agreement or Transfer Certificate; and

(b) the date on which the Agent executes the relevant Assignment Agreement or Transfer Certificate.

"**Treasury Transactions**" means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price.

"**Unpaid Sum**" means any sum due and payable but unpaid by an Obligor under the Finance Documents.

"**Unrestricted Subsidiary**" has the meaning given to it in Schedule 14 (*Restrictive Covenants*).

"**U.S. dollars**", "**$**" and dollars denote lawful currency of the United States of America.

"**USA PATRIOT Act**" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107-56 of the United States.

"**Utilisation**" means a Tranche 1 Utilisation or a Tranche 2 Utilisation.

"**Utilisation Date**" means the date of a Utilisation, being the date on which the relevant Loan is to be made or the relevant Letter of Credit is to be issued.

"**Utilisation Request**" means a notice substantially in the relevant form set out in Part I or Part II of Schedule 3 (*Requests and Notices*).

"**VAT**" means value added tax as provided for in Council Directive 2006/112/EC, as amended, on the common system of value added tax and any other tax of a similar nature (including goods and services tax) wherever imposed.

1.2 **Construction**

(a) Unless a contrary indication appears, a reference in this Agreement to:

(i) the "**Agent**", any "**Arranger**", any "**Finance Party**", any "**Issuing Bank**", any "**Lender**", any "**Hedge Counterparty**", any "**Obligor**", any "**Party**", any "**Secured Party**", the "**Security Agent**" or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees and, in the case of the Security Agent, any person for the time being appointed as Security Agent or Security Agents in accordance with the Finance Documents;

(ii) a document in "**agreed form**" is a document which is previously agreed in writing by or on behalf of the Parent and the Agent;

(iii) "**assets**" includes present and future properties, revenues and rights of every description;

(iv) a "**Finance Document**" or a "**Transaction Document**" or any other agreement or instrument is a reference to that Finance Document or Transaction Document or other agreement or instrument as amended, novated, supplemented, extended or restated;

(v) "**guarantee**" means (other than in Clause 23 (*Guarantee and Indemnity*)) any guarantee, letter of credit, bond, indemnity or similar assurance against loss, or any obligation, direct or indirect, actual or contingent, to purchase or assume any indebtedness of any person or to make an investment in or loan to any person or to purchase assets of any person where, in each case, such obligation is assumed in order to maintain or assist the ability of such person to meet its indebtedness;

(vi) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(vii) a Lender's "**participation**" in relation to a Letter of Credit, shall be construed as a reference to the relevant amount that is or may be payable by a Lender in relation to that Letter of Credit;

(viii) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);

(ix) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law (but if not having the force of law, which is binding or customarily complied with)) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation;

(x) a provision of law is a reference to that provision as amended or re-enacted;

(xi) a time of day is a reference to London time; and

(xii) "the date hereof", "the date of this Agreement" and other like expressions is to 20 September 2012.

(b) Section, Clause and Schedule headings are for ease of reference only.

(c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

(d) A Borrower providing "**cash cover**" for a Letter of Credit or an Ancillary Facility means a Borrower paying an amount in the currency of the Letter of Credit (or, as the case may be, the Ancillary Facility) to an interest-bearing account in the name of the Borrower and the following conditions being met:

(i) the account is with the Security Agent or with the Issuing Bank or Ancillary Lender for which that cash cover is to be provided;

(ii) subject to paragraph (b) of Clause 7.5 (*Cash cover by Borrower*), until no amount is or may be outstanding under that Letter of Credit or Ancillary Facility, withdrawals from the account may only be made to pay a Finance Party amounts due and payable to it under this Agreement in respect of that Letter of Credit or Ancillary Facility; and

(iii) the Borrower has executed a security document over that account, in form and substance satisfactory to the Security Agent or the Issuing Bank or Ancillary Lender with which that account is held, creating a first ranking security interest over that account.

(e) A Default (other than an Event of Default) is "**continuing**" if it has not been remedied or waived. An Event of Default is "**continuing**" if it has not been remedied or waived.

(f) A Borrower "**repaying**" or "**prepaying**" a Letter of Credit or Ancillary Outstandings means:

(i) that Borrower providing cash cover for that Letter of Credit or in respect of the Ancillary Outstandings;

(ii) the maximum amount payable under the Letter of Credit or Ancillary Facility being reduced or cancelled in accordance with its terms; or

(iii) the Issuing Bank or Ancillary Lender being satisfied that it has no further liability under that Letter of Credit or Ancillary Facility,

and the amount by which a Letter of Credit is, or Ancillary Outstandings are repaid or prepaid under paragraphs (f)(i) and (f)(ii) above is the amount of the relevant cash cover or reduction.

(g) An amount borrowed includes any amount utilised by way of Letter of Credit or under an Ancillary Facility.

(h) A Lender funding its participation in a Utilisation includes a Lender participating in a Letter of Credit.

(i) An outstanding amount of a Letter of Credit at any time is the maximum amount that is or may be payable by the relevant Borrower in respect of that Letter of Credit at that time.

(j) A Letter of Credit is completely cancelled, discharged and released in accordance with its terms:

(i) upon the Issuing Bank having paid the amount available under the Letter of Credit;

(ii) upon return of the original Letter of Credit to the Issuing Bank together with the beneficiary's letter of release, or, if such original Letter of Credit has been lost, stolen, mutilated or destroyed, confirmation from the

beneficiary of such Letter of Credit that this is the case and indemnities are provided satisfactory to the Issuing Bank from the beneficiary and other satisfactory assurances are provided as the Issuing Bank may require; or

(iii) upon lapse of its Expiry Date and no demand having been received by the Issuing Bank on or before such Expiry Date.

(k) Unless specifically provided to the contrary, a reference to a Subsidiary of a member of the Restricted Group excludes each Unrestricted Subsidiary.

1.3 **Third party rights**

(a) Unless expressly provided to the contrary in a Finance Document a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce or enjoy the benefit of any term of this Agreement.

(b) Subject to paragraph (j) of Clause 42.3 (*Exceptions*) but otherwise notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

1.4 **Intercreditor Agreement**

Other than in respect of paragraphs (h) to (j) of Clause 42.3 (*Exceptions*), this Agreement is subject to the Intercreditor Agreement and in the event of any inconsistency between this Agreement and the Intercreditor Agreement, the Intercreditor Agreement shall prevail.

2. **THE FACILITIES**

2.1 **The Facilities**

(a) Subject to the terms of this Agreement, the Lenders make available:

(i) a multicurrency revolving credit facility in an aggregate amount the Base Currency Amount of which is equal to the Total Tranche 1 Commitments; and

(ii) a multicurrency revolving credit facility in an aggregate amount the Base Currency Amount of which is equal to the Total Tranche 2 Commitments.

(b) Subject to the terms of this Agreement and the Ancillary Documents, an Ancillary Lender may make available an Ancillary Facility to any of the Borrowers in place of all or part of its Tranche 1 Commitment or its Tranche 2 Commitment.

2.2 **Increase**

(a) The Parent may by giving prior notice to the Agent by no later than the date falling 20 Business Days after the effective date of a cancellation of:

(i) the Available Commitments of a Defaulting Lender in accordance with Clause 11.6 (*Right of cancellation in relation to a Defaulting Lender*); or

(ii) the Commitments of a Lender in accordance with Clause 11.1 (*Illegality*), Clause 12.1 (*Exit*) or Clause 12.3 (*Disposal Proceeds and Insurance Proceeds*),

request that the Total Tranche 1 Commitments and/or Total Tranche 2 Commitments, as applicable, be increased (and the Total Tranche 1 Commitments and/or Total Tranche 2 Commitments shall be so increased) in an aggregate amount of up to the amount of the Available Commitments or Commitments so cancelled as follows:

(iii) the increased Commitment will be assumed by one or more Lenders or other banks, financial institutions, trusts, funds or other entities (each an "**Increase Lender**") selected by the Parent (each of which shall not be a Sponsor Affiliate or a member of the Restricted Group and which is further acceptable to the Agent (acting reasonably)) and each of which confirms its willingness to assume and does assume all the obligations of a Lender corresponding to that part of the increased Commitments which it is to assume, as if it had been an Original Lender;

(iv) each of the Obligors and any Increase Lender shall assume obligations towards one another and/or acquire rights against one another as the Obligors and the Increase Lender would have assumed and/or acquired had the Increase Lender been an Original Lender;

(v) each Increase Lender shall become a Party as either a "Tranche 1 Lender" or a "Tranche 2 Lender" and any Increase Lender and each of the other Finance Parties shall assume obligations towards one another and acquire rights against one another as that Increase Lender and those Finance Parties would have assumed and/or acquired had the Increase Lender been an Original Lender;

(vi) the Commitments of the other Lenders shall continue in full force and effect; and

(vii) any increase in the Total Commitments shall take effect on the date specified by the Parent in the notice referred to above or any later date on which the conditions set out in paragraph (b) below are satisfied.

(b) An increase in the Total Tranche 1 Commitments and/or Total Tranche 2 Commitments will only be effective on:

(i) the execution by the Agent of an Increase Confirmation from the relevant Increase Lender;

(ii) in relation to an Increase Lender which is not a Lender immediately prior to the relevant increase:

(A) the Increase Lender entering into the documentation required for it to accede as a party to the Intercreditor Agreement; and

(B) the performance by the Agent of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the assumption of the increased Commitments by that Increase Lender, the completion of which the Agent shall promptly notify to the Parent, the Increase Lender and the Issuing Bank; and

(iii) the Issuing Bank consenting to that increase.

(c) Each Increase Lender, by executing the Increase Confirmation, confirms (for the avoidance of doubt) that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the increase becomes effective.

(d) Unless the Agent otherwise agrees or the increased Commitment is assumed by an existing Lender, the Parent shall, on the date upon which the increase takes effect, pay to the Agent (for its own account) a fee of £2,000 and the Parent shall promptly on demand pay the Agent and the Security Agent the amount of all costs and expenses (including legal fees) reasonably incurred by either of them and, in the case of the Security Agent, by any Receiver or Delegate in connection with any increase in Commitments under this Clause (a).

(e) The Parent may pay to the Increase Lender a fee in the amount and at the times agreed between the Parent and the Increase Lender in a Fee Letter.

(f) Clause 30.4 (*Limitation of responsibility of Existing Lenders*) shall apply *mutatis mutandis* in this Clause (a) in relation to an Increase Lender as if references in that Clause to:

(i) an "**Existing Lender**" were references to all the Lenders immediately prior to the relevant increase;

(ii) the "**New Lender**" were references to that "**Increase Lender**"; and

(iii) a "**re-transfer**" and "**re-assignment**" were references to respectively a "transfer" and "assignment".

2.3 **Finance Parties' rights and obligations**

(a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance

Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

(b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor shall be a separate and independent debt.

(c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

2.4 **Obligors' Agent**

(a) Each Obligor (other than the Parent) by its execution of this Agreement or an Accession Deed irrevocably appoints the Parent to act on its behalf as its agent in relation to the Finance Documents and irrevocably authorises:

(i) the Parent on its behalf to supply all information concerning itself contemplated by this Agreement to the Finance Parties and to give all notices and instructions (including, in the case of a Borrower, Utilisation Requests), to execute on its behalf any Accession Deed, to make such agreements and to effect the relevant amendments, supplements and variations capable of being given, made or effected by any Obligor notwithstanding that they may affect the Obligor, without further reference to or the consent of that Obligor; and

(ii) each Finance Party to give any notice, demand or other communication to that Obligor pursuant to the Finance Documents to the Parent,

and in each case the Obligor shall be bound as though the Obligor itself had given the notices and instructions (including, without limitation, any Utilisation Requests) or executed or made the agreements or effected the amendments, supplements or variations, or received the relevant notice, demand or other communication.

(b) Every act, omission, agreement, undertaking, settlement, waiver, amendment, supplement, variation, notice or other communication given or made by the Obligors' Agent or given to the Obligors' Agent under any Finance Document on behalf of another Obligor or in connection with any Finance Document (whether or not known to any other Obligor and whether occurring before or after such other Obligor became an Obligor under any Finance Document) shall be binding for all purposes on that Obligor as if that Obligor had expressly made, given or concurred with it. In the event of any conflict between any notices or other communications of the Obligors' Agent and any other Obligor, those of the Obligors' Agent shall prevail.

3. **PURPOSE**

3.1 **Purpose**

Each Borrower shall apply all amounts borrowed by it under the Facilities, any Letter of Credit issued and any utilisation of any Ancillary Facility towards the general corporate and working capital purposes of the Restricted Group (but not towards (i) the payment of transaction costs, (ii) the purchase or prepayment of the Notes, any Replacement Debt, or any other Term Debt, (iii) the payment of any dividend, redemption, repurchase, defeasement, retirement, repayment, premium or any other distribution in respect of share capital other than a Closing Date Dividend, (iv) to provide any backstop, guarantee, cash collateral or other support in respect of any facilities that exist on the Closing Date or (v) in the case of any utilisation of any Ancillary Facility, towards repayment or prepayment of the Facilities or any claims in respect of Letters of Credit).

3.2 **New purpose**

In the event that a Borrower makes a Utilisation under the Facilities in order to apply the proceeds of that Utilisation in or towards making a Permitted Acquisition (as identified in the relevant Utilisation Request) and that Permitted Acquisition is abandoned, the Borrower shall promptly notify the Agent and shall specify a new permitted purpose for the application of the Loan.

3.3 **Monitoring**

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

## 4. CONDITIONS OF UTILISATION

4.1 **Initial conditions precedent**

The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) in relation to any Utilisation if on or before the Utilisation Date for that Utilisation, the Agent has received or is satisfied it will receive all of the documents and other evidence listed in Part I of Schedule 2 (*Conditions precedent*) in form and substance satisfactory to the Agent (acting reasonably). The Agent shall notify the Parent and the Lenders promptly upon being so satisfied.

4.2 **Further conditions precedent**

Subject to Clause 4.1 (*Initial Conditions Precedent*), the Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*), if on the date of the Utilisation Request and on the proposed Utilisation Date:

(a) in the case of a Rollover Loan, no notice has been given pursuant to Clause 28.20 (*Acceleration*); and

(b) in the case of any other Utilisation, unless the Relevant Majority Lenders and the Parent agree otherwise:

(i) no Default is continuing or would result from the proposed Utilisation;

(ii) in relation to the initial Utilisation, all the representations and warranties in Clause 24 (*Representations*) or, in relation to any other Utilisation, the Repeating Representations to be made by each Obligor, by reference to the facts and circumstances then existing are true and correct in all material respects (to the extent not already subject to materiality) and will be true and correct in all material respects (to the extent not already subject to materiality) immediately after the making of the relevant Utilisation; and

(iii) no breach of the financial covenants in paragraphs (a) and (b) of Clause 26.1 (*Financial condition*) is continuing or would result from the making of the relevant Utilisation (calculated *pro forma* assuming the immediate application of the proceeds of such Utilisation for the relevant Utilisation and as at the date of the proposed Utilisation).

4.3 **Conditions relating to Optional Currencies**

(a) A currency will constitute an Optional Currency in relation to a Utilisation if:

(i) it is readily available in the amount required and freely convertible into the Base Currency in the Relevant Interbank Market on the Quotation Day and the Utilisation Date for that Utilisation; and

(ii) it is in euros or U.S. dollars, or any other currency approved by the Agent (acting on the instructions of all the Lenders).

(b) If the Agent has received a written request from the Parent for a currency to be approved under paragraph (a)(ii) above, the Agent will confirm to the Parent by the Specified Time:

(i) whether or not all Lenders have granted their approval; and

(ii) if approval has been granted, the minimum amount for any subsequent Loan in that currency.

4.4 **Maximum number of Utilisations**

(a) A Borrower (or the Parent) may not deliver a Utilisation Request if as a result of the proposed Utilisation:

(i) 10 or more Tranche 1 Loans would be outstanding; or

(ii) 5 or more Tranche 2 Loans would be outstanding;

(b) Any Separate Loan shall not be taken into account in this Clause 4.4.

(c) A Borrower (or the Parent) may not request that a Letter of Credit be issued if as a result of the proposed Utilisation more than 5 (or such other number as may be agreed by the Parent, the Issuing Bank and the Agent) Letters of Credit would be outstanding.

4.5 **Lending Affiliates**

(a) Each Lender may discharge its obligations in respect of a Utilisation under this Agreement by nominating one or more branches or affiliates to participate in that Utilisation, **provided that** such branch or affiliate is not a Sanctioned Person and is not incorporated or established, and does not carry on business, in a jurisdiction that is a Sanctioned Country or is a Competitor.

(b) A Lender may nominate a branch or affiliate to participate in one or more Utilisations:

(i) in respect of an Original Lender, in this Agreement; or

(ii) in the Transfer Certificate or Assignment Agreement (as applicable) pursuant to which such Lender becomes party to this Agreement.

(c) Any branch or affiliate nominated by a Lender to participate in a Utilisation shall:

(i) participate in compliance with the terms of this Agreement; and

(ii) be entitled, to the extent of its participation, to all the rights and benefits of a Lender under the Finance Documents **provided that** such rights and benefits shall be exercised on its behalf by its nominating Lender save where law or regulation requires the branch or affiliate to do so.

(d) Each Lender shall remain liable and responsible for the performance of all obligations assumed by a branch or affiliate on its behalf and non-performance of a Lender's obligations by its branch or affiliate shall not relieve such Lender from its obligations under this Agreement.

(e) Any notice or communication to be made to a branch or an affiliate of a Lender pursuant to this Agreement:

(i) may be served directly upon the branch or affiliate, at the address supplied to the Agent by the nominating Lender pursuant to its nomination of such branch or affiliate, where the Lender or the relevant branch or affiliate requests this; or

(ii) may be delivered to the lending office of the Lender.

(f) If a Lender nominates an affiliate, that Lender and that affiliate:

(i) will be treated as having a single Commitment but for all other purposes other than those referred to in paragraphs (d) and (e)(ii) above will be treated as separate Lenders; and

(ii) will be regarded as a single Lender for the purpose of (A) voting in relation to any matter or (B) compliance with Clause 30 (*Changes to the Lenders*).

4.6 **Option to Extend Tranche 1**

(a) On and from the date that is 12 Months after the 2016 Effective Date, the Borrower shall be entitled to request an extension of Tranche 1 and the Tranche 1 Commitments of each Lender, for an additional period of 364 days, by giving notice to the Agent (the "**Tranche 1 Extension Request**") not less than 40 days before the Termination Date relating to Tranche 1 (in this Clause 4.6, the "**Tranche 1 Revolving Termination Date**"). Such notice shall be made in writing, be irrevocable and binding on the Borrower.

(b) The Agent shall forward a copy of the Tranche 1 Extension Request to the Tranche 1 Lenders as soon as practicable after receipt of it.

(c) If a Tranche 1 Lender, in its individual and sole discretion, agrees to the extension requested by the Borrower, it shall give notice to the Agent (a "**Tranche 1 Notice of Extension**") no later than 20 days prior to the Tranche 1 Revolving Termination Date (or such later date as the Parent and the Agent may agree) and the Agent shall notify the Parent as soon as practicable thereafter. If a Tranche 1 Lender does not give such Tranche 1 Notice of Extension by such date, then that Tranche 1 Lender shall be deemed to have refused that extension.

(d) Each Tranche 1 Lender shall use its reasonable endeavours to respond to a Tranche 1 Extension Request within 20 days (or such later date as the Parent and the Agent may agree) of its receipt of such Tranche 1 Extension Request from the Agent.

(e) Nothing shall oblige a Tranche 1 Lender to agree to a Tranche 1 Extension Request and any Tranche 1 Lender may refuse to agree to a Tranche 1 Extension Request at that Tranche 1 Lender's sole discretion.

(f) The Tranche 1 Revolving Termination Date shall be extended if and when either:

(i) all the Tranche 1 Lenders have agreed to it by giving a Tranche 1 Notice of Extension; or

(ii) one or more Tranche 1 Lenders (each a "**Tranche 1 Consenting Lender**") have agreed by giving a Tranche 1 Notice of Extension,

in which case, in the case of such Tranche 1 Consenting Lenders, the Tranche 1 Revolving Termination Date shall then be extended to the day which is 364 days from (and including) the Tranche 1 Revolving Termination Date.

(g) If less than all the Tranche 1 Lenders give a Tranche 1 Notice of Extension, then the Tranche 1 Commitments of the Tranche 1 Lenders which have not agreed to the extension shall be reduced to zero on the Tranche 1 Revolving Termination Date (and those Tranche 1 Lenders shall cease from that date to be Tranche 1 Lenders under this Agreement and the Borrower shall repay such Tranche 1 Lenders' participations in any outstanding Utilisations and Ancillary Outstandings, together with accrued interest, and all other amounts accrued to such Tranche 1 Lenders under the Finance Documents forthwith in accordance with the provisions of this Agreement on the Tranche 1 Revolving Termination Date) and the amount of Tranche 1 shall be reduced accordingly.

(h) The Agent shall no later than 5 Business Days prior to the Tranche 1 Revolving Termination Date inform the Parent, each Borrower and each Lender that will continue to provide a Tranche 1 Commitment after the Tranche 1 Revolving Termination Date of the Total Tranche 1 Commitments that will apply on and from the Tranche 1 Revolving Termination Date.

4.7 **Option to Extend Tranche 2**

(a) On and from the date that is 12 Months after the March 2017 Effective Date, the Borrower shall be entitled to request an extension of Tranche 2 and the Tranche 2 Commitments of each Lender, for an additional period of 364 days, by giving notice to the Agent (the "**Tranche 2 Extension Request**") not less than 40 days before the Termination Date relating to Tranche 2 (in this Clause 4.7, the "**Tranche 2 Revolving Termination Date**"). Such notice shall be made in writing, be irrevocable and binding on the Borrower.

(b) The Agent shall forward a copy of the Tranche 2 Extension Request to the Tranche 2 Lenders as soon as practicable after receipt of it.

(c) If a Tranche 2 Lender, in its individual and sole discretion, agrees to the extension requested by the Borrower, it shall give notice to the Agent (a "**Tranche 2 Notice of Extension**") no later than 20 days prior to the Tranche 2 Revolving Termination Date (or such later date as the Parent and the Agent may agree) and the Agent shall notify the Parent as soon as practicable thereafter. If a Tranche 2 Lender does not give such Tranche 2 Notice of Extension by such date, then that Tranche 2 Lender shall be deemed to have refused that extension.

(d) Each Tranche 2 Lender shall use its reasonable endeavours to respond to a Tranche 2 Extension Request within 20 days (or such later date as the Parent and the Agent may agree) of its receipt of such Tranche 2 Extension Request from the Agent.

(e) Nothing shall oblige a Tranche 2 Lender to agree to a Tranche 2 Extension Request and any Tranche 2 Lender may refuse to agree to a Tranche 2 Extension Request at that Tranche 2 Lender's sole discretion.

(f) The Tranche 2 Revolving Termination Date shall be extended if and when either:

(i) all the Tranche 2 Lenders have agreed to it by giving a Tranche 2 Notice of Extension; or

(ii) one or more Tranche 2 Lenders (each a "**Tranche 2 Consenting Lender**") have agreed by giving a Tranche 2 Notice of Extension,

in which case, in the case of such Tranche 2 Consenting Lenders, the Tranche 2 Revolving Termination Date shall then be extended to the day which is 364 days from (and including) the Tranche 2 Revolving Termination Date.

(g) If less than all the Tranche 2 Lenders give a Tranche 2 Notice of Extension, then the Tranche 2 Commitments of the Tranche 2 Lenders which have not agreed to

the extension shall be reduced to zero on the Tranche 2 Revolving Termination Date (and those Tranche 2 Lenders shall cease from that date to be Tranche 2 Lenders under this Agreement and the Borrower shall repay such Tranche 2 Lenders' participations in any outstanding Utilisations and Ancillary Outstandings, together with accrued interest, and all other amounts accrued to such Tranche 2 Lenders under the Finance Documents forthwith in accordance with the provisions of this Agreement on the Tranche 2 Revolving Termination Date) and the amount of Tranche 2 shall be reduced accordingly.

(h) The Agent shall no later than 5 Business Days prior to the Tranche 2 Revolving Termination Date inform the Parent, each Borrower and each Lender that will continue to provide a Tranche 2 Commitment after the Tranche 2 Revolving Termination Date of the Total Tranche 2 Commitments that will apply on and from the Tranche 2 Revolving Termination Date.

## 5. UTILISATION – LOANS

### 5.1 Delivery of a Utilisation Request

A Borrower (or the Parent on its behalf) may utilise the Facilities by delivery to the Agent of duly completed Utilisation Requests not later than the Specified Time.

### 5.2 Completion of a Utilisation Request for Loans

(a) Each Utilisation Request for a Loan is irrevocable and will not be regarded as having been duly completed unless:

(i) it identifies the Facility to be utilised;

(ii) the proposed Utilisation Date is a Business Day within the Availability Period applicable to that Facility;

(iii) the amount and currency of the Utilisation complies with Clause 5.3 (*Currency and Amount*); and

(iv) the proposed Interest Period complies with Clause 15 (*Interest Periods*).

(b) Only one Utilisation may be requested in each Utilisation Request, however no Utilisation Request for a Loan may be made until the date following the Closing Date (save that a Utilisation Request may be made in respect of a Loan to be advanced on the Closing Date for the purposes of funding a Closing Date Dividend where the proposed Interest Period is 1 Business Day).

### 5.3 Currency and amount

(a) The currency specified in a Utilisation request must be the Base Currency or an Optional Currency.

(b) The amount of the proposed Utilisation must be:

(i) if the currency selected is the Base Currency, a minimum of £1,000,000 or, if less, the Available Facility;

(ii) if the currency selected is euro, a minimum of EUR1,000,000 or, if less, the Available Facility;

(iii) if the currency selected is U.S. dollars, a minimum of USD1,000,000 or, if less, the Available Facility; and

(iv) if the currency selected is any other Optional Currency, the minimum amount specified by the Agent pursuant to paragraph (b) of Clause 4.3 (*Conditions relating to Optional Currencies*) or, if less, the Available Facility.

5.4 **Lenders' participation**

(a) If the conditions set out in this Agreement have been met, and subject to Clause 10.1 (*Repayment of Loans*), each Lender shall make its participation in each Loan available by the Utilisation Date through its Facility Office.

(b) The amount of each Lender's participation in each Loan will be equal to the proportion borne by its Available Commitment to the Available Facility immediately prior to making the Loan.

(c) The Agent shall determine the Base Currency Amount of each Loan which is to be made in an Optional Currency and notify each Lender of the amount, currency and the Base Currency Amount of each Loan, the amount of its participation in that Loan and, if different, the amount of that participation to be made available in cash by the Specified Time.

5.5 **Limitations on Utilisations**

The maximum aggregate amount of all Letters of Credit outstanding together with the amount of the Ancillary Commitments shall not at any time exceed 50% of the Total Commitments.

5.6 **Cancellation of Commitment**

(a) The Tranche 1 Commitments which, at that time, are unutilised shall be immediately cancelled at the end of the Availability Period relating to Tranche 1.

(b) The Tranche 2 Commitments which, at that time, are unutilised shall be immediately cancelled at the end of the Availability Period relating to Tranche 2.

(c) The Commitments shall be cancelled in full in the event that the Closing Date does not occur on or before the date that is seven (7) Business Days after the date of this Agreement.

## 6. UTILISATION - LETTERS OF CREDIT

### 6.1 The Facilities

(a) Each Facility may be utilised by way of Letters of Credit.

(b) Other than Clause 5.5 (*Limitations on Utilisations*), Clause 5 (*Utilisation - Loans*) does not apply to utilisations by way of Letters of Credit.

(c) The Expiry Date of a Letter of Credit shall not fall on a day which is after the Termination Date relating to the applicable Facility.

### 6.2 Delivery of a Utilisation Request for Letters of Credit

(a) A Borrower (or the Parent on its behalf) other than the Parent may request a Letter of Credit to be issued (for its own, or another member of the Restricted Group's, obligations) by delivery to the Agent of a duly completed Utilisation Request not later than the Specified Time. On receipt of a duly completed Utilisation Request, the Agent shall promptly deliver such Utilisation Request to the Issuing Bank and each Tranche 1 Lender, or as the case maybe each Tranche 2 Lender.

(b) The Parent may not request that a Letter of Credit be issued on its own behalf.

### 6.3 Completion of a Utilisation Request for Letters of Credit

Each Utilisation Request for a Letter of Credit is irrevocable and will not be regarded as having been duly completed unless:

(a) it identifies the Facility to be utilised;

(b) it specifies that it is for a Letter of Credit;

(c) it identifies the Borrower of the Letter of Credit;

(d) it identifies the Issuing Bank that is to issue the Letter of Credit;

(e) the proposed Utilisation Date is a Business Day within the Availability Period applicable to that Facility;

(f) the amount and currency of the Letter of Credit complies with Clause 6.4 (*Currency and Amount*);

(g) the form of Letter of Credit is attached;

(h) the Expiry Date of the Letter of Credit falls on or before the Termination Date in respect of the relevant Facility;

(i) the Term of the Letter of Credit is 12 Months or less (or such longer period agreed with the Issuing Bank);

(j) the delivery instructions for the Letter of Credit are specified; and

(k) the beneficiary of the Letter of Credit is identified and the Issuing Bank is able to comply with all applicable laws and regulations which it is legally required to comply with in relation to the jurisdiction of incorporation and identity of the beneficiary and in relation to any beneficiary of any Letter of Credit which is not an Obligor, such beneficiary satisfies the Issuing Bank's normal internal Letter of Credit issuing policies, including without limitation that the beneficiary is not a Restricted Party.

6.4 **Currency and amount**

(a) The currency specified in a Utilisation Request must be the Base Currency or an Optional Currency.

(b) Subject to Clause 5.5 (*Limitations on Utilisations*), the amount of the proposed Letter of Credit must be an amount whose Base Currency Amount is not more than the relevant Available Facility and which is:

(i) if the currency selected is the Base Currency, a minimum of £1,000,000 (or such other amount agreed by the Parent and the Issuing Bank) or, if less, the relevant Available Facility; or

(ii) if the currency selected is euro, a minimum of EUR1,000,000 (or such other amount agreed by the Parent and the Issuing Bank) or, if less, the relevant Available Facility;

(iii) if the currency selected is U.S. dollars, a minimum of USD1,000,000 (or such other amount agreed by the Parent and the Issuing Bank) or, if less, the relevant Available Facility; and

(iv) if the currency selected is any other Optional Currency, the minimum amount specified by the Agent pursuant to paragraph (b) of Clause 4.3 (*Conditions relating to Optional Currencies*) or, if less, the relevant Available Facility.

6.5 **Issue of Letters of Credit**

(a) If the conditions set out in this Agreement have been met, the Issuing Bank shall issue the Letter of Credit on the Utilisation Date.

(b) Subject to Clause 4.1 (*Initial conditions precedent*), the Issuing Bank will only be obliged to comply with paragraph (a) above in relation to a Letter of Credit, if on the date of the Utilisation Request or Renewal Request and on the proposed Utilisation Date:

(i) in the case of a Letter of Credit to be renewed in accordance with Clause 6.6 (*Renewal of a Letter of Credit*) no Event of Default has occurred and is continuing under Clause 28.7 (*Insolvency*) or Clause 28.8 (*Insolvency proceedings*) in respect of the proposed Borrower of the

Letter of Credit and no notice has been given pursuant to Clause 28.20 (*Acceleration*); and

(ii) in the case of any other Utilisation in respect of a Letter of Credit:

(A) no Default is continuing or would result from the proposed Utilisation;

(B) in relation to any Utilisation on the Closing Date, all the representations and warranties in Clause 24 (*Representations*) or, in relation to any other Utilisation, the Repeating Representations to be made by each Obligor by reference to the facts and circumstances then existing are true in all material respects (to the extent not already subject to materiality) and will be true and correct in all material respects (to the extent not already subject to materiality) immediately after the making of the relevant Utilisation; and

(C) no breach of the financial covenants in paragraphs (a) and (b) of Clause 26.1 (*Financial condition*) is continuing or would result from the making of the relevant Utilisation (calculated *pro forma* assuming the immediate application of the proceeds of such Utilisation for the relevant Utilisation and as at the date of the proposed Utilisation).

(c) The amount of each Lender's participation in each Letter of Credit will be equal to the proportion borne by its Available Commitment to the relevant Available Facility immediately prior to the issue of the Letter of Credit.

(d) The Agent shall determine the Base Currency Amount of each Letter of Credit which is to be issued in an Optional Currency and shall notify the Issuing Bank and each Tranche 1 Lender or, as the case may be, each Tranche 2 Lender of the details of the requested Letter of Credit and its participation in that Letter of Credit by the Specified Time.

(e) The Issuing Bank must notify the relevant Borrower promptly if it becomes aware that:

(i) it is unlawful in any jurisdiction for the Issuing Bank to perform any of its obligations under a Finance Document or to have outstanding any Letter of Credit; or

(ii) a Letter of Credit has, since the date of its issue, become connected with:

(A) a state or territory which is on a Sanctions List as being subject to a Sanction; or

(B) a Restricted Party.

(f) After notification under paragraph (e) above:

(i) the relevant Borrower must use all reasonable endeavours to ensure the release of the liability of the Issuing Bank under each outstanding Letter of Credit if that release would result in paragraph (e) above no longer being applicable;

(ii) failing this, the Relevant Borrower must repay or prepay the L/C Proportion of each Tranche 1 Lender or, as the case may be, each Tranche 2 Lender in each Letter of Credit requested by it on the date specified in paragraph (g) below if such repayment or prepayment would result in paragraph (e) above no longer being applicable; and

(iii) no further Letter of Credits will be issued in the relevant jurisdiction until the Issuing Bank (acting reasonably) is satisfied that the reason for the notification under paragraph (e) above is no longer applicable.

(g) The date for repayment or prepayment of a Lender's share in a Letter of Credit will be the date specified by the Issuing Bank in the notification under paragraph (e) above and which must not be earlier than (i) the last day of any applicable grace period allowed by law and (ii) the date that is 5 Business Days after the date of that notice.

6.6 **Renewal of a Letter of Credit**

(a) A Borrower (or the Parent on its behalf) may request that any Letter of Credit issued on behalf of that Borrower be renewed by delivery to the Agent of a Renewal Request in substantially similar form to a Utilisation Request for a Letter of Credit by the Specified Time. On receipt of a Renewal Request, the Agent shall promptly deliver such Renewal Request to the Issuing Bank and each Tranche 1 Lender or, as the case may be, each Tranche 2 Lender.

(b) The Finance Parties shall treat any Renewal Request in the same way as a Utilisation Request for a Letter of Credit except that the condition set out in paragraph (g) of Clause 6.3 (*Completion of a Utilisation Request for Letters of Credit*) shall not apply.

(c) The terms of each renewed Letter of Credit shall be the same as those of the relevant Letter of Credit immediately prior to its renewal, except that:

(i) its amount may be less than the amount of the Letter of Credit immediately prior to its renewal; and

(ii) its Term shall start on the date which was the Expiry Date of the Letter of Credit immediately prior to its renewal, and shall end on the proposed Expiry Date specified in the Renewal Request.

(d) If the conditions set out in this Agreement have been met, the Issuing Bank shall amend and re-issue any Letter of Credit pursuant to a Renewal Request.

6.7 **Reduction of a Letter of Credit**

(a) If, on the proposed Utilisation Date of a Letter of Credit, any of the Lenders under the relevant Facility to be utilised is a Non-Acceptable L/C Lender and:

(i) that Lender has failed to provide cash collateral to the Issuing Bank in accordance with Clause 7.4 (*Cash collateral by Non-Acceptable L/C Lender*); and

(ii) either:

(A) the Issuing Bank has not required the relevant Borrower to provide cash cover pursuant to Clause 7.5 (*Cash cover by Borrower*); or

(B) the relevant Borrower has failed to provide cash cover to the Issuing Bank in accordance with Clause 7.5 (*Cash cover by Borrower*),

the Issuing Bank may reduce the amount of that Letter of Credit by an amount equal to the amount of the participation of that Non-Acceptable L/C Lender in respect of that Letter of Credit and that Non-Acceptable L/C Lender shall be deemed not to have any participation (or obligation to indemnify the Issuing Bank) in respect of that Letter of Credit for the purposes of the Finance Documents.

(b) The Issuing Bank shall notify the Agent, the Parent and the Lenders of each reduction made pursuant to this Clause 6.7.

(c) This Clause 6.7 shall not affect the participation of each other Lender in that Letter of Credit.

6.8 **Revaluation of Letters of Credit**

(a) If any Letters of Credit are denominated in an Optional Currency, the Agent shall on the last day of each Quarter Date recalculate the Base Currency Amount of each Letter of Credit by notionally converting into the Base Currency the outstanding amount of that Letter of Credit on the basis of the Agent's Spot Rate of Exchange on the date of calculation.

(b) A Borrower (or the Parent on its behalf) shall, if requested by the Agent within 10 days of any calculation under paragraph (a) above, ensure that within three Business Days sufficient Utilisations are prepaid to prevent the Base Currency Amount of the Tranche 1 Utilisations exceeding the Total Tranche 1 Commitments or the Tranche 2 Utilisations exceeding the Total Tranche 2 Commitments (after deducting the Ancillary Commitments provided in place of each relevant Lender's relevant Tranche 1 Commitments or Tranche 2 Commitments, as applicable, in accordance with Clause 9.2 (*Availability*)) following any adjustment to a Base Currency Amount under paragraph (a) above.

## 7. LETTERS OF CREDIT

7.1 **Immediately payable**

If a Letter of Credit or any amount outstanding under a Letter of Credit is expressed to be immediately payable, the Borrower that requested (or on behalf of which the Parent requested) the issue of that Letter of Credit shall repay or prepay that amount immediately.

7.2 **Claims under a Letter of Credit**

(a) Each Borrower irrevocably and unconditionally authorises the Issuing Bank to pay any claim made or purported to be made under a Letter of Credit requested by it (or requested by the Parent on its behalf) and which appears on its face to be in order (in this Clause 7, a "**claim**").

(b) Each Borrower shall within three (3) Business Days of demand (or, if such claim is being funded by way of a Utilisation, within five (5) Business Days of demand) pay to the Agent for the Issuing Bank an amount equal to the amount of any claim.

(c) Each Borrower acknowledges that the Issuing Bank:

(i) is not obliged to carry out any investigation or seek any confirmation from any other person before paying a claim; and

(ii) deals in documents only and will not be concerned with the legality of a claim or any underlying transaction or any available set-off, counterclaim or other defence of any person.

(d) The obligations of a Borrower under this Clause 7 will not be affected by:

(i) the sufficiency, accuracy or genuineness of any claim or any other document; or

(ii) any incapacity of, or limitation on the powers of, any person signing a claim or other document.

(e) Without prejudice to the relevant obligations under the Letter of Credit, the Issuing Bank confirms to the Lenders that before making any payment in respect of a claim it will conduct such checks as it considers reasonable and necessary to ensure that any payment made would not contravene regulatory or statutory restrictions or any internal policy applicable to it and in relation to any beneficiary of any Letter of Credit which is not an Obligor, such beneficiary satisfies the Issuing Bank's normal internal Letter of Credit issuing policies, including without limitation that the beneficiary is not a Restricted Party.

7.3 **Indemnities**

(a) Each Borrower shall immediately on demand indemnify the Issuing Bank against any cost, loss or liability incurred by the Issuing Bank (otherwise than by reason of the Issuing Bank's gross negligence or wilful misconduct) in acting as the

Issuing Bank under any Letter of Credit requested by (or on behalf of) that Borrower.

(b) Each Lender shall (according to its L/C Proportion of the relevant Facility) immediately on demand indemnify the Issuing Bank against any cost, loss or liability incurred by the Issuing Bank (otherwise than by reason of the Issuing Bank's gross negligence or wilful misconduct) in acting as the Issuing Bank under any Letter of Credit (unless the Issuing Bank has been reimbursed by an Obligor pursuant to a Finance Document) **provided that** the Issuing Bank shall apply any cash cover that it holds for itself in respect of that Letter of Credit to the extent that it is able to do so. If it is prevented from applying such cash cover in respect of that Letter of Credit then paragraph (b) of Clause 35.1 (*Payments to Lenders*) shall not apply for the duration of such prevention.

(c) If any Lender is not permitted (by its constitutional documents or any applicable law) to comply with paragraph (b) above, then that Lender will not be obliged to comply with paragraph (b) and shall instead be deemed to have taken, on the date the Letter of Credit is issued (or if later, on the date the Lender's participation in the Letter of Credit is transferred or assigned to the Lender in accordance with the terms of this Agreement), an undivided interest and participation in the Letter of Credit in an amount equal to its L/C Proportion of the relevant Facility of that Letter of Credit. On receipt of demand from the Agent, that Lender shall pay to the Agent (for the account of the Issuing Bank) an amount equal to its L/C Proportion of the amount demanded.

(d) The Borrower which requested (or on behalf of which the Parent requested) a Letter of Credit shall immediately on demand reimburse any Lender for any payment it makes to the Issuing Bank under this Clause 7.3 in respect of that Letter of Credit.

(e) The obligations of each Lender or Borrower under this Clause 7.3 are continuing obligations and will extend to the ultimate balance of sums payable by that Lender or Borrower in respect of any Letter of Credit, regardless of any intermediate payment or discharge in whole or in part.

(f) The obligations of any Lender or Borrower under this Clause 7.3 will not be affected by any act, omission, matter or thing which, but for this Clause 7.3, would reduce, release or prejudice any of its obligations under this Clause 7.3 (without limitation and whether or not known to it or any other person) including:

(i) any time, waiver or consent granted to, or composition with, any Obligor, any beneficiary under a Letter of Credit or any other person;

(ii) the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor or any member of the Restricted Group;

(iii) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor, any beneficiary under a Letter of

Credit or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(iv) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor, any beneficiary under a Letter of Credit or any other person;

(v) any amendment (however fundamental) or replacement of a Finance Document, any Letter of Credit or any other document or security;

(vi) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document, any Letter of Credit or any other document or security; or

(vii) any insolvency or similar proceedings.

7.4 **Cash collateral by Non-Acceptable L/C Lender**

(a) If, at any time, a Lender is a Non-Acceptable L/C Lender, the Issuing Bank may, by notice to that Lender, request that Lender to pay and that Lender shall pay, on or prior to the date falling three (3) Business Days after the request by the Issuing Bank, an amount equal to that Lender's L/C Proportion in the relevant Facility of the outstanding amount of a Letter of Credit and in the currency of that Letter of Credit to an interest-bearing account held in the name of that Lender with the Issuing Bank.

(b) The Non-Acceptable L/C Lender to whom a request has been made in accordance with paragraph (a) above shall enter into a security document or other form of collateral arrangement over the account, in form and substance satisfactory to the Issuing Bank, as collateral for any amounts due and payable under the Finance Documents by that Lender to the Issuing Bank in respect of that Letter of Credit.

(c) Until no amount is or may be outstanding under that Letter of Credit, withdrawals from the account may only be made to pay to the Issuing Bank amounts due and payable to the Issuing Bank by the Non-Acceptable L/C Lender under the Finance Documents in respect of that Letter of Credit.

(d) Each Lender shall notify the Agent and the Parent:

(i) on the date of this Agreement or on any later date on which it becomes such a Lender in accordance with Clause 2.2 (*Increase*) or Clause 30 (*Changes to the Lenders*) whether it is a Non-Acceptable L/C Lender; and

(ii) as soon as practicable upon becoming aware of the same, that it has become a Non-Acceptable L/C Lender,

and an indication in Schedule 1 (*The Original Parties*), in a Transfer Certificate, in an Assignment Agreement or in an Increase Confirmation to that effect will

constitute a notice under paragraph (d)(i) to the Agent and, upon delivery in accordance with Clause 30.7 (*Copy of Transfer Certificate or Assignment Agreement to Parent*), to the Parent.

(e) Any notice received by the Agent pursuant to paragraph (d) above shall constitute notice to the Issuing Bank of that Lender's status and the Agent shall, upon receiving each such notice, promptly notify the Issuing Bank of that Lender's status as specified in that notice.

(f) If a Lender who has provided cash collateral in accordance with this Clause 7.4:

(i) ceases to be a Non-Acceptable L/C Lender; and

(ii) no amount is due and payable by that Lender in respect of a Letter of Credit,

that Lender may, at any time it is not a Non-Acceptable L/C Lender, by notice to the Issuing Bank request that an amount equal to the amount of the cash provided by it as collateral in respect of that Letter of Credit (together with any accrued interest) standing to the credit of the relevant account held with the Issuing Bank be returned to it and the Issuing Bank shall pay that amount to the Lender within three (3) Business Days after the request from the Lender (and shall cooperate with the Lender in order to procure that the relevant security or collateral arrangement is released and discharged).

(g) For the purposes of this Clause 7.4, each Party to this Agreement acknowledges that each 2016 Effective Date Lender and DNB (UK) Limited is at all times an Acceptable Bank and shall not, at any time, be deemed to be a Non-Acceptable L/C Lender.

7.5 **Cash cover by Borrower**

(a) If a Lender which is a Non-Acceptable L/C Lender fails to provide cash collateral (or notifies the Issuing Bank that it will not provide cash collateral) in accordance with Clause 7.4 (*Cash collateral by Non-Acceptable L/C Lender*) and the Issuing Bank notifies the Obligors' Agent (with a copy to the Agent) that it requires the Borrower of the relevant Letter of Credit or proposed Letter of Credit to provide cash cover to an account with the Issuing Bank in an amount equal to that Lender's L/C Proportion in the relevant Facility of the outstanding amount of that Letter of Credit and in the currency of that Letter of Credit then that Borrower shall do so within three (3) Business Days after the notice is given.

(b) Notwithstanding paragraph (d) of Clause 1.2 (*Construction*), the Issuing Bank may agree to the withdrawal of amounts up to the level of that cash cover from the account if:

(i) it is satisfied that the relevant Lender is no longer a Non-Acceptable L/C Lender;

(ii) the relevant Lender's obligations in respect of the relevant Letter of Credit are transferred to a New Lender in accordance with the terms of this Agreement; or

(iii) an Increase Lender has agreed to undertake the obligations in respect of the relevant Lender's L/C Proportion in the relevant Facility of the Letter of Credit.

(c) To the extent that a Borrower has complied with its obligations to provide cash cover in accordance with this Clause 7.5, the relevant Lender's L/C Proportion in the relevant Facility in respect of that Letter of Credit will remain (but that Lender's obligations in relation to that Letter of Credit may be satisfied in accordance with paragraph (d)(ii) of Clause 1.2 (*Construction*)). However, the relevant Borrower's obligation to pay any Letter of Credit fee in relation to the relevant Letter of Credit to the Agent (for the account of that Lender) in accordance with paragraph (b) of Clause 17.4 (*Fees payable in respect of Letters of Credit*) will be reduced proportionately as from the date on which it complies with that obligation to provide cash cover (and for so long as the relevant amount of cash cover continues to stand as collateral).

(d) The relevant Issuing Bank shall promptly notify the Agent of the extent to which a Borrower provides cash cover pursuant to this Clause 7.5 and of any change in the amount of cash cover so provided.

### 7.6 Rights of contribution

No Obligor will be entitled to any right of contribution or indemnity from any Finance Party in respect of any payment it may make under this Clause 7.

## 8. OPTIONAL CURRENCIES

### 8.1 Selection of currency

A Borrower (or the Parent on its behalf) shall select the currency of a Utilisation in a Utilisation Request.

### 8.2 Unavailability of a currency

If before the Specified Time on any Quotation Day:

(a) a Lender participating in the relevant Facility notifies the Agent that the Optional Currency requested is not readily available to it in the amount required; or

(b) a Lender participating in the relevant Facility notifies the Agent that compliance with its obligation to participate in a Loan in the proposed Optional Currency would contravene a law or regulation applicable to it,

the Agent will give notice to the relevant Borrower or Parent to that effect by the Specified Time on that day. In this event, any Lender that gives notice pursuant to this Clause 8.2 will be required to participate in the Loan in the Base Currency (in an amount equal to

that Lender's proportion of the Base Currency Amount, or in respect of a Rollover Loan, an amount equal to that Lender's proportion of the Base Currency Amount of the Rollover Loan that is due to be made) and its participation will be treated as a separate Loan denominated in the Base Currency during that Interest Period.

8.3 **Agent's calculations**

Each Lender's participation in a Loan will be determined in accordance with paragraph (b) of Clause 5.4 (*Lenders' participation*).

## 9. ANCILLARY FACILITIES

9.1 **Type of Facility**

An Ancillary Facility may be by way of:

(a) an overdraft facility;

(b) a guarantee, bonding, documentary or stand-by letter of credit facility;

(c) a short term loan facility;

(d) a derivatives facility;

(e) a foreign exchange facility; or

(f) any other facility or accommodation required in connection with the business of the Restricted Group and which is agreed by the Parent with an Ancillary Lender.

9.2 **Availability**

(a) If the Parent and a Lender agree and except as otherwise provided in this Agreement, the Lender may provide an Ancillary Facility on a bilateral basis in place of all or part of that Lender's unutilised Commitment (which shall (except for the purposes of determining the Majority Lenders and of Clause 42.4 (*Replacement of Lender*)) be reduced by the amount of the Ancillary Commitment under that Ancillary Facility).

(b) An Ancillary Facility shall not be made available unless, not later than five (5) Business Days prior to the Ancillary Commencement Date for an Ancillary Facility, the Agent has received from the Parent:

(i) a notice in writing of the establishment of an Ancillary Facility and specifying:

(A) the Facility under which such Ancillary Facility is to be provided;

(B) the proposed Borrower(s) which may use the Ancillary Facility;

(C) the proposed Ancillary Commencement Date and expiry date of the Ancillary Facility;

(D) the proposed type of Ancillary Facility to be provided;

(E) the proposed Ancillary Lender;

(F) the proposed Ancillary Commitment, the maximum amount of the Ancillary Facility and, if the Ancillary Facility is an overdraft facility comprising more than one account its maximum gross amount (that amount being the "**Designated Gross Amount**") and its maximum net amount (that amount being the "**Designated Net Amount**");

(G) the proposed currency;

(H) the purpose of the Ancillary Facility to be provided; and

(I) any other information which the Agent may reasonably request in connection with the Ancillary Facility.

The Agent shall promptly notify the Ancillary Lender and the other Tranche 1 Lenders or, as the case may be, Tranche 2 Lenders of the establishment of an Ancillary Facility.

No amendment or waiver of a term of any Ancillary Facility shall require the consent of any Finance Party other than the relevant Ancillary Lender unless such amendment or waiver itself relates to or gives rise to a matter which would require an amendment of or under this Agreement (including, for the avoidance of doubt, under this Clause 9). In such a case, the provisions of this Agreement with regard to amendments and waivers will apply.

(c) Subject to compliance with paragraph (b) above:

(i) the Lender concerned will become an Ancillary Lender; and

(ii) the Ancillary Facility will be available,

with effect from the date agreed by the Parent and the Ancillary Lender.

9.3 **Terms of Ancillary Facilities**

(a) Except as provided below, the terms of any Ancillary Facility will be those agreed by the Ancillary Lender and the Parent.

(b) However, those terms:

(i) must be based upon normal commercial terms at that time (except as varied by this Agreement);

(ii) may allow only Borrowers (or Affiliates of Borrowers nominated pursuant to Clause 9.9 (*Affiliates of Borrowers*)) to use the Ancillary Facility;

(iii) may not allow the Ancillary Outstandings to exceed the Ancillary Commitment;

(iv) may not allow the Ancillary Commitment of a Lender to exceed the Available Commitment of that Lender in relation to the relevant Facility (excluding for these purposes any reduction in the Available Commitments attributable to such Ancillary Commitment); and

(v) must require that the Ancillary Commitment is reduced to nil, and that all Ancillary Outstandings are repaid (or cash cover provided in respect of all the Ancillary Outstandings) not later than the Termination Date relating to the relevant Facility (or such earlier date as the Commitment of the relevant Ancillary Lender is reduced to zero).

(c) If there is any inconsistency between any term of an Ancillary Facility and any term of this Agreement, this Agreement shall prevail except for (i) Clause 39.3 (*Day count convention*) which shall not prevail for the purposes of calculating fees, interest or commission relating to an Ancillary Facility; (ii) an Ancillary Facility comprising more than one account where the terms of the Ancillary Documents shall prevail to the extent required to permit the netting of balances on those accounts; and (iii) where the relevant term of this Agreement would be contrary to, or inconsistent with, the law governing the relevant Ancillary Document, in which case that term of this Agreement shall not prevail.

(d) Interest, commission and fees on Ancillary Facilities are dealt with in Clause 17.5 (*Interest, commission and fees on Ancillary Facilities*).

9.4 **Repayment of Ancillary Facility**

(a) An Ancillary Facility shall cease to be available on the Termination Date relating to the relevant Facility or such earlier date on which its expiry date occurs or on which it is cancelled in accordance with the terms of this Agreement.

(b) If an Ancillary Facility expires or is cancelled (in whole or in part) in accordance with its terms or by agreement between the parties thereto, the Ancillary Commitment of the Ancillary Lender shall be reduced accordingly (and its Tranche 1 Commitment or, as the case may be, its Tranche 2 Commitment shall be increased accordingly).

(c) No Ancillary Lender may demand repayment or prepayment of any amounts or demand cash cover for any liabilities made available or incurred by it under its Ancillary Facility (except where the Ancillary Facility is provided on a net limit basis to the extent required to bring any gross outstandings down to the net limit) unless:

(i) the Total Commitments have been cancelled in full, or all outstanding Utilisations have become due and payable in accordance with the terms of this Agreement, or the Agent has declared all outstanding Utilisations immediately due and payable, or the expiry date of the Ancillary Facility occurs; or

(ii) it becomes unlawful in any applicable jurisdiction for the Ancillary Lender to perform any of its obligations as contemplated by this Agreement or to fund, issue or maintain its participation in its Ancillary Facility; or

(iii) the Ancillary Outstandings (if any) under that Ancillary Facility can be refinanced by a Utilisation of the relevant Facility and the Ancillary Lender gives sufficient notice to enable a Utilisation to be made to refinance those Ancillary Outstandings.

(d) For the purposes of determining whether or not the Ancillary Outstandings under an Ancillary Facility mentioned in paragraph (c)(iii) above can be refinanced by a Utilisation:

(i) the Tranche 1 Commitment or, as the case may be, the Tranche 2 Commitment of the Ancillary Lender will be increased by the amount of its Ancillary Commitment; and

(ii) the Utilisation may (so long as paragraph (c)(i) above does not apply) be made under the relevant Facility irrespective of whether a Default is outstanding or any other applicable condition precedent is not satisfied (but only to the extent that the proceeds are applied in refinancing those Ancillary Outstandings) and irrespective of whether Clause 4.4 (*Maximum number of Utilisations*) or paragraph (a)(iii) of Clause 5.2 (*Completion of a Utilisation Request for Loans*) applies.

(e) On the making of a Utilisation to refinance Ancillary Outstandings:

(i) each Lender will participate in that Utilisation in an amount (as determined by the Agent) which will result as nearly as possible in the aggregate amount of its participation in the Utilisations then outstanding under the relevant Facility bearing the same proportion to the aggregate amount of the Utilisations then outstanding under the relevant Facility as its Tranche 1 Commitment bears to the Total Tranche 1 Commitments or, as applicable, as its Tranche 2 Commitment bears to the Total Tranche 2 Commitments; and

(ii) the relevant Ancillary Facility shall be cancelled to the extent of such refinancing.

(f) In relation to an Ancillary Facility which comprises an overdraft facility where a Designated Net Amount has been established, the Ancillary Lender providing that Ancillary Facility shall only be obliged to take into account for the purposes of calculating compliance with the Designated Net Amount those credit balances which it is permitted to take into account by the then current law and regulations in relation to its reporting of exposures to applicable regulatory authorities as netted for capital adequacy purposes.

9.5 **Ancillary Outstandings**

Each Borrower and each Ancillary Lender agrees with and for the benefit of each Lender that:

(a) the Ancillary Outstandings under any Ancillary Facility provided by that Ancillary Lender shall not exceed the Ancillary Commitment applicable to that Ancillary Facility and where the Ancillary Facility is an overdraft facility comprising more than one account, Ancillary Outstandings under that Ancillary Facility shall not exceed the Designated Net Amount in respect of that Ancillary Facility; and

(b) where all or part of the Ancillary Facility is an overdraft facility comprising more than one account, the Ancillary Outstandings (calculated on the basis that the words in brackets starting 'net of' and ending 'under that Ancillary Facility' of the definition of that term were deleted) shall not exceed the Designated Gross Amount applicable to that Ancillary Facility.

9.6 **Adjustment for Ancillary Facilities upon acceleration**

(a) In this Clause 9.6:

"**Tranche 1 Outstandings**" means, in relation to a Lender, the aggregate in the Base Currency of (i) its participation in each Tranche 1 Utilisation then outstanding (together with the aggregate amount of all accrued interest, fees and commission owed to it as a Lender), and (ii) if the Lender is also an Ancillary Lender, the Ancillary Outstandings in respect of Ancillary Facilities provided by that Ancillary Lender in respect of its Tranche 1 Commitments (together with the aggregate amount of all accrued interest, fees and commission owed to it as an Ancillary Lender in respect of that Ancillary Facility).

"**Tranche 2 Outstandings**" means, in relation to a Lender, the aggregate in the Base Currency of (i) its participation in each Tranche 2 Utilisation then outstanding (together with the aggregate amount of all accrued interest, fees and commission owed to it as a Lender), and (ii) if the Lender is also an Ancillary Lender, the Ancillary Outstandings in respect of Ancillary Facilities provided by that Ancillary Lender in respect of its Tranche 2 Commitments (together with the aggregate amount of all accrued interest, fees and commission owed to it as an Ancillary Lender in respect of that Ancillary Facility).

"**Total Tranche 1 Outstandings**" means the aggregate of all Tranche 1 Outstandings.

"**Total Tranche 2 Outstandings**" means the aggregate of all Tranche 2 Outstandings.

(b) If a notice is served under paragraphs (a)(i), (a)(ii) or (iv) of Clause 28.20 (*Acceleration*):

(i) each Lender and each Ancillary Lender under Tranche 1 shall promptly adjust by corresponding transfers (to the extent necessary) their claims in respect of amounts outstanding to them under Tranche 1 and each

Ancillary Facility to ensure that after such transfers the Tranche 1 Outstandings of each Lender under Tranche 1 bear the same proportion to the Total Tranche 1 Outstandings as such Lender's Tranche 1 Commitment bears to the Total Tranche 1 Commitments, each as at the date such notice is served under Clause 28.20 (*Acceleration*); and

(ii) each Lender and each Ancillary Lender under Tranche 2 shall promptly adjust by corresponding transfers (to the extent necessary) their claims in respect of amounts outstanding to them under Tranche 2 and each Ancillary Facility to ensure that after such transfers the Tranche 2 Outstandings of each Lender under Tranche 2 bear the same proportion to the Total Tranche 2 Outstandings as such Lender's Tranche 2 Commitment bears to the Total Tranche 2 Commitments, each as at the date such notice is served under Clause 28.20 (*Acceleration*).

(c) If an amount outstanding under an Ancillary Facility is a contingent liability and that contingent liability becomes an actual liability or is reduced to zero after the original adjustment is made under paragraph (b) above, then each Lender and Ancillary Lender will make a further adjustment by corresponding transfers (to the extent necessary) to put themselves in the position they would have been in had the original adjustment been determined by reference to the actual liability or, as the case may be, zero liability and not the contingent liability.

(d) Prior to the application of the provisions of paragraph (b) of this Clause 9.6, an Ancillary Lender that has provided an overdraft comprising more than one account under an Ancillary Facility shall set-off any liabilities owing to it under such overdraft facility against credit balances on any account comprised in such overdraft facility.

(e) All calculations to be made pursuant to this Clause 9.6 shall be made by the Agent based upon information provided to it by the Lenders and Ancillary Lenders.

