

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

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

(State or other jurisdiction of
incorporation or organization)

48-1090909

(IRS Employer
Identification No.)

3111 Camino Del Rio North, Suite 103
San Diego, California

(Address of principal executive offices)

92108

(Zip code)

(877) 445 - 4581

(Registrant's telephone number, including area code)

(Not Applicable)

(Former name, former address and former fiscal year, if changed since last report)

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 last 90 days. Yes 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 3, 2016
Common Stock, \$0.01 par value	25,518,443 shares

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PART I – FINANCIAL INFORMATION
Item 1—Condensed Consolidated Financial Statements (Unaudited)
ENCORE CAPITAL GROUP, INC.
Condensed Consolidated Statements of Financial Condition
(In Thousands, Except Par Value Amounts)
(Unaudited)

	March 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 144,613	\$ 123,993
Investment in receivable portfolios, net	2,486,978	2,440,669
Property and equipment, net	68,162	72,546
Deferred court costs, net	75,829	75,239
Other assets	157,533	148,762
Goodwill	890,504	924,847
Assets associated with discontinued operations	—	388,763
Total assets	<u>\$ 3,823,619</u>	<u>\$ 4,174,819</u>
Liabilities and equity		
Liabilities:		
Accounts payable and accrued liabilities	\$ 238,203	\$ 290,608
Debt	2,893,434	2,944,063
Other liabilities	27,975	59,226
Liabilities associated with discontinued operations	—	232,434
Total liabilities	<u>3,159,612</u>	<u>3,526,331</u>
Commitments and contingencies		
Redeemable noncontrolling interest	39,948	38,624
Redeemable equity component of convertible senior notes	5,359	6,126
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, 25,508 shares and 25,288 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	255	253
Additional paid-in capital	109,228	110,533
Accumulated earnings	569,183	543,489
Accumulated other comprehensive loss	(68,360)	(57,822)
Total Encore Capital Group, Inc. stockholders' equity	610,306	596,453
Noncontrolling interest	8,394	7,285
Total equity	<u>618,700</u>	<u>603,738</u>
Total liabilities, redeemable equity and equity	<u>\$ 3,823,619</u>	<u>\$ 4,174,819</u>

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 11, "Variable Interest Entities" for additional information on the Company's VIEs.

	March 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 62,539	\$ 50,483
Investment in receivable portfolios, net	1,217,625	1,197,513
Property and equipment, net	18,145	19,767
Deferred court costs, net	35,782	33,296
Other assets	46,804	31,679
Goodwill	680,727	706,812
Assets associated with discontinued operations	—	92,985
Liabilities		
Accounts payable and accrued liabilities	\$ 99,010	\$ 142,375
Debt	1,739,579	1,665,009
Other liabilities	687	839
Liabilities associated with discontinued operations	—	58,923

See accompanying notes to condensed consolidated financial statements

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

	Three Months Ended March 31,	
	2016	2015
Revenues		
Revenue from receivable portfolios, net	\$ 270,094	\$ 264,110
Other revenues	18,923	13,672
Total revenues	<u>289,017</u>	<u>277,782</u>
Operating expenses		
Salaries and employee benefits	69,642	65,552
Cost of legal collections	54,308	54,998
Other operating expenses	26,343	24,326
Collection agency commissions	10,120	10,685
General and administrative expenses	35,239	31,197
Depreciation and amortization	9,861	8,137
Total operating expenses	<u>205,513</u>	<u>194,895</u>
Income from operations	<u>83,504</u>	<u>82,887</u>
Other (expense) income		
Interest expense	(50,691)	(42,303)
Other income	7,124	2,117
Total other expense	<u>(43,567)</u>	<u>(40,186)</u>
Income before income taxes	39,937	42,701
Provision for income taxes	(10,148)	(14,614)
Income from continuing operations	29,789	28,087
(Loss) income from discontinued operations, net of tax	(3,182)	1,880
Net income	26,607	29,967
Net income attributable to noncontrolling interest	(913)	(542)
Net income attributable to Encore Capital Group, Inc. stockholders	<u>\$ 25,694</u>	<u>\$ 29,425</u>
Amounts attributable to Encore Capital Group, Inc.:		
Income from continuing operations	\$ 28,876	\$ 27,545
(Loss) income from discontinued operations, net of tax	(3,182)	1,880
Net income	<u>\$ 25,694</u>	<u>\$ 29,425</u>
Earnings (loss) per share attributable to Encore Capital Group, Inc.:		
Basic earnings (loss) per share from:		
Continuing operations	\$ 1.13	\$ 1.06
Discontinued operations	\$ (0.12)	\$ 0.07
Net basic earnings per share	<u>\$ 1.01</u>	<u>\$ 1.13</u>
Diluted earnings (loss) per share from:		
Continuing operations	\$ 1.12	\$ 1.01
Discontinued operations	\$ (0.13)	\$ 0.07
Net diluted earnings per share	<u>\$ 0.99</u>	<u>\$ 1.08</u>
Weighted average shares outstanding:		
Basic	25,550	26,072
Diluted	25,868	27,315

See accompanying notes to condensed consolidated financial statements

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

	Three Months Ended March 31,	
	2016	2015
Net income	\$ 26,607	\$ 29,967
Other comprehensive income, net of tax:		
Change in unrealized gains/losses on derivative instruments:		
Unrealized gain on derivative instruments	66	860
Income tax effect	(26)	(347)
Unrealized gain on derivative instruments, net of tax	40	513
Change in foreign currency translation:		
Unrealized loss on foreign currency translation	(11,899)	(21,032)
Income tax effect	1,321	(1,617)
Unrealized loss on foreign currency translation, net of tax	(10,578)	(22,649)
Other comprehensive loss, net of tax	(10,538)	(22,136)
Comprehensive income	16,069	7,831
Comprehensive (income) loss attributable to noncontrolling interest:		
Net income	(913)	(542)
Unrealized loss on foreign currency translation	338	1,582
Comprehensive (income) loss attributable to noncontrolling interest	(575)	1,040
Comprehensive income attributable to Encore Capital Group, Inc. stockholders	\$ 15,494	\$ 8,871

See accompanying notes to condensed consolidated financial statements

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

	Three Months Ended March 31,	
	2016	2015
Operating activities:		
Net income	\$ 26,607	\$ 29,967
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (income) from discontinued operations, net of income taxes	1,352	(1,880)
Depreciation and amortization	9,861	8,137
Non-cash interest expense, net	9,533	7,805
Stock-based compensation expense	3,718	5,905
Gain on derivative instruments	(5,399)	—
Deferred income taxes	(21,588)	(4,276)
Excess tax benefit from stock-based payment arrangements	—	(637)
Loss on sale of discontinued operations, net of tax	1,830	—
Reversal of allowances on receivable portfolios, net	(2,191)	(2,859)
Changes in operating assets and liabilities		
Deferred court costs and other assets	1,233	(11,873)
Prepaid income tax and income taxes payable	18,824	4,847
Accounts payable, accrued liabilities and other liabilities	(14,023)	(15,081)
Net cash provided by operating activities from continuing operations	29,757	20,055
Net cash provided by (used in) operating activities from discontinued operations	2,096	(665)
Net cash provided by operating activities	31,853	19,390
Investing activities:		
Cash paid for acquisitions, net of cash acquired	(675)	—
Proceeds from divestiture of business, net of cash divested	106,041	—
Purchases of receivable portfolios, net of put-backs	(280,990)	(143,239)
Collections applied to investment in receivable portfolios, net	180,796	164,217
Purchases of property and equipment	(2,252)	(4,271)
Other, net	1,191	(251)
Net cash provided by investing activities from continuing operations	4,111	16,456
Net cash provided by (used in) used in investing activities from discontinued operations	14,685	(11,965)
Net cash provided by investing activities	18,796	4,491
Financing activities:		
Payment of loan costs	(1,395)	(4,279)
Proceeds from credit facilities	185,883	134,285
Repayment of credit facilities	(235,151)	(124,395)
Repayment of senior secured notes	(3,750)	(3,750)
Repayment of securitized notes	(935)	(6,625)
Taxes paid related to net share settlement of equity awards	(3,354)	(4,554)
Excess tax benefit from stock-based payment arrangements	—	637
Other, net	(2,785)	(3,592)
Net cash used in financing activities	(61,487)	(12,273)
Net (decrease) increase in cash and cash equivalents	(10,838)	11,608
Effect of exchange rate changes on cash and cash equivalents	1,858	438
Cash and cash equivalents, beginning of period	153,593	124,163
Cash and cash equivalents, end of period	144,613	136,209
Cash and cash equivalents of discontinued operations, end of period	—	24,183
Cash and cash equivalents of continuing operations, end of period	\$ 144,613	\$ 112,026

See accompanying notes to condensed consolidated financial statements

ENCORE CAPITAL GROUP, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

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 for consumers and property owners 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.

Financial Statement Preparation and Presentation

The accompanying interim condensed consolidated financial statements have been prepared by the Company, without audit, in accordance with the instructions to the Quarterly Report on Form 10-Q, and Rule 10-01 of Regulation S-X promulgated by the United States Securities and Exchange Commission (the “SEC”) and, therefore, do not include all information and footnotes necessary for a fair presentation of its consolidated financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States (“GAAP”).

In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of the Company’s consolidated financial position, results of operations, and cash flows. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in the Company’s financial statements and the accompanying notes. Actual results could materially differ from those estimates.

Basis of Consolidation

The condensed consolidated financial statements have been prepared in conformity with 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 11, “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. Transaction gains and losses are included in other income or expense.

Reclassifications

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

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“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. The Company is currently assessing the impact that adopting this guidance will have on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-05, Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (“ASU 2016-05”) and ASU 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (“ASU 2016-06”). ASU 2016-05 clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. ASU 2016-06 clarifies the steps required to determine bifurcation of an embedded derivative. ASU 2016-05 and ASU 2016-06 are effective for fiscal years beginning after 15 December 2016, and interim periods within those years. Early adoption is permitted. The Company is currently assessing the impact that adopting this guidance will have on its consolidated financial statements.

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. ASU 2016-02 is effective for the Company in its first quarter of fiscal 2019 on a modified retrospective basis and earlier adoption is permitted. The Company is currently assessing the impact that adopting this guidance will have on its consolidated financial statements.

Change in Accounting Principle

In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs”. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU is effective beginning January 1, 2016, with early adoption permitted. The update requires retrospective application and represents a change in accounting principle. The Company adopted this ASU in the first quarter of 2016 and the retrospective application of this change in accounting principle on the consolidated balance sheet as of December 31, 2015 reclassified debt issuance costs of \$41.7 million, which were previously presented as other assets, as a reduction to the carrying value of the debt by the same amount. The adoption did not have an impact on the Company’s condensed consolidated statements of operations or statements of cash flows in any period.

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.

During the three months ended March 31, 2016, the Company recognized a loss of \$3.0 million related to the sale of Propel. Propel represented the Company’s entire tax lien business reportable segment. Propel’s operations are presented as discontinued operations in the Company’s condensed 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*):

	Three Months Ended March 31,	
	2016	2015
Revenue	\$ 4,950	\$ 7,881
Salaries and employee benefits	(2,860)	(2,196)
Other operating expenses	(1,473)	(908)
General and administrative expenses	(1,551)	(1,415)
Depreciation and amortization	(127)	(213)
(Loss) income from discontinued operations, before income taxes	(1,061)	3,149
Loss on sale of discontinued operations, before income taxes	(3,000)	—
Total (loss) income on discontinued operations, before income taxes	(4,061)	3,149
Income tax benefit (provision)	879	(1,269)
Total (loss) income from discontinued operations, net of tax	\$ (3,182)	\$ 1,880

Note 3: Earnings Per Share

Basic earnings or loss per share is calculated by dividing net earnings or loss 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.

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

	Three Months Ended March 31,	
	2016	2015
Weighted average common shares outstanding—basic	25,550	26,072
Dilutive effect of stock-based awards	318	369
Dilutive effect of convertible senior notes	—	874
Weighted average common shares outstanding—diluted	25,868	27,315

Anti-dilutive employee stock options outstanding were negligible during the three months ended March 31, 2016. There were no anti-dilutive employee stock options outstanding during the three months ended March 31, 2015.

Note 4: Business Combinations

dlc Acquisition

On June 1, 2015, Encore's U.K.-based subsidiary Cabot Credit Management Limited and its subsidiaries (collectively, "Cabot") acquired Hillesden Securities Ltd and its subsidiaries ("dlc"), a U.K.-based acquirer and collector of non-performing unsecured consumer debt for approximately £180.6 million (approximately \$274.7 million), (the "dlc Acquisition").

The dlc Acquisition was accounted for using the acquisition method of accounting and, accordingly, the tangible and intangible assets acquired and liabilities assumed were recorded at their estimated fair values as of the date of the acquisition. Fair value measurements have been applied based on assumptions that market participants would use in the pricing of the respective assets and liabilities.

The components of the purchase price allocation for the dlc Acquisition were as follows (*in thousands*):

Purchase price:		
Cash paid at acquisition	\$	268,391
Deferred consideration		6,306
Total purchase price	\$	274,697
Allocation of purchase price:		
Cash	\$	30,518
Investment in receivable portfolios		215,988
Deferred court costs		760
Property and equipment		1,327
Other assets		2,384
Liabilities assumed		(46,435)
Identifiable intangible assets		3,669
Goodwill		66,486
Total net assets acquired	\$	274,697

The goodwill recognized is primarily attributable to synergies that are expected to be achieved by combining dlc and Cabot's existing contingent collections operations. The entire goodwill of \$66.5 million related to the dlc Acquisition is not deductible for income tax purposes.

Other Acquisitions

In addition to the dlc Acquisition discussed above, the Company, through its subsidiaries, completed certain other acquisitions in 2016 and 2015. These acquisitions were immaterial to the Company's financial statements individually and in the aggregate.

Refer to Note 2, "Business Combinations" as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, for a complete description of the Company's acquisition activities in 2015.

Note 5: 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 March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Foreign currency exchange contracts	\$ —	\$ 4,436	\$ —	\$ 4,436
Liabilities				
Foreign currency exchange contracts	—	(342)	—	(342)
Interest rate swap agreements	—	(307)	—	(307)
Temporary Equity				
Redeemable noncontrolling interests	—	—	(39,948)	(39,948)

	Fair Value Measurements as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Foreign currency exchange contracts	\$ —	\$ 718	\$ —	\$ 718
Liabilities				
Foreign currency exchange contracts	—	(601)	—	(601)
Interest rate swap agreements	—	(352)	—	(352)
Temporary Equity				
Redeemable noncontrolling interests	—	—	(38,624)	(38,624)

Derivative Contracts:

The Company uses derivative instruments to minimize 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.

Redeemable Noncontrolling Interests:

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 interests subject to these arrangements are included in temporary equity as redeemable noncontrolling interests, and are adjusted to their estimated redemption amounts each reporting period with a corresponding adjustment to additional paid-in capital. Future reductions in the carrying amounts are subject to a “floor” amount that is equal to the fair value of the redeemable noncontrolling interests at the time they were originally recorded. The recorded value of the redeemable noncontrolling interests cannot go below the floor level. These adjustments do not affect the calculation of earnings per share.

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

	Amount
Balance at December 31, 2014	\$ 28,885
Initial redeemable noncontrolling interest related to business combinations	9,409
Net income attributable to redeemable noncontrolling interests	1,371
Adjustment of the redeemable noncontrolling interests to fair value	2,349
Effect of foreign currency translation attributable to redeemable noncontrolling interests	(3,390)
Balance at December 31, 2015	38,624
Net income attributable to redeemable noncontrolling interests	578
Adjustment of the redeemable noncontrolling interests to fair value	408
Effect of foreign currency translation attributable to redeemable noncontrolling interests	338
Balance at March 31, 2016	\$ 39,948

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 estimated blended market participant cost to collect and discount rate is approximately 50.3% and 10.5%, respectively, for U.S. portfolios, approximately 30.0% and 12.3%, respectively, for Europe portfolios and approximately 32.4% and 11.0%, respectively for other geographies. Using this method, the fair value of investment in receivable portfolios approximates the carrying value as of March 31, 2016 and December 31, 2015. 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 United States and Europe portfolios by approximately \$40.6 million and \$54.2 million, respectively, as of March 31, 2016. 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. The carrying value of the investment in receivable portfolios was \$2.5 billion and \$2.4 billion as of March 31, 2016 and December 31, 2015, respectively.

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 revolving credit facility, and other borrowing under revolving credit facilities at certain of the Company's 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 \$409.1 million and \$406.6 million as of March 31, 2016 and December 31, 2015, respectively. The fair value estimate for these convertible senior notes, which incorporates quoted market prices using Level 2 inputs, was approximately \$361.2 million and \$372.2 million as of March 31, 2016 and December 31, 2015, 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 \$1,391.2 million and \$1,410.3 million, as of March 31, 2016 and December 31,

2015, respectively. The fair value estimate for these senior notes, which incorporates quoted market prices using Level 2 inputs, was \$1,363.0 million and \$1,403.5 million as of March 31, 2016 and December 31, 2015, 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 March 31, 2016 and December 31, 2015.

Note 6: 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.

Foreign Currency Exchange Contracts

The Company has operations in foreign countries, which exposes 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 March 31, 2016, the total notional amount of the forward contracts that are designated as cash flow hedging instruments was \$35.0 million. All of these outstanding contracts qualified for hedge accounting treatment. The Company estimates that approximately \$0.5 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 three months ended March 31, 2016 and 2015.

In January 2016, the Company's Cabot subsidiary began entering into currency exchange forward contracts to reduce the short-term effects of currency exchange rate fluctuations between British Pounds and Euro resulting from the net asset or liability positions within its Euro functional currency entities. These derivative contracts generally mature within one to three months and are not designated as hedge instruments. Cabot continues to monitor the level of exposure of the foreign currency exchange risk and enters into these short-term forward contracts on an ongoing basis. The gains or losses on these foreign currency exchange contracts are recognized in other income or other expense based on the changes in fair value. During the three months ended March 31, 2016, the total gain recognized in the Company's condensed consolidated statements of operations was \$5.4 million.

The Company does not enter into derivative instruments for trading or speculative purposes.

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

	March 31, 2016		December 31, 2015	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Foreign currency exchange contracts	Other assets	\$ 526	Other assets	\$ 718
Foreign currency exchange contracts	Other liabilities	(342)	Other liabilities	(601)
Derivatives not designated as hedging instruments:				
Foreign currency exchange contracts	Other assets	3,910	Other assets	—
Interest rate swap agreements	Other liabilities	(307)	Other liabilities	(352)

The following table summarizes the effects of derivatives in cash flow hedging relationships on the Company's condensed consolidated statements of operations for the three months ended March 31, 2016 and 2015 (*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	
	Three Months Ended March 31,			Three Months Ended March 31,			Three Months Ended March 31,	
	2016	2015		2016	2015		2016	2015
Foreign currency exchange contracts	\$ 502	\$ 472	Salaries and employee benefits	\$ 258	\$ (151)	Other (expense) income	\$ —	\$ —
Foreign currency exchange contracts	(154)	220	General and administrative expenses	23	(16)	Other (expense) income	—	—

Note 7: Investment in Receivable Portfolios, Net

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 and telecom, purchased consumer bankruptcy, and mortgage portfolios. We further group these static pools by geographic region or location. 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 operations as a reduction in revenue, with a corresponding valuation allowance, offsetting the investment in receivable portfolios in the consolidated statements of financial condition.

The Company utilizes its proprietary forecasting models to continuously evaluate the economic life of each pool. For purposes of calculating IRRs, the collection forecast of each pool is estimated to be up to 120 months.