9.7 **Information**

Each Borrower and each Ancillary Lender shall, promptly upon request by the Agent, supply the Agent with any information relating to the operation of an Ancillary Facility (including the Ancillary Outstandings) as the Agent may reasonably request from time to time. Each Borrower consents to all such information being released to the Agent and the other Finance Parties.

9.8 **Affiliates of Lenders as Ancillary Lenders**

(a) Subject to the terms of this Agreement, an Affiliate of a Lender may become an Ancillary Lender. In such case, (other than for the purposes of Clause 18 (*Tax gross up and indemnities*)) the Lender and its Affiliate shall be treated as a single Lender whose Tranche 1 Commitment and/or Tranche 2 Commitment (as the case may be) is the amount set out opposite the relevant Lender's name in Part II of Schedule 1 (*The Original Parties*) and/or the amount of any Tranche 1 Commitment and/or Tranche 2 Commitment (as the case may be) transferred to or assumed by that Lender under this Agreement, to the extent (in each case) not

cancelled, reduced or transferred by it under this Agreement. For the purposes of calculating the Lender's Available Commitment, the Lender's Commitment shall be reduced to the extent of the aggregate of the Ancillary Commitments of its Affiliates.

(b) The Parent shall specify any relevant Affiliate of a Lender in any notice delivered by the Parent to the Agent pursuant to paragraph (b)(i) of Clause 9.2 (*Availability*).

(c) An Affiliate of a Lender which becomes an Ancillary Lender shall accede to the Intercreditor Agreement as an Ancillary Lender and any person which so accedes to the Intercreditor Agreement shall, at the same time, become a party to this Agreement as an Ancillary Lender in accordance with clause 19.11 (*New Ancillary Lender*) of the Intercreditor Agreement.

(d) If a Lender assigns all of its rights and benefits or transfers all of its rights and obligations to a New Lender (as defined in Clause 29 (*Changes to the Lenders*)), its Affiliate shall cease to have any obligations under this Agreement or any Ancillary Document.

(e) Where this Agreement or any other Finance Document imposes an obligation on an Ancillary Lender and the relevant Ancillary Lender is an Affiliate of a Lender which is not a party to that document, the relevant Lender shall ensure that the obligation is performed by its Affiliate.

9.9 **Affiliates of Borrowers**

(a) Subject to the terms of this Agreement:

(i) (for the purpose of any cash management program (including, without limitation, any zero balance cash pooling arrangement) to which an existing Borrower and the Affiliate of such Borrower is also a party) an Affiliate of a Borrower; and

(ii) an Affiliate of a Borrower which is incorporated in the same jurisdiction as an existing Borrower,

may with the approval of the relevant Lender become a Borrower with respect to an Ancillary Facility.

(b) The Parent shall specify any relevant Affiliate of a Borrower in any notice delivered by the Parent to the Agent pursuant to paragraph (b)(i) of Clause 9.2 (*Availability*).

(c) If a Borrower ceases to be a Borrower under this Agreement in accordance with Clause 32.3 (*Resignation of a Borrower*), its Affiliate shall cease to have any rights under this Agreement or any Ancillary Document.

(d) Where this Agreement or any other Finance Document imposes an obligation on a borrower under an Ancillary Facility and the relevant borrower is an Affiliate

of a Borrower which is not a party to that document, the relevant Borrower shall ensure that the obligation is performed by its Affiliate.

(e) Any reference in this Agreement or any other Finance Document to a Borrower being under no obligations (whether actual or contingent) as a Borrower under such Finance Document shall be construed to include a reference to any Affiliate of that Borrower being under no obligations under any Finance Document or Ancillary Document.

9.10 **Commitment amounts**

Notwithstanding any other term of this Agreement, each Lender shall ensure that, in relation to each Facility, at all times its Commitment, in relation to that Facility, is not less than:

(a) its Ancillary Commitment under that Facility; and

(b) the Ancillary Commitment of its Affiliate under that Facility,

in each case, excluding for these purposes any reduction in such Lender's Commitment in relation to that Facility attributable to such Ancillary Commitment.

10. **REPAYMENT**

10.1 **Repayment of Loans**

(a) Each Borrower which has drawn a Loan shall repay that Loan on the last day of its Interest Period.

(b) Each Borrower which has utilised a Letter of Credit which is then still outstanding shall repay that Letter of Credit on the Termination Date.

(c) Without prejudice to each Borrower's obligation under paragraph (a) above, if one or more Loans are to be made available to a Borrower:

(i) on the same day that a maturing Loan is due to be repaid by that Borrower;

(ii) in the same currency as the maturing Loan; and

(iii) in whole or in part for the purpose of refinancing the maturing Loan;

the aggregate amount of the new Loans shall be treated as if applied in or towards repayment of the maturing Loan so that:

(A) if the amount of the maturing Loan exceeds the aggregate amount of the new Loans:

(1) the relevant Borrower will only be required to pay an amount in cash equal to that excess; and

(2) each Lender's participation (if any) in the new Loans shall be treated as having been made available and applied by the Borrower in or towards repayment of that Lender's participation (if any) in the maturing Loan and that Lender will not be required to make its participation in the new Loans available in cash; and

(B) if the amount of the maturing Loan is equal to or less than the aggregate amount of the new Loans:

(1) the relevant Borrower will not be required to make any payment in cash; and

(2) each Lender will be required to make its participation in the new Loans available in cash only to the extent that its participation (if any) in the new Loans exceeds that Lender's participation (if any) in the maturing Loan and the remainder of that Lender's participation in the new Loans shall be treated as having been made available and applied by the Borrower in or towards repayment of that Lender's participation in the maturing Loan.

(d) At any time when a Lender becomes a Defaulting Lender, the maturity date of each of the participations of that Lender in the Loans then outstanding will be automatically extended to the Termination Date and will be treated as separate Loans (the "**Separate Loans**") denominated in the currency in which the relevant participations are outstanding.

(e) A Borrower to whom a Separate Loan is outstanding may prepay that Separate Loan by giving five (5) Business Days prior notice to the Agent. The Agent will forward a copy of a prepayment notice received in accordance with this paragraph (e) to the Defaulting Lender concerned as soon as practicable on receipt.

(f) Interest in respect of a Separate Loan will accrue for successive Interest Periods selected by the Borrower by the time and date specified by the Agent (acting reasonably) and will be payable by that Borrower to the Defaulting Lender on the last day of each Interest Period of that Separate Loan.

(g) The terms of this Agreement relating to Loans generally shall continue to apply to Separate Loans other than to the extent inconsistent with paragraphs (d) to (f) above, in which case those paragraphs shall prevail in respect of any Separate Loan.

## 11. ILLEGALITY, VOLUNTARY PREPAYMENT AND CANCELLATION

### 11.1 Illegality

If after the date of this Agreement (or, if later, the date the relevant Lender becomes a Party) it becomes unlawful in any applicable jurisdiction for a Lender to perform any

of its obligations as contemplated by this Agreement or to fund, issue or maintain its participation in any Utilisation:

(a) that Lender, shall promptly notify the Agent upon becoming aware of that event;

(b) upon the Agent notifying the Parent, the Commitment of that Lender will be immediately cancelled; and

(c) each Borrower shall repay that Lender's participation in the Utilisations made to that Borrower on the last day of the Interest Period for each Utilisation occurring after the Agent has notified the Parent or, if earlier, the date specified by the Lender in the notice delivered to the Agent (being no earlier than the last day of any applicable grace period permitted by law).

11.2 **Illegality in relation to Issuing Bank**

If after the date of this Agreement (or, if later, the date on which the relevant Letter of Credit is issued) it becomes unlawful for an Issuing Bank to issue or leave outstanding any Letter of Credit, then:

(a) that Issuing Bank shall promptly notify the Agent upon becoming aware of that event;

(b) upon the Agent notifying the Parent, the Issuing Bank shall not be obliged to issue any Letter of Credit;

(c) to the extent it would be unlawful for any such Letter of Credit to remain outstanding, the Parent shall procure that the relevant Borrower shall use all reasonable endeavours to procure the release of each Letter of Credit issued by that Issuing Bank and outstanding at such time; and

(d) until any other Lender has agreed to be an Issuing Bank pursuant to the terms of this Agreement, the relevant Facility shall cease to be available for the issue of Letters of Credit.

11.3 **Voluntary cancellation**

The Parent may, if it gives the Agent not less than five (5) Business Days (or such shorter period as the Majority Lenders may agree) prior notice, cancel the whole or any part (being a minimum amount of £1,000,000 and an integral multiple of £1,000,000) of the Available Facility. Any cancellation under this Clause 11.3 shall reduce the Commitments of the Lenders rateably under that Facility.

11.4 **Voluntary prepayment of Utilisations**

A Borrower to which a Utilisation has been made may, if it or the Parent gives the Agent not less than five (5) Business Days (or such shorter period as the Majority Lenders may agree) prior notice, prepay the whole or any part of that Utilisation (but, if in part, being an amount that reduces that Utilisation by a minimum amount of £1,000,000 and an integral multiple of £1,000,000).

11.5 **Right of cancellation and repayment in relation to a single Lender or Issuing Bank**

(a) If:

(i) any sum payable to any Lender by an Obligor is required to be increased under paragraph (c) of Clause 18.2 (*Tax gross up*);

(ii) any Lender or Issuing Bank claims indemnification from the Parent or an Obligor under Clause 18.3 (*Tax indemnity*) or Clause 19.1 (*Increased costs*); or

(iii) a Lender or the Agent does not consent to an Amendment (as defined in paragraph (e) of Clause 42.3 (*Exceptions*)) pursuant to paragraph (e) of Clause 42.3 (*Exceptions*); or

(iv) a Lender or the Agent does not provide their consent pursuant to Clause 32.6 (*Changes to the Obligors – FATCA*)

the Parent may, whilst the circumstance giving rise to the requirement for that increase, indemnification or consent continues, give the Agent notice:

(A) (if such circumstances relate to a Lender) of cancellation of the Commitment of that Lender and its intention to procure the repayment of that Lender's participation in the Utilisations; or

(B) (if such circumstances relate to the Issuing Bank) of any outstanding Letter of Credit issued by it and cancellation of its appointment as an Issuing Bank under this Agreement in relation to any Letters of Credit to be issued in the future.

(b) On receipt of a notice referred to in paragraph (a) above in relation to a Lender, the Commitment of that Lender shall immediately be reduced to zero.

(c) On the last day of each Interest Period which ends after the Parent has given notice under paragraph (a) above in relation to a Lender (or, if earlier, the date specified by the Parent in that notice), each Borrower to which a Utilisation is outstanding shall repay that Lender's participation in that Utilisation together with all interest and other amounts accrued under the Finance Documents.

11.6 **Right of cancellation in relation to a Defaulting Lender**

(a) If any Lender becomes a Defaulting Lender, the Parent may, at any time whilst the Lender continues to be a Defaulting Lender, give the Agent five (5) Business Days notice of cancellation of each Available Commitment of that Lender.

(b) On the notice referred to in paragraph (a) above becoming effective, each Available Commitment of the Defaulting Lender shall immediately be reduced to zero.

(c) The Agent shall as soon as practicable after receipt of a notice referred to in paragraph (a) above, notify all the Lenders.

## 12. MANDATORY PREPAYMENT

### 12.1 Exit

(a) Upon the Parent becoming aware that (i) a Change of Control or (ii) the sale of all or substantially all of the assets of the Restricted Group whether in a single transaction or a series of related transactions (a "**Sale**") may occur, the Parent shall promptly notify the Agent of that event.

(b) Subject to Clause 12.2 (*Exit Discussions*) upon the occurrence of (i) a Change of Control or (ii) the sale of all or substantially all of the assets of the Restricted Group whether in a single transaction or a series of related transactions:

(i) a Lender shall not be obliged to fund a Utilisation (except for a Rollover Loan) and an Ancillary Lender shall not be obliged to fund a utilisation of an Ancillary Facility; and

(ii) if a Lender so requires and informs the Agent within 60 days of (i) the occurrence of a Change of Control or (ii) the date on which a Sale occurs, the Agent shall, promptly notify the Parent and five Business Days thereafter, the Facilities shall be cancelled insofar as they are made available by that Lender and that Lender's participation in outstanding Utilisations and Ancillary Outstandings shall, together with accrued interest, and all other amounts accrued to that Lender under the Finance Documents be immediately due and payable, and full cash cover in respect of each letter of credit under an Ancillary Facility shall become immediately due and payable, whereupon on the date so specified by the Agent the Facilities insofar as made available by that Lender will be cancelled and all such outstanding amounts will become immediately due and payable and, in respect of a Change of Control, for those Lenders who do not require such a cancellation within 60 days of the occurrence of a Change of Control, the definition of Investors shall include the new investor after such Change of Control.

(c) Sub-paragraph (b)(i) above shall only apply where a Lender has required cancellation within 60 days of (i) the occurrence of a Change of Control or (ii) the date on which a Sale occurs, as more particularly set out in sub-paragraph (b)(ii) above.

### 12.2 Exit Discussions

(a) Notwithstanding Clause 12.1 (*Exit*) above, the Investors shall be permitted to approach each Lender in advance of a proposed Change of Control to seek each such Lender's consent to a waiver of the provisions of Clause 12.1 (*Exit*) in connection with such proposed Change of Control (the "**Successor Transfer**"). The Investors shall approach each Lender more than 30 days before a Successor

Transfer. Each Lender and the Investors shall then consult for a period of not more than 30 days in respect of the Successor Transfer (the "**Discussion Period**").

(b) Prior to the expiry of the Discussion Period, each Lender shall give written confirmation to the Investors of its decision, acting reasonably (in the sole determination of each Lender), to: (i) consent to the Successor Transfer (the "**Positive Decision**"); or (ii) not consent to the Successor Transfer (the "**Negative Decision**").

(c) For the avoidance of doubt, any Lender that delivers a Negative Decision shall not be obliged to disclose its reasons for such Negative Decision, **provided that** where a Lender fails to disclose its reasons for a Negative Decision, a duly authorised signatory of such Lender shall, at the request of the Parent, certify in writing that its consent to the Successor Transfer is not being unreasonably withheld (in the sole discretion of that Lender), taking into account the Lender and its Affiliates.

(d) In the event that any Lender provides a Positive Decision, no Change of Control shall occur for the purposes of Clause 12.1 (*Exit*) and this Agreement generally in relation to the Commitments and participations of that Lender and, for the purposes of those Lenders providing a Positive Decision only, the definition of Investors shall include the new investor after any Successor Transfer has occurred.

(e) In the event of a Negative Decision by any Lender:

(i) on and from the date of that Change of Control that Lender shall not be obliged to fund a Utilisation (except for a Rollover Loan) and if that Lender is an Ancillary Lender, it shall not be obliged to fund a utilisation of an Ancillary Facility; and

(ii) the Agent shall, promptly notify the Parent and with effect from the date that is 75 days after the Change of Control, cancel the Facilities insofar as made available by that Lender and declare that Lender's participation in outstanding Utilisations and Ancillary Outstandings, together with accrued interest and all other amounts accrued to that Lender under the Finance Documents due and payable on or (at the Parent's election subject to Break Costs) before the date that is 75 days after the Change of Control, and full cash cover in respect of each Letter of Credit and any letter of credit under any Ancillary Facility shall become due and payable on or (at the Parent's election subject to Break Costs) before the date that is 75 days after the Change of Control.

(f) Following a Negative Decision, the Parent shall have the right (but not the obligation) to treat the relevant Lender as if it were a Non-Consenting Lender and require the transfer of such Lender's commitments in accordance with Clause 42.4 (*Replacement of Lender*).

12.3 **Disposal Proceeds and Insurance Proceeds**

(a) For the purposes of this Clause 12.3, Clause 12.4 (*Application of mandatory prepayments*) and Clause 12.5 (*Mandatory Prepayment Accounts*):

"**Asset Disposition**" has the meaning given to it in Schedule 14 (*Restrictive Covenants*).

"**Disposal Proceeds**" means the consideration received by any member of the Restricted Group (including any amount receivable in repayment of intercompany debt) for any Asset Disposition made by any member of the Restricted Group on arms length terms except for Excluded Disposal Proceeds and after deducting:

(i) any reasonable expenses which are incurred by any member of the Restricted Group with respect to that Asset Disposition to persons who are not members of the Restricted Group; and

(ii) any Tax incurred and required to be paid by the seller in connection with that Asset Disposition (as reasonably determined by the seller, on the basis of existing rates and taking account of any available credit, deduction or allowance).

"**Excluded Disposal Proceeds**" means:

(i) any proceeds of any Asset Dispositions which the Parent notifies the Agent are, or are to be, applied in accordance with the 2023 Cabot Notes Indenture and/or any Existing Notes Indenture **provided that** such proceeds are subsequently applied in accordance with Section 4.10 of the 2023 Cabot Notes Indenture and/or the equivalent provision of any Existing Notes Indenture; and

(ii) any proceeds of any Asset Dispositions applied towards the prepayment, purchase, defeasement, redemption, acquisition or retirement of the Notes, Replacement Debt or Term Debt, in each case in accordance with the terms of Clause 27.20 (*Note Purchase Condition*).

"**Excluded Insurance Proceeds**" means:

(i) any net proceeds of an insurance claim which (x) relates to any insurance for business interruption or third party liability or (y) the Parent notifies the Agent are, or are to be, applied:

(A) to meet a third party claim;

(B) to cover operating losses in respect of which the relevant insurance claim was made;

(C) in the replacement, reinstatement and/or repair of the assets or to the purchase of replacement assets useful to the business or otherwise in amelioration of the loss in respect of which the relevant insurance claim was made; or

(D) which are, or are to be, applied or reinvested in substantially similar assets used in the Restricted Group's business,

in each case within 364 days, or such longer period as the Majority Lenders may agree, after receipt by any member of the Restricted Group or the Security Agent (as the case may be); or

(ii) any net proceeds of an insurance claim to the extent that the aggregate of the Insurance Proceeds of all claims received in such Financial Year of the Parent are no more than (calculated as at the date of receipt of the last Insurance Proceeds) £5,000,000 (or its equivalent) in such Financial Year.

"**Insurance Proceeds**" means the net proceeds of any insurance claim under any insurance maintained by any member of the Restricted Group except for Excluded Insurance Proceeds and after deducting any reasonable costs and expenses in relation to that claim which are incurred by any member of the Restricted Group to persons who are not members of the Restricted Group.

(b) The Parent shall ensure that the Disposal Proceeds are applied to cancel Commitments and, if applicable, prepay Utilisations at the times and in the order of application contemplated by Clause 12.4 (*Application of mandatory prepayments*).

(c) The Parent shall ensure that the Borrowers offer to cancel Commitments and, if applicable, prepay Utilisations in the amount of any Insurance Proceeds at the times and in the order of application contemplated by Clause 12.4 (*Application of mandatory prepayments*).

12.4 **Application of mandatory prepayments**

(a) Subject to paragraph (b) below, a cancellation and, if applicable, a prepayment made under Clause 12.3 (*Disposal Proceeds and Insurance Proceeds*) or Clause 27.20 (*Note Purchase Condition*) shall be divided between Tranche 1 and Tranche 2 *pro rata* (by reference to Total Commitments) and shall be applied in the following order:

(i) first, in cancellation of Available Commitments in relation to the relevant Facility;

(ii) secondly, in prepayment of Utilisations under the relevant Facility (in such order as the Parent may elect **provided that** outstanding Loans will be prepaid before outstanding Letters of Credit); and

(iii) thirdly, in repayment and cancellation of the Ancillary Outstandings and Ancillary Commitments under the relevant Facility.

(b) Unless the Parent makes an election under paragraph (c) below, the Borrowers shall cancel Commitments and, if applicable, prepay Utilisations at the following times:

(i) in the case of any prepayment relating to Insurance Proceeds, promptly upon receipt of those proceeds; and

(ii) in the case of Disposal Proceeds, on (A) the Asset Disposition Purchase Date (as defined in the 2023 Cabot Notes Indenture) relating to those Disposal Proceeds, (B) if no such Asset Disposition Purchase Date applies because of any applicable *de minimis* threshold under the 2023 Cabot Notes Indenture, the 366th day following the later of the date of the relevant Asset Disposition and the receipt of those Disposal Proceeds or (C) if an Asset Disposition Offer (as defined in the 2023 Cabot Notes Indenture) is made but is not taken up by any creditor on the expiry of the relevant Asset Disposition Offer Period (as defined in the 2023 Cabot Notes Indenture),

(c) Subject to paragraph (d) below, the Parent may, by giving the Agent not less than two (2) Business Days' (or such shorter period as the Majority Lenders may agree) prior written notice, elect that any cancellation and, if applicable, prepayment (and corresponding cancellation) due under Clause 12.3 (*Disposal Proceeds and Insurance Proceeds*) be made on the last day of the Interest Period relating to the Utilisation. If the Parent makes that election then an amount of the Utilisation equal to the amount of the relevant prepayment will be cancelled and, if applicable, be due and payable on the last day of its Interest Period.

(d) If the Parent has made an election under paragraph (c) above but an Event of Default has occurred and is continuing, if so directed by the Majority Lenders, that election shall no longer apply and a proportion of the Utilisation in respect of which the election was made equal to the amount of the relevant prepayment shall be immediately due and payable.

(e) The Parent and each other Obligor shall use all reasonable endeavours to ensure that any transaction giving rise to a prepayment obligation or obligation to provide cash cover is structured in such a way that it will not be unlawful for the Obligors to move the relevant proceeds received between members of the Restricted Group to enable a mandatory prepayment to be lawfully made, cash cover lawfully provided and the proceeds lawfully applied as provided under Clause 12.3 (*Disposal Proceeds and Insurance Proceeds*). If, however after the Parent and each such Obligor has used all such reasonable endeavours and taken such reasonable steps, it will still:

(i) be unlawful (including, without limitation, by reason of financial assistance, corporate benefit restrictions on upstreaming cash intra-group and the fiduciary and statutory duties of the directors of any member of the Restricted Group) for such a prepayment to be made and/or cash cover to be provided and the proceeds so applied; and

(ii) be unlawful (including, without limitation, by reason of financial assistance, corporate benefit restrictions on upstreaming cash intra-group and the fiduciary and statutory duties of the directors of any member of the Restricted Group) to make funds available to a member of the Restricted Group that could make such a prepayment and/or provide such cash cover,

then such prepayment and/or provision of cash cover shall not be required to be made (and, for the avoidance of doubt, the relevant amount shall be available for the general corporate purposes of the Restricted Group and shall not be required to be paid to a Mandatory Prepayment Account or any other blocked account) **provided always that** if the restriction preventing such payment/provision of cash cover or giving rise to such liability is subsequently removed, any relevant proceeds will immediately be applied in prepayment and/or the provision of cash cover in accordance with Clause 12.3 (*Disposal Proceeds and Insurance Proceeds*) at the end of the relevant Interest Period(s) to the extent that such payment has not otherwise been made or the proceeds otherwise used.

12.5 **Mandatory Prepayment Accounts**

(a) The Parent shall ensure that amounts in respect of which the Parent has made an election under paragraph (c) of Clause 12.4 (*Application of mandatory prepayments*) are paid into a Mandatory Prepayment Account as soon as reasonably practicable after receipt by a member of the Restricted Group.

(b) The Parent and each Borrower irrevocably authorise the Agent to apply amounts credited to the Mandatory Prepayment Account to pay amounts due and payable under Clause 12.4 (*Application of mandatory prepayments*) and otherwise under the Finance Documents.

(c) A Lender, Security Agent or Agent with which a Mandatory Prepayment Account is held acknowledges and agrees that (i) interest shall accrue at normal commercial rates on amounts credited to those accounts and that the account holder shall be entitled to receive such interest (which shall be paid in accordance with the mandate relating to such account) unless a Default is continuing and (ii) each such account is subject to the Transaction Security.

12.6 **Excluded proceeds**

Where Excluded Disposal Proceeds and Excluded Insurance Proceeds include amounts which are intended to be used for a specific purpose within a specified period (as set out in the definition of Excluded Disposal Proceeds or Excluded Insurance Proceeds), the Parent shall (a) ensure that those amounts are used for that intended purpose (or a suitable replacement specific purpose within that specified period) and, if requested to do so by the Agent, shall promptly deliver a certificate to the Agent at the time of such application and at the end of such period confirming the amount (if any) which has been so applied within the requisite time periods provided for in the relevant definition, or (b) promptly ensure that those amounts are applied in cancellation and prepayment of the Facilities

at the times and in the manner set out in Clause 12.4 (*Application of mandatory prepayments*).

## 13. RESTRICTIONS

### 13.1 Notices of Cancellation or Prepayment

Any notice of cancellation, prepayment, authorisation or other election given by any Party under Clause 11 (*Illegality, voluntary prepayment and cancellation*) shall (subject to the terms of that Clause) be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.

### 13.2 Interest and other amounts

Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.

### 13.3 Reborrowing of a Facility

Unless a contrary indication appears in this Agreement, any part of a Facility which is prepaid or repaid may be reborrowed in accordance with the terms of this Agreement.

### 13.4 Prepayment in accordance with Agreement

No Borrower shall repay or prepay all or any part of the Utilisations or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.

### 13.5 No reinstatement of Commitments

Subject to Clause 2.2 (*Increase*), no amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.

### 13.6 Agent's receipt of Notices

If the Agent receives a notice under Clause 11 (*Illegality, voluntary prepayment and cancellation*), it shall promptly forward a copy of that notice or election to either the Parent or the affected Lender or Issuing Bank, as appropriate.

## 14. INTEREST

### 14.1 Calculation of interest

The rate of interest on each Loan for each Interest Period is the percentage rate per annum which is the aggregate of the applicable:

(a) Margin; and

(b) LIBOR or, in relation to any Loan in euro, EURIBOR.

14.2 **Payment of interest**

(a) The Borrower to which a Loan has been made shall pay accrued interest on that Loan on the last day of each Interest Period (and, if the Interest Period is longer than six (6) Months, on the dates falling at six (6) Monthly intervals after the first day of the Interest Period).

(b) If the Annual Financial Statements and related Compliance Certificate received by the Agent show a higher or lower Margin should have applied during a certain period then the Parent shall (or shall ensure that the relevant Borrower shall) promptly pay to the Agent (or the next succeeding interest payment under the relevant Facility(ies) shall be reduced by) any amounts necessary to put the Agent and the Lenders in the position they should have been in had the appropriate rate of Margin been applied during such period (**provided that** any such reduction shall only apply to the extent the Lender which received the overpayment of interest remains a Lender as at the date of such adjustment).

14.3 **Default interest**

(a) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is 1 per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Agent (acting reasonably). Any interest accruing under this Clause 14.3 shall be immediately payable by the Obligor on demand by the Agent.

(b) If any overdue amount consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:

(i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and

(ii) the rate of interest applying to the overdue amount during that first Interest Period shall be 1 per cent. higher than the rate which would have applied if the overdue amount had not become due.

(c) Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

14.4 **Notification of rates of interest**

(a) The Agent shall promptly notify the Lenders and the relevant Borrower (or the Parent) of the determination of a rate of interest under this Agreement.

(b) The Agent shall promptly notify the relevant Borrower (or the Parent) of each Funding Rate relating to a Loan.

## 15. INTEREST PERIODS

### 15.1 Selection of Interest Periods

(a) A Borrower (or the Parent on behalf of a Borrower) may select an Interest Period for a Loan in the Utilisation Request for that Loan.

(b) Subject to this Clause 15, a Borrower (or the Parent) may select an Interest Period of one (1), two (2), three (3) or six (6) Months or any other period agreed between the Parent and the Agent (acting on the instructions of all the Lenders in relation to the relevant Loan) and, in the case of a Loan to be advanced on the Closing Date to fund a Closing Date Dividend only, of 1 Business Day.

(c) An Interest Period for a Loan shall not extend beyond the Termination Date, relating to the applicable Facility.

(d) A Loan has one Interest Period only.

### 15.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar Month (if there is one) or the preceding Business Day (if there is not).

## 16. CHANGES TO THE CALCULATION OF INTEREST

### 16.1 Unavailability of Screen Rate

(a) *Interpolated Screen Rate*: If no Screen Rate is available for LIBOR or, if applicable, EURIBOR for the Interest Period of a Loan, the applicable LIBOR or EURIBOR shall be the Interpolated Screen Rate for a period equal in length to the Interest Period of that Loan.

(b) *Base Reference Bank Rate*: If no Screen Rate is available for LIBOR or, if applicable, EURIBOR, for:

(i) the currency of a Loan; or

(ii) the Interest Period of a Loan,

(iii) and it is not possible to calculate the Interpolated Screen Rate,

(iv) the applicable LIBOR or EURIBOR shall be the Base Reference Bank Rate as of the Specified Time for the currency of that Loan and for a period equal in length to the Interest Period of that Loan.

(c) *Alternative Reference Bank Rate*: If paragraph (b) above applies but no Base Reference Bank Rate is available for the relevant currency or Interest Period the

applicable LIBOR or EURIBOR shall be the Alternative Reference Bank Rate as of the Specified Time for the currency of that Loan and for a period equal in length to the Interest Period of that Loan.

(d) *Cost of funds:* If paragraph (c) above applies but no Alternative Reference Bank Rate is available for the relevant currency or Interest Period there shall be no LIBOR or EURIBOR for that Loan and Clause 16.4 (*Cost of funds*) shall apply to that Loan for that Interest Period.

16.2 **Calculation of Base Reference Bank Rate and Alternative Reference Bank Rate**

(a) Subject to paragraph (b) below, if LIBOR or EURIBOR is to be determined on the basis of a Base Reference Bank Rate but a Base Reference Bank does not supply a quotation by the Specified Time, the Base Reference Bank Rate shall be calculated on the basis of the quotations of the remaining Base Reference Banks.

(b) If at or about noon on the Quotation Day none or only one of the Base Reference Banks supplies a quotation, there shall be no Base Reference Bank Rate for the relevant Interest Period.

(c) Subject to paragraph (d) below, if LIBOR or EURIBOR is to be determined on the basis of an Alternative Reference Bank Rate but an Alternative Reference Bank does not supply a quotation by the Specified Time, the Alternative Reference Bank Rate shall be calculated on the basis of the quotations of the remaining Alternative Reference Banks.

(d) If before close of business in London on the date falling one Business Day after the Quotation Day none or only one of the Alternative Reference Banks supplies a quotation, there shall be no Alternative Reference Bank Rate for the relevant Interest Period.

16.3 **Market disruption**

(a) If LIBOR or, if applicable, EURIBOR is determined otherwise than on the basis of an Alternative Reference Bank Rate and before close of business in London on the Quotation Day for the relevant Interest Period the Agent receives notifications from a Lender or Lenders (whose participations in a Loan exceed 35 per cent. of that Loan) that the cost to it of funding its participation in that Loan from whatever source it may reasonably select would be in excess of LIBOR or, if applicable, EURIBOR then the applicable LIBOR or EURIBOR shall be the Alternative Reference Bank Rate as of the Specified Time for the currency of the Loan and for a period equal in length to the Interest Period of that Loan and if no Alternative Reference Bank Rate is available for the relevant currency or Interest Period there shall be no LIBOR or EURIBOR for that Loan and Clause 16.4 (*Cost of funds*) shall apply to that Loan for the relevant Interest Period.

(b) If LIBOR or, if applicable, EURIBOR is determined on the basis of an Alternative Reference Bank Rate and before close of business in London on the date falling 2 Business Days after the Quotation Day for the relevant Interest Period of the

Loan the Agent receives notifications from a Lender or Lenders (whose participations in a Loan exceed 35 per cent. of that Loan) that the cost to it of funding its participation in that Loan from whatever source it may reasonably select would be in excess of LIBOR or, if applicable, EURIBOR then Clause 16.4 (*Cost of funds*) shall apply to that Loan for the relevant Interest Period.

16.4 **Cost of funds**

(a) If this Clause 16.4 applies, the rate of interest on each Lender's share of the relevant Loan for the relevant Interest Period shall be the percentage rate per annum which is the sum of:

(i) the Margin; and

(ii) the rate notified to the Agent by that Lender as soon as practicable and in any event within 2 Business Days of the first day of that Interest Period (or, if earlier, on the date falling 2 Business Days before the date on which interest is due to be paid in respect of that Interest Period), to be that which expresses as a percentage rate per annum the cost to the relevant Lender of funding its participation in that Loan from whatever source it may reasonably select.

(b) If this Clause 16.4 applies and the Agent or the Parent so requires, the Agent and the Parent shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest.

(c) Any alternative basis agreed pursuant to paragraph (b) above shall, with the prior consent of all the Lenders and the Parent, be binding on all Parties.

(d) If this Clause 16.4 applies pursuant to Clause 16.3 (*Market disruption*): and

(i) a Lender's Funding Rate is less than LIBOR or, in relation to any Loan in euro, EURIBOR; or

(ii) a Lender does not supply a quotation by the time specified in paragraph (a)(ii) above,

the cost to that Lender of funding its participation in that Loan for that Interest Period shall be deemed, for the purposes of paragraph (a) above, to be LIBOR or, in relation to a Loan in euro, EURIBOR.

(e) If this Clause 16.4 applies pursuant to Clause 16.1 (*Unavailability of Screen Rate*) but any Lender does not supply a quotation by the time specified in paragraph (a)(ii) above the rate of interest shall be calculated on the basis of the quotations of the remaining Lenders.

16.5 **Notification to Parent**

If Clause 16.4 (*Cost of funds*) applies or if LIBOR or, if applicable, EURIBOR is to be determined on the basis of an Alternative Reference Bank Rate the Agent shall, as soon as is practicable, notify the Parent.

16.6 **Break Costs**

(a) Each Borrower shall, within three (3) Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by that Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.

(b) Each Lender shall, together with any demand by the Agent, provide to the Agent (with a copy to the Parent) a certificate confirming the amount of its Break Costs (giving reasonable details of the calculation of its Break Costs) for any Interest Period in which they accrue.

17. **FEES**

17.1 **Arrangement Fee**

The Parent shall pay (or procure the payment) to the Arrangers (for their own account) an arrangement fee in the amount and at the times agreed in a Fee Letter.

17.2 **Commitment fee**

(a) The Parent shall pay (or procure the payment) to the Agent (for the account of each Lender) a fee at the rate of 35 per cent. of the Margin applicable to Tranche 1 and Tranche 2 from time to time on that Lender's Available Commitment under Tranche 1 or Tranche 2, as applicable, for the Availability Period.

(b) The accrued commitment fee is payable on the last day of each successive Financial Quarter which ends during the relevant Availability Period, on the last day of the relevant Availability Period and on the cancelled amount of the relevant Lender's Commitment at the time the cancellation is effective.

(c) No commitment fee is payable to the Agent (for the account of a Lender) on any Available Commitment under Tranche 1 and/or Tranche 2, as applicable, of that Lender for any day on which that Lender is a Defaulting Lender.

(d) No commitment fee is payable hereunder if the Closing Date does not occur.

17.3 **Agency fee**

The Parent shall pay (or procure the payment) to the Agent (for its own account) an agency fee in the amount and at the times agreed in a Fee Letter.

17.4 **Fees payable in respect of Letters of Credit**

(a) The Parent or the relevant Borrower shall pay to the Agent for the Issuing Bank a fronting fee at a percentage rate per annum agreed between the relevant Borrower (or the Parent) and the Issuing Bank (and notified to the Agent) (the

"**Fronting Fee**") on the outstanding amount which is counter-indemnified by the other Lenders (excluding, for the avoidance of doubt, the amount which is counter-indemnified by the Issuing Bank, or an Affiliate thereof, in its capacity as a Lender and excluding any amount in respect of which cash cover has been provided) of each Letter of Credit requested by it for the period from the issue of that Letter of Credit until its Expiry Date.

(b) The Parent or the relevant Borrower shall pay to the Agent for the account of each Lender, a Letter of Credit fee (computed at the rate equal to the applicable Margin) on the outstanding amount of each Letter of Credit (excluding, for the avoidance of doubt, any amount in respect of which cash cover has been provided) requested by it for the period from the issue of that Letter of Credit until its Expiry Date), each such fee being a "**Letter of Credit Fee**". Each Letter of Credit Fee shall be distributed according to each Lender's L/C Proportion of that Letter of Credit.

(c) The accrued Fronting Fee and each Letter of Credit Fee shall be payable on the last day of each Financial Quarter (or such shorter period as shall end on the Expiry Date for that Letter of Credit) starting on the date of issue of that Letter of Credit. The accrued Fronting Fee and Letter of Credit Fee is also payable to the Agent on the cancelled amount of any Lender's Commitment under that Facility calculated to the time the cancellation is effective if that Commitment is cancelled in full and the Letter of Credit is prepaid or repaid in full.

(d) The Parent or the relevant Borrower shall pay to the Issuing Bank (for its own account) an issuance/administration fee in the amount and at the times specified in a Fee Letter.

17.5 **Interest, commission and fees on Ancillary Facilities**

The rate and time of payment of interest, commission, fees and any other remuneration in respect of each Ancillary Facility shall be determined by agreement between the relevant Ancillary Lender and the Borrower of that Ancillary Facility based upon normal market rates and terms.

## 18. TAX GROSS UP AND INDEMNITIES

### 18.1 Definitions

In this Agreement:

"**Borrower DTTP Filing**" means an HMRC Form DTTP2 duly completed and filed by the relevant Borrower, which:

(a) where it relates to a Treaty Lender that is an Original Lender, contains the scheme reference number and jurisdiction of tax residence stated opposite that Lender's name in Part II of Schedule 1 (*The Original Parties*), and

(i) where the Borrower is an Original Borrower, is filed with HMRC within 30 days of the date of this Agreement; or

(ii) where the Borrower is an Additional Borrower, is filed with HMRC within 30 days of the date on which that Borrower becomes an Additional Borrower; or

(b) where it relates to a Treaty Lender that is a New Lender or an Increase Lender, contains the scheme reference number and jurisdiction of tax residence stated in respect of that Lender in the relevant Transfer Certificate, Assignment Agreement or Increase Confirmation, and

(i) where the Borrower is a Borrower as at the relevant Transfer Date or date on which the increase in the Commitments described in the relevant Increase Confirmation takes effect, is filed with HMRC within 30 days of that Transfer Date or date on which the increase in the Commitments described in the relevant Increase Confirmation takes effect; or

(ii) where the Borrower is not a Borrower as at the relevant Transfer Date or date on which the increase in the Commitments described in the relevant Increase Confirmation takes effect, is filed with HMRC within 30 days of the date on which that Borrower becomes an Additional Borrower.

"**Protected Party**" means a Finance Party which is or will be subject to any liability or required to make any payment for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document (other than any Hedging Agreement).

"**Qualifying Lender**" means:

(a) a Lender which is beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document and is:

(i) a Lender:

(A) which is a bank (as defined for the purpose of section 879 of the ITA) making an advance under a Finance Document and is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance or would be within such charge as respects such payments apart from section 18A of the CTA; or

(B) in respect of an advance made under a Finance Document by a person that was a bank (as defined for the purpose of section 879 of the ITA) at the time that that advance was made and which is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that advance.

(ii) a Lender which is:

(A) a company resident in the United Kingdom for United Kingdom tax purposes;

(B) a partnership each member of which is:

(1) a company so resident in the United Kingdom; or

(2) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA;

(C) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company; or

(iii) a Treaty Lender; or

(b) a building society (as defined for the purposes of section 880 of the ITA) making an advance under a Finance Document).

"**Tax Confirmation**" means a confirmation by a Lender that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:

(a) a company resident in the United Kingdom for United Kingdom tax purposes;

(b) a partnership each member of which is:

(i) a company so resident in the United Kingdom; or

(ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or

(c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.

"**Tax Credit**" means a credit against, relief or remission for, or repayment of, any Tax.

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction (other than any Hedging Agreement).

"**Tax Payment**" means either the increase in a payment made by an Obligor to a Finance Party under Clause 18.2 (*Tax gross up*) or a payment under Clause 18.3 (*Tax indemnity*).

"**Treaty Lender**" means a Lender which:

(a) is treated as a resident of a Treaty State for the purposes of the Treaty;

(b) does not carry on a business in the United Kingdom through a permanent establishment with which that Lender's participation in the Loan is effectively connected; and

(c) meets all other conditions in the relevant Treaty for full exemption from tax on interest, except that for this purpose it shall be assumed that the following conditions (if applicable) are satisfied:

(i) any condition which relates (expressly or by implication) to there being a special relationship between the Borrowers and the Lender or between both of them and another person, or to the amounts or terms of any Loan or the Finance Documents; and

(ii) any necessary procedural formalities.

"**Treaty State**" means a jurisdiction having a double taxation agreement with the United Kingdom (a "**Treaty**") which makes provision for full exemption from tax imposed by the United Kingdom on interest.

"**UK Non-Bank Lender**" means, where a Lender becomes a Party after the day on which this Agreement is entered into, a Lender which gives a Tax Confirmation in the Assignment Agreement, Transfer Certificate or Increase Confirmation which it executes on becoming a Party.

Unless a contrary indication appears, in this Clause 18 a reference to "determines" or "determined" means a determination made in the absolute discretion of the person making the determination.

18.2 **Tax gross up**

(a) Each Obligor shall, and shall cause each other person making payment on behalf of such Obligor to, make all payments to be made by it under this Agreement without any Tax Deduction, unless a Tax Deduction is required by law.

(b) The Parent shall promptly upon becoming aware that an Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Agent accordingly. Similarly, a Lender shall notify the Agent on becoming so aware in respect of a payment payable to that Lender. If

the Agent receives any such notification from a Lender it shall notify the Parent and the relevant Obligor.

(c) If a Tax Deduction is required by law to be made from a payment by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

(d) An Obligor is not required to make an increased payment to a Lender under paragraph (c) above for a Tax Deduction in respect of Tax imposed by the United Kingdom, if on the date on which the payment falls due:

(i) the payment could have been made to the relevant Lender without a Tax Deduction if the Lender had been a Qualifying Lender, but on that date that Lender is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty or any published practice or published concession of any relevant taxing authority; or

(ii) the relevant Lender is a Qualifying Lender solely by reason of falling within paragraph (a)(ii) of the definition of Qualifying Lender and:

(A) an officer of HMRC has given (and not revoked) a direction (a "**Direction**") under section 931 of the ITA which relates to the payment and that Lender has received from the Obligor making the payment of from the Parent a certified copy of that Direction; and

(B) the payment could have been made to the Lender without any Tax Deduction if that Direction had not been made; or

(iii) the relevant Lender is a Qualifying Lender solely by reason of falling within paragraph (a)(ii) of the definition of Qualifying Lender and:

(A) the relevant Lender has not given a Tax Confirmation to the Parent; and

(B) the payment could have been made to the Lender without any Tax Deduction if the Lender had given a Tax Confirmation to the Parent, on the basis that the Tax Confirmation would have enabled the Parent to have formed a reasonable belief that the payment was an "excepted payment" for the purpose of section 930 of the ITA; or

(iv) the relevant Lender is a Treaty Lender and the Obligor making the payment is able to demonstrate that the payment could have been made to the Lender without the Tax Deduction had that Lender complied with its obligations under paragraph (g) or (h) (as applicable) below.

(e) If an Obligor is required to make a Tax Deduction that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

(f) Within thirty days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Agent for the Finance Party entitled to the payment a statement under section 975 of the ITA or other evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

(g)

(i) Subject to paragraph (g)(ii) below, a Treaty Lender and each Obligor which makes a payment to which that Treaty Lender is entitled shall co-operate in completing any procedural formalities necessary for that Obligor to obtain authorisation to make that payment without a Tax Deduction.

(ii)

(A) A Treaty Lender which becomes a Party on the day on which this Agreement is entered into that holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence opposite its name in Part II of Schedule 1 (*The Original Parties*); and

(B) a New Lender or Increase Lender that is a Treaty Lender that holds a passport under the HMRC DT Treaty Passport scheme, and which wishes that scheme to apply to this Agreement, shall confirm its scheme reference number and its jurisdiction of tax residence in the Transfer Certificate, Assignment Agreement or Increase Confirmation which it executes,

and, having done so, that Lender shall be under no obligation pursuant to paragraph (i) above.

(h) If a Lender has confirmed its scheme reference number and its jurisdiction of tax residence in accordance with paragraph (g)(ii) above and:

(a) a Borrower making a payment to that Lender has not made a Borrower DTTP Filing in respect of that Lender; or

(b) a Borrower making a payment to that Lender has made a Borrower DTTP Filing in respect of that Lender but:

(A) that Borrower DTTP Filing has been rejected by HMRC; or

(B) HMRC has not given the Borrower authority to make payments to that Lender without a Tax Deduction within 60 days of the date of the Borrower DTTP Filing;

and in each case, the Borrower has notified that Lender in writing, that Lender and the Borrower shall co-operate in completing any additional procedural formalities necessary for that Borrower to obtain authorisation to make that payment without a Tax Deduction.

(i) If a Lender has not confirmed its scheme reference number and jurisdiction of tax residence in accordance with paragraph (g)(ii) above, no Obligor shall make a Borrower DTTP Filing or file any other form relating to the HMRC DT Treaty Passport scheme in respect of that Lender's Commitment(s) or its participation in any Utilisation unless the Lender otherwise agrees.

(j) A Borrower shall, promptly on making a Borrower DTTP Filing, deliver a copy of that Borrower DTTP Filing to the Agent for delivery to the relevant Lender.

(k) A Lender which is a New Lender or an Increase Lender shall, if relevant, give a Tax Confirmation in the Assignment Agreement, Transfer Certificate or Increase Confirmation which it executes.

(l) A Lender that has given a Tax Confirmation to the Parent shall promptly notify the Parent and the Agent if there is any change in the position set out in that Tax Confirmation.

18.3 **Tax indemnity**

(a) The Parent shall (within three (3) Business Days of demand by the Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document.

(b) Paragraph (a) above shall not apply:

(i) with respect to any Tax assessed on a Finance Party:

(A) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or

(B) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party; or

(ii) to the extent a loss, liability or cost:

(A) is compensated for by an increased payment under Clause 18.2 (*Tax gross up*);

(B) would have been compensated for by an increased payment under Clause 18.2 (*Tax gross up*) but was not so compensated solely because one of the exclusions in paragraph (d) of Clause 18.2 (*Tax gross up*) applied; or

(C) relates to a FATCA Deduction required to be made by a Party.

(c) A Protected Party making, or intending to make a claim under paragraph (a) above shall notify the Agent of the event which will give, or has given, rise to the claim, following which the Agent shall notify the Parent.

(d) A Protected Party shall, on receiving a payment from an Obligor under this Clause 18.3, notify the Agent.

18.4 **Tax Credit**

If an Obligor makes a Tax Payment and the relevant Finance Party determines that:

(a) a Tax Credit is attributable to an increased payment of which that Tax Payment forms part to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and

(b) that Finance Party has obtained and utilised that Tax Credit,

the Finance Party shall pay an amount to the Obligor which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Obligor.

18.5 **Lender Status Confirmation**

(a) Each Lender which becomes a Party to this Agreement after the date of this Agreement shall indicate, in the Transfer Certificate, Assignment Agreement or Increase Confirmation which it executes on becoming a Party, and for the benefit of the Agent and without liability to any Obligor, which of the following categories it falls in:

(i) not a Qualifying Lender;

(ii) a Qualifying Lender (other than a Treaty Lender); or

(iii) a Treaty Lender.

(b) Where a Lender nominates a branch or affiliate that is not an Existing Lender to participate in a Facility under Clause 4.5 (*Lending Affiliates*) that Lender shall notify the Agent and the Agent shall notify the Parent of the location of the branch or (as the case may be) the jurisdiction of residence of the affiliate which will

participate and shall confirm in writing to the Agent (who shall send a copy of such notification to the Parent), for the benefit of the Agent and without liability to any Obligor, which of the following categories the nominee falls in:

(i) not a Qualifying Lender;

(ii) a Qualifying Lender (other than a Treaty Lender); or

(iii) a Treaty Lender.

(c) If a New Lender, Increase Lender, branch or affiliate (nominated under Clause 4.5 (*Lending Affiliates*) fails to indicate its status in accordance with this Clause 18.5 then such New Lender, Increase Lender, branch or affiliate shall be treated for the purposes of this Agreement (including by each Obligor) as if it is not a Qualifying Lender until such time as it notifies the Agent which category applies (and the Agent, upon receipt of such notification, shall inform the Parent). For the avoidance of doubt, a Transfer Certificate, Assignment Agreement or Increase Confirmation shall not be invalidated by any failure of a Lender to comply with this Clause 18.5.

18.6 **Stamp taxes**

The Parent shall pay and, within three (3) Business Days of demand, indemnify each Finance Party against any cost, loss or liability that such Finance Party incurs in relation to all stamp duty, documentary, property transfer, registration and other similar Taxes payable in respect of any Finance Documents save for any Taxes payable in respect of an assignment or transfer pursuant to Clause 29 (*Changes to the Lenders*) and except regarding Luxembourg registration duties payable due to a registration, submission or filing by a Secured Party of any Finance Document where such registration submission or filing is or was not required to maintain or preserve the rights of the Secured Parties under the Finance Documents.

18.7 **VAT**

(a) All amounts expressed to be payable under a Finance Document (other than any Hedging Agreement) by any Party to a Finance Party which (in whole or in part) constitute the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT which is chargeable on that supply, and accordingly, subject to paragraph (b) below, if VAT is or becomes chargeable on any supply made by any Finance Party to any Party under a Finance Document (other than any Hedging Agreement) and such Finance Party is required to account to the relevant tax authority for the VAT, that Party must pay to such Finance Party (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT (and such Finance Party must promptly provide an appropriate VAT invoice to that Party).

(b) If VAT is or becomes chargeable on any supply made by any Finance Party (the "**Supplier**") to any other Finance Party (the "**Recipient**") under a Finance Document (other than any Hedging Agreement), and any Party other than the Recipient (the "**Relevant Party**") is required by the terms of any Finance

Document (other than any Hedging Agreement) to pay an amount equal to the consideration for that supply to the Supplier (rather than being required to reimburse or indemnify the Recipient in respect of that consideration):

(i) (where the Supplier is the person required to account to the relevant tax authority for the VAT) the Relevant Party must also pay to the Supplier (at the same time as paying that amount) an additional amount equal to the amount of the VAT. The Recipient must (where this paragraph (i) applies) promptly pay to the Relevant Party an amount equal to any credit or repayment the Recipient receives from the relevant tax authority which the Recipient reasonably determines relates to the VAT chargeable on that supply; and

(ii) (where the Recipient is the person required to account to the relevant tax authority for the VAT) the Relevant Party must promptly, following demand from the Recipient, pay to the Recipient an amount equal to the VAT chargeable on that supply but only to the extent that the Recipient reasonably determines that it is not entitled to credit or repayment from the relevant tax authority in respect of that VAT.

(c) Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any cost or expense, that Party shall at the same time reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.

(d) Any reference in this Clause 18.7 (*VAT*) to any Party shall, at any time when such Party is treated as a member of a group for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the representative member of such group at such time (the term "representative member" to have the same meaning as in the Value Added Tax Act 1994.

(e) In relation to any supply made by a Finance Party to any Party under a Finance Document, if reasonably requested by such Finance Party, that Party shall promptly provide such Finance Party with details of that Party's VAT registration and any such other information as is reasonably requested in connection with such Finance Party's VAT reporting requirements in relation to such supply.

18.8 **FATCA Information**

(a) Subject to paragraph (c) below, each Party shall, within ten Business Days of a reasonable request by another Party:

(i) confirm to that other Party whether it is:

(A) a FATCA Exempt Party; or

(B) not a FATCA Exempt Party; and

(ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA (including its applicable passthru percentage or other information required under the Treasury Regulations or other official guidance including intergovernmental agreements) as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA.

(b) If a Party confirms to another Party pursuant to 18.8(a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.

(c) Paragraph (a) above shall not oblige any Finance Party to do anything which would or might in its reasonable opinion constitute a breach of:

(i) any law or regulation;

(ii) any policy of that Finance Party;

(iii) any fiduciary duty; or

(iv) any duty of confidentiality.

(d) If a Party fails to confirm its status or to supply forms, documentation or other information requested in accordance with paragraph (a) above (including, for the avoidance of doubt, where paragraph (c) above applies), then:

(i) if that Party failed to confirm whether it is (and/or remains) a FATCA Exempt Party then such Party shall be treated for the purposes of the Finance Documents as if it is not a FATCA Exempt Party; and

(ii) if that Party failed to confirm its applicable passthru percentage then such Party shall be treated for the purposes of the Finance Documents (and payments made thereunder) as if its applicable passthru percentage is 100%,

until (in each case) such time as the Party in question provides the requested confirmation, forms, documentation or other information.

18.9 **FATCA Deduction**

(a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction.

(b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction) notify the Party to whom it is making the payment and, in addition, shall notify the Parent, the Agent and the other Finance Parties.

## 19. INCREASED COSTS

### 19.1 Increased costs

(a) Subject to Clause 19.3 (*Exceptions*) the Parent shall, within three (3) Business Days of a demand by the Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of (i) the introduction of or any Change in Law (or in the interpretation, administration or application of any law or regulation); (ii) compliance with any law or regulation made after the date of this Agreement (or, if later, the date it became a Party to this Agreement); or (iii) the implementation or application of, or compliance with, Basel III or CRD IV or any law or regulation that implements or applies Basel III or CRD IV.

(b) In this Agreement:

"**Basel III**" means:

(i) the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: A global regulatory framework for more resilient banks and banking systems", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;

(ii) the rules for global systemically important banks contained in "Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text" published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and

(iii) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III".

"**CRD IV**" means:

(i) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms; and

(ii) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

"**Increased Costs**" means:

(i) a reduction in the rate of return from a Facility or on a Finance Party's (or its Affiliate's) overall capital;

(ii) an additional or increased cost; or

(iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into its Commitment or an Ancillary Commitment or funding or performing its obligations under any Finance Document or Letter of Credit.

19.2 **Increased cost claims**

(a) A Finance Party intending to make a claim pursuant to Clause 19.1 (*Increased costs*) shall notify the Agent of the event giving rise to the claim, following which the Agent shall promptly notify the Parent.

(b) Each Finance Party shall, with a demand by the Agent, provide a certificate (giving reasonable details of the circumstances giving rise to such claim and the calculation of the Increased Cost) confirming the amount of its Increased Costs.

19.3 **Exceptions**

(a) Clause 19.1 (*Increased costs*) does not apply to the extent any Increased Cost is:

(i) attributable to a Tax Deduction required by law to be made by an Obligor;

(ii) attributable to a FATCA Deduction required to be made by a Party;

(iii) compensated for by Clause 18.3 (*Tax indemnity*) (or would have been compensated for under Clause 18.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 18.3 (*Tax indemnity*) applied);

(iv) attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation; or

(v) attributable to the implementation or application of or compliance with the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement (or, if later, the date it became a Party to this Agreement) (but excluding any amendment arising out of Basel III or CRD IV) ("**Basel II**") or any other law or regulation which implements Basel II (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates).

(b) In this Clause 19.3 reference to a "**Tax Deduction**" has the same meaning given to the term in Clause 18.1 (*Definitions*).

## 20. OTHER INDEMNITIES

### 20.1 Currency indemnity

(a) If any sum due from an Obligor under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

(i) making or filing a claim or proof against that Obligor; or

(ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Obligor shall as an independent obligation, within three (3) Business Days of demand, indemnify the Arranger and each other Secured Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

### 20.2 Other indemnities

The Parent shall (or shall procure that an Obligor will), within three (3) Business Days of demand, indemnify the Arranger and each other Secured Party against any cost, loss or liability incurred by it as a result of:

(a) the occurrence of any Event of Default;

(b) a failure by an Obligor to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 35 (*Sharing among the Lenders*);

(c) funding, or making arrangements to fund, its participation in a Utilisation requested by a Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone);

(d) issuing or making arrangements to issue a Letter of Credit requested by the Parent or a Borrower in a Utilisation Request but not issued by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of a Finance Party's gross negligence or wilful misconduct); or

(e) a Utilisation (or part of a Utilisation) not being prepaid in accordance with a notice of prepayment given by a Borrower or the Parent.

20.3 **Indemnity to the Agent**

The Parent shall promptly indemnify the Agent against any cost, loss or liability incurred by the Agent (acting reasonably) as a result of:

(a) investigating any event which it reasonably believes is a Default; or

(b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised.

## 21. MITIGATION BY THE LENDERS

### 21.1 Mitigation

(a) Each Finance Party shall, in consultation with the Parent, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 11.1 (*Illegality*) (or, in respect of the Issuing Bank, Clause 11.2 (*Illegality in relation to Issuing Bank*)), Clause 18 (*Tax gross up and indemnities*) or Clause 19 (*Increased Costs*) including (but not limited to) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.

(b) Paragraph (a) above does not in any way limit the obligations of any Obligor under the Finance Documents.

### 21.2 Limitation of liability

(a) The Parent shall promptly indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 21.1 (*Mitigation*).

(b) A Finance Party is not obliged to take any steps under Clause 21.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

## 22. COSTS AND EXPENSES

### 22.1 Transaction expenses

The Parent shall within ten (10) Business Days of demand pay (or procure payment) to the Agent, the Arrangers, the Issuing Bank and the Security Agent the amount of all out-of-pocket costs and expenses (including legal fees subject to agreed caps (if any)) reasonably incurred by any of them (and, in the case of the Security Agent, by any Receiver or Delegate) in connection with the negotiation, preparation, printing, execution, syndication and perfection of:

(a) this Agreement and any other documents referred to in this Agreement and the Transaction Security; and

(b) any other Finance Documents executed after the date of this Agreement.

22.2 **Amendment costs**

If (a) an Obligor requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 36.10 (*Change of currency*), the Parent shall, within ten (10) Business Days of demand, reimburse each of the Agent and the Security Agent for the amount of all costs and expenses (including legal fees subject to agreed caps (if any)) reasonably incurred by the Agent and the Security Agent (and, in the case of the Security Agent, by any Receiver or Delegate) in responding to, evaluating, negotiating or complying with that request or requirement.

22.3 **Enforcement and preservation costs**

The Parent shall, within ten (10) Business Days of demand, pay (or procure the payment) to the Arrangers and each other Secured Party the amount of all costs and expenses (including legal fees) incurred by it in connection with the enforcement of or the preservation of any rights under any Finance Document and the Transaction Security and any proceedings instituted by or against the Security Agent as a consequence of taking or holding the Transaction Security or enforcing these rights.

## 23. GUARANTEE AND INDEMNITY

23.1 **Guarantee and indemnity**

Each Guarantor and CCML irrevocably and unconditionally, jointly and severally:

(a) guarantees to each Finance Party punctual performance by each other Obligor of all that Obligor's obligations under the Finance Documents;

(b) undertakes with each Finance Party that whenever another Obligor does not pay any amount when due (allowing for any applicable grace period) under or in connection with any Finance Document, that Guarantor or, in the case of CCML, CCML shall immediately on demand pay that amount as if it was the principal obligor; and

(c) agrees with each Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or liability it incurs as a result of an Obligor not paying any amount

which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document on the date when it would have been due. The amount payable by a Guarantor or CCML under this indemnity will not exceed the amount it would have had to pay under this Clause 23 if the amount claimed had been recoverable on the basis of a guarantee.

23.2 **Continuing Guarantee**

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

23.3 **Reinstatement**

If any discharge, release or arrangement (whether in respect of the obligations of any Obligor or any security for those obligations or otherwise) is made by a Finance Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration, examinership or otherwise, without limitation, then the liability of each Guarantor under this Clause 23 will continue or be reinstated as if the discharge, release or arrangement had not occurred.

23.4 **Waiver of defences**

The obligations of each Guarantor and CCML under this Clause 23 will not be affected by an act, omission, matter or thing which, but for this Clause 23, would reduce, release or prejudice any of its obligations under this Clause 23 (without limitation and whether or not known to it or any Finance Party) including:

(a) any time, waiver or consent granted to, or composition with, any Obligor or other person;

(b) the release of any other Obligor or any other person under the terms of any composition or arrangement with any creditor of any member of the Restricted Group;

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor or any other person;

(e) any amendment, novation, supplement, extension restatement (however fundamental and whether or not more onerous) or replacement of a Finance Document or any other document or security including, without limitation, any change in the purpose of, any extension of or increase in any facility or the addition of any new facility under any Finance Document or other document or security;

(f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or

(g) any insolvency or similar proceedings.

23.5 **Guarantor Intent**

Without prejudice to the generality of Clause 23.4 (*Waiver of defences*), each Guarantor and CCML expressly confirms that it intends that this guarantee shall extend from time to time to any (however fundamental) variation, increase, extension or addition of or to any of the Finance Documents and/or any facility or amount made available under any of the Finance Documents for the purposes of or in connection with any of the following: business acquisitions of any nature; increasing working capital; enabling investor distributions to be made; carrying out restructurings; refinancing existing facilities; refinancing any other indebtedness; making facilities available to new borrowers; any other variation or extension of the purposes for which any such facility or amount might be made available from time to time; and any fees, costs and/or expenses associated with any of the foregoing.

23.6 **Immediate recourse**

Each Guarantor and CCML waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor or CCML under this Clause 23. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

23.7 **Appropriations**

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party (or any trustee or agent on its behalf) may:

(a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor or CCML shall be entitled to the benefit of the same; and

(b) hold in an interest-bearing suspense account any moneys received from any Guarantor or CCML or on account of any Guarantor's or CCML's liability under this Clause 23.

23.8 **Deferral of Guarantors' rights**

Until all amounts which may be or become payable by the Obligors under or in connection with the Finance Documents have been irrevocably paid in full and unless the Agent otherwise directs, no Guarantor or CCML will exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Clause 23:

(a) to be indemnified by an Obligor;

(b) to claim any contribution from any other guarantor of any Obligor's obligations under the Finance Documents;

(c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party;

(d) to bring legal or other proceedings for an order requiring any Obligor to make any payment, or perform any obligation, in respect of which any Guarantor or CCML has given a guarantee, undertaking or indemnity under Clause 23.1 (*Guarantee and indemnity*);

(e) to exercise any right of set-off against any Obligor; and/or

(f) to claim or prove as a creditor of any Obligor in competition with any Finance Party.

If a Guarantor or CCML receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by the Obligors under or in connection with the Finance Documents to be repaid in full on trust for the Finance Parties and shall promptly pay or transfer the same to the Agent or as the Agent may direct for application in accordance with Clause 36 (*Payment mechanics*).

23.9 **Release of Guarantors' right of contribution**

If any Guarantor or CCML (a "**Retiring Guarantor**") ceases to be a Guarantor in accordance with the terms of the Finance Documents for the purpose of any sale or other disposal of that Retiring Guarantor or any Holding Company of that Retiring Guarantor, then on the date such Retiring Guarantor ceases to be a Guarantor:

(a) that Retiring Guarantor is released by each other Guarantor and CCML (as applicable) from any liability (whether past, present or future and whether actual or contingent) to make a contribution to any other Guarantor or CCML (as applicable) arising by reason of the performance by any other Guarantor or CCML of its obligations under the Finance Documents; and

(b) each other Guarantor and CCML (as applicable) waives any rights it may have by reason of the performance of its obligations under the Finance Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under any Finance Document or

of any other security taken pursuant to, or in connection with, any Finance Document where such rights or security are granted by or in relation to the assets of the Retiring Guarantor.

23.10 **Additional security**

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

23.11 **Guarantee Limitations**

The guarantee created under this Clause 23 does not apply to any liability to the extent that it would result in the guarantee being illegal and with respect to any Additional Guarantor is subject to the limitations set out in the Accession Deed applicable to such Additional Guarantor.

23.12 **Guarantee Limitations – Luxembourg**

(a) Notwithstanding anything to the contrary in this Agreement or any other Debt Document (as defined in the Intercreditor Agreement), the aggregate obligations and liabilities of any Luxembourg Guarantor under this Clause 23 for the obligations of any Obligor which is not a direct or indirect subsidiary of such Luxembourg Guarantor shall, together with any similar guarantee and/or payment obligations (*garanties personnelles*) of such Luxembourg Guarantor arising under any other Debt Documents (as defined in the Intercreditor Agreement), be limited to an aggregate amount not exceeding the higher of:

(i) 95% of such Luxembourg Guarantor's capitaux propres (as referred to in article 34 of the Luxembourg law dated 19 December 2002 on the commercial register and annual accounts) determined as at the date on which a demand is made under the Guarantee, increased by the amount of any Intra-Group Liabilities (without double counting); and

(ii) 95% of such Luxembourg Guarantor's capitaux propres (as referred to in article 34 of the Luxembourg law dated 19 December 2002 on the commercial register and annual accounts) determined as at the date of this Agreement, increased by the amount of any Intra-Group Liabilities (without double counting).

(b) For the purposes of sub-paragraph (a) above, "**Intra-Group Liabilities**" shall mean any amounts owed by such Luxembourg Guarantor to any other member of the Restricted Group that have not been financed (directly or indirectly) by a borrowing under the Debt Documents (as defined in the Intercreditor Agreement).

(c) The guarantee limitation specified in sub-paragraph (a) above shall not apply to (i) any amounts borrowed by such Luxembourg Guarantor under the Debt Documents (as defined in the Intercreditor Agreement) and (ii) any amounts borrowed under the Debt Documents (as defined in the Intercreditor Agreement) and on-lent to such Luxembourg Guarantor (in any form whatsoever).

23.13 **Guarantee Limitations – Ireland**

Notwithstanding anything to the contrary in this Agreement, the obligations and liabilities under this Clause 23 do not apply to any liability to the extent that it would result in this Clause 23 constituting:

(a) unlawful financial assistance within the meaning of Section 82 of the Irish Companies Act 2014); or

(b) a breach of Section 239 of the Irish Companies Act 2014.

## 24. REPRESENTATIONS

(a) Each Obligor makes the representations and warranties set out in this Clause 24 to each Finance Party at the times specified in Clause 24.31 (*Times when representations made*) only and the Parent acknowledges that the Finance Parties have entered into this Agreement in reliance on these representations and warranties.

(b) CCML makes the representations and warranties set out in Clauses 24.2 (*Status*) to 24.7 (*Governing law and enforcement*) with respect to itself only and to each Finance Party only at the times specified in Clause 24.31 (*Times when representations made*) and the Parent acknowledges that the Finance Parties have entered into this Agreement in reliance on these representations and warranties.

24.2 **Status**

(a) It and each of the Material Companies is a limited liability company or, as the case may be, limited partnership, duly incorporated or organised (as applicable), validly existing and in good standing (as applicable) under the law of its jurisdiction of incorporation or organisation.

(b) It and each of the Material Companies has the power and authority to own its assets and carry on its business as it is being conducted.

24.3 **Binding obligations**

Subject to the Legal Reservations and Perfection Requirements:

(a) the obligations expressed to be assumed by it in each Transaction Document to which it is a party are legal, valid, binding and enforceable obligations; and

(b) (without limiting the generality of paragraph (a) above), each Transaction Security Document to which it is a party creates the security interests which that Transaction Security Document purports to create and those security interests are valid and effective.

24.4 **Non-conflict with other obligations**

The entry into and performance by it of, and the transactions contemplated by, the Transaction Documents and the granting of the Transaction Security do not conflict with:

(a) any law or regulation applicable to it in any material respect;

(b) its constitutional documents; or

(c) any agreement or instrument binding upon it or constitute a default or termination event (however described) under any such agreement or instrument to an extent which has or is reasonably expected to have a Material Adverse Effect.

24.5 **Power and authority**

(a) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Transaction Documents to which it is or will be a party and the transactions contemplated by those Transaction Documents.

(b) No limit on its powers will be exceeded as a result of the borrowing, grant of security or giving of guarantees or indemnities contemplated by the Transaction Documents to which it is a party.

24.6 **Validity and admissibility in evidence**

(a) All Authorisations required:

(i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Transaction Documents to which it is a party; and

(ii) to make the Transaction Documents to which it is a party admissible in evidence in its Relevant Jurisdictions,

have been obtained or effected and are in full force and effect, subject to the Legal Reservations and Perfection Requirements.

(b) All Authorisations necessary for the conduct of the business, trade and ordinary activities of members of the Restricted Group have been obtained or effected and are in full force and effect except to the extent that the failure to obtain or effect those Authorisations has or is reasonably likely to have a Material Adverse Effect.

24.7 **Governing law and enforcement**

(a) The choice of the governing law of each Finance Documents will be recognised and enforced in its jurisdiction of incorporation subject to the Legal Reservations.

(b) Subject to the Legal Reservations, any judgment obtained in relation to a Finance Document in the jurisdiction of the governing law of that Finance Document will be recognised and enforced in its jurisdiction of incorporation.

24.8 **Insolvency**

No:

(a) corporate action, legal proceeding or other procedure or step described in paragraph (a) of Clause 28.8 (*Insolvency proceedings*); or

(b) creditors' process described in Clause 28.9 (*Creditors' process*),

has been taken or, to the knowledge of the Parent, threatened in relation to a Material Company and none of the circumstances described in Clause 28.7 (*Insolvency*) applies to a Material Company.

24.9 **No filing or stamp taxes**

Under the laws of its Relevant Jurisdiction it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration, notarial or similar Taxes or fees be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents except any filing, recording or enrolling or any tax or fee payable in connection with the Transaction Security which will be made or paid promptly after the date of the relevant Finance Document, **provided that**, for the avoidance of doubt, this Clause 24.9 shall not apply in respect of any stamp duty, registration or similar tax payable in respect of an assignment or transfer by a Lender of any of its rights or obligations under a Finance Document, and **provided further that** in the case of court proceedings in a Luxembourg court of the presentation of the Finance Documents – either directly or by way of reference – to an *autorité constituée*, such court or *autorité constituée* may require registration of all or part of the Finance Documents with the *Administration de l'Enregistement et des Domaines* in Luxembourg, which may result in registration duties, at a fixed rate of EUR 12 or an ad valorem rate which depends on the nature of the registered document, becoming due and payable.

24.10 **No default**

(a) No Event of Default and, on the date of this Agreement and the Closing Date, no Default is continuing or is reasonably likely to result from the making of any Utilisation or the entry into, the performance of, or any transaction contemplated by, any Transaction Document.

(b) To the best of its knowledge after due enquiry, no event or circumstance is outstanding which constitutes (or, with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (however described) under any other agreement or instrument which is binding on it or any of its Restricted Subsidiaries or to which its (or any of its Restricted Subsidiaries') assets are subject which has or is reasonably likely to have a Material Adverse Effect.

24.11 **No misleading information**

Save as disclosed in writing to the Agent and the Arranger prior to the date of this Agreement (or, in relation to the Offering Memorandum, prior to the date of the Offering

Memorandum or, in relation to the delivery of any written information under paragraph (e) below, prior to or at the same time as the delivery of such information):

(a) all material factual information relating to the Restricted Group (taken as a whole) contained in the Offering Memorandum was true and accurate in all material respects as at the date of the relevant report or document containing the information or (as the case may be) as at the date the information is expressed to be given;

(b) the Initial ERC and the ERC Model Output have been prepared on the basis of recent historical information, are based on assumptions believed by the Parent to be fair and reasonable and have been approved by the board of directors of the Parent;

(c) the expressions of opinion or intention provided by or on behalf of an Obligor for the purposes of the Offering Memorandum were made after careful consideration and (as at the date of the relevant report or document containing the expression of opinion or intention) were believed by the Parent to be fair and based on reasonable grounds at the time expressed;

(d) as at the date of approval by the Parent of the Offering Memorandum, no event or circumstance has occurred or arisen and no information has been omitted from the Offering Memorandum and no information has been given or withheld that results in the information, opinions, intentions, forecasts or projections contained in the Offering Memorandum (taken as a whole) being untrue or misleading in any material respect; and

(e) all other written information provided after the date of this Agreement by any member of the Restricted Group (including its advisers) to a Finance Party (save for any written information that is expressly provided on an information only basis pursuant to paragraph (c) of Clause 27.6 (*Acquisitions*) was true, complete and accurate and is not misleading, in each case in all material respects as at the date it was provided (or, in the case of any report or document that relates to historical matters and is expressed to be accurate as at a particular date, as at the date so expressed therein) and, in the case of a report or document prepared by a third party was, true, complete and accurate and is not misleading, in each case, to the best of its knowledge and belief of the relevant member of the Restricted Group in all material respects as at the date it was prepared.

24.12 **Financial Statements**

(a) Its Original Financial Statements were prepared in accordance with the Accounting Principles consistently applied.

(b) Its unaudited Original Financial Statements fairly represent (subject to customary year-end adjustments) its financial condition and results of operations for the relevant period to which they relate.

(c) Its audited Original Financial Statements give a true and fair view of its financial condition and results of operations during the relevant financial year.

(d) There has been no material adverse change in the assets, business or financial condition of the Restricted Group taken as a whole since the date of the Original Financial Statements.

(e) Its most recent financial statements delivered pursuant to Clause 25.1 (*Financial statements*):

(i) subject to paragraph (b) of Clause 25.3 (*Requirements as to financial statements*) have been prepared in accordance with the Accounting Principles as applied to the Original Financial Statements (save in the case of the Cabot Financial (Luxembourg) S.A.); and

(ii) give a true and fair view of (if audited) or fairly present (subject to customary year-end adjustments) (if unaudited) its consolidated (if applicable) financial condition as at the end of, and consolidated (if applicable) results of operations for, the period to which they relate.

(f) There has been no material adverse change in the assets, business or financial condition of the Restricted Group taken as a whole since the date of the most recent financial statements delivered pursuant to Clause 25.1 (*Financial statements*).

(g) The budgets delivered under Clause 25.4 (*Budget*) were arrived at after careful consideration and have been prepared in good faith on the basis of recent historical information and on the basis of assumptions believed by the Parent to be reasonable as at the date they were prepared and supplied.

24.13 **No proceedings**

No litigation, arbitration or administrative proceedings or investigations of, or before, any court, arbitral body or agency which, if adversely determined, are reasonably likely to have a Material Adverse Effect have (to the best of its knowledge and belief having made due and careful enquiry) been started or threatened against it or any of its Subsidiaries.

24.14 **No breach of laws**

(a) It has not (and none of its Subsidiaries has) breached any law or regulation which breach has or is reasonably likely to have a Material Adverse Effect.

(b) No labour disputes are current or, to the best of its knowledge and belief (having made due and careful enquiry), threatened against any member of the Restricted Group which have or are reasonably likely to have a Material Adverse Effect.

24.15 **Environmental laws**

No Environmental Claim has been commenced or (to the best of its knowledge and belief (having made due and careful enquiry)) is threatened against any member of the Restricted Group where that claim has or is reasonably likely, if determined against that member of the Restricted Group, to have a Material Adverse Effect.

24.16 **Taxation**

(a) It (and each member of the Restricted Group) has duly and punctually filed all income and all other material tax returns (together with all necessary information relating thereto) and has paid and discharged all taxes imposed upon it or its assets (in each case within the time period allowed and before the imposition of any interest or penalties), save, in each case, to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect.

(b) No claims or investigations are being, or are reasonably likely to be, made or conducted against it (or against any member of the Restricted Group) with respect to Taxes, which would have, or would reasonably be expected to have, a Material Adverse Effect.

(c) In respect of a Borrower, it is resident for Tax purposes only in the jurisdiction of its incorporation.

24.17 **Security and Financial Indebtedness**

(a) No Security or Quasi Security exists over all or any of the present or future assets of any member of the Restricted Group other than as permitted by this Agreement.

(b) No member of the Restricted Group has any actual or contingent Financial Indebtedness outstanding other than as permitted by this Agreement.

24.18 **Ranking**

The payment obligations of each Obligor under each of the Finance Documents rank and will at all times rank at least *pari passu* in right and priority of payment with all its other present and future unsecured and unsubordinated indebtedness (actual or contingent) except indebtedness preferred by laws of general application.

24.19 **Good title to assets**

It has a good, valid and marketable title to, or valid leases or licences of, and all appropriate Authorisations to use, the assets necessary to carry on its business as presently conducted where failure to do so would have, or could be reasonably expected to have, a Material Adverse Effect.

24.20 **Legal and beneficial ownership**

It and each of the Obligors is the sole legal and beneficial owner of the respective material assets over which it purports to grant Security.

24.21 **Shares**

(a) The shares of any member of the Restricted Group which are subject to the Transaction Security are fully paid and not subject to any option to purchase or similar rights.

(b) Other than any mandatory provisions required by law, the constitutional documents of companies whose shares are subject to the Transaction Security do not and could not restrict or inhibit any transfer of those shares on creation or enforcement of the Transaction Security.

(c) There are no agreements in force or corporate resolutions passed which provide for the issue or allotment of, or grant any person the right (whether conditional or otherwise) to call for the issue or allotment of, any share or loan capital of any member of the Restricted Group (including any option or right of pre-emption or conversion).

24.22 **Intellectual Property**

It and each of its Subsidiaries:

(a) is the sole legal and beneficial owner of or has licensed to it on normal commercial terms all the Intellectual Property which is material in the context of its business and which is required by it in order to carry on its business as it is being conducted to the extent that failure be so or do so would reasonably be expected to have a Material Adverse Effect.

(b) does not (nor does any of its Subsidiaries), in carrying on its businesses, infringe any Intellectual Property of any third party in any respect which has or is reasonably likely to have a Material Adverse Effect; and

(c) has taken all formal or procedural actions (including payment of fees) required to maintain any material Intellectual Property owned by it where failure to do so would reasonably be expected to have a Material Adverse Effect.

24.23 **Group Structure Chart**

As of the date of this Agreement, the Group Structure Chart is true, complete and accurate in all material respects.

24.24 **Obligors**

(a) All Material Companies which are members of the Restricted Group are Guarantors.

(b) The aggregate of earnings before interest, tax, depreciation and amortisation (calculated on the same basis as Consolidated EBITDA) and the aggregate gross assets (excluding goodwill) of the Guarantors (calculated on an unconsolidated basis and excluding all intra-Restricted Group items and investments in Restricted Subsidiaries of any member of the Restricted Group) exceeds on the Closing Date, 85 per cent. of Consolidated EBITDA) and consolidated gross assets (excluding goodwill) of the Restricted Group.

24.25 **Accounting reference date**

The Accounting Reference Date of each member of the Restricted Group is 31 December.

24.26 **Centre of main interests and establishments**

(a) The Centre of Main Interest of each Obligor incorporated in the European Union is situated in its jurisdiction of incorporation.

(b) No Luxembourg Guarantor has an "establishment" (as that term is used in Article 2(h) of The Council of the European Union Regulation No 1346/2000 on Insolvency Proceedings) in any jurisdiction.

24.27 **Pensions**

To the best knowledge and belief of each Obligor, having made due enquiry:

(a) no member of the Restricted Group has any material liability in respect of any pension scheme and there are no circumstances which would give rise to such a liability, which in each case would reasonably be expected to have a Material Adverse Effect; and

(b) each member of the Restricted Group is in compliance in all material respects with all applicable laws and regulations relating to, and the governing provisions of any of its pension schemes maintained by or for the benefit of any member of the Restricted Group and/or its employees, where failure to be so in compliance would reasonably be expected to have a Material Adverse Effect.

24.28 **Holding Company**

Except:

(a) as may arise under the Transaction Documents; or

(b) as permitted under Clause 27.9 (*Holding Companies*) (ignoring for this purpose the references to Transaction Security in paragraph (b) thereof),

on or prior to the Closing Date, the Parent has not traded or incurred any material liabilities or commitments (actual or contingent, present or future).

24.29 **Money Laundering Act**

(a) Each Borrower hereby confirms to each Lender that all Utilisations made by it under this Agreement will:

(i) be made solely for its own account or for the account of the Restricted Group; and

(ii) will not be used for the benefit of any Restricted Party.

(b) No Obligor, and to the best of the Parent's knowledge, none of its Affiliates:

(i) is a Restricted Party;

(ii) to the best of its knowledge has received funds or other property from a Restricted Party; or

(iii) to the best of its knowledge is in breach of or is the subject of any action or investigation under Sanctions.

(c) Each Obligor and each of its Affiliates have taken reasonable measures to ensure compliance with the Sanctions.

(d) Each Obligor and its Affiliates' operations are and have been conducted in compliance with all applicable anti-money laundering laws and financial record keeping and reporting requirements, rules, regulations and guidelines (the "**Money Laundering Laws**") and no claim, action, suit, proceeding or investigation by or before any court or governmental agency, authority or body or any arbitrator involving it or its Affiliates with respect to Money Laundering Laws is pending and, to the best of its knowledge, no such claims, actions, suits, proceedings or investigations are threatened in each case in any relevant jurisdiction.

(e) No Obligor, nor to the knowledge of any Obligor, any director, officer, agent, employee of an Obligor or any of its Restricted Subsidiaries is aware of or has taken any action, directly or indirectly, that has resulted in a violation by such persons of any applicable anti-bribery law, including but not limited to, the United Kingdom Bribery Act 2010 (the "**UK Bribery Act**") and the U.S. Foreign Corrupt Practices Act of 1977 (the "**FCPA**"). Furthermore, each of the Obligors and, to the knowledge of each Obligor, its Restricted Subsidiary have conducted their businesses in compliance with the UK Bribery Act, the FCPA and similar laws, rules or regulations and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

24.30 **Domiciliation**

Cabot Financial (Luxembourg) S.A. is in full compliance with the amended Luxembourg law dated 31 May 1999 on the domiciliation of companies (and the relevant regulations).

24.31 **Times when representations made**

(a) All the representations and warranties in this Clause 24 are made by each Original Obligor on the date of this Agreement.

(b) All the representations and warranties in this Clause 24 are deemed to be made by each Obligor on the Closing Date.

(c) The Repeating Representations are deemed to be made by each Obligor and to the extent applicable by CCML, on the date of each Utilisation Request, on each Utilisation Date, on the first day of each Interest Period on the date of each Extension Request and on the date of each Notice of Extension.

(d) The Repeating Representations and the representations set out in Clause 24.20 (*Legal and beneficial ownership*) and Clause 24.21 (*Shares*) are deemed to be made by each Additional Obligor in respect of itself on the day on which it becomes (or it is proposed that it becomes) an Additional Obligor.

(e) Each representation or warranty deemed to be made after the date of this Agreement shall be deemed to be made by reference to the facts and circumstances existing at the date the representation or warranty is deemed to be made.

## 25. INFORMATION UNDERTAKINGS

The undertakings in this Clause 25 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

In this Clause 25:

"**Annual Financial Statements**" means the financial statements for a Financial Year delivered pursuant to paragraph (a) of Clause 25.1 (*Financial statements*).

"**Monthly Financial Statements**" means the financial statements delivered pursuance to paragraph (c) of Clause 25.1 (*Financial statements*).

"**Quarterly Financial Statements**" means the financial statements delivered pursuant to paragraph (b) of Clause 25.1 (*Financial statements*).

### 25.1 Financial statements

The Parent shall supply to the Agent in sufficient copies for all the Lenders:

(a) as soon as they are available, but in any event within 120 days after the end of each of its Financial Years:

(i) its audited consolidated financial statements for that Financial Year; and

(ii) the audited (to the extent required by law to be audited) financial statements (to the extent required by law to be produced) (consolidated if appropriate) of each Obligor for that Financial Year;

(b) as soon as they are available, but in any event within 60 days after the end of each Financial Quarter of each of its Financial Years its consolidated financial statements for that Financial Quarter; and

(c) as soon as they are available, but in any event within 30 days after the end of each month its financial statements on a consolidated basis for that month (to include cumulative management accounts for the Financial Year to date).

### 25.2 Provision and contents of Compliance Certificate

(a) The Parent shall supply a Compliance Certificate to the Agent with each set of its audited consolidated Annual Financial Statements and each set of its consolidated Quarterly Financial Statements and as otherwise required pursuant to this Agreement.

(b) A Compliance Certificate delivered in accordance with paragraph (a) above shall, amongst other things, set out (in reasonable detail) computations as to compliance with Clause 26 (*Financial Covenants*) (but only where the Parent is required to demonstrate in such Compliance Certificate compliance with the LTV Ratios in accordance with the provisions of Clause 26.3 (*Financial testing*)), computations as to the LTV Ratio and the SSRCF LTV Ratio (regardless of whether the Parent is required to demonstrate in such Compliance Certificate compliance with the provisions of Clause 26.3 (*Financial testing*) but provided that where the Parent is not required to demonstrate such compliance, if the computations as to the LTV Ratio and the SSRCF LTV Ratio show that the Parent would not, were it required to demonstrate compliance with the provisions of Clause 26.3 (*Financial Testing*), comply with such provisions, it will not constitute a breach of the terms of this Agreement or constitute a Default or an Event of Default) and ERC in respect of the relevant Quarter Date together with a certification that:

(i) in respect of any Compliance Certificate delivered with the consolidated Annual Financial Statements and the consolidated Quarterly Financial Statements and subject to paragraph (b)(iii) of Clause 25.3 (*Requirements as to financial statements*) below, ERC as at the last day of the period to which the relevant financial statements relate is identical to the gross amount used as the basis for the calculation of the purchased asset value as reported in the balance sheet of the relevant financial statements (together with a calculation showing how ERC has been used in calculating the purchased asset value for the relevant balance sheet date);

(ii) subject to paragraph (b)(iii) of Clause 25.3 (*Requirements as to financial statements*) below, there has been no material changes to the methodology used to calculate ERC in respect of the Portfolio Accounts compared to the methodology set out in the ERC Model;

(iii) ERC has been prepared on the basis of recent historical information and based on assumptions believed by the Parent to be fair and reasonable; and

(iv) in respect of the Compliance Certificate delivered with the consolidated Annual Financial Statements only, confirm compliance with Clause 27.17 (*Guarantors*) and identifying which members of the Restricted Group that are Material Companies.

(c) Each Compliance Certificate shall be signed by two directors of the Parent (one of which being the chief financial officer of the Parent) and, if required to be delivered with the consolidated Annual Financial Statements of the Parent, shall be reported on by the Parent's Auditors (**provided that** the Parent's Auditors are

prepared to provide such a report) in the form agreed by the Parent and the Majority Lenders.

25.3 **Requirements as to financial statements**

(a) The Parent shall procure that each set of Annual Financial Statements and Quarterly Financial Statements and Monthly Financial Statements includes a balance sheet, profit and loss account, cashflow statement, ERC, computations as to the LTV Ratio and (in respect of the Monthly Financial Statements only) the SSRCF LTV Ratio (regardless of whether the Parent is required to demonstrate compliance with the provisions of Clause 26.3 (*Financial testing*)) and, to the extent that the LTV Ratios have been tested by reference to any such financial statements in accordance with the provisions of Clause 26.3 (*Financial testing*), financial covenant calculations as at the last day of the period to which the relevant financial statements relate. In addition the Parent shall procure that:

(i) each set of Annual Financial Statements shall be audited by the Auditors;

(ii) each set of Quarterly Financial Statements is accompanied by a statement by the directors of the Parent commenting on the performance of the Restricted Group for the Financial Quarter to which the financial statements relate and the Financial Year to date and any other material developments or proposals affecting the Restricted Group or its business; and

(iii) each set of Monthly Financial Statements is accompanied by a statement by the directors of the Parent commenting on the performance of the Restricted Group for the Month to which the financial statements relate and the Financial Year to date, including the management board pack detailing such key performance indicators of the business, strategy, market updates and any other indicators as the directors of the Parent routinely use to describe the performance of the Restricted Group together with any portfolio collections performance data broken down monthly by portfolio, including the actual performance versus the forecasts. The portfolio collections performance data provided pursuant to this paragraph (iii) shall include such material key performance indicators (including but not limited to ERC performance) for each Relevant Geography as are customarily and routinely used by the directors of the Parent with respect to such Relevant Geography from time to time.

(b) Each set of financial statements delivered pursuant to Clause 25.1 (*Financial statements*):

(i) shall be certified by a director of the relevant company as giving a true and fair view of (in the case of Annual Financial Statements for any Financial Year), or fairly representing (in other cases), subject to customary year end adjustments, its financial condition and operations as at the date as at which those financial statements were drawn up and, in the case of the Annual Financial Statements, shall be accompanied by

any letter addressed to the management of the relevant company by the Auditors and accompanying those Annual Financial Statements;

(ii) in the case of Annual Financial Statements and the Quarterly Financial Statements shall be accompanied by a statement by the directors of the Parent comparing actual performance for the period to which the financial statements relate to:

(A) the projected performance for that period set out in the Budget; and

(B) the actual performance for the corresponding period in the preceding Financial Year of the Group; and

(iii) shall be prepared in accordance with the Accounting Principles or, in the respect of ERC, the ERC Model, unless, in relation to any set of financial statements or ERC, the Parent notifies the Agent that (1) there has been a change in the Accounting Principles or the accounting practices of the Restricted Group (for the avoidance of doubt, including any change to the manner in which ERC is used as the basis for calculation of the purchased asset value for the purposes of the Annual Financial Statements or the Quarterly Financial Statements) and its Auditors delivers to the Agent the information referred to in the following subparagraphs (A) and (B) as appropriate, or (2) there has been a material change in the methodology used to calculate ERC and arising as a result of a change determined by the Restricted Group's portfolio valuation committee or accounting practices and the Parent delivers to the Agent the information referred to in the following subparagraphs (A) and (B) below as appropriate:

(A) a description of any change necessary for (1) those financial statements to reflect the Accounting Principles or, as the case may be, that Obligor's Original Financial Statements were prepared, or (2) ERC to reflect the determination of the Restricted Group's portfolio valuation committee or accounting practices; and

(B) sufficient information, in form and substance as may be reasonably required by the Agent, to enable the Lenders to determine whether Clause 26 (*Financial Covenants*) has been complied with ((but only to the extent that the LTV Ratios have been tested by reference to such financial statements in accordance with the provisions of Clause 26.3 (*Financial testing*)), to compare any LTV Ratio and SSRCF LTV Ratio to any previous calculations thereof provided under this Agreement (regardless of whether the Parent is required to demonstrate compliance with the provisions of Clause 26.3 (*Financial testing*)) and to make an accurate comparison between the financial position indicated in (1) those financial statements and the Original Financial Statements, and (2) the relevant ERC and

the Initial ERC as calculated prior to any such change in methodology.

Any reference in this Agreement to any financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

(c) If the Parent notifies the Agent of a change in accordance with paragraph (b)(iii) above, the Parent and the Agent shall enter into negotiations in good faith with a view to agreeing any amendments to this Agreement which are necessary as a result of the change. These amendments will be such as to ensure that the change does not result in any material alteration in the commercial effect of the obligations contained in this Agreement. If any amendments are agreed they shall take effect and be binding on each of the Parties in accordance with their terms (subject to the Agent receiving the prior consent of the Majority Lenders).

(d) At any time whilst:

(i) an Event of Default is continuing; and/or

(ii) the Majority Lenders reasonably suspect:

(A) a potential or actual breach of Clause 26.1 (*Financial condition*);

(B) a potential or actual default under Clause 28.1 (*Non-payment*); and/or

(C) a potential non compliance of financial statements or management accounts with the requirements of the Accounting Principles or the applicable accounting practices and financial reference periods,

the Agent may:

(iii) notify the Parent, stating the questions or issues (and a brief background thereto) which the Agent wishes to discuss with the Auditors (or another firm of accountants auditing the Annual Financial Statements of the relevant company). If the Parent has not responded to such notification in a manner reasonably satisfactory to the Majority Lenders within five (5) Business Days after the receipt of such notification from the Agent, the Parent must ensure that the Auditors (or, as the case may be, the relevant other firm of accountants auditing the Annual Financial Statements of the relevant company) are authorised:

(A) to discuss (and the Parent shall be entitled to participate in any such discussions) the financial position of each member of the Restricted Group with the Agent on request from the Agent (acting on instructions of the Majority Lenders); and

(B) to disclose to the Agent (with a copy to the Parent) for the Finance Parties any information which the Agent may reasonably request; and/or

(iv) to the extent permitted by any obligations or duties of confidentiality or restrictions as to the disclosure of information (in each case whether contractual, by reason of any law or regulation, fiduciary, or otherwise) applying to a member of the Group, require that each member of the Restricted Group permits the Agent and/or the Security Agent access during regular business hours and at times reasonably convenient to the management and on reasonable notice to inspect the premises and assets, and to take copies and extracts from the books, accounts and records, of each member of the Restricted Group and meet and discuss matters with senior management of the Restricted Group (and each Obligor undertakes that it shall permit such access, and the Parent undertakes that it shall ensure that each member of the Restricted Group will permit such access) (together with the rights in paragraph (d)(iii) the "**Access Rights**"),

and, in each case, reasonably incurred fees and expenses shall be for the account of the Parent, save that in the case of the Agent's exercise of its Access Rights solely in reliance on paragraph (d)(ii) above reasonably incurred fees and expenses shall be for the account of the Parent only:

(A) if the event(s) referred to in paragraphs (d)(ii)(A), (d)(ii)(B) or (d)(ii)(C) above and relied upon by Majority Lenders to instruct the Agent to exercise its Access Rights constitute a Default; or

(B) in the case that the event(s) referred to in paragraphs (d)(ii)(A), (d)(ii)(B) or (d)(ii)(C) above and relied upon by Majority Lenders to instruct the Agent to exercise its Access Rights do not constitute a Default, in respect of the Agent's first exercise of its Access Rights solely in reliance on paragraph (d)(ii) above. Any fees or expenses incurred in connection with any subsequent exercise by the Agent of its Access Rights solely in reliance on paragraph (d)(ii) above that is not covered by paragraph (A) above shall be for the account of the Finance Parties.

(v) The Parent and each relevant member of the Restricted Group shall only be required to comply with the requirements of paragraph (d)(iv) above if:

(A) the Agent or the Security Agent (as the case may be) has first communicated its concerns and its request for information or explanation to the Parent;

(B) the Parent and the Agent or Security Agent (as the case may be) have discussed in good faith the issues arising and the Parent has supplied such further information and explanation as it is reasonably able; and

(C) having taken the steps in paragraphs (A) and (B) above, the Agent or Security Agent (as the case may be) acting reasonably is not satisfied with the information and/or explanations provided,

((A), (B) and (C) together being the "**Discussion Process**").

(vi) If the Agent and/or the Security Agent exercises its rights under paragraph (d)(iv) above, it will use all reasonable endeavours to make the scope and nature of the enquiry undertaken no more extensive than is necessary for the purpose of investigating the source and/or consequences of the Default (or events having triggered it) which has triggered the exercise of such rights and to maintain the cost to the Group of that enquiry at a reasonable level, and all information obtained as a result of such access shall be subject to the confidentiality restrictions set out in Clause 43 (*Confidentiality*).

(vii) Notwithstanding paragraphs (v) and (vi) above, each Party agrees that they shall act promptly during the Discussion Process and without prejudice to this paragraph (d), if the Discussion Process has not been completed within ten Business Days of the Agent or Security Agent first communicating its concerns, then the Agent shall be entitled to exercise any of its rights that it has in paragraph (d)(iv) above.

(e) Notwithstanding any other term of this Agreement, no Event of Default shall occur, or be deemed to occur, as a result of any restriction on the identity of the Parent's Auditors contained in this Agreement, being prohibited, unlawful, ineffective, invalid or unenforceable pursuant to the Audit Laws.

25.4 **Budget**

(a) The Parent shall supply to the Agent in sufficient copies for all the Lenders, as soon as the same becomes available but in any event within 30 days of the start of each of its Financial Years, an annual Budget for that financial year.

(b) The Parent shall ensure that each Budget:

(i) includes a monthly projected consolidated profit and loss, balance sheet and cashflow statement for the Group and projected financial covenant calculations;

(ii) is accompanied by a reasonably detailed commentary from the senior management of the Group explaining the main drivers of the Budget on a revenue, cost and cashflow basis;

(iii) includes a monthly breakdown of projections for each month of that Financial Year including projections of ERC;

(iv) subject to paragraph (b) of Clause 25.3 (*Requirements as to financial statements*), is prepared in accordance with the Accounting Principles

and the accounting practices and financial reference periods applied to financial statements under Clause 25.1 (*Financial statements*); and

(v) has been approved by the board of directors of the Parent.

(c) If the Parent materially updates or changes the Budget, it shall promptly following (but in any event not later than ten (10) Business Days of) the update or change being made deliver to the Agent, in sufficient copies for each of the Lenders, such updated or changed Budget together with a written explanation of the main changes in that Budget.

25.5 **Group companies**

The Compliance Certificate supplied with its Annual Financial Statements shall confirm which members of the Restricted Group are Material Companies and that the aggregate of earnings before interest, tax, depreciation and amortisation (calculated on the same basis as Consolidated EBITDA, as defined in Clause 26 (*Financial Covenants*)), and aggregate gross assets (excluding goodwill) of the Guarantors in each case (calculated on an unconsolidated basis and excluding all intra-Restricted Group items and investments in Restricted Subsidiaries of any member of the Restricted Group) exceeds 85 per cent. of Consolidated EBITDA (as defined in Clause 26 (*Financial Covenants*)) and aggregate gross assets (excluding goodwill) of the Restricted Group.

25.6 **Presentations**

(a) At least two of the directors of the Parent (one of whom shall be the chief financial officer) will give a presentation to the Finance Parties in every Financial Year (or at the reasonable request of the Agent if an Event of Default has occurred and is continuing) about the on-going business and financial performance of the Restricted Group.

(b) The Parent will invite the Lenders to any public call held for holders of any of the Notes and give the Lenders reasonable notice of such calls, **provided that** no Lender may speak during such calls other than to register its attendance.

25.7 **Year-end**

No member of the Restricted Group shall change its Accounting Reference Date.

25.8 **Unrestricted Subsidiaries**

If any Subsidiaries of the Parent have been designated as Unrestricted Subsidiaries, the information delivered under Clauses 25.1 (*Financial statements*), 25.2 (*Provision and contents of Compliance Certificate*) and 25.4 (*Budget*) will include reasonably detailed information as to the financial condition of the Restricted Group separate from that of the Unrestricted Subsidiaries.

25.9 **Information: miscellaneous**

The Parent shall supply to the Agent (in sufficient copies for all the Lenders, if the Agent so requests):

(a) at the same time as they are dispatched, copies of all documents required by law to be dispatched by the Parent or any Obligors to its creditors generally (or any class of them);

(b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Restricted Group, and which, if adversely determined, are reasonably likely to have Material Adverse Effect;

(c) promptly upon becoming aware of them, the details of any labour disputes which are current, threatened or pending against any member of the Restricted Group and which, if adversely determined, are reasonably likely to have a Material Adverse Effect;

(d) promptly, details of any material acquisition by, or any disposal, merger or voluntary liquidation or Permitted Reorganisation of any Material Company or any other material change to the structure of the Restricted Group;

(e) promptly, such information as the Security Agent may reasonably require about the Charged Property and compliance of the Obligors with the terms of any Transaction Security Documents;

(f) promptly upon becoming aware of them, the details of any Environmental Claim which is current, threatened or pending against any member of the Restricted Group, together with copies of all environmental reports and investigations in relation to such Environmental Claim, which has or is reasonably likely to have a Material Adverse Effect;

(g) at the same time as they are dispatched, copies of all documents and other information provided to the holders of the Notes (or the Notes Trustee on their behalf);

(h) to the extent that the aggregate Insurance Proceeds including Excluded Insurance Proceeds (each as defined in Clause 12.3 (*Disposal Proceeds and Insurance Proceeds*) in any Financial Year exceed £5,000,000 (or its equivalent), promptly upon becoming aware of them, details of any such insurance claims in respect of those Insurance Proceeds;

(i) promptly upon becoming aware of them and only to the extent permitted by any obligations or duties of confidentiality or restrictions as to the disclosure of information (in each case whether contractual, by reason of any law or regulation, fiduciary, or otherwise) applying to a member of the Group, details of any regulatory investigations that could reasonably be expected to have a Material Adverse Effect;

(j) promptly upon becoming aware of them, details of the written information provided on an information only basis, pursuant to paragraph (c) of Clause 27.6

(*Acquisitions*) being not materially true, complete and accurate or being materially misleading; and

(k) promptly on request, such further information regarding the financial condition, assets and operations of the Restricted Group and/or any member of the Restricted Group (including any requested amplification or explanation of any item in the financial statements, budgets or other material provided by any Obligor under this Agreement) and any changes to senior management of the Parent as any Finance Party through the Agent may reasonably request.

25.10 **Notification of default**

(a) Each Obligor shall notify the Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon its becoming aware of such Default (unless that Obligor is aware that a notification has already been provided by another Obligor).

(b) If the Agent has reasonable grounds for believing that a Default has occurred and is continuing, it may request, and promptly upon such request by the Agent, the Parent shall supply to the Agent, a certificate signed by two of its directors or senior officers on its behalf certifying, to the best of the knowledge and belief of the directors and/or senior officers, that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

25.11 **"Know your customer" checks**

(a) If:

(i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;

(ii) any change in the status of an Obligor or the composition of the shareholders of an Obligor after the date of this Agreement; or

(iii) a proposed assignment or transfer by a Lender of any of its rights and/or obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Agent or any Lender (or, in the case of paragraph (iii) above, any prospective new Lender) to comply with know your customer or similar identification procedures in circumstances where the necessary information is not already available to it, each Obligor shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new Lender) in order for the Agent, such Lender or, in the case of the event described in paragraph (iii) above, any prospective new Lender to carry out and be satisfied it has complied with

all necessary know your customer or other similar checks under all applicable laws and regulations, including the USA PATRIOT Act, pursuant to the transactions contemplated in the Finance Documents.

(b) Each Lender shall promptly upon the request of the Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself) in order for the Agent to carry out and be satisfied it has complied with all necessary know your customer or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

(c) The Parent shall, by not less than ten (10) Business Days' prior written notice to the Agent, notify the Agent (which shall promptly notify the Lenders) of its intention to request that one of its Restricted Subsidiaries becomes an Additional Obligor pursuant to Clause 32 (*Changes to the Obligors*).

(d) Following the giving of any notice pursuant to paragraph (c) above, if the accession of such Additional Obligor obliges the Agent or any Lender to comply with know your customer or similar identification procedures in circumstances where the necessary information is not already available to it, the Parent shall promptly upon the request of the Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Agent (for itself or on behalf of any Lender) or any Lender (for itself or on behalf of any prospective new Lender) in order for the Agent or such Lender or any prospective new Lender to carry out and be satisfied it has complied with all necessary know your customer or other similar checks under all applicable laws and regulations pursuant to the accession of such Restricted Subsidiary to this Agreement as an Additional Obligor.

25.12 **Audit Right**

The Agent, once every six Months (and no less than 6 Months after the previous such appointment), shall have the right to request that any firm that falls within the definition of "Auditors", Grant Thornton, or in each case a firm of similar standing, in each case as is agreed with the Parent (acting reasonably) be appointed to prepare a cash reconciliation of collections against the forecasts in the business and the ERC outputs of the model linked to actual performance and following consultation with the Parent to answer any reasonable queries that the Agent may have in relation to such audit. Subject to agreeing a cap (all parties acting reasonably), the Parent shall pay any reasonable costs of that firm directly incurred in connection with such audit.

## 26. FINANCIAL COVENANTS

### 26.1 Financial condition

(a) The Parent shall ensure that on each Test Date the LTV Ratio does not exceed 0.75.

(b) The Parent shall ensure that on each Test Date the SSRCF LTV Ratio does not exceed 0.275.

26.2 **Financial definitions**

In this Agreement:

"**Additional Shareholder Funding**" means the net cash proceeds received by the Parent directly or indirectly from the Investors after the Closing Date from (i) any subscription in cash for shares of the Parent or capital contribution to the Parent that does not result in the occurrence of a Change of Control or (ii) any New Shareholder Loan.

"**ERC**" means the aggregate amount of estimated remaining collections projected to be received by the Restricted Group from the Portfolio during the period of 84 Months, as calculated by the ERC Model as at the last day of the Month most recently ended prior to the date of calculation which most accurately reflects the latest performance of the portfolios.

"**ERC Model**" means the models and methodologies that the Parent uses to calculate the value of its loan portfolio and those of its Subsidiaries, consistently with its most recent audited financial statements as of the date of such determination.

"**Financial Quarter**" means the period commencing on the day after one Quarter Date and ending on the next Quarter Date.

"**Financial Year**" means the annual accounting period of the Restricted Group ending on the Accounting Reference Date in each year.

"**LTV Ratio**" means, in respect of any date of calculation, the aggregate Financial Indebtedness of the Restricted Group less cash and Cash Equivalent Investments held by the Restricted Group as of such date (other than cash or Cash Equivalent Investments in an amount equal to amounts collected by the Restricted Group on behalf of third-party clients and held by the Restricted Group as of such date), divided by ERC (provided that in relation to testing dates other than on any Quarter Date ERC shall be adjusted to give effect to purchases or disposals of performing, sub-performing or charged off accounts, loans, receivables, mortgages debentures or claims or other similar assets or instruments or portfolios thereof (including through the use of Right to Collect Accounts) made since the last day of the Month most recently ended prior to the date of calculation on the basis of estimates made on a *pro forma* basis by management acting in good faith).

"**SSRCF LTV Ratio**" means, in respect of any date of calculation, the aggregate drawn amount of the Facilities together with any hedging liabilities which under the terms of the Intercreditor Agreement rank *pari passu* with liabilities under the Facilities in the application of the proceeds of enforcement of Transaction Security, less cash and Cash Equivalent Investments held by the Restricted Group as of such date (other than cash or Cash Equivalent Investments in an amount equal to amounts collected by the Restricted Group on behalf of third-party clients and held by the Restricted Group as of such date), divided by ERC (provided that in relation to testing dates other than on any Quarter Date or the last day of any Month, ERC shall be adjusted to give effect to purchases or disposals of performing, sub-performing or charged off accounts, loans, receivables, mortgages debentures or claims or other similar assets or instruments or portfolios thereof (including through the use of Right to Collect Accounts) made since the last day of the Month most recently ended prior to the date of calculation on the basis of estimates made on a *pro*

*forma* basis by management acting in good faith). In calculating ERC for the purposes of the SSRCF LTV Ratio only, ERC shall not include ERC from members of the Group in respect of which the Lenders do not benefit from a first ranking Security interest over that member of the Group's shares and material assets.

"**Quarter Date**" means each of 31 March, 30 June, 30 September and 31 December.

"**Test Condition**" means the aggregate Base Currency Amount of all Utilisations and Ancillary Outstandings (excluding any Letters of Credit, guarantee, bond or letters of credit other than to the extent issued in relation to or to support Financial Indebtedness) exceeds 20 per cent. of the Total Commitments.

"**Test Date**" means, in respect of the LTV Ratio, each Quarter Date on which the Test Condition is met and, in respect of the SSRCF LTV Ratio, each Quarter Date and the last day of each Month to which each set of Monthly Financial Statements relate.

26.3 **Financial testing**

The financial covenants set out in Clause 26.1 (*Financial condition*) shall only be tested on a Test Date, and if so tested will be calculated in accordance with the Accounting Principles, wherever appropriate and by reference to each of the applicable financial statements:

(a) in the case of the LTV Ratio, delivered pursuant to paragraphs (a)(i) and (b) of Clause 25.1 (*Financial statements*) and/or each Compliance Certificate delivered pursuant to Clause 25.2 (*Provision and contents of Compliance Certificate*); and

(b) in the case of the SSRCF LTV Ratio, delivered pursuant to paragraph (c) of Clause 25.1 (*Financial statements*) and/or each Compliance Certificate delivered pursuant to Clause 25.2 (*Provision and contents of Compliance Certificate*).

26.4 **Equity cure**

(a) Subject to the terms of this Clause 26.4, if, (i) in the case of LTV Ratio and the SSRCF LTV Ratio, on the date of the delivery of a Compliance Certificate in accordance with Clause 25.2 (*Provisions and contents of Compliance Certificate*), and (ii) in the case of the SSRCF LTV Ratio on the date of delivery of the Monthly Financial Statements where in relation to such period a Test Date has occurred, the Parent is in breach of its obligations under Clause 26.1 (*Financial condition*) on the relevant Test Date being reported on in that Compliance Certificate or for the Month which the Monthly Financial Statements relate to (the "**Breach**"), the Parent shall be entitled to remedy the Breach by giving notice to the Agent (the "**Cure Notice**") and receiving the proceeds of Additional Shareholder Funding no later than 20 Business Days after the due date for delivery to the Agent of such Compliance Certificate or Monthly Financial Statements (the "**Cure Date**") **provided that** the Parent may not apply the proceeds of Additional Shareholder Funding provided pursuant to this Clause 26.4:

(i) more than three times during the life of the Facilities or in respect of any two consecutive Financial Quarters; or

(ii) for another purpose under the Finance Documents or Note Documents other than a cure of a breach of obligations under Clause 26.1 (*Financial condition*).

(b) Immediately following the receipt of the Additional Shareholder Funding in accordance with paragraph (a) above, the financial covenants in Clause 26.1 (*Financial condition*) shall be retested and the result of the retesting shall apply for determining whether there has been a breach of this Agreement.

(c) If the Parent remedies a breach of its obligations under Clause 26.1 (*Financial condition*) in accordance with paragraph (a) before the Cure Date, the relevant Cure Notice shall be accompanied by a revised Compliance Certificate indicating compliance with the financial covenants in Clause 26.1 (*Financial condition*).

(d) If at any time after a Test Date but prior to the date of delivery of (i) the Compliance Certificate in respect of such Test Date (or, if earlier, the date that such Compliance Certificate should have been delivered), or (ii) the Monthly Financial Statement in respect of such Month or, if earlier, the date that such Monthly Financial Statement should have been delivered, the Parent:

(i) determines that it is likely to be in breach of its obligations under Clause 26.1 (*Financial condition*) upon delivery of a Compliance Certificate in respect of such Test Date or Monthly Financial Statement in respect of such Month (as applicable);

(ii) receives Additional Shareholder Funding before delivery of that Compliance Certificate or Monthly Financial Statement (as applicable) or, if earlier, the date that such Compliance Certificate or Monthly Financial Statement (as applicable) should have been delivered; and

(iii) designates (by written notice to the Agent) such Additional Shareholder Funding as being provided pursuant to this Clause 26.4,

such Additional Shareholder Funding shall be treated as referred to above in this Clause 26.4 and will be subject to the requirements and restrictions in this Clause 26.4, except that no breach shall occur.

## 27. GENERAL UNDERTAKINGS

The undertakings in this Clause 27 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

### 27.1 Restrictive Covenants

Each Obligor shall comply with the covenants set out in Schedule 14 (*Restrictive Covenants*).

27.2 **Authorisations**

Each Obligor shall promptly obtain, comply with and do all that is necessary to maintain in full force and effect any Authorisation (other than as may be no longer required pursuant to a Permitted Reorganisation) required under any applicable law or regulation:

(a) of a Relevant Jurisdiction to enable it to perform its obligations under the Transaction Documents to which it is a party;

(b) of a Relevant Jurisdiction to ensure, subject to the Legal Reservations and the Perfection Requirements, the legality, validity, enforceability or admissibility in evidence of any Transaction Document to which it is a party; and

(c) of a Relevant Jurisdiction or any jurisdiction where it conducts its business to carry on its business except to the extent that failure to obtain or comply with those Authorisations could not reasonably be expected to have a Material Adverse Effect.

27.3 **Compliance with laws**

(a) Each Obligor shall (and the Parent shall ensure that each member of the Restricted Group will) comply in all respects with all laws and regulations to which it may be subject, if failure so to comply has or is reasonably likely to have a Material Adverse Effect.

(b) Each Obligor shall (and the Parent shall ensure that each member of the Restricted Group will) not, and shall not permit or authorise any other person to, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of the Facilities to fund any trade, business or other activities: (i) involving or for the benefit of any Restricted Party, or (ii) in any other manner that could result in any Obligor or its Affiliates, or any Lender being in breach of any Sanctions or becoming a Restricted Party.

(c) No part of the proceeds of any Loan will be used, directly or indirectly, for any payments that would constitute a violation of any applicable anti-bribery law.

27.4 **Taxation**

(a) Each Obligor shall (and the Parent shall ensure that each member of the Restricted Group will) pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:

(i) such payment is being contested in good faith by appropriate proceedings;

(ii) adequate reserves established in accordance with the Accounting Principles are being maintained for such Taxes and the costs required to contest them; and

(iii) such payment can be lawfully withheld and failure to pay such Taxes is not reasonably likely to have a Material Adverse Effect.

(b) No Obligor may change its residence for Tax purposes.

27.5 **Change of business**

Other than pursuant to a Permitted Reorganisation, the Parent shall procure that no substantial change is made to the general nature of the business of the Obligors or the Restricted Group taken as a whole from that carried on by the Restricted Group at the date of the 2016 Amendment and Restatement Agreement, provided that, for the avoidance of doubt, operations by the Obligors and/or the Restricted Group in relation to any debt servicing business, debt litigation or debt collection activities (or in each case any associated activities) shall not constitute such a change.

27.6 **Acquisitions**

(a) Except as permitted under paragraph (b) below, no Obligor shall (and the Parent shall ensure that no other member of the Restricted Group will) undertake the acquisition of:

(i) a company or any shares or equivalent ownership interest or securities or a business or undertaking (or, in each case, any interest in any of them); or

(ii) Portfolio Accounts.

(b) Paragraph (a) above does not apply to:

(i) an acquisition of a company or any shares or equivalent ownership interest or securities or a business or undertaking (or, in each case, any interest in any of them) which is a Permitted Acquisition or Permitted Joint Venture;

(ii) an acquisition of a Portfolio Account which is a Permitted Acquisition;

(iii) the acquisition or incorporation of a newly formed company;

(iv) an acquisition by a member of the Restricted Group from another member of the Restricted Group **provided that** such acquisition is permitted by the provisions of Schedule 14 (*Restrictive Covenants*);

(v) Permitted Reorganisations; or

(vi) an acquisition of securities that are Cash Equivalent Investments.

(c) In the case of making a Permitted Acquisition that constitutes a "Business Acquisition" as defined in the definition of "Permitted Acquisition", the Parent shall deliver (or shall procure that the relevant member of the Group delivers) to the Agent (on an information only basis and without any liability including

without limitation for the content therein) the most recent audited accounts of, and management information with respect to, the acquired business.

27.7 **Joint Ventures**

(a) No Obligor shall (and the Parent shall ensure that no member of the Group will):

(i) enter into, invest in or acquire (or agree to acquire) any shares, stocks, securities or other interest in a Joint Venture; or

(ii) transfer any assets or lend to or guarantee or give an indemnity for or give Security for the obligations of a Joint Venture or maintain the solvency of or provide working capital to a Joint Venture (or agree to do any of the foregoing),

if that Joint Venture is established, or carries on its principal business in a country that is a Sanctioned Country.

27.8 **Intra-Group Transfers**

Notwithstanding any other provision of this Agreement:

(a) no Obligor may transfer, assign or otherwise dispose of any asset to any non-Obligor if, as a result of such transfer, assignment or disposition, the test in paragraph (a)(ii) of Clause 27.17 (*Guarantors*) would not be met if tested on a *pro forma* basis taking into account such transfer, assignment or disposition;

(b) no Obligor may transfer, assign or otherwise dispose of any asset that is subject to the Transaction Security to any other Obligor, where Transaction Security will not upon or immediately following such transfer be in place in respect of such asset following the assignment, transfer or disposition; and

(c) the Parent may not designate any member of the Restricted Group as an Unrestricted Subsidiary if, as a result of such designation, the test in paragraph (a)(ii) of Clause 27.17 (*Guarantors*) would not be met if tested on a *pro forma* basis taking into account such designation.

27.9 **Holding Companies**

No Holdco shall trade, carry on any business, own any assets or incur any liabilities except for:

(a) the holding of shares in Subsidiaries and Joint Ventures not prohibited by this Agreement;

(b) the ownership of intra-Group debit balances, intra-Group credit balances and other credit balances in bank accounts, cash and Cash Equivalent Investments but (subject to the Agreed Security Principles) only if those credit balances, cash and Cash Equivalent Investments are subject to the Transaction Security;

(c) the making of Intra-Group Loans or loans to the extent that (subject to the Agreed Security Principles) such loans are subject to Transaction Security;

(d) Security and guarantees (or similar) permitted under Schedule 14 (*Restrictive covenants*);

(e) the entry into and performance of its obligations (and incurrence of liabilities) under the Transaction Documents and Pari Passu Debt Documents (as defined in the Intercreditor Agreement and the Marlin Intercreditor Agreement) to which it is a party;

(f) subject to the relevant creditors (or an appointed representative on their behalf) acceding to the Intercreditor Agreement and the Marlin Intercreditor Agreement as secured creditors or as unsecured creditors in each case ranking behind the Pari Passu Creditors (in each case howsoever defined), the entry into and performance of its obligations (and incurrence of liabilities) under the customary documentation relating thereto to which it is a party;

(g) the granting of Transaction Security to the Finance Parties in accordance with the terms of the Finance Documents;

(h) the provision of administrative, managerial, financial statement accounting and legal services to other members of the Restricted Group of a type customarily provided by a Holding Company to its Subsidiaries and the ownership of assets necessary to provide such services;

(i) subject to the Intercreditor Agreement, the making of or receipt of any Permitted Payment; and

(j) general corporate administration and compliance activities including without limitation those relating to entering into engagements and other service contracts on behalf of the Group, paying overhead costs and filing fees and other ordinary course expenses (such as audit fees and Taxes), other related activities and periodic reporting requirements.

27.10 **Preservation of assets**

Each Obligor shall (and the Parent shall ensure that each member of the Restricted Group will) maintain in good working order and condition (ordinary wear and tear excepted) all of its assets necessary in the conduct of its business where failure to do so would reasonably be expected to have a Material Adverse Effect.

27.11 **Pari passu ranking**

Each Obligor shall ensure that at all times any unsecured and unsubordinated claims of a Finance Party against it under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to companies.

27.12 **Insurance**

(a) Each Obligor shall (and the Parent shall ensure that each member of the Restricted Group will) maintain insurances on and in relation to its material business and assets of an insurable nature against those risks and to the extent as is usual for companies carrying on the same or substantially similar business, where failure to do so would reasonably be expected to have a Material Adverse Effect.

(b) All insurances must be with reputable independent insurance companies or underwriters.

27.13 **Pensions**

The Parent shall ensure that all pension schemes operated by or maintained for the benefit of any member of the Restricted Group and/or any of their employees are fully funded to the extent required by their terms and applicable laws where failure to do so would reasonably be expected to have a Material Adverse Effect.

27.14 **Share capital**

No Obligor shall (and the Parent shall ensure no member of the Restricted Group will) issue any shares except:

(a) by the Parent to its direct Holding Company, paid for in full upon issue and which by their terms are not redeemable before the Termination Date and where such issue does not lead to a Change of Control of the Parent;

(b) shares by a member of the Restricted Group to another member of the Restricted Group (other than the Parent (save in the case of Cabot Credit Management Group Limited (formerly Cabot Financial Holdings Group Limited), who may issue to the Parent)) and/or pro-rata to its minority shareholder(s) where (if the existing shares of the Subsidiary are the subject of the Transaction Security) the newly-issued shares held by the member of the Restricted Group also become subject to the Transaction Security on the same terms; or

(c) in connection with a Permitted Joint Venture.

27.15 **Amendments**

No Obligor shall (and the Parent shall ensure that no member of the Restricted Group will) amend, vary, novate, supplement, supersede, waive or terminate any term of the Note Documents or documents relating to any Pari Passu Notes (as defined in the Intercreditor Agreement) or Replacement Debt relating to the Notes or Pari Passu Notes (as defined in the Intercreditor Agreement) which brings forward the maturity or any amortisation of the Notes, the Pari Passu Notes (as defined in the Intercreditor Agreement) or such Replacement Debt (as applicable).