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 as 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 purchase price of a Cost Recovery Portfolio has been fully recovered.

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
December 31, 2015	\$ 3,047,640	\$ 223,031	\$ 3,270,671
Revenue recognized, net	(238,547)	(31,547)	(270,094)
Net additions on existing portfolios	39,538	8,071	47,609
Additions for current purchases, net	193,654	—	193,654
Effect of foreign currency translation	(64,330)	470	(63,860)
Balance at March 31, 2016	<u>\$ 2,977,955</u>	<u>\$ 200,025</u>	<u>\$ 3,177,980</u>
	Accretable Yield	Estimate of Zero Basis Cash Flows	Total
Balance at December 31, 2014	\$ 2,993,321	\$ 66,392	\$ 3,059,713
Revenue recognized, net	(248,539)	(15,571)	(264,110)
Net additions on existing portfolios	228,560	39,661	268,221
Additions for current purchases, net	85,907	—	85,907
Effect of foreign currency translation	(108,046)	(54)	(108,100)
Balance at March 31, 2015	<u>\$ 2,951,203</u>	<u>\$ 90,428</u>	<u>\$ 3,041,631</u>

During the three months ended March 31, 2016, the Company purchased receivable portfolios with a face value of \$3.5 billion for \$256.8 million, or a purchase cost of 7.2% of face value. The estimated future collections at acquisition for all portfolios purchased during the quarter amounted to \$458.6 million. During the three months ended March 31, 2015, the Company purchased receivable portfolios with a face value of \$1.0 billion for \$125.2 million, or a purchase cost of 12.0% of face value. The estimated future collections at acquisition for all portfolios purchased during the quarter amounted to \$197.5 million.

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 three months ended March 31, 2016 and 2015, Zero Basis Revenue was approximately \$31.5 million and \$15.6 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*):

	Three Months Ended March 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	256,753	—	—	256,753
Gross collections ⁽¹⁾	(415,727)	(633)	(31,445)	(447,805)
Put-backs and Recalls ⁽²⁾	(12,885)	(6)	(102)	(12,993)
Foreign currency adjustments	(19,887)	147	—	(19,740)
Revenue recognized	238,078	—	29,825	267,903
Portfolio allowance reversals, net	469	—	1,722	2,191
Balance, end of period	\$ 2,482,855	\$ 4,123	\$ —	\$ 2,486,978
Revenue as a percentage of collections ⁽³⁾	57.3%	0.0%	94.8%	59.8%

	Three Months Ended March 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	125,154	—	—	125,154
Gross collections ⁽¹⁾	(407,556)	(1,972)	(15,543)	(425,071)
Put-backs and Recalls ⁽²⁾	(2,517)	(18)	(28)	(2,563)
Foreign currency adjustments	(65,369)	(1,414)	—	(66,783)
Revenue recognized	248,539	—	12,712	261,251
Portfolio allowance reversals, net	—	—	2,859	2,859
Balance, end of period	\$ 2,029,335	\$ 9,072	\$ —	\$ 2,038,407
Revenue as a percentage of collections ⁽³⁾	61.0%	0.0%	81.8%	61.5%

(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	
	Three Months Ended March 31,	
	2016	2015
Balance at beginning of period	\$ 60,588	\$ 75,673
Reversal of prior allowances	(2,191)	(2,859)
Balance at end of period	\$ 58,397	\$ 72,814

Note 8: 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 which 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 its analysis of court costs that have been advanced and those that have been recovered. The Company writes off any Deferred Court Cost not recovered within five years of placement. 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 five-year deferral period consist of the following as of the dates presented (*in thousands*):

	March 31, 2016	December 31, 2015
Court costs advanced	\$ 648,723	\$ 636,922
Court costs recovered	(248,869)	(242,899)
Court costs reserve	(324,025)	(318,784)
Deferred court costs	<u>\$ 75,829</u>	<u>\$ 75,239</u>

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

	Court Cost Reserve	
	Three Months Ended March 31,	
	2016	2015
Balance at beginning of period	\$ (318,784)	\$ (279,572)
Provision for court costs	(18,898)	(19,179)
Net down of reserve after 60 months	12,978	7,925
Effect of foreign currency translation	679	443
Balance at end of period	<u>\$ (324,025)</u>	<u>\$ (290,383)</u>

Note 9: Other Assets

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

	March 31, 2016	December 31, 2015
Identifiable intangible assets, net	\$ 35,691	\$ 15,712
Prepaid expenses	21,768	21,872
Deferred tax assets	15,334	12,695
Other financial receivables	15,076	11,275
Service fee receivables	13,634	13,708
Prepaid income taxes	7,544	25,839
Receivable from seller	5,388	8,605
Derivative instruments	4,436	718
Security deposits	2,537	2,368
Other	36,125	35,970
Total	<u>\$ 157,533</u>	<u>\$ 148,762</u>

Note 10: Debt

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

	March 31, 2016	December 31, 2015
Encore revolving credit facility	\$ 497,000	\$ 627,000
Encore term loan facility	140,063	143,078
Encore senior secured notes	25,000	28,750
Encore convertible notes	448,500	448,500
Less: Debt discount	(39,440)	(41,867)
Cabot senior secured notes	1,345,014	1,360,000
Add: Debt premium	49,220	53,440
Less: Debt discount	(3,045)	(3,184)
Cabot senior revolving credit facility	144,499	54,089
Preferred equity certificates	221,283	221,516
Capital lease obligations	8,374	11,054
Other	95,346	83,342
	<u>2,931,814</u>	<u>2,985,718</u>
Less: debt issuance costs, net of amortization	(38,380)	(41,655)
Total	<u>\$ 2,893,434</u>	<u>\$ 2,944,063</u>

Encore Revolving Credit Facility and Term Loan Facility

On March 24, 2016, the Company amended its revolving credit facility and term loan facility pursuant to Amendment No. 3 to the Second Amended and Restated Credit Agreement (as amended, the "Restated Credit Agreement"). The Restated Credit Agreement includes a revolving credit facility of \$742.6 million (the "Revolving Credit Facility"), a term loan facility of \$158.8 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 (\$55.0 million of which was exercised in November 2015). Including the accordion feature, the maximum amount that can be borrowed under the Restated Credit Agreement is \$1.1 billion. The Restated Credit Agreement expires in February 2019, except with respect to two subbranches of the Term Loan Facility of \$60.0 million and \$6.3 million, maturing in February 2017 and November 2017, respectively.

Provisions of the Restated Credit Agreement include, but are not limited to:

- The Revolving Credit Facility of \$742.6 million that expires in February 2019, with interest at a floating rate equal to, at the Company's option, either: (1) 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 (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. "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 or (iv) zero;
- A \$92.5 million term loan maturing on February 25, 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. Principal amortizes \$6.9 million in 2016, \$9.3 million in 2017, and \$9.3 million in 2018 with the remaining principal due at the end of the term;
- A \$60.0 million term loan maturing on February 25, 2017, with interest at a floating rate equal to, at the Company's option, either: (1) reserve adjusted LIBOR, plus a spread that ranges from 200 to 250 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 100 to 150 basis points, depending on the cash flow leverage ratio of Encore and its restricted subsidiaries. Principal amortizes \$4.5 million in 2016 with the remaining principal due at the end of the term;

- A \$6.3 million term loan maturing on November 3, 2017, 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. Principal amortizes \$0.6 million in 2016 and \$0.5 million in 2017 with the remaining principal due at the end of the term;
- A borrowing base equal to (1) the lesser of (i) 30%-35% (depending on the trailing 12-month cost per dollar collected of Encore and its restricted subsidiaries) of all eligible non-bankruptcy estimated remaining collections, currently 33%, plus 55% of eligible estimated remaining collections for consumer receivables subject to bankruptcy, and (ii) the product of the net book value of all receivable portfolios acquired on or after January 1, 2005 multiplied by 95%, minus (2) the sum of the aggregate principal amount outstanding of Encore's Senior Secured Notes (as defined below) plus the aggregate principal amount outstanding under the term loans;
- a maximum cash flow leverage ratio permitted of 2.50:1.00;
- a maximum cash flow secured leverage ratio of 2.00:1.00;
- The allowance of additional unsecured or subordinated indebtedness not to exceed \$1.1 billion;
- 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;
- 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 March 31, 2016, the outstanding balance under the Restated Credit Agreement was \$637.1 million, which bore a weighted average interest rate of 3.49% and 2.95% for the three months ended March 31, 2016 and 2015, respectively. Available capacity under the Restated Credit Agreement, subject to borrowing base and applicable debt covenants, was \$228.2 million as of March 31, 2016, not including the \$195.0 million additional capacity provided by the facility's remaining accordion feature.

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 (the "Senior Secured Notes"). \$25.0 million of the Senior Secured Notes bear an annual interest rate of 7.375%, mature in 2018 and require quarterly principal payments of \$1.25 million. Prior to May 2013, these notes required quarterly payments of interest only. The remaining \$50.0 million of Senior Secured Notes bear an annual interest rate of 7.75%, mature in 2017 and require quarterly principal payments of \$2.5 million. Prior to December 2012 these notes required quarterly interest only payments. As of March 31, 2016, \$10.0 million of the 7.375% Senior Secured Notes and \$15.0 million of the 7.75% Senior Secured Notes, for an aggregate of \$25.0 million, remained outstanding.

The Senior Secured Notes are guaranteed in full by certain of Encore's subsidiaries. Similar to, and *pari passu* with, the Senior Secured Credit Facilities, the Senior Secured Notes are collateralized by the same collateral as our Revolving Credit Facility. 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, the Senior Secured Notes may be accelerated at the election of the holder or holders of a majority in principal amount of the Senior Secured Notes upon certain events of default by Encore, including the breach of affirmative covenants regarding guarantors,

collateral, most favored lender treatment, minimum revolving credit facility commitment or the breach of any negative covenant. If Encore prepays the Senior Secured Notes at any time for any reason, 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 are substantially similar to those in the Restated Credit Agreement. Prudential Capital Group 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. The terms of the Senior Secured Notes were amended in connection with the Restated Credit Agreement in order to properly align certain provisions between the two agreements.

Encore Convertible Notes

In November and December 2012, Encore sold \$115.0 million aggregate principal amount of 3.0% 2017 Convertible Notes that mature on November 27, 2017 in private placement transactions. 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. 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 interest on these unsecured convertible senior notes (collectively, the “Convertible Notes”), is payable semi-annually.

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 March 31, 2016 are listed below.

	2017 Convertible Notes	2020 Convertible Notes	2021 Convertible Notes
Initial conversion price	\$ 31.56	\$ 45.72	\$ 59.39
Closing stock price at date of issuance	\$ 25.66	\$ 33.35	\$ 47.51
Closing stock price date	November 27, 2012	June 24, 2013	March 5, 2014
Conversion rate (shares per \$1,000 principal amount)	31.6832	21.8718	16.8386
Conversion date ⁽¹⁾	May 27, 2017	January 1, 2020	September 15, 2020

(1) The 2017 Convertible Notes became convertible on January 2, 2014, as certain early conversion events were satisfied. Refer to “Conversion and Earnings Per Share Impact” section below for further details.

In the event of conversion, the 2017 Convertible Notes are convertible into cash up to the aggregate principal amount of the notes. The excess conversion premium may be settled in cash or shares of the Company’s common stock at the discretion of the Company. In the event of conversion, holders of the Company’s 2020 and 2021 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*):

	2017 Convertible Notes	2020 Convertible Notes	2021 Convertible Notes
Debt component	\$ 100,298	\$ 140,247	\$ 143,645
Equity component	\$ 14,702	\$ 32,253	\$ 17,355
Equity issuance cost	\$ 788	\$ 1,106	\$ 581
Stated interest rate	3.000%	3.000%	2.875%
Effective interest rate	6.000%	6.350%	4.700%

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

	March 31, 2016	December 31, 2015
Liability component—principal amount	\$ 448,500	\$ 448,500
Unamortized debt discount	(39,440)	(41,867)
Liability component—net carrying amount	\$ 409,060	\$ 406,633
Equity component	\$ 58,950	\$ 58,184

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*):

	Three Months Ended March 31,	
	2016	2015
Interest expense—stated coupon rate	\$ 3,311	\$ 3,292
Interest expense—amortization of debt discount	2,427	2,278
Total interest expense—convertible notes	\$ 5,738	\$ 5,570

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 price of the Convertible Notes, the Company maintains a hedge program that increases the effective conversion price for each of the 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*):

	2017 Convertible Notes	2020 Convertible Notes	2021 Convertible Notes
Cost of the hedge transaction(s)	\$ 50,595	\$ 18,113	\$ 19,545
Initial conversion price	\$ 31.56	\$ 45.72	\$ 59.39
Effective conversion price	\$ 60.00	\$ 61.55	\$ 83.14

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. The carrying value of the 2017 Convertible Notes continues to be reported as debt as the Company intends to draw on the Revolving Credit Facility or use cash on hand to settle the principal amount of any such conversions in cash. No gain or loss was recognized when the debt became convertible. The estimated fair value of the 2017 Convertible Notes was approximately \$115.1 million as of March 31, 2016. In addition, 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 condensed 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 conversion, the holders of the 2017 Convertible Notes will be paid in cash for the principal amount, the excess conversion premium may be settled in cash or shares of the Company's common stock at the discretion of the Company. As a result, the Company reclassified \$5.4 million of the equity component to temporary equity as of March 31, 2016. If a conversion event takes place, this temporary equity balance will be recalculated based on the difference between the 2017 Convertible Notes principal and the debt carrying value. If the 2017 Convertible Notes are settled, an amount equal to the fair value of the liability component, immediately prior to the settlement, will be deducted from the fair value of the total settlement consideration transferred and allocated to the liability component. Any 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) will be recognized in earnings as a gain or loss on debt extinguishment. Any remaining consideration is allocated to the reacquisition of the equity component and will be recognized as a reduction in stockholders' equity.

None of the 2017 Convertible Notes have been converted since they became convertible.

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 August 2, 2013, Cabot Financial issued £100 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" and, together with the Cabot 2019 Notes and the Cabot 2020 Notes, the "Cabot Notes"). Interest on the Cabot 2021 Notes is payable semi-annually, in arrears, on April 1 and October 1 of each year, beginning on October 1, 2014.

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). 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”), an indirect 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”). Interest on the Marlin Bonds is payable semi-annually, in arrears, on February 1 and August 1 of each year. 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.

The Marlin Bonds are fully and unconditionally guaranteed on a senior secured basis by Cabot Financial Limited and each of Cabot Financial Limited’s material subsidiaries other than Marlin Intermediate Holdings plc, each of which is an indirect subsidiary of the Company. The guarantees provided in respect of the Marlin Bonds are pari passu with each such guarantee given in respect of the Cabot Notes, the Cabot Floating Rate Notes and the Cabot Credit Facility.

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

	Three Months Ended March 31,	
	2016	2015
Interest expense—stated coupon rate	\$ 27,643	\$ 23,850
Interest income—accretion of debt premium	(2,618)	(2,547)
Interest expense—amortization of debt discount	127	—
Total interest expense—Cabot senior secured notes	<u>\$ 25,152</u>	<u>\$ 21,303</u>

At March 31, 2016, the outstanding balance on the Cabot Notes, Cabot Floating Rate Notes and Marlin Bonds was \$1.3 billion.

Cabot Senior Revolving Credit Facility

On September 20, 2012, Cabot Financial UK entered into an agreement for a senior committed revolving credit facility of £50.0 million (approximately \$82.7 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. On November 11, 2015, 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 £200.0 million (approximately \$304.0 million) and extend the termination date to September 24, 2018 (as amended and restated, the “Cabot Credit Facility”). The Cabot Credit Facility also includes an uncommitted accordion provision which will allow the facility to be increased by an additional £50.0 million, subject to obtaining the requisite commitments and compliance with the terms of Cabot Financial UK’s other indebtedness, among other conditions precedent.

The Cabot Credit Facility has a six-year term expiring in September 2018, and includes the following key provisions:

- Interest at LIBOR (or EURIBOR for any loan drawn in euro) plus 3.5%;
- A restrictive covenant that limits the loan to value ratio to 0.75;
- 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;
- 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 March 31, 2016, the outstanding borrowings under the Cabot Credit Facility were approximately \$144.5 million. The weighted average interest rate was 4.01% and 3.94% for the three months ended March 31, 2016 and 2015, respectively.

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: (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 condensed 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 condensed 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 condensed 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 interests 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 March 31, 2016, the outstanding balance of the PECs, including accrued interest, was approximately \$221.3 million.

Capital Lease Obligations

The Company has capital lease obligations primarily for computer equipment. As of March 31, 2016, the Company’s combined obligations for capital leases were approximately \$8.4 million. These capital lease obligations require monthly, quarterly or annual payments through 2020 and have implicit interest rates that range from zero to approximately 5.9%.

Note 11: 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.

Prior to March 31, 2016, the Company’s VIEs included its subsidiary Janus Holdings and its special purpose entity used for the Propel securitization. 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 immediate 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 the VIE 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 the VIE 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 12: Income Taxes

Income tax provisions for income from continuing operations were \$10.1 million and \$14.6 million during the three months ended March 31, 2016 and 2015, respectively.

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

	Three Months Ended March 31,	
	2016	2015
Federal provision	35.0 %	35.0 %
State provision	6.2 %	8.2 %
State benefit	(2.2)%	(2.9)%
Tax reserves	0.0 %	0.1 %
International benefit ⁽¹⁾	(9.8)%	(6.0)%
Permanent items ⁽²⁾	0.8 %	0.2 %
Other ⁽³⁾	(4.6)%	0.0 %
Effective rate	25.4 %	34.6 %

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

(2) Represents a provision for nondeductible items.

(3) Includes the effect of discrete items and an IRS audit settlement.

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 three months ended March 31, 2016 and 2015, was immaterial.

The Company had gross unrecognized tax benefits, inclusive of penalties and interest, of \$24.2 million and \$58.5 million at March 31, 2016 and December 31, 2015, respectively. These unrecognized tax benefits, if recognized, would result in a net tax benefit of \$10.6 million and \$14.9 million as of March 31, 2016 and December 31, 2015, respectively. The reduction in gross unrecognized tax benefits was due to an IRS audit settlement.

During the three months ended March 31, 2016, the Company did not provide for U.S. income taxes or foreign withholding taxes on the quarterly undistributed earnings from operations of its subsidiaries operating outside of the United States. Undistributed pre-tax income of these subsidiaries during the three months ended March 31, 2016, was approximately \$17.1 million.

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.

At March 31, 2016, there have been no material developments in any of the legal proceedings disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

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 March 31, 2016, other than reserves for the Consumer Finance Protection Bureau (“CFPB”) and ancillary state regulatory matters discussed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015, 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.

Purchase Commitments

In the normal course of business, the Company enters into forward flow purchase agreements and other purchase commitment agreements. As of March 31, 2016, the Company has entered into agreements to purchase receivable portfolios with a face value of approximately \$1.4 billion for a purchase price of approximately \$212.1 million. Most purchase commitments do not extend past one year.

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 condensed consolidated statements of operations and comprehensive income. Beginning in the first quarter 2016, the Company has one reportable segment, portfolio purchasing and recovery.

The following table presents information about geographic areas in which the Company operates (*in thousands*):

	Three Months Ended March 31,	
	2016	2015
Revenues ⁽¹⁾ :		
United States	\$ 170,731	\$ 182,631
Europe	97,360	86,724
Other geographies	20,926	8,427
Total	\$ 289,017	\$ 277,782

(1) Revenues are attributed to countries based on location of customer.

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 indicators of impairment exist or if a decision is made to sell or exit a business. 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.