27.16 **Treasury Transactions**

No Obligor shall (and the Parent will procure that no members of the Restricted Group will) enter into any Treasury Transaction, other than:

(a) the hedging transactions documented by the Hedging Agreements;

(b) spot and forward delivery foreign exchange contracts entered into in the ordinary course of business and not for speculative purposes; and

(c) any Treasury Transaction entered into in the ordinary course of business for the hedging of actual or projected real exposures arising in the ordinary course of a member of the Restricted Group's commercial activities and not for speculative purposes, including for the avoidance of doubt, the Existing Cap.

27.17 **Guarantors**

(a) The Parent shall ensure that subject to the Agreed Security Principles and paragraphs (b) and (c) below:

(i) all Material Companies which are members of the Restricted Group, and any member of the Restricted Group that is or becomes a guarantor in respect of the 2023 Cabot Notes or any of the Existing Notes, are Guarantors (in the case of any member of the Restricted Group that is or becomes a guarantor in respect of the 2023 Cabot Notes or any of the Existing Notes, before or simultaneously to becoming a guarantor in respect of the 2023 Cabot Notes or any of the Existing Notes); and

(ii) the aggregate of the earnings before interest, tax, depreciation and amortisation (calculated on the same basis as Consolidated EBITDA) of the Guarantors for each Financial Year and the aggregate gross assets (excluding goodwill) of the Guarantors (in each case calculated on an unconsolidated basis and excluding all intra-Restricted Group items and investments in Restricted Subsidiaries of any member of the Restricted Group) represents not less than 85 per cent. of Consolidated EBITDA for the corresponding Financial Year and consolidated gross assets (excluding goodwill) of all members of the Restricted Group, respectively, in each case calculated by reference to the most recently delivered set of Annual Financial Statements of the Group delivered under Clause 25.1 (*Financial Statements*) and adjusted to give *pro forma* effect to any acquisitions (including through mergers or consolidations) and dispositions that have taken place prior to the date on which the Financial Year ends.

(b) Each Obligor must use, and must procure that the relevant person uses, all reasonable endeavours lawfully available to avoid any unlawfulness or personal liability. This includes agreeing to a limit on the amount guaranteed. The Agent may (but shall not be obliged to) agree to such a limit if, in its opinion, to do so would avoid the relevant unlawfulness or personal liability.

(c) Subject to the Agreed Security Principles, any member of the Restricted Group that becomes a Material Company and any Material Company acquired in

accordance with this Agreement after the Closing Date shall become a Guarantor and grant Security as the Agent may require (acting reasonably) and shall accede to the Intercreditor Agreement as soon as practicable and in any event within 45 days of delivery of any Annual Financial Statements delivered under Clause 25.1 (*Financial Statements*) or within (i) in the case of any Material Company established or incorporated in England and Wales, as soon as is reasonably practicable and in any event, 60 days of its acquisition or (ii) in the case of any other Material Company, as soon as is reasonably practicable and in any event, 90 days of its acquisition, as the case may be.

27.18 **Unrestricted Subsidiaries**

(a) Subject to paragraph (c) of Clause 27.8 (*Intra-Group Transfers*), nothing in this Agreement shall restrict the Parent from designating any of its Subsidiaries as being Unrestricted Subsidiaries **provided that** such Subsidiary meets the requirements for such designation set out in Schedule 14 (*Restrictive Covenants*).

(b) If a member of the Restricted Group is designated as an Unrestricted Subsidiary, each Obligor will (i) ensure that the Unrestricted Subsidiary does not (and will, for so long as it is an Unrestricted Subsidiary, not) legally or beneficially own shares in any Restricted Subsidiary; and (ii) use its reasonable endeavours to ensure that no member of the Restricted Group has any material liabilities (including pension, environmental and Tax liabilities) to or in respect of the Unrestricted Subsidiary and if any such material liability arises the Parent will promptly notify the Agent and procure that the Unrestricted Subsidiary becomes a Restricted Subsidiary as soon as reasonably practicable and in any event within 20 Business Days of the first date on which the Parent is aware of the material liability.

27.19 **Further assurance**

(a) Each Obligor shall (and the Parent shall procure that each member of the Restricted Group will) promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Agent may reasonably specify (and in such form as the Security Agent may reasonably require in favour of the Security Agent or its nominee(s)):

(i) to perfect the Security created or intended to be created under or evidenced by the Transaction Security Documents (which may include the execution of a mortgage, charge, assignment or other Security over all or any of the assets which are, or are intended to be, the subject of the Transaction Security) or for the exercise of any rights, powers and remedies of the Security Agent or the Finance Parties provided by or pursuant to the Finance Documents or by law;

(ii) to confer on the Security Agent or confer on the Finance Parties Security over any property and assets of that Obligor located in any jurisdiction equivalent or similar to the Security intended to be conferred by or pursuant to the Transaction Security Documents; and/or

(iii) to facilitate the realisation of the assets which are, or are intended to be, the subject of the Transaction Security.

(b) Each Obligor shall (and the Parent shall procure that each member of the Restricted Group shall) take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on the Security Agent or the Finance Parties by or pursuant to the Finance Documents.

(c) Paragraphs (a) and (d) above shall be subject to the Agreed Security Principles in relation to any Security granted after the date of this Agreement. Each Obligor must use, and must procure that any other member of the Restricted Group that is a potential provider of Transaction Security uses, all reasonable endeavours lawfully available to avoid or mitigate the legal constraints on the provision of Security provided for in the Agreed Security Principles.

27.20 **Note Purchase Condition**

(a) For the purposes of this Clause 27.20:

(b) "**Pari Debt Amount**" shall mean the total principal amount of the Notes, Replacement Debt and Term Debt issued by the Restricted Group on (or, in the case of any Notes, Replacement Debt or Term Debt issued by the Restricted Group the proceeds of which were not applied in the prepayment, purchase, defeasement or redemption (or other retirement) of any Notes, Replacement Debt or Term Debt, after) the Closing Date; and

(c) "**Repurchase**" shall mean a prepayment, purchase, defeasement or redemption (or otherwise retirement for value) of any Notes, Replacement Debt or Term Debt **provided that** prepayment, purchase, defeasement or redemption (or other retirement) of any Notes, Replacement Debt or Term Debt made solely with the proceeds of Additional Indebtedness (as defined in the Intercreditor Agreement) permitted to be incurred under the Intercreditor Agreement shall not be a "**Repurchase**".

(d) Members of the Restricted Group may Repurchase any Notes, Replacement Debt or Term Debt:

(i) if the aggregate principal amount of all Notes, Replacement Debt and Term Debt Repurchased since the Closing Date does not exceed 35 per cent. of the Pari Debt Amount;

(ii) to the extent that the aggregate principal amount of all Notes, Replacement Debt and Term Debt Repurchased since the Closing Date exceeds 35 per cent. but is 50 per cent. or less of the Pari Debt Amount, if the Parent ensures that such Repurchase is matched by a simultaneous cancellation of the Commitments so that the Commitments are reduced by the same proportion as that by which the aggregate principal amount of the Notes, Replacement Debt and Term Debt being Repurchased

corresponds to the Pari Debt Amount and (to the extent necessary as a result of such cancellation) prepayment of outstanding Utilisations, in the order of application contemplated by Clause 12.4 (*Application of mandatory prepayments*); and

(iii) to the extent that the aggregate principal amount of all Notes, Replacement Debt and Term Debt Repurchased since the Closing Date exceeds 50 per cent. of the Pari Debt Amount, if the Parent ensures that such Repurchase is matched by a simultaneous cancellation of the Commitments so that the Commitments are reduced by the same amount as that by which the Notes, Replacement Debt and Term Debt are being Repurchased and (to the extent necessary as a result of such cancellation) prepayment of outstanding Utilisations, in the order of application contemplated by Clause 12.4 (*Application of mandatory prepayments*).

(e) No Repurchase may be made:

(i) while an Event of Default is continuing or would result from such Repurchase; or

(ii) if the Restricted Group would not be in compliance with the financial covenants set out in Clause 26.1 (*Financial condition*) on a *pro forma* basis after taking into account such Repurchase and to be certified in a Compliance Certificate delivered prior to the making of the Repurchase (amended to set out calculations in respect of the LTV Ratio and SSRCF Ratio only and as calculated by reference to the last day of the most recently ended calendar Month).

27.21 **ERC Model**

Each Obligor shall ensure that the terms of the ERC Model are not amended, modified or waived, without the prior written consent of the Agent (acting reasonably) other than where (i) such amendments, modifications or waivers relate to reporting format changes for internal management purposes which would not affect the Lenders or (ii) changes are made in accordance with sub-paragraph (b)(iii) of Clause 25.3 (*Requirements as to financial statements*).

27.22 **Bank Accounts**

(a) Each Obligor's bank accounts (and the Parent shall procure that each member of the Restricted Group's bank accounts) save, in each case, for any Excluded Bank Accounts, are held with a Lender, an Affiliate of a Lender or an Acceptable Bank.

(b) Each Obligor (and the Parent shall procure that each member of the Restricted Group) shall keep any monies held on trust for third parties segregated from monies belonging to it in separate bank accounts.

28. **EVENTS OF DEFAULT**

Each of the events or circumstances set out in this Clause 28 is an Event of Default (save for Clause 28.20 (*Acceleration*)).

28.1 **Non-payment**

An Obligor does not pay on the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless:

(a) in respect of any payments of principal or Interest, its failure to pay is caused by administrative or technical error or a Disruption Event and payment is made within three (3) Business Days of its due date; and

(b) in respect of any other payment (which does not fall within paragraph (b) above), payment is made within five (5) Business Days of its due date.

28.2 **Financial covenants**

The Parent does not comply with the provisions of paragraphs (a) or (b) of Clause 26.1 (*Financial condition*) subject to Clause 26.4 (*Equity cure*) and provided that to the extent that paragraph (a) of Clause 26.1 (*Financial Condition*) is satisfied on a subsequent Test Date and paragraph (b) is satisfied on two subsequent successive Test Dates (and Compliance Certificates have been delivered in respect of such future Test Dates in accordance with this Agreement), any such non-compliance shall be deemed to be waived for all purposes under the Finance Documents. For the avoidance of doubt, prior to the delivery of such subsequent Compliance Certificates demonstrating compliance any of the rights under Clause 28.20 (*Acceleration*) may be exercised and to the extent so exercised the deemed waiver under this Clause 28.2 shall not apply.

28.3 **Financial statements**

(a) An Obligor does not comply with the provisions of Clauses 25.1 (*Financial statements*), 25.2 (*Provision and contents of Compliance Certificate*) and paragraphs (a) and (b) of Clause 25.3 (*Requirements as to financial statements*).

(b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within five (5) Business Days of the earlier of (i) the Agent giving notice to the Parent or relevant Obligor (as the case may be) and (ii) the Parent or an Obligor (as the case may be) becoming aware of the failure to comply.

28.4 **Other obligations**

(a) An Obligor does not comply with any provision of the Finance Documents to which it is a party (other than those referred to in Clause 28.1 (*Non-payment*), Clause 28.2 (*Financial covenants*) and Clause 28.3 (*Financial statements*)).

(b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within fifteen (15) Business Days of the earlier of (i) the Agent giving notice to the Parent or the relevant Obligor, as the

case may be, and (ii) the Parent or an Obligor, as the case may, be becoming aware of the failure to comply.

28.5 **Misrepresentation**

Any representation or statement made or deemed to be made by an Obligor in the Finance Documents to which it is a party or any other document delivered by or on behalf of any Obligor under or in connection with any Finance Document to which it is a party is or proves to have been incorrect or misleading (in the case of any statement or representation which is not subject to a materiality threshold in accordance with its terms, in any material respect) when made or deemed to be made and, if the circumstances causing such misrepresentation are capable of remedy within such period, such Obligor shall have failed to remedy such circumstances within fifteen (15) Business Days of the earlier of (i) the Agent giving notice to the Parent or the relevant Obligor, as the case may be, and (ii) the Parent or the relevant Obligor, as the case may be, becoming aware of the failure to comply.

28.6 **Cross default**

(a) Any Financial Indebtedness of any member of the Restricted Group is not paid when due nor within any originally applicable grace period.

(b) Any Financial Indebtedness of any member of the Restricted Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).

(c) Any commitment for any Financial Indebtedness of any member of the Restricted Group is cancelled or suspended by a creditor of any member of the Restricted Group as a result of an event of default (however described).

(d) Any creditor or note trustee or other representative of any member of the Restricted Group becomes entitled to declare any Financial Indebtedness of any member of the Restricted Group due and payable prior to its specified maturity as a result of an event of default (however described).

(e) No Event of Default will occur under this Clause 28.6 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above is less than £10,000,000 (or its equivalent in any other currency or currencies) and excluding in any case any Financial Indebtedness to the extent owed by one member of the Restricted Group to another member of the Restricted Group.

28.7 **Insolvency**

The occurrence of any of the following:

(a) An Obligor or a Material Company is unable or admits inability to pay its debts as they fall due or is deemed (other than as a result of its assets being less that its liabilities) to or declared to be unable to pay its debts under applicable law, suspends or threatens to suspend making payments on any of its debts or, by

reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors (other than in respect of the Finance Documents) with a view to rescheduling any of its indebtedness.

(b) A moratorium is declared in respect of any indebtedness of any Obligor or Material Company.

28.8 **Insolvency proceedings**

(a) Any corporate action, legal proceedings or other procedure or step is taken in relation to:

(i) the suspension of payments, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Obligor or Material Company;

(ii) a composition, compromise, assignment or arrangement with any creditor of any Obligor or Material Company;

(iii) the appointment of a liquidator, receiver, administrative receiver, administrator, examiner, compulsory manager or other similar officer in respect of any Obligor or Material Company or any of its assets;

(iv) enforcement of any Security over any assets of any Obligor or Material Company,

and in particular, as regards any Luxembourg Guarantor, no "*faillite*", "*gestion controlee*", "*suspension des paiements*", "*concordat judiciaire*" or "*liquidation judiciaire*".

(b) Paragraph (a) shall not apply to:

(i) any winding-up petition, case or proceeding which is frivolous or vexatious and is discharged, stayed or dismissed within fourteen (14) days of commencement; or

(ii) any Permitted Reorganisation.

28.9 **Creditors' process**

Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of an Obligor or a Material Company having an aggregate value of £15,000,000 and is not discharged within twenty (20) Business Days.

28.10 **Unlawfulness and invalidity**

(a) It is or becomes unlawful for any person (other than a Finance Party) that is a party to a Finance Document to perform any of its obligations thereunder or any Transaction Security created or expressed to be created or evidenced by the Transaction Security Documents ceases to be effective or any subordination

created under the Intercreditor Agreement is or becomes unlawful, ineffective or unenforceable, in each case in a manner which materially adversely affects the interests of the Lenders under the Finance Documents.

(b) Any obligation or obligations of any person (other than a Finance Party) under any Finance Documents are not (subject to the Legal Reservations) or cease to be legal, valid, binding or enforceable and the cessation materially adversely affects the interests of the Lenders under the Finance Documents.

28.11 **Intercreditor Agreement**

Any member of the Restricted Group or any Structural Creditor (as defined in the Intercreditor Agreement) that is party to the Intercreditor Agreement fails to comply in any material respect with the provisions of, or does not perform its obligations under, the Intercreditor Agreement and if the non-compliance or failure to perform is capable of remedy, it is not remedied within fifteen (15) Business Days of the earlier of the Agent giving notice to that party or that party becoming aware of the non-compliance or failure to perform.

28.12 **Change of ownership**

(a) After the Closing Date, an Obligor (other than the Parent) ceases to be a wholly-owned Subsidiary of the Parent other than as a result of a Permitted Reorganisation or transaction permitted under this Agreement; or

(b) An Obligor ceases to own at least the same percentage of shares in a Material Company as on the Closing Date, except as a result of a Permitted Reorganisation or transaction permitted under this Agreement.

28.13 **Audit qualification**

The Auditors of the Restricted Group qualify the audited annual consolidated financial statements of the Parent:

(a) on the grounds that the Auditors are unable to prepare those financial statements on a going concern basis (other than such qualification which arises solely because of a potential breach of the covenant set out it Clause 26.1 (*Financial condition*));

(b) where that qualification is otherwise in terms or as to issues which would be reasonably likely to materially and adversely affect the interests of the Finance Parties taken as a whole under the Finance Documents; or

(c) on the basis of non-disclosure or inaccurate disclosure.

28.14 **Expropriation**

The authority or ability of any member of the Restricted Group to conduct its business is limited or wholly or substantially curtailed by any seizure, expropriation, nationalisation, intervention, restriction or other action by or on behalf of any

governmental, regulatory or other authority or other person in relation to any member of the Restricted Group or its respective assets which has or is reasonably likely to have a Material Adverse Effect.

28.15 **Repudiation and rescission of agreements**

(a) An Obligor rescinds or purports to rescind or repudiates or purports to repudiate a Finance Document or any of the Transaction Security to which it is a party.

(b) Any Obligor rescinds or purports to rescind or repudiates or purports to repudiate any Note Document in whole or in part where to do so has or is, in the reasonable opinion of the Majority Lenders, likely to have a material adverse effect on the interests of the Lenders under the Finance Documents taken as a whole.

28.16 **Litigation**

Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced in relation to the Transaction Documents or the transactions contemplated in the Transaction Documents or against any member of the Restricted Group or its respective assets which has or is reasonably likely to have a Material Adverse Effect.

28.17 **Material adverse change**

Any event or circumstance occurs which has a Material Adverse Effect.

28.18 **Cessation of business**

An Obligor suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business.

28.19 **Failure to refinance bonds**

Any Existing Notes are not refinanced in full by the date falling 90 days before the scheduled principal repayment date specified in the relevant Existing Notes.

28.20 **Acceleration**

(a) On and at any time after the occurrence of an Event of Default which is continuing the Agent may, and shall if so directed by the Majority Lenders, by notice to the Parent:

(i) cancel the Total Commitments and/or Ancillary Commitments at which time they shall immediately be cancelled;

(ii) declare that all or part of the Utilisations, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable;

(iii) declare that all or part of the Utilisations be payable on demand, at which time they shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders;

(iv) declare that cash cover in respect of each Letter of Credit is immediately due and payable at which time it shall become immediately due and payable;

(v) declare that cash cover in respect of each Letter of Credit is payable on demand at which time it shall immediately become due and payable on demand by the Agent on the instructions of the Majority Lenders;

(vi) declare all or any part of the amounts (or cash cover in relation to those amounts) outstanding under the Ancillary Facilities to be immediately due and payable, at which time they shall become immediately due and payable;

(vii) declare that all or any part of the amounts (or cash cover in relation to those amounts) outstanding under the Ancillary Facilities be payable on demand, at which time they shall immediately become payable on demand by the Agent on the instructions of the Majority Lenders;

(viii) exercise or direct the Security Agent to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.

(b) Following the occurrence of an Event of Default under Clause 28.1 (*Non-payment*) as a result of non-payment or non cash cover of an amount which has fallen due to be paid to any Lender in accordance with paragraph (e)(ii) of Clause 12.2 (*Exit Discussions*) or paragraph (b)(ii) of Clause 12.1 (*Change in Control*), if the Majority Lenders have not exercised their right of acceleration under paragraph (a) above, the relevant Lender or Lenders who have given a Negative Decision, shall be deemed to constitute the Majority Lenders and shall have the right to direct the Agent to exercise any of the rights listed in sub-paragraphs (i) to (viii) in paragraph (a) above.

## 29. INVESTMENT GRADE STATUS

29.1 For so long as the Notes (or any Permitted Financial Indebtedness issued by a member of the Restricted Group to refinance or replace the Notes or in exchange for the Notes) have an Investment Grade Status (the "Suspense Period"), the following clauses of this Agreement shall not apply:

(a) Clauses 25.6 (*Presentations*) and 25.7 (*Year-end*);

(b) Clauses 27.12 (*Insurance*), 27.13 (*Pensions*), 27.14 (*Share capital*) and 27.16 (*Treasury Transaction*).

29.2 Any obligations arising under the Clauses specified in Clause 29.1 above (including, without limitation, obligations with respect to any Compliance Certificate required to be delivered during or with respect to any period that ends during a Suspense Period

insofar as those obligations concern the certification of matters that are no longer applicable as a result of this Clause 29), and, in the case that a Suspense Period ceases to apply, any events or circumstances properly taken at any time during a Suspense Period (and not taken in contemplation of the Suspense Period coming to an end) that would but for this Clause 29 have given rise to a misrepresentation, breach, Default or Event of Default and which would as a result of the Suspense Period ceasing to apply constitute a misrepresentation, breach, Default or Event of Default, shall be deemed not to give rise to a misrepresentation, breach, Default or Event of Default.

## 30. CHANGES TO THE LENDERS

### 30.1 Assignments and transfers by the Lenders

Subject to this Clause 29 and to Clause 31 (*Restriction on Debt Purchase Transactions*), a Lender (the "**Existing Lender**") may:

(a) assign any of its rights; or

(b) transfer by novation any of its rights and obligations,

under any Finance Document to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the "**New Lender**").

### 30.2 Conditions of assignment or transfer

(a) Subject to paragraph (b) below, an Existing Lender must consult with the Parent for five (5) Business Days before it may make an assignment or transfer in accordance with Clause 30.1 (*Assignments and transfers by the Lenders*) unless the assignment or transfer is:

(i) to another Lender or an Affiliate of a Lender;

(ii) to any bank or financial institution on the Approved List; or

(iii) if the Existing Lender is a fund, to a fund which is a Related Fund of the Existing Lender; or

(iv) made at a time when an Event of Default is continuing.

(b) Notwithstanding anything else in this Agreement, in no circumstances may an Existing Lender make an assignment or transfer to, or enter into any sub-participation with, a person:

(i) that is a Sanctioned Person or that is incorporated or established, or carries on business, in a jurisdiction that is a Sanctioned Country; or

(ii) is a Competitor,

(c) unless that person is already a Lender, and any assignment or transfer purported to be made other than in compliance with this condition shall be void *ab initio*.

(d) The Approved List may be amended at any time and from time to time with the prior written consent of the Agent (acting on the instruction of the Majority Lenders) and the Parent.

(e) The consent of the Issuing Bank is required for any assignment or transfer by an Existing Lender of any of its rights and/or obligations under any of the Facilities (other than a transfer by DNB Bank ASA, London Branch to DNB (UK) Limited as its Affiliate).

(f) An assignment will only be effective on:

(i) receipt by the Agent (whether in the Assignment Agreement or otherwise) of written confirmation from the New Lender (in form and substance satisfactory to the Agent) that the New Lender will assume the same obligations to the other Finance Parties and the other Secured Parties as it would have been under if it was an Original Lender;

(ii) the New Lender entering into the documentation required for it to accede as a party to the Intercreditor Agreement; and

(iii) the performance by the Agent of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to a New Lender, the completion of which the Agent shall promptly notify to the Existing Lender and the New Lender.

(g) The amount of the Existing Lender's Commitment assigned or transferred must be a minimum of £1,000,000 and in integral multiples of £1,000,000 unless the assignment or transfer is:

(i) to another Lender or an Affiliate of a Lender;

(ii) if the Existing Lender is a fund, to a fund which is a Related Fund of the Existing Lender;

(iii) made at a time when an Event of Default is continuing; or

(iv) of all of the relevant Existing Lender's Commitment (and not part thereof).

(h) A transfer will only be effective if the New Lender enters into the documentation required for it to accede as a party to the Intercreditor Agreement and if the procedure set out in Clause 30.5 (*Procedure for transfer*) is complied with.

(i) If:

(i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office or nominates a branch or affiliate that is not an Existing Lender to participate in any of the Facilities under Clause 4.5 (*Lending Affiliates*); and

(ii) as a result of circumstances existing at the date the assignment, transfer, change or nomination, an Obligor would be obliged to make a payment

to the New Lender, affiliate or Lender acting through its new Facility Office or branch under Clause 19.1 (*Increased costs*) or Clause 18 (*Tax gross up and indemnities*),

then the New Lender, affiliate or Lender acting through its new Facility Office or branch is only entitled to receive payment under those Clauses to the same extent as the Existing Lender or Lender acting through its previous Facility Office would have been if the assignment, transfer, change or nomination had not occurred. This paragraph (i) shall not apply, (i) in respect of an assignment or transfer made in the ordinary course of the primary syndication of the facilities or (ii) in relation to Clause 18.2 (*Tax gross-up*), to a Treaty Lender that has included a confirmation of its scheme reference number and its jurisdiction of tax residence in accordance with paragraph (g)(ii)(B) of Clause 18.2 (*Tax gross-up*) if the Obligor making the payment has not made a Borrower DTTP Filing in respect of that Treaty Lender.

(j) Each New Lender, by executing the relevant Transfer Certificate or Assignment Agreement, confirms, for the avoidance of doubt, that the Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement on or prior to the date on which the transfer or assignment becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as the Existing Lender would have been had it remained a Lender.

(k) The Agent, acting solely for this purpose as an agent of the Parent and Borrowers, shall maintain a copy of each Transfer Certificate, Assignment Agreement and Increase Confirmation delivered to it and a register for the recording of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Utilisations owing or attributable to, each Lender pursuant to the terms hereof from time to time (the "**Register**"). The entries in the Register shall be conclusive absent manifest error, and the Obligors, the Agent and the Lenders shall treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Parent and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

30.3 **Assignment or transfer fee**

Unless the Agent otherwise agrees and excluding an assignment or transfer (i) to an Affiliate of a Lender, (ii) to a Related Fund or (iii) made in connection with primary syndication of the Facilities, the New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Agent (for its own account) a fee of £2,500.

30.4 **Limitation of responsibility of Existing Lenders**

(a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

(i) the legality, validity, effectiveness, adequacy or enforceability of the Transaction Documents, the Transaction Security or any other documents;

(ii) the financial condition of any Obligor;

(iii) the performance and observance by any Obligor or any other member of the Group of its obligations under the Transaction Documents or any other documents; or

(iv) the accuracy of any statements (whether written or oral) made in or in connection with any Transaction Document or any other document,

and any representations or warranties implied by law are excluded.

(b) Each New Lender confirms to the Existing Lender, the other Finance Parties and the Secured Parties that it:

(i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender or any other Finance Party in connection with any Transaction Document or the Transaction Security; and

(ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.

(c) Nothing in any Finance Document obliges an Existing Lender to:

(i) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause 29; or

(ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor of its obligations under the Transaction Documents or otherwise.

30.5 **Procedure for transfer**

(a) Subject to the conditions set out in Clause 30.2 (*Conditions of assignment or transfer*) a transfer is effected in accordance with paragraph (c) below when the Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the

terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.

(b) The Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.

(c) Subject to Clause 30.9 (*Pro rata interest settlement*), on the Transfer Date:

(i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents and in respect of the Transaction Security each of the Obligors and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and in respect of the Transaction Security and their respective rights against one another under the Finance Documents and in respect of the Transaction Security shall be cancelled (being the "**Discharged Rights and Obligations**");

(ii) each of the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Obligor or other member of the Restricted Group and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;

(iii) the Agent, the Arrangers, the Security Agent, the New Lender, the other Lenders, the Issuing Bank and any relevant Ancillary Lender shall acquire the same rights and assume the same obligations between themselves and in respect of the Transaction Security as they would have acquired and assumed had the New Lender been an Original Lender with the rights, and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Agent, the Arrangers, the Security Agent, any Issuing Bank and any relevant Ancillary Lender and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and

(iv) the New Lender shall become a Party as a "Lender".

30.6 **Procedure for assignment**

(a) Subject to the conditions set out in Clause 30.2 (*Conditions of assignment or transfer*) an assignment may be effected in accordance with paragraph (c) below when the Agent executes an otherwise duly completed Assignment Agreement delivered to it by the Existing Lender and the New Lender. The Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Assignment Agreement appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Assignment Agreement.

(b) The Agent shall only be obliged to execute an Assignment Agreement delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or similar checks under all applicable laws and regulations in relation to the assignment to such New Lender.

(c) Subject to Clause 30.9 (*Pro rata interest settlement*), on the Transfer Date:

(i) the Existing Lender will assign absolutely to the New Lender its rights under the Finance Documents and in respect of the Transaction Security expressed to be the subject of the assignment in the Assignment Agreement;

(ii) the Existing Lender will be released from the obligations (the "**Relevant Obligations**") expressed to be the subject of the release in the Assignment Agreement (and any corresponding obligations by which it is bound in respect of the Transaction Security); and

(iii) the New Lender shall become a Party as a "Lender" and will be bound by obligations equivalent to the Relevant Obligations.

(d) Lenders may utilise procedures other than those set out in this Clause 30.6 to assign their rights under the Finance Documents (but not, without the consent of the relevant Obligor or unless in accordance with Clause 30.5 (*Procedure for transfer*), to obtain a release by that Obligor from the obligations owed to that Obligor by the Lenders nor the assumption of equivalent obligations by a New Lender) **provided that** they comply with the conditions set out in Clause 30.2 (*Conditions of assignment or transfer*).

30.7 **Copy of Transfer Certificate or Assignment Agreement to Parent**

The Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate, Assignment Agreement or Increase Confirmation send to the Parent a copy of that Transfer Certificate, Assignment Agreement or Increase Confirmation.

30.8 **Security over Lenders' rights**

In addition to the other rights provided to Lenders under this Clause 30, each Lender may without consulting with or obtaining consent from any Obligor, at any time charge, assign or otherwise create Security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

(a) any charge, assignment or other Security to secure obligations to a federal reserve or central bank; and

(b) in the case of any Lender which is a fund, any charge, assignment or other Security granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities,

except that no such charge, assignment or Security shall:

(i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or other Security for the Lender as a party to any of the Finance Documents; or

(ii) require any payments to be made by an Obligor or grant to any person any more extensive rights than those required to be made or granted to the relevant Lender under the Finance Documents.

30.9 **Pro rata interest settlement**

If the Agent has notified the Lenders that it is able to distribute interest payments on a "*pro rata* basis" to Existing Lenders and New Lenders then (in respect of any transfer pursuant to Clause 30.5 (*Procedure for transfer*) or any assignment pursuant to Clause 30.6 (*Procedure for assignment*) the Transfer Date of which, in each case, is after the date of such notification and is not on the last day of an Interest Period):

(a) any interest or fees in respect of the relevant participation which are expressed to accrue by reference to the lapse of time shall continue to accrue in favour of the Existing Lender up to but excluding the Transfer Date ("**Accrued Amounts**") and shall become due and payable to the Existing Lender (without further interest accruing on them) on the last day of the current Interest Period (or, if the Interest Period is longer than six Months, on the next of the dates which falls at six Monthly intervals after the first day of that Interest Period); and

(b) the rights assigned or transferred by the Existing Lender will not include the right to the Accrued Amounts so that, for the avoidance of doubt:

(i) when the Accrued Amounts become payable, those Accrued Amounts will be payable for the account of the Existing Lender; and

(ii) the amount payable to the New Lender on that date will be the amount which would, but for the application of this Clause 30.9, have been payable to it on that date, but after deduction of the Accrued Amounts.

30.10 **Sub-participations**

Nothing in this Agreement shall restrict the ability of a Lender to sub-participate any or all of its rights and/or obligations hereunder, **provided that**:

(a) such Lender remains a Lender under this Agreement with all rights and obligations pertaining thereto and remains liable under this Agreement in relation to those obligations sub-participated; and

(b) such Lender either:

(i) retains the unrestricted right to exercise all voting and similar rights in respect of its Commitments (the "**Voting Rights**"), free of any obligation to act on the instructions of any other person; or

(ii) prior to entering into such sub-participation, provides the Obligors' Agent with details of the proposed sub-participation, and unless the sub-participation is:

(A) to another Lender or an Affiliate of a Lender;

(B) if the Existing Lender is a fund, to a fund which is a Related Fund of the Existing Lender;

(C) to any bank or financial institution on the Approved List; or

(D) made at a time when an Event of Default is continuing,

obtains the prior written consent of the Parent (such consent not to be unreasonably withheld or delayed, **provided that** the Parent shall be deemed to have given its consent five (5) Business Days after the Parent is given notice of the request unless it is expressly refused by the Parent within that period).

30.11 **Voting**

If a transfer or sub-participation does not comply with the conditions set out in this Clause 30, the New Lender's (or, in the case of a sub-participation, the Existing Lender's) Commitments and/or participation shall not be included for the purpose of calculating the Total Commitments or participations under the Facilities or, as applicable, the relevant Facility when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Total Commitments and/or participations has been obtained.

## 31. RESTRICTION ON DEBT PURCHASE TRANSACTIONS

### 31.1 Permitted Debt Purchase Transactions

(a) The Parent shall not, and shall procure that each other member of the Group shall not (i) enter into any Debt Purchase Transaction other than in accordance with the other provisions of this Clause 31 or (ii) beneficially own all or any part of the share capital of a company that is a Lender or a party to a Debt Purchase Transaction of the type referred to in paragraphs (b) or (c) of the definition of "**Debt Purchase Transaction**".

(b) A Borrower may purchase by way of assignment, pursuant to Clause 30 (*Changes to the Lenders*), a participation in any Loan in respect of which it is the borrower and any related Commitment where:

(i) such purchase is made for a consideration of less than par;

(ii) such purchase is made using one of the processes set out at paragraphs (c) and (d) below; and

(iii) such purchase is made at a time when no Default is continuing.

(c) A Debt Purchase Transaction referred to in paragraph (b) above may be entered into pursuant to a solicitation process (a "**Solicitation Process**") which is carried out as follows:

(i) Prior to 11.00 am on a given Business Day (the "**Solicitation Day**") the Parent or a financial institution acting on its behalf (the "**Purchase Agent**") will approach at the same time each Lender to enable them to offer to sell to the relevant Borrower(s) an amount of their participation in any of the Facilities. Any Lender wishing to make such an offer shall, by 11.00 am on the second Business Day following such Solicitation Day, communicate to the Purchase Agent details of the amount of its participations it is offering to sell and the price at which it is offering to sell such participations. Any such offer shall be irrevocable until 11.00 am on the third Business Day following such Solicitation Day and shall be capable of acceptance by the Parent on behalf of the relevant Borrower(s) on or before such time by communicating its acceptance in writing to the Purchase Agent or, if it is the Purchase Agent, the relevant Lenders. The Purchase Agent (if someone other than the Parent) will communicate to the relevant Lenders which offers have been accepted by 12 noon on the third Business Day following such Solicitation Day. In any event by 5.00 pm on the fourth Business Day following such Solicitation Date, the Parent shall notify the Agent of the amounts of the participations purchased through the relevant Solicitation Process and the average price paid for the purchase of participations. The Agent shall promptly disclose such information to the Lenders.

(ii) Any purchase of participations pursuant to a Solicitation Process shall be completed and settled on or before the fifth Business Day after the relevant Solicitation Day.

(iii) In accepting any offers made pursuant to a Solicitation Process the Parent shall be free to select which offers and in which amounts it accepts but on the basis that it accepts offers in inverse order of the price offered (with the offer or offers at the lowest price being accepted first) and that if it receives two or more offers at the same price it shall only accept such offers on a *pro rata* basis.

(d) A Debt Purchase Transaction referred to in paragraph (b) above may also be entered into pursuant to an open order process (an "**Open Order Process**") which is carried out as follows:

(i) The Parent (on behalf of the relevant Borrower(s)) may by itself or through another Purchase Agent place an open order (an "**Open Order**") to purchase participations in any of the Facilities up to a set aggregate amount at a set price by notifying at the same time all the Lenders of the same. Any Lender wishing to sell pursuant to an Open Order will, by 11.00 am on any Business Day following the date on which the Open Order is placed but no earlier than the first Business Day, and no later than the fifth Business Day, following the date on which the Open Order

is placed, communicate to the Purchase Agent details of the amount of its participations it is offering to sell. Any such offer to sell shall be irrevocable until 11.00 am on the Business Day following the date of such offer from the Lender and shall be capable of acceptance by the Parent on behalf of the relevant Borrower(s) on or before such time by it communicating such acceptance in writing to the relevant Lender.

(ii) Any purchase of participations in any of the Facilities pursuant to an Open Order Process shall be completed and settled by the relevant Borrower(s) on or before the fourth Business Day after the date of the relevant offer by a Lender to sell under the relevant Open Order.

(iii) If the Purchase Agent receives on the same Business Day two or more offers at the set price such that the maximum amount of any of the Facilities to which an Open Order relates would be exceeded, the Parent shall only accept such offers on a *pro rata* basis.

(iv) The Parent shall, by 5.00 pm on the sixth Business Day following the date on which an Open Order is placed, notify the Agent of the amounts of the participations purchased through such Open Order Process. The Agent shall promptly disclose such information to the Lenders.

(e) For the avoidance of doubt, there is no limit on the number of occasions a Solicitation Process or an Open Order Process may be implemented.

(f) In relation to any Debt Purchase Transaction entered into pursuant to this Clause 31.1, notwithstanding any other term of this Agreement or the other Finance Documents:

(i) on completion of the relevant assignment pursuant to Clause 30 (*Changes to the Lenders*), the portions of the Loan to which it relates and the Commitment in relation to such amounts shall be extinguished;

(ii) such Debt Purchase Transaction and the related extinguishment referred to in paragraph (i) above shall not constitute a prepayment of any of the Facilities;

(iii) the Borrower which is the assignee shall be deemed to be an entity which fulfils the requirements of Clause 30.1 (*Assignments and transfers by the Lenders*) to be a New Lender;

(iv) No member of the Group shall be deemed to be in breach of any provision of Clause 27 (*General Undertakings*) solely by reason of such Debt Purchase Transaction;

(v) Clause 35 (*Sharing among the Lenders*) shall not be applicable to the consideration paid under such Debt Purchase Transaction; and

(vi) for the avoidance of doubt, any extinguishment of any part of the Loans shall not affect any amendment or waiver which prior to such

extinguishment had been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement.

31.2 **Disenfranchisement on Debt Purchase Transactions entered into by Sponsor Affiliates**

(a) For so long as a Sponsor Affiliate (i) beneficially owns a Commitment or (ii) has entered into a sub-participation agreement relating to a Commitment or other agreement or arrangement having a substantially similar economic effect and such agreement or arrangement has not been terminated:

(i) in ascertaining the Majority Lenders or whether any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments has been obtained to approve any request for a consent, waiver, amendment or other vote under the Finance Documents such Commitment shall be deemed to be zero; and

(ii) for the purposes of Clause 42.3 (*Exceptions*), such Sponsor Affiliate or the person with whom it has entered into such sub-participation, other agreement or arrangement shall be deemed not to be a Lender (unless in the case of a person not being a Sponsor Affiliate it is a Lender by virtue otherwise than by beneficially owning the relevant Commitment).

(b) Each Lender shall, unless such Debt Purchase Transaction is an assignment or transfer, promptly notify the Agent in writing if it knowingly enters into a Debt Purchase Transaction with a Sponsor Affiliate (a "**Notifiable Debt Purchase Transaction**"), such notification to be substantially in the form set out in Part I of Schedule 13 (*Forms of Notifiable Debt Purchase Transaction Notice*).

(c) A Lender shall promptly notify the Agent if a Notifiable Debt Purchase Transaction to which it is a party:

(i) is terminated; or

(ii) ceases to be with a Sponsor Affiliate,

such notification to be substantially in the form set out in Part II of Schedule 13 (*Forms of Notifiable Debt Purchase Transaction Notice*).

(d) Each Sponsor Affiliate that is a Lender agrees that:

(i) in relation to any meeting or conference call to which all the Lenders are invited to attend or participate, it shall not attend or participate in the same if so requested by the Agent or, unless the Agent otherwise agrees, be entitled to receive the agenda or any minutes of the same; and

(ii) in its capacity as Lender, unless the Agent otherwise agrees, it shall not be entitled to receive any report or other document prepared at the behest of, or on the instructions of, the Agent or one or more of the Lenders.

## 32. CHANGES TO THE OBLIGORS

### 32.1 Assignment and transfers by Obligors

No Obligor or any other member of the Restricted Group may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

### 32.2 Additional Borrowers

(a) Subject to compliance with the provisions of paragraphs (c) and (d) of Clause 25.11 (*"Know your customer" checks*) and Clause 32.6 (*Changes to the Obligors – FATCA*), the Parent may request that any of its wholly owned Subsidiaries becomes a Borrower under a Facility. That Subsidiary shall become a Borrower under that Facility if:

(i) it is incorporated in the same jurisdiction as an existing Borrower or if all the Lenders approve the addition of that Subsidiary;

(ii) the Parent and that Subsidiary deliver to the Agent a duly completed and executed Accession Deed;

(iii) the Subsidiary is (or becomes) a Guarantor prior to becoming a Borrower;

(iv) the Parent confirms that no Default is continuing or would occur as a result of that Subsidiary becoming an Additional Borrower; and

(v) the Agent has received all of the documents and other evidence listed in Part II of Schedule 2 (*Conditions Precedent*) in relation to that Additional Borrower, each in form and substance satisfactory to the Agent.

(b) The Agent shall notify the Parent and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it) all the documents and other evidence listed in Part II of Schedule 2 (*Conditions Precedent*).

### 32.3 Resignation of a Borrower

(a) In this Clause 32.3, Clause 32.5 (*Resignation of a Guarantor*) and Clause 32.8 (*Resignation and release of security on disposal*), "**Third Party Disposal**" means the disposal of an Obligor or a Holding Company of an Obligor to a person which is not a member of the Group where that disposal is permitted by this Agreement or the Intercreditor Agreement (and the Parent has confirmed this is the case).

(b) If a Borrower is the subject of a Third Party Disposal and subject to Clause 32.6 (*Changes to the Obligors – FATCA*), the Parent may request that such Borrower (other than the Parent) ceases to be a Borrower by delivering to the Agent a Resignation Letter.

(c) The Agent shall accept a Resignation Letter and notify the Parent and the other Finance Parties of its acceptance if:

(i) the Parent has confirmed that no Default is continuing or would result from the acceptance of the Resignation Letter;

(ii) the Borrower is under no actual or contingent obligations as a Borrower under any Finance Documents; and

(iii) where the Borrower is also a Guarantor (unless its resignation has been or is contemporaneously accepted in accordance with Clause 32.5 (*Resignation of a Guarantor*)), its obligations in its capacity as Guarantor continue to be legal, valid, binding and enforceable and in full force and effect (subject to the Legal Reservations) and the amount guaranteed by it as a Guarantor is not decreased (and the Parent has confirmed this is the case).

(d) Upon notification by the Agent to the Parent of its acceptance of the resignation of a Borrower, that company shall cease to be a Borrower and shall have no further rights or obligations under the Finance Documents as a Borrower except that the resignation shall not take effect (and the Borrower will continue to have rights and obligations under the Finance Documents) until concurrently with the Third Party Disposal taking effect.

(e) The Agent may, at the reasonable cost and expense of the Parent, require a customary legal opinion from counsel to the Agent confirming the matters set out in paragraph (c)(iii) above and the Agent shall be under no obligation to accept a Resignation Letter until it has obtained such opinion in form and substance satisfactory to it.

32.4 **Additional Guarantors**

(a) Subject to compliance with the provisions of paragraphs (c) and (d) of Clause 25.11 (*"Know your customer" checks*) and 32.6 (*Changes to the Obligors – FATCA*), the Parent may request that any of its Subsidiaries become a Guarantor.

(b) A member of the Group shall become an Additional Guarantor if:

(i) the Parent and the proposed Additional Guarantor deliver to the Agent a duly completed and executed Accession Deed; and

(ii) the Agent has received all of the documents and other evidence listed in Part II of Schedule 2 (*Conditions Precedent*) in relation to that Additional Guarantor, each in form and substance satisfactory to the Agent.

(c) The Agent shall notify the Parent and the Lenders promptly upon being satisfied that it has received (in form and substance satisfactory to it) all the documents and other evidence listed in Part II of Schedule 2 (*Conditions Precedent*).

32.5 **Resignation of a Guarantor**

(a) Subject to 32.6 (*Changes to the Obligors – FATCA*), the Parent may request that a Guarantor (other than the Parent) ceases to be a Guarantor by delivering to the Agent a Resignation Letter if:

(i) that Guarantor is being disposed of by way of a Third Party Disposal (as defined in Clause 32.3 (*Resignation of a Borrower*)) or as a result of the disposal of Charged Property that is otherwise permitted by this Agreement or the Intercreditor Agreement or is designated as an Unrestricted Subsidiary to the extent permitted by this Agreement and the Parent has confirmed this is the case; or

(ii) subject to clause 28.2(b) (*Amendments and Waivers: Transaction Security Documents*) of the Intercreditor Agreement, the Super Majority Lenders, have consented to the resignation of that Guarantor.

(b) The Agent shall accept a Resignation Letter and notify the Parent and the Lenders of its acceptance if:

(i) the Parent has confirmed that no Default is continuing or would result from the acceptance of the Resignation Letter and the test in paragraph (a)(ii) of Clause 27.17 (*Guarantors*) will be met following acceptance of the Resignation Letter;

(ii) no payment is due from the Guarantor under Clause 23.1 (*Guarantee and indemnity*); and

(iii) where the Guarantor is also a Borrower, it is under no actual or contingent obligations as a Borrower and has resigned and ceased to be a Borrower under Clause 32.3 (*Resignation of a Borrower*).

(c) The resignation of that Guarantor shall not be effective until the date of the relevant Third Party Disposal or disposal of Charged Property, or until the confirmation of the Parent referred to in paragraph (b)(i) above is received or the consent referred to in paragraph (a)(ii) above is granted (as applicable), at which time that company shall cease to be a Guarantor and shall have no further rights or obligations under the Finance Documents as a Guarantor.

32.6 **Changes to the Obligors – FATCA**

(a) If the Agent or a Lender reasonably believes that the accession of a Subsidiary as an Additional Borrower or an Additional Guarantor, or a Subsidiary ceasing to be a Borrower or Guarantor (a "**Change to the Obligors**") may constitute a "material modification" for the purposes of FATCA that may result (directly or indirectly) in a Party being required to make a FATCA Deduction and the Agent or that Lender (as the case may be) notifies the Parent and the Agent accordingly, that Change to the Obligors may, subject to paragraphs (ii) below, not be effected without the consent of the Agent and all the Lenders.

(b) If the Agent or any Lender does not consent to the relevant Change to the Obligors because it reasonably believes that the Change to Obligors may constitute a

"material modification" for the purposes of FATCA, the Change to the Obligors may only occur if the Parent either:

(i) cancels and repays any non-consenting Lender pursuant to Clause 11.5 (*Right of cancellation and repayment in relation to a single Lender or Issuing Bank*), **provided that** if such Change to the Obligors is to be made more than six months before the relevant FATCA Application Date then any such cancellation and repayment shall only be made during the period beginning six months before and ending one month before the relevant FATCA Application Date, and **provided further that** if the Parent has exercised its right under this paragraph (b)(i) of Clause 32.6 to cancel and repay a Lender but has not done so by the date which is one month prior to the relevant FATCA Application Date then the Parent will be deemed to have agreed to pay increased amounts under (ii) below; or

(ii) if a FATCA Deduction is required to be made by an Obligor and/or by a Finance Party from a payment and notwithstanding the terms of Clause 18.2 (*Tax gross up*), procures that the amount of the payment due from that Obligor shall be increased to an amount which (after making any FATCA Deduction) leaves an amount equal to the payment which would have been due if no FATCA Deduction had been required and/or pays to the relevant Finance Party (within three Business Days of demand by the Agent) an amount equal to the loss, liability or cost which that Finance Party determines will be or has been (directly or indirectly) suffered by that Finance Party as a result of another Finance Party making a FATCA Deduction.

32.7 **Repetition of Representations**

Delivery of an Accession Deed constitutes confirmation by the relevant Subsidiary that the representations and warranties referred to in paragraph (e) of Clause 24.31 (*Times when representations made*) are true and correct in relation to it as at the date of delivery as if made by reference to the facts and circumstances then existing.

32.8 **Resignation and release of security on disposal**

If a Borrower or Guarantor (or Holding Company of a Borrower or Guarantor) is or is proposed to be the subject of a Third Party Disposal, or there is a disposal of Charged Property that is otherwise permitted under Schedule 14 (*Restrictive Covenants*) or the Intercreditor Agreement then:

(a) where that Borrower or Guarantor created Transaction Security over any of its assets or business (or Transaction Security otherwise exists over the Charged Property to be disposed of) in favour of the Security Agent or, as applicable, the Finance Parties, or Transaction Security in favour of the Security Agent or, as applicable, the Finance Parties was created over the shares (or equivalent) of that Borrower or Guarantor, the Security Agent or, as applicable, the Finance Parties shall, at the cost and request of the Parent, release those assets, business or shares (or equivalent) and issue certificates of non-crystallisation;

(b) the resignation of that Borrower or Guarantor and related release of Transaction Security referred to in paragraph (a) above shall not become effective until the date of that disposal; and

(c) if the disposal of that Borrower or Guarantor or Holding Company of that Borrower or Guarantor is not made, the Resignation Letter of that Borrower or Guarantor and the related release of Transaction Security referred to in paragraph (a) above shall have no effect and the obligations of the Borrower or Guarantor and the Transaction Security created or intended to be created by or over that Borrower or Guarantor shall continue in such force and effect as if that release had not been effected.

## 33. ROLE OF THE AGENT, THE ARRANGER, THE ISSUING BANK AND OTHERS

### 33.1 Appointment of the Agent

(a) Each of the Arranger, the Lenders and the Issuing Bank appoints the Agent to act as its agent under and in connection with the Finance Documents.

(b) Each of the Arranger, the Lenders and the Issuing Bank authorises the Agent to exercise the rights, powers, authorities and discretions specifically given to the Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

### 33.2 Duties of the Agent

(a) Subject to paragraph (b) below, the Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Agent for that Party by any other Party.

(b) Without prejudice to Clause 30.7 (*Copy of Transfer Certificate or Assignment Agreement to Parent*) and paragraph (e) of Clause 7.4 (*Cash Collateral by Non-Acceptable L/C Lender*), paragraph (a) above shall not apply to any Transfer Certificate or any Assignment Agreement or any Increase Confirmation.

(c) Except where a Finance Document specifically provides otherwise, the Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

(d) If the Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Finance Parties.

(e) If the Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Agent, the Arrangers or the Security Agent) under this Agreement it shall promptly notify the other Finance Parties.

(f) The Agent shall provide to the Parent within 15 Business Days of a request by the Parent (but no more frequently than once per calendar Month), a list (which may be in electronic form) setting out the names of the Lenders as at the date of that request, their respective Commitments, the address and fax number (and the department or officer, if any, for whose attention any communication is to be made) of each Lender for any communication to be made or document to be delivered under or in connection with the Finance Documents, the electronic mail address and/or any other information required to enable the sending and receipt of information by electronic mail or other electronic means to and by each Lender to whom any communication under or in connection with the Finance Documents may be made by that means and the account details of each Lender for any payment to be distributed by the Agent to that Lender under the Finance Documents.

(g) The Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

33.3 **Role of the Arranger**

Except as specifically provided in the Finance Documents, the Arranger has no obligations of any kind to any other Party under or in connection with any Finance Document.

33.4 **No fiduciary duties**

(a) Nothing in this Agreement constitutes the Agent, the Arranger and/or the Issuing Bank as a trustee or fiduciary of any other person.

(b) None of the Agent, the Security Agent, the Arranger, any Issuing Bank or any Ancillary Lender shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

33.5 **Business with the Group**

The Agent, the Security Agent, the Arranger, each Issuing Bank and each Ancillary Lender may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

33.6 **Rights and discretions**

(a) The Agent and any Issuing Bank may rely on:

(i) any representation, notice or document (including, without limitation, any notice given by a Lender pursuant to paragraph (b) or paragraph (c) of Clause 31.2 (*Disenfranchisement on Debt Purchase Transactions entered into by Sponsor Affiliates*)) believed by it to be genuine, correct and appropriately authorised; and

(ii) any statement made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.

(b) The Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:

(i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 28.1 (*Non-payment*));

(ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised;

(iii) any notice or request made by the Parent (other than a Utilisation Request) is made on behalf of and with the consent and knowledge of all the Obligors; and

(iv) no Notifiable Debt Purchase Transaction:

(A) has been entered into;

(B) has been terminated; or

(C) has ceased to be with a Sponsor Affiliate.

(c) The Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.

(d) The Agent may act in relation to the Finance Documents through its personnel and agents.

(e) The Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.

(f) Without prejudice to the generality of paragraph (e) above, the Agent may disclose the identity of a Defaulting Lender to the other Finance Parties and the Parent and shall disclose the same upon the written request of the Parent or the Majority Lenders.

(g) Notwithstanding any other provision of any Finance Document to the contrary, none of the Agent, the Arrangers or any Issuing Bank are obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

33.7 **Majority Lenders' instructions**

(a) Unless a contrary indication appears in a Finance Document, the Agent shall (i) exercise any right, power, authority or discretion vested in it as Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Agent) and (ii) not be liable for any act (or

omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.

(b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties other than the Security Agent.

(c) The Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.

(d) In the absence of instructions from the Majority Lenders (or, if appropriate, the Lenders), the Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.

(e) The Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document. This paragraph (e) shall not apply to any legal or arbitration proceeding relating to the perfection, preservation or protection of rights under the Transaction Security Documents or enforcement of the Transaction Security or Transaction Security Documents.

33.8 **Responsibility for documentation**

None of the Agent, the Arranger, any Issuing Bank or any Ancillary Lender:

(a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Agent, the Arranger, an Issuing Bank, an Ancillary Lender, an Obligor or any other person given in or in connection with any Finance Document or the transactions contemplated in the Finance Documents;

(b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document or the Transaction Security; or

(c) is responsible for any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

33.9 **Exclusion of liability**

(a) Without limiting paragraph (b) below (and without prejudice to the provisions of paragraph (e) of Clause 36.11 (*Disruption to Payment Systems etc.*)), none of the Agent, any Issuing Bank, or any Ancillary Lender will be liable (including, without limitation, for negligence or any other category of liability whatsoever) for any action taken by it under or in connection with any Finance Document or

the Transaction Security, unless directly caused by its gross negligence or wilful misconduct.

(b) No Party (other than the Agent, any Issuing Bank or an Ancillary Lender (as applicable)) may take any proceedings against any officer, employee or agent of the Agent, any Issuing Bank or any Ancillary Lender, in respect of any claim it might have against the Agent, any Issuing Bank or an Ancillary Lender or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document or any Transaction Document and any officer, employee or agent of the Agent, any Issuing Bank or any Ancillary Lender may rely on this Clause 33.9 (*Exclusion of liability*) subject to Clause 1.3 (*Third party rights*) and the provisions of the Third Parties Act.

(c) The Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Agent if the Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Agent for that purpose.

(d) Nothing in this Agreement shall oblige the Agent or the Arranger to carry out any "know your customer" or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Agent and the Arranger that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent or the Arranger.

33.10 **Lenders' indemnity to the Agent**

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Agent, within three (3) Business Days of demand, against any cost, loss or liability (including, without limitation, for negligence or any other category of liability whatsoever) incurred by the Agent (otherwise than by reason of the Agent's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to Clause 36.11 (*Disruption to Payment Systems etc.*)) notwithstanding the Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent in acting as Agent under the Finance Documents (unless the Agent has been reimbursed by an Obligor pursuant to a Finance Document).

33.11 **Resignation of the Agent**

(a) The Agent may resign and appoint one of its Affiliates acting through an office in the United Kingdom as successor by giving notice to the Lenders and the Parent.

(b) Alternatively the Agent may resign by giving 30 days notice to the Lenders and the Parent, in which case the Majority Lenders (after consultation with the Parent) may appoint a successor Agent.

(c) If the Majority Lenders have not appointed a successor Agent in accordance with paragraph (b) above within 20 days after notice of resignation was given, the retiring Agent (after consultation with the Parent) may appoint a successor Agent (acting through an office in the United Kingdom).

(d) If the Agent wishes to resign because (acting reasonably) it has concluded that it is no longer appropriate for it to remain as agent and the Agent is entitled to appoint a successor Agent under paragraph (c) above, the Agent may (if it concludes (acting reasonably) that it is necessary to do so in order to persuade the proposed successor Agent to become a party to this Agreement as Agent) agree with the proposed successor Agent amendments to this Clause 33 and any other term of this Agreement dealing with the rights or obligations of the Agent consistent with the then current market practice for the appointment and protection of corporate trustees together with any reasonable amendments to the agency fee payable under this Agreement which are consistent with the successor Agent's normal fee rates and those amendments will bind the Parties.

(e) The retiring Agent shall, at its own cost, make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.

(f) The Agent's resignation notice shall only take effect upon the appointment of a successor.

(g) Upon the appointment of a successor, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 33. Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

(h) The Agent shall resign in accordance with paragraph (b) above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Agent pursuant to paragraph (c) above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Agent under the Finance Documents, either:

(i) the Agent fails to respond to a request under Clause 18.8 (*FATCA Information*) and the Parent or a Lender reasonably believes that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

(ii) the information supplied by the Agent pursuant to Clause 18.8 (*FATCA Information*) indicates that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or

(iii) the Agent notifies the Parent and the Lenders that the Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

and (in each case) the Parent or a Lender believes that a Party may be required to make a FATCA Deduction that would not be required if the Agent were a FATCA Exempt Party, and the Parent, by notice to the Agent, requires it to resign.

33.12 **Replacement of the Agent**

(a) After consultation with the Parent, the Majority Lenders may, by giving 30 days' notice to the Agent (or, at any time the Agent is an Impaired Agent, by giving any shorter notice determined by the Majority Lenders) replace the Agent by appointing a successor Agent (acting through an office in the United Kingdom).

(b) The retiring Agent shall (at its own cost if it is an Impaired Agent and otherwise at the expense of the Lenders) make available to the successor Agent such documents and records and provide such assistance as the successor Agent may reasonably request for the purposes of performing its functions as Agent under the Finance Documents.

(c) The appointment of the successor Agent shall take effect on the date specified in the notice from the Majority Lenders to the retiring Agent. As from this date, the retiring Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 33 (and any agency fees for the account of the retiring Agent shall cease to accrue from (and shall be payable on) that date).

(d) Any successor Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

33.13 **Resignation of the Issuing Bank**

(a) The Issuing Bank may resign and appoint one of its Affiliates acting through an office in the United Kingdom as successor by giving notice to the Lenders and the Parent.

(b) Alternatively the Issuing Bank may resign by giving 30 days notice to the Lenders and the Parent, in which case the Majority Lenders (after consultation with the Parent) may appoint a successor Issuing Bank. Any successor Issuing Bank must have an office in the United Kingdom. The Issuing Bank's resignation notice shall take effect immediately upon the earlier of (i) the expiry of such 30 day notice period and (ii) the date on which the successor Issuing Bank notifies all the Parties that it accepts its appointment, unless a successor Issuing Bank has not been appointed in which case such notice shall be ineffective until a successor Issuing Bank has been appointed.

(c) If the Majority Lenders have not appointed a successor Issuing Bank in accordance with paragraph (b) above within 20 days after notice of resignation was given, the retiring Issuing Bank (after consultation with the Parent) may (but shall have no obligation to) appoint a successor Issuing Bank (acting through an office in the United Kingdom).

(d) On giving notification that it accepts its appointment as Issuing Bank the successor Issuing Bank will succeed to the position of the Issuing Bank and the then Issuing Bank will mean the successor Issuing Bank.

(e) The retiring Issuing Bank shall at its own cost (a) make available to any successor Issuing Bank such documents and records and provide such assistance as the successor Issuing Bank may reasonably request for the purposes of performing its functions as Issuing Bank under the Finance Documents and (b) enter into and deliver to the successor Issuing Bank those documents and effect any registrations as may be required for the transfer or assignment of its rights and benefits under the Finance Documents to the successor Issuing Bank.

(f) Upon the resignation of the Issuing Bank having become effective in accordance with paragraph (b) above, the retiring Issuing Bank shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 33. The retiring Issuing Bank must, whether before or after its resignation becomes effective, pay any claims made or purported to be made under any Letters of Credit issued by it before the date on which its resignation becomes effective.