In connection with the divestiture of Propel as discussed in Note 2, "Discontinued Operations," the Company wrote-down the entire goodwill balance of \$49.3 million carried at Propel that represented the entire tax lien business reporting unit as of December 31, 2015.

As of March 31, 2016, the Company has five reporting units for goodwill impairment testing purposes. The annual goodwill testing date for the five reporting units that are included in the portfolio purchasing and recovery reportable segment is October 1st. There have been no events or circumstances during the three months ended March 31, 2016 that have required the Company to perform an interim assessment of goodwill carried at these 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 as of March 31, 2016 and December 31, 2015. A summary of changes in the carrying amounts of goodwill were as follows (*in thousands*):

	Total
Balance, December 31, 2015	\$ 924,847
Goodwill acquired	623
Goodwill adjustments ⁽¹⁾	(15,662)
Effect of foreign currency translation	(19,304)
Balance, March 31, 2016	\$ 890,504

(1) Represent adjustments made to preliminary purchase price allocations as a result of obtaining fair value of intangible assets acquired associated with prior year business combinations.

The Company's acquired intangible assets are summarized as follows (*in thousands*):

	As of March 31, 2016			As of December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 24,779	\$ (1,881)	\$ 22,898	\$ 5,356	\$ (903)	\$ 4,453
Developed technologies	8,522	(3,106)	5,416	8,141	(3,793)	4,348
Trade name and other	11,120	(3,743)	7,377	10,324	(3,413)	6,911
Total intangible assets	\$ 44,421	\$ (8,730)	\$ 35,691	\$ 23,821	\$ (8,109)	\$ 15,712

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q 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 our 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 and Operating Segments

We are an international specialty finance company providing debt recovery solutions for consumers and property owners 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. Through certain subsidiaries, we are a market leader in portfolio purchasing and recovery in the United States, including Puerto Rico. Our subsidiary, Janus Holdings Luxembourg S.a.r.l. (“Janus Holdings”), through its indirectly held U.K.-based subsidiary Cabot Credit Management Limited and its subsidiaries (collectively, “Cabot”), is a market leader in credit management services in the United Kingdom, historically specializing in portfolios consisting of higher balance, semi-performing accounts (*i.e.*, debt portfolios in which over 50% of the accounts have received a payment in three of the last four months immediately prior to the portfolio purchase). Cabot expanded in the United Kingdom with its consolidating acquisition of Hillesden Securities Ltd and its subsidiaries (“dlc”) in June 2015. Our majority-owned subsidiary, Grove Holdings (“Grove”), is a U.K.-based leading specialty investment firm focused on 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. Our majority-owned subsidiary, Refinancia S.A. (“Refinancia”), through its subsidiaries, is a market leader in debt collection and management in Colombia and Peru. In October 2015, we completed the acquisition of a controlling stake in Baycorp Holdings Pty Limited (“Baycorp”), one of Australasia’s leading debt resolution specialists.

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 condensed consolidated statements of operations and comprehensive income. Beginning in the first quarter 2016, we conduct business through one reportable segment, portfolio purchasing and recovery.

Our long-term growth strategy involves continuing to invest in our core portfolio purchasing and recovery business, expanding into new geographies, and leveraging our core competencies to explore expansion into adjacent asset classes.

Government Regulation

As discussed in more detail under “Part I - Item1 - Business - Government Regulation” in our Annual Report on Form 10-K, 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. In addition, 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.

For example, the Consumer Finance Protection Bureau (“CFPB”) may adopt new regulations that may affect our industry and our business. Additionally, the CFPB has supervisory, examination and enforcement authority over our business and is currently examining the collection practices of participants in the consumer debt buying industry. The CFPB has recently 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 sectors, especially in the absence of clear rules or regulatory expectations, can be disruptive as industry participants attempt to define appropriate business practices. As a result of the current regulatory environment, certain current practices or commercial relationships we maintain may be disrupted or impacted by changes in our or third-parties’ business practices or perceptions of elevated risk.

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 goals 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 portfolio purchasing and recovery 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.

Europe

Cabot: 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 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.

Grove: On April 1, 2014, we completed the acquisition of a controlling equity ownership interest in Grove. Grove, through its subsidiaries and affiliates, is a leading specialty investment firm focused on consumer non-performing loans, including insolvencies (in particular, IVAs) in the United Kingdom and bank and non-bank receivables in Spain. Grove purchases portfolio receivables using a proprietary pricing model. This model allows Grove to value portfolios with a high degree of accuracy and quantify portfolio performance in order to maximize future collections.

Latin America

In December 2013, we acquired a majority ownership interest in Refinancia, 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 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

Through our acquisition of a majority ownership interest in Baycorp in October 2015 (the “Baycorp Acquisition”), we are one of Australia’s leading debt resolution specialists. 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.

Purchases and Collections

Portfolio Pricing, Supply and Demand

United States

Prices for portfolios offered for sale directly from credit issuers continued to remain elevated during the first quarter of 2016, especially for fresh portfolios. Fresh portfolios are portfolios that are generally transacted within six months of the consumer’s account being charged-off by the financial institution. We believe this elevated pricing is due to a reduction in the supply of charged-off accounts and continued demand in the marketplace. We believe that the reduction in supply is partially due to shifts in underwriting standards by financial institutions, which have resulted in lower volumes of charged-off accounts. We believe that this reduction in supply is also the result of certain financial institutions temporarily halting their sales of charged-off accounts. Although we have seen moderation in certain instances, we expect pricing will remain at elevated levels for some period of time.

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 in this market, such as Encore, because the larger market participants are better able to adapt to these pressures. Furthermore, as smaller competitors limit their participation in or exit the market, it may provide additional opportunities for Encore to purchase portfolios from competitors or to acquire competitors directly.

Europe

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.

The U.K. insolvency market saw historically low sales volumes from banks in the prior year. We expect there will be increased purchasing opportunities once large retail banks start to sell their insolvency portfolios.

The Spanish consumer and small and medium enterprise non-performing loan market remains significant, with most of the major banks selling portfolios. Competition remains strong in large banking trades, but there remains an opportunity for

incumbent buyers. Recently there have been multiple complex sales from consolidated regional banks trading at more favorable returns, as portfolio sale sizes and asset nuances reduce competition.

Although pricing has been elevated, we believe that as our U.K. businesses increase in scale and expand to other European markets, and with anticipated improvements in liquidation and improved efficiencies in collections, our margins will remain competitive. Additionally, Cabot's continuing investment in its liquidation channel through litigation has enabled them to collect from consumers who have the ability to pay, but have so far been unwilling to do so.

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*):

	Three Months Ended March 31,	
	2016	2015
United States:		
Credit card	\$ 131,395	\$ 98,987
Consumer bankruptcy receivables	11,075	—
Subtotal	142,470	98,987
Europe:		
Credit card	93,400	19,995
IVA	99	1,637
Subtotal	93,499	21,632
Other geographies:		
Credit card	20,784	4,535
Total purchases	\$ 256,753	\$ 125,154

During the three months ended March 31, 2016, we invested \$256.8 million to acquire portfolios of charged-off credit card portfolios and consumer bankruptcy receivables, with face values aggregating \$3.5 billion, for an average purchase price of 7.2% of face value. This is a \$131.6 million, or 105.1%, increase in the amount invested, compared with the \$125.2 million invested during the three months ended March 31, 2015, to acquire portfolios of charged-off credit card with face values aggregating \$1.0 billion, for an average purchase price of 12.0% of face value. In the United States, our capital deployment increased during the three months ended March 31, 2016 as compared to the prior period partially as the result of entering into several forward flow commitments at the turn of the year, which established a strong base for our first quarter capital deployment. In Europe, the increase in capital deployment was primarily driven by Cabot's continued investment in Spain and France as part of its European expansion strategy.

The average purchase price, as a percentage of face value, varies from period to period depending on, among other factors, the quality of the accounts purchased and the length of time from charge-off to the time we purchase the portfolios.

Collections by Channel and Geographic Location

We currently utilize various business channels for the collection of our receivables. The following table summarizes the total collections by collection channel and geographic areas (*in thousands*):

	Three Months Ended March 31,	
	2016	2015
United States:		
Legal collections	\$ 154,050	\$ 158,959
Collection sites	128,390	135,929
Collection agencies ⁽¹⁾	14,673	18,101
Subtotal	297,113	312,989
Europe:		
Collection sites	58,831	46,398
Collection agencies	36,825	40,124
Legal collections	31,478	18,103
Subtotal	127,134	104,625
Other geographies:		
Collection sites	17,629	7,444
Legal collections	2,418	—
Collection agencies	3,511	13
Subtotal	23,558	7,457
Total collections	\$ 447,805	\$ 425,071

(1) Collections through our collection agency channel in the United States include accounts subject to bankruptcy filings collected by others. Additionally, collection agency collections often include accounts purchased from a competitor where we maintain the collection agency servicing until the accounts can be recalled and placed in our collection channels.

Gross collections increased \$22.7 million, or 5.3%, to \$447.8 million during the three months ended March 31, 2016, from \$425.1 million during the three months ended March 31, 2015, primarily due to increased collections in Europe and other geographies, offset by a slight decrease of collections in the United States.

Results of Operations

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

	Three Months Ended March 31,			
	2016		2015	
Revenues				
Revenue from receivable portfolios, net	\$ 270,094	93.5 %	\$ 264,110	95.1 %
Other revenues	18,923	6.5 %	13,672	4.9 %
Total revenues	289,017	100.0 %	277,782	100.0 %
Operating expenses				
Salaries and employee benefits	69,642	24.1 %	65,552	23.6 %
Cost of legal collections	54,308	18.8 %	54,998	19.8 %
Other operating expenses	26,343	9.1 %	24,326	8.9 %
Collection agency commissions	10,120	3.5 %	10,685	3.8 %
General and administrative expenses	35,239	12.2 %	31,197	11.2 %
Depreciation and amortization	9,861	3.4 %	8,137	2.9 %
Total operating expenses	205,513	71.1 %	194,895	70.2 %
Income from operations	83,504	28.9 %	82,887	29.8 %
Other (expense) income				
Interest expense	(50,691)	(17.5)%	(42,303)	(15.1)%
Other income	7,124	2.4 %	2,117	0.7 %
Total other expense	(43,567)	(15.1)%	(40,186)	(14.4)%
Income before income taxes	39,937	13.8 %	42,701	15.4 %
Provision for income taxes	(10,148)	(3.5)%	(14,614)	(5.3)%
Income from continuing operations	29,789	10.3 %	28,087	10.1 %
(Loss) income from discontinued operations, net of tax	(3,182)	(1.1)%	1,880	0.7 %
Net income	26,607	9.2 %	29,967	10.8 %
Net income attributable to noncontrolling interest	(913)	(0.3)%	(542)	(0.2)%
Net income attributable to Encore Capital Group, Inc. stockholders	\$ 25,694	8.9 %	\$ 29,425	10.6 %

Results of Operations—Cabot

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

	Three Months Ended March 31, 2016			Three Months Ended March 31, 2015		
	Janus Holdings	Encore Europe ⁽¹⁾	Consolidated	Janus Holdings	Encore Europe ⁽¹⁾	Consolidated
Total revenues	\$ 89,533	\$ —	\$ 89,533	\$ 79,777	\$ —	\$ 79,777
Total operating expenses	(50,830)	—	(50,830)	(40,782)	—	(40,782)
Income from operations	38,703	—	38,703	38,995	—	38,995
Interest expense-non-PEC	(28,272)	—	(28,272)	(23,297)	—	(23,297)
PEC interest (expense) income	(12,411)	6,082	(6,329)	(11,731)	5,749	(5,982)
Other expense	5,966	—	5,966	758	—	758
Income before income taxes	3,986	6,082	10,068	4,725	5,749	10,474
Provision for income taxes	(1,687)	—	(1,687)	(2,121)	—	(2,121)
Net income	2,299	6,082	8,381	2,604	5,749	8,353
Net income attributable to noncontrolling interest	(322)	(987)	(1,309)	(365)	(1,117)	(1,482)
Net income attributable to Encore Capital Group, Inc. stockholders	\$ 1,977	\$ 5,095	\$ 7,072	\$ 2,239	\$ 4,632	\$ 6,871

(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.

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, one-time charges, acquisition, integration and restructuring related expenses, and settlement fees and related administrative expenses, all net of tax. 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 three months ended March 31, 2015, includes the effect of approximately 0.9 million common shares that are issuable upon conversion of certain convertible senior notes because the average stock price during the period exceeded the conversion price of these notes. However, as described in Note 10, “Debt—Encore Convertible Notes,” in the notes to our condensed consolidated financial statements, we have certain hedging transactions in place that have the effect of increasing the effective conversion price 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. 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*):

	Three Months Ended March 31,					
	2016			2015		
	\$	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	\$ 28,876	\$ 1.12	\$ 1.12	\$ 27,545	\$ 1.01	\$ 1.04
Adjustments:						
Convertible notes non-cash interest and issuance cost amortization, net of tax	1,804	0.07	0.07	1,666	0.06	0.07
Acquisition, integration and restructuring related expenses, net of tax	1,329	0.05	0.05	1,348	0.05	0.05
Settlement fees and related administrative expenses, net of tax	1,853	0.07	0.07	—	—	—
Adjusted income from continuing operations attributable to Encore	<u>\$ 33,862</u>	<u>\$ 1.31</u>	<u>\$ 1.31</u>	<u>\$ 30,559</u>	<u>\$ 1.12</u>	<u>\$ 1.16</u>

Adjusted EBITDA. Management utilizes adjusted EBITDA (defined as net income before interest, taxes, depreciation and amortization, stock-based compensation expenses, portfolio amortization, one-time charges, acquisition, integration and restructuring related expenses, and settlement fees and related administrative expenses), which is materially similar to a financial measure contained in covenants used in the Encore revolving credit and term loan facility, in the evaluation of our operations and believes that this measure is a useful indicator of our ability to generate cash collections in excess of operating expenses through the liquidation of our receivable portfolios. Adjusted EBITDA for the periods presented is as follows (*in thousands*):

	Three Months Ended March 31,	
	2016	2015
GAAP net income, as reported	\$ 26,607	\$ 29,967
Adjustments:		
Loss (income) from discontinued operations, net of tax	3,182	(1,880)
Interest expense	50,691	42,303
Provision for income taxes	10,148	14,614
Depreciation and amortization	9,861	8,137
Amount applied to principal on receivable portfolios	177,711	160,961
Stock-based compensation expense	3,718	5,905
Acquisition, integration and restructuring related expenses	2,141	2,766
Settlement fees and related administrative expenses	2,988	—
Adjusted EBITDA	<u>\$ 287,047</u>	<u>\$ 262,773</u>

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, one-time charges, acquisition, integration and restructuring related operating expenses, and settlement fees and related administrative expenses. 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. Adjusted operating expenses related to our portfolio purchasing and recovery business for the periods presented are as follows (*in thousands*):

	Three Months Ended March 31,	
	2016	2015
GAAP total operating expenses, as reported	\$ 205,513	\$ 194,895
Adjustments:		
Stock-based compensation expense	(3,718)	(5,905)
Operating expenses related to non-portfolio purchasing and recovery business	(26,885)	(21,623)
Acquisition, integration and restructuring related expenses	(3,059)	(2,766)
Settlement fees and related administrative expenses	(2,988)	—
Adjusted operating expenses related to portfolio purchasing and recovery business	\$ 168,863	\$ 164,601

Comparison of Results of Operations

Revenues

Our revenues consist primarily of portfolio revenue and contingent fee income.

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 incur allowance charges when actual cash flows from our receivable portfolios underperform compared to our expectations. 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 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 which have historic allowance reserves when actual cash flows from these receivable portfolios outperform our expectations. Allowance reversals are included in portfolio revenue.

Total revenues were \$289.0 million during the three months ended March 31, 2016, an increase of \$11.2 million, or 4.0%, compared to total revenues of \$277.8 million during the three months ended March 31, 2015.

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

	Three Months Ended March 31, 2016					As of March 31, 2016	
	Collections(1)	Gross Revenue(2)	Revenue Recognition Rate(3)	Net Portfolio Allowance Reversal	Revenue % of Total Revenue	Unamortized Balances	Monthly IRR
United States:							
ZBA ⁽⁴⁾	\$ 29,774	\$ 28,148	94.5%	\$ 1,722	10.5%	\$ —	—
2007	576	220	38.2%	147	0.1%	1,389	4.6%
2008	2,854	1,710	59.9%	322	0.6%	4,976	9.3%
2009 ⁽⁵⁾	—	—	—	—	—	—	—
2010	2,984	2,312	77.5%	—	0.9%	3,048	21.2%
2011	22,241	15,076	67.8%	—	5.6%	20,076	18.7%
2012	34,625	22,008	63.6%	—	8.2%	67,190	9.6%
2013	61,293	37,252	60.8%	—	13.9%	137,457	8.0%
2014	66,726	31,845	47.7%	—	11.9%	256,377	3.8%
2015	70,225	27,490	39.1%	—	10.3%	401,376	1.9%
2016	5,815	2,470	42.5%	—	0.9%	139,300	1.8%
Subtotal	297,113	168,531	56.7%	2,191	62.9%	1,031,189	4.2%
Europe:							
2013	45,543	38,508	84.6%	—	14.4%	419,359	3.1%
2014	43,145	26,386	61.2%	—	9.8%	419,870	2.1%
2015	33,546	17,326	51.6%	—	6.5%	353,628	1.7%
2016	4,900	2,496	50.9%	—	0.9%	94,300	1.5%
Subtotal	127,134	84,716	66.6%	—	31.6%	1,287,157	2.2%
Other geographies:							
ZBA ⁽⁴⁾	1,671	1,677	100.4%	—	0.7%	—	—
2013	371	—	0.0%	—	0.0%	2,163	0.0%
2014	4,397	4,565	103.8%	—	1.7%	67,601	2.4%
2015	15,084	7,541	50.0%	—	2.8%	78,709	3.2%
2016	2,035	873	42.9%	—	0.3%	20,159	2.4%
Subtotal	23,558	14,656	62.2%	—	5.5%	168,632	2.7%
Total	\$ 447,805	\$ 267,903	59.8%	\$ 2,191	100.0%	\$ 2,486,978	3.1%

	Three Months Ended March 31, 2015					As of March 31, 2015	
	Collections(1)	Gross Revenue(2)	Revenue Recognition Rate(3)	Net Portfolio Allowance Reversal	Revenue % of Total Revenue	Unamortized Balances	Monthly IRR
United States:							
ZBA ⁽⁴⁾	\$ 15,378	\$ 12,547	81.6%	\$ 2,859	4.8%	\$ —	—
2007	985	333	33.8%	—	0.1%	1,952	4.6%
2008	3,518	2,460	69.9%	—	0.9%	7,338	10.4%
2009	7,535	5,626	74.7%	—	2.2%	5,970	25.1%
2010	21,435	13,056	60.9%	—	5.0%	12,746	21.9%
2011	32,760	24,973	76.2%	—	9.6%	48,126	15.4%
2012	53,171	32,812	61.7%	—	12.6%	130,345	7.5%
2013	87,440	47,630	54.5%	—	18.2%	244,911	5.7%
2014	86,045	39,171	45.5%	—	15.0%	410,226	2.8%
2015	4,721	1,194	25.3%	—	0.4%	95,332	2.0%
Subtotal	312,988	179,802	57.4%	2,859	68.8%	956,946	5.3%
Europe:							
2013	55,063	43,707	79.4%	—	16.7%	468,814	3.0%
2014	49,399	32,065	64.9%	—	12.3%	500,812	2.0%
2015	163	294	180.4%	—	0.1%	21,413	1.5%
Subtotal	104,625	76,066	72.7%	—	29.1%	991,039	2.5%
Other geographies:							
ZBA ⁽⁴⁾	165	165	100.0%	—	0.1%	—	—
2012	387	—	0.0%	—	0.0%	78	0.0%
2013	2,715	214	7.9%	—	0.1%	6,869	60.0%
2014	3,675	4,894	133.2%	—	1.9%	78,915	2.0%
2015	516	110	21.3%	—	0.0%	4,560	3.1%
Subtotal	7,458	5,383	72.2%	—	2.1%	90,422	1.9%
Total	\$ 425,071	\$ 261,251	61.5%	\$ 2,859	100.0%	\$ 2,038,407	3.8%

(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.