(g) Any successor Issuing Bank and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor Issuing Bank had been an original Party.

33.14 **Confidentiality**

(a) In acting as agent for the Finance Parties, the Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.

(b) If information is received by another division or department of the Agent, it may be treated as confidential to that division or department and the Agent shall not be deemed to have notice of it.

(c) Notwithstanding any other provision of any Finance Document to the contrary, neither the Agent nor the Arrangers are obliged to disclose to any other person (i) any confidential information or (ii) any other information if the disclosure would or might in its reasonable opinion constitute a breach of any law or a breach of a fiduciary duty.

33.15 **Relationship with the Lenders**

(a) Subject to Clause 30.9 (*Pro rata interest settlement*), the Agent may treat the person shown in its records as Lender at the opening of business (in the place of the Agent's principal office as notified to the Finance Parties from time to time) as the Lender acting through its Facility Office:

(i) entitled to or liable for any payment due under any Finance Document on that day; and

(ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,

unless it has received not less than five (5) Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

(b) Any Lender may by notice to the Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under Clause 38.6 (*Electronic communication*)) electronic mail address and/or any other information required to enable the sending and receipt of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, electronic mail address, department and officer by that Lender for the purposes of Clause 38.2 (*Addresses*) and paragraph (a)(iii) of Clause 38.6 (*Electronic communication*) and the Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

33.16 **Credit appraisal by the Lenders, Issuing Bank and Ancillary Lenders**

Without affecting the responsibility of any Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender, Issuing Bank and Ancillary Lender confirms to the Agent, each Arranger, each Issuing Bank and each Ancillary Lender that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including but not limited to:

(a) the financial condition, status and nature of each member of the Group;

(b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and the Transaction Security and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document or the Transaction Security;

(c) whether that Secured Party has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the Transaction Security, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;

(d) the adequacy, accuracy and/or completeness of any information provided by the Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and

(e) the right or title of any person in or to, or the value or sufficiency of any part of the Charged Property, the priority of any of the Transaction Security or the existence of any Security affecting the Charged Property.

33.17 **Base Reference Banks**

If a Base Reference Bank (or, if a Base Reference Bank is not a Lender, the Lender of which it is an Affiliate) ceases to be a Lender, the Agent shall (in consultation with the Parent) appoint another Lender or an Affiliate of a Lender to replace that Base Reference Bank.

33.18 **Agent's management time**

(a) Any amount payable to the Agent under Clause 20.3 (*Indemnity to the Agent*), Clause 22 (*Costs and expenses*) and Clause 33.10 (*Lender's indemnity to the Agent*) shall include the cost of utilising the Agent's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Agent may notify in advance to the Parent and the Lenders, and is in addition to any fee paid or payable to the Agent under Clause 17 (*Fees*).

(b) Any cost of utilising the Agent's management time or other resources shall include, without limitation, any such costs in connection with Clause 31.2 (*Disenfranchisement on Debt Purchase Transactions entered into by Sponsor Affiliates*).

33.19 **Deduction from amounts payable by the Agent**

If any Party owes an amount to the Agent under the Finance Documents the Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

33.20 **Reliance and engagement letters**

Each Finance Party and Secured Party confirms that each of the Arrangers and the Agent has authority to accept on its behalf (and ratifies the acceptance on its behalf of any letters or reports already accepted by the Arrangers or Agent) the terms of any reliance letter or engagement letters provided in connection with the Finance Documents or the transactions contemplated in the Finance Documents and to bind it in respect of such reports or letters and to sign such letters on its behalf and further confirms that it accepts the terms and qualifications set out in such letters.

33.21 **Role of Base Reference Banks and Alternative Reference Banks**

(a) No Base Reference Bank or Alternative Reference Bank is under any obligation to provide a quotation or any other information to the Agent.

(b) No Base Reference Bank or Alternative Reference Bank will be liable for any action taken by it under or in connection with any Finance Document, or for any Reference Bank Quotation, unless directly caused by its gross negligence or wilful misconduct.

(c) No Party (other than the relevant Base Reference Bank or Alternative Reference Bank) may take any proceedings against any officer, employee or agent of any Base Reference Bank or Alternative Reference Bank in respect of any claim it might have against that Base Reference Bank or Alternative Reference Bank or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document, or to any Reference Bank Quotation, and any officer, employee or agent of each Base Reference Bank or Alternative Reference Bank may rely on this Clause 33.21 subject to Clause 1.3 (*Third party rights*) and the provisions of the Third Parties Act.

33.22 **Third party Base Reference Banks and Alternative Reference Banks**

A Base Reference Bank or Alternative Reference Bank which is not a Party may rely on Clause 33.21 (*Role of Base Reference Banks and Alternative Reference Banks*), paragraph (j) of Clause 42.3 (*Exceptions*) and Clause 44 (*Confidentiality of Funding Rates and Reference Bank Quotations*) subject to Clause 1.3 (*Third party rights*) and the provisions of the Third Parties Act.

## 34. CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of this Agreement will:

(a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;

(b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or

(c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

## 35. SHARING AMONG THE LENDERS

### 35.1 Payments to Lenders

(a) Subject to paragraph (b) below, if a Lender (a "**Recovering Lender**") receives or recovers any amount from an Obligor other than in accordance with Clause 36 (*Payment mechanics*) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

(i) the Recovering Lender shall, within three (3) Business Days, notify details of the receipt or recovery, to the Agent;

(ii) the Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Lender would have been paid had the receipt

or recovery been received or made by the Agent and distributed in accordance with Clause 36 (*Payment mechanics*), without taking account of any Tax which would be imposed on the Agent in relation to the receipt, recovery or distribution; and

(iii) the Recovering Lender shall, within three (3) Business Days of demand by the Agent, pay to the Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Agent determines may be retained by the Recovering Lender as its share of any payment to be made, in accordance with Clause 36.6 (*Partial payments*).

(b) Paragraph (a) above shall not apply to any amount received or recovered by an Issuing Bank or an Ancillary Lender in respect of any cash cover provided for the benefit of that Issuing Bank or that Ancillary Lender.

35.2 **Redistribution of payments**

The Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor and distribute it between the Lenders (other than the Recovering Lender) (the "**Sharing Lenders**") in accordance with Clause 36.6 (*Partial payments*) towards the obligations of that Obligor to the Sharing Lenders.

35.3 **Recovering Lender's rights**

On a distribution by the Agent under Clause 35.2 (*Redistribution of payments*) of a payment received by a Recovering Lender from an Obligor, as between the relevant Obligor and the Recovering Lender, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by that Obligor.

35.4 **Reversal of redistribution**

If any part of the Sharing Payment received or recovered by a Recovering Lender becomes repayable and is repaid by that Recovering Lender, then:

(a) each Sharing Lender shall, upon request of the Agent, pay to the Agent for the account of that Recovering Lender an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Lender for its proportion of any interest on the Sharing Payment which that Recovering Lender is required to pay) (the "**Redistributed Amount**"); and

(b) as between the relevant Obligor and each relevant Sharing Lender, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by that Obligor.

35.5 **Exceptions**

(a) This Clause 35 shall not apply to the extent that the Recovering Lender would not, after making any payment pursuant to this Clause 35, have a valid and enforceable claim against the relevant Obligor.

(b) A Recovering Lender is not obliged to share with any other Lender any amount which the Recovering Lender has received or recovered as a result of taking legal or arbitration proceedings, if:

(i) it notified the other Lenders of the legal or arbitration proceedings; and

(ii) the other Lenders had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

35.6 **Ancillary Lenders**

(a) This Clause 35 shall not apply to any receipt or recovery by a Lender in its capacity as an Ancillary Lender at any time prior to service of notice under Clause 28.20 (*Acceleration*).

(b) Following service of notice under Clause 28.20 (*Acceleration*), this Clause 35 shall apply to all receipts or recoveries by Ancillary Lenders except to the extent that the receipt or recovery represents a reduction from the Designated Gross Amount for an Ancillary Facility to its Designated Net Amount.

## 36. PAYMENT MECHANICS

### 36.1 Payments to the Agent

(a) On each date on which an Obligor or a Lender is required to make a payment under a Finance Document excluding a payment under the terms of an Ancillary Document, that Obligor or Lender shall make the same available to the Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.

(b) Payment shall be made to such account in the principal financial centre of the country of that currency (or, in relation to Euro, in a principal financial centre in a Participating Member State or London) with such bank as the Agent specifies.

### 36.2 Distributions by the Agent

Each payment received by the Agent under the Finance Documents for another Party shall, subject to Clause 36.3 (*Distributions to an Obligor*) and Clause 36.4 (*Clawback*) be made available by the Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Agent by not less than five (5) Business Days' notice with a bank in the principal financial centre of the country of that currency (or, in relation to Euro, in the principal financial centre of a Participating Member State or London).

### 36.3 Distributions to an Obligor

The Agent may (with the consent of the Obligor or in accordance with Clause 37 (*Set-Off*)) apply any amount received by it for that Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

36.4 **Clawback**

(a) Where a sum is to be paid to the Agent under the Finance Documents for another Party, the Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.

(b) If the Agent pays an amount to another Party and it proves to be the case that the Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Agent shall on demand refund the same to the Agent together with interest on that amount from the date of payment to the date of receipt by the Agent, calculated by the Agent to reflect its cost of funds.

36.5 **Impaired Agent**

(a) If, at any time, the Agent becomes an Impaired Agent, an Obligor or a Lender which is required to make a payment under the Finance Documents to the Agent in accordance with Clause 36.1 (*Payments to the Agent*) may instead either pay that amount direct to the required recipient or pay that amount to an interest-bearing account held with an Acceptable Bank within the meaning of paragraph (a) of the definition of "Acceptable Bank" and in relation to which no Insolvency Event has occurred and is continuing, in the name of the Obligor or the Lender making the payment and designated as a trust account for the benefit of the Party or Parties beneficially entitled to that payment under the Finance Documents. In each case such payments must be made on the due date for payment under the Finance Documents.

(b) All interest accrued on the amount standing to the credit of the trust account shall be for the benefit of the beneficiaries of that trust account *pro rata* to their respective entitlements.

(c) A Party which has made a payment in accordance with this Clause 36.5 shall be discharged of the relevant payment obligation under the Finance Documents and shall not take any credit risk with respect to the amounts standing to the credit of the trust account.

(d) Promptly upon the appointment of a successor Agent in accordance with Clause 33.12 (*Replacement of the Agent*), each Party which has made a payment to a trust account in accordance with this Clause 36.5 shall give all requisite instructions to the bank with whom the trust account is held to transfer the amount (together with any accrued interest) to the successor Agent for distribution in accordance with Clause 35.2 (*Redistribution of payments*).

36.6 **Partial payments**

(a) If the Agent receives a payment for application against amounts due in respect of any Finance Documents that is insufficient to discharge all the amounts then due and payable by an Obligor under those Finance Documents, the Agent shall apply that payment towards the obligations of that Obligor under those Finance Documents in the following order:

(i) first, in or towards payment *pro rata* of any unpaid fees, costs and expenses of the Agent, the Issuing Bank and the Security Agent under those Finance Documents;

(ii) secondly, in or towards payment *pro rata* of any accrued interest, fee or commission due but unpaid under those Finance Documents;

(iii) thirdly, in or towards payment *pro rata* of any principal due but unpaid under those Finance Documents and any amount due but unpaid under Clause 7.2 (*Claims under a Letter of Credit*) and Clause 7.3 (*Indemnities*); and

(iv) fourthly, in or towards payment *pro rata* of any other sum due but unpaid under the Finance Documents.

(b) The Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.

(c) Paragraphs (a) and (b) above will override any appropriation made by an Obligor.

36.7 **Set-off by Obligors**

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

36.8 **Business Days**

(a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar Month (if there is one) or the preceding Business Day (if there is not).

(b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

36.9 **Currency of account**

(a) A repayment of a Utilisation or Unpaid Sum or a part of a Utilisation or Unpaid Sum shall be made in the currency in which that Utilisation or Unpaid Sum is denominated on its due date.

(b) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.

(c) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.

36.10 **Change of currency**

(a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:

(i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Agent (after consultation with the Parent); and

(ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Agent (acting reasonably).

(b) If a change in any currency of a country occurs, this Agreement will, to the extent the Agent (acting reasonably and after consultation with the Parent) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

36.11 **Disruption to Payment Systems etc.**

If either the Agent determines (in its discretion) that a Disruption Event has occurred or the Agent is notified by the Parent that a Disruption Event has occurred:

(a) the Agent may, and shall if requested to do so by the Parent, consult with the Parent with a view to agreeing with the Parent such changes to the operation or administration of the Facilities as the Agent may deem necessary in the circumstances;

(b) the Agent shall not be obliged to consult with the Parent in relation to any changes mentioned in paragraph (a) if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;

(c) the Agent may consult with the Finance Parties in relation to any changes mentioned in paragraph (a) but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;

(d) any such changes agreed upon by the Agent and the Parent shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of

the Finance Documents notwithstanding the provisions of Clause 42 (*Amendments and Waivers*);

(e) the Agent shall not be liable for any damages, costs or losses whatsoever (including, without limitation for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 36.11; and

(f) the Agent shall notify the Finance Parties of all changes agreed pursuant to paragraph (d) above.

## 37. SET-OFF

(a) A Finance Party may set-off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

(b) Any credit balances taken into account by an Ancillary Lender when operating a net limit in respect of any overdraft under an Ancillary Facility shall on enforcement of the Finance Documents be applied first in reduction of the overdraft provided under that Ancillary Facility in accordance with its terms.

## 38. NOTICES

### 38.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

### 38.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

(a) in the case of the Parent, that identified with its name below;

(b) in the case of each Lender, each Issuing Bank, each Ancillary Lender or any other Obligor, that notified in writing to the Agent on or prior to the date on which it becomes a Party; and

(c) in the case of the Agent or the Security Agent, that identified with its name below,

or any substitute address, fax number or department or officer as the Party may notify to the Agent (or the Agent may notify to the other Parties, if a change is made by the Agent) by not less than five (5) Business Days' notice.

38.3 **Delivery**

(a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:

(i) if by way of fax, when received in legible form; or

(ii) if by way of letter, when it has been left at the relevant address or five (5) Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 38.2 (*Addresses*), if addressed to that department or officer.

(b) Any communication or document to be made or delivered to the Agent or the Security Agent will be effective only when actually received by the Agent or Security Agent and then only if it is expressly marked for the attention of the department or officer identified with the Agent's or Security Agent's signature below (or any substitute department or officer as the Agent or Security Agent shall specify for this purpose).

(c) All notices from or to an Obligor shall be sent through the Agent.

(d) Any communication or document made or delivered to the Parent in accordance with this Clause 38.3 will be deemed to have been made or delivered to each of the Obligors.

38.4 **Notification of address and fax number**

Promptly upon receipt of notification of an address or fax number or change of address or fax number pursuant to Clause 38.2 (*Addresses*) or changing its own address or fax number, the Agent shall notify the other Parties.

38.5 **Communication when Agent is Impaired Agent**

If the Agent is an Impaired Agent the Parties may, instead of communicating with each other through the Agent, communicate with each other directly and (while the Agent is an Impaired Agent) all the provisions of the Finance Documents which require communications to be made or notices to be given to or by the Agent shall be varied so that communications may be made and notices given to or by the relevant Parties directly. This provision shall not operate after a replacement Agent has been appointed.

38.6 **Electronic communication**

(a) Any communication to be made between the Agent or the Security Agent and a Lender under or in connection with the Finance Documents may be made by electronic mail or other electronic means, if the Agent, the Security Agent and the relevant Lender:

(i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;

(ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(iii) notify each other of any change to their address or any other such information supplied by them.

(b) Any electronic communication made between the Agent and a Lender or the Security Agent will be effective only when actually received in readable form and in the case of any electronic communication made by a Lender to the Agent or the Security Agent only if it is addressed in such a manner as the Agent or Security Agent shall specify for this purpose.

38.7 **Use of websites**

(a) The Parent may satisfy its obligation under this Agreement to deliver any information in relation to those Lenders (the "**Website Lenders**") who accept this method of communication by posting this information onto an electronic website designated by the Parent and the Agent (the "**Designated Website**") if:

(i) the Agent expressly agrees (after consultation with each of the Lenders) that it will accept communication of the information by this method;

(ii) both the Parent and the Agent are aware of the address of and any relevant password specifications for the Designated Website; and

(iii) the information is in a format previously agreed between the Parent and the Agent.

If any Lender (a "**Paper Form Lender**") does not agree to the delivery of information electronically then the Agent shall notify the Parent accordingly and the Parent shall at its own cost supply the information to the Agent (in sufficient copies for each Paper Form Lender) in paper form. In any event the Parent shall at its own cost supply the Agent with at least one copy in paper form of any information required to be provided by it.

(b) The Agent shall supply each Website Lender with the address of and any relevant password specifications for the Designated Website following designation of that website by the Parent and the Agent.

(c) The Parent shall promptly upon becoming aware of its occurrence notify the Agent if:

(i) the Designated Website cannot be accessed due to technical failure;

(ii) the password specifications for the Designated Website change;

(iii) any new information which is required to be provided under this Agreement is posted onto the Designated Website;

(iv) any existing information which has been provided under this Agreement and posted onto the Designated Website is amended; or

(v) the Parent becomes aware that the Designated Website or any information posted onto the Designated Website is or has been infected by any electronic virus or similar software.

If the Parent notifies the Agent under paragraph (c)(i) or paragraph (c)(v) above, all information to be provided by the Parent under this Agreement after the date of that notice shall be supplied in paper form unless and until the Agent and each Website Lender is satisfied that the circumstances giving rise to the notification are no longer continuing.

(d) Any Website Lender may request, through the Agent, one paper copy of any information required to be provided under this Agreement which is posted onto the Designated Website. The Parent shall at its own cost comply with any such request within ten (10) Business Days.

38.8 **English language**

(a) Any notice given under or in connection with any Finance Document must be in English.

(b) All other documents provided under or in connection with any Finance Document must be:

(i) in English; or

(ii) if not in English, and if so required by the Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

## 39. CALCULATIONS AND CERTIFICATES

### 39.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are prima facie evidence of the matters to which they relate.

### 39.2 Certificates and determinations

(a) Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

(b) Where any person gives a certificate on behalf of any parties to the Finance Documents pursuant to any provision thereof and such certificate proves to be incorrect, the individual shall incur no personal liability in consequence of such certificate being incorrect save where such individual acted fraudulently or recklessly in giving such certificate (in which case any liability of such individual shall be determined in accordance with applicable law).

39.3 **Day count convention**

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

40. **PARTIAL INVALIDITY**

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

41. **REMEDIES AND WAIVERS**

No failure to exercise, nor any delay in exercising, on the part of any Finance Party or Secured Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

42. **AMENDMENTS AND WAIVERS**

42.1 **Intercreditor Agreement**

Subject to Clause 1.4 (*Intercreditor Agreement*) this Clause 42 is subject to the terms of the Intercreditor Agreement.

42.2 **Required consents**

(a) Subject to Clause 42.3 (*Exceptions*) and paragraph (d) of Clause 42.2, any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Parent and any such amendment or waiver will be binding on all Parties.

(b) The Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 42.

(c) Each Obligor agrees to any such amendment or waiver permitted by this Clause 42 which is agreed to by the Parent. This includes any amendment or

waiver which would, but for this paragraph (c), require the consent of all of the Guarantors.

(d) The Agent shall notify the Lenders reasonably promptly of any amendments or waivers proposed by the Parent.

42.3 **Exceptions**

(a) An amendment or waiver that has the effect of changing or which relates to:

(i) the definitions of "Majority Lenders", "Relevant Majority Lenders", "Super Majority Lenders" or "Change of Control" in Clause 1.1 (*Definitions*);

(ii) an extension to the date of payment of any amount under the Finance Documents (other than an extension which results from an amendment or waiver in respect of Clause 12.3 (*Disposal Proceeds and Insurance Proceeds*));

(iii) an extension of the Availability Period;

(iv) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable (save as provided by the operation of the Margin adjustment described in the definition of "Margin" and other than a reduction in the amount of any payment or cancellation which results from an amendment or waiver in respect of Clause 12.3 (*Disposal Proceeds and Insurance Proceeds*));

(v) a change in currency of payment of any amount under the Finance Documents;

(vi) an increase in or an extension of any Commitment or the Total Commitments;

(vii) a change to the Borrowers or Guarantors other than in accordance with Clause 32 (*Changes to the Obligors*);

(viii) any provision which expressly requires the consent of all the Lenders;

(ix) Clause 2.3 (*Finance Parties' rights and obligations*), Clause 27.20 (*Note Purchase Condition*), Clause 30 (*Changes to the Lenders*) or this Clause 42;

(x) Clause 12.1 (*Exit*) and Clause 12.2 (*Exit Discussions*); and

(xi) subject to the terms of the Intercreditor Agreement, any amendment to the order of priority or subordination under the Intercreditor Agreement, or the manner in which the proceeds of enforcement of the Transaction Security are distributed,

shall not be made without the prior consent of all the Lenders, unless it is the result of:

(A) a Structural Change, in which case the provisions of paragraph (c) below shall apply; or

(B) an increase to any of the Facilities pursuant to Clause 2.2 (*Increase*), in which case no consent of any Lender (other than each Increase Lender) shall be required for such increase.

(b) For the purposes of this Clause 42.3, "**Structural Change**" means an amendment, waiver or variation of the terms of the Finance Documents that results in:

(i) the introduction of any additional tranche or facility under the Finance Documents that ranks junior to any of the Facilities (and, for the avoidance of doubt, excluding any tranche or facility ranking *pari passu* with or in priority to claims under the Finance Documents); or

(ii) any increase in or addition of any commitment, any extension of a commitment's maturity or availability, the re-denomination of a commitment into another currency and any extension of the date for or redenomination of, or a reduction of, any amount owing under the Finance Documents (other than by way of a waiver of a mandatory prepayment); or

(iii) changes to any Finance Documents that are consequential on, incidental to or required to implement or reflect any of the foregoing,

**provided that** an increase to any of the Facilities pursuant to Clause 2.2 (*Increase*) shall not be a "**Structural Change**".

(c) Subject to paragraph (e) below, a Structural Change may be approved with the consent of the Super Majority Lenders and of each Lender that is participating in that additional tranche or facility or increasing, extending or re-denominating its commitments or, as applicable, extending or redenominating or reducing any amount due to it.

(d) An amendment or waiver that has the effect of changing or which relates to a change to Clause 26 (*Financial Covenants*) shall not be made without the prior consent of the Majority Lenders and of each Original Hold Lender, where "**Original Hold Lender**" means each Original Lender whose Commitments (together with the Commitments of its Affiliates) as at the date that the request for such amendment or waiver is made are at least equal to the amount set out opposite its name under heading "Commitment" in Part II-A of Schedule 1 (*The Original Parties*) less the amount of any reduction in its Commitment since the date of this Agreement as result of any voluntary cancellation pursuant to Clause 11.3 (*Voluntary cancellation*).

(e) Any amendment or waiver (other than any increase in or addition of any commitment) which:

(i) relates only to the rights or obligations applicable to a particular Utilisation, Facility, or the Tranche 1 Lenders or Tranche 2 Lenders (as applicable); and

(ii) does not materially and adversely affect the rights or interests of Lenders in respect of any other Utilisation or Facility,

may be made in accordance with this Clause 42 but as if references in this Clause 42 to the specified proportion of Lenders (including, for the avoidance of doubt, all the Lenders) whose consent would, but for this paragraph (e), be required for that amendment or waiver were to that proportion of the Lenders participating in that particular Utilisation or Facility or forming part of the Tranche 1 Lenders or Tranche 2 Lenders (as applicable).

(f) Any amendment or waiver which adversely affects the rights or interest of the Tranche 1 Lenders or Tranche 2 Lenders (as applicable) or the rights or obligations applicable to a particular Utilisation or Facility shall only be made with the consent of the Relevant Majority Lenders in relation to that Facility.

(g)

(i) If the Agent or a Lender reasonably believes that an amendment or waiver or the implementation of the accordion facility or a Structural Change (an "**Amendment**") may constitute a "material modification" for the purposes of FATCA that may result (directly or indirectly) in a Party being required to make a FATCA Deduction and the Agent or that Lender (as the case may be) notifies the Parent and the Agent accordingly, that Amendment may, subject to paragraphs (ii) below, not be effected without the consent of the Agent and all the Lenders.

(ii) If the Agent or any Lender does not consent to the relevant Amendment because it reasonably believes that the Amendment may constitute a "material modification" for the purposes of FATCA, the Parent may only make such Amendment if the Parent either:

(A) cancels and repays any non-consenting Lender pursuant to Clause 11.5 (*Right of cancellation and repayment in relation to a single Lender or Issuing Bank*), **provided that** if such Amendment is to be made more than six months before the relevant FATCA Application Date then any such cancellation and repayment shall only be made during the period beginning six months before and ending one month before the relevant FATCA Application Date, and **provided further that** if the Parent has exercised its right under this Clause 42.3(g)(ii)(A) to cancel and repay a Lender but has not done so by the date which is one month

prior to the relevant FATCA Application Date then the Parent will be deemed to have agreed to pay increased amounts under (B) below; or

(B) if a FATCA Deduction is required to be made by an Obligor and/or by a Finance Party from a payment and notwithstanding the terms of Clause 18.2 (*Tax gross up*), procures that the amount of the payment due from that Obligor shall be increased to an amount which (after making any FATCA Deduction) leaves an amount equal to the payment which would have been due if no FATCA Deduction had been required and/or pays to the relevant Finance Party (within three Business Days of demand by the Agent) an amount equal to the loss, liability or cost which that Finance Party determines will be or has been (directly or indirectly) suffered by that Finance Party as a result of another Finance Party making a FATCA Deduction.

(h) Notwithstanding Clause 1.4 (*Intercreditor Agreement*), the release of all or substantially all the Transaction Security (unless such release is provided for under clause 14 of the Intercreditor Agreement) requires the consent of all the Lenders **provided that** the release of all or substantially all the Transaction Security (i) required to effect a Permitted Reorganisation, or (ii) upon final repayment and cancellation of the Facilities, shall be promptly granted by the Security Agent and no Lender consents will be required.

(i) Notwithstanding Clause 1.4 (*Intercreditor Agreement*), subject to paragraph (h) above the release of any Transaction Security over any asset under any Transaction Security Document or the amendment to any Transaction Security Document requires the prior consent of the Super Majority Lenders **provided that** the release of any Transaction Security or amendment to any Transaction Security Document (i) required to effect a Permitted Reorganisation, or (ii) in respect of a disposal permitted by the provisions of this Agreement, shall be promptly granted by the Security Agent and no Super Majority Lender consents will be required.

(j) An amendment or waiver which relates to the rights or obligations of the Agent, the Arranger, any Issuing Bank, the Security Agent, any Ancillary Lender or a Base Reference Bank or an Alternative Reference Bank (each in their capacity as such) may not be effected without the consent of the Agent, the Arranger, that Issuing Bank, the Security Agent that Ancillary Lender, that Base Reference Bank or, as the case may be, that Alternative Reference Bank.

(k) If any Lender fails to respond to a request for a consent, waiver, amendment of or in relation to any of the terms of any Finance Document within 15 Business Days (unless the Parent and the Agent agree to a longer time period in relation to any request) of that request being made, its Commitment and/or participation shall not be included for the purpose of calculating the Total Commitments or participations under the relevant Facility when ascertaining whether any relevant

percentage (including, for the avoidance of doubt, unanimity) of Total Commitments and/or participations has been obtained to approve that request.

42.4 **Replacement of Screen Rate**

Subject to paragraph (h) of Clause 42.3 (*Other exceptions*) if any Screen Rate is not available for a currency which can be selected for a Loan, any amendment or waiver which relates to providing for another benchmark rate to apply in relation to that currency in place of that Screen Rate (or which relates to aligning any provision of a Finance Document to the use of that other benchmark rate) may be made with the consent of the Majority Lenders and the Parent.

42.5 **Replacement of Lender**

(a) If at any time:

(i) any Lender becomes a Non-Consenting Lender (as defined in paragraph (c) below); or

(ii) an Obligor becomes obliged to repay any amount in accordance with Clause 11.1 (*Illegality*) or to pay additional amounts pursuant to Clause 19.1 (*Increased Costs*), Clause 18.2 (*Tax gross up*) or Clause 18.3 (*Tax indemnity*) to any Lender in excess of amounts payable to the other Lenders generally,

then the Parent may, on five (5) Business Days' prior written notice to the Agent and such Lender, replace such Lender by requiring such Lender to (and such Lender shall) transfer pursuant to Clause 30 (*Changes to the Lenders*) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity (a "**Replacement Lender**") selected by the Parent (excluding a member of the Group and if such entity is a Sponsor Affiliate, **provided that** such transfer shall be in accordance with Clause 31 (*Restriction on Debt Purchase Transactions*)), and which is acceptable to the Issuing Bank, which confirms its willingness to assume and does assume all the obligations of the transferring Lender (including the assumption of the transferring Lender's participations on the same basis as the transferring Lender) for a purchase price in cash payable at the time of transfer equal to the outstanding principal amount of such Lender's participation in the outstanding Utilisations and all accrued interest and/or Letter of Credit fees, Break Costs and other amounts payable in relation thereto under the Finance Documents.

(b) The replacement of a Lender pursuant to this Clause 42.4 shall be subject to the following conditions:

(i) the Parent shall have no right to replace the Agent or Security Agent in their capacity as Agent or Security Agent;

(ii) neither the Agent nor the Lender shall have any obligation to the Parent to find a Replacement Lender;

(iii) in the event of a replacement of a Non-Consenting Lender such replacement must take place no later than 45 days after the date the Non-Consenting Lender notifies the Parent and the Agent of its failure or refusal to give a consent in relation to, or agree to any waiver or amendment to the Finance Documents requested by the Parent; and

(iv) in no event shall the Lender replaced under this paragraph (b) be required to pay or surrender to such Replacement Lender any of the fees received by such Lender pursuant to the Finance Documents.

(c) In the event that:

(i) the Parent or the Agent (at the request of the Parent) has requested the Lenders to give a consent in relation to, or to agree to a waiver or amendment of, any provisions of the Finance Documents;

(ii) the consent, waiver or amendment in question requires the approval of more than the Majority Lenders; and

(iii) the Majority Lenders have consented or agreed to such waiver or amendment,

then any Lender who does not consent or agree to such waiver or amendment shall be deemed a "**Non-Consenting Lender**".

42.6 **Disenfranchisement of Defaulting Lenders**

(a) For so long as a Defaulting Lender has any Available Commitment, in ascertaining the Majority Lenders or whether any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments has been obtained to approve any request for a consent, waiver, amendment or other vote under the Finance Documents, that Defaulting Lender's Commitments will be reduced by the amount of its Available Commitments.

(b) For the purposes of this Clause 42.6, the Agent may assume that the following Lenders are Defaulting Lenders:

(i) any Lender which has notified the Agent that it has become a Defaulting Lender;

(ii) any Lender in relation to which it is aware that any of the events or circumstances referred to in paragraphs (a), (b) or (c) of the definition of "Defaulting Lender" has occurred,

unless it has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Agent) or the Agent is otherwise aware that the Lender has ceased to be a Defaulting Lender.

42.7 **Replacement of a Defaulting Lender**

(a) The Parent may, at any time a Lender has become and continues to be a Defaulting Lender, by giving five (5) Business Days' prior written notice to the Agent and such Lender:

(i) replace such Lender by requiring such Lender to (and such Lender shall) transfer pursuant to Clause 30 (*Changes to the Lenders*) all (and not part only) of its rights and obligations under this Agreement; or

(ii) require such Lender to (and such Lender shall) transfer pursuant to Clause 30 (*Changes to the Lenders*) all (and not part only) of the undrawn Commitment of the Lender;

to a Lender or other bank, financial institution, trust, fund or other entity (a "**Replacement Lender**") selected by the Parent, and which is acceptable to the Issuing Bank, which confirms its willingness to assume and does assume all the obligations or all the relevant obligations of the transferring Lender (including the assumption of the transferring Lender's participations or unfunded participations (as the case may be) on the same basis as the transferring Lender) for a purchase price in cash payable at the time of transfer equal to the outstanding principal amount of such Lender's participation in the outstanding Utilisations and all accrued interest and/or Letter of Credit fees, Break Costs and other amounts payable in relation thereto under the Finance Documents.

(b) Any transfer of rights and obligations of a Defaulting Lender pursuant to this Clause 42.7 shall be subject to the following conditions:

(i) the Parent shall have no right to replace the Agent or Security Agent in their capacity as Agent or Security Agent;

(ii) neither the Agent nor the Defaulting Lender shall have any obligation to the Parent to find a Replacement Lender;

(iii) the transfer must take place no later than 45 days after the notice referred to in paragraph (a) above; and

(iv) in no event shall the Defaulting Lender be required to pay or surrender to the Replacement Lender any of the fees received by the Defaulting Lender pursuant to the Finance Documents.

## 43. CONFIDENTIALITY

### 43.1 Confidential Information

Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 43.2 (*Disclosure of Confidential Information*) and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

### 43.2 Disclosure of Confidential Information

Any Finance Party may disclose:

(a) to any of its Affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Finance Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and it agrees to be bound by the same confidentiality restrictions as the Finance Party who is disclosing the information and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information. For the purposes of this Clause 43.2 (*Disclosure of Confidential Information*) only the term "Affiliates" shall insofar as it applies to Shawbrook Bank Limited as Lender include RBS Asset Management Limited (company registration number 05097950) and Pollen Street Capital Limited (company registration number 08741640) and references to the "officers, directors, employees, professional advisers, auditors, partners and Representatives" of either RBS Asset Management Limited or Pollen Street Capital Limited shall include anybody acting on their behalf in connection with the RBS Special Opportunities Fund;

(b) to any person:

(i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

(ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more Obligors and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

(iii) appointed by any Finance Party or by a person to whom paragraph (b)(i) or (ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf (including, without limitation, any person appointed under paragraph (b) of Clause 33.15 (*Relationship with the Lenders*));

(iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i) or (b)(ii) above;

(v) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other

regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;

(vi) to whom information is required by law to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;

(vii) who is a Party; or

(viii) with the consent of the Parent;

in each case, such Confidential Information as that Finance Party shall consider appropriate if:

(A) in relation to paragraphs (b)(i), (b)(ii) and (b)(iii) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;

(B) in relation to paragraph (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;

(C) in relation to paragraphs (b)(v), (b)(vi) and (b)(vii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Finance Party, it is not practicable so to do in the circumstances;

(c) to any person appointed by that Finance Party or by a person to whom paragraph (b)(i) or (b)(ii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including without limitation, in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) if the service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Parent and the relevant Finance Party;

(d) to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Obligors if the rating agency to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information.

(e) the size and term of the Facilities and the name of the Obligors to any investor or a potential investor in a securitisation (or similar transaction of broadly equivalent economic effect) of that Finance Parties' rights or obligations under the Finance Documents.

43.3 **Disclosure to numbering service providers**

(a) Any Finance Party may disclose to any national or international numbering service provider appointed by that Finance Party to provide identification numbering services in respect of this Agreement, the Facilities and/or one or more Obligors the following information:

(i) names of Obligors;

(ii) country of domicile of Obligors;

(iii) place of incorporation of Obligors;

(iv) date of this Agreement;

(v) the names of the Agent and the Arranger;

(vi) date of each amendment and restatement of this Agreement;

(vii) amount of Total Commitments;

(viii) currencies of the Facilities;

(ix) type of Facilities;

(x) ranking of Facilities;

(xi) Termination Date for Facilities;

(xii) changes to any of the information previously supplied pursuant to paragraphs (i) to (xi) above; and

(xiii) such other information agreed between such Finance Party and the Parent,

to enable such numbering service provider to provide its usual syndicated loan numbering identification services.

(b) The Parties acknowledge and agree that each identification number assigned to this Agreement, the Facilities and/or one or more Obligors by a numbering service

provider and the information associated with each such number may be disclosed to users of its services in accordance with the standard terms and conditions of that numbering service provider.

(c) Each Obligor represents that none of the information set out in paragraphs (i) to (xiii) of paragraph (a) above is, nor will at any time be, unpublished price-sensitive information.

(d) The Agent shall promptly notify the Parent and the other Finance Parties of:

(i) the name of any numbering service provider appointed by the Agent in respect of this Agreement, the Facilities and/or one or more Obligors; and

(ii) the number or, as the case may be, numbers assigned to this Agreement, the Facilities and/or one or more Obligors by such numbering service provider.

43.4 **Entire agreement**

This Clause 43 (*Confidentiality*) constitutes the entire agreement between the Parties in relation to the obligations of the Finance Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

43.5 **Inside information**

Each of the Finance Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.

43.6 **Notification of disclosure**

Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Parent:

(a) of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (b)(v) of Clause 43.2 (*Disclosure of Confidential Information*) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and

(b) upon becoming aware that Confidential Information has been disclosed in breach of this Clause 43 (*Confidentiality*).

43.7 **Continuing obligations**

The obligations in this Clause 43 (*Confidentiality*) are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of twelve Months from the earlier of:

(a) the date on which all amounts payable by the Obligors under or in connection with the Finance Documents have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and

(b) the date on which such Finance Party otherwise ceases to be a Finance Party.

## 44. CONFIDENTIALITY OF FUNDING RATES AND REFERENCE BANK QUOTATIONS

### 44.1 Confidentiality and disclosure

(a) The Agent and each Obligor agree to keep each Funding Rate (and, in the case of the Agent, each Reference Bank Quotation) confidential and not to disclose it to anyone, save to the extent permitted by paragraphs (b), (c) and (d) below.

(b) The Agent may disclose:

(i) any Funding Rate (but not, for the avoidance of doubt, any Reference Bank Quotation) to the relevant Borrower pursuant to Clause 14.4 (*Notification of rates of interest*); and

(ii) any Funding Rate or any Reference Bank Quotation to any person appointed by it to provide administration services in respect of one or more of the Finance Documents to the extent necessary to enable such service provider to provide those services if the service provider to whom that information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers or such other form of confidentiality undertaking agreed between the Agent and the relevant Lender or Base Reference Bank or Alternative Reference Bank, as the case may be.

(c) The Agent may disclose any Funding Rate or any Reference Bank Quotation, and each Obligor may disclose any Funding Rate, to:

(i) any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives if any person to whom that Funding Rate or Reference Bank Quotation is to be given pursuant to this paragraph (i) is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of that Funding Rate or Reference Bank Quotation or is otherwise bound by requirements of confidentiality in relation to it;

(ii) any person to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Agent or the relevant Obligor, as the case may be, it is not practicable to do so in the circumstances;

(iii) any person to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes if the person to whom that Funding Rate or Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Agent or the relevant Obligor, as the case may be, it is not practicable to do so in the circumstances; and

(iv) any person with the consent of the relevant Lender or Base Reference Bank or Alternative Reference Bank, as the case may be.

(d) The Agent's obligations in this Clause 44 relating to Reference Bank Quotations are without prejudice to its obligations to make notifications under Clause 14.4 (*Notification of rates of interest*) provided that (other than pursuant to paragraph (b)(i) above) the Agent shall not include the details of any individual Reference Bank Quotation as part of any such notification.

44.2 **Related obligations**

(a) The Agent and each Obligor acknowledge that each Funding Rate (and, in the case of the Agent, each Reference Bank Quotation) is or may be price-sensitive information and that its use may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and the Agent and each Obligor undertake not to use any Funding Rate or, in the case of the Agent, any Reference Bank Quotation for any unlawful purpose.

(b) The Agent and each Obligor agree (to the extent permitted by law and regulation) to inform the relevant Lender or Base Reference Bank or Alternative Reference Bank, as the case may be:

(i) of the circumstances of any disclosure made pursuant to paragraph (c)(ii) of Clause 44.1 (*Confidentiality and disclosure*) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and

(ii) upon becoming aware that any information has been disclosed in breach of this Clause 44.

44.3 **No Event of Default**

No Event of Default will occur under Clause 28.4 (*Other obligations*) by reason only of an Obligor's failure to comply with this Clause 44.

## 45. COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

## 46. GOVERNING LAW

(a) Subject to paragraph (b) below, this Agreement and any non-contractual obligations arising out of or in connection with it are governed by, and shall be construed and enforced in accordance with, English law.

(b) Notwithstanding paragraph (a) above, Schedule 14 (*Restrictive Covenants*) shall be interpreted in accordance with New York law.

## 47. ENFORCEMENT

47.1 **Jurisdiction of English courts**

(a) Subject to paragraph (b) below, the courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement) (a "**Dispute**"). In this regard, the Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

(b) Notwithstanding paragraph (a) above, this Clause 47.1 is for the benefit of the Finance Parties and Secured Parties only. As a result, no Finance Party or Secured Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties and Secured Parties may take concurrent proceedings in any number of jurisdictions.

47.2 **Service of process**

(a) Without prejudice to any other mode of service allowed under any relevant law, each Obligor (other than an Obligor incorporated in England and Wales):

(i) irrevocably appoints Cabot Financial (Europe) Limited as its agent for service of process in relation to any proceedings before the English courts in connection with any Finance Document (and Cabot Financial (Europe) Limited by its execution of this Agreement, accepts that appointment); and

(ii) agrees that failure by an agent for service of process to notify the relevant Obligor of the process will not invalidate the proceedings concerned.

(b) If any person appointed as an agent for service of process is unable for any reason to act as agent for service of process, the Parent (on behalf of all the Obligors) must immediately (and in any event within ten (10) Business Days of such event taking place) appoint another agent on terms acceptable to the Agent. Failing this, the Agent may appoint another agent for this purpose.

(c) Each Obligor expressly agrees and consents to the provisions of this Clause 47 and Clause 46 (*Governing law*).

## 48. WAIVER OF JURY TRIAL

Each Party hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Agreement, any other Finance Document or the transactions contemplated thereby (whether based on contract, tort or any other theory). Each Party (a) certifies that no representative, agent or attorney or any other party has represented, expressly or otherwise, that such other Party would not, in the event of litigation, seek to enforce the foregoing waiver and (b) acknowledges that it and the other Parties have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Clause 48.

## 49. PATRIOT ACT

Each Lender that is subject to the requirements of the USA PATRIOT Act hereby notifies each Obligor that, pursuant to the requirements of the USA PATRIOT Act, such Lender is required to obtain, verify and record information that identifies such Obligor, which information includes the name and address of such Obligor and other information that will allow such Lender to identify such Obligor in accordance with the USA PATRIOT Act.

## 50. POWERS OF ATTORNEY

If any of the parties to this Agreement is represented by an attorney or attorneys in connection with the signing and/or execution and/or delivery of this Agreement or any agreement or document referred to herein or made pursuant hereto and the relevant power or powers of attorney is or are expressed to be governed by English law, it is hereby expressly acknowledged and accepted by the other parties hereto that such laws shall govern the existence and extent of such attorney's authority and the effects of the exercise thereof.

**THIS AGREEMENT** has been entered into on the date stated at the beginning of this Agreement.

**Schedule 1**
**THE ORIGINAL PARTIES**

**PART I**
**THE ORIGINAL OBLIGORS**

**The Original Borrowers**

| **Name of Original Borrower** | **Registration number (or equivalent, if any) Jurisdiction of Incorporation** |
|---|---|
| Cabot Financial (UK) Limited | 3757424, England & Wales |

**The Original Guarantors**

| **Name of Original Guarantor** | **Registration number (or equivalent, if any) Jurisdiction of Incorporation** |
|---|---|
| Cabot Financial (Luxembourg) S.A. | B-171245 Luxembourg |
| Cabot Financial Limited | 5714535, England & Wales |
| Cabot Credit Management Group Limited (formerly Cabot Financial Holdings Group Limited) | 4934534, England & Wales |
| Cabot Financial Holdings Group Limited (formerly Cabot Credit Management Group Limited) | 4071551, England & Wales |
| Cabot Financial Debt Recovery Services Limited | 3936134, England & Wales |
| Cabot Financial (UK) Limited | 3757424, England & Wales |
| Cabot Financial (Europe) Limited | 3439445, England & Wales |
| Financial Investigations and Recoveries (Europe) Limited | 3958421, England & Wales |
| Apex Credit Management Limited | 3967099, England & Wales |

**PART II**
**THE LENDERS**

**PART II-A**
**THE ORIGINAL LENDERS**

| **Name of Original Lender** | **Commitment** | **Status (Non-Acceptable L/C Lender: Yes/No)** | **HMRC DT Treaty Passport scheme reference number and jurisdiction of tax residence (if applicable)** |
|---|---|---|---|
| Citibank, N.A., London Branch | 5,000,000 | | |
| JPMorgan Chase Bank, N.A., London Branch | 5,000,000 | | |
| Lloyds Bank plc | 20,000,000 | | |
| The Royal Bank of Scotland plc | 20,000,000 | | |
| **Total** | **£50,000,000** | | |

**PART II-B**
**THE DECEMBER 2017 EFFECTIVE DATE LENDERS**

| **Name of December 2017 Effective Date Lender** | **Tranche 1 Commitment** | **Tranche 2 Commitment** | **Status (Non-Acceptable L/C Lender: Yes/No)** | **HMRC DT Treaty Passport scheme reference number and jurisdiction of tax residence (if applicable)** |
|---|---|---|---|---|
| DNB (UK) Limited | £20,000,000 | £50,000,000 | | |
| JPMorgan Chase Bank, N.A., London Branch | £5,000,000 | £0 | | |
| Lloyds Bank plc | £45,000,000 | £0 | | |
| The Royal Bank of Scotland plc | £45,000,000 | £0 | | |
| HSBC Bank plc | £70,000,000 | £0 | | |
| Shawbrook Bank Limited | £10,000,000 | £0 | | |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | £50,000,000 | £0 | | |
| **Total** | **£245,000,000** | **£50,000,000** | | |

**SCHEDULE 2**
**CONDITIONS PRECEDENT**

**PART I**
**CONDITIONS PRECEDENT TO INITIAL UTILISATION**

1. **Obligors**

(a) A copy of the constitutional documents of each Original Obligor (other than Cabot Financial (Luxembourg) S.A.) and CCML.

(b) If applicable, a copy of a resolution of the board or, if applicable, a committee of the board of directors of each Original Obligor (other than Cabot Financial (Luxembourg) S.A.) and CCML:

(i) approving the terms of, and the transactions contemplated by, the Transaction Documents to which it is a party and resolving that it execute, deliver and perform the Transaction Documents to which it is a party;

(ii) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and

(iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.

(c) If applicable, a copy of a resolution of the board of directors of the relevant company, establishing the committee referred to in paragraph (b) above.

(d) A copy of a specimen of the signature of each person authorised by the resolution referred to in paragraph (b) above in relation to the Finance Documents and related documents.

(e) A copy of a resolution signed by all of the holders of the issued shares in each Original Guarantor and, in respect of CCML, a copy of a resolution signed by the majority holders of its issued shares, approving the terms of, and the transactions contemplated by, the Finance Documents to which such Original Guarantor and CCML, respectively, is a party.

(f) Evidence that the articles of association of each member of the Restricted Group which is subject to the Transaction Security do not contain any transfer or equivalent restrictions.

(g) A certificate of the Parent (signed by a director or authorised signatory) confirming that borrowing or guaranteeing or securing, as appropriate, the Total Commitments would not cause any borrowing, guarantee, security or similar limit binding on any Original Obligor (other than Cabot Financial (Luxembourg) S.A.) to be exceeded;

(h) A certificate of an authorised signatory of the Parent or other relevant Original Obligor (other than Cabot Financial (Luxembourg) S.A.) and CCML certifying that each copy document relating to it specified in this Part I of Schedule 2 is correct, complete and in full force and effect and has not been amended or superseded as at a date no earlier than the date of this Agreement; and

(i) A certificate of CCML (signed by a director or authorised signatory) confirming that the guaranteeing or securing, as appropriate, of the Total Commitments would not cause any guarantee, security or similar limit binding on it to be exceeded.

2. **Finance Documents**

(a) This Agreement executed by the members of the Group party to this Agreement.

(b) The Intercreditor Agreement executed by the members of the Group party to that Agreement and the Note Trustee.

(c) The Fee Letters, executed by the members of the Group party to them.

(d) A copy of the Note Documents.

(e) A copy of the Offering Memorandum.

(f) At least two originals of each of the Transaction Security Documents listed in Part III (*Transaction Security Documents*) of Schedule 2 (*Conditions Precedent*).

(g) Unless a grace period for supply of notices is contained in the relevant Transaction Security Document, a copy of all notices required to be sent under the Transaction Security Documents on or before the Closing Date executed by the relevant Obligors or CCML (as applicable) and, in the case of any notice to be sent to another member of the Restricted Group, duly acknowledged.

(h) Save as otherwise expressly provided in the relevant Transaction Security Document, all share certificates, transfers and stock transfer forms or equivalent duly executed by the relevant Obligor or CCML (as applicable) in blank in relation to the assets subject to or expressed to be subject to the Transaction Security and other documents of title required to be provided under the Transaction Security Documents on or before the Closing Date.

3. **Luxembourg documents**

(a) A copy of the articles of association (*statuts*) of Cabot Financial (Luxembourg) S.A..

(b) A copy of the resolutions of the board of directors of Cabot Financial (Luxembourg) S.A. approving the entry into the Finance Documents to which it is a party.

(c) An excerpt (*extrait*) from the Luxembourg Register of Commerce and Companies with respect to Cabot Financial (Luxembourg) S.A.

(d) A certificate of non-registration of judicial decisions (*certificat de non-inscription de décision judiciaire*) from the Luxembourg Register of Commerce and Companies with respect to Cabot Financial (Luxembourg) S.A.

(e) A copy of the shareholders' register of Cabot Financial (Luxembourg) S.A. evidencing (i) the ownership of its entire share capital by Cabot Credit Management Group Limited (formerly Cabot Financial Holdings Group Limited) and (ii) the registration of the pledge granted pursuant to the Luxembourg Share Pledge Agreement.

(f) a certificate signed by a director of Cabot Financial (Luxembourg) S.A.:

(i) certifying that each copy document relating to it specified in this Part I of Schedule 2 is correct, complete and in full force and effect and has not been amended or superseded as at a date no earlier than the date of this Agreement;

(ii) confirming that guaranteeing or securing, as appropriate, the Total Commitments would not cause any guarantee, security or similar limit binding on Cabot Financial (Luxembourg) S.A. to be exceeded;

(iii) certifying the specimen of signature of each person authorised under the resolutions referred to above to execute the Finance Documents to which Cabot Financial (Luxembourg) S.A.is a party on its behalf; and

(iv) certifying that Cabot Financial (Luxembourg) S.A. is not subject to bankruptcy (*faillite*), controlled management (*gestion contrôlée*), suspension of payments (*sursis de paiement*), arrangement with creditors (*concordat préventif de faillite*) and judicial liquidation (*liquidation judiciaire*) proceedings and, to the best of its knowledge, no petition for the opening of such proceedings has been presented.

4. **Legal opinion**

The following legal opinions, each addressed to the Agent, the Security Agent and the Original Lenders and capable of being relied upon by any persons who become Lenders pursuant to the primary syndication of the Facilities:

(a) Clifford Chance LLP, legal advisers to the Agent and the Arranger as to enforceability of the English law Finance Documents and the capacity of the Obligors under English law;

(b) Arendt & Merdernach, legal advisers to the Original Obligors as to the capacity and due execution of Cabot Financial (Luxembourg) S.A. under Luxembourg law; and

(c) Clifford Chance LLP, legal advisers to the Agent and the Arranger as to the enforceability of the Luxembourg law Finance Documents,

in each case substantially in the form distributed to the Original Lenders prior to signing this Agreement.

5. **Other Documents and Evidence**

(a) The Funds Flow Statement.

(b) The Group Structure Chart.

(c) The Approved List.

(d) A copy of the Original Financial Statements of each Obligor.

(e) The Budget.

(f) The Initial ERC.

(g) The ERC Model Output.

(h) Confirmation by the Agent that the fees, costs and expenses then due from the Parent pursuant to Clause 17 (*Fees*), Clause 18.6 (*Stamp taxes*) and Clause 22 (*Costs and expenses*) have been paid or evidence that the foregoing fees, costs and expenses will be paid on or by the Closing Date.

(i) A certificate of an authorised signatory of the Parent that (i) Notes in an aggregate principal amount of £265,000,000 have been issued and subscribed to (and, if applicable, released from any escrow) and (ii) all conditions precedent to the issuance and purchase of the Notes has been (or will be on the Closing Date) satisfied or waived in full.

(j) A certificate of the Parent signed by an authorised signatory addressed to the Agent confirming which companies within the Group are Material Companies and that the aggregate of earnings before interest, tax, depreciation and amortisation (calculated on the same basis as Consolidated EBITDA) and aggregate gross assets (excluding goodwill) of the Original Guarantors (in each case calculated on an unconsolidated basis and excluding all intra-Restricted Group items and investments in Restricted Subsidiaries of any member of the Restricted Group) exceeds 85 per cent. of the Consolidated EBITDA and consolidated gross assets (excluding goodwill) of the Restricted Group.

(k) Evidence that all outstanding amounts under the Existing Facilities has been or will be repaid in full on the Closing Date.

(l) Deeds of release in respect of any Transaction Security granted in relation to the Existing Facilities Agreement.

(m) Any information and evidence reasonably requested by any Finance Party in order to comply with applicable law in respect of anti-money laundering requirements and "know your customer" requirements.

**PART II**
**CONDITIONS PRECEDENT REQUIRED TO BE DELIVERED BY AN ADDITIONAL OBLIGOR**

1. A copy of the Accession Deed executed by the Additional Obligor and the Parent.

2. A copy of the constitutional documents of the Additional Obligor.

3. If applicable, a copy of a resolution of the board or, if applicable, a committee of the board of directors of the Additional Obligor:

   (a) approving the terms of, and the transactions contemplated by, the Accession Deed and the Finance Documents and resolving that it execute, deliver and perform the Accession Deed and any other Finance Document to which it is party;

   (b) authorising a specified person or persons to execute the Accession Deed and other Finance Documents on its behalf;

   (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all other documents and notices (including, in relation to an Additional Borrower, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party; and

   (d) authorising the Parent to act as its agent in connection with the Finance Documents.

4. If applicable, a copy of a resolution of the board of directors of the Additional Obligor, establishing the committee referred to in paragraph 3 above.

5. A specimen of the signature of each person authorised by the resolution referred to in paragraph 3 above.

6. If required by local law, a copy of a resolution signed by all the holders of the issued shares of the Additional Obligor, approving the terms of, and the transactions contemplated by, the Finance Documents to which the Additional Guarantor is a party.

7. If applicable, a certificate of the Additional Obligor (signed by a director) confirming that borrowing or guaranteeing or securing, as appropriate, the Total Commitments would not cause any borrowing, guarantee, security or similar limit binding on it to be exceeded.

8. A certificate of an authorised signatory of the Additional Obligor certifying that each copy document listed in this Part II of Schedule 2 is correct, complete and in full force and effect and has not been amended or superseded as at a date no earlier than the date of the Accession Deed.

9. A copy of any other authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration or other document, opinion or assurance which the Agent (acting reasonably) considers to be necessary or desirable in connection with the entry into and performance of the transactions contemplated by the Accession Letter or for the validity and enforceability of any Finance Document.

10. If available, a copy of the latest audited financial statements of the Additional Obligor.

11. The following legal opinions, each addressed to the Agent, the Security Agent and the Lenders:

    (a) A legal opinion of the legal advisers to the Agent in England, as to English law in the form distributed to the Lenders prior to signing the Accession Deed.

    (b) If the Additional Obligor is incorporated in a jurisdiction other than England and Wales or is executing a Finance Document which is governed by a law other than English law, a legal opinion of the legal advisers to (x) the Agent and/or (y) if customary in the relevant jurisdiction, the Group, in the jurisdiction of its incorporation or, as the case may be, the jurisdiction of the governing law of that Finance Document (the "**Applicable Jurisdiction**") as to the law of the Applicable Jurisdiction and in the form distributed to the Lenders prior to signing the Accession Deed.

12. If the proposed Additional Obligor is incorporated in a jurisdiction other than England and Wales, evidence that the process agent specified in Clause 47.2 (*Service of process*), if not an Obligor, has accepted its appointment in relation to the proposed Additional Obligor.

13. Any security documents which, subject to the Agreed Security Principles, are required by the Agent to be executed by the proposed Additional Obligor.

14. Any notices or documents required to be given or executed under the terms of those security documents.

**PART III**
**TRANSACTION SECURITY DOCUMENTS**

1. English law composite debenture granted by each Original Obligor in favour of the Security Agent.

2. Luxembourg law share pledge granted by Cabot Credit Management Group Limited (formerly Cabot Financial Holdings Group Limited) in favour of the Security Agent.

3. Luxembourg law bank account pledge granted by Cabot Financial (Luxembourg) S.A. in favour of the Security Agent.

**SCHEDULE 3**
**REQUESTS AND NOTICES**

**PART I**
**UTILISATION REQUEST**

**Loans**

From: [Borrower] [Parent]*

To: [Agent]

Dated: [•]

Dear Sirs

**Cabot Financial (UK) Limited £295,000,000 Revolving Facility Agreement originally dated 20 September 2012, as amended and/or restated from time to time (the "Facility Agreement")**

1. We refer to the Facility Agreement. This is a Utilisation Request. Terms defined in the Facility Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2. We wish to borrow a Loan on the following terms:

   (a) Borrower: [•]

   (b) Proposed Utilisation Date: [•] (or, if that is not a Business Day, the next Business Day)

   (c) Facility to be utilised: [Tranche 1]/[Tranche 2]

   (d) Amount: £[•] or, if less, the Available Facility

   (e) Currency: [•]

   (f) Purpose: [•]

   (g) Interest Period: [•]

3. Current Ancillary Facilities are as follows:

| Ancillary Facility Type | Lender | Commitment Amount | Drawn Amount of Commitment/ Participations |
|---|---|---|---|

4. We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.

5. [The proceeds of this Loan should be credited to [account]].

6. We confirm that the proceeds of this loan shall not be used to repurchase any Notes.

7. This Utilisation Request is irrevocable.

Yours faithfully

……
authorised signatory for
[the Parent on behalf of [insert name of relevant Borrower]]/ [insert name of Borrower]*

**NOTES:**

* Amend as appropriate. The Utilisation Request can be given by the Borrower or by the Parent.

**PART II**
**UTILISATION REQUEST**

**Letters of Credit**

From: [Borrower] [Parent]*

To: [Agent]

Dated: [•]

Dear Sirs

**Cabot Financial (UK) Limited £295,000,000 Revolving Facility Agreement originally dated 20 September 2012, as amended and/or restated from time to time (the "Facility Agreement")**

1. We refer to the Facility Agreement. This is a Utilisation Request. Terms defined in the Facility Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2. We wish to arrange for a Letter of Credit to be issued by the Issuing Bank specified below (which has agreed to do so) on the following terms:

   (a) Borrower: [•]

   (b) Issuing Bank: [•]

   (c) Proposed Utilisation Date: [•] (or, if that is not a Business Day, the next Business Day)

   (d) Facility to be utilised: [Tranche 1]/[Tranche 2]

   (e) Amount: £[•] or, if less, the Available Facility

   (f) Currency: [•]

   (g) Purpose: [•]

   (h) Term: [•]

3. Current Letters of Credit are as follows (including under this Utilisation Request):

| Ancillary Facility Type | Lender | Commitment Amount | Drawn Amount of Commitment/ Participations |
|---|---|---|---|

4. We confirm that each condition specified in paragraph (b) (or, to the extent applicable, paragraph (c)), of Clause 6.5 (*Issue of Letters of Credit*) is satisfied on the date of this Utilisation Request.