Portfolio revenue was \$270.1 million during the three months ended March 31, 2016, an increase of \$6.0 million, or 2.3%, compared to revenue of \$264.1 million during the three months ended March 31, 2015. The increase in portfolio revenue during the three months ended March 31, 2016 compared to 2015 was due to additional accretion revenue associated with a higher portfolio balance, primarily associated with portfolios acquired through our merger and acquisition related activities, and increases in yields on certain pool groups due to over-performance, offset by lower yields on recently formed pool groups.

During the three months ended March 31, 2016, we recorded a net portfolio allowance reversal of \$2.2 million, compared to a net portfolio allowance reversal of \$2.9 million during the three months ended March 31, 2015. We expect portfolio allowance reversals for certain ZBA pool groups with remaining allowance reserves to decrease over time as the related collections on those ZBA pool groups decrease.

Other revenues were \$18.9 million and \$13.7 million for the three months ended March 31, 2016 and 2015, respectively. Other revenues primarily represent contingent fee income earned on accounts collected on behalf of others, primarily credit

originators. The increase in other revenues was primarily attributable to contingent fee income earned at our recently acquired subsidiaries.

Operating Expenses

Total operating expenses were \$205.5 million during the three months ended March 31, 2016, an increase of \$10.6 million, or 5.4%, compared to total operating expenses of \$194.9 million during the three months ended March 31, 2015.

Operating expenses are explained in more detail as follows:

Salaries and Employee Benefits

Salaries and employee benefits increased \$4.0 million, or 6.2%, to \$69.6 million during the three months ended March 31, 2016, from \$65.6 million during the three months ended March 31, 2015. The increase was primarily the result of increases in headcount and related compensation expense of \$9.1 million in our international subsidiaries as a result of our growing global expansion, offset by a decrease in stock-based compensation expense of \$2.2 million and decreases in salaries and employee benefits at our domestic sites.

Stock-based compensation decreased \$2.2 million, or 37.0% to \$3.7 million during the three months ended March 31, 2016, from \$5.9 million during the three months ended March 31, 2015. The decrease was primarily attributable to lower fair value of equity awards granted in recent periods and expense reversals resulting from adjustments to estimated vesting of certain performance-based awards.

Cost of Legal Collections

The cost of legal collections decreased \$0.7 million, or 1.3%, to \$54.3 million during the three months ended March 31, 2016, as compared to \$55.0 million during the three months ended March 31, 2015. These costs represent contingent fees paid to our network of attorneys and the cost of litigation. Gross legal collections were \$187.9 million during the three months ended March 31, 2016, up from \$177.1 million collected during the three months ended March 31, 2015. The cost of legal collections as a percentage of gross collections through this channel was 28.9% during the three months ended March 31, 2016, a decrease from 31.1% during corresponding period in 2015. The cost of legal collections as a percentage of gross collections through this channel in the United States was 29.7% and 31.3% during the three months ended March 31, 2016 and 2015, respectively. The decrease in the cost of legal collections was due to a reduction in upfront court costs spent as a result of fewer accounts placed in this channel as compared to the prior period. The cost of legal collections as a percentage of gross collections through this channel in Europe was 26.0% and 29.3% during the three months ended March 31, 2016 and 2015, respectively. During 2015, Cabot expanded the number of accounts placed into the legal collection channel, which resulted in increased cost of legal collections and cost to collect in this channel. We expect collections to increase as a result of our investment in this liquidation channel, which we anticipate will result in a lower cost of legal collections as compared to the prior periods. However, we expect that the cost of legal collections in Europe will remain elevated as we continue our investment in the legal collection channel.

Other Operating Expenses

Other operating expenses increased \$2.0 million, or 8.3%, to \$26.3 million during the three months ended March 31, 2016, from \$24.3 million during the three months ended March 31, 2015. The increase in other operating expenses for the three months ended March 31, 2016, as compared to the prior period, was primarily due to increased costs relating to various operation support activities, including skip tracing, media requests and bank charges.

Collection Agency Commissions

During the three months ended March 31, 2016, we incurred \$10.1 million in commissions to third-party collection agencies, or 18.4% of the related gross collections of \$55.0 million. During the period, the commission rate as a percentage of related gross collections was 12.7% and 21.3% for our collection outsourcing channels in the United States and Europe, respectively. During the three months ended March 31, 2015, we incurred \$10.7 million in commissions, or 18.3%, of the related gross collections of \$58.2 million. During the period, the commission rate as a percentage of related gross collections was 15.8% and 19.5% 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 increased \$4.0 million, or 13.0%, to \$35.2 million during the three months ended March 31, 2016, from \$31.2 million during the three months ended March 31, 2015. Excluding acquisition, integration and restructuring related expenses and settlement fees and related administrative expenses of \$4.9 million and \$1.6 million during the three months ended March 31, 2016 and 2015, respectively, general and administrative expenses increased \$0.8 million, or 2.8%, to \$30.4 million during the three months ended March 31, 2016, from \$29.6 million during the three months ended March 31, 2015. The increase was primarily due to increased regulatory and legislative costs, and general increases in expenses to support our growth.

Depreciation and Amortization

Depreciation and amortization expense increased \$1.8 million, or 21.2%, to \$9.9 million during the three months ended March 31, 2016, from \$8.1 million during the three months ended March 31, 2015. The increase was primarily attributable to additional depreciation and amortization expenses resulting from fixed assets and intangible assets acquired through our recent acquisitions.

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:

	Three Months Ended March 31,	
	2016	2015
United States	39.2%	40.9%
Europe	33.7%	33.2%
Other geographies	40.0%	29.0%
Overall cost per dollar collected	37.7%	38.8%

Our overall cost per dollar collected (or “cost-to-collect”) for the three months ended March 31, 2016 was 37.7%, down 110 basis points from 38.8% during the prior period, primarily due to improved cost-to-collect in the United States. To counter higher prices in the U.S. market, we implemented innovative consumer-centric programs aimed at increasing liquidations. These programs were initiated in the beginning of 2014 and have become increasingly successful. Although Cabot’s cost-to-collect increased 50 basis points as compared to the prior period, it continues to trend lower than our overall cost-to-collect because its portfolio includes many consumers who are already on payment plans and historically involves little litigation. As more of Cabot’s accounts are serviced through its legal channel, we expect to see incremental net collections and a higher overall cost-to-collect. As we continue to grow our presence in the Latin American market, we expect to incur upfront cost in building our collection channels. As a result, cost-to-collect in this region 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.

Interest Expense

Interest expense increased \$8.4 million to \$50.7 million during the three months ended March 31, 2016, from \$42.3 million during the three months ended March 31, 2015.

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

	Three Months Ended March 31,			
	2016	2015	\$ Change	% Change
Stated interest on debt obligations	\$ 41,386	\$ 34,519	\$ 6,867	19.9%
Interest expense on preferred equity certificates	6,329	5,982	347	5.8%
Amortization of loan fees and other loan costs	3,040	2,071	969	46.8%
Amortization of debt discount	2,554	2,278	276	12.1%
Accretion of debt premium	(2,618)	(2,547)	(71)	2.8%
Total interest expense	\$ 50,691	\$ 42,303	\$ 8,388	19.8%

The payment of the accumulated interest on the preferred equity certificates issued in connection with the acquisition of a controlling interest in Cabot will only be satisfied in connection with the disposition of the noncontrolling interests of J.C. Flowers & Co. LLC and management.

The increase in interest expense was primarily attributable to increased debt levels in Europe related to additional borrowings to finance recent acquisitions and portfolio purchases.

Other Income

Other income or expense consists primarily of foreign currency exchange gains or losses and interest income. Other income was \$7.1 million during the three months ended March 31, 2016, up from \$2.1 million during the three months ended March 31, 2015. The increase was primarily due to a gain of \$5.4 million on foreign currency exchange forward contracts recognized by Cabot during the three months ended March 31, 2016. In January 2016, Cabot began entering into currency exchange forward contracts to reduce the short-term effects of currency exchange rate fluctuations between British Pounds and Euro resulting from the net asset or liability positions within its Euro functional currency entities. These contracts generally mature within one to three months and serve as economic hedges. The primary risk managed by using forward contracts is the currency exchange rate risk. The gains or losses on these currency exchange contracts are recognized as other income or other expense based on the changes in fair value.

Provision for Income Taxes

We recorded income tax provisions for income from continuing operations of \$10.1 million and \$14.6 million, during the three months ended March 31, 2016 and 2015, respectively.

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

	Three Months Ended March 31,	
	2016	2015
Federal provision	35.0 %	35.0 %
State provision	6.2 %	8.2 %
State benefit	(2.2)%	(2.9)%
Tax reserves	0.0 %	0.1 %
International benefit ⁽¹⁾	(9.8)%	(6.0)%
Permanent items ⁽²⁾	0.8 %	0.2 %
Other ⁽³⁾	(4.6)%	0.0 %
Effective rate	25.4 %	34.6 %

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

(2) Represents a provision for nondeductible items.

(3) Includes the effect of discrete items and an IRS audit settlement.

The effective tax rate decreased during the three months ended March 31, 2016, as compared to the three months ended March 31, 2015, as a result of earnings realized in countries with lower statutory tax rates than the U.S. federal tax rate and as a result of a favorable IRS audit settlement. 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.

Our 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 three months ended March 31, 2016 and 2015 was immaterial.

Supplemental Performance Data

We utilize proprietary forecasting models to continuously evaluate the economic life of each pool. For purposes of calculating IRRs, the collection forecast of each pool is estimated to be up to 120 months.

Cumulative Collections to Purchase Price Multiple

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

Year of Purchase	Purchase Price ⁽¹⁾	Cumulative Collections through March 31, 2016											Total ⁽²⁾	CCM ⁽³⁾
		<2007	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		
Purchased consumer receivables:														
United States:														
<2007	\$ 719,081	\$ 1,377,276	\$ 286,676	\$ 183,982	\$ 114,648	\$ 73,397	\$ 52,137	\$ 36,955	\$ 28,242	\$ 22,012	\$ 18,835	\$ 4,097	\$ 2,198,257	3.1
2007	204,064	—	68,048	145,272	111,117	70,572	44,035	29,619	20,812	14,431	12,002	2,384	518,292	2.5
2008	227,755	—	—	69,049	165,164	127,799	87,850	59,507	41,773	29,776	23,247	4,839	609,004	2.7
2009	253,004	—	—	—	96,529	206,773	164,605	111,569	80,443	58,345	42,960	8,468	769,692	3.0
2010	345,423	—	—	—	—	125,465	284,541	215,088	150,558	106,079	80,051	16,065	977,847	2.8
2011	383,656	—	—	—	—	—	122,224	300,536	225,451	154,847	112,659	22,241	937,958	2.4
2012	466,608	—	—	—	—	—	—	186,472	319,114	233,045	155,647	30,465	924,743	2.0
2013	513,293	—	—	—	—	—	—	—	217,245	372,967	276,552	56,929	923,693	1.8
2014	519,429	—	—	—	—	—	—	—	—	144,178	307,814	66,726	518,718	1.0
2015	479,091	—	—	—	—	—	—	—	—	—	105,588	69,839	175,427	0.4
2016	131,286	—	—	—	—	—	—	—	—	—	—	5,806	5,806	—
Subtotal	4,242,690	1,377,276	354,724	398,303	487,458	604,006	755,392	939,746	1,083,638	1,135,680	1,135,355	287,859	8,559,437	2.0
Europe:														
2013	619,079	—	—	—	—	—	—	—	134,259	249,307	212,129	45,543	641,238	1.0
2014	630,347	—	—	—	—	—	—	—	—	135,549	198,127	43,145	376,821	0.6
2015	423,451	—	—	—	—	—	—	—	—	—	65,870	33,546	99,416	0.2
2016	93,499	—	—	—	—	—	—	—	—	—	—	4,900	4,900	0.1
Subtotal	1,766,376	—	—	—	—	—	—	—	134,259	384,856	476,126	127,134	1,122,375	0.6
Other geographies:														
2012	6,569	—	—	—	—	—	—	—	3,848	2,561	1,208	208	7,825	1.2
2013	29,568	—	—	—	—	—	—	—	6,617	17,615	10,334	1,072	35,638	1.2
2014	88,227	—	—	—	—	—	—	—	—	9,652	16,062	4,397	30,111	0.3
2015	91,290	—	—	—	—	—	—	—	—	—	15,061	15,084	30,145	0.3
2016	20,784	—	—	—	—	—	—	—	—	—	—	2,797	2,797	0.1
Subtotal	236,438	—	—	—	—	—	—	—	10,465	29,828	42,665	23,558	106,516	0.5
Purchased U.S. bankruptcy receivables:														
2010	11,971	—	—	—	—	388	4,247	5,598	6,248	5,914	3,527	270	26,192	2.2
2011	1,642	—	—	—	—	—	1,372	1,413	1,070	333	247	65	4,500	2.7
2012	83,159	—	—	—	—	—	—	1,249	31,020	26,207	21,267	4,160	83,903	1.0
2013	39,833	—	—	—	—	—	—	—	12,806	24,679	21,516	4,364	63,365	1.6
2014	—	—	—	—	—	—	—	—	—	—	—	—	—	—
2015	24,372	—	—	—	—	—	—	—	—	—	22	386	408	—
2016	11,075	—	—	—	—	—	—	—	—	—	—	9	9	—
Subtotal	172,052	—	—	—	—	388	5,619	8,260	51,144	57,133	46,579	9,254	178,377	1.0
Total	\$ 6,417,556	\$ 1,377,276	\$ 354,724	\$ 398,303	\$ 487,458	\$ 604,394	\$ 761,011	\$ 948,006	\$ 1,279,506	\$ 1,607,497	\$ 1,700,725	\$ 447,805	\$ 9,966,705	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 March 31, 2016, excluding collections on behalf of others.

(3) Cumulative Collections Multiple ("CCM") through March 31, 2016 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, by year of purchase (*in thousands, except multiples*):

	Purchase Price ⁽¹⁾	Historical Collections ⁽²⁾	Estimated Remaining Collections ⁽³⁾	Total Estimated Gross Collections	Total Estimated Gross Collections to Purchase Price
Purchased consumer receivables:					
<i>United States:</i>					
<2006	\$ 578,055	\$ 1,867,745	\$ 8,019	\$ 1,875,764	3.2
2006	141,026	330,512	6,395	336,907	2.4
2007	204,064	518,292	15,762	534,054	2.6
2008	227,755	609,004	31,813	640,817	2.8
2009	253,004	769,692	57,696	827,388	3.3
2010	345,423	977,847	109,355	1,087,202	3.1
2011	383,656	937,958	110,752	1,048,710	2.7
2012	466,608	924,743	221,917	1,146,660	2.5
2013	513,293	923,693	485,088	1,408,781	2.7
2014	519,429	518,718	573,526	1,092,244	2.1
2015	479,091	175,427	660,424	835,851	1.7
2016	131,286	5,806	218,731	224,537	1.7
Subtotal	4,242,690	8,559,437	2,499,478	11,058,915	2.6
<i>Europe:</i>					
2013	619,079	641,238	1,058,486	1,699,724	2.7
2014	630,347	376,821	852,806	1,229,627	2.0
2015	423,451	99,416	666,972	766,388	1.8
2016	93,499	4,900	166,134	171,034	1.8
Subtotal	1,766,376	1,122,375	2,744,398	3,866,773	2.2
<i>Other geographies:</i>					
2012	6,569	7,825	2,243	10,068	1.5
2013	29,568	35,638	7,676	43,314	1.5
2014	88,227	30,111	134,849	164,960	1.9
2015	91,290	30,145	163,837	193,982	2.1
2016	20,784	2,797	50,006	52,803	2.5
Subtotal	236,438	106,516	358,611	465,127	2.0
Purchased U.S. bankruptcy receivables:					
2010	11,971	26,192	233	26,425	2.2
2011	1,642	4,500	52	4,552	2.8
2012	83,159	83,903	15,217	99,120	1.2
2013	39,833	63,365	6,175	69,540	1.7
2014	—	—	—	—	—
2015	24,372	408	27,904	28,312	1.2
2016	11,075	9	12,890	12,899	1.2
Subtotal	172,052	178,377	62,471	240,848	1.4
Total	\$ 6,417,556	\$ 9,966,705	\$ 5,664,958	\$ 15,631,663	2.4

(1) Adjusted for Put-Backs and Recalls.

(2) Cumulative collections from inception through March 31, 2016, excluding collections on behalf of others.

(3) Estimated remaining collections ("ERC") for purchased consumer receivables includes \$116.3 million related to accounts that converted to bankruptcy after purchase.

Estimated Remaining Gross Collections by Year of Purchase

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

Estimated Remaining Gross Collections by Year of Purchase ^{(1), (2)}											
	2016 ⁽³⁾	2017	2018	2019	2020	2021	2022	2023	2024	>2024	Total
Purchased consumer receivables:											
<i>United States:</i>											
<2006	\$ 3,004	\$ 2,607	\$ 1,439	\$ 772	\$ 197	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 8,019
2006	2,425	1,881	1,041	585	332	131	—	—	—	—	6,395
2007	5,271	4,388	2,655	1,627	998	613	210	—	—	—	15,762
2008	9,555	8,903	5,274	3,405	2,129	1,332	848	367	—	—	31,813
2009	19,760	15,193	9,240	5,691	3,285	2,066	1,317	838	306	—	57,696
2010	36,199	29,393	15,862	10,335	6,794	4,416	2,871	1,866	1,213	406	109,355
2011	35,719	34,763	13,926	8,454	5,486	4,575	3,199	2,079	1,351	1,200	110,752
2012	65,027	65,719	33,870	21,142	13,594	8,854	5,694	3,302	2,146	2,569	221,917
2013	116,951	124,329	83,613	55,738	37,589	25,160	16,475	10,477	6,063	8,693	485,088
2014	131,451	151,470	101,293	64,504	42,357	27,251	19,371	13,699	9,279	12,851	573,526
2015	137,208	178,074	125,971	82,650	52,600	30,595	19,851	14,123	9,823	9,529	660,424
2016	30,988	67,611	46,570	28,581	17,806	10,446	6,418	4,513	3,213	2,585	218,731
Subtotal	593,558	684,331	440,754	283,484	183,167	115,439	76,254	51,264	33,394	37,833	2,499,478
<i>Europe:</i>											
2013	140,576	183,879	166,474	146,809	130,739	116,054	103,812	70,143	—	—	1,058,486
2014	106,890	146,080	131,663	115,285	101,071	87,950	76,616	67,963	19,288	—	852,806
2015	74,186	103,802	103,942	87,343	72,443	61,561	54,108	47,701	41,795	20,091	666,972
2016	19,167	29,973	25,561	21,248	17,579	14,316	11,799	9,976	8,593	7,922	166,134
Subtotal	340,819	463,734	427,640	370,685	321,832	279,881	246,335	195,783	69,676	28,013	2,744,398
<i>Other geographies:</i>											
2012	498	533	400	290	222	187	113	—	—	—	2,243
2013	2,267	2,280	1,575	766	457	199	114	18	—	—	7,676
2014	11,375	16,811	46,085	40,291	13,485	2,156	1,600	1,591	1,455	—	134,849
2015	35,931	40,142	30,870	22,503	16,506	9,968	4,364	1,528	1,095	930	163,837
2016	6,936	11,597	12,047	8,781	6,176	3,228	569	294	211	167	50,006
Subtotal	57,007	71,363	90,977	72,631	36,846	15,738	6,760	3,431	2,761	1,097	358,611
Purchased U.S. bankruptcy receivables:											
2010	233	—	—	—	—	—	—	—	—	—	233
2011	50	2	—	—	—	—	—	—	—	—	52
2012	7,719	5,756	1,742	—	—	—	—	—	—	—	15,217
2013	4,306	1,869	—	—	—	—	—	—	—	—	6,175
2014	—	—	—	—	—	—	—	—	—	—	—
2015	1,058	5,781	7,250	6,947	5,498	848	223	145	99	55	27,904
2016	170	2,134	3,130	3,281	2,910	968	130	76	51	40	12,890
Subtotal	13,536	15,542	12,122	10,228	8,408	1,816	353	221	150	95	62,471
Total	\$ 1,004,920	\$ 1,234,970	\$ 971,493	\$ 737,028	\$ 550,253	\$ 412,874	\$ 329,702	\$ 250,699	\$ 105,981	\$ 67,038	\$ 5,664,958

(1) ERC for Zero Basis Portfolios can extend beyond our collection forecasts.