5. We attach a copy of the proposed Letter of Credit.

6. The purpose of this proposed Letter of Credit is [•].

7. This Utilisation Request is irrevocable.

Yours faithfully,

……
authorised signatory for
[the Parent on behalf of] [insert name of relevant Borrower]]/[insert name of Relevant Borrower]*

**NOTES:**

* **AMEND AS APPROPRIATE. THE UTILISATION REQUEST CAN BE GIVEN BY THE BORROWER OR BY THE PARENT.**

**SCHEDULE 4**
**FORM OF TRANSFER CERTIFICATE**

To: [•] as Agent and [•] as Security Agent

From: [The Existing Lender] (the "**Existing Lender**") and [The New Lender] (the "**New Lender**")

Dated:

**Cabot Financial (UK) Limited £295,000,000 Revolving Facility Agreement**
**originally dated 20 September 2012, as amended and/or restated from time to time (the "Facility Agreement")**

1. We refer to the Facility Agreement and to the Intercreditor Agreement (as defined in the Facility Agreement). This agreement (the "**Agreement**") shall take effect as a Transfer Certificate for the purpose of the Facility Agreement and as a Creditor/Agent Accession Undertaking for the purposes of the Intercreditor Agreement (and as defined in the Intercreditor Agreement). Terms defined in the Facility Agreement have the same meaning in this Agreement unless given a different meaning in this Agreement.

2. We refer to Clause 30.5 (*Procedure for transfer*) of the Facility Agreement:

   (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender's Commitment, rights and obligations referred to in the Schedule in accordance with Clause 30.5 (*Procedure for transfe*r).

   (b) The proposed Transfer Date is [•].

   (c) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 38.2 (*Addresses*) are set out in the Schedule.

3. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (c) of Clause 30.4 (*Limitation of responsibility of Existing Lenders*).

4. The New Lender confirms that it [is]/[is not]* a Sponsor Affiliate.

5. The New Lender confirms that it [is]/[is not]** incorporated or established, and does not carry on business, in a jurisdiction that is a Sanctioned Country.

6. The New Lender confirms that it [is]/[is not]*** a Sanctioned Person.

7. The New Lender confirms that it [is]/[is not]**** a Competitor.

8. [The New Lender confirms (for the benefit of the Agent without liability to any Obligor) that it is:

   (a) [a Qualifying Lender (other than a Treaty Lender);]

(b) [a Treaty Lender;]

(c) [not a Qualifying Lender].

9. [The New Lender confirms that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:

(a) a company resident in the United Kingdom for United Kingdom tax purposes;

(b) a partnership each member of which is:

(i) a company so resident in the United Kingdom; or

(ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or

(c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.]

10. [The New Lender confirms that it holds a passport under the HMRC DT Treaty Passport scheme (reference number [•]) and is tax resident in [•], so that interest payable to it by UK borrowers is generally subject to full exemption from UK withholding tax and requests that the Parent notify:

(a) each Borrower which is a Party as a Borrower as at the Transfer Date; and

(b) each Additional Borrower which becomes an Additional Borrower after the Transfer Date,

that it wishes that scheme to apply to this Agreement.]

11. We refer to clause 19.5 (*Change of Senior Creditor*) of the Intercreditor Agreement, and in consideration of the New Lender being accepted as a Senior Creditor for the purposes of the Intercreditor Agreement (and as defined therein), the New Lender confirms that, as from the Transfer Date, it intends to be party to the Intercreditor Agreement as a Senior Creditor, and undertakes to perform all the obligations expressed in the Intercreditor Agreement to be assumed by a Senior Creditor and agrees that it shall be bound by all the provisions of the Intercreditor Agreement, as if it had been an original party to the Intercreditor Agreement.

12. This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

13. This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

14. This Agreement has been entered into on the date stated at the beginning of this Agreement.

**Note: The execution of this Transfer Certificate may not transfer a proportionate share of the Existing Lender's interest in the Transaction Security in all jurisdictions. It is the responsibility of the New Lender to ascertain whether any other documents or other formalities are required to perfect a transfer of such a share in the Existing Lender's Transaction Security in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.**

* Delete as applicable

** Delete as applicable

*** Delete as applicable

**** Delete as applicable

**THE SCHEDULE**
**Commitment/rights and obligations to be transferred**

[*insert relevant details*]

[*Facility Office address, fax number and attention details for notices and account details for payments*,]

[Existing Lender] [New Lender]

By: By:

This Agreement is accepted as a Transfer Certificate for the purposes of the Facility Agreement by the Agent, and as a Creditor/Agent Accession Undertaking for the purposes of the Intercreditor Agreement by the Security Agent, and the Transfer Date is confirmed as [•].

[Agent]

By:

[Security Agent]

By:

**SCHEDULE 5**
**FORM OF ASSIGNMENT AGREEMENT**

To: [•] as Agent, [•] as Security Agent, [•] as Parent, for and on behalf of each Obligor

From: [the Existing Lender] (the "**Existing Lender**") and [the New Lender] (the "**New Lender**")

Dated:

**Cabot Financial (UK) Limited £295,000,000 Revolving Facility Agreement originally dated 20 September 2012, as amended and/or restated from time to time (the "Facility Agreement")**

1. We refer to the Facility Agreement and to the Intercreditor Agreement (as defined in the Facility Agreement). This is an Assignment Agreement. This agreement (the "**Agreement**") shall take effect as an Assignment Agreement for the purpose of the Facility Agreement and as a Creditor/Agent Accession Undertaking for the purposes of the Intercreditor Agreement (and as defined in the Intercreditor Agreement). Terms defined in the Facility Agreement have the same meaning in this Agreement unless given a different meaning in this Agreement.

2. We refer to Clause 30.6 (*Procedure for assignment*) of the Facility Agreement:

   (a) The Existing Lender assigns absolutely to the New Lender all the rights of the Existing Lender under the Facility Agreement, the other Finance Documents and in respect of the Transaction Security which correspond to that portion of the Existing Lender's Commitments and participations in Utilisations under the Facility Agreement as specified in the Schedule.

   (b) The Existing Lender is released from all the obligations of the Existing Lender which correspond to that portion of the Existing Lender's Commitments and participations in Utilisations under the Facility Agreement specified in the Schedule.

   (c) The New Lender becomes a Party as a Lender and is bound by obligations equivalent to those from which the Existing Lender is released under paragraph (b) above.

3. The proposed Transfer Date is [•].

4. On the Transfer Date the New Lender becomes:

   (a) Party to the relevant Finance Documents (other than the Intercreditor Agreement) as a Lender; and

   (b) Party to the Intercreditor Agreement as a Senior Creditor.

5. The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 38.2 (*Addresses*) are set out in the Schedule.

6. The New Lender confirms that it [is]/[is not]* a Sanctioned Person.

7. The New Lender confirms that it [is]/[is not]** a Sponsor Affiliate.

8. The New Lender confirms that it [is]/[is not]*** incorporated or established, and does not carry on business, in a jurisdiction that is a Sanctioned Country.

9. The New Lender confirms that it [is]/[is not]**** a Competitor.

10. The New Lender confirms (for the benefit of the Agent and without liability to any Obligor) that it is:

    (a) [a Qualifying Lender (other than a Treaty Lender);]

    (b) [a Treaty Lender;]

    (c) [not a Qualifying Lender]

11. [The New Lender confirms that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:

    (a) a company resident in the United Kingdom for United Kingdom tax purposes;

    (b) a partnership each member of which is:

        (i) a company so resident in the United Kingdom; or

        (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or

    (c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.]

12. The New Lender confirms that it that holds a passport under the HMRC DT Treaty Passport scheme (reference number [•]) and is tax resident in [•], so that interest payable to it by UK borrowers is generally subject to full exemption from UK withholding tax and requests that the Parent notify:

    (a) each Borrower which is a Party as a Borrower as at the Transfer Date; and

    (b) each Additional Borrower which becomes an Additional Borrower after the Transfer Date,

    that it wishes that scheme to apply to this Agreement.

13. We refer to clause 19.5 (*Change of Senior Creditor*) of the Intercreditor Agreement. In consideration of the New Lender being accepted as a Senior Creditor for the purposes of the Intercreditor Agreement (and as defined in the Intercreditor Agreement), the New Lender confirms that, as from the Transfer Date, it intends to be party to the Intercreditor Agreement as a Senior Creditor, and undertakes to perform all the obligations expressed in the Intercreditor Agreement to be assumed by a Senior Creditor and agrees that it shall be bound by all the provisions of the Intercreditor Agreement, as if it had been an original party to the Intercreditor Agreement.

14. This Agreement acts as notice to the Agent (on behalf of each Finance Party) and, upon delivery in accordance with Clause 30.7 (*Copy of Transfer Certificate or Assignment Agreement to Parent*), to the Parent (on behalf of each Obligor) of the assignment referred to in this Agreement.

15. This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

16. This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

17. This Agreement has been entered into on the date stated at the beginning of this Agreement.

**Note: The execution of this Assignment Agreement may not transfer a proportionate share of the Existing Lender's interest in the Transaction Security in all jurisdictions. It is the responsibility of the New Lender to ascertain whether any other documents or other formalities are required to perfect a transfer of such a share in the Existing Lender's Transaction Security in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.**

* Delete as applicable

** Delete as applicable

*** Delete as applicable

**** Delete as applicable

**THE SCHEDULE**
**Commitment/rights and obligations to be transferred by assignment, release and accession**

[*insert relevant details*]

[*Facility office address, fax number and attention details for notices and account details for payments*]

[Existing Lender] [New Lender]

By: By:

This Agreement is accepted as an Assignment Agreement for the purposes of the Facility Agreement by the Agent, and as a Creditor/Agent Accession Undertaking for the purposes of the Intercreditor Agreement by the Security Agent, and the Transfer Date is confirmed as [•].

Signature of this Agreement by the Agent constitutes confirmation by the Agent of receipt of notice of the assignment referred to in this Agreement, which notice the Agent receives on behalf of each Finance Party.

[Agent]

By:

[Security Agent]

By:

**SCHEDULE 6**
**FORM OF ACCESSION DEED**

To: [•] as Agent and [•] as Security Agent for itself and each of the other parties to the Intercreditor Agreement referred to below

From: [Subsidiary] and [Parent]

Dated: [•]

Dear Sirs

**Cabot Financial (UK) Limited £295,000,000 Revolving Facility Agreement originally dated 20 September 2012, as amended and/or restated from time to time (the "Facility Agreement")**

1. We refer to the Facility Agreement and to the Intercreditor Agreement. This deed (the "**Accession Deed**") shall take effect as an Accession Deed for the purposes of the Facility Agreement and as a Debtor Accession Deed for the purposes of the Intercreditor Agreement (and as defined in the Intercreditor Agreement). Terms defined in the Facility Agreement have the same meaning in paragraphs 1-3 of this Accession Deed unless given a different meaning in this Accession Deed.

2. [Subsidiary] agrees to become an Additional [Borrower]/[Guarantor] and to be bound by the terms of the Facility Agreement and the other Finance Documents (other than the Intercreditor Agreement) as an Additional [Borrower]/[Guarantor] pursuant to Clause [32.2 (*Additional Borrowers*)]/[Clause 32.4 (*Additional Guarantors*)] of the Facility Agreement. [Subsidiary] is a company duly incorporated under the laws of [name of relevant jurisdiction] and is a limited [partnership][liability company][and registered number [•]].

3. [Subsidiary's] administrative details for the purposes of the Facility Agreement and the Intercreditor Agreement are as follows:

   Address: [•]

   Fax No.: [•]

   Attention: [•]

   **IT IS AGREED** as follows:

   (a) Terms defined in the Intercreditor Agreement shall, unless otherwise defined in this Accession Deed, bear the same meaning when used in this paragraph (a).

   (b) The Acceding Debtor and the Security Agent agree that the Security Agent shall hold:

      (i) the Transaction Security;

      (ii) all proceeds of the Transaction Security; and

(iii) all obligations expressed to be undertaken by the Acceding Debtor to pay amounts in respect of the Liabilities to the Security Agent as trustee for the Secured Parties and secured by the Transaction Security together with all representations and warranties expressed to be given by the Acceding Debtor in favour of the Security Agent as trustee for the Secured Parties,

on trust for the Secured Parties on the terms and conditions contained in the Intercreditor Agreement.

(c) The Acceding Debtor confirms that it intends to be party to the Intercreditor Agreement as a Debtor, undertakes to perform all the obligations expressed to be assumed by a Debtor under the Intercreditor Agreement and agrees that it shall be bound by all the provisions of the Intercreditor Agreement as if it had been an original party to the Intercreditor Agreement.

(d) [In consideration of the Acceding Debtor being accepted as an Intra Group Lender for the purposes of the Intercreditor Agreement, the Acceding Debtor also confirms that it intends to be party to the Intercreditor Agreement as an Intra Group Lender, and undertakes to perform all the obligations expressed in the Intercreditor Agreement to be assumed by an Intra Group Lender and agrees that it shall be bound by all the provisions of the Intercreditor Agreement, as if it had been an original party to the Intercreditor Agreement].

(e) [*Language to be included, appointing the Parent to act as Obligors' Agent on the [Subsdiary's] behalf, in the same terms as the other Obligors have appointed the Parent to act as Obligors' Agent under the December 2017 Amendment and Restatement Agreement.*]

4. This Accession Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

**THIS ACCESSION DEED** has been signed on behalf of the Security Agent (for the purposes of paragraph 4 above only), signed on behalf of the Parent and executed as a deed by [Subsidiary] and is delivered on the date stated above.

[**Subsidiary**]

[EXECUTED AS A DEED )
By: [Subsidiary] )

_____ Director

_____ Director/Secretary

***OR***

[EXECUTED AS A DEED
By: [Subsidiary]

_____ Signature of Director

_____ Name of Director

in the presence of

_____ Signature of witness

_____ Name of witness

_____ Address of witness

_____

_____

_____

_____ Occupation of witness]

**The Parent**

_____ [Parent]
By:

**The Security Agent**
[*Full Name of Current Security Agent*]
By:
Date:

**SCHEDULE 7**
**FORM OF RESIGNATION LETTER**

To: [•] as Agent

From: [resigning Obligor] and [Parent]

Dated: [•]

Dear Sirs

**Cabot Financial (UK) Limited £295,000,000 Revolving Facility Agreement originally dated 20 September 2012, as amended and/or restated from time to time (the "Facility Agreement")**

1. We refer to the Facility Agreement. This is a Resignation Letter. Terms defined in the Facility Agreement have the same meaning in this Resignation Letter unless given a different meaning in this Resignation Letter.

2. Pursuant to [Clause 32.3 (*Resignation of a Borrower*)]/[Clause 32.5 (*Resignation of a Guarantor*)], we request that [resigning Obligor] be released from its obligations as a [Borrower]/[Guarantor] under the Facility Agreement and the Finance Documents (other than the Intercreditor Agreement).

3. We confirm that:

   (a) no Default is continuing or would result from the acceptance of this request; and

   (b) *[[this request is given in relation to a Third Party Disposal of [resigning Obligor];

   (c) [•]

4. This Resignation Letter and any non-contractual obligations arising out of or in connection with it are governed by English law.

   [Parent] [resigning Obligor]

   By: By:

**NOTES**

*** Insert where resignation only permitted in case of a Third Party Disposal.**

**SCHEDULE 8**
**FORM OF COMPLIANCE CERTIFICATE**

To: [•] as Agent

From: [Parent]

Dated: [•]

Dear Sirs

**Cabot Financial (UK) Limited £295,000,000 Revolving Facility Agreement**
**originally dated 20 September 2012, as amended and/or restated from time to time (the "Facility Agreement")**

1. We refer to the Facility Agreement. This is a [revised]* Compliance Certificate [given under Clause 26.4 (*Equity cure*)* of the Facility Agreement]. Terms defined in the Facility Agreement have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

2. We confirm that:

   We confirm that the LTV Ratio is [•].

   We confirm that the SSRCF LTV Ratio is [•]

   As at [•] ERC is [•]

3. [We confirm that no Default is continuing.]**

4. [We confirm that the following companies constitute Material Companies for the purposes of the Facility Agreement: [•].]

   [We confirm that the aggregate of the earnings before interest, tax, depreciation and amortisation (calculated on the same basis as Consolidated EBITDA) and aggregate gross assets (excluding goodwill) of the Guarantors (calculated on an unconsolidated basis and excluding all intra-Restricted Group items and investments in Subsidiaries of any member of the Restricted Group) exceeds 85 per cent. of the Consolidated EBITDA and consolidated gross assets (excluding goodwill) of the Restricted Group.]

Signed …….. ……..
Director Of [Parent] Director Of [Parent]

[insert applicable certification language]

……..
for and on behalf of
[name of Auditors of the Parent]***

**NOTES**:

* Include this wording where the Parent has made an election under Clause 26.4 (*Equity cure*) in the 20 Business Day period after delivery of the original Compliance Certificate and is now delivering a revised Compliance Certificate.

** If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.

*** Only applicable if the Compliance Certificate accompanies the audited financial statements and is to be signed by the Auditors.

**SCHEDULE 9**
**LMA FORM OF CONFIDENTIALITY UNDERTAKING**

To: [•]

From: [•]

Dated: [•]

**Cabot Financial (UK) Limited £295,000,000 Revolving Facility Agreement**
**originally dated 20 September 2012, as amended and/or restated from time to time (the "Facility Agreement")**

Dear Sirs

We understand that you are considering participating in the Facilities. In consideration of us agreeing to make available to you certain information, by your signature of a copy of this letter you agree as follows:

(A) **CONFIDENTIALITY**

1. **CONFIDENTIALITY UNDERTAKING**

You undertake:

1.1 to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by paragraph (A)2 below and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to your own confidential information;

1.2 to keep confidential and not disclose to anyone except as provided for by paragraph (A)2 below the fact that the Confidential Information has been made available or that discussions or negotiations are taking place or have taken place between us in connection with the Facilities; and

1.3 to use the Confidential Information only for the Permitted Purpose.

2. **PERMITTED DISCLOSURE**

We agree that you may disclose such Confidential Information and such of those matters referred to in paragraph (A)1.2 above as you shall consider appropriate:

2.1 to members of the Participant Group and their officers, directors, employees, professional advisers, reinsurers and auditors if any person to whom the Confidential Information is to be given pursuant to this paragraph (A)2.1 is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information, except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;

2.2 to any person to whom information is required or requested to be disclosed by any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation; and

2.3 with the prior written consent of us and the Company.

3. **NOTIFICATION OF DISCLOSURE**

You agree (to the extent permitted by law and regulation) to inform us:

3.1 of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (A)2.3 above except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and

3.2 upon becoming aware that Confidential Information has been disclosed in breach of this letter.

4. **RETURN OF COPIES**

If you do not participate in the Facilities and we so request in writing, you shall return all Confidential Information supplied to you by us and destroy or permanently erase (to the extent technically practicable) all copies of Confidential Information made by you and use your reasonable endeavours to ensure that anyone to whom you have supplied any Confidential Information destroys or permanently erases (to the extent technically practicable) such Confidential Information and any copies made by them, in each case save to the extent that you or the recipients are required to retain any such Confidential Information by any applicable law, rule or regulation or by any competent judicial, governmental, supervisory or regulatory body or in accordance with internal policy, or where the Confidential Information has been disclosed under paragraph (A)2.2 above.

5. **CONTINUING OBLIGATIONS**

The obligations in this letter are continuing and, in particular, shall survive the termination of any discussions or negotiations between you and us. Notwithstanding the previous sentence, the obligations in Part (A) of this letter shall cease on the earlier of (a) the date on which you become a party to the Facility Agreement or (b) [twelve] Months after the date of this letter.

6. **NO REPRESENTATION; CONSEQUENCES OF BREACH, ETC**

You acknowledge and agree that:

6.1 neither we nor any of our officers, employees or advisers (each a "Relevant Person") (i) make any representation or warranty, express or implied, as to, or assume any responsibility for, the accuracy, reliability or completeness of any of the Confidential Information or any other information supplied by us or any member of the Group or the assumptions on which it is based or (ii) shall be under any obligation to update or correct any inaccuracy in the Confidential Information or any other information supplied by us

or any member of the Group or be otherwise liable to you or any other person in respect of the Confidential Information or any such information; and

6.2 we or members of the Group may be irreparably harmed by the breach of the terms of this letter and damages may not be an adequate remedy; each Relevant Person or member of the Group may be granted an injunction or specific performance for any threatened or actual breach of the provisions of this letter by you.

7. **ENTIRE AGREEMENT; NO WAIVER; AMENDMENTS, ETC**

7.1 This letter constitutes the entire agreement between us in relation to your obligations regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

7.2 No failure or delay in exercising any right or remedy under this letter will operate as a waiver thereof nor will any single or partial exercise of any right or remedy preclude any further exercise thereof or the exercise of any other right or remedy under this letter.

7.3 The terms of this letter and your obligations under this letter may only be amended or modified by written agreement between us.

8. **INSIDE INFORMATION**

You acknowledge that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and you undertake not to use any Confidential Information for any unlawful purpose.

9. **NATURE OF UNDERTAKINGS**

The undertakings given by you under Part (A) of this letter are given to us and (without implying any fiduciary obligations on our part) are also given for the benefit of the Company and each other member of the Group. The Parent (as defined in the Facility Agreement) may rely on this letter as if it were a party to it.

(B) **MISCELLANEOUS**

**THIRD PARTY RIGHTS**

9.1 Subject to this paragraph (B)1 and to paragraphs (A)6 and (A)9, a person who is not a party to this letter has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce or to enjoy the benefit of any term of this letter.

9.2 The Relevant Persons and each member of the Group may enjoy the benefit of the terms of paragraphs (A)6 and (A)9 subject to and in accordance with this paragraph (B)1 and the provisions of the Third Parties Act.

9.3 Notwithstanding any provisions of this letter, the parties to this letter do not require the consent of any Relevant Person or any member of the Group to rescind or vary this letter at any time.

**GOVERNING LAW AND JURISDICTION**

9.4 This letter and the agreement constituted by your acknowledgement of its terms (the "**Letter**") and any non-contractual obligations arising out of or in connection with it (including any non-contractual obligations arising out of the negotiation of the transaction contemplated by this Letter) are governed by English law.

9.5 The courts of England have non-exclusive jurisdiction to settle any dispute arising out of or in connection with this Letter (including a dispute relating to any non-contractual obligation arising out of or in connection with either this Letter or the negotiation of the transaction contemplated by this Letter).

10. **DEFINITIONS**

In this letter (including the acknowledgement set out below):

"**Arranger Group**" means us, each of our holding companies and subsidiaries and each subsidiary of each of our holding companies (as each such term is defined in the Companies Act 2006) and each of our or their directors, officers and employees (including any sales and trading teams) **provided that** when used in this letter in respect of an Arranger it applies severally only in respect of that Arranger, each of that Arranger's holding companies and subsidiaries, each subsidiary of each of its holding companies and each director, officer and employee (including any sales and trading teams) of that Arranger or any of the foregoing and not, for the avoidance of doubt, those of another Arranger.

"**Confidential Information**" means all information relating to the Parent, any Obligor, the Group, the Finance Documents and/or the Facilities which is provided to you in relation to the Finance Documents or Facilities by us or any of our affiliates or advisers, in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

(a) is or becomes public information other than as a direct or indirect result of any breach by you of this letter; or

(b) is identified in writing at the time of delivery as non-confidential by us or our advisers; or

(c) is known by you before the date the information is disclosed to you by us or any of our affiliates or advisers or is lawfully obtained by you after that date, from a source which is, as far as you are aware, unconnected with the Group and which, in either case, as far as you are aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

"**Facilities**" means the facilities under the Facility Agreement.

"**Finance Documents**" means the documents defined in the Facility Agreement as Finance Documents.

"**Group**" means the Parent and its subsidiaries for the time being (as such term is defined in the Companies Act 2006).

"**Obligor**" means a borrower or a guarantor under the Facility Agreement.

"**Participant Group**" means you, each of your holding companies and subsidiaries and each subsidiary of each of your holding companies (as each such term is defined in the Companies Act 2006).

"**Permitted Purpose**" means considering and evaluating whether to enter into the Facilities.

"**Syndication**" means the primary syndication of the Facilities.

Please acknowledge your agreement to the above by signing and returning the enclosed copy.

Yours faithfully

….....
For and on behalf of
[Arranger]

To: [Arranger]

The Parent and each other member of the Group

We acknowledge and agree to the above:

….....
For and on behalf of
[Potential Lender]

# SCHEDULE 10
# TIMETABLES

## PART I
## LOANS

| | **Loans in sterling** | **Loans in euros** | **Loans in other currencies** |
|---|---|---|---|
| Agent notifies the Parent if a currency is approved as an Optional Currency in accordance with Clause 4.3 (*Conditions relation to Optional Currencies*) | | | U-4 |
| Delivery of a duly completed Utilisation Request (Clause 5.1 (*Delivery of a Utilisation Request*)) | U-1<br>9.30 a.m. | U-3<br>9.30am | U-3<br>9.30am |
| Agent determines (in relation to a Utilisation) the Base Currency Amount of the Loan, if required under Clause 5.4 (*Lenders' participation*) and notifies the Lenders of the Loan in accordance with Clause 5.4 (*Lenders' participation*) | U-1<br>Noon | U-3<br>Noon | U-3<br>Noon |
| Agent receives a notification from a Lender under Clause 8.2 (*Unavailability of a currency*) | | Quotation Day as of 9:30 a.m. | Quotation Day as of 9:30 a.m. |
| Agent gives notice in accordance with Clause 8.2 (*Unavailability of a currency*) | | Quotation Day as of 5:30 p.m. | Quotation Day as of 5:30 p.m. |
| LIBOR or EURIBOR is fixed | Quotation Day as of 11:00 a.m. | Quotation Day as of 11:00 a.m. in respect of LIBOR and as of 11.00 a.m. (Brussels time) in respect of EURIBOR | Quotation Day as of 11:00 a.m. |
| Base Reference Bank Rate calculated by reference to available quotations in accordance with Clause 16.2 (*Calculation of Base Reference Bank Rate and Alternative Reference Bank Rate*) | Noon on the Quotation Day in respect of LIBOR and Quotation Day 11:30 a.m. (Brussels time) in respect of EURIBOR | Noon on the Quotation Day | Noon on the Quotation Day in respect of LIBOR |
| Alternative Reference Bank Rate calculated by reference to available quotations in accordance with Clause 16.2 (*Calculation of Base Reference Bank Rate and Alternative Reference Bank Rate*) | Close of business in London on the date falling one Business Day after the Quotation Day | Close of business in London on the date falling one Business Day after the Quotation Day | Close of business in London on the date falling one Business Day after the Quotation Day in respect of LIBOR |

"U" = date of utilisation.

"U - X" = X Business Days prior to date of utilisation

**PART II**
**LETTERS OF CREDIT**

| | **Letters of Credit** |
|---|---|
| Delivery of a duly completed Utilisation Request (Clause 6.2 (*Delivery of a Utilisation Request for Letters of Credit*)) | U-4 9:30 a.m. |
| Agent notifies the relevant Issuing Bank and Lenders of the Letter of Credit in accordance with paragraph (d) of Clause 6.5 (*Issue of Letters of Credit*). | U-1 10.30 a.m. |
| Delivery of duly completed Renewal Request (Clause 6.6 (*Renewal of a Letter of Credit*)) | U-4 9:30 a.m. |

"U" = date of utilisation[, or, if applicable, in the case of a Letter of Credit to be renewed in accordance with Clause 6.6 (*Renewal of a Letter of Credit*), the first day of the proposed term of the renewed Letter of Credit]

"U-X" = Business Days prior to date of utilisation

**SCHEDULE 11**
**LETTER OF CREDIT REQUIREMENTS**

| | |
|---|---|
| Stand-by Letters of Credit: | Stand-by Letters of Credit shall be issued subject to the International Standby Practices (ISP 98), International Chamber of Commerce Publication No. 590. |
| Amount: | The proposed wording for the Letter of Credit shall only provide for the payment of the face amount but not additional interest or costs. |
| Reference to Underlying transaction: | The terms of an Letter of Credit must contain a narrative reference to what has been reported to the Agent about the underlying transaction but must not contain any confirmation with regard to facts of the underlying contract. |
| Purpose clause: | The terms of an Letter of Credit must contain a purpose clause to cover the relevant Borrower's or Borrower's affiliate's obligations arising from the underlying transaction. |
| Payment obligation: | The payment obligation of the Issuing Bank must be worded as an irrevocable obligation to pay a specific aggregate maximum amount of money and not for specific performance of the underlying contract. |
| No conflict or inconsistency with applicable law and/or rules: | Any terms of an Letter of Credit must not conflict or provide for inconsistency with applicable laws, regulations, rules, directions and ruling as well as all relevant decisions and rulings of any competent courts and any other competent authorities. |
| Excluded rules: | In no event, the Uniform Rules for Contract Guarantees of the International Chamber of Commerce in Paris, Publication No. 325 shall be applicable. |
| Expiry: | Each Letter of Credit must contain a provision stating when the obligation of the Issuing Bank under the Letter of Credit shall terminate (e.g. specific expiration date, return of Letter of Credit deed, release letter), which shall not be linked to events in the underlying contract and not be subject to interpretation. |
| Maturity / Demand: | Except if subject to ICC Rules the payment obligation of the Issuing Bank shall be determinable by reliance on the terms of the Letter of Credit and, as the case may be, any other document simultaneously to be presented together with a demand. |
| | The payment obligation shall be conditional upon presentation of a demand for payment with or, as the case may be, without simultaneous presentation of other documents. |
| | The terms of the Letter of Credit shall provide that receipt of a formally valid demand for payment has to be made to the Issuing Bank by the expiry date at the latest and confirm that thereafter no further demand shall be honoured and the Letter of Credit must be returned to the Issuing Bank. |
| Miscellaneous: | The terms of the Letter of Credit shall not provide for: |

| | |
|---|---|
| | • inter-dependence between Issuing Bank's payment obligation and events in the underlying contract to be checked but out of Issuing Bank's control;<br>• any other terms and conditions that expose the Issuing Bank to risks unusual to Letter of Credit undertakings;<br>• an arbitration clause in respect of the payment obligation of the Issuing Bank; or<br>• reduction provisions other than by a specific amount on a specified date. |

**SCHEDULE 12**
**FORM OF LETTER OF CREDIT**

To: [Beneficiary] (the "**Beneficiary**")

Date: [•]

**Irrevocable Standby Letter of Credit no. [•]**

At the request of [•], [Issuing Bank] (the "**Issuing Bank**") issues this irrevocable standby Letter of Credit ("**Letter of Credit**") in your favour on the following terms and conditions:

1. **Definitions**

In this Letter of Credit:

"**Business Day**" means a day (other than a Saturday or a Sunday) on which banks are open for general business in [London].*

"**Demand**" means a demand for a payment under this Letter of Credit in the form of the schedule to this Letter of Credit.

"**Expiry Date**" means [•].

"**Total L/C Amount**" means [•].

2. **Issuing Bank's agreement**

(a) The Beneficiary may request a drawing or drawings under this Letter of Credit by giving to the Issuing Bank a duly completed Demand. A Demand must be received by the Issuing Bank by no later than [•] p.m. ([London] time) on the Expiry Date.

(b) Subject to the terms of this Letter of Credit, the Issuing Bank unconditionally and irrevocably undertakes to the Beneficiary that, within [ten (10)] Business Days of receipt by it of a Demand, it must pay to the Beneficiary the amount demanded in that Demand.

(c) The Issuing Bank will not be obliged to make a payment under this Letter of Credit if as a result the aggregate of all payments made by it under this Letter of Credit would exceed the Total L/C Amount.

3. **Expiry**

(a) The Issuing Bank will be released from its obligations under this Letter of Credit on the date (if any) notified by the Beneficiary to the Issuing Bank as the date upon which the obligations of the Issuing Bank under this Letter of Credit are released.

(b) Unless previously released under paragraph (a) above, on [•] p.m.([London] time) on the Expiry Date the obligations of the Issuing Bank under this Letter of

Credit will cease with no further liability on the part of the Issuing Bank except for any Demand validly presented under the Letter of Credit that remains unpaid.

(c) When the Issuing Bank is no longer under any further obligations under this Letter of Credit, the Beneficiary must return the original of this Letter of Credit to the Issuing Bank.

4. **Payments**

All payments under this Letter of Credit shall be made in [•] and for value on the due date to the account of the Beneficiary specified in the Demand.

5. **Delivery of Demand**

Each Demand shall be in writing, and, unless otherwise stated, may be made by letter, fax or telex and must be received in legible form by the Issuing Bank at its address and by the particular department or office (if any) as follows:

[•]

6. **Assignment**

The Beneficiary's rights under this Letter of Credit may not be assigned or transferred.

7. **ISP**

Except to the extent it is inconsistent with the express terms of this Letter of Credit, this Letter of Credit is subject to the International Standby Practices (ISP 98), International Chamber of Commerce Publication No. 590.

8. **Governing Law**

This Letter of Credit and any non-contractual obligations arising out of or in connection with it are governed by English law.

9. **Jurisdiction**

The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Letter of Credit (including a dispute relating to any non-contractual obligation arising out of or in connection with this Letter of Credit).

Yours faithfully

[Issuing Bank]
By:

**NOTES**:

* **THIS MAY NEED TO BE AMENDED DEPENDING ON THE CURRENCY OF PAYMENT UNDER THE LETTER OF CREDIT.**

**SCHEDULE**
**FORM OF DEMAND**

To: [ISSUING BANK]

[Date]

Dears Sirs

Standby Letter of Credit no. [•] issued in favour of [BENEFICIARY] (the "**Letter of Credit**")

We refer to the Letter of Credit. Terms defined in the Letter of Credit have the same meaning when used in this Demand.

We certify that the sum of [•] is due [and has remained unpaid for at least [•] Business Days] [under [set out underlying contract or agreement and does not exceed the Total L/C Amount]]. We therefore demand payment of the sum of [•].

10. Payment should be made to the following account:

Name: [•]

Account Number: [•]

Bank: [•]

11. The date of this Demand is not later than the Expiry Date.

Yours faithfully

(Authorised Signatory) (Authorised Signatory)

For

[BENEFICIARY]

**SCHEDULE 13**
**FORMS OF NOTIFIABLE DEBT PURCHASE TRANSACTION NOTICE**

**PART I**
**FORM OF NOTICE OF ENTERING INTO NOTIFIABLE DEBT PURCHASE TRANSACTION**

To: [•] as Agent

From: [The Lender]

Dated:

**Cabot Financial (UK) Limited £295,000,000 Revolving Facility Agreement originally dated 20 September 2012, as amended and/or restated from time to time (the "Facility Agreement")**

1. We refer to paragraph (b) of Clause 31.2 (*Disenfranchisement on Debt Purchase Transactions entered into by Sponsor Affiliates*) of the Facility Agreement. Terms defined in the Facility Agreement have the same meaning in this notice unless given a different meaning in this notice.

2. We have entered into a Notifiable Debt Purchase Transaction.

3. The Notifiable Debt Purchase Transaction referred to in paragraph 2 above relates to the amount of our Commitment(s) as set out below.

| **Commitment** | **Amount of our Commitment to which Notifiable Debt Purchase Transaction relates (Base Currency)** |
|---|---|
| [•] | [•] |

[Lender]

By:

**PART II**
**FORM OF NOTICE ON TERMINATION OF NOTIFIABLE DEBT PURCHASE TRANSACTION**

To: [•] as Agent

From: [The Lender]

Dated: [•]

**Cabot Financial (UK) Limited £295,000,000 Revolving Facility Agreement originally dated 20 September 2012, as amended and/or restated from time to time (the "Facility Agreement")**

1. We refer to paragraph (c) of Clause 31.2 (*Disenfranchisement on Debt Purchase Transactions entered into by Sponsor Affiliates*) of the Facility Agreement. Terms defined in the Facility Agreement have the same meaning in this notice unless given a different meaning in this notice.

2. A Notifiable Debt Purchase Transaction which we entered into and which we notified you of in a notice dated [•] has [terminated]/[ceased to be with a Sponsor Affiliate].*

3. The Notifiable Debt Purchase Transaction referred to in paragraph 2 above relates to the amount of our Commitment(s) as set out below.

| **[Tranche 1 Commitment]/ [Tranche 2 Commitment]/** | **Amount of our Commitment to which Notifiable Debt Purchase Transaction relates (Base Currency)** |
|---|---|
| [•] | [•] |

[Lender]

By:

**SCHEDULE 14**
**RESTRICTIVE COVENANTS**

**PART I**
**COVENANTS**

1. **Limitation on Indebtedness**

1.1 The Parent shall not, and shall not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); **provided, however, that** the Parent or a Guarantor may Incur Indebtedness if on the date of such Incurrence and after giving *pro forma* effect thereto (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Parent and its Restricted Subsidiaries is greater than 2.0 to 1.0.

1.2 Section 1.1 shall not prohibit the Incurrence of the following Indebtedness:

(a) Indebtedness Incurred pursuant to any Credit Facility (including letters of credit or bankers' acceptances issued or created under any Credit Facility), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) the greater of (x) £250.0 million and (y) 17.5% of ERC, plus (ii) in the case of any refinancing of any Indebtedness permitted under this paragraph (a) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(b)

(A) Guarantees by the Parent or any Restricted Subsidiary of Indebtedness of the Parent or any Restricted Subsidiary in each case so long as the Incurrence of such Indebtedness being guaranteed is permitted under the terms of this Agreement; **provided, that** if the Indebtedness being guaranteed is subordinated to the Facilities, then the guarantee must be subordinated to the Facilities to the same extent as the Indebtedness guaranteed; or

(B) without limiting Section 3 (*Limitation on Liens*), Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Parent or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of this Agreement;

(c) Indebtedness of the Parent owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Parent or any Restricted Subsidiary; **provided, however, that**:

(i) if any Guarantor is the obligor on any such Indebtedness and the obligee is not a Guarantor, it is either a Working Capital Intercompany Loan or

unsecured and expressly subordinated in right of payment to prior payment in full of the Utilisations; and

(ii) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Parent or a Restricted Subsidiary, and any sale or other transfer of any such Indebtedness to a Person other than the Parent or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this paragraph (c) by the Parent or such Restricted Subsidiary, as the case may be;

(d) Indebtedness represented by (i) the 2023 Cabot Notes (other than any Additional Notes (as defined in the 2023 Cabot Notes Indenture)); (ii) any Indebtedness (other than Indebtedness described in paragraphs (a), (c) or (g)) outstanding on the Issue Date, including the Existing Notes, after giving effect to the issuance of the 2023 Cabot Notes and the application of the proceeds thereof; (iii) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this paragraph (d) or paragraph (e) or Incurred pursuant to Section 1.1; (iv) Management Advances and (v) the Proceeds Loan and the Existing Proceeds Loans;

(e) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Parent or any Restricted Subsidiary or (ii) Incurred to provide all or any portion of the funds utilised to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Parent or a Restricted Subsidiary **provided, however,** with respect to this paragraph (e), that at the time of such acquisition or other transaction (x) the Parent would have been able to Incur £1.00 of additional Indebtedness pursuant to Section 1.1 after giving *pro forma* effect to the relevant acquisition and Incurrence of such Indebtedness pursuant to this paragraph (e) or (y) the Fixed Charge Coverage Ratio for the Parent and its Restricted Subsidiaries would not be lower than it was immediately prior to giving effect to such acquisition or other transaction;

(f) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements entered into for bona fide hedging purposes of the Parent or its Restricted Subsidiaries and not for speculative purposes (as determined in good faith by the Board of Directors or senior management of the Parent);

(g) Indebtedness represented by Capitalised Lease Obligations or Purchase Money Obligations, in each case, Incurred for the purpose of financing all or any part of the purchase price, lease expense, rental payments or cost of design, construction, installation or improvement of property, plant or equipment or other assets (including Capital Stock) used in the business of the Parent or any of its Restricted Subsidiaries, and in each case any Refinancing Indebtedness in respect thereof, in an aggregate outstanding principal amount which, when taken together

with the principal amount of all other Indebtedness Incurred pursuant to this paragraph (g) and then outstanding, will not exceed at any time outstanding the greater of (i) £40.0 million and (ii) 3.0% of Total Assets;

(h) Indebtedness in respect of (i) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Parent or a Restricted Subsidiary or relating to liabilities, obligations, indemnities or guarantees Incurred in the ordinary course of business or for governmental or regulatory requirements, in each case not in connection with the borrowing of money, (ii) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business, (iii) the financing of insurance premiums in the ordinary course of business and (iv) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business, **provided, however, that** upon the drawing of such letters of credit or other instrument, such obligations are reimbursed within 30 days following such drawing;

(i) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earn-outs or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); **provided that**, in the case of a disposition, the maximum liability of the Parent and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Parent and its Restricted Subsidiaries in connection with such disposition;

(j)

(i) Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; **provided, however, that** such Indebtedness is extinguished within five Business Days of Incurrence;

(ii) Customer deposits and advance payments received in the ordinary course of business from customers for goods purchased in the ordinary course of business; and

(iii) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers' acceptances, discounted bills of exchange or the discounting or factoring of Receivables for credit management purposes, in each case, not in connection with the borrowing of money and Incurred or

undertaken in the ordinary course of business on arm's length commercial terms;

(k) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this paragraph (k) and then outstanding, will not exceed the greater of (i) £80.0 million and (ii) 6.0% of Total Assets;

(l) Indebtedness represented by Permitted Purchase Obligations;

(m) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this paragraph (m) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Parent from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares or an Excluded Contribution) of the Parent, in each case, subsequent to the Issue Date; **provided, however, that** (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under Section 2.1 and paragraphs (a), (f), (j) and (n) of Section 2.3 to the extent the Parent and its Restricted Subsidiaries incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this paragraph (m) to the extent the Parent or any of its Restricted Subsidiaries makes a Restricted Payment under Section 2.1 and/or paragraphs (a), (f), (j) or (n) of Section 2.3 in reliance thereon; and

(n) Indebtedness represented by the unpaid purchase price of portfolio assets acquired in the ordinary course of business; **provided, however, that** such amounts are due within one year of the acquisition of the related portfolio assets.

1.3 For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this Section 1 (*Limitation on Indebtedness*):

(a) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in this Section 1 (*Limitation on Indebtedness*), the Parent, in its sole discretion, will be permitted to classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the paragraphs of Section 1.1 or Section 1.2; **provided that** Indebtedness incurred pursuant to paragraph (a) of Section 1.2 may not be reclassified, and Indebtedness under this Agreement incurred or outstanding on the date of this Agreement will be deemed to have been incurred on such date in reliance on the exception provided in paragraph (a) of Section 1.2;

(b) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(c) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to paragraphs (a), (g) or (k) of Section 1.2 or pursuant to Section 1.1 and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

(d) the principal amount of any Disqualified Stock of the Parent or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(e) for the purposes of determining "ERC" under paragraphs (a)(i)(y) of Section 1.2, (i) *pro forma* effect shall be given to ERC on the same basis as for calculating the LTV Ratio for the Parent and its Restricted Subsidiaries and (ii) ERC shall be measured on or about the date on which the Parent obtains new commitments (in the case of revolving facilities) or incurs new Indebtedness (in the case of term facilities);

(f) Indebtedness permitted by this Section 1 (*Limitation on Indebtedness*) need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this Section 1 (*Limitation on Indebtedness*) permitting such Indebtedness; and

(g) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

1.4 Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortisation of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS, will not be deemed to be an Incurrence of Indebtedness for purposes of this Section 1 (*Limitation on Indebtedness*). The amount of any Indebtedness outstanding as of any date shall be calculated as specified under the definition of "Indebtedness."

1.5 If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this Section 1 (*Limitation on Indebtedness*), the Parent shall be in default of this Section 1 (*Limitation on Indebtedness*)).

1.6 For purposes of determining compliance with any sterling-denominated restriction on the Incurrence of Indebtedness, the Sterling Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of the Parent, first committed, in the case of Indebtedness Incurred under a revolving credit facility; **provided that** (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than sterling, and such refinancing would cause the applicable sterling-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such sterling-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (b) the Sterling Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if and for so long as any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal and interest on such Indebtedness, the amount of such Indebtedness, if denominated in sterling, will be the amount of the principal payment required to be made under such Currency Agreement and, otherwise, the Sterling Equivalent of such amount plus the Sterling Equivalent of any premium which is at such time due and payable but is not covered by such Currency Agreement. For purposes of calculating compliance with paragraph (a) of Section 1.2 or for calculating the amount of Indebtedness outstanding under this Agreement, to the extent a Credit Facility is utilised for the purpose of guaranteeing or cash collateralising any letter of credit or guarantee, such guarantee or collateralisation and issuance of such letter of credit or guarantee shall be deemed to be a utilisation of such Credit Facility permitted under paragraph (a) of Section 1.2 without double counting.

1.7 Notwithstanding any other provision of this Section 1 (*Limitation on Indebtedness*), the maximum amount of Indebtedness that the Parent or a Restricted Subsidiary may Incur pursuant to this Section 1 (*Limitation on Indebtedness*) shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

2. **Limitations on Restricted Payments**

2.1 The Parent shall not, and shall not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(a) declare or pay any dividend or make any other payment or other distribution on or in respect of the Parent's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Parent or any of its Restricted Subsidiaries) except:

(i) dividends or distributions payable in Capital Stock of the Parent (other than Disqualified Stock) or in options, warrants or other rights to purchase

such Capital Stock of the Parent or in Subordinated Shareholder Funding; and

(ii) dividends or distributions payable to the Parent or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Parent or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

(b) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Parent or any direct or indirect Holding Company held by Persons other than the Parent or a Restricted Subsidiary (other than in exchange for Capital Stock of the Parent (other than Disqualified Stock));

(c) make any payment on or in respect of, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any (x) Subordinated Indebtedness (other than, in each case, any capitalisation of Subordinated Indebtedness or (i) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case, due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement (ii) a payment of interest at the applicable interest payment date and (iii) any Indebtedness Incurred pursuant to paragraph (c) of Section 1.2 (*Limitation on Indebtedness)* or (y) any Subordinated Shareholder Funding, other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding; or

(d) make any Restricted Investment in any Person;

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in paragraphs (a) to (d) above are referred to herein as a "**Restricted Payment**"), if at the time the Parent or such Restricted Subsidiary makes such Restricted Payment:

(x) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);

(y) the Parent is not able to Incur an additional £1.00 of Indebtedness pursuant to Section 1.1 (*Limitation on Indebtedness*) after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(z) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Existing 2021 Cabot Fixed Rate Notes Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by paragraphs (e)(i) of Section 2.3 (without duplication of amounts paid pursuant to any other paragraph of Section 2.3), (f), (j), (k) and (l) of Section 2.3 but excluding all other Restricted Payments permitted by Section 2.3) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the first fiscal quarter commencing after the Existing 2021 Cabot Fixed Rate Notes Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Parent are available (or, in the case such Consolidated Net Income is a deficit, minus 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with Section 2.2) of property or assets or marketable securities, received by the Parent from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Existing 2021 Cabot Fixed Rate Notes Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Parent subsequent to the Existing 2021 Cabot Fixed Rate Notes Issue Date (other than (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Parent or any Subsidiary of the Parent for the benefit of its employees to the extent funded by the Parent or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made subsequent to the Existing 2021 Cabot Fixed Rate Notes Issue Date from such proceeds in reliance on paragraph (f) of Section 2.3 and (z) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with Section 2.2) of property or assets or marketable securities, received by the Parent or any Restricted Subsidiary from the issuance or sale (other than to the Parent or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Parent or any Subsidiary of the Parent for the benefit of its employees to the extent funded by the Parent or any Restricted Subsidiary) by the Parent or any Restricted Subsidiary subsequent to the Existing 2021 Cabot Fixed Rate Notes Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Parent (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value (as determined in accordance with Section 2.2) of property or assets or marketable securities, received by the Parent or any Restricted Subsidiary upon such conversion or exchange) but excluding (x) Net Cash Proceeds to the extent that any Restricted Payment has been made subsequent to the Existing 2021 Cabot Fixed Rate Notes Issue Date from such proceeds in reliance on paragraph (f) of Section 2.3 and (y) Excluded Contributions);

(iv) the amount equal to the net reduction in Restricted Investments made by the Parent or any of its Restricted Subsidiaries resulting from:

(A) repurchases, redemptions or other acquisitions or retirements of any such Restricted Investment, proceeds realised upon the sale or other disposition to a Person other than the Parent or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Parent or any Restricted Subsidiary; or

(B) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries (valued, in each case, as provided in the definition of "**Investment**") not to exceed, in the case of any Unrestricted Subsidiary, the amount of Investments previously made by the Parent or any Restricted Subsidiary in such Unrestricted Subsidiary, which amount, in each case under this paragraph (iv), was included in the calculation of the amount of Restricted Payments referred to in the first sentence of this paragraph (z); **provided, however, that** no amount will be included in Consolidated Net Income for purposes of the preceding paragraph (i) to the extent that it is (at the Parent's option) included under this paragraph (iv); and

(v) the amount of the cash and the fair market value (as determined in accordance with Section 2.2) of property or assets or of marketable securities received by the Parent or any of its Restricted Subsidiaries in connection with:

(A) the sale or other disposition (other than to the Parent or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Parent or any Subsidiary of the Parent for the benefit of its employees to the extent funded by the Parent or any Restricted Subsidiary) of Capital Stock of an Unrestricted Subsidiary of the Parent; and

(B) any dividend or distribution made by an Unrestricted Subsidiary to the Parent or a Restricted Subsidiary,

**provided, however, that** no amount will be included in Consolidated Net Income for purposes of the preceding paragraph (i) to the extent that it is (at the Parent's option) included under this paragraph (v); **provided further, however**, that such amount shall not exceed the amount included in the calculation of the amount of Restricted Payments referred to in the first sentence of this paragraph (z).

2.2 The fair market value of property or assets other than cash covered by paragraph (d)(z) of Section 2.1 shall be the fair market value thereof as determined in good faith by the Board of Directors.

2.3 The foregoing provisions will not prohibit any of the following (collectively, "**Permitted Payments**"):

(a) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock, Designated Preference Shares, Subordinated Shareholder Funding or Subordinated Indebtedness made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Parent (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Parent; **provided, however, that** to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with Section 2.2) of property or assets or of marketable securities, from such sale of Capital Stock, Subordinated Shareholder Funding or such contribution will be excluded from paragraph (z)(ii) of Section 2.1;

(b) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to Section 1 (*Limitation on Indebtedness*);

(c) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Preferred Stock of the Parent or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Parent or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to Section 1 (*Limitation on Indebtedness*), and that in each case, constitutes Refinancing Indebtedness;

(d) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:

(i) from Net Available Cash to the extent permitted under Section 5 (*Limitation on sales of Assets and Subsidiary Stock*), but only if (A) the Parent shall have first complied with the terms described under Section 5 (*Limitation on sales of Assets and Subsidiary Stock*) and repaid all Utilisations required to be repaid thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (B) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or

(ii) to the extent required by the agreement governing such Subordinated Indebtedness, following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (A) if the Parent shall have first complied with the terms of Clause 12.1 (*Exit*) of this Agreement, prior to purchasing, repurchasing, redeeming,

defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (B) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest;

(e) (i) any dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this covenant, and (ii) payments associated with the Transactions;

(f) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Parent or any Holding Company (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Parent to any Holding Company to permit any Holding Company to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Holding Company (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of any Holding Company (including any options, warrants or other rights in respect thereof), in each case from Management Investors; **provided that** such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (A) £5.0 million plus (B) £2.0 million multiplied by the number of calendar years that have commenced since September 20, 2012 plus (C) the Net Cash Proceeds received by the Parent or its Restricted Subsidiaries since the Existing 2021 Cabot Fixed Rate Notes Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Holding Company) from, or as a contribution to the equity (in each case under this limb (C), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Parent from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), to the extent such Net Cash Proceeds are not included in any calculation under paragraph (d)(z)(ii) or paragraph (d)(z)(iii) of Section 2.1;

(g) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with Section 1 (*Limitation on Indebtedness*);

(h) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;

(i) dividends, loans, advances or distributions to any Holding Company or other payments by the Parent or any Restricted Subsidiary in amounts equal to (without duplication):

(i) the amounts required for any Holding Company to pay any Parent Expenses or any Related Taxes; or

(ii) amounts constituting or to be used for purposes of making payments to the extent specified in paragraphs (b), (c), (e), (g), (k) and (l) of Section 6.3 (*Limitation on Affiliate Transactions*);

(j) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Parent of, or loans, advances, dividends or distributions to any Holding Company to pay, dividends on the common stock or common equity interests of the Parent or any Holding Company following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any Financial Year the greater of (a) 6% of the Net Cash Proceeds received by the Parent from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Parent or contributed as Subordinated Shareholder Funding to the Parent, in each case from the Net Cash Proceeds of a Public Offering and (b) following the Initial Public Offering, an amount equal to the greater of:

(i) the greater of (i) 7% of the Market Capitalisation and (ii) 7% of the IPO Market Capitalisation, provided that after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio for the Parent and its Restricted Subsidiaries shall be equal to or less than 3.0 to 1.0; and

(ii) the greater of (i) 6% of the Market Capitalisation and (ii) 6% of the IPO Market Capitalisation, **provided that** after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio for the Parent and its Restricted Subsidiaries shall be equal to or less than 3.5 to 1.0.

(k) so long as no Default or Event of Default has occurred and is continuing (or would result from), (a) Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed £35.0 million and (b) any Restricted Payment (including loans or advances), **provided that** the Consolidated Leverage Ratio on a *pro forma* basis after giving effect to any such Restricted Payment does not exceed 2.5 to 1.0;

(l) payments by the Parent, or loans, advances, dividends or distributions to any Holding Company to make payments, to holders of Capital Stock of the Parent or any Holding Company in lieu of the issuance of fractional shares of such Capital Stock; **provided, however, that** any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this Section 2 or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors);

(m) Investments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments to the extent made in exchange for or using as consideration Investments previously made under this paragraph (m);

(n) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Parent issued after the Issue Date; and (ii) the declaration and payment of dividends to any Holding Company or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Holding Company issued after the Issue Date; **provided, however, that**, in the case of paragraphs (i) and (ii), the amount of all dividends declared or paid pursuant to this paragraph (n) shall not exceed the Net Cash Proceeds received by the Parent or, in the case of Designated Preference Shares issued by any Holding Company or any Affiliate thereof, the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution) of the Parent or loaned as Subordinated Shareholder Funding to the Parent, from the issuance or sale of such Designated Preference Shares; and

(o) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries.

2.4 The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Parent or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Parent acting in good faith.

3. **Limitations on Liens**

3.1 The Parent shall not, and shall not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "**Initial Lien**"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if, contemporaneously with the Incurrence of such Initial Lien, the Utilisations are secured at least equally and rateably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

4. **Limitation on Restrictions on Distributions from Restricted Subsidiaries**

4.1 The Parent shall not, and shall not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Parent or any Restricted Subsidiary;

(b) make any loans or advances to the Parent or any Restricted Subsidiary; or

(c) sell, lease or transfer any of its property or assets to the Parent or any Restricted Subsidiary;

**provided that** (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Parent or any Restricted Subsidiary to other Indebtedness Incurred by the Parent or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

4.2 The provisions of Section 4.1 shall not prohibit:

(a) any encumbrance or restriction pursuant to (i) the Finance Documents, (ii) the 2023 Cabot Notes Indenture or the Existing Notes Indentures or (iii) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date;

(b) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Parent or any Restricted Subsidiary, or on which such agreement or instrument is assumed by the Parent or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilised to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Parent or was merged, consolidated or otherwise combined with or into the Parent or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; **provided that**, for the purposes of this paragraph (b), if another Person is the Successor Company, any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Parent or any Restricted Subsidiary when such Person becomes the Successor Company;

(c) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in paragraphs (a) or (b) of this Section 4.2 or this paragraph (c) (an "Initial Agreement") or contained in any amendment, supplement or other modification to an agreement referred to in paragraphs (a) or (b) of this Section 4.2 or this paragraph (c); **provided, however, that** the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favourable in any material respect to the Lenders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Parent);

(d) any encumbrance or restriction:

(i) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;

(ii) contained in mortgages, pledges, charges or other security agreements permitted under this Agreement or securing Indebtedness of the Parent or a Restricted Subsidiary permitted under this Agreement to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, pledges, charges or other security agreements; or

(iii) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Parent or any Restricted Subsidiary;

(e) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalised Lease Obligations permitted under this Agreement, in each case, that impose encumbrances or restrictions on the property so acquired or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the transfer of the assets of the joint venture;

(f) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

(g) customary provisions in leases, licenses, joint venture agreements debt purchase agreements, and other similar agreements and instruments entered into in the ordinary course of business;

(h) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, the terms of any licence, authorisation, concession or permit or required by any regulatory authority;

(i) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case under agreements entered into in the ordinary course of business;

(j) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(k) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to Section 1 (*Limitation on Indebtedness*) if (a) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favourable to the Lenders than (i) the encumbrances and restrictions contained in this Agreement, together with the security documents

associated therewith as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Parent), or the Parent determines at the time such Indebtedness is Incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the Borrower's ability to make principal or interest payments on the Utilisations or the ability of the Borrower to make principal or interest payments on the Proceeds Loan or any Existing Proceeds Loan;

(l) restrictions relating to Permitted Purchase Obligations SPVs effected in connection with the incurrence of Permitted Purchase Obligations that, in the good faith determination of the Board of Directors of the Parent, are necessary or advisable;

(m) any encumbrance or restriction existing by reason of any lien permitted under Section 3 (*Limitation on Liens*);

(n) any encumbrance or restriction on assets held in trust for a third party, including pursuant to the relevant trust agreement; or

(o) any encumbrance or restriction existing under any agreement that extends, renews, refinances or replaces the agreements containing the encumbrances or restrictions under Sections 6.2 and 6.3 **provided that** the terms and conditions of any such encumbrances or restrictions are, in the good faith judgment of the Board of Directors of the Parent, no more restrictive in any material respect than those under or pursuant to the agreement so extended, renewed, refinanced replaced.

5. **Limitation on Sales of Assets and Subsidiary Stock**

5.1 The Parent shall not, and shall not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(a) the Parent or such Restricted Subsidiary, as the case may be, receives consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) at least equal to the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition), as determined in good faith by the Board of Directors of the Parent, of the shares and assets subject to such Asset Disposition (including, for the avoidance of doubt, if such Asset Disposition is a Permitted Asset Swap);

(b) in any such Asset Disposition, or series of related Asset Dispositions (except to the extent the Asset Disposition is a Permitted Asset Swap), at least 75% of the consideration from such Asset Disposition (excluding any consideration by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise, other than Indebtedness) received by the Parent or such Restricted Subsidiary, as the case may be, is in the form of cash, Cash Equivalents or Temporary Cash Investments.

5.2 Pending the final application of any such Net Available Cash in accordance with the terms of this Agreement, the Parent and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by this Agreement.

5.3 For the purposes of paragraph (b) of Section 5.1 the following (or any combination thereof) will be deemed to be cash:

(a) the assumption by the transferee of Indebtedness of the Parent or Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness of the Parent or a Guarantor) and the release of the Parent or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition;

(b) securities, notes or other obligations received by the Parent or any Restricted Subsidiary from the transferee that are converted by the Parent or such Restricted Subsidiary into cash or Cash Equivalents within 180 days following the closing of such Asset Disposition;

(c) Indebtedness of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, to the extent that the Parent and each other Restricted Subsidiary are released from any Guarantee of payment of such Indebtedness in connection with such Asset Disposition;

(d) consideration consisting of Indebtedness of the Parent or any Luxembourg Guarantor (other than Subordinated Indebtedness) received after the Issue Date from Persons who are not the Parent or any Restricted Subsidiary; and

(e) any Designated Non-Cash Consideration received by the Parent or any Restricted Subsidiary in such Asset Dispositions having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this Section 5 that is at that time outstanding, not to exceed the greater of £40.0 million and 3.0% of Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value).