(2) ERC for purchased consumer receivables includes \$116.3 million related to accounts that converted to bankruptcy after purchase. The collection forecast of each pool is generally estimated up to 120 months based on the expected collection period of each pool in the United States and 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) 2016 amount consists of nine months data from April 1, 2016 to December 31, 2016.

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 March 31, 2016	Purchase Price ⁽¹⁾	Unamortized Balance as a Percentage of Purchase Price	Unamortized Balance as a Percentage of Total
Purchased consumer receivables:				
<i>United States:</i>				
2007	\$ 1,389	\$ 204,064	0.7%	0.1%
2008	4,976	227,755	2.2%	0.5%
2009	—	253,004	0.0%	0.0%
2010	3,048	345,423	0.9%	0.3%
2011	20,076	383,656	5.2%	2.1%
2012	53,367	466,608	11.4%	5.5%
2013	134,373	513,293	26.2%	13.7%
2014	256,377	519,429	49.4%	26.2%
2015	376,926	479,091	78.7%	38.5%
2016	128,191	131,286	97.6%	13.1%
Subtotal	978,723	3,523,609	27.8%	100.0%
<i>Europe:</i>				
2013	419,359	619,079	67.7%	32.6%
2014	419,870	630,347	66.6%	32.6%
2015	353,628	423,451	83.5%	27.5%
2016	94,300	93,499	100.9%	7.3%
Subtotal	1,287,157	1,766,376	72.9%	100.0%
<i>Other geographies:</i>				
2013	2,163	29,568	7.3%	1.3%
2014	67,601	88,227	76.6%	40.1%
2015	78,709	91,290	86.2%	46.7%
2016	20,159	20,784	97.0%	11.9%
Subtotal	168,632	229,869	73.4%	100.0%
Purchased U.S. bankruptcy receivables:				
2012	13,823	83,159	16.6%	26.3%
2013	3,084	39,833	7.7%	5.9%
2014	—	—	0.0%	0.0%
2015	24,450	24,372	100.3%	46.6%
2016	11,109	11,075	100.3%	21.2%
Subtotal	52,466	158,439	33.1%	100.0%
Total	\$ 2,486,978	\$ 5,678,293	43.8%	100.0%

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

Estimated Future Amortization of Portfolios

As of March 31, 2016, we had \$2.5 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,	Purchased Consumer Receivables United States	Purchased Consumer Receivables Europe	Purchased Consumer Receivables Other Geographies	Purchased U.S. Bankruptcy Receivables	Total Amortization
2016 ⁽¹⁾	\$ 162,892	\$ 91,830	\$ 12,137	\$ 8,739	\$ 275,598
2017	277,234	163,296	17,152	12,756	470,438
2018	194,856	172,781	48,651	10,875	427,163
2019	124,772	158,796	47,975	9,481	341,024
2020	82,776	150,962	25,115	8,093	266,946
2021	52,204	149,850	8,506	1,750	212,310
2022	36,689	159,827	5,545	324	202,385
2023	26,202	157,699	2,021	269	186,191
2024	15,193	56,246	794	179	72,412
2025	5,552	24,996	632	—	31,180
2026	353	874	104	—	1,331
Total	\$ 978,723	\$ 1,287,157	\$ 168,632	\$ 52,466	\$ 2,486,978

(1) 2016 amount consists of nine months data from April 1, 2016 to December 31, 2016.

Headcount by Function by Geographic Location

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

	Headcount as of March 31,			
	2016		2015	
	Domestic	International	Domestic ⁽¹⁾	International
General & Administrative	937	2,167	980	1,601
Internal Legal Account Manager	26	172	40	89
Account Manager	231	3,131	301	2,391
	1,194	5,470	1,321	4,081

(1) Headcount as of March 31, 2015 includes 84 Propel employees.

Purchases by Quarter

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

Quarter	# of Accounts	Face Value	Purchase Price
Q1 2014 ⁽¹⁾	1,104	\$ 4,288,159	\$ 467,565
Q2 2014	1,210	3,075,343	225,762
Q3 2014 ⁽¹⁾	2,203	3,970,145	299,509
Q4 2014	859	2,422,128	258,524
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

(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):

	Three Months Ended March 31,	
	2016	2015
	(Unaudited)	
Net cash provided by operating activities	\$ 31,853	\$ 19,390
Net cash provided by investing activities	18,796	4,491
Net cash used in financing activities	(61,487)	(12,273)

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 flow is 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 \$31.9 million and \$19.4 million during the three months ended March 31, 2016 and 2015, respectively. Cash provided by operating activities during the three months ended March 31, 2016 was primarily related to net income of \$26.6 million, adjustments for discontinued operations, various non-cash add backs in operating activities, and changes in operating assets and liabilities. Cash provided by operating activities during the three months ended March 31, 2015 was primarily related to net income of \$30.0 million, adjustments for discontinued operations, various non-cash add backs in operating activities, and changes in operating assets and liabilities.

Investing Cash Flows

Net cash provided by investing activities was \$18.8 million and \$4.5 million during the three months ended March 31, 2016 and 2015, respectively.

The cash flows provided by investing activities during the three months ended March 31, 2016 were primarily related to collection proceeds applied to the principal of our receivable portfolios in the amount of \$180.8 million, offset by receivable portfolio purchases of \$281.0 million. The cash flows provided by investing activities during the three months ended March 31, 2015 were primarily related to collection proceeds applied to the principal of our receivable portfolios in the amount of \$164.2 million, offset by receivable portfolio purchases of \$143.2 million.

Capital expenditures for fixed assets acquired with internal cash flows were \$2.3 million and \$4.3 million for three months ended March 31, 2016 and 2015, respectively.

Financing Cash Flows

Net cash used in financing activities was \$61.5 million and \$12.3 million during the three months ended March 31, 2016 and 2015, respectively. Net cash used in financing activities from discontinued operations was \$15.5 million and \$0.2 million, during the three months ended March 31, 2016 and 2015, respectively.

The cash used in financing activities during the three months ended March 31, 2016 primarily reflects \$235.2 million in repayments, offset by \$185.9 million in borrowings under our credit facilities. The cash used in financing activities during the three months ended March 31, 2015 primarily reflects \$124.4 million in repayments of amounts outstanding under our credit facilities and \$10.4 million in repayments of notes, offset by \$134.3 million in borrowings under our credit facilities.

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.

On March 24, 2016, we amended our revolving credit facility and term loan facility pursuant to Amendment No. 3 to the Second Amended and Restated Credit Agreement (as amended, the "Restated Credit Agreement"). The Restated Credit Agreement includes a revolving credit facility of \$742.6 million (the "Revolving Credit Facility"), a term loan facility of \$158.8 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 (\$55.0 million of which was exercised in November 2015). The Senior Secured Credit Facilities have a five-year maturity, expiring in February 2019, except with respect to two subtranches of the Term Loan Facility of \$60.0 million and \$6.3 million, expiring in February 2017 and November 2017, respectively. As of March 31, 2016, we had \$637.1 million outstanding and \$228.2 million of availability under the Senior Secured Credit Facilities, excluding the \$195.0 million available under the accordion.

Through Cabot Financial (UK) Limited ("Cabot Financial UK"), an indirect subsidiary, we have a revolving credit facility of £200.0 million (the "Cabot Credit Facility"). The Cabot Credit Facility includes an uncommitted accordion facility which will allow the facility to be increased by an additional £50.0 million, subject to obtaining the requisite commitments and compliance with the terms of Cabot Financial UK's other indebtedness. As of March 31, 2016, we had £100.5 million (approximately \$144.5 million) outstanding and £99.5 million (approximately \$143.1 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 10, "Debt" to our condensed consolidated financial statements for a further discussion of our debt.

Our cash and cash equivalents at March 31, 2016 consisted of \$27.2 million held by U.S.-based entities and \$117.4 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. The divestiture of Propel provided liquidity to deleverage our company and paid down our debt. Additionally, it is expected to improve our overall corporate return on invested capital and provide us additional liquidity for increased investment capital flexibility.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rates. At March 31, 2016, there had not been a material change in any of the foreign currency risk information disclosed in Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Interest Rates. At March 31, 2016, there had not been a material change in the interest rate risk information disclosed in Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Item 4 – Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the “SEC”) and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and accordingly, management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on their most recent evaluation, as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act are effective.

Changes in Internal Control over Financial Reporting

No changes in our internal control over financial reporting occurred during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

Information with respect to this item may be found in Note 13, “Commitments and Contingencies,” to the condensed consolidated financial statements.

Item 1A – Risk Factors

There is no material change in the information reported under “Part I—Item 1A—Risk Factors” contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Item 6 – Exhibits

2.1	Securities Purchase Agreement, dated February 19, 2016, by and among Encore Capital Group, Inc. and certain funds affiliated with Prophet Capital Asset Management LP (incorporated by reference to Exhibit 2.4 to the Company’s Annual Report on Form 10-K filed on February 24, 2016)
2.2	Letter Agreement Amendment, dated March 23, 2016, related to the Securities Purchase Agreement, dated February 19, 2016, by and among Encore Capital Group, Inc. and certain funds affiliated with Prophet Capital Asset Management LP (filed herewith)
3.1	Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Company’s Registration Statement on Form S-1/A filed on June 14, 1999, File No. 333-77483)
3.2	Certificate of Amendment to the Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on April 4, 2002)
3.3	Bylaws, as amended through February 8, 2011 (incorporated by reference to Exhibit 3.3 to the Company’s Annual Report on Form 10-K filed on February 14, 2011)
10.1+	Form of Performance Stock Grant Notice and Agreement (TSR) under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan (filed herewith)
10.2+	Form of Restricted Stock Award Grant Notice and Agreement (Executive - Umbrella) under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan (filed herewith)
10.3+	Form of Performance Stock Grant Notice and Agreement under the Encore Capital Group, Inc. 2013 Incentive Compensation Plan (filed herewith)
10.4	Amendment No. 3 to Second Amended and Restated Credit Agreement, dated March 24, 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 (filed herewith)
10.5	Amendment No. 5, dated March 24, 2016, to Second Amended and Restated Senior Secured Note Purchase Agreement, dated May 9, 2013, by and between Encore Capital Group, Inc., The Prudential Insurance Company of America, Pruco Life Insurance Company, Prudential Retirement Insurance and Annuity Company and Prudential Annuities Life Assurance Corporations (filed herewith)
31.1	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
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)
101.INS	XBRL Instance Document (filed herewith)
101.SCH	XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)

+ Management contract or compensation plan or arrangement.

SIGNATURES

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

ENCORE CAPITAL GROUP, INC.

By: /s/ Jonathan C. Clark
Jonathan C. Clark
Executive Vice President,
Chief Financial Officer and Treasurer

Date: May 10, 2016

ENCORE CAPITAL GROUP, INC.
3111 Camino Del Rio North, Suite 103
San Diego, California 92108

March 23, 2016

PRIVATE & CONFIDENTIAL

Partners in Prophet, LTD
c/o Prophet Capital Management LLP
5000 Plaza on the Lake Blvd. Suite 180
Austin, Texas 78746
Attn: Chief Operations Officer

Re: Consent and Waiver Letter Agreement

Ladies and Gentlemen:

Reference is hereby made to that certain Securities Purchase Agreement (the "SPA") dated as of February 19, 2016 by and among TL Funding Partners LP, TL Funding Partners LP-Series OP, TL Funding Partners LP-Series TL, TL Funding Partners LP-Series REO (each a "Purchaser" and collectively, "Purchasers"), Encore Capital Group, Inc. ("Seller") and, solely for purposes of Section 2.1 of the SPA, Propel Acquisition LLC (the "Merged Entity") and Propel Financial Services, LLC ("PFS"). Purchaser (including TL Funding Partners 1 LLC and TL Funding Partners 2 LLC), Seller, the Merged Entity and PFS are each referred to herein as a "Party," and, collectively, are referred to herein as the "Parties." All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the SPA. In consideration of the Parties' agreement to proceed with the transactions contemplated by the SPA, by execution of this Consent and Waiver Letter Agreement (this "Letter Agreement"), each of the Parties does hereby agree as follows:

1. Seller Notifications, Representations and Covenants.

(a) The Seller has notified the Purchasers that (i) the Merged Entity is not classified as a disregarded entity within the meaning of Treasury Regulation Section 301.7701-2(a) and (ii) consequently, Seller is not in compliance with certain provisions of the SPA (the "Breach").

(b) The Seller hereby represents that (i) the Merged Entity and certain of its subsidiaries are guarantors with respect to (a) that certain Second Amended and Restated Credit Agreement dated as of February 25, 2014 by and among Seller, Suntrust Bank (as administrative agent) and the Lenders party thereto (as amended, restated, extended, supplemented or otherwise modified from time to time, the "Encore Credit Agreement") and (b) that certain Second Amended and Restated Senior Secured Note Purchase Agreement, dated as of May 9, 2013, between the Encore Capital Group, Inc., on the one hand, and the Purchasers named therein, on the other hand (as amended, restated, extended, supplemented or otherwise modified from time to time, the "Encore Note Purchase Agreement") and together with the Encore Credit Agreement, the "Encore Obligations") and (ii) that, in addition, the limited liability company interests of the Merged Entity and certain of its subsidiaries have been pledged as part of the collateral with respect to the Encore Obligations (such guarantees and pledges in respect of the Encore Obligations, collectively, the

“Subsidiary Guarantees and Pledges”). Seller hereby agrees that the Subsidiary Guarantees and Pledges shall be fully released at the Closing by amendments to the Encore Obligations executed prior to the Closing and that, at the Closing, UCC-3 termination statements shall be filed with respect to each such pledge.

2. Reimbursement of Severance. The Parties agree that at the Closing, (i) the Purchasers shall deliver to Seller, separate, apart from and in addition to the Purchase Price, an amount equal to \$79,700.00 in order to reimburse Seller for certain severance costs incurred by Seller and (ii) the Seller shall deliver to the Purchasers an amount equal to \$15,000.00, as reimbursement for certain costs and expenses, including legal and accounting fees, incurred by the Purchasers in connection with the negotiation and execution of this Letter Agreement. The payment required to be made by Seller pursuant to the preceding sentence shall be netted against the payment required to be made by the Purchasers pursuant to the preceding sentence, such that, at the Closing, the Purchasers shall deliver to Seller an amount equal to \$64,700.00 and, upon receipt by Seller of such amount, the payment obligations of both the Purchasers and Seller in the preceding sentence shall be deemed satisfied.

3. Consent to Merger; Specific Amendments to the SPA.

(a) The Seller covenants that, prior to the Closing, (i) the Merged Entity shall be merged with and into Propel Acquisition II, LLC, a Delaware limited liability company (the “Surviving Company”), pursuant to the Certificate of Merger attached hereto as Exhibit A, with the Surviving Company being the surviving limited liability company (the “Merger”), (ii) the Surviving Company shall be classified as a disregarded entity within the meaning of Treasury Regulation Section 301.7701-2(a) and (iii) the Surviving Company shall be renamed “Propel Acquisition LLC”. The Parties agree that the Surviving Company shall be included as an “Acquired Company” within the meaning of that term in the SPA. The Purchasers hereby expressly consent to the Merger in accordance with Section 6.1 of the SPA.

(b) The Parties further agree that, immediately as of the effective time of the Merger and without any further action the SPA (including the Schedules and Exhibits thereto, as applicable) and the Disclosure Schedule thereto shall be amended as set forth in Exhibit B attached hereto.

4. Waiver of Rights under the SPA.

(a) Subject to the performance prior to the Closing of the covenants made by the Seller in Sections 1(b) and 3 of this Letter Agreement, each Purchaser hereby waives any and all rights that it may have (i) against the Seller or any Affiliate of the Seller under the SPA that arise in connection with or result from the Breach or the Merger, (ii) any rights such Purchaser may have as a result of a failure of a condition set forth in Section 7.1(a) of the SPA to the extent such failure occurs as a result of the Breach or the Merger or (iii) to terminate the SPA pursuant to Article 9 of the SPA in connection with the Breach or the Merger; provided, however, that nothing in this Letter Agreement shall limit or otherwise diminish Seller’s indemnification obligations or the ability of the Purchasers to rely on and seek indemnification pursuant to Article 10 and 11 of the SPA. Seller shall indemnify Purchasers against all Losses to the extent arising from the Breach or the Merger, such indemnification obligation shall survive for the maximum period permitted by applicable law, and the limitations set forth in the SPA with respect to certain indemnification obligations, including, without limitation, those set forth in Section 10.5 of the SPA, shall not apply.

(b) Subject to the performance at or prior to the Closing of the covenants made by the Seller in Section 1(b) and 3 of this Letter Agreement, each Purchaser hereby waives (i) any rights such Purchaser may have as a result of a failure of a condition set forth in Section 7.1(a) of the SPA to the extent such failure occurs as a result of the existence of the Subsidiary Guarantees and Pledges prior to the Closing; and (ii) any right such Purchaser may have to terminate the SPA pursuant to Article 9 of the SPA in connection with a material breach of, or material inaccuracy in, any representation or warranty of Seller arising out of the existence of the Subsidiary Guarantees and Pledges. For the avoidance of doubt, nothing herein shall limit or otherwise diminish (i) Seller's indemnification obligations under Article 10 of the SPA and Purchasers' right to seek indemnification for Losses resulting from or arising out of the Subsidiary Guarantees and Pledges or (ii) Seller's obligation pursuant to Section 2.1 of the SPA to sell, transfer and deliver the Purchased Securities to Purchaser free and clear of all Security Interests other than restrictions on transfer arising under applicable federal and securities Laws. Seller shall indemnify the Purchasers against all Losses to the extent arising out of the existence of the Subsidiary Guarantees and Pledges, such indemnification obligation shall survive for the maximum period permitted by applicable law, and the limitations set forth in the SPA with respect to certain indemnification obligations, including, without limitation, those set forth in Section 10.5 of the SPA, shall not apply.

(c) Each Purchaser hereby waives any and all rights that it may have under the SPA against the Seller or any Affiliate of the Seller (including any right to be indemnified pursuant to Article 10 of the SPA) that arise in connection with or result from the amendment to Schedule I to the SPA enacted by this Letter Agreement, including any claims arising from any inaccuracy or breach of representation or warranty in the SPA that arises from such amendment.

5. Representations and Warranties. Each Party, severally and on its own behalf, represents and warrants as follows:

(a) it has full power and authority to execute and deliver this Letter Agreement and to perform its obligations hereunder;

(b) this Letter Agreement has been duly authorized, executed and delivered by it;

(c) such execution, delivery and performance do not violate or conflict with any applicable law, any provision of its organizational documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(d) all governmental and other consents that are required to have been obtained by it with respect to this Letter Agreement have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(e) its obligations under this Letter Agreement constitute its legal, valid and binding obligations, enforceable in accordance with its terms (subject to applicable bankruptcy reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

6. Letter Binding and Controlling. This Letter Agreement is binding on and enforceable against each Party. Notwithstanding any contrary provisions in the SPA, in the event of a conflict between the provisions of this Letter Agreement and the SPA, the provisions of this Letter Agreement shall control.

7. No Third-Party Beneficiaries. This Letter Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

8. Succession and Assignment. This Letter Agreement and all of the provisions hereof shall be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and permitted assigns. Neither this Letter Agreement nor any of the rights, interests or obligations of any Party may be assigned or delegated, in whole or in part, by operation of law or otherwise, by any Party without the prior written consent of each other Party, and any such assignment without such prior written consent shall be null and void.

9. Headings. The section headings contained in this Letter Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Letter Agreement.

10. Governing Law. This Letter Agreement shall be governed by and construed in accordance with the domestic Laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of New York.

11. **WAIVER OF JURY TRIAL**.

(a) WAIVER. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY THAT MAY ARISE UNDER THIS LETTER AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS LETTER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(b) CERTIFICATION. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF 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, (II) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (III) IT MAKES SUCH WAIVER VOLUNTARILY AND (IV) IT HAS BEEN INDUCED TO ENTER INTO THIS LETTER AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS SECTION.

12. Amendments and Waivers. No amendment or waiver of any provision of this Letter Agreement shall be valid unless the same shall be in writing and signed by each Party. No waiver by any Party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty

or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

13. Severability. Any term or provision of this Letter Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the Parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Letter Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

14. Construction. The Parties have jointly participated in the negotiation and drafting of this Letter Agreement. In the event of an ambiguity or question of intent or interpretation arises, this Letter Agreement shall be construed as if drafted jointly by the Parties and no presumptions or burdens of proof shall arise favoring any Party by virtue of the authorship of any of the provisions of this Letter Agreement.

15. Counterparts. This Letter Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. This Letter Agreement may be executed by facsimile, photo or electronic signature and such facsimile, photo or electronic signature shall constitute an original for all purposes.

Please indicate your agreement with the foregoing by signing and returning the enclosed copy of this Letter Agreement.

Very truly yours,

ENCORE CAPITAL GROUP, INC.

By: /s/ Jonathan Clark

Name: Jonathan Clark

Title: Executive Vice President, CFO and Treasurer

PROPEL ACQUISITION LLC

By: Encore Capital Group, Inc.

Its: Manager

By: /s/ Jonathan Clark

Name: Jonathan Clark

Title: Executive Vice President, CFO and Treasurer

PROPEL FINANCIAL SERVICES, LLC

By: Propel Acquisition LLC

Its: Manager

By: Encore Capital Group, Inc.

Its: Manager

By: /s/ Jonathan Clark

Name: Jonathan Clark

Title: Executive Vice President, CFO and Treasurer

Signature Page To Consent And Waiver Letter Agreement

PROPEL FUNDING LLC

By: Propel Acquisition LLC
Its: Manager

By: Encore Capital Group, Inc.
Its: Manager

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Executive Vice President, CFO and Treasurer

Propel Funding LLC hereby agrees and acknowledges that, by execution of this Letter Agreement, Propel Funding LLC hereby becomes joined as a party to the SPA, solely for the purposes of Section 2.1 of the SPA.

PROPEL FUNDING NATIONAL 1, LLC

By: Propel Acquisition LLC
Its: Manager

By: Encore Capital Group, Inc.
Its: Manager

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Executive Vice President, CFO and Treasurer

Propel Funding National 1, LLC hereby agrees and acknowledges that, by execution of this Letter Agreement, Propel Funding National 1, LLC hereby becomes joined as a party to the SPA, solely for the purposes of Section 2.1 of the SPA.

ACCEPTED AND AGREED AS OF
THE DATE FIRST WRITTEN ABOVE:

TL FUNDING PARTNERS LP

By: Prophet Asset Management LLC
Its: General Partner

By: /s/ Robert Epstein

Name: Robert Epstein

Title: Manager

TL FUNDING PARTNERS LP – Series OP

By: Prophet Asset Management LLC
Its: General Partner

By: /s/ Robert Epstein

Name: Robert Epstein

Title: Manager

TL FUNDING PARTNERS LP – Series TL

By: Prophet Asset Management LLC
Its: General Partner

By: /s/ Robert Epstein

Name: Robert Epstein

Title: Manager

TL FUNDING PARTNERS LP – Series REO

By: Prophet Asset Management LLC
Its: General Partner

By: /s/ Robert Epstein

Name: Robert Epstein

Title: Manager

Signature Page To Consent And Waiver Letter Agreement

TL FUNDING PARTNERS 1 LLC

By: Partners in Prophet, Ltd.

By: Prophet Asset Management LLC, its general partner

By: /s/ Robert Epstein

Name: Robert Epstein

Title: Manager

TL Funding Partners 1 LLC hereby agrees and acknowledges that, by execution of this Letter Agreement, TL Funding Partners 1 LLC hereby becomes joined as a party to the SPA.

TL FUNDING PARTNERS 2 LLC

By: Partners in Prophet, Ltd.

By: Prophet Asset Management LLC, its general partner

By: /s/ Robert Epstein

Name: Robert Epstein

Title: Manager

TL Funding Partners 2 LLC hereby agrees and acknowledges that, by execution of this Letter Agreement, TL Funding Partners 2 LLC hereby becomes joined as a party to the SPA.

Exhibit A

Certificate of Merger

See attached.

**CERTIFICATE OF MERGER
MORGING
PROPEL ACQUISITION LLC
(a Delaware limited liability company)
INTO
PROPEL ACQUISITION II LLC
(a Delaware limited liability company)**

The undersigned limited liability company, duly formed and existing under and by virtue of the Delaware Limited Liability Company Act, does hereby certify that:

FIRST. The name and jurisdiction of formation or organization and type of entity of each of the constituent entities which is to merge is as follows:

<u>Name</u>	<u>State</u>
PROPEL ACQUISITION LLC	Delaware
PROPEL ACQUISITION II LLC	Delaware

SECOND. An Agreement of Merger, dated as of March [___], 2016, by and between PROPEL ACQUISITION II LLC and PROPEL ACQUISITION LLC (the "Agreement of Merger") has been approved and executed by each of the constituent entities which is to merge in accordance with the requirements of Section 18-209 of the Delaware Limited Liability Company Act.

THIRD. The name of the surviving limited liability company is "PROPEL ACQUISITION II LLC" (the "Surviving Company").

FOURTH. The Certificate of Formation of PROPEL ACQUISITION II LLC as in effect immediately prior to the merger shall, from and after the effective time of the merger, be the certificate of formation of the Surviving Company except that such certificate of formation shall be amended to change the name of the Surviving Company to "PROPEL ACQUISITION LLC," such that Section 1 of the certificate of formation of PROPEL ACQUISITION II LLC as in effect immediately prior to the effective time of the merger shall be deleted in its entirety and replaced with the following:

"1. The name of the limited liability company is PROPEL ACQUISITION LLC."

FIFTH. The executed Agreement of Merger is on file at the principal business of the Surviving Company. The address of the principal place of business of the Surviving Company is 3111 Camino Del Rio North, Suite 1300, San Diego, CA 92018.

SIXTH. A copy of the Agreement of Merger will be furnished by the Surviving Company on request and without cost, to any member of any constituent limited liability company.

IN WITNESS WHEREOF, the undersigned has caused this Certificate of Merger to be duly executed this [____] day of March 2016.

PROPEL ACQUISITION II LLC

By: _____

Name: _____

Title: _____

Exhibit B

Amendments to the SPA

1. The preamble of the SPA is hereby amended and restated in its entirety as follows:

“**THIS SECURITIES PURCHASE AGREEMENT** (this “Agreement”) is made and entered into as of February 19, 2016, by and between Encore Capital Group, Inc., a Delaware corporation (“Seller”), and the entities (other than Propel Financial Services, LLC (“PFS”)) listed as Assignees in Schedule I attached hereto (collectively (excluding PFS), “Purchaser”), and, solely for the purposes of Section 2.1, PFS, Propel Acquisition LLC (“Propel”), Propel Funding LLC (“Propel Funding”) and Propel Funding National 1, LLC (“PFN 1” and, together with Propel, Propel Funding and PFN 1, the “Transferring Subsidiaries”). Purchaser and Seller are sometimes referred to herein individually as a “Party” and collectively as the “Parties.””

2. The Disclosure Schedule is hereby amended by adding the following as Schedule 3.1 of the Disclosure Schedule:

“Prior to Closing, Propel Acquisition LLC (the “Merged Entity”) shall be merged with and into Propel Acquisition II, LLC, a Delaware limited liability company (the “Surviving Company”), with the Surviving Company being the surviving limited liability company (the “Merger”). The Surviving Company shall be classified as a disregarded entity within the meaning of Treasury Regulation Section 301.7701-2(a) and the Surviving Company shall be renamed “Propel Acquisition LLC” and shall be included as an “Acquired Company” within the meaning of that term in this Agreement. The Surviving Company did not exist as of the signing of this Agreement, shall be formed in Delaware in anticipation of the Merger and, other than its formation, shall have no operations of any kind prior to the Merger. Representations and warranties about Acquired Companies in Article 3 and 4 shall be deemed to have been made about the Surviving Company as of the Merger rather than as of the date of this Agreement.”

3. The Disclosure Schedule is hereby amended by adding the following as Schedule 3.17 of the Disclosure Schedule:

“(d) Prior to the Merger (as defined in Schedule 3.1), the Merged Entity (as defined in Schedule 3.1) was a limited liability company taxable as a corporation and not a disregarded entity for federal and state income tax purposes.

(f) Following the Merger, the Surviving Company (as defined in Schedule 3.1) will become responsible for all of the liabilities of the Merged Entity pursuant to the provisions of the Delaware Limited Liability Company Act. Such liabilities may include the consolidated federal and state income tax liabilities of the consolidated group of which the Seller is the parent for all periods during which the

Merged Entity was a member of such group in accordance with the provisions of Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign Law).”

4. Clause (b)(ii) of Section 2.6 of the SPA is amended and restated to read in its entirety as follows:

“(ii) Seller shall, and shall direct the Transferring Subsidiaries to, deliver various Assignments of Limited Liability Company Interests, in the forms attached hereto as Exhibit B (or, where required, change the entity names on such form as required to enact the transfers as specified on Schedule I), with respect to the Purchased Securities held by Seller or Transferring Subsidiary (whether or not certificated), duly executed by Seller or the respective Transferring Subsidiary, in each case, so as to enact the transfers as specified on Schedule I.”

5. Clause (b) of Section 11.8 of the SPA is amended and restated to read in its entirety as follows:

“(b) Seller shall pay and indemnify and hold Purchaser and each Acquired Company (including, for the avoidance of doubt, the Surviving Company (as defined in Schedule 3.1)) harmless from and against all Taxes of (i) any Acquired Company with respect to each and every Pre-Closing Tax Period, including all Taxes allocable to the portion of any Straddle Period ending at the Effective Time and (ii) any member of an affiliated, consolidated, combined, or unitary group of which any Acquired Company (or any predecessor, including the Merged Entity (as defined in Schedule 3.1)) is or was a member on or prior to the Closing Date, including pursuant to Treasury Regulation Section 1.1502-6 or any analogous or similar state, local, or foreign law or regulation.”

6. Schedule I to the SPA (sometimes referred to therein as Schedule 1) is hereby amended and restated by replacing Schedule I with the document attached hereto as “Amended Schedule I”.
7. Exhibit E-1 to the SPA is hereby amended and restated by replacing Exhibit E-1 with the document attached hereto as “Amended Exhibit E-1”.

Amended Schedule I

See attached.

Schedule I

Directions on Assignment of Purchased Securities

Name of Assignee	Name of Assignor	Purchased Securities (Subsidiary Securities)	List of Subsidiary(ies)
TL Funding Partners LP	Encore Capital Group Inc.	100% of the limited liability company membership interests of Propel Acquisition, LLC, a Delaware limited liability company	None after following assignments.
TL Funding Partners LP - Series OP	Propel Acquisition LLC	100% of the limited liability company membership interests of Propel Financial Services, LLC, a Texas limited liability company	None after following assignments.
TL Funding Partners LP - Series OP	Propel Acquisition LLC	100% of the limited liability company membership interests of Propel Funding REL, LLC, a Delaware limited liability company	None
TL Funding Partners LP - Series REO	Propel Financial Services, LLC	100% of the limited liability company membership interests of RioProp Holdings, LLC, a Texas limited liability company	None
TL Funding Partners LP - Series TL	Propel Acquisition LLC	100% of the limited liability company membership interests of Propel Funding Holdings 1, LLC, a Delaware limited liability company	<ul style="list-style-type: none">• Propel Financial 1, LLC, a Delaware limited liability company
TL Funding Partners LP - Series TL	Propel Acquisition LLC	100% of the limited liability company membership interests of Propel Funding LLC, a Delaware limited liability company	<ul style="list-style-type: none">• Propel Funding Texas 2, LLC, a Delaware limited liability company• PFS Tax Lien Trust 2014-1, a Delaware trust• Propel Funding Nevada, LLC, a Delaware limited liability company• Propel Funding Ohio, LLC, a Delaware limited liability company

TL Funding Partners 1 LLC	Propel Funding LLC	100% of the limited liability company membership interests of Propel Funding National 1, LLC, a Delaware limited liability company	None
Propel Financial Services, LLC	Propel Funding National 1, LLC	100% of the beneficial interests of PFS National Tax Lien Trust 2015-1, a Delaware trust	None
Propel Financial Services, LLC	Propel Funding LLC	100% of the limited liability company membership interests of Propel Funding Multistate, LLC, a Delaware limited liability company	None
TL Funding Partners 1 LLC	Propel Financial Services, LLC	100% of the limited liability company membership interests of: <ul style="list-style-type: none"> • Desert Tree Capital, LLC, a Delaware limited liability company • Fireside Funding, LLC, a Delaware limited liability company • Green Meadow Financial, LLC, a Delaware limited liability company • Bayfront Investment, LLC, a Delaware limited liability company • Snowcap Financial, LLC, a Delaware limited liability company 	None
TL Funding Partners 2 LLC	Propel Funding LLC	100% of the limited liability company membership interests of PFS Finance Holdings, LLC, a Delaware limited liability company	<ul style="list-style-type: none"> • PFS Financial 1 Holdings, LLC, a Delaware limited liability company • PFS Financial 2 Holdings, LLC, a Delaware limited liability company

Amended Exhibit E-1

Interim Operating Agreement*

*Exhibit E-1 to this agreement has been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of the omitted exhibit will be furnished supplementally to the Securities and Exchange Commission upon request.

ENCORE CAPITAL GROUP, INC.
PERFORMANCE STOCK GRANT NOTICE - EXECUTIVE
(RELATIVE TOTAL SHAREHOLDER RETURN)
(2013 INCENTIVE COMPENSATION PLAN)

Encore Capital Group, Inc. (the "**Company**"), pursuant to its 2013 Incentive Compensation Plan (as amended, the "**2013 Plan**"), hereby awards to Participant a Performance Stock Award for the number of shares of the Company's Common Stock set forth below (the "**Award**"). The Award is subject to all of the terms and conditions as set forth herein and in the Performance Stock Agreement and the 2013 Plan, which are attached hereto as Attachments I and II, respectively, and incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meanings set forth in the 2013 Plan or the Performance Stock Agreement. In the event of any conflict between the terms in the Award and the 2013 Plan, the terms of the 2013 Plan shall control.

Participant:
Date of Grant:
Vesting Date: [Third anniversary of the Date of Grant]
Number of Shares Subject to Award: Threshold: 1/2 number of Target shares
Target: [TOTAL SHARES GRANTED]
Maximum: 2x number of Target shares
Consideration: Participant's Services
Vesting Schedule: The shares subject to the Award will vest, if at all, based upon achievement of the Total Shareholder Return goals as set forth in detail in the Performance Stock Agreement. In addition, the vesting of the shares may accelerate in the sole discretion of the Committee and upon certain events described in the Performance Stock Agreement. Notwithstanding the foregoing, but except as otherwise provided in the Performance Stock Agreement, vesting shall terminate upon the Participant's termination of Continuous Service.

Additional Terms/Acknowledgements: Participant acknowledges receipt of, and understands and agrees to, this Performance Stock Grant Notice, the Performance Stock Agreement and the 2013 Plan. Participant further acknowledges that as of the Date of Grant, this Performance Stock Grant Notice, the Performance Stock Agreement and the 2013 Plan set forth the entire understanding between Participant and the Company regarding the Award and supersede all prior oral and written agreements on that subject.

Participant further agrees that the Company may deliver by e-mail all documents relating to the 2013 Plan or this Award (including without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including without limitation, annual reports and proxy statements). Participant also agrees that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it will notify Participant by e-mail.

ENCORE CAPITAL GROUP, INC.:

Kenneth A. Vecchione
Title: President and Chief Executive Officer
Date: __

PARTICIPANT:

[FIRST NAME] [LAST NAME]
Date: _____

ATTACHMENT: Performance Stock Agreement
2013 Incentive Compensation Plan

ATTACHMENT I

ENCORE CAPITAL GROUP, INC.
2013 INCENTIVE COMPENSATION PLAN
PERFORMANCE STOCK AGREEMENT - EXECUTIVE
(RELATIVE TOTAL SHAREHOLDER RETURN)

Pursuant to the Performance Stock Grant Notice ("**Grant Notice**") and this Performance Stock Agreement and in consideration of your services, Encore Capital Group, Inc. (the "**Company**") has awarded you a performance stock award (the "**Award**") under its 2013 Incentive Compensation Plan (as amended, the "**2013 Plan**") for the number of shares of the Company's Common Stock as indicated in the Grant Notice. Your Award is granted to you effective as of the Date of Grant set forth in the Grant Notice for this Award. Defined terms not explicitly defined in this Performance Stock Agreement shall have the same meanings given to them in the 2013 Plan. In the event of any conflict between the terms in this Performance Stock Agreement and the 2013 Plan, the terms of the 2013 Plan shall control.

In consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto do hereby agree that the details of your Award are as follows:

1. VESTING BASED ON ACHIEVEMENT OF TOTAL SHAREHOLDER RETURN GOALS.

(a) In General. Subject to the limitations contained herein, vesting of this Award will be based on the Company's percentile rank of total shareholder return, as described more fully in Section 1(c) ("**TSR**"), among a group of comparator companies, as described more fully in Section 1(b) (the "**Comparison Group**"). The percentages of shares subject to this Award that will vest upon attainment of specified levels of TSR (the "**TSR Goals**") are set forth on Exhibit A attached to this Performance Stock Agreement. Actual performance against the TSR Goals will be measured over the period beginning on the Date of Grant set forth in the Grant Notice for this Award and ending on the Vesting Date set forth in the Grant Notice for this Award (the "**Performance Period**"), *provided* that (i) actual performance against the TSR Goals must be certified in writing by the Committee in order for any portion of this Award to vest, and (ii) if the Company's TSR is negative during the Performance Period, then the maximum number of shares that the Committee will certify as eligible to vest will be the "Target" number of shares set forth in the Grant Notice for this Award. On or as soon as administratively practicable following the end of the Performance Period (and in all events not later than two and one-half (2½) months after the end of the Performance Period, the Committee will certify the results of the TSR Goals (the date of such certification, the "**Certification Date**") and will determine the number of shares, if any, that will vest based on achievement of the TSR Goals. Any portion of this Award that is eligible to vest based on the Committee's certification will vest on the Vesting Date, and any portion of this Award that is not eligible to vest based on the Committee's certification will terminate on the Certification Date.