6. **Limitation on Affiliate Transactions**

6.1 The Parent shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with or for the benefit of any Affiliate of the Parent (such transaction or series of transactions being, an "Affiliate Transaction") involving aggregate value in excess of £5.0 million unless:

(a) the terms of such Affiliate Transaction taken as a whole are not materially less favourable to the Parent or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm's length dealings with a Person who is not such an Affiliate; and

(b) in the event such Affiliate Transaction, individually or together with other related Affiliate Transactions, involves an aggregate value in excess of £10.0 million, the terms of such transaction have been approved by a resolution of the majority of the members of the Board of Directors of the Parent resolving that such transaction complies with paragraph (a) above; and

(c) in the event such Affiliate Transaction, individually or together with other related Affiliate Transactions, involves an aggregate value in excess of £20.0 million, the Parent has received a written opinion from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Parent and its Restricted Subsidiaries or that the terms are not materially less favourable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's length basis from a Person that is not an Affiliate.

6.2 Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in paragraph (b) of Section 6.1 if such Affiliate Transaction is approved by a resolution of a majority of the Disinterested Directors. If there are no Disinterested Directors, any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in this Section 6 if the Parent or any of its Restricted Subsidiaries, as the case may be, delivers to the Agent a letter from an Independent Financial Advisor stating that such transaction is fair to the Parent or such Restricted Subsidiary from a financial point of view or stating that the terms are not materially less favourable to the Parent or its relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Parent or such Restricted Subsidiary with an unrelated Person on an arm's length basis.

6.3 The provisions of Section 6.1 will not apply to:

(a) any Restricted Payment permitted to be made pursuant to Section 2 (*Limitation on Restricted Payments*), any Permitted Payments (other than pursuant to paragraph (i)(ii) of Section 2.3 or any Permitted Investment (other than Permitted Investments as defined in paragraphs (a)(b), (b), (k), (o) and (q) of the definition thereof);

(b) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Parent, any Restricted Subsidiary or any Holding Company, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Parent, in each case in the ordinary course of business;

(c) any Management Advances;

(d) any transaction between or among the Parent and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries;

(e) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Parent, any Restricted Subsidiary or any Holding Company (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(f) the entry into and performance of obligations of the Parent or any of its Restricted Subsidiaries under the terms of any transaction arising out of, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed or refinanced from time to time in accordance with the other terms of this Section 6 or to the extent not more disadvantageous to the Lenders in any material respect and the entry into and performance of any registration rights or other listing agreement in connection with any Public Offering;

(g) the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(h) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, which, in each case, are in the ordinary course of business and are either fair to the Parent or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or the senior management of the Parent or the relevant Restricted Subsidiary or on terms no less favourable than those that could reasonably have been obtained at such time from an unaffiliated party;

(i) any transaction in the ordinary course of business between or among the Parent or any Restricted Subsidiary and any Affiliate of the Parent or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Parent or a Restricted Subsidiary or any Affiliate of the Parent or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(j) (i) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Parent or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; **provided that** the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Parent in their reasonable determination and (ii) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of this Agreement.

(k) without duplication in respect of payments made pursuant to paragraph (l) below, (i) payments by the Parent or any Restricted Subsidiary to any Permitted Holder

(whether directly or indirectly, including through any Holding Company) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed £1.75 million per fiscal year and (ii) customary payments by the Parent or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Holding Company) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with acquisitions or divestitures, which payments in respect of this clause (ii) are approved by a majority of the Board of Directors of the Parent in good faith; and

(l) payment to any Permitted Holder of all reasonable out of pocket expenses Incurred by such Permitted Holder in connection with its direct or indirect investment in the Parent and its Restricted Subsidiaries.

7. **Merger and Consolidation**

*The Parent, Holdings or any Luxembourg Guarantor*

7.1 None of the Parent, Holdings or any Luxembourg Guarantor shall consolidate with or merge with or into, or convey, transfer or lease all or substantially all its assets to, any Person, unless (and subject to the other terms of this Agreement):

(a) the resulting, surviving or transferee Person (the "**Successor Company**") shall be a Person organised and existing under the laws of the United Kingdom, any member state of the European Union on January 1, 2004 (other than Greece), the United States of America, any State of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Parent, Holdings or any Luxembourg Guarantor, as applicable) shall expressly assume, to the extent required by applicable law to effect such assumption, all obligations of the Parent, Holdings or any Luxembourg Guarantor, as applicable, under this Agreement and (y) all obligations of the Parent, Holdings or any Luxembourg Guarantor, as applicable, under the Intercreditor Agreements and the Transaction Security Documents;

(b) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(c) immediately after giving effect to such transaction, either (i) the Successor Company would be able to Incur at least an additional £1.00 of Indebtedness pursuant to Section 1.1 (*Limitation on Indebtedness*) or (ii) the Fixed Charge Coverage Ratio for the Successor Company and its Restricted Subsidiaries would not be lower than it was immediately prior to giving effect to such transaction; and

(d) the Parent shall have delivered to the Agent an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer (if any) comply with this Agreement, and that all conditions precedent therein provided

for relating to such transaction have been complied with and an Opinion of Counsel to the effect that the assumption (if any) of obligations under paragraph (a) above has been duly authorised, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company, and this Agreement constitutes legal, valid and binding obligations of the Successor Company, enforceable in accordance with its terms (in each case, in form and substance reasonably satisfactory to the Agent); **provided that** in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact, including as to satisfaction of paragraphs (b) and (c) above.

7.2 Any Indebtedness that becomes an obligation of the Parent or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this Section 7, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with Section 1 (*Limitation on Indebtedness*).

7.3 For purposes of this Section 7 only, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all the properties and assets of one or more Subsidiaries of the Parent, which properties and assets, if held by the Parent, as applicable, instead of such Subsidiaries, would constitute all or substantially all the properties and assets of the Parent, on a consolidated basis, shall be deemed to be the transfer of all or substantially all the properties and assets of the Parent.

7.4 The Successor Company shall succeed to, and be substituted for, and may exercise every right and power of, the Parent or the Borrower under this Agreement but in the case of a lease of all or substantially all its assets, the predecessor Parent shall not be released from its obligations under this Agreement.

7.5 Notwithstanding the preceding paragraphs (b) and (c) of Section 7.1 (which do not apply to transactions referred to in this Section 7.5) and, other than with respect to paragraph (d) of Section 7.1, (x) any Restricted Subsidiary may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to the Parent or Cabot Credit Management Group Limited (formerly Cabot Financial Holdings Group Limited) and (y) any Restricted Subsidiary that is not a Guarantor may consolidate or otherwise combine with, merge into or transfer all or part of its properties and assets to any other Restricted Subsidiary. Notwithstanding the preceding paragraphs (b) and (c) of Section 7.1 (which do not apply to the transactions referred to in this Section 7.5), the Parent may consolidate or otherwise combine with or merge into an Affiliate incorporated or organised for the purpose of changing the legal domicile of the Parent, reincorporating the Parent in another jurisdiction, or changing the legal form of the Parent.

*Subsidiary Guarantors*

7.6 No Subsidiary Guarantor may:

(a) consolidate with or merge with or into any Person, or

(b) sell, convey, transfer or dispose of, all or substantially all its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person, or

(c) permit any Person to merge with or into a Subsidiary Guarantor, unless:

(i) the other Person is a Subsidiary Guarantor or becomes a Subsidiary Guarantor concurrently with the transaction;

(ii) or

(A) either (x) a Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all the obligations of the Subsidiary Guarantor under this Agreement, the Intercreditor Agreements, to the extent required by applicable law to effect such assumption, and the Transaction Security Documents and, if applicable, the Proceeds Loan Agreement; and

(B) immediately after giving effect to the transaction, no Default has occurred and is continuing; or

(iii) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of the Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of the Subsidiary Guarantor (in each case other than to the Parent or a Restricted Subsidiary) otherwise permitted by this Agreement.

8. **Suspension of Covenants on Achievement of Investment Grade Status**

8.1 If on any date following the Issue Date, the 2023 Cabot Notes (or any Permitted Financial Indebtedness issued by a member of the Restricted Group to refinance or replace the 2023 Cabot Notes or in exchange for the 2023 Cabot Notes) have achieved Investment Grade Status and no Default or Event of Default (each as defined in the 2023 Cabot Notes Indenture) has occurred and is continuing (a "Suspension Event"), then, the Parent shall notify the Agent of this fact (provided that such notice will not be a precondition of the suspension of the covenants described in this paragraph) and beginning on that day and continuing until the Reversion Date, the following Sections of this Schedule 14 will not apply: Section 2 (*Limitation on restricted payments*), Section 4 (*Limitation on Restrictions on Distributions from Restricted Subsidiaries*), Section 1 (*Limitation on Indebtedness*), Section 5 (*Limitation on Sale of Assets and Subsidiary Stock*), Section 6 (*Limitation on Affiliate Transactions*) and the provisions of paragraph (c) of Section 7.1 and, in each case, any related default provision of this Agreement will cease to be effective and will not be applicable to the Parent and its Restricted Subsidiaries. Such Sections and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such Sections will not, however, be of any effect with regard to actions of the Parent properly taken during the continuance of the Suspension Event, and Section 2 will be interpreted as if it has been in effect since the date of this Agreement except that no default will be deemed to have occurred solely by reason of a Restricted Payment made while Section 2 was suspended. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be classified, at the Parent's option, as having been Incurred pursuant to Section 1.1 or one of the clauses set forth in Section 1.2 (to the extent such Indebtedness

would be permitted to be Incurred thereunder as of the Reversion Date and after giving effect to Indebtedness Incurred prior to the Suspension Event and outstanding on the Reversion Date). To the extent such Indebtedness would not be so permitted to be incurred under Section 1.1 or Section 1.2, such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under paragraph (d)(ii) of Section 1.2 (without giving effect to the parenthetical contained therein).

9. **Impairment of Security Interest**

9.1 The Parent shall not, and shall not permit any Restricted Subsidiary to, take or omit to take any action, which action or omission would have the result of materially impairing the security interest with respect to the Collateral (it being understood that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Finance Parties and the Parent, shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Secured Parties and the other beneficiaries described in the Transaction Security Documents, any interest whatsoever in any of the Collateral that is prohibited by Section 3 "Limitation on Liens;" **provided, that** the Parent and its Restricted Subsidiaries may Incur Permitted Collateral Liens and the Collateral may be discharged, transferred or released in accordance with this Agreement, the Intercreditor Agreements or the applicable Transaction Security Documents.

9.2 Notwithstanding the above, nothing in this Section 9 shall restrict the discharge and release of any security interest in accordance with this Agreement and the Intercreditor Agreements. Subject to the foregoing, the Transaction Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets) to (i) cure any ambiguity, omission, defect or inconsistency therein; (ii) provide for Permitted Collateral Liens; (iii) add to the Collateral; or (iv) make any other change thereto that does not adversely affect the Finance Parties in any material respect; **provided, however, that**, except where permitted by this Agreement or the Intercreditor Agreements, no Transaction Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), unless contemporaneously with such amendment, extension, renewal, restatement, supplement or modification or release (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets), the Parent delivers to the Security Agent and the Agent, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Security Agent and the Agent, from an independent financial advisor or appraiser or investment bank of international standing which confirms the solvency of the Parent and its Subsidiaries, taken as a whole, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), (2) a certificate from the chief financial officer or the Board of Directors of the relevant Person which confirms the solvency of the person granting the security interest after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), or (3) an opinion of counsel

(subject to any qualifications customary for this type of opinion of counsel), in form and substance reasonably satisfactory to the Security Agent and the Agent, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or release (followed by an immediate retaking of a lien of at least equivalent ranking over the same assets), the Lien or Liens created under the Transaction Security Document, so amended, extended, renewed, restated, supplemented, modified or released and retaken are valid and perfected Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, modification or release and retake and to which the new Indebtedness secured by the Permitted Collateral Lien is not subject. In the event that the Parent and its Restricted Subsidiaries comply with the requirements of this Section 9.2, the Agent and the Security Agent shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Finance Parties.

**PART II**
**CERTAIN DEFINITIONS**

Any capitalised terms used in this Part I or Part II of Schedule 14 that are not otherwise defined in this Part I or Part II shall have the respective meanings given to them in Clause 1.1 (*Definitions*) of this Agreement. Terms defined only in Clause 1.1 (*Definitions*) of this Agreement shall be construed when they are used in this Schedule 14 (and only for those purposes), in accordance with English law, notwithstanding that this Agreement is governed by English law. Unless otherwise expressly stated herein references in this Part II of Schedule 14 are to the Sections of Part I of this Schedule 14.

"**2023 Cabot Notes**" means the £350,000,000 aggregate principal amount of senior secured notes due 2023 issued by the Issuer on or around October 6, 2016 pursuant to the 2023 Cabot Notes Indenture.

"**2023 Cabot Notes Indenture**" means the indenture dated October 6, 2016 among the Issuer, Citibank N.A., London Branch as trustee, principal paying agent and transfer agent, Citigroup Global Markets Deutschland AG as registrar, J.P. Morgan Europe Limited as security agent and the guarantors party thereto.

"**Acquired Indebtedness**" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Parent or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"**Additional Assets**" means:

(a) any property or assets (other than Indebtedness and Capital Stock) used or to be used by the Parent, a Restricted Subsidiary or otherwise useful in a Similar Business (it being understood that capital expenditures on property or assets already used in a Similar Business or to replace any property or assets that are the subject of such Asset Disposition shall be deemed an investment in Additional Assets);

(b) the Capital Stock of a Person that is engaged in a Similar Business and becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Parent or a Restricted Subsidiary; or

a. Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary engaged in a Similar Business.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control," when used with respect to any Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through

the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Asset Disposition**" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Parent or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; **provided that** the sale, conveyance or other disposition of all or substantially all the assets of the Parent and its Restricted Subsidiaries taken as a whole will be governed by Section 7 (*Merger and Consolidation*) and not by Section 5 (*Limitation on Sales of Assets and Subsidiary Stock*). Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(a) a disposition by a Restricted Subsidiary to the Parent or by the Parent or a Restricted Subsidiary to a Restricted Subsidiary;

(b) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(c) a disposition of performing, sub-performing or charged-off accounts, loans, receivables, mortgages, debentures, claims or other similar assets or instruments or portfolios thereof or inventory or other assets, in each case, in the ordinary course of business, including into a trust in favour of third parties or otherwise;

(d) a disposition of obsolete, surplus or worn out equipment, or equipment or other property that is no longer useful in the conduct of the business of the Parent and its Restricted Subsidiaries;

(e) transactions permitted under Section 7.1 (*Merger and Consolidation*) or a transaction that constitutes a Change of Control or a Change of Control as defined in Clause 1.1 (*Definitions*) of this Agreement;

(f) an issuance of Capital Stock by a Restricted Subsidiary to the Parent or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors;

(g) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Parent) of less than the greater of (a) £20.0 million and (b) 1.5 % of Total Assets;

(h) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under Section 2 (*Limitation on Restricted Payments*) and the making of any Permitted Payment or Permitted Investment or, solely for purposes of paragraph (c) of Section 5.1 (*Limitation on Sales of Assets and Subsidiary Stock*), asset sales, in respect of which (and only to the extent that) the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(i) dispositions in connection with Permitted Liens;

(j) dispositions of Receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(k) the licensing or sub-licensing of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(l) foreclosure, condemnation or any similar action with respect to any property or other assets;

(m) any disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(n) any surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind; and

(o) any disposition with respect to property built, owned or otherwise acquired by the Parent or any Restricted Subsidiary pursuant to customary sale and leaseback transactions, finance leases, asset securitisations and other similar financings permitted by this Agreement where the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (o), does not exceed the greater of (a) £20.0 million and (b) 1.5% of Total Assets.

"**Associate**" means (1) any Person engaged in a Similar Business of which the Parent or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (2) any joint venture entered into by the Parent or any Restricted Subsidiary.

"**Board of Directors**" means (1) with respect to the Parent, a Luxembourg Guarantor or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorised committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorised committee thereof; and (3) with respect to any other Person, the board or any duly authorised committee of such Person serving a similar function. Whenever any provision of this Agreement requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"**Business Day**" means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, New York, New York, United States or Luxembourg are authorised or required by law to close; **provided, however, that** for any payments to be made under this Agreement, such day shall also be a day on which the second generation Trans-European Automated Real-time Gross Settlement Express Transfer ("**TARGET2**") payment system is open for the settlement of payments.

"**Capital Stock**" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"**Capitalised Lease Obligation**" means an obligation that is required to be classified and accounted for as a capitalised lease for financial reporting purposes on the basis of IFRS provided, however, that any obligations in respect of operating leases as determined under IFRS as in effect on the Issue Date shall not be deemed Capitalised Lease Obligations. The amount of Indebtedness represented by such obligation will be the capitalised amount of such obligation at the time any determination thereof is to be made as determined on the basis of IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"**Cash Equivalents**" means:

(a) securities issued or directly and fully Guaranteed or insured by the government of the United States, Canada, the United Kingdom, a member state of the European Union (other than Greece and Portugal), Switzerland or Norway or, in each case, any agency or instrumentality thereof (**provided that** the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(b) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances (in each case, including any such deposits made pursuant to any sinking fund established by the Parent or any Restricted Subsidiary) having maturities of not more than one year from the date of acquisition thereof issued by any lender party to a Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of £250 million;

(c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (a) and (b) entered into with any bank meeting the qualifications specified in clause (b) above;

(d) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(e) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, the United Kingdom, any member state of the European Union (other than Greece and Portugal), Switzerland or Norway or any political subdivision

thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(f) Indebtedness or Preferred Stock issued by Persons with a rating of "BBB–" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(g) bills of exchange issued in the United States, Canada, the United Kingdom, a member state of the European Union (other than Greece and Portugal), Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialised equivalent); and

(h) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (a) through (g) above.

"**Change of Control**" means:

(a) the Parent becomes aware (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) that any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Parent, **provided that** for the purposes of this clause, any holding company whose only asset is the Capital Stock of the Parent will not itself be considered a "person" or "group";

(b) following the Initial Public Offering of the Parent or any Holding Company, during any period of two consecutive years, individuals who at the beginning of such period constituted the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the Parent or any Holding Company (together with any new directors whose election by the majority of such directors on such Board of Directors of the Parent or any Holding Company or whose nomination for election by shareholders of the Parent or any Holding Company, as applicable, was approved by a vote of the majority of such directors on the Board of Directors of the Parent or any Holding Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute the majority of the directors (excluding any employee representatives, if any) on the Board of Directors of the Parent or any Holding Company, then in office; or

(c) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all the assets of the Parent and its Restricted

Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

"**Collateral**" means all property and assets, whether now owned or hereafter acquired, in which Liens are, from time to time, purported to be granted to secure the Utilisations pursuant to the Transaction Security Documents.

"**Commodity Hedging Agreements**" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"**Consolidated EBITDA**" for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

(a) Fixed Charges plus, to the extent not already included or added back, any costs associated with Hedging Obligations or derivatives;

(b) Consolidated Income Taxes;

(c) consolidated depreciation expense;

(d) consolidated amortisation expense, including any amortisation of portfolio assets;

(e) any expenses, charges or other costs related to any Equity Offering, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business; **provided that** such payments are made in connection with such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), disposition, recapitalisation or the Incurrence of any Indebtedness permitted by this Agreement (in each case whether or not successful) (including any such fees, expenses or charges related to the Transactions), in each case, as determined in good faith by an Officer of the Parent;

(f) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;

(g) the amount of management, monitoring, consulting, employment and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described in Section 6 (*Limitation on Affiliate Transactions*); and

(h) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges in any future period) less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash in any future period).

Notwithstanding the foregoing, the provision for taxes and the depreciation, amortisation, non-cash items, charges and write-downs of a Restricted Subsidiary shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income (loss) of such Restricted Subsidiary was included in calculating Consolidated Net Income for the purposes of this definition.

"**Consolidated Income Taxes**" means Taxes or other payments, including deferred Taxes, based on income, profits or capital (including without limitation withholding Taxes) and Corporation Tax and franchise Taxes of any of the Parent and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any Governmental Authority.

"**Consolidated Interest Expense**" means, with respect to any Person for any period, without duplication, (1) interest payable (whether in cash or capitalised) on Financial Indebtedness of such Person and its Restricted Subsidiaries for such period, plus (a) any amortisation of debt discount with respect to such Indebtedness and (b) any commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing or bank guarantees, but, in each case, excluding any expense associated with Subordinated Shareholder Funding less (2) interest income for such period.

"**Consolidated Leverage**" means the sum of the aggregate outstanding Financial Indebtedness of the Parent and its Restricted Subsidiaries as of the relevant date of calculation on a consolidated basis in accordance with IFRS.

"**Consolidated Leverage Ratio**" means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the most recent four consecutive fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Parent are available; **provided, however, that** for the purposes of calculating Consolidated EBITDA for such period, if, as of such date of determination:

(a) since the beginning of such period the Parent or any Restricted Subsidiary has disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "**Sale**") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period; **provided that** if any such Sale constitutes "discontinued operations" in accordance with the then applicable IFRS, Consolidated Net Income shall be reduced by an amount equal to the Consolidated Net Income (if positive) attributable to such operations for such period or increased by an amount equal to the Consolidated Net Income (if negative) attributable thereto for such period;

(b) since the beginning of such period, the Parent or any Restricted Subsidiary (by merger or otherwise) has made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise has acquired any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "**Purchase**"), including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will

be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and

(c) since the beginning of such period, any Person (that became a Restricted Subsidiary or was merged or otherwise combined with or into the Parent or any Restricted Subsidiary since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (a) or (b) above if made by the Parent or a Restricted Subsidiary since the beginning of such period, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense, Consolidated Net Income and Fixed Charge Coverage Ratio for the Parent and its Restricted Subsidiaries, (a) calculations will be as determined in good faith by a responsible financial or accounting officer of the Parent (including in respect of synergies and cost savings) and (b) in determining the amount of Indebtedness outstanding on any date of determination, *pro forma* effect shall be given to any Incurrence, repayment, repurchase, defeasance or other acquisition, retirement or discharge of Indebtedness as if such transaction had occurred on the first day of the relevant period.

"**Consolidated Net Income**" means, for any period, the profit (loss) on ordinary activities after taxation of the Parent and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; **provided, however, that** there will not be included in such Consolidated Net Income:

(a) subject to the limitations contained in clause (c) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Parent's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents (x) actually distributed by such Person during such period to the Parent or a Restricted Subsidiary as a dividend or other distribution or return on investment or (y) solely for the purpose of determining the amount available for Restricted Payments under paragraph (d)(z)(i) of Section 2.1 (*Limitation on Restricted Payments*) that could have been distributed by such Person during such period to the Parent or a Restricted Subsidiary as a dividend or other distribution or return on investment, as reasonably determined by an Officer of the Parent (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (b) below);

(b) solely for the purpose of determining the amount available for Restricted Payments under paragraph (z)(i) of Section 2.1 (*Limitation on Restricted Payments*), any profit (loss) on ordinary activities after taxation of any Restricted Subsidiary (other than any Guarantor) if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Parent or a Guarantor by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to or permitted under this Agreement, the Existing Notes, the 2023 Cabot Notes, and the Existing Notes Indentures or the 2023 Cabot Notes Indenture,

and (c) restrictions specified under paragraph (k) in Section 4.2 (*Limitation on Restrictions on Distributions from Restricted Subsidiaries*))), except that the Parent's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Parent or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(c) any net gain (or loss) realised upon the sale or other disposition of any asset or disposed operations of the Parent or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Parent);

(d) any extraordinary, exceptional, unusual or nonrecurring gain, loss or charge (as determined in good faith by the Parent), or any charges or reserves in respect of any restructuring, redundancy or severance expense;

(e) the cumulative effect of a change in accounting principles;

(f) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(g) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(h) any unrealised gains or losses in respect of Hedging Obligations or any ineffectiveness recognised in earnings related to qualifying hedge transactions or the fair value of changes therein recognised in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(i) any unrealised foreign currency transaction gains or losses in respect of Indebtedness of any Person denominated in a currency other than the functional currency of such Person and any unrealised foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies;

(j) any unrealised foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Parent or any Restricted Subsidiary owing to the Parent or any Restricted Subsidiary;

(k) any purchase accounting effects including, but not limited to, adjustments to inventory, property and equipment, software and other intangible assets and deferred revenue in component amounts required or permitted by IFRS and related authoritative pronouncements (including the effects of such adjustments pushed down to the Parent and the Restricted Subsidiaries), as a result of any consummated acquisition, or the amortisation or write-off of any amounts thereof (including any write-off of in process research and development);

(l) any goodwill or other intangible asset impairment charge or write-off; and

(m) the impact of capitalised, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("**primary obligations**") of any other Person (the "**primary obligor**"), including any obligation of such Person, whether or not contingent:

(a) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(b) to advance or supply funds:

(i) for the purchase or payment of any such primary obligation; or

(ii) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"**Credit Facility**" means, with respect to the Parent or any of its Subsidiaries, (1) the Facilities and (2) one or more debt facilities, indentures or other arrangements (including this Agreement or commercial paper facilities and overdraft facilities) with banks, other financial institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended from time to time (whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks or institutions and whether provided under this Agreement or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (a) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (b) adding Subsidiaries of the Parent as additional borrowers or guarantors thereunder, (c) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (d) otherwise altering the terms and conditions thereof.

"**Currency Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"**Designated Non-Cash Consideration**" means the fair market value (as determined in good faith by the Parent) of non-cash consideration received by the Parent or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under Section 5 (*Limitation on Sales of Assets and Subsidiary Stock*).

"**Designated Preference Shares**" means, with respect to the Parent or any Parent, Preferred Stock (other than Disqualified Stock) (1) that is issued for cash (other than to the Parent or a Subsidiary of the Parent or an employee stock ownership plan or trust established by the Parent or any such Subsidiary for the benefit of their employees to the extent funded by the Parent or such Subsidiary) and (2) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Parent at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in paragraph (z)(ii) of Section 2.1 (*Limitation on Restricted Payments*).

"**Disinterested Director**" means, with respect to any Affiliate Transaction, a member of the Board of Directors of the Parent having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors of the Parent shall be deemed not to have such a financial interest solely by reason of such member's holding Capital Stock of the Parent or any Holding Company or any options, warrants or other rights in respect of such Capital Stock.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock of such Person which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(a) matures or is mandatorily redeemable for cash or in exchange for Indebtedness pursuant to a sinking fund obligation or otherwise;

(b) is convertible or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Parent or a Restricted Subsidiary); or

(c) is or may become (in accordance with its terms) upon the occurrence of certain events or otherwise redeemable or repurchasable for cash or in exchange for Indebtedness at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the earlier of (a) the Stated Maturity of the 2023 Cabot Notes or (b) the date on which there are no 2023 Cabot Notes outstanding; **provided, however, that** (i) only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock and (ii) any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Parent to repurchase such Capital Stock upon the occurrence of a change of control or asset sale (howsoever defined or

referred to) shall not constitute Disqualified Stock if any such redemption or repurchase obligation is subject to compliance by the relevant Person with 2 (*Limitation on Restricted Payments*).

"**Encore Capital**" means Encore Capital Group, Inc. and any successor thereto (by merger, consolidation, transfer, conversion of legal form or otherwise).

"**Equity Offering**" means (x) a sale of Capital Stock of the Parent (other than Disqualified Stock or Designated Preference Shares and other than an Excluded Contribution) other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions, or (y) the sale of Capital Stock or other securities of the Holding Company, the proceeds of which are contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution) of the Parent or any of its Restricted Subsidiaries.

"**ERC**" means, for any date of calculation, the aggregate amount of estimated remaining collections projected to be received by the Parent and its Restricted Subsidiaries from all Right to Collect Accounts and all performing, sub-performing or charged-off accounts, loans, receivables, mortgages, debentures or claims or other similar assets or instruments or portfolios thereof owned by the Parent and its Restricted Subsidiaries (excluding, for the avoidance of doubt, any Trust Management Assets and any Right to Collect accounts, performing, sub-performing or charged-off accounts, cash and bank accounts or other similar assets or instruments which are (or will be) held on trust for a third party which is not the Parent or any Restricted Subsidiary) during the period of 84 months, as calculated by the Portfolio ERC Model, as at the last day of the month most recently ended prior to the date of calculation.

"**Escrowed Proceeds**" means the proceeds from the offering of any debt securities or other Indebtedness paid into an escrow account with an independent escrow agent on the date of the applicable offering or Incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow account upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Excluded Contribution**" means Net Cash Proceeds or property or assets received by the Parent as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Parent after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Parent or any Subsidiary of the Parent for the benefit of its employees to the extent funded by the Parent or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Parent, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Parent.

"**Existing 2020 Cabot Notes**" means the £100 million aggregate principal amount of senior secured notes due 2020 issued by the Issuer on August 2, 2013 pursuant to the Existing 2020 Cabot Notes Indenture.

"**Existing 2020 Cabot Notes Indenture**" means the indenture, dated August 2, 2013, as supplemented by supplemental indentures dated March 14, 2014, May 14, 2014, May 28, 2015 and July 28, 2015 among the Issuer, Citibank, N.A., London Branch, as trustee, principal paying agent and transfer agent, Citigroup Global Markets Deutschland AG, as registrar, J.P. Morgan Europe Limited, as security agent, and the guarantors parties thereto, as amended, restated or otherwise modified or varied from time to time.

"**Existing 2021 Cabot Fixed Rate Notes**" means the £175 million aggregate principal amount of senior secured fixed rate notes due 2021 issued by the Issuer on March 27, 2014 pursuant to the Existing 2021 Cabot Fixed Rate Notes Indenture.

"**Existing 2021 Cabot Fixed Rate Notes Indenture**" means the indenture, dated March 27, 2014, as supplemented by supplemental indentures dated May 28, 2015 and July 28, 2015, among the Issuer, Citibank, N.A., London Branch, as trustee, principal paying agent and transfer agent, Citigroup Global Markets Deutschland AG, as registrar, J.P. Morgan Europe Limited, as security agent, and the guarantors parties thereto, as amended, restated or otherwise modified or varied from time to time.

"**Existing 2021 Cabot Fixed Rate Notes Issue Date**" means March 27, 2014.

"**Existing 2021 Cabot Floating Rate Notes**" means the EUR310 million aggregate principal amount of senior secured floating rate notes due 2021 issued by the Existing Floating Rate Notes Issuer on November 11, 2015 pursuant to the Existing 2021 Cabot Floating Rate Notes Indenture.

"**Existing 2021 Cabot Floating Rate Notes Indenture**" means the indenture, dated November 11, 2015, among the Existing Floating Rate Notes Issuer, Citibank, N.A., London Branch, as trustee, principal paying agent and transfer agent, Citigroup Global Markets Deutschland AG, as registrar, J.P. Morgan Europe Limited, as security agent, and the guarantors parties thereto, as amended, restated or otherwise modified or varied from time to time.

"**Existing Cabot Floating Rate Notes Issuer**" means Cabot Financial (Luxembourg) II S.A., a wholly owned subsidiary of Cabot Credit Management Group Limited, incorporated as a public limited liability company (*société anonyme*) under the laws of the Grand Duchy of Luxembourg, and registered with the Luxembourg Register of Commerce and Companies under number B 201.268.

"**Existing Notes**" means, collectively, the Existing 2020 Cabot Notes, the Existing 2021 Cabot Fixed Rate Notes, the Existing 2021 Cabot Floating Rate Notes and the 2023 Cabot Notes.

"**Existing Notes Indentures**" means, collectively, the Existing 2020 Cabot Notes Indenture, the Existing 2021 Cabot Fixed Rate Notes Indenture, the Existing 2021 Cabot Floating Rate Notes Indenture and the 2023 Cabot Notes Indenture.

"**Existing Proceeds Loans**" means the loans of the proceeds of the Existing Notes pursuant to the Existing Proceeds Loan Agreements.

"**Existing Proceeds Loan Agreements**" means (i) that certain loan agreement made as of August 2, 2013 by and between Cabot Financial (UK) Limited, as borrower, and the Issuer, as lender, (ii) that certain loan agreement made as of March 27, 2014 by and between Holdings, as borrower, and the Issuer, as lender, and (iii) that certain loan agreement made as of November 11, 2015

by and between Cabot Financial (Treasury) Ireland Limited, as borrower, and the Existing Cabot Floating Rate Notes Issuer, as lender.

"**fair market value**" except as otherwise stated herein, may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Parent setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"**Financial Indebtedness**" means any Indebtedness described under clauses (a), (b), (d), (e), (f) and (g) of the definition of "Indebtedness."

"**Fixed Charge Coverage Ratio**" means, with respect to any Person on any determination date, the ratio of Consolidated EBITDA of such Person for the most recently completed four consecutive fiscal quarters ending immediately prior to such determination date for which internal consolidated financial statements are available to the Fixed Charges of such Person and its Restricted Subsidiaries for such four consecutive fiscal quarters. In the event that the Parent or any Restricted Subsidiary Incurs, assumes, Guarantees, redeems, defeases, retires or extinguishes any Indebtedness (other than, in the case of redemption, defeasance, retirement or extinguishment, Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to or simultaneously with the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "**Fixed Charge Coverage Ratio Calculation Date**"), then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect to such Incurrence, assumption, Guarantee, redemption, defeasance, retirement or extinguishment of Indebtedness, or such issuance or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period; **provided, however, that** the *pro forma* calculation of Fixed Charges shall not give effect to (1) any Indebtedness incurred on the Fixed Charge Coverage Ratio Calculation Date pursuant to the provisions described in Section 1.2 (*Limitation on Indebtedness*) or (2) the discharge on the Fixed Charge Coverage Ratio Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in Section 1.2 (*Limitations on Indebtedness*).

For purposes of making the computation referred to above, any Investment, acquisitions, dispositions, mergers, consolidations and disposed or discontinued operations that have been made by the Parent or any of its Restricted Subsidiaries during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Fixed Charge Coverage Ratio Calculation Date shall be calculated on a *pro forma* basis assuming that all such Investments, acquisitions, dispositions, mergers, consolidations and disposed or discontinued operations (and the change in any associated fixed charge obligations and the change in Consolidated EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Parent or any of its Restricted Subsidiaries since the beginning of such period shall have made any Investment, acquisition, disposition, merger, consolidation or disposed or discontinued any operation that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving *pro forma* effect thereto for such period as if such Investment, acquisition,

disposition, merger, consolidation or disposed or discontinued operation had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever *pro forma* effect is to be given to a transaction, the *pro forma* calculations shall be made in good faith by a responsible financial or chief accounting officer of the Parent (including synergies and cost savings). If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness). Interest on a Capitalised Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Parent to be the rate of interest implicit in such Capitalised Lease Obligation in accordance with IFRS. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a *pro forma* basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period except as set forth in the first paragraph of this definition. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be determined to have been based upon the rate actually chosen, or if none, then based upon such optional rate chosen as the Parent may designate.

"**Fixed Charges**" means, with respect to any Person for any period, the sum without duplication, of:

(a) Consolidated Interest Expense of such Person for such period;

(b) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Preferred Stock during such period;

(c) all cash and non-cash dividends or other distributions payable (excluding items eliminated in consolidation) on any series of Disqualified Stock during this period; and

(d) any interest expense on Indebtedness of another person that is guaranteed by such Person or its Restricted Subsidiaries or secured by a Lien on assets of such Person or its Restricted Subsidiaries, but only to the extent such guarantee or Lien is called upon;

determined on a consolidated basis in accordance with IFRS.

"**Governmental Authority**" means any nation, sovereign or government, any state, province, territory or other political subdivision thereof, and any entity or authority exercising executive, legislative, judicial, regulatory, self-regulatory or administrative functions of or pertaining to government, including a central bank or stock exchange.

"**Guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(b) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), **provided, however, that** the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"**Hedging Obligations**" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement (each, a "**Hedging Agreement**").

"**Holding Company**" means any Person of which the Parent at any time is or becomes a Subsidiary after the Issue Date (including Cabot Credit Management Limited) and any holding companies established by any Permitted Holder for purposes of holding its investment in any Holding Company.

"**Holdings**" means Cabot Credit Management Group Limited (formerly Cabot Financial Holdings Group Limited), a limited liability company organised under the laws of England and Wales and its successors and assigns.

"**IFRS**" means the International Financial Reporting Standards (formerly, International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Parent or its Restricted Subsidiaries are, or may be, required to comply; **provided that** at any date after the Issue Date the Parent may make an irrevocable election to establish that "IFRS" shall mean IFRS as in effect on a date that is on or prior to the date of such election. The Parent shall give notice of any such election to the Agent. Except as otherwise set forth in this Agreement, all ratios and calculations based on IFRS contained in this Agreement shall be computed in accordance with IFRS.

"**Incur**" means issue, create, assume, enter into any Guarantee of, incur, extend or otherwise become liable for and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing; **provided, however, that** any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and any Indebtedness pursuant to any revolving credit or similar facility shall only be deemed to be Incurred at the time any funds are borrowed thereunder.

"**Indebtedness**" means, with respect to any Person on any date of determination (without duplication):

(a) the principal of indebtedness of such Person for borrowed money;

(b) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been

reimbursed) (except to the extent such reimbursement obligations relate to trade payables and such obligations are satisfied within 30 days of Incurrence);

(d) Capitalised Lease Obligations of such Person;

(e) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary (other than the Luxembourg Guarantors), any Preferred Stock (but excluding, in each case, any accrued dividends);

(f) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; **provided, however, that** the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Parent) and (b) the amount of such Indebtedness of such other Persons;

(g) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(h) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "**Indebtedness**" shall not include Subordinated Shareholder Funding or any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, any asset retirement obligations, prepayments or deposits received from clients or customers, in each case, in the ordinary course of business, or obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in this Schedule 14, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clauses (e), (f) or (h) above) shall be (a) in the case of any Indebtedness issued with original issue discount, the amount in respect thereof that would appear on the balance sheet of such Person in accordance with IFRS and (b) the principal amount of the Indebtedness, in the case of any other Indebtedness.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(i) Contingent Obligations Incurred in the ordinary course of business;

(ii) in connection with the purchase by the Parent or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; **provided, however, that**, at the time of closing, the amount of any

such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(iii) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes; or

(iv) Indebtedness of a Trust Management SPV where the proceeds of such Indebtedness are used to finance the purchase of assets to be held in such trust; **provided that** the incurrence of such Indebtedness is without recourse and contains no obligation on the Parent or any other Restricted Subsidiary or any of their assets in any way.

"**Independent Financial Advisor**" means an investment banking or accounting firm of international standing or any third party appraiser of international standing; **provided, however, that** such firm or appraiser is not an Affiliate of the Parent.

"**Initial Public Offering**" means an Equity Offering of common stock or other common equity interests of the Parent or any Holding Company or any successor of the Parent or any Holding Company (the "**IPO Entity**") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognised exchange or traded on an internationally recognised market.

"**Intercreditor Agreements**" means each of the Intercreditor Agreement and the Marlin Intercreditor Agreement.

"**Interest Rate Agreement**" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"**Investment**" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any purchase of Underlying Portfolio Assets, any Right to Collect Accounts or any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet prepared on the basis of IFRS; **provided, however, that** endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Parent or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Parent or any Restricted Subsidiary in

such Person remaining after giving effect thereto will be deemed to be a new Investment at such time equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in Section 2.4 (*Limitation on Restricted Payments*).

For purposes of Section 2 (*Limitation on Restricted Payments*):

(a) "**Investment**" will include the portion (proportionate to the Parent's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; **provided, however, that** upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Parent will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Parent's "Investment" in such Subsidiary at the time of such redesignation less (b) the portion (proportionate to the Parent's equity interest in such Subsidiary) of the fair market value of the net assets (as conclusively determined by the Board of Directors of the Parent in good faith) of such Subsidiary at the time that such Subsidiary is so re-designated a Restricted Subsidiary; and

(b) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Parent.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Parent's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"**Investment Grade Securities**" means:

(a) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(b) securities issued or directly and fully guaranteed or insured by a member of the European Union (other than Greece and Portugal), or any agency or instrumentality thereof (other than Cash Equivalents);

(c) debt securities or debt instruments with a rating of "A–" or higher from S&P or "A3" or higher by Moody's or the equivalent of such rating by such rating organisation or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Parent and its Subsidiaries; and

(d) investments in any fund that invests exclusively in investments of the type described in clauses (a), (b) and (c) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"**Investment Grade Status**" shall occur when the 2023 Cabot Notes (or any Permitted Financial Indebtedness issued by a member of the Restricted Group to refinance or replace the 2023 Cabot Notes or in exchange for the 2023 Cabot Notes) receive both of the following:

(a) a rating of "BBB–" or higher from S&P; and

(b) a rating of "Baa3" or higher from Moody's;

or the equivalent of such ratings by either such rating organisations or, if no rating of Moody's or S&P then exists, the equivalent of such applicable rating by any other Nationally Recognized Statistical Rating Organization.

"**IPO Entity**" has the meaning given to it in the definition of "Initial Public Offering".

"**IPO Market Capitalisation**" means an amount equal to (1) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (2) the price per share at which such shares of common stock or common equity interest are sold in such Initial Public Offering.

"**Issue Date**" means October 6, 2016.

"**Issuer**" means Cabot Financial (Luxembourg) S.A.

"**J.C. Flowers**" means the investment funds managed and advised by J.C. Flowers & Co. LLC or when otherwise indicated or when the context otherwise requires, J.C. Flowers & Co. LLC in its own right.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"**LTV Ratio**" means, in respect of any date of calculation, the aggregate Secured Indebtedness of the Parent and its Restricted Subsidiaries less cash and Cash Equivalents (other than cash or Cash Equivalents in an amount equal to amounts collected by the Parent and its Restricted Subsidiaries on behalf of third-party clients and held by the Parent and its Restricted Subsidiaries as of such date and cash and Cash Equivalents that constitute Trust Management Assets or are held on trust for a beneficiary which is not the Parent or a Restricted Subsidiary) as of such date, divided by ERC; **provided that** ERC shall be adjusted to give effect to purchases or disposals of performing, sub-performing or charged-off accounts, loans, receivables, mortgages, debentures or claims or other similar assets or instruments or portfolios thereof (including through the use of Right to Collect Accounts) made since the last measurement date and prior to such date of calculation, on the basis of estimates made on a *pro forma* basis by management acting in good faith. In determining the LTV Ratio in connection with the Incurrence of Indebtedness and the granting of a Lien, the LTV Ratio shall be determined on a *pro forma* basis for the relevant transaction and the use of proceeds of such Indebtedness; **provided that** no cash or Cash Equivalents shall be included in the calculation of the *pro forma* LTV Ratio that are, or are derived from, the proceeds of Indebtedness in respect of which the *pro forma* calculation is to be made, except, for the avoidance of doubt, to the extent cash or Cash Equivalents will be expended in a transaction to which *pro forma* effect is given; **provided further that** any cash and Cash Equivalents received by the Parent or any of its Restricted Subsidiaries from the issuance or sale of its Capital Stock, Subordinated Shareholder Funding or other capital

contributions subsequent to the Issue Date shall (to the extent they are taken into account in determining the amount available for Restricted Payments under such clauses) be excluded for purposes of making Restricted Payments and Permitted Payments, as applicable, under paragraphs (d)(z)(ii) and (d)(z)(iii) of Section 2.1 (*Limitation on Restricted Payments*) and paragraphs (a) and (m) of Section 2.3 (*Limitation on Restricted Payments*) to the extent such Cash and Cash Equivalents are included in the calculation of the LTV Ratio.

"**Management Advances**" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of the Parent, any Holding Company or any Restricted Subsidiary:

(a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business;

(b) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(c) not exceeding £0.5 million in the aggregate outstanding at any time.

"**Management Investors**" means the officers, directors, employees and other members of the management of or consultants to any Holding Company, the Parent or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Parent, any Restricted Subsidiary or any Holding Company.

"**Market Capitalisation**" means an amount equal to (1) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (2) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"**Marlin Intercreditor Agreement**" means the intercreditor agreement originally dated 25 July 2013 as amended and restated on 19 February 2014 and as amended and restated from time to time between, amongst others, the Marlin Issuer, the trustee in respect of the Marlin Notes and the other entities specified therein.

"**Marlin Issuer**" means Marlin Intermediate Holdings plc, a public limited company incorporated under the laws of England and Wales.

"**Moody's**" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Nationally Recognized Statistical Rating Organization**" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"**Net Available Cash**" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment

receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(a) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions), as a consequence of such Asset Disposition;

(b) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which are required by applicable law to be repaid out of the proceeds from such Asset Disposition;

(c) all distributions and other payments required to be made to minority interest holders (other than any Holding Company, the Parent or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(d) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Parent or any Restricted Subsidiary after such Asset Disposition.

"**Net Cash Proceeds**," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions).

"**Officer**" means, with respect to any Person, (1) the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Managing Director, any director or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Existing Notes Indentures or the 2023 Cabot Notes Indenture by the Board of Directors of such Person.

"**Officer's Certificate**" means, with respect to any Person, a certificate signed by one Officer of such Person.

"**Opinion of Counsel**" means a written opinion from legal counsel reasonably satisfactory to the Agent. The counsel may be an employee of or counsel to the Parent or its Subsidiaries.

"**Parent Expenses**" means:

(a) costs (including all professional fees and expenses) Incurred by any Holding Company in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory

or self-regulatory body or stock exchange, the 2023 Cabot Notes Indenture, the Existing Notes Indentures or any other agreement or instrument relating to Indebtedness of the Parent or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(b) customary indemnification obligations of any Holding Company owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Parent and its Subsidiaries;

(c) obligations of any Holding Company in respect of director and officer insurance (including premiums therefor) to the extent relating to the Parent and its Subsidiaries;

(d) (a) general corporate overhead expenses, including professional fees and expenses and other operational expenses of any Holding Company related to the ownership or operation of the business of the Parent or any of its Restricted Subsidiaries (including, without limitation, accounting, legal, corporate reporting, and administrative expenses as well as payments made pursuant to secondment, employment or similar agreements entered into between the Parent and/or any of its Restricted Subsidiaries and/or any Holding Company or any employee thereof) or (b) costs and expenses with respect to any litigation or other dispute relating to the Transactions or the ownership, directly or indirectly, of the Issuer by any Holding Company;

(e) other fees, expenses and costs relating directly or indirectly to activities of the Parent and its Subsidiaries in an amount not to exceed £1.5 million in any fiscal year; and

(f) expenses Incurred by any Holding Company in connection with any Public Offering or other sale of Capital Stock or Indebtedness:

(i) where the net proceeds of such offering or sale are intended to be received by or contributed to the Parent or a Restricted Subsidiary,

(ii) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed, or

(iii) otherwise on an interim basis prior to completion of such offering so long as any Holding Company shall cause the amount of such expenses to be repaid to the Parent or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

(g) any income taxes, to the extent such income taxes are attributable to the income of the Parent and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries.

"**Pari Passu Indebtedness**" means Indebtedness of the Parent, the Issuer, the Marlin Issuer or any Guarantor (other than Indebtedness of the Parent pursuant to this Agreement and Priority Hedging Obligations) if such Indebtedness ranks equally in right of payment to the Notes and the Note Guarantees (as defined in the Existing Notes Indentures and the 2023 Cabot Notes

Indenture) which, in each case, is secured by Liens on the Collateral, including the Existing Notes.

"**Permitted Asset Swap**" means the concurrent purchase and sale or exchange of assets used or useful in a Similar Business or a combination of such assets and cash, Cash Equivalents or Temporary Cash Investments between the Parent or any of its Restricted Subsidiaries and another Person; **provided that** any cash or Cash Equivalents received in excess of the value of any cash or Cash Equivalents sold or exchanged must be applied in accordance with the covenant described under Section 5 (*Limitation on Sales of Assets and Subsidiary Stock*).

"**Permitted Collateral Liens**" means (A) Liens on the Collateral described in one or more of clauses (b), (c), (d), (e), (f), (h), (i), (j), (k), (l), (m), (n), (r), (s), (t), (u), (v), (w) and (y) of the definition of "Permitted Liens", (B) Liens on the Collateral to secure Indebtedness of the Parent or a Restricted Subsidiary that is permitted to be Incurred under paragraphs (a), (b) (in the case of paragraph (b), to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of "Permitted Collateral Liens"), (d)(i) and (iii) (if the original Indebtedness was so secured), (f) or (k) of Section 1.2 (*Limitation on Indebtedness*); **provided, however, that** such Lien ranks equal to (including with respect to the application of proceeds from any realisation or enforcement of the Collateral in accordance with the Intercreditor Agreements) all other Liens on such Collateral securing the Notes and the Note Guarantees (each as defined in the Existing Notes Indentures and the 2023 Cabot Notes Indenture) (except that a Lien in favour of Indebtedness incurred under paragraph (a) of Section 1.2 (*Limitation on Indebtedness*) and a Lien in favour of Priority Hedging Obligations may have super priority in respect of the application of proceeds from any realisation or enforcement of the Collateral on terms not materially less favourable to the Holders than that accorded to this Agreement on the Issue Date as provided in the Intercreditor Agreements as in effect on the Issue Date), subject always to the terms of this Agreement, (C) Liens on the Collateral securing Indebtedness incurred under Section 1.1 (*Limitations on Indebtedness*); **provided that**, in the case of this clause (C), after giving effect to such incurrence on that date, the LTV Ratio is less than 0.725 and (y) any such Lien ranks equal to (including with respect to the application of proceeds from any realisation or enforcement of the Collateral in accordance with the Intercreditor Agreements) all other Liens on such Collateral securing the Notes and the Note Guarantees (as defined in the Existing Notes Indentures and the 2023 Cabot Notes Indenture), or (D) Liens on Collateral securing Refinancing Indebtedness in respect of any Indebtedness secured pursuant to the foregoing clauses (A), (B) and (C); **provided that** any such Lien ranks equal to (including with respect to the application of proceeds from any realisation or enforcement of the Collateral in accordance with the Intercreditor Agreements) all other Liens on such Collateral securing the Notes and the Note Guarantees (as defined in the Existing Notes Indentures and the 2023 Cabot Notes Indenture) (except as otherwise permitted in clause (B)). To the extent that a Lien on the Collateral consists of a mortgage over any real estate located in the United Kingdom, it shall constitute a Permitted Collateral Lien only to the extent that a mortgage ranking at least *pari passu* is granted in favour of the Security Agent for the benefit of the Finance Parties.

"**Permitted Holders**" means, collectively, (1) any one or more Persons whose beneficial ownership constitutes or results in a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of each Existing Notes Indenture and the 2023 Cabot Notes Indenture, (2) J.C. Flowers and any funds controlled or advised by J.C. Flowers and any Affiliate or Related Persons thereof, (3) Senior Management, (4) any Person who is

acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Parent, acting in such capacity, and (5) Encore Capital and any Affiliate thereof. Any person or group that includes a Permitted Holder shall also be deemed to be a Permitted Holder, **provided that** Permitted Holders as defined in clauses (1), (2), (3) and (5) above retain exclusive beneficial ownership and control of at least 50.1% of the total voting power of the Voting Stock of the Parent beneficially owned by any group that becomes a Permitted Holder at any time as a result of the application of this sentence (without giving effect to the existence of such group or any other group).

"**Permitted Investment**" means (in each case, by the Parent or any of its Restricted Subsidiaries):

(a) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Parent or (b) a Person (including the Capital Stock of any such Person) that is engaged in any Similar Business and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(b) Investments in another Person if such Person is engaged in any Similar Business and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all its assets to, the Parent or a Restricted Subsidiary;

(c) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(d) Investments in Receivables owing to the Parent or any Restricted Subsidiary created or acquired in the ordinary course of business;

(e) Investments in payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(f) Management Advances;

(g) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Parent or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganisation or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(h) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with Section 4.10;

(i) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date , and any extension, modification or renewal of such Investment, **provided that** the amount of the Investment may be increased as required by the terms of the Investment as in existence on the Issue Date;

(j) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with Section 1 (*Limitation on Indebtedness*);

(k) Investments, taken together with all other Investments made pursuant to this clause (a) and at any time outstanding, in an aggregate amount at the time of such Investment not to exceed the greater of 4.5% of Total Assets and £60.0 million; **provided that**, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to Section 2 (*Limitation on Restricted Payments*), such Investment shall thereafter be deemed to have been made pursuant to clause (a) or (b) of the definition of "Permitted Investments" and not this clause;

(l) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under Section 3 (*Limitation on Liens*);

(m) any Investment to the extent made using Capital Stock of the Parent (other than Disqualified Stock) or Capital Stock of any Holding Company as consideration;

(n) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of Sections 6.2 and 6.3 (*Limitation on Affiliate Transactions*) (except those described in paragraphs (a), (c), (f), (h), (i) and (l) of Section 6.3);

(o) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in any case, in the ordinary course of business and in accordance with this Agreement;

(p) Guarantees not prohibited by Section 1 (*Limitation on Indebtedness*) and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(q) Investments in Associates or Unrestricted Subsidiaries in an aggregate amount when taken together with all other Investments made pursuant to this clause (q) that are at the time outstanding not to exceed the greater of 3.0% of Total Assets and £40.0 million;

(r) Investments in the Notes, the Existing Notes and any Additional Notes (as defined in the Existing Notes Indentures and the 2023 Cabot Notes Indenture) and Investments pursuant to the Proceeds Loan and the Existing Proceeds Loans; and

(s) Investments acquired after the Issue Date as a result of the acquisition by the Parent or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Parent or any of its Restricted Subsidiaries in a transaction that is not prohibited by Section 7 (*Merger and Consolidation*) to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation.

"**Permitted Liens**" means, with respect to any Person:

(a) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;

(b) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for contested Taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(c) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other like Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(d) Liens for Taxes not yet delinquent or which are being contested in good faith by appropriate proceedings; **provided that** appropriate reserves required pursuant to IFRS have been made in respect thereof;

(e) Liens in favour of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Parent or any Restricted Subsidiary in the ordinary course of its business;

(f) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Parent and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Parent and its Restricted Subsidiaries;

(g) Liens on assets or property of the Parent or any Restricted Subsidiary securing Hedging Obligations permitted under this Agreement;

(h) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(i) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(j) Liens on assets or property of the Parent or any Restricted Subsidiary for the purpose of securing Capitalised Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property; **provided that** (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under this Agreement and (b) any such Lien may not extend to any assets or property of the Parent or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(k) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(l) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Parent and its Restricted Subsidiaries in the ordinary course of business;

(m) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;

(n) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Parent or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Parent or any Restricted Subsidiary); **provided, however, that** such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); **provided, further, that** such Liens do not extend to or cover any property or assets of the Parent and its Restricted Subsidiaries other than (a) the property or assets acquired or (b) the property or assets of the person acquired, merged with or into or consolidated or combined with the Parent or a Restricted Subsidiary;

(o) Liens on assets or property of the Parent or any Restricted Subsidiary securing Indebtedness or other obligations of the Parent or such Restricted Subsidiary owing to the Parent or another Restricted Subsidiary, or Liens in favour of the Parent or any Restricted Subsidiary;

(p) Liens (other than Permitted Collateral Liens) securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under this Schedule 14; **provided that** any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(q) any interest or title of a lessor under any Capitalised Lease Obligation or operating lease;

(r) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Parent or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(s) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(t) Liens on property or assets under construction (and related rights) in favour of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(u) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or on cash set aside at the time of the Incurrence of any Indebtedness or government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(v) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts securing cash pooling arrangements;

(w) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(x) Liens which do not exceed £20.0 million at any one time outstanding;

(y) Liens on Capital Stock of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(z) Liens securing Permitted Purchase Obligations, **provided that** any such Lien is only over the assets and Capital Stock of the relevant Permitted Purchase Obligations SPV;

(aa) Liens on Right to Collect Accounts, performing accounts, sub-performing accounts, charged-off accounts, cash and bank accounts, loans, receivables, mortgages, debentures, claims or other similar assets or instruments held on trust for third parties; and

(bb) Liens on Trust Management Assets; **provided that** such Liens do not secure any Indebtedness of the Parent or any Restricted Subsidiary other than a Trust Management SPV.

"**Permitted Purchase Obligations**" means any Indebtedness Incurred by a Permitted Purchase Obligations SPV to finance or refinance the acquisition of performing sub-performing or charged-off accounts, loans, receivables, mortgages, debentures or claims or other similar assets or instruments or portfolios thereof (including through the use of Right to Collect Accounts) purchased by such Permitted Purchase Obligations SPV, whether directly or through the

acquisition of the Capital Stock of any Person owning such assets or otherwise, in an aggregate principal amount not exceeding at the time of the incurrence of such Permitted Purchase Obligations, together with any other Indebtedness incurred pursuant to paragraph (l) of Section 1.2 (*Limitation on Indebtedness*) and then outstanding, 20.0% of the ERC calculated in good faith on a *pro forma* basis by management as of the date of purchase of such performing, sub-performing or charged-off accounts, loans, receivables, mortgages, debentures or claims or other similar assets or instruments or such portfolios (including through the use of Right to Collect Accounts), **provided that**:

(a) except for the granting of a Lien described in clause (z) of the definition of "Permitted Liens," no portion of any Permitted Purchase Obligations or any other obligations (contingent or otherwise) of the applicable Permitted Purchase Obligations SPV (a) is guaranteed by the Parent or any other Restricted Subsidiary, (b) is recourse to or obligates the Parent or any other Restricted Subsidiary in any way, or (c) subjects any property or asset of the Parent or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof,

(b) neither the Parent nor any other Restricted Subsidiary has any obligation to maintain or preserve the applicable Permitted Purchase Obligations SPV's financial condition or cause such entity to achieve certain levels of operating results, and

(c) such Permitted Purchase Obligation is secured (if at all) only over the assets of and Capital Stock of the relevant Permitted Purchase Obligations SPV.

"**Permitted Purchase Obligations SPV**" means a Wholly Owned Restricted Subsidiary (1) which engages in no activities other than the acquisition of performing, sub-performing or charged-off accounts, loans, receivables, mortgages, debentures or claims, or other similar assets or instruments or portfolios thereof (including through the use of Right to Collect Accounts), the Incurrence of Permitted Purchase Obligations to finance such acquisition and any business or activities incidental or related to such business and is set up in connection with the Incurrence of Permitted Purchase Obligations, (2) to which the Parent or any Restricted Subsidiary contributes, loans or otherwise transfers no amounts in excess of amounts required, after giving effect to the Incurrence of Permitted Purchase Obligations, to consummate the relevant purchase of assets and amounts required for incidental expenses, costs and fees for the set-up and continuing operations of such Permitted Purchase Obligations SPV, and (3) all the Capital Stock of which is held by a Wholly Owned Restricted Subsidiary which holds no other material assets.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organisation, limited liability company, government or any agency or political subdivision thereof or any other entity.

"**Portfolio ERC Model**" means the models and methodologies that the Parent uses to calculate the value of its loan portfolios and those of its Subsidiaries, consistently with its most recent audited financial statements as of such date of determination.

"**Preferred Stock**," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"**Priority Hedging Obligations**" means designated Hedging Obligations in an aggregate amount outstanding at any time of up to £20.0 million.

"**Proceeds Loan**" means the loan of the proceeds of the 2023 Cabot Notes pursuant to the Proceeds Loan Agreement and all loans directly or indirectly replacing or refinancing such loan or any portion thereof.

"**Proceeds Loan Agreement**" means that certain loan agreement made as of the Issue Date by and between the Original Borrower, as borrower, and Cabot Financial (Luxembourg) S.A., as lender.

"**Public Debt**" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional and other investors, in each case, that are not Affiliates of the Parent, in accordance with Section 4(2) of and/or Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"**Public Market**" means any time after:

(a) an Equity Offering has been consummated; and

(b) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of £50 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"**Public Offering**" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"**Purchase Money Obligations**" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"**Receivable**" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit, as determined on the basis of IFRS.

"**refinance**" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in this Schedule 14 shall have a correlative meaning.