The Company shall distribute such vested shares, if any, to the Participant within 10 days of the Committee's written certification, either by delivering one or more certificates for such Shares or by entering such Shares in book entry form, as determined by the Company in its discretion. Notwithstanding the foregoing, Sections 1(d) through 1(f) provide certain circumstances in which (A) vesting may cease and you will forfeit this Award or (B) you may vest in this Award before the Vesting Date. If any of Sections 1(d) through 1(f) apply, then any portion of the Award that does not vest pursuant to those sections will terminate and you will have no right to receive shares of Common Stock that are not vested.

(b) Definitions. For purposes of this Performance Stock Agreement, the following definitions will apply:

(i) "Beginning Price" means, with respect to the Company and any other Member Company (as defined below), the average of the closing market prices of each such company's common stock on the principal exchange on which such stock is traded for the 30 consecutive trading days beginning on the Date of Grant set forth in the Grant Notice for this Award. For the purpose of determining the Beginning Price for any Member Company, the value of dividends and other distributions shall be determined by treating them as reinvested in additional shares of such company's common stock at the closing market price on the date of distribution.

(ii) The "**Comparison Group**" will be the companies listed on Exhibit B (each, together with the Company, a "**Member Company**"); *provided, however*, that a Member Company will be removed from the Comparison Group if, during the Performance Period, it is acquired or otherwise ceases to have a class of equity securities that is both registered under the Securities Exchange Act of 1934 and actively traded on a U.S. public securities market (unless such cessation of such listing is due to any of the circumstances in clauses (i) through (iv) of Section 1(c), in which case the provisions of Section 1(c) will apply).

(iii) "Ending Price" means, with respect to the Company and any other Member Company, the average of the closing market prices of each such company's common stock on the principal exchange on which such stock is traded for the 30 consecutive trading days ending on the last trading day of the Performance Period. For the purpose of determining the Ending Price, the value of dividends and other distributions shall be determined by treating them as reinvested in additional shares of such company's stock at the closing market price on the date of distribution.

(iv) Except as modified in Section 1(d), "**TSR**" shall be determined with respect to the Company and any other Member Company by dividing (a) the sum of (i) the difference obtained by subtracting the applicable Beginning Price from the applicable Ending Price plus (ii) all dividends and other distributions during the Performance Period by (b) the applicable Beginning Price; *provided, however*, that TSR for a Member Company will be deemed to be negative one hundred percent (-100%) if the Member Company (i) files for bankruptcy, reorganization, or liquidation under any chapter of the U.S. Bankruptcy Code; (ii) is the subject of an involuntary bankruptcy proceeding that is not dismissed within 30 days; (iii) is the subject of a stockholder approved plan of liquidation or dissolution; or (iv) otherwise becomes insolvent or

ceases to conduct substantial business operations. Any non-cash distributions shall be valued at fair market value. For the purpose of determining TSR, the value of dividends and other distributions shall be determined by treating them as reinvested in additional shares of stock at the closing market price on the date of distribution.

(c) Equitable Adjustments. With respect to the computation of TSR, Beginning Price, and Ending Price, the Committee shall be authorized to make an equitable and proportionate adjustment to the extent (if any) necessary to preserve the intended incentives of the Award and to mitigate the impact of any stock split, stock dividend or reverse stock split occurring during the Performance Period (or during the applicable 30-day period in determining Beginning Price or Ending Price, as the case may be).

(d) Change in Control. In the event of a Change in Control (as defined in Section 1(f)(ii)) before the Vesting Date set forth in the Grant Notice for this Award, the level of achievement of the TSR Goals will be determined as of the effective date of the Change in Control based on the Comparison Group as constituted on such date (the “**CIC Achievement Level**”), *provided* that the Company’s ending stock price will be the sale price of the Common Stock in the Change in Control and the ending stock price of the other Member Companies will be the average price of a share of common stock of a Member Company over the 30 trading days ending on the effective date of the Change in Control, in each case adjusted for changes in capital structure. This Award will then vest on the Vesting Date based on the CIC Achievement Level, *provided* that, subject to Section 1(f), you remain in Continuous Service (as defined in Section 1(e)) through the Vesting Date. Shares will be distributed as soon as reasonably practicable after the Vesting Date. For avoidance of doubt, this provision is intended to result in you earning the number of shares corresponding to the CIC Achievement Level, *provided* that (subject to Section 1(f)) you remain in Continuous Service through the Vesting Date following a Change in Control. In the event of the termination of your Continuous Service before the Vesting Date, the applicable provisions of Sections 1(e) or 1(f) will govern.

(e) Vesting Contingent Upon Continuous Service. Except as set forth in Section 1(f), your Award will vest in accordance with this Section 1 only if you remain in Continuous Service (as defined below) as of the Vesting Date. Except as set forth in Section 1(f), if your Continuous Service ceases before the Vesting Date then vesting will cease, this Award will terminate as to all of the shares, and you will have no right or claim to anything under this Award. For purposes of this Award, “**Continuous Service**” means that your service with the Company or an Affiliate (as defined below), whether as an employee, director or consultant, is not interrupted or terminated. A change in the capacity in which you render service to the Company or an Affiliate as an employee, consultant or director or a change in the entity for which you render such service shall not terminate your Continuous Service, *provided* that there is no interruption or termination of your service with the Company or an Affiliate. For example, a change in status from an employee of the Company to a consultant to an Affiliate or to a director shall not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or its compensation committee or any officer designated by the Board or its compensation committee, in that party’s sole discretion,

may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to you, or as otherwise required by law. For purposes of this Performance Stock Agreement, "**Affiliate**" means: (i) any Subsidiary; and (ii) any other entity in which the Company has an equity interest or significant business relationship and which has been designated as an "Affiliate" by the Committee for purposes of the 2013 Plan.

(f) Vesting Acceleration. Notwithstanding the provisions of Section 1(e), in the event (i) of the termination of your Continuous Service to the Company as a result of your death or disability, or (ii) your employment is terminated without Cause (as defined below) or you resign your employment for Good Reason (as defined below) in connection with a Change of Control or within 12 months after a Change of Control, then the Award shall be deemed to be fully (100%) vested and eligible for settlement as of immediately prior to your death or disability or as of your termination of employment without Cause or for Good Reason as a result of or following a Change of Control or, in the case of the failure to assume or replace this Award, as of the date of closing of the Change of Control. The consummation of a Change of Control transaction in itself shall not be deemed a termination of employment entitling you to vesting acceleration hereunder even if such event results your being employed by a different entity.

(i) For purposes of this Performance Stock Agreement, "**Cause**" is defined as (i) your failure to adhere to any written policy of the Company that is legal and generally applicable to employees of the Company; (ii) your failure to substantially perform your duties, which failure amounts to a repeated and consistent neglect of your duties; (iii) the appropriation (or attempted appropriation) of a material business opportunity of the Company, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Company; (iv) the misappropriation (or attempted misappropriation) of any of the Company's funds or property; (v) the conviction of, or the entering of a guilty plea or plea of no contest with respect to, a felony, the equivalent thereof, a crime of moral turpitude or any other crime with respect to which imprisonment is a possible punishment; (vi) conduct materially injurious to the Company's reputation or business; or (vii) willful misconduct.

(ii) For purposes of this Performance Stock Agreement, "**Change of Control**" means: (i) any sale, lease, exchange, or other transfer (in one transaction or series of related transactions) of all or substantially all the Company's assets to any person (as defined in Section 3(a)(9) of the Exchange Act) or group of related persons (as such term is defined under Section 13(d) of the Exchange Act, "Group"); (ii) the Company's stockholders approve and complete any plan or proposal for the liquidation or dissolution of the Company; (iii) any person or Group (other than Red Mountain Capital Partners LLC, JCF FPK I LP or any affiliate thereof) becomes the beneficial owner, directly or indirectly, of shares representing more than 50.1% of the aggregate voting power of the issued and outstanding stock entitled to vote in the election of

directors of the Company (“Voting Stock”) and such person or Group has the power and authority to vote such shares; or (iv) the completion of a merger, reorganization, consolidation or other corporate transaction involving the Company in which holders of the Company’s Voting Stock immediately before the completion of the transaction hold, directly or indirectly, immediately after the transaction, 50% or less of the common equity interest in the surviving corporation or other entity resulting from the transaction.

(iii) For purposes of this Performance Stock Agreement, “*Good Reason*” is defined as any of the following reasons: (i) a material reduction in your base compensation; (ii) a material reduction in your authority, duties or responsibilities; (iii) a material reduction in the authority, duties or responsibilities of the person to whom you report; (iv) a material reduction in the budget over which you retain authority; or (v) a material change in the location at which you provide services for the Company (which is defined as any relocation by the Company of your employment to a location that is more than 35 miles from your present office location and is more than 35 miles from your primary residence at the time of such relocation, without your consent). To be eligible to receive the benefits set forth in this Section, (x) you must provide written notice of the “Good Reason” condition to the Company within 90 days after the initial existence of such condition, (y) the Company must not have cured such condition within 30 days of receipt of your written notice or it must have stated unequivocally in writing that it does not intend to attempt to cure such condition; and (z) you resign from employment within 12 months following the end of the period within which the Company was entitled to remedy the condition constituting Good Reason but failed to do so.

2. NUMBER OF SHARES. The number of shares subject to your Award will be determined by the achievement of the performance goals as set forth in the Grant Notice and Section 1. In addition, the number of shares subject to your Award may be adjusted from time to time to reflect capitalization adjustments, as provided in the 2013 Plan.

3. SECURITIES LAW COMPLIANCE. You may not be issued any shares under your Award unless the shares are either: (i) then registered under the Securities Act of 1933, as amended; or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act of 1933, as amended. Your Award also must comply with other applicable laws and regulations governing the Award, and you will not receive such shares if the Company determines that such receipt would not be in material compliance with such laws and regulations.

4. LIMITATIONS ON TRANSFER. Your Award is not transferable, except by will or by the laws of descent and distribution. In addition to any other limitation on transfer created by applicable securities laws, you agree not to assign, hypothecate, donate, encumber or otherwise dispose of any interest in any of the shares of Common Stock subject to the Award until the shares are vested in accordance with this Performance Stock Agreement. After the shares have vested and applicable tax withholding conditions have been satisfied, the shares will be issued to you and you will be free to assign, hypothecate, donate, encumber or otherwise dispose of any interest in such

shares provided that any such actions are in compliance with the provisions herein and applicable securities laws.

5. RIGHTS AS A STOCKHOLDER; DIVIDEND EQUIVALENT RIGHTS. Except as set forth in the remainder of this Section 5, you shall have no voting or other rights as a stockholder with respect to the shares of Common Stock underlying the Award until such shares of Common Stock have been issued to you. Notwithstanding the preceding sentence, however, you shall be entitled to receive payments equal to any cash dividends and other distributions paid with respect to the shares covered by your Award, provided that such distributions shall be converted into additional shares covered by the Award. If such distributions are paid in cash, you shall be credited with additional shares covered by the Award in an amount equal to (i) the amount of the dividends or other distributions paid on that number of shares equal to the aggregate number of shares covered by the Award as of that date divided by (ii) the Fair Market Value of a share as of such date. The additional shares credited as dividend equivalents shall be subject to the same vesting and forfeiture restrictions as the shares covered by the Award with respect to which they relate.

6. RESTRICTIVE LEGENDS. The shares issued under your Award shall be endorsed with appropriate legends determined by the Company.

7. AWARD NOT A SERVICE CONTRACT.

(a) Your Continuous Service with the Company or an Affiliate is not for any specified term and may be terminated by you or by the Company or an Affiliate at any time, for any reason, with or without cause and with or without notice. Nothing in this Performance Stock Agreement (including, but not limited to, the vesting of your Award pursuant to the terms set forth in the Grant Notice and Section 1), the 2013 Plan or any covenant of good faith and fair dealing that may be found implicit in this Performance Stock Agreement or the 2013 Plan shall: (i) confer upon you any right to continue in the employ of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Performance Stock Agreement or the 2013 Plan unless such right or benefit has specifically accrued under the terms of this Performance Stock Agreement or 2013 Plan; or (iv) deprive the Company of the right to terminate you at will and without regard to any future vesting opportunity that you may have.

(b) By accepting this Award, you acknowledge and agree that the right to continue vesting in the Award pursuant to the terms set forth in the Grant Notice and Section 1 is earned only by continuing as an employee, director or consultant at the will of the Company (not through the act of being hired, being granted this Award or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "reorganization"). You further acknowledge and agree that such a reorganization could result in the termination of your Continuous Service, or the termination of Affiliate status of your employer and

the loss of benefits available to you under this Performance Stock Agreement, including but not limited to, the termination of the right to continue vesting in the Award. You further acknowledge and agree that this Performance Stock Agreement, the 2013 Plan, the transactions contemplated hereunder and the vesting schedule set forth herein or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued engagement as an employee or consultant for the term of this Performance Stock Agreement, for any period, or at all, and shall not interfere in any way with your right or the Company's right to terminate your Continuous Service at any time, with or without cause and with or without notice.

8. WITHHOLDING OBLIGATIONS.

(a) On or before vesting of the shares pursuant to your Award, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and/or any other amounts payable to you, provided that any such withholding will not be in excess of the minimum statutory withholding requirement or other applicable accounting pronouncements or requirements, and otherwise agree to make adequate provision for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with your Award. If permissible under applicable law, the Company may, in its sole discretion: (i) sell or arrange for the sale, on your behalf, of shares acquired by you to meet the withholding obligation and/or (ii) withhold in shares, provided that only the amount of shares necessary to satisfy the minimum withholding amount or other applicable accounting pronouncements or requirements are withheld. The Company also reserves the right to require that you assume liability for any tax- and/or social insurance-related charges that may otherwise be due by the Company or an Affiliate with respect to the Award, if the Company determines in its sole discretion that such charges may legally be transferred to you. To the extent that liability for any such charges is transferred to you, such charges will be subject to the applicable withholding methods set forth in this Section.

(b) Unless the tax withholding obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to remove the restrictive legends from the shares of Common Stock subject to your Award.

9. NOTICES. Any notices provided for in your Award or the 2013 Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

10. MISCELLANEOUS.

(a) The rights and obligations of the Company under your Award shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns.

(b) For purposes of your personal tax planning, you may make an election under Section 83(b) of the Code within 30 days of the date of grant; however, this election by you will be in your sole discretion. We strongly advise you to consult with your personal legal, tax and financial advisors before you make such an election.

(c) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(d) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award, and fully understand all provisions of your Award.

(e) The Committee may, to the extent permitted under Section 162(m) of the Code, adjust performance goals to omit the effects of extraordinary items, gain or loss on the disposal of a business segment, unusual or infrequently occurring events and transactions and cumulative effects of changes in accounting principles, including, but not limited to, asset write-downs, litigation or claim judgments or settlements, changes in tax laws or other laws or provisions affecting reported results, any reorganization and restructuring programs, acquisitions or divestitures, and foreign exchange gains and losses.

11. GOVERNING PLAN DOCUMENT. Your Award is subject to all the provisions of the 2013 Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the 2013 Plan. In the event of any conflict between the provisions of your Award and those of the 2013 Plan, the provisions of the 2013 Plan shall control. Any question concerning the interpretation of this Performance Stock Agreement, any adjustments to be made thereunder, and any controversy that may arise under this Performance Stock Agreement will be determined by the Committee in accordance with its authority under Section 5.6 of the 2013 Plan. Such decision by the Committee will be final and binding.

12. SEVERABILITY. If all or any part of this Performance Stock Agreement or the 2013 Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Performance Stock Agreement or the 2013 Plan not declared to be unlawful or invalid. Any Section of this Performance Stock Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

13. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS. The value of the Award subject to this Performance Stock Agreement shall not be included as compensation, earnings, salaries, or other similar terms used when calculating the Employee's benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly

provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

14. AMENDMENT. This Performance Stock Agreement may not be modified, amended or terminated except by an instrument in writing, signed by you and by a duly authorized representative of the Company. Notwithstanding the foregoing, this Performance Stock Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Performance Stock Agreement, so long as a copy of such amendment is delivered to you, and provided that no such amendment adversely affecting your rights hereunder may be made without your written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to you, the provisions of this Performance Stock Agreement in any way it may deem necessary or advisable to carry out the purpose of the grant as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided that any such change shall be applicable only to rights relating to that portion of the Award which is then subject to restrictions as provided herein.

EXHIBIT A

TSR GOALS

Performance	Three-Year Relative TSR Percentile	Funding (% of Target Shares)*
Maximum	— th Percentile and above	200.0%
	— th Percentile	187.5%
	— th Percentile	175.0%
	— th Percentile	162.5%
	— th Percentile	150.0%
	— th Percentile	137.5%
	— th Percentile	125.0%
	— th Percentile	112.5%
Target	— th Percentile	100.0%
	— th Percentile	87.5%
	— th Percentile	75.0%
	— th Percentile	62.5%
Threshold	— th Percentile	50.0%
	Below — th Percentile	0.0%

* Linear interpolation between defined points

EXHIBIT B⁽¹⁾**COMPARISON GROUP***S&P SmallCap 600 Financial Sector Index Constituent Companies (n=121)*

Acadia Realty	Cousins Properties	Getty Realty	Navigators Group	Simmons First National
Agree Realty	CVB Financial	Glacier Bancorp	NBT Bancorp	Southside Bancshares
American Assets	Diamondrock Hospitality	Govt. Properties Income	Northfield Bancorp	Sterling Ban
American Equity Inv.	Dime Community Banc	Green Dot Corporation	Northwest Bancshares	Stewart Info. Svcs.
Amerisafe	EastGroup Properties	Greenhill & Co.	OFG Bancorp	Summit Hotel Properties
Astoria Financial	EdR	Hanmi Financial	Old National Ban	Talmer Bancorp
Bank Mutual	eHealth	HCI Group	Oritani Financial	Texas Capital Banc
Banner Corporation	Employers Holdings	Healthcare Realty	Parkway Properties	The GEO Group
BBCN Bancorp	Encore Capital Group	HFF	Penn Real Estate Inv.	Tompkins Financial
Bofi Holding	Enova International	Home Bancshares	Pinnacle Financial	TrustCo Bank NY
Boston Private Financial	EPR Properties	Horace Mann Educators	Piper Jaffray	UMB Financial
Brookline Bancorp	Evercore Partners	Independent Bank	Post Properties	United Bankshares
Calamos Asset Mgmt.	EZCORP	Infinity P&C	PRA Group	United Community Banks
Capstead Mortgage	F.N.B. Corporation	Inland Real Estate	PrivateBancorp	United Fire Group, Inc
Cardinal Financial	Financial Engines	Interactive Brokers	ProAssurance	United Insurance
CareTrust REIT	First Bancorp	Investment Technology	Provident Financial Svcs.	Universal Health Realty
Cash America Intl.	First Cash Financial Svcs.	Kite Realty Group	PS Business Parks	Universal Insurance
Cedar Realty	First Commonwealth	Legacy Texas Financial	Retail Opportunity Inv.	Urstandt Biddle Properties
Central Pacific Financial	First Financial Ban	LendingTree	RLI	Virtus Investment
Chesapeake Lodging	First Financial Bank	Lexington Realty	S&T Bancorp	Walker & Dunlop
City Holding Co.	First Midwest Bancorp	LTC Properties	Sabra Health Care REIT	Westamerica Ban
Columbia Banking System	First NBC Bank	MarketAxess Holdings	Safety Insurance Group	Wilshire Bancorp
Community Bank System	Forestar Group	MB Financial	Saul Centers	Wintrust Financial
CoreSite Realty	Franklin Street Properties	Medical Properties	Selective Insurance	World Acceptance
		National Penn Banc		

⁽¹⁾ The Comparison Group presented in this form of award agreement was used for the Awards granted in March 2016. The composition of the Comparison Group may vary from year to year. The entities constituting the Comparison Group applicable to any Award will be disclosed in the Company's annual proxy statement reporting on compensation for the year for which the Award was granted.