"**Refinancing Indebtedness**" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of this Agreement or Incurred in compliance with this

Agreement (including Indebtedness of the Parent that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Parent or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; **provided, however, that**:

(a) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final Stated Maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final Stated Maturity of the Indebtedness being refinanced or, if shorter, the Termination Date;

(b) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(c) if the Indebtedness being refinanced is expressly subordinated to the Utilisation, such Refinancing Indebtedness is subordinated to the Utilisation on terms at least as favourable to the Lenders as those contained in the documentation governing the Indebtedness being refinanced, **provided, however, that** Refinancing Indebtedness shall not include Indebtedness of the Parent or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred within 120 days after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"**Regulation S**" means Regulation S promulgated under the Securities Act.

"**Related Person**" with respect to any Person, means:

(a) any controlling equity holder or Subsidiary of such Person; or

(b) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individuals and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(c) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, shareholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(d) in the case of J.C. Flowers, any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

"**Related Taxes**" means:

(a) any Taxes (other than (x) Taxes measured by gross or net income, receipts or profits and (y) withholding Taxes), required to be paid (provided such Taxes are in fact paid) by any Holding Company by virtue of its:

(i) being organised or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Parent or any of the Parent's Subsidiaries);

(ii) issuing or holding Subordinated Shareholder Funding; or

(iii) being a holding company parent, directly or indirectly, of the Parent or any of the Parent's Subsidiaries;

(b) if and for so long as the Parent is a member of a group filing a consolidated or combined tax return with any Holding Company, any consolidated or combined Taxes measured by income for which such Holding Company is liable up to an amount not to exceed the amount of any such Taxes that the Parent and its Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Parent and its Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Parent and its Subsidiaries; **provided that** distributions shall be permitted in respect of the income of an Unrestricted Subsidiary only to the extent such Unrestricted Subsidiary distributed cash for such purpose to the Parent or its Restricted Subsidiaries.

"**Restricted Investment**" means any Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means any Subsidiary of the Parent other than an Unrestricted Subsidiary.

"**Reversion Date**" means, after the Notes (or any Permitted Financial Indebtedness issued by a member of the Restricted Group to refinance or replace the Notes or in exchange for the Notes) have achieved Investment Grade Status, the date, if any, that such Notes (or any such Permitted Financial Indebtedness issued by a member of the Restricted Group to refinance or replace such Notes or in exchange for such Notes) shall cease to have such Investment Grade Status.

"**Right to Collect Account**" means a performing, sub-performing or charged-off account, loan, receivable, mortgage, debenture or claim or other similar asset or instrument that is owned by a Person that is not the Parent or one of its Restricted Subsidiaries (a "**Third Party**") and in respect of which (1) such Third Party is unable or unwilling to dispose of the relevant performing, sub-performing or charged-off account, loan, receivable, mortgage, debenture or claim or other similar asset or instrument to the Parent or a Restricted Subsidiary; and (2) the Parent or a Restricted Subsidiary is entitled to collect and retain substantially all of the amounts due under such performing, sub-performing or charged-off account, loan, receivable, mortgage, debenture or claim or other similar asset or instrument or to receive amounts equivalent thereto.

"**Rule 144A**" means Rule 144A promulgated under the Securities Act.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**S&P**" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"**Secured Indebtedness**" means any Indebtedness secured by a Lien (other than Indebtedness Incurred pursuant to paragraphs (c), (f), (h), (i), (j) or (n) of Section 1.2 (*Limitation on Indebtedness*)..

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"**Senior Management**" means any previous or current officers, directors, and other members of senior management of the Parent or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Parent or any Holding Company.

"**Similar Business**" means (1) any businesses, services or activities engaged in by the Parent or any of its Subsidiaries or any Associates on the Issue Date and (2) any businesses, services and activities engaged in by the Parent or any of its Subsidiaries or any Associates that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"**Sterling Equivalent**" means, with respect to any monetary amount in a currency other than sterling, at any time of determination thereof by the Parent or the Agent, the amount of sterling obtained by converting such currency other than sterling involved in such computation into sterling at the spot rate for the purchase of sterling with the applicable currency other than sterling as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Parent) on the date of such determination.

"**Subordinated Indebtedness**" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Utilisations pursuant to a written agreement (which, for the avoidance of doubt, will not include the Notes or any Pari Passu Indebtedness).

"**Subordinated Shareholder Funding**" means any funds provided to the Parent by any Holding Company, any Affiliate of any Holding Company or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by a Holding Company or a Permitted Holder, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; **provided, however, that** such Subordinated Shareholder Funding:

(a) does not mature or require any amortisation, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Parent or any funding meeting the requirements of this definition);

(b) does not require, prior to the first anniversary of the Termination Date, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts;

(c) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first anniversary of the Termination Date;

(d) does not provide for or require any security interest or encumbrance over any asset of the Parent or any of its Subsidiaries; and

(e) pursuant to its terms is fully subordinated and junior in right of payment to the Utilisations pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding, **provided, further, however, that** upon the occurrence of any event or circumstance that results in such Indebtedness ceasing to qualify as Subordinated Shareholder Funding, such Indebtedness shall constitute an Incurrence of such Indebtedness by the Parent, and any and all Restricted Payments made through the use of the Net Cash Proceeds from the Incurrence of such Indebtedness since the date of the original issuance of such Subordinated Shareholder Funding shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Funding.

"**Subsidiary**" means, with respect to any Person:

(a) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(b) any partnership, joint venture, limited liability company or similar entity of which:

    (i) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other

Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and

(ii) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Subsidiary Guarantor**" means a Restricted Subsidiary of the Parent (other than Holdings and any Luxembourg Guarantor) that guarantees the Utilisations.

"**Taxes**" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed by any government or other taxing authority.

"**Temporary Cash Investments**" means any of the following:

(a) any investment in

(i) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) the United Kingdom, (iii) any European Union member state (other than Greece and Portugal), (iv) Switzerland or Norway, (v) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Parent or a Restricted Subsidiary in that country with such funds or (vi) any agency or instrumentality of any such country or member state, or

(ii) direct obligations of any country recognised by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(b) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:

(i) any lender under this Agreement,

(ii) any institution authorised to operate as a bank in any of the countries or member states referred to in clause (a)(i) above, or

(iii) any bank or trust company organised under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of £250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A-" by S&P or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(c) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (a) or (b) above entered into with a Person meeting the qualifications described in clause (b) above;

(d) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Parent or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(e) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, the United Kingdom, any European Union member state (other than Greece and Portugal) or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(f) bills of exchange issued in the United States, Canada, the United Kingdom, a member state of the European Union (other than Greece and Portugal), Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialised equivalent);

(g) any money market deposit accounts issued or offered by a commercial bank organised under the laws of a country that is a member of the Organisation for Economic Co-operation and Development, in each case, having capital and surplus in excess of £250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organisation or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(h) investment funds investing 95% of their assets in securities of the type described in clauses (a) through (g) above (which funds may also hold reasonable amounts of cash pending investment and/or distribution); and

(i) investments in money market funds complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended.

"**Total Assets**" means the consolidated total assets of the Parent and its Restricted Subsidiaries in accordance with IFRS as shown on the most recent balance sheet of such Person.

"**Transactions**" means the issuance of the 2023 Cabot Notes and the use of proceeds thereof to partially repay amounts outstanding under this Agreement and to pay transaction fees and expenses, each as described in the "Use of proceeds" section of the Offering Memorandum, and the entry into the Finance Documents.

"**Trust Management Assets**" means Right to Collect Accounts, performing accounts, sub-performing accounts, charged-off accounts, loans, receivables, mortgages, debentures, claims, cash and bank accounts or other similar assets or instruments held by a Trust Management SPV on trust for a beneficiary which is not the Parent or a Restricted Subsidiary.

"**Trust Management SPV**" means a Restricted Subsidiary whose purpose is managing Trust Management Assets and other activities necessary or ancillary to managing Trust Management Assets, including as necessary to fulfill any obligations or duty of the Trust Management SPV as a trustee.

"**Underlying Portfolio Assets**"' means performing, sub-performing or charged-off account, loans, receivables, mortgages, debentures or claims or other similar assets or instruments (in each case, however pooled, aggregated, fractionally owned or contractually divided).

"**UK Government Obligations**" means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment of which the United Kingdom pledges its full faith and credit.

"**Uniform Commercial Code**" means the New York Uniform Commercial Code.

"**Unrestricted Subsidiary**" means:

(a) any Subsidiary of the Parent (other than any Luxembourg Guarantor and Holdings) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Parent in the manner provided below); and

(b) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Parent may designate any Subsidiary of the Parent (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein), other than any Luxembourg Guarantor and Holdings, to be an Unrestricted Subsidiary only if:

(i) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Parent or any other Subsidiary of the Parent which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(ii) such designation and the Investment of the Parent in such Subsidiary complies with Section 2 (*Limitations on Restricted Payments*).

Any such designation by the Board of Directors of the Parent shall be evidenced to the Agent by filing with the Agent a resolution of the Board of Directors of the Parent giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Parent may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; **provided, that** immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Parent could Incur at least £1.00 of additional Indebtedness under Section 1.1 (*Limitation on Indebtedness*) or (y) the Fixed Charge Coverage Ratio for the Parent and its Restricted Subsidiaries would not be worse than it was

immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Agent by promptly filing with the Agent a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"**U.S. Person**" means a U.S. Person as defined in Rule 902.

"**Voting Stock**" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"**Wholly Owned Restricted Subsidiary**" means a Restricted Subsidiary of the Parent, all the Voting Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Parent or another Wholly Owned Restricted Subsidiary) is owned by the Parent or another Wholly Owned Restricted Subsidiary.

"**Working Capital Intercompany Loan**" means any loan to or by the Parent or any of its Restricted Subsidiaries to or from the Parent or any of its Restricted Subsidiaries from time to time (1) for purposes of consolidated cash and tax management and working capital management and (2) for a duration of less than one year.

**SCHEDULE 15**
**FORM OF INCREASE CONFIRMATION**

To: [•] as Agent, [•] as Security Agent, [•] as Issuing Bank and [•] as Parent, for and on behalf of each Obligor

From: [the *Increase Lender*] (the "**Increase Lender**")

Dated: [•]

**Cabot Financial (UK) Limited £295,000,000 Revolving Facility Agreement**
**originally dated 20 September 2012, as amended and/or restated from time to time (the "Facility Agreement")**

1. We refer to the Facility Agreement and to the Intercreditor Agreement (as defined in the Facility Agreement). This agreement (the "**Agreement**") shall take effect as an Increase Confirmation for the purpose of the Facility Agreement and as a Creditor/Agent Accession Undertaking (as defined in and) for the purposes of the Intercreditor Agreement (and as defined in the Intercreditor Agreement). Terms defined in the Facility Agreement have the same meaning in this Agreement unless given a different meaning in this Agreement.

2. We refer to Clause 2.2 (*Increase*) of the Facility Agreement.

3. The Increase Lender agrees to assume and will assume all of the obligations corresponding to the [Tranche 1 Commitment]/ Tranche 2 Commitment] specified in the Schedule (the "**Relevant Commitment**") as if it was an Original Lender under the Facility Agreement.

4. The proposed date on which the increase in relation to the Increase Lender and the Relevant Commitment is to take effect (the "**Increase Date**") is [?].

5. On the Increase Date, the Increase Lender becomes:

   (a) party to the relevant Finance Documents (other than the Intercreditor Agreement) as a Lender; and

   (b) party to the Intercreditor Agreement as a Senior Creditor.

6. The Facility Office and address, fax number and attention details for notices to the Increase Lender for the purposes of Clause 38.2 (*Addresses*) are set out in the Schedule.

7. The Increase Lender expressly acknowledges the limitations on the Lenders' obligations referred to in paragraph (f) of Clause 2.2 (*Increase*).

8. The Increase Lender confirms that it is not a Sponsor Affiliate.

9. The Increase Lender confirms (for the benefit of the Agent and without liability to any Obligor) that it is:

   (a) [a Qualifying Lender (other than a Treaty Lender);]

(b) [a Treaty Lender;]

(c) [not a Qualifying Lender]; and

10. [The Increase Lender confirms that the person beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document is either:

(a) a company resident in the United Kingdom for United Kingdom tax purposes;

(b) a partnership each member of which is:

(i) a company so resident in the United Kingdom; or

(ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (within the meaning of section 19 of the CTA) the whole of any share of interest payable in respect of that advance that falls to it by reason of Part 17 of the CTA; or

(c) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (within the meaning of section 19 of the CTA) of that company.]

11. [The Increase Lender confirms that it holds a passport under the HMRC DT Treaty Passport scheme (reference number [•]) and is tax resident in [•], so that interest payable to it by UK borrowers is generally subject to full exemption from UK withholding tax and request that the Parent notify:

(a) each UK Borrower which is a Party as a Borrower as at the Transfer Date; and

(b) each Additional Borrower which is a UK Borrower and which becomes an Additional Borrower after the Transfer Date,

that it wishes that scheme to apply to this Agreement.

12. [The Increase Lender confirms that it [is]/[is not]* a Non-Acceptable L/C Lender.]**

13. We refer to clause 20.13 (*Creditor/Creditor Representative Accession Undertaking*) of the Intercreditor Agreement:

In consideration of the Increase Lender being accepted as a Senior Creditor for the purposes of the Intercreditor Agreement (and as defined in the Intercreditor Agreement), the Increase Lender confirms that, as from the Increase Date, it intends to be party to the Intercreditor Agreement as a Senior Creditor, and undertakes to perform all the obligations expressed in the Intercreditor Agreement to be assumed by a Senior Creditor and agrees that it shall be bound by all the provisions of the Intercreditor Agreement, as if it had been an original party to the Intercreditor Agreement.

14. This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

15. This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

16. This Agreement has been entered into on the date stated at the beginning of this Agreement.

**Note: The execution of this Increase Confirmation may not be sufficient for the Increase Lender to obtain the benefit of the Transaction Security in all jurisdictions. It is the responsibility of the Increase Lender to ascertain whether any other documents or other formalities are required to obtain the benefit of the Transaction Security in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.**

**THE SCHEDULE**

**Relevant Commitment/rights and obligations to be assumed by the Increase Lender**

[*insert relevant details*]

[*Facility office address, fax number and attention details for notices and account details for payments*]

[Increase Lender]

By:

This Agreement is accepted as an Increase Confirmation for the purposes of the Facility Agreement by the Agent and the Issuing Bank, [and as a Creditor/Agent Accession Undertaking for the purposes of the Intercreditor Agreement by the Security Agent*] and the Increase Date is confirmed as [•].

Agent

By:

Issuing Bank

By:

[Security Agent

By: *]

**SCHEDULE 16**
**AGREED SECURITY PRINCIPLES**

1. **SECURITY PRINCIPLES**

(a) The guarantees and security to be provided in connection with the proposed transactions will be given in accordance with the security principles set out herein (the "**Agreed Security Principles**")**.**

(b) The Agreed Security Principles embody recognition by all parties that there may be certain legal and practical difficulties in obtaining security and guarantees from all proposed grantors of security and guarantees (the "**Grantors**"**)** in every jurisdiction in which the Grantors are incorporated. In particular**:**

(i) general statutory limitations, capital maintenance, financial assistance, corporate benefit, fraudulent preference, "thin capitalisation" rules, retention of title claims and similar principles may limit the ability of a Grantor to provide guarantees or security or may require that the guarantee or security be limited by an amount or otherwise. The Parent will use reasonable endeavours to assist in demonstrating that adequate corporate benefit accrues to each Grantor. Limitation language will be included in respect of all guarantees and security documents limiting the liability under the guarantees and the enforceability of the security as required or customary under applicable law;

(ii) the security and extent of its perfection will be agreed taking into account the cost to the Restricted Group of providing security so as to ensure that it is proportionate to the benefit accruing to the Secured Parties (as defined in the Intercreditor Agreement);

(iii) any assets subject to third party arrangements which are not prohibited by the Debt Documents (as defined in the Intercreditor Agreement) and which prevent those assets from being granted as security will be excluded in any relevant Transaction Security Document **provided that** reasonable endeavours to obtain consent to grant security interests over any such assets shall be used by the relevant Grantor if the relevant asset is material, and **provided further that** when making a Permitted Acquisition referred to in paragraph (v) of that definition no member of the Restricted Group shall enter into any agreement or undertaking at the time of such acquisition with a minority shareholder that prevents those assets from being granted as security as contemplated in that paragraph (v);

(iv) Grantors will not be required to give guarantees or enter into Transaction Security Documents to the extent that it would conflict with the fiduciary duties of their directors or officers or contravene any legal or regulatory prohibition or result in a risk of personal or criminal liability on the part of any director or officer;

(v) perfection of Security, when required pursuant to these Agreed Security Principles, and other legal formalities will be completed as soon as

practicable and, in any event, within the time periods specified in the Transaction Security Documents or (if earlier or to the extent no such time periods are specified in the Transaction Security Documents) within the time periods specified by applicable law in order to ensure due perfection. The perfection of Security granted will not be required if it would have an unreasonable adverse effect on the ability of the relevant Grantor to conduct its operations and business in the ordinary course as to the extent not otherwise prohibited by the Debt Documents. The registration of security interests in intellectual property will (at all times subject to paragraph (iii) above and (c) below) only be in respect of material intellectual property in jurisdictions to be agreed;

(vi) the maximum guaranteed or secured amount may be limited to minimise stamp duty, notarisation, registration or other applicable fees, taxes and duties as well as the tax cost to the Restricted Group where the benefit of increasing the granted or secured amount is disproportionate to the level of such fee, taxes and duties or tax cost to the Restricted Group;

(vii) no perfection action will be required in jurisdictions where Grantors are not incorporated;

(viii) where a class of assets to be secured includes material and immaterial assets, if the cost of granting Security over the immaterial assets is disproportionate to the benefit of such Security, Security will be granted over the material assets only;

(ix) unless granted under a global security document governed by the law of the jurisdiction of an Obligor or under English law or as otherwise required by applicable law, all Security (other than share security over subsidiaries of the relevant Grantor and other assets of the relevant Grantor incorporated or located in jurisdictions other than the jurisdiction of incorporation of the Grantor) shall be governed by the law of the jurisdiction of incorporation of that Grantor;

(x) the Security Agent will hold one set of security for the Finance Parties; and

(xi) the Parent shall be responsible for costs and expenses reasonably incurred by the Finance Parties and the Restricted Group (including reasonable legal expenses, disbursements, registration costs and all taxes, duties and fees (notarial or otherwise)) in respect of guarantees and security.

(c) The Security Agent or the Finance Parties, as the case may be, shall promptly discharge any guarantees and release any Security which is or are subject to any legal or regulatory prohibition as is referred to in paragraph (b)(iv) above.

2. **GRANTORS AND SECURITY**

(a) Each guarantee will be an upstream, cross-stream and downstream guarantee and each guarantee and security will be for all liabilities of each Debtor (as defined

in the Intercreditor Agreement and including, for the avoidance of doubt, the Senior Note Issuer (as defined in the Intercreditor Agreement) and each Obligor) and any Grantors under the Debt Documents in accordance with, and subject to the requirements of the Agreed Security Principles in each relevant jurisdiction.

(b) To the extent possible, all security shall be given in favour of the Security Agent and not the Secured Parties individually. "Parallel debt" provisions will be used where necessary; such provisions will be contained in the Intercreditor Agreement or the relevant transaction document and not the individual security documents unless required under local laws. To the extent possible, there should be no action required to be taken in relation to the guarantees or security when a Lender transfers any of its participation in the Facilities to a new Lender.

(c) If any guarantee and/or security is not permitted under the Senior Note Documents (as defined in the Intercreditor Agreement), such guarantee and/or security shall not be required in relation to the Facilities.

(d) The form of guarantee is set out in Clause 23 (*Guarantee and Indemnity*) of this Agreement and, with respect to any Additional Guarantor incorporated in a jurisdiction in respect of which no limitation language has been agreed before, is subject to any limitations set out in the Accession Deed applicable to such Additional Guarantor.

3. **TERMS OF SECURITY DOCUMENTS**

The following principles will be reflected in the terms of any security taken as part of this transaction:

(a) the security will be first ranking, to the extent possible;

(b) security will not be enforceable unless an event of default (howsoever described) has occurred and notice of acceleration has been given by the Creditor Representative under paragraphs (a)(ii), (a)(iv) or (a)(vi) of Clause 28.20 (*Acceleration*) of this Agreement, or any equivalent provision of any other Primary Finance Documents (as defined in the Intercreditor Agreement) (a "**Relevant Acceleration Event**");

(c) the Security Agent will be entitled, where the relevant Grantor fails to fulfil its obligations under a Transaction Security Document (after the expiry of any applicable grace period), to perfect the Transaction Security, where such perfection is contemplated under these principles and the Transaction Security Document;

(d) the Transaction Security Documents shall only operate to create Security rather than to impose new commercial obligations. Accordingly, they shall not contain additional representations or undertakings (such as in respect of title, validity, insurance, maintenance of assets, information or the payment of costs) unless the same are required for the creation or perfection of the Security or the assets subject to the Security and shall not operate so as to prevent transactions which

are otherwise permitted under the Debt Documents or to require additional consents, authorisations or notifications;

(e) prior to an Event of Default that has occurred and is continuing (or in the case of Clauses 4 (*Bank Accounts*), 6 (*Insurance Policies*), 7 (*Intellectual Property*) and 9 (*Trade Receivables*) only, prior to a Relevant Acceleration Event), the provisions of each Security Document will not be unduly burdensome on the Grantor or interfere unreasonably with the operation of its business;

(f) the Security Agent shall only be able to exercise a power of attorney following an Event of Default that has occurred and is continuing (or in the case of Clauses 4 (*Bank Accounts*), 6 (*Insurance Policies*), 7 (*Intellectual Property*) and 9 (*Trade Receivables*) only, after a Relevant Acceleration Event) or if the relevant Grantor has failed to comply with a further assurance or perfection obligation (after the expiry of any applicable grace period);

(g) Transaction Security Documents, will where possible and practical, automatically create Security over future assets of the same type as those already secured;

(h) Information, such as lists of assets, will be provided if, in the opinion of counsel to the Lenders, these are required by local law to be provided to perfect or register the security or to ensure the security can be enforced and, unless required to be provided by local law more frequently, in that case be provided annually or, following an Event of Default which is continuing, on the Security Agent's reasonable request **provided that** no such regular information is required to be provided in respect of assets located in the United Kingdom.

## 4. BANK ACCOUNTS

(a) If a Grantor grants Security over its bank accounts it shall be free to deal with those accounts in the ordinary course of its business until a Relevant Acceleration Event (or until a later event has occurred as agreed upon in the relevant Transaction Security Document).

(b) In relation to any bank accounts opened prior to the date of this Agreement, notice of the Security will be served on the account bank after a Relevant Acceleration Event, if so requested by the Security Agent. There will be no restriction on the closure of any bank accounts which are no longer required by the Restricted Group.

(c) In relation to any bank accounts opened after the date of this Agreement, notice of the Security will be served on the account bank promptly after such bank account is opened and the Grantor shall use reasonable endeavours to obtain an acknowledgement by the account bank, if so requested by the Security Agent.

(d) Any Security over bank accounts may be subject to any prior security interests in favour of the account bank which are created either by law or in the standard terms and conditions of the account bank.

(e) No Security shall be taken over monies standing to the credit of a bank account where such money is held on trust for third parties.

5. **FIXED ASSETS**

(a) If a Grantor grants Security over its fixed assets it shall be free to deal with those assets in the course of its business until an Event of Default has occurred and is continuing.

(b) No notice whether to third parties or by attaching a notice to the fixed assets shall be prepared or given until an Event of Default has occurred and is continuing.

(c) If required under local law Security over fixed assets will be registered subject to the general principles set out in these Agreed Security Principles.

6. **INSURANCE POLICIES**

(a) Subject to these Agreed Security Principles, each Grantor shall grant Security over its insurance policies (other than third party liability and public liability insurance) in relation to assets that are also subject to Transaction Security. No Security will be granted over any insurance policies which cannot be secured under local law or under the terms of the relevant policy. Insurance claims will be collected by the Grantor in the ordinary course of business until a Relevant Acceleration Event.

(b) Notice of the Security will be served on the insurance provider after a Relevant Acceleration Event, if so requested by the Security Agent.

7. **INTELLECTUAL PROPERTY**

(a) If a Grantor grants Security over its Intellectual Property it shall be free to deal with those assets in the course of its business (including, without limitation, allowing its Intellectual Property to lapse if no longer material to its business and if permitted by this Agreement) until a Relevant Acceleration Event.

(b) No Security shall be granted over any intellectual property which cannot be secured under the terms of the relevant licensing agreement. No notice shall be prepared or given to any third party from whom intellectual property is licensed until a Relevant Acceleration Event.

(c) If required under local law, security over Intellectual Property will be registered under the law of that security document or at a relevant supra-national registry (such as the EU) subject to the general principles set out in these Agreed Security Principles.

8. **INTERCOMPANY RECEIVABLES**

(a) If a Grantor grants Security over its intercompany receivables from time to time it shall be free to deal with those receivables in the course of its business (subject to the Debt Documents) until an Event of Default has occurred and is continuing.

(b) Notice of the Security will be served on the intercompany debtor as follows:

(i) in the case of an intercompany receivable in excess of £3,000,000 (or its equivalent) after an Event of Default has occurred and is continuing, if so requested by the Security Agent; and

(ii) in the case of an intercompany receivable less than £3,000,000 (or its equivalent) after a Relevant Acceleration Event, if so requested by the Security Agent.

## 9. TRADE RECEIVABLES

(a) If a Grantor grants Security over its trade receivables it shall be free to deal with those receivables in the course of its business until a Relevant Acceleration Event.

(b) No notice of Security shall be served on a debtor until a Relevant Acceleration Event, including for the avoidance of doubt, upon the underlying debtors in Portfolio Accounts.

(c) No Security will be granted over any trade receivables which cannot be secured or assigned under the terms of the relevant contract.

(d) Nothing contained in the relevant Transaction Security Documents shall cause the Grantor to violate any applicable data protection laws.

## 10. SHARES / PARTNERSHIP INTEREST

(a) The Transaction Security Document will be governed by the laws of the person whose shares or partnership interests are being secured and not by the law of the country of the person granting the Security.

(b) Until an Event of Default has occurred and is continuing, the Grantor will be permitted to retain and to exercise voting rights to any shares or partnership interests pledged by it in a manner which does not materially adversely affect the validity or enforceability of the Security and the company whose shares or partnership interests have been pledged will, subject to the terms of the Debt Documents, as applicable, be permitted to pay dividends (with the proceeds to be available to the recipient).

(c) Where customary, on or as soon as reasonably practicable after the date of execution of the share pledge (and in any event within the time periods specified in the Transaction Security Documents), the share certificate and a stock transfer form executed in blank will be provided to the Security Agent (as applicable).

(d) Unless the restriction is required by law, the constitutional documents of the company whose shares or partnership interests have been pledged will be amended to remove any restriction on the transfer or the registration of the transfer of the shares on enforcement of the Security granted over them.

11. **REAL ESTATE**

(a) There will be no Security granted over real estate other than (i) real estate which, immediately prior to the date of this Agreement, is charged to secure the Existing Facilities and (ii) after the date of this Agreement, any other real estate acquired by a Debtor subject to these Agreed Security Principles.

(b) Subject to these Agreed Security Principles, each Grantor shall use its reasonable endeavours to obtain any consent required to grant Security over its real estate but will be under no obligation to obtain such consent if the granting of the Security would contravene any legal prohibition.

(c) In respect of any real estate security to be granted, there will be no obligation to investigate title, register mortgages with land registries, provide surveys or other insurance or environmental diligence.

12. **RELEASE OF SECURITY**

Other than release of the Security upon final payment in full of all the obligations secured by the Security (and no Secured Party having any actual or contingent liability to advance further monies to, or incur liabilities on behalf of, any Debtor under the Finance Documents), no circumstances in which the Security shall be released should be dealt with in individual Transaction Security Documents unless required by local law. If so required, such circumstances shall, except to the extent required by local law, be the same as those set out in the Intercreditor Agreement.

## SCHEDULE 17
## EXCLUDED BANK ACCOUNTS

| Company | Bank | Account Number | Description |
|---|---|---|---|
| Apex Credit Management Limited | HSBC Bank plc | 404319-02098903 | APEX LOMBARD |
| Apex Credit Management Limited | HSBC Bank plc | 404319-02098911 | APEX HOME LN |
| Apex Credit Management Limited | HSBC Bank plc | 404319-03664570 | APEX CRE SEC |
| Apex Credit Management Limited | HSBC Bank plc | 404319-11894722 | APEX COLLECTIONS - DD from Allpay |
| Apex Credit Management Limited | HSBC Bank plc | 404319-22099055 | APEX SANTNDR |
| Apex Credit Management Limited | HSBC Bank plc | 404319-22099063 | APEX MEM CON |
| Apex Credit Management Limited | HSBC Bank plc | 404319-22099071 | APEX RCI FIN |
| Apex Credit Management Limited | HSBC Bank plc | 404319-32039109 | APEX FIELD AGENTS COLL |
| Apex Credit Management Limited | HSBC Bank plc | 404319-32039117 | APEX BLACK HORSE COLL |
| Apex Credit Management Limited | HSBC Bank plc | 404319-32041154 | APEX BOS CLIENT |
| Apex Credit Management Limited | HSBC Bank plc | 404319-32099004 | APEX LINK FI |
| Apex Credit Management Limited | HSBC Bank plc | 404319-42098954 | APEX HSBC BK |
| Apex Credit Management Limited | HSBC Bank plc | 404319-42098962 | APEX CLOSE |
| Apex Credit Management Limited | HSBC Bank plc | 404319-42098970 | APEX BMW GRP |

| Company | Bank | Account Number | Description |
|---|---|---|---|
| Apex Credit Management Limited | HSBC Bank plc | 404319-42099101 | APEX CONTGNT |
| Apex Credit Management Limited | HSBC Bank plc | 404319-61566121 | APEX CREDIT MANAGMNT LTD CREDIT BCA |
| Apex Credit Management Limited | HSBC Bank plc | 404319-62099098 | APEX UNITE |
| Apex Credit Management Limited | HSBC Bank plc | 404319-71589857 | APEX CREDIT MANAGMNT LTD CLIENT A/C |
| Apex Credit Management Limited | HSBC Bank plc | 404319-72099039 | APEX NORTHRN |
| Apex Credit Management Limited | HSBC Bank plc | 404319-72099047 | APEX RBS GRP |
| Apex Credit Management Limited | HSBC Bank plc | 404319-73663973 | APEX CREDIT OFF BDA |
| Apex Credit Management Limited | HSBC Bank plc | 404319-73664252 | Apex Credit Clients Deposit |
| Apex Credit Management Limited | HSBC Bank plc | 404319-82098989 | APEX BARCLAY |
| Apex Credit Management Limited | HSBC Bank plc | 404319-82098997 | APEX CAP ONE |
| Apex Credit Management Limited | HSBC Bank plc | 404319-82099128 | APEX LLOYDS |
| Apex Credit Management Limited | HSBC Bank plc | 404319-92098938 | APEX BAN PSA |
| Apex Credit Management Limited | HSBC Bank plc | 404319-92098946 | APEX HBOS GP |
| Apex Credit Management Limited | The Royal Bank of Scotland plc | 600001-40440826 | HMRC Collections Account |
| Apex Credit Management Limited | The Royal Bank of Scotland plc | 160015-10124932 | ACM Stratford Office Client Account |

| Company | Bank | Account Number | Description |
| --- | --- | --- | --- |
| Apex Credit Management Limited | The Royal Bank of Scotland plc | 160015-10124940 | RBS Trust Account |

**SIGNATURES**

**The Parent**

**CABOT FINANCIAL LIMITED**

/s/ Chris Ross-Roberts

/s/ Glen Crawford

By: Chris Ross-Roberts

Glen Crawford

Address: 1 Kings Hill Avenue
Kings Hill
West Malling
Kent
ME19 4UA,
United Kingdom

Fax: +44 1732 524799

**The Original Borrower**

**CABOT FINANCIAL (UK) LIMITED**

/s/ Chris Ross-Roberts

/s/ Glen Crawford

By: Chris Ross-Roberts

Glen Crawford

Address: 1 Kings Hill Avenue
Kings Hill
West Malling
Kent
ME19 4UA,
United Kingdom

Fax: +44 1732 524799

**The Original Guarantors**

**CABOT FINANCIAL (LUXEMBOURG) S.A.**

**Duly represented by:**

/s/ H. Neuman

Name: H. Neuman

Title:

Address: E Building, Parc d'Activite Syrdall
6 rue Gabriel Lippmann
L- 5365 Munsbach
Luxembourg

Fax: +352 26 39 21 45

**CABOT FINANCIAL LIMITED**

/s/ Chris Ross-Roberts

/s/ Glen Crawford

By: Chris Ross-Roberts

Glen Crawford

Address: 1 Kings Hill Avenue
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Kent
ME19 4UA,
United Kingdom

Fax: +44 1732 524799

**CABOT FINANCIAL HOLDINGS GROUP LIMITED**

/s/ Chris Ross-Roberts

/s/ Glen Crawford

By: Chris Ross-Roberts

Glen Crawford

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West Malling
Kent
ME19 4UA,
United Kingdom

Fax: +44 1732 524799

**CABOT CREDIT MANAGEMENT GROUP LIMITED**

/s/ Chris Ross-Roberts

/s/ Glen Crawford

By: Chris Ross-Roberts

Glen Crawford

Address: 1 Kings Hill Avenue
Kings Hill
West Malling
Kent
ME19 4UA,
United Kingdom

Fax: +44 1732 524799

**CABOT FINANCIAL DEBT RECOVERY SERVICES LIMITED**

/s/ Chris Ross-Roberts

/s/ Glen Crawford

By: Chris Ross-Roberts

Glen Crawford

Address: 1 Kings Hill Avenue
Kings Hill
West Malling
Kent
ME19 4UA,
United Kingdom

Fax: +44 1732 524799

**CABOT FINANCIAL (UK) LIMITED**

/s/ Chris Ross-Roberts

/s/ Glen Crawford

By: Chris Ross-Roberts

Glen Crawford

Address: 1 Kings Hill Avenue
Kings Hill
West Malling
Kent
ME19 4UA,
United Kingdom

Fax: +44 1732 524799

**CABOT FINANCIAL (EUROPE) LIMITED**

/s/ Chris Ross-Roberts

/s/ Glen Crawford

By: Chris Ross-Roberts

Glen Crawford

Address: 1 Kings Hill Avenue
Kings Hill
West Malling
Kent
ME19 4UA,
United Kingdom

Fax: +44 1732 524799

**FINANCIAL INVESTIGATIONS AND RECOVERIES (EUROPE) LIMITED**

/s/ Chris Ross-Roberts

/s/ Glen Crawford

By: Chris Ross-Roberts

Glen Crawford

Address: Apex House
27 Arden Street
Stratford-upon-Avon
Warwickshire
CV37 6NW

Fax: +44 1732 524799

**APEX CREDIT MANAGEMENT LIMITED**

/s/ Chris Ross-Roberts

/s/ Glen Crawford

By: Chris Ross-Roberts

Glen Crawford

Address: Apex House
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Stratford-upon-Avon
Warwickshire
CV37 6NW

Fax: +44 1732 524799

**Other Guarantors**

**CABOT CREDIT MANAGEMENT LIMITED**

/s/ Chris Ross-Roberts

/s/ Glen Crawford

By: Chris Ross-Roberts

Glen Crawford

Address: 1 Kings Hill Avenue
Kings Hill
West Malling
Kent
ME19 4UA,
United Kingdom

Fax: +44 1732 524799

**The Arranger**

**CITIGROUP GLOBAL MARKETS LIMITED**

/s/ Heath Lohrman

By: Heath Lohrman

Address: Citigroup Centre
33 Canada Square, Canary Wharf
London E14 5LB

Fax: +44 207 986 8295

**J.P. MORGAN LIMITED**

/s/ Gijs Michel

By: Gijs Michel

Address: 25 Bank Street, London E14 5JP

Fax: +44 203 493 0059

**LLOYDS TSB BANK PLC**

/s/ A. Young

By: A. Young

Address: 33 Old Broad Street, London, EC2N 1HZ

Fax:

**THE ROYAL BANK OF SCOTLAND PLC**

/s/ Marc Sefton

By: Marc Sefton

Address: 280 Bishopsgate, London, EC2M 4RB

Fax: +44 207 672 1073

**The Agent**

**J.P. MORGAN EUROPE LIMITED**

/s/ Steven Connolly

By: Steven Connolly

Address: Loans Agency, 6th Floor
25 Bank Street
Canary Wharf
London
E14 5JP

Fax: +44 20 7777 2360

Attention: Loans Agency

**The Security Agent**

**J.P. MORGAN EUROPE LIMITED**

/s/ Steven Connolly

By: Steven Connolly

Address: Loans Agency, 6th Floor
25 Bank Street
Canary Wharf
London
E14 5JP

Fax: +44 20 7777 2360

Attention: Loans Agency

**The Original Lenders**

**CITIGROUP GLOBAL MARKETS LIMITED**

/s/ Heath Lohrman

By: Heath Lohrman

Address: Citigroup Centre
33 Canada Square, Canary Wharf
London E14 5LB

Fax: +44 207 986 8295

**JPMORGAN CHASE BANK, N.A., LONDON BRANCH**

/s/ Gijs Michel

By: Gijs Michel

Address: 25 Bank Street, London E14 5JP

Fax: +44 203 493 0059

**LLOYDS TSB BANK PLC**

/s/ A. Young

By: A. Young

Address: 33 Old Broad Street, London, EC2N 1HZ

Fax:

**THE ROYAL BANK OF SCOTLAND PLC**

/s/ Marc Sefton

By: Marc Sefton

Address: 280 Bishopsgate, London, EC2M 4RB

Fax: +44 207 672 1073

**Exhibit 10.12.8**

INCREMENTAL FACILITY AGREEMENT
UMPQUA BANK

January 22, 2018

Encore Capital Group, Inc.
3111 Camino Del Rio North
Suite 103
San Diego, California 92108
Attention: Chief Financial Officer

Re: Incremental Facility Agreement

Ladies and Gentlemen:

Reference is hereby made to that certain Third Amended and Restated Credit Agreement, dated as of December 20, 2016 (as amended by that certain Incremental Term Loan and Extension Agreement, dated as of March 2, 2017, that certain Incremental Facility Agreement, dated as of March 29, 2017, that certain Amendment No. 1 to Third Amended and Restated Credit Agreement, dated as of June 13, 2017, that certain Amendment No. 2 to Third Amended and Restated Credit Agreement, dated as of June 29, 2017, that certain Incremental Facility Agreement, dated as of August 15, 2017, that certain Incremental Facility Agreement dated as of September 26, 2017, and as may be further amended, restated, modified, supplemented, extended or replaced from time to time, the "Credit Agreement"), by and among Encore Capital Group, Inc. ("Borrower"), the several banks and other financial institutions and lenders from time to time party thereto (the "Lenders"), SunTrust Bank, as administrative agent (in such capacity, the "Administrative Agent") and collateral agent, issuing bank and swingline lender. Unless otherwise defined herein, capitalized terms used herein shall have the respective meanings set forth in the Credit Agreement. This Incremental Facility Agreement (this "Agreement") (i) is an "Incremental Facility Amendment" (as defined in the Credit Agreement) and the Credit Agreement is hereby amended in accordance with the terms and conditions herein and (ii) shall be deemed to be a "Loan Document" under the Credit Agreement.

At the request of the Borrower, Umpqua Bank (the "Incremental Lender") hereby agrees to make an Incremental Term Loan to the Borrower in the amount of $10,000,000 (the "Incremental Term Loan") on the Agreement Effective Date (as defined below). The Incremental Term Loan provided pursuant to this Agreement shall be subject to all of the terms and conditions set forth in the Credit Agreement, including without limitation, Section 2.5 thereof.

The Incremental Lender, the Borrower and the Administrative Agent each acknowledges and agrees that the Incremental Term Loan provided pursuant to this Agreement shall constitute a "Term Loan" for all purposes of the Credit Agreement and the other applicable Loan Documents. Furthermore, each of the parties to this Agreement hereby agrees that (i) the Incremental Term Loan shall be subject to the terms set forth on Annex I hereto, (ii) except as otherwise expressly set forth herein, the Incremental Term Loan shall be on the same terms and conditions as the Term Loan A-3 under the Credit Agreement and (iii) the Incremental Term Loan shall constitute a "Term Loan A-3" for all purposes of the Credit Agreement and the other applicable Loan Documents.

The Incremental Lender hereby (i) confirms that it has received a copy of the Credit Agreement and the other Loan Documents, together with copies of the financial statements referred to therein and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement, (ii) agrees that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement and the other Loan Documents, (iii) irrevocably authorizes the Administrative Agent to take such action on its behalf under this Agreement, the other Loan Documents and any other instruments and agreements referred to herein or therein and to exercise such powers and to perform such duties as are specifically delegated to or required of the Administrative Agent by the terms thereof and such other powers as are reasonably incidental thereto and (iv) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement and the other Loan Documents are required to be performed by it as a Lender.

In order to effect the Incremental Term Loan as contemplated hereby, each party hereto acting pursuant to Section 2.24(d) of the Credit Agreement hereby agrees that the Credit Agreement is hereby amended by amending and restating Section 2.9(g) in its entirety to read as follows:

> "(g) The Borrower unconditionally promises to pay to the Administrative Agent for the account of the Lenders holding the Term Loan A-3, (i) on each of March 31, 2017 and June 30, 2017, $1,219,757.36, (ii) on each of September 30, 2017 and December 31, 2017, $2,157,257.36, and (iii) on the last Business Day of each of March, June, September and December commencing on March 30, 2018, a principal amount equal to $182,580,588.57 multiplied by (A) 1.25%, for the first four (4) such quarterly installments, (B) 1.875%, for the next eight (8) quarterly installments thereafter and (C) 2.5%, for the next four (4) quarterly installments thereafter; provided, that, to the extent not previously paid, the aggregate unpaid principal balance of the Term Loan A-3 shall be due and payable on the Term Loan A-3 Maturity Date. Payments under this clause (g) shall be made to each Lender holding a Term Loan A-3 based on such Lender's Pro Rata Share thereof and all such payments shall be adjusted from time to time to account for optional and mandatory prepayments made hereunder."

Upon the date of (i) the execution of a counterpart of this Agreement by the Incremental Lender, the Administrative Agent, the Borrower and each Guarantor, (ii) the delivery to the Administrative Agent of a fully executed counterpart (including by way of facsimile or other form of electronic transmission permitted under the Credit Agreement) hereof, (iii) the payment of any fees as agreed between Borrower and SunTrust Robinson Humphrey, Inc. ("STRH") set forth in paragraph C(b)(i) of that certain Engagement Letter, dated November 14, 2016 by and between Borrower and STRH, and (iv) the satisfaction (or waiver in writing) of any other conditions precedent set forth in Section 5 of Annex I hereto (such date, the "Agreement Effective Date") the Incremental Lender shall fund the Incremental Term Loan on the terms, and subject to the conditions, set forth in the Credit Agreement and in this Agreement. As of the Agreement Effective Date, and after giving effect to the transactions contemplated by this Agreement, the aggregate outstanding principal amount of the Term Loans held by each of the Lenders are set forth on Annex II.

Each of the Borrower and each Guarantor acknowledges and agrees that (i) it shall be liable for all Obligations with respect to the Incremental Facility (as defined in the Credit Agreement) created hereunder and (ii) all such Obligations (including the Incremental Term Loan) shall constitute (and be included in the definition of) "Secured Obligations" under the Credit Agreement and be entitled to the benefits of the respective Collateral Documents and the Guaranty Agreement as, and to the extent, provided in the Credit Agreement and in such other Loan Documents.

The Borrower may accept this Agreement by signing the enclosed copies in the space provided below, and returning one copy of same to the Incremental Lender and one copy to the Administrative Agent before the close of business on January 22, 2018. If the Borrower does not so accept this Agreement by such time, the obligations of the Incremental Lender to provide the Incremental Term Loan as set forth in this Agreement shall be deemed canceled and of no force or effect.

After the execution and delivery to the Administrative Agent of a fully executed copy of this Agreement (including by way of counterparts and by facsimile transmission) by the parties hereto, this Agreement may only be changed, modified or varied by written instrument in accordance with the requirements for the modification of Loan Documents pursuant to Section 10.2 of the Credit Agreement.

**THIS AGREEMENT AND THE OBLIGATIONS HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES (BUT, IN ANY EVENT, GIVING EFFECT TO SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW).**

*[Signature Pages Follow]*

Very truly yours,

UMPQUA BANK

By: /s/ Bob Jondall
Name: Bob Jondall
Title: SVP

Agreed and Accepted as of the date first written above:

SUNTRUST BANK, as Administrative Agent,
Issuing Bank and Swingline Lender

By: /s/ Paula Mueller
Name: Paula Mueller
Title: Director

Agreed and Accepted as of the date first written above:

ENCORE CAPITAL GROUP, INC.

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

Each Guarantor acknowledges and agrees to each the foregoing provisions of this Incremental Facility Agreement and to the establishment of the Incremental Term Loan and the Obligations incurred related thereto.

MIDLAND CREDIT MANAGEMENT, INC.
MIDLAND FUNDING LLC
MIDLAND PORTFOLIO SERVICES, INC.
MIDLAND FUNDING NCC-2 CORPORATION
MIDLAND INTERNATIONAL LLC
MRC RECEIVABLES CORPORATION
ASSET ACCEPTANCE CAPITAL CORP.
ASSET ACCEPTANCE, LLC
ATLANTIC CREDIT & FINANCE, INC.

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Treasurer

MIDLAND INDIA LLC

By: /s/ Ashish Masih
Name: Ashish Masih
Title: President

ATLANTIC CREDIT & FINANCE SPECIAL FINANCE UNIT, LLC
ATLANTIC CREDIT & FINANCE SPECIAL FINANCE UNIT III, LLC

By: /s/ Greg Call
Name: Greg Call
Title: Secretary

ANNEX I

TERMS AND CONDITIONS FOR
INCREMENTAL FACILITY AGREEMENT

1. Name of Borrower: Encore Capital Group, Inc., a Delaware corporation.

2. Date upon which the Incremental Term Loan is to be made: January 22, 2018.

3. Maturity Date upon which the Incremental Term Loan matures: the Term Loan A-3 Maturity Date.

4. Applicable Margin: Identical to the "Applicable Margin" as defined in the Credit Agreement.

5. Other Conditions Precedent:

(a) No Default or Event of Default has occurred and is continuing or will result from the incurrence by the Borrower of the Incremental Term Loan provided by the Incremental Lender as of the date hereof as contemplated by the Incremental Facility Agreement;

(b) the Borrower and its Restricted Subsidiaries are in pro forma compliance with each of the covenants set forth in Article VI of the Credit Agreement as of the last date of the most recently ended Fiscal Quarter after giving effect to the Incremental Term Loan provided by the Incremental Lender under the Incremental Facility Agreement on the date hereof; and

(c) each of the conditions in Section 3.2 of the Credit Agreement have been satisfied.

ANNEX II

**TERM LOAN AMOUNTS, ADDITIONAL TERM LOAN A-3 COMMITMENT AMOUNTS AND INCREMENTAL OR EXTENDED TERM LOAN A-3 AMOUNTS OF INCREASING LENDERS, EXTENDING LENDERS AND NON-EXTENDING LENDERS**

**Extending Lenders (including any Incremental Lender joining after the Closing Date):**

| Lender | Aggregate Amount of Term Loan A-2 of Existing Lender Converted to Term Loan A-3 on the Closing Date | Additional Term Loan A-3 Commitment of Increasing Lenders as of the Closing Date | Incremental or Extended Term Loan A-3 made or Extended after the Closing Date | Total Term Loan A-3 as of the Agreement Effective Date[(1)] |
|---|---|---|---|---|
| SunTrust Bank | $12,690,361.06 | $2,331,019.21 | | $14,274,449.75 |
| Bank of America | 13,469,866.33 | 1,551,513.94 | | 14,274,449.75 |
| ING Capital | 7,533,482.17 | 142,787.76 | | 7,294,571.31 |
| MUFG Union Bank, NA | 2,260,044.66 | 2,337,004.18 | | 4,368,462.92 |
| Citibank, NA | 5,273,437.52 | | | 5,011,218.50 |
| California Bank and Trust | 6,428,571.75 | | | 6,108,914.27 |
| Flagstar Bank | | 25,000,000.00 | | 23,756,887.66 |
| Bank Leumi USA | 3,570,870.47 | 661,272.39 | | 4,021,701.68 |
| Northwest Bank | 4,656,250.00 | 343,750.00 | | 4,751,377.54 |
| Umpqua Bank | | | 12,578,124.98 | 12,449,929.02 |
| Cathay Bank | | | 1,752,232.15 | 1,665,103.29 |
| Woodforest National Bank | | | 5,000,000.00 | 4,751,377.54 |
| DNB Capital, LLC | | | 25,000,000.00 | 24,366,038.64 |
| Regions Bank | | | 50,000,000.00 | 48,732,077.26 |
| **Total** | **$55,882,883.96** | **$32,367,347.48** | **$94,330,357.13** | **$ 175,826,559.13** |

**Non-Extending Lenders:**

| Lender | Term Loan A-2 as of the Agreement Effective Date[(1)] |
|---|---|
| Fifth Third Bank | $6,474,111.88 |
| Raymond James Bank, N.A. | 6,796,875.01 |
| Chang Hwa | 1,294,642.88 |
| Israel Discount Bank | |
| Amalgamated Bank | |
| Manufacturers Bank | 1,294,642.86 |
| **Total** | **$ 15,860,272.63** |

(1) Amounts reflect reductions to the outstanding Term Loan principal resulting from amortization prior to the Agreement Effective Date.

**Exhibit 21**

**Subsidiaries of Encore Capital Group, Inc.**

| Name | Jurisdiction of Incorporation or Formation |
|---|---|
| ACF Medical Services, Inc. | Virginia |
| Alliance Factoring Pty Limited | Australia |
| Apex Collections Limited | United Kingdom |
| Apex Credit Management Holdings Limited | United Kingdom |
| Apex Credit Management Limited | United Kingdom |
| Ascension Capital Group, Inc. | Delaware |
| Asset Acceptance Capital Corp. | Delaware |
| Asset Acceptance Recovery Services, LLC | Delaware |
| Asset Acceptance Solutions Group, LLC | Delaware |
| Asset Acceptance, LLC | Delaware |
| Atlantic Credit & Finance Special Finance Unit III, LLC | Virginia |
| Atlantic Credit & Finance Special Finance Unit, LLC | Virginia |
| Atlantic Credit & Finance, Inc. | Virginia |
| Baycorp (Aust) Pty Limited | Australia |
| Baycorp (NZ) Limited | New Zealand |
| Baycorp (WA) Pty Limited | Australia |
| Baycorp Collection Services (Aust) Pty Limited | Australia |
| Baycorp Collection Services Pty Limited | Australia |
| Baycorp Collections PDL (Australia) Pty LTD | Australia |
| Baycorp Group Finance Pty Limited | Australia |
| Baycorp Holdings (NZ) Limited | New Zealand |
| Baycorp Holdings Pty Limited | Australia |
| Baycorp International (Philippines Branch) | Philippines |
| Baycorp International Pty Limited | Australia |
| Baycorp Legal Pty Limited | Australia |
| Baycorp PDL (NZ) Limited | New Zealand |
| BC Encore AU Pty Limited | Australia |
| BC Holdings I Pty Limited | Australia |
| BC Holdings II Pty Limited | Australia |
| Bedford Colombia S.A.S. | Colombia |
| Black Tip Capital Holdings Limited | United Kingdom |
| Cabot (Group Holdings) Limited | United Kingdom |
| Cabot Asset Purchases (Ireland) Limited | Ireland |
| Cabot Credit Management Group Limited | United Kingdom |
| Cabot Credit Management PLC | United Kingdom |
| Cabot Financial (Europe) Limited | United Kingdom |
| Cabot Financial (International) Limited | United Kingdom |
| Cabot Financial (Ireland) Limited | Ireland |
| Cabot Financial (Luxembourg) II S.A. | Luxembourg |
| Cabot Financial (Luxembourg) S.A. | Luxembourg |
| Cabot Financial (Marlin) Limited | United Kingdom |
| Cabot Financial (Treasury) Ireland Limited | Ireland |

| Name | Jurisdiction of Incorporation or Formation |
|---|---|
| Cabot Financial (UK) Limited | United Kingdom |
| Cabot Financial Debt Recovery Services Limited | United Kingdom |
| Cabot Financial France | France |
| Cabot Financial Holdings Group Limited | United Kingdom |
| Cabot Financial Limited | United Kingdom |
| Cabot Financial Portfolios Limited | United Kingdom |
| Cabot Financial Spain S.A. | Spain |
| Cabot Holdings S.à r.l. | Luxembourg |
| Cabot Securitisation (Assets) S.L. | Spain |
| Cabot Securitisation (Europe) Limited | Ireland |
| Cabot Securitisation Topco Limited | United Kingdom |
| Cabot Securitisation UK Holdings Limited | United Kingdom |
| Cabot Securitisation UK Limited | United Kingdom |
| Cabot Services (Europe) S.A.S | France |
| Cabot Spain S.L. | Spain |
| Carat UK Holdco Limited | United Kingdom |
| Carat UK Midco Limited | United Kingdom |
| Dessetec Desarrollo de Sistemas, S.A. de C.V. | Mexico |
| Encore Asset Reconstruction Company Private Limited | India |
| Encore Australia Holdings I Pty Limited | Australia |
| Encore Australia Holdings II Pty Limited | Australia |
| Encore Capital Group Singapore Pte. Ltd. | Singapore |
| Encore Europe Holdings S.à r.l. | Luxembourg |
| Encore Extra, Inc. | Delaware |
| Encore Holdings Luxembourg S.à r.l. | Luxembourg |
| Encore Luxembourg Brazil S.à r.l. | Luxembourg |
| Encore Luxembourg India S.à r.l. | Luxembourg |
| Encore Luxembourg Mexico S.à r.l. | Luxembourg |
| Encore Mexico Nominee LLC | Delaware |
| Encore Real Estate Group, LLC | Delaware |
| Encore UK Holdings S.à r.l. | Luxembourg |
| Encoremex Holdings S. de R.L. de C.V | Mexico |
| Encoremex, S.A. de C.V. | Mexico |
| Financial Investigations and Recoveries (Europe) Limited | United Kingdom |
| GC Encore Euro S.à r.l. | Luxembourg |
| GC Encore GBP S.à r.l. | Luxembourg |
| Global Security Refinancia Management | Cayman Islands |
| Grove Capital Management España, S.L. | Spain |
| Grove Capital Management Limited | United Kingdom |
| Grove Europe S.à r.l. | Luxembourg |
| Grove Holdings | Cayman Island |
| Grove Italia S.r.l. | Italy |
| Grove Performance Management Limited | United Kingdom |
| heptus 229. GmbH | Germany |
| Hillesden Securities Limited | United Kingdom |
| Janus Holdings Luxembourg S.à r.l. | Luxembourg |
| Legal Recovery Solutions, LLC | Delaware |

| Name | Jurisdiction of Incorporation or Formation |
|---|---|
| LSF7 Silverstone S.à r.l. | Luxembourg |
| Lucania Gestión, S.L. | Spain |
| Lucas et Degand S.à r.l. | Luxembourg |
| Lynx Commercial RE Spain, S.L.U. | Spain |
| Lynx Residential RE Spain, S.L.U. | Spain |
| Macrocom (948) Limited | United Kingdom |
| Marlin Capital Europe Limited | United Kingdom |
| Marlin Europe I Limited | United Kingdom |
| Marlin Europe II Limited | United Kingdom |
| Marlin Europe V Limited | United Kingdom |
| Marlin Europe VI Limited | United Kingdom |
| Marlin Europe IX Limited | United Kingdom |
| Marlin Europe X Limited | United Kingdom |
| Marlin Financial Group Limited | United Kingdom |
| Marlin Financial Intermediate II Limited | United Kingdom |
| Marlin Financial Intermediate Limited | United Kingdom |
| Marlin Intermediate Holdings Plc | United Kingdom |
| Marlin Legal Services Limited | United Kingdom |
| Marlin Midway Limited | United Kingdom |
| Marlin Portfolio Holdings Limited | United Kingdom |
| Marlin Senior Holdings Limited | United Kingdom |
| Marlin Unrestricted Holdings Limited | United Kingdom |
| MCE Portfolio Limited | United Kingdom |
| MCM Midland Management Costa Rica, S.R.L. | Costa Rica |
| MDB Collection Services Limited | United Kingdom |
| ME III Limited | United Kingdom |
| ME IV Limited | United Kingdom |
| Mercantile Data Bureau Limited | United Kingdom |
| MFS Portfolio Limited | United Kingdom |
| Midland Credit Management (Mauritius) Limited | Mauritius |
| Midland Credit Management India Private Limited | India |
| Midland Credit Management Puerto Rico, LLC | Puerto Rico |
| Midland Credit Management UK Limited | United Kingdom |
| Midland Credit Management, Inc. | Kansas |
| Midland Funding LLC | Delaware |
| Midland Funding NCC-2 Corporation | Delaware |
| Midland India LLC | Minnesota |
| Midland International LLC | Delaware |
| Midland Portfolio Services, Inc. | Delaware |
| Morley Limited | United Kingdom |
| Mortimer Clarke Solicitors Limited | United Kingdom |
| MRC Receivables Corporation | Delaware |
| Orbit Debt Collections Ltd | United Kingdom |
| PD Encore, S. de R.L. de C.V. | Mexico |
| PMG Collect Pty Limited | Australia |
| Propela Capital, S.A. de C.V., SOFOM. E.N.R. | Mexico |
| Propiedades Residenciales SLU | Spain |

| Name | Jurisdiction of Incorporation or Formation |
|---|---|
| Referencia Perú S.A.C. | Perú |
| Referencia S.A.S. | Colombia |
| Refinancia Peru S.A. | Perú |
| Refinancia S.A.S. | Colombia |
| RF Encore Perú S.R.L. | Perú |
| RF Encore S.A.S. | Colombia |
| RNPL Advisory Corp | Virgin Islands |
| Tangente Milenar - Investimentos Imobiliarios e Turisticos LDA | Portugal |
| Virginia Credit & Finance, Inc. | Virginia |
| Wescot Acquisitions Limited | United Kingdom |
| Wescot Credit Services Limited | United Kingdom |
| Wescot EBT No. 1 Trustee Limited | United Kingdom |
| Wescot Topco Limited | United Kingdom |

**Exhibit 23**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCONTING FIRM**

Encore Capital Group, Inc.
San Diego, California

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-125340, 333-125341, 333-125342, 333-160042, 333-189860, and 333-218877) of Encore Capital Group, Inc. of our reports dated February 21, 2018, relating to the consolidated financial statements and the effectiveness of Encore Capital Group, Inc.'s internal control over financial reporting for the year ended December 31, 2017, which appear in this Form 10-K.

/s/ BDO USA, LLP

San Diego, California
February 21, 2018

**Exhibit 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Ashish Masih, certify that:

1. I have reviewed this annual report on Form 10-K of Encore Capital Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ ASHISH MASIH

**Ashish Masih**
**President and Chief Executive Officer**

Date: February 21, 2018

**Exhibit 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, Jonathan C. Clark, certify that:

1. I have reviewed this annual report on Form 10-K of Encore Capital Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ JONATHAN C. CLARK

**Jonathan C. Clark**
**Executive Vice President, Chief Financial Officer and Treasurer**

Date: February 21, 2018

**Exhibit 32.1**

**ENCORE CAPITAL GROUP, INC.**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER**
**PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Encore Capital Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company.

/s/ ASHISH MASIH

**Ashish Masih**

**President and Chief Executive Officer**

February 21, 2018

/s/ JONATHAN C. CLARK

**Jonathan C. Clark**

**Executive Vice President,**
**Chief Financial Officer and Treasurer**

February 21, 2018

This certification accompanies the above described Report and is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall be not be deemed filed as part of the Report.