ENCORE CAPITAL GROUP, INC.
RESTRICTED STOCK GRANT NOTICE
(2013 INCENTIVE COMPENSATION PLAN)
(EXECUTIVE – SUBJECT TO THE UMBRELLA PLAN)

Encore Capital Group, Inc. (the “*Company*”), pursuant to its 2013 Incentive Compensation Plan (as amended, the “*2013 Plan*”) hereby awards to Participant a Restricted Stock Award for the number of shares of the Company’s Common Stock set forth below (the “*Award*”). The Award is subject to all of the terms and conditions as set forth herein and in the Restricted Stock Agreement and the 2013 Plan, which are attached hereto as Attachments I and II, respectively, and incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meanings set forth in the 2013 Plan or the Restricted Stock Agreement. In the event of any conflict between the terms in the Award and the 2013 Plan, the terms of the 2013 Plan shall control.

Participant: [FIRST NAME] [LAST NAME]
Date of Grant:
Vesting Commencement Date: See Vesting Schedule below
Number of Shares Subject to Award: [TOTAL SHARES GRANTED]
Consideration: Participant’s Services
Vesting Schedule: _____ shares will vest on _____;
_____ shares will vest on _____; and
_____ shares will vest on _____.

In addition, the vesting of the shares may accelerate in the sole discretion of the Committee and upon certain events described in the Restricted Stock Agreement. Notwithstanding the foregoing, but except as otherwise provided in the Restricted Stock Agreement, (i) vesting will cease and the Award will be forfeited in its entirety if the Company does not achieve Adjusted Net Income of at least \$_____ million in calendar year _____, and (ii) vesting shall terminate upon the Participant’s termination of Continuous Service.

Additional Terms/Acknowledgements: Participant acknowledges receipt of, and understands and agrees to, this Restricted Stock Grant Notice, the Restricted Stock Agreement and the 2013 Plan. Participant further acknowledges that as of the Date of Grant, this Restricted Stock Grant Notice, the Restricted Stock Agreement and the 2013 Plan set forth the entire understanding between Participant and the Company regarding the Award and supersede all prior oral and written agreements on that subject.

Participant further agrees that the Company may deliver by e-mail all documents relating to the 2013 Plan or this Award (including without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including without limitation, annual reports and proxy statements). Participant also agrees that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it will notify Participant by e-mail.

ENCORE CAPITAL GROUP, INC.:

Kenneth A. Vecchione
Title: President and Chief Executive Officer
Date:

PARTICIPANT:

[FIRST NAME] [LAST NAME]
Date: _____

ATTACHMENT: Restricted Stock Agreement
2013 Incentive Compensation Plan

ATTACHMENT I

ENCORE CAPITAL GROUP, INC.
2013 INCENTIVE COMPENSATION PLAN

RESTRICTED STOCK AGREEMENT
(EXECUTIVE – SUBJECT TO THE UMBRELLA PLAN)

Pursuant to the Restricted Stock Grant Notice (“*Grant Notice*”) and this Restricted Stock Agreement and in consideration of your services, Encore Capital Group, Inc. (the “*Company*”) has awarded you a restricted stock award (the “*Award*”) under its 2013 Incentive Compensation Plan (as amended, the “*2013 Plan*”), for the number of shares of the Company’s Common Stock as indicated in the Grant Notice. Your Award is granted to you effective as of the Date of Grant set forth in the Grant Notice for this Award. Defined terms not explicitly defined in this Restricted Stock Agreement shall have the same meanings given to them in the 2013 Plan. In the event of any conflict between the terms in this Restricted Stock Agreement and the 2013 Plan, the terms of the 2013 Plan shall control.

In consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto do hereby agree that the details of your Award are as follows:

1. VESTING.

(a) **In General.** Subject to the limitations contained herein, your Award will vest in accordance with the vesting schedule provided in the Grant Notice, provided that (i) vesting will cease and the Award will be forfeited in its entirety if the Company does not achieve Adjusted Net Income (as defined below) of at least \$_____ million in calendar year 2016, and (ii) except as set forth in Section 1(b), vesting will cease upon the termination of your Continuous Service. For purposes of this Award, (A) “*Adjusted Net Income*” means [adjusted income from continuing operations attributable to Encore, which excludes non-cash interest and issuance cost amortization relating to our convertible notes, one-time charges, acquisition, integration and restructuring related expenses, and non-cash goodwill impairment charges, all net of tax,] and (B) “*Continuous Service*” means that your service with the Company or an Affiliate (as defined below), whether as an employee, director or consultant, is not interrupted or terminated. A change in the capacity in which you render service to the Company or an Affiliate as an employee, consultant or director or a change in the entity for which you render such service shall not terminate your Continuous Service, provided that there is no interruption or termination of your service with the Company or an Affiliate. For example, a change in status from an employee of the Company to a consultant to an Affiliate or to a director shall not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or its compensation committee or any officer designated by the Board or its compensation committee, in that party’s sole discretion, may determine whether Continuous Service shall be considered

interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting to such extent as may be provided in the Company's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to you, or as otherwise required by law. For purposes of this Restricted Stock Agreement, "**Affiliate**" means: (1) any Subsidiary; and (2) any other entity in which the Company has an equity interest or significant business relationship and which has been designated as an "Affiliate" by the Committee for purposes of the 2013 Plan.

(b) Vesting Acceleration. Notwithstanding the foregoing, in the event (i) of the termination of your Continuous Service to the Company as a result of your death or disability, or (ii) your employment is terminated without Cause (as defined below) or you resign your employment for Good Reason (as defined below) in connection with a Change of Control (as defined below) or within 12 months after a Change of Control, the Award shall be deemed to be fully (100%) vested and eligible for settlement as of immediately prior to your death or disability or as of your termination of employment without Cause or for Good Reason as a result of or following a Change of Control. The consummation of a Change of Control transaction in itself shall not be deemed a termination of employment entitling you to vesting acceleration hereunder even if such event results your being employed by a different entity.

For purposes of this Restricted Stock Agreement, "**Cause**" is defined as (i) your failure to adhere to any written policy of the Company that is legal and generally applicable to employees of the Company; (ii) your failure to substantially perform your duties, which failure amounts to a repeated and consistent neglect of your duties; (iii) the appropriation (or attempted appropriation) of a material business opportunity of the Company, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Company; (iv) the misappropriation (or attempted misappropriation) of any of the Company's funds or property; (v) the conviction of, or the entering of a guilty plea or plea of no contest with respect to, a felony, the equivalent thereof, a crime of moral turpitude or any other crime with respect to which imprisonment is a possible punishment; (vi) conduct materially injurious to the Company's reputation or business; or (vii) willful misconduct.

For purposes of this Restricted Stock Agreement, "**Change of Control**" means: (i) any sale, lease, exchange, or other transfer (in one transaction or series of related transactions) of all or substantially all the Company's assets to any person (as defined in Section 3(a)(9) of the Exchange Act) or group of related persons (as such term is defined under Section 13(d) of the Exchange Act, "Group"); (ii) the Company's stockholders approve and complete any plan or proposal for the liquidation or dissolution of the Company; (iii) any person or Group (other than Red Mountain Capital Partners LLC, JCF FPK I LP or any affiliate thereof) becomes the beneficial owner, directly or indirectly, of shares representing more than 50.1% of the aggregate voting power of the issued and outstanding stock entitled to vote in the election of directors of the Company ("Voting Stock") and such person or Group has the power and authority to vote such shares; or (iv) the completion of a merger, reorganization, consolidation or other corporate transaction involving the Company in which holders of the Company's Voting Stock

immediately before the completion of the transaction hold, directly or indirectly, immediately after the transaction, 50% or less of the common equity interest in the surviving corporation or other entity resulting from the transaction.

For purposes of this Restricted Stock Agreement, “**Good Reason**” is defined as any of the following reasons: (i) a material reduction in your base compensation; (ii) a material reduction in your authority, duties or responsibilities; (iii) a material reduction in the authority, duties or responsibilities of the person to whom you report; (iv) a material reduction in the budget over which you retain authority; or (v) a material change in the location at which you provide services for the Company (which is defined as any relocation by the Company of your employment to a location that is more than 35 miles from your present office location and is more than 35 miles from your primary residence at the time of such relocation, without your consent). To be eligible to receive the benefits set forth in this Section, (x) you must provide written notice of the “Good Reason” condition to the Company within 90 days after the initial existence of such condition, (y) the Company must not have cured such condition within 30 days of receipt of your written notice or it must have stated unequivocally in writing that it does not intend to attempt to cure such condition; and (z) you resign from employment within 12 months following the end of the period within which the Company was entitled to remedy the condition constituting Good Reason but failed to do so.

2. NUMBER OF SHARES. The number of shares subject to your Award may be adjusted from time to time for capitalization adjustments, as provided in the 2013 Plan.

3. SECURITIES LAW COMPLIANCE. You may not be issued any shares under your Award unless the shares are either: (i) then registered under the Securities Act of 1933, as amended; or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act of 1933, as amended. Your Award also must comply with other applicable laws and regulations governing the Award, and you will not receive such shares if the Company determines that such receipt would not be in material compliance with such laws and regulations.

4. LIMITATIONS ON TRANSFER. Your Award is not transferable, except by will or by the laws of descent and distribution. In addition to any other limitation on transfer created by applicable securities laws, you agree not to assign, hypothecate, donate, encumber or otherwise dispose of any interest in any of the shares of Common Stock subject to the Award until the shares are vested in accordance with this Restricted Stock Agreement. After the shares have vested and applicable tax withholding conditions have been satisfied, the shares will be issued to you and you will be free to assign, hypothecate, donate, encumber or otherwise dispose of any interest in such shares provided that any such actions are in compliance with the provisions herein and applicable securities laws.

5. RIGHTS AS A STOCKHOLDER; DIVIDEND EQUIVALENT RIGHTS. Except as set forth in the remainder of this Section 5, you shall have no voting or other rights as a stockholder with respect to the shares of Common Stock underlying the Award until such

shares of Common Stock have been issued to you. Notwithstanding the preceding sentence, however, you shall be entitled to receive payments equal to any cash dividends and other distributions paid with respect to the shares covered by your Award, provided that such distributions shall be converted into additional shares covered by the Award. If such distributions are paid in cash, you shall be credited with additional shares covered by the Award in an amount equal to (i) the amount of the dividends or other distributions paid on that number of shares equal to the aggregate number of shares covered by the Award as of that date divided by (ii) the Fair Market Value of a share as of such date. The additional shares credited as dividend equivalents shall be subject to the same vesting and forfeiture restrictions as the shares covered by the Award with respect to which they relate.

6. RESTRICTIVE LEGENDS. The shares issued under your Award shall be endorsed with appropriate legends determined by the Company.

7. AWARD NOT A SERVICE CONTRACT.

(a) Your Continuous Service with the Company or an Affiliate is not for any specified term and may be terminated by you or by the Company or an Affiliate at any time, for any reason, with or without cause and with or without notice. Nothing in this Restricted Stock Agreement (including, but not limited to, the vesting of your Award pursuant to the schedule set forth in the Grant Notice), the 2013 Plan or any covenant of good faith and fair dealing that may be found implicit in this Restricted Stock Agreement or the 2013 Plan shall: (i) confer upon you any right to continue in the employ of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Restricted Stock Agreement or the 2013 Plan unless such right or benefit has specifically accrued under the terms of this Restricted Stock Agreement or 2013 Plan; or (iv) deprive the Company of the right to terminate you at will and without regard to any future vesting opportunity that you may have.

(b) By accepting this Award, you acknowledge and agree that the right to continue vesting in the Award pursuant to the schedule set forth in the Grant Notice is earned only by continuing as an employee, director or consultant at the will of the Company (not through the act of being hired, being granted this Award or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "reorganization"). You further acknowledge and agree that such a reorganization could result in the termination of your Continuous Service, or the termination of Affiliate status of your employer and the loss of benefits available to you under this Restricted Stock Agreement, including but not limited to, the termination of the right to continue vesting in the Award. You further acknowledge and agree that this Restricted Stock Agreement, the 2013 Plan, the transactions contemplated hereunder and the vesting schedule set forth herein or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express

or implied promise of continued engagement as an employee or consultant for the term of this Restricted Stock Agreement, for any period, or at all, and shall not interfere in any way with your right or the Company's right to terminate your Continuous Service at any time, with or without cause and with or without notice.

8. WITHHOLDING OBLIGATIONS.

(a) On or before vesting of the shares pursuant to your Award, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and/or any other amounts payable to you, provided that any such withholding will not be in excess of the minimum statutory withholding requirement or other applicable accounting pronouncements or requirements, and otherwise agree to make adequate provision for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with your Award. If permissible under applicable law, the Company may, in its sole discretion: (i) sell or arrange for the sale, on your behalf, of shares acquired by you to meet the withholding obligation and/or (ii) withhold in shares, provided that only the amount of shares necessary to satisfy the minimum withholding amount or other applicable accounting pronouncements or requirements are withheld. The Company also reserves the right to require that you assume liability for any tax- and/or social insurance-related charges that may otherwise be due by the Company or an Affiliate with respect to the Award, if the Company determines in its sole discretion that such charges may legally be transferred to you. To the extent that liability for any such charges is transferred to you, such charges will be subject to the applicable withholding methods set forth in this Section.

(b) Unless the tax withholding obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to remove the restrictive legends from the shares of Common Stock subject to your Award.

9. NOTICES. Any notices provided for in your Award or the 2013 Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

10. MISCELLANEOUS.

(a) The rights and obligations of the Company under your Award shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns.

(b) For purposes of your personal tax planning, you may make an election under Section 83(b) of the Code within 30 days of the date of grant; however, this election by you will be in your sole discretion. We strongly advise you to consult with your personal legal, tax and financial advisors before you make such an election.

(c) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(d) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award, and fully understand all provisions of your Award.

11. GOVERNING PLAN DOCUMENTS. Your Award is subject to all the provisions of the 2013 Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the 2013 Plan. In the event of any conflict between the provisions of your Award and those of the 2013 Plan, the provisions of the 2013 Plan shall control. Any question concerning the interpretation of this Restricted Stock Agreement, any adjustments to be made thereunder, and any controversy that may arise under this Restricted Stock Agreement will be determined by the Committee in accordance with its authority under Section 5.6 of the 2013 Plan. Such decision by the Committee will be final and binding.

12. SEVERABILITY. If all or any part of this Restricted Stock Agreement or the 2013 Plan, is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Restricted Stock Agreement or the 2013 Plan not declared to be unlawful or invalid. Any Section of this Restricted Stock Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

13. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS. The value of the Award subject to this Restricted Stock Agreement shall not be included as compensation, earnings, salaries, or other similar terms used when calculating the Employee's benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

14. AMENDMENT. This Restricted Stock Agreement may not be modified, amended or terminated except by an instrument in writing, signed by you and by a duly authorized representative of the Company. Notwithstanding the foregoing, this Restricted Stock Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Restricted Stock Agreement, so long as a copy of such amendment is delivered to you, and provided that no such amendment adversely affecting your rights hereunder may be made without your written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to you, the provisions of this Restricted Stock Agreement in any way it may deem necessary or advisable to carry out the purpose of the grant as a result of any change

in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided that any such change shall be applicable only to rights relating to that portion of the Award which is then subject to restrictions as provided herein.

ENCORE CAPITAL GROUP, INC.
PERFORMANCE STOCK GRANT NOTICE - EXECUTIVE
(ADJUSTED EARNINGS PER SHARE)
(2013 INCENTIVE COMPENSATION PLAN)

Encore Capital Group, Inc. (the “*Company*”), pursuant to its 2013 Incentive Compensation Plan (as amended, the “*2013 Plan*”), hereby awards to Participant a Performance Stock Award for the number of shares of the Company’s Common Stock set forth below (the “*Award*”). The Award is subject to all of the terms and conditions as set forth herein and in the Performance Stock Agreement and the 2013 Plan, which are attached hereto as Attachments I and II, respectively, and incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meanings set forth in the 2013 Plan or the Performance Stock Agreement. In the event of any conflict between the terms in the Award and the 2013 Plan, the terms of the 2013 Plan shall control.

Participant: [FIRST NAME].[LAST NAME]
Date of Grant:
Vesting Date: See Vesting Schedule below
Number of Shares Subject to Award: Threshold: 1/2 number of Target shares
Target: [TOTAL SHARES GRANTED]
Maximum: 2x number of Target shares
Consideration: Participant’s Services
Vesting Schedule: 1/3 of Threshold shares will vest if FY 2016 EPS equals \$___;
1/3 of Target shares will vest if FY 2016 EPS equals \$___; or
1/3 of Maximum shares will vest if FY 2016 EPS equals \$___.
If FY 2016 EPS is between \$___ and \$___, then the number of shares between 1/3 of Threshold and 1/3 of Target that will vest will be determined by linear interpolation.
If FY 2016 EPS is between \$___ and \$___, then the number of shares between 1/3 of Target and 1/3 of Maximum that will vest will be determined by linear interpolation.
1/3 of Threshold shares will vest if FY 2017 EPS equals \$___;
1/3 of Target shares will vest if FY 2017 EPS equals \$___; or
1/3 of Maximum shares will vest if FY 2017 EPS equals \$___.
If FY 2017 EPS is between \$___ and \$___, then the number of shares between 1/3 of Threshold and 1/3 of Target that will vest will be determined by linear interpolation.
If FY 2017 EPS is between \$___ and \$___, then the number of shares between 1/3 of Target and 1/3 of Maximum that will vest will be determined by linear interpolation.
1/3 of Threshold shares will vest if FY 2018 EPS equals \$___;
1/3 of Target shares will vest if FY 2018 EPS equals \$___; or
1/3 of Maximum shares will vest if FY 2018 EPS equals \$___.
If FY 2018 EPS is between \$___ and \$___, then the number of shares between 1/3 of Threshold and 1/3 of Target that will vest will be determined by linear interpolation.
If FY 2018 EPS is between \$___ and \$___, then the number of shares between 1/3 of Target and 1/3 of Maximum that will vest will be determined by linear interpolation.

In addition, if the sum of FY 2016 EPS, FY 2017 EPS and FY 2018 EPS equals \$____, then Threshold shares will vest (less any shares already vested). If the sum of FY 2016 EPS, FY 2017 EPS and FY 2018 EPS equals \$____, then Target shares will vest (less any shares already vested). If the sum of FY 2016 EPS, FY 2017 EPS and FY 2018 EPS equals \$____, then Maximum shares will vest (less any shares already vested). If the sum of FY 2016 EPS, FY 2017 EPS and FY 2018 EPS is between \$____ and \$____, then the number of shares that will vest will be determined by linear interpolation (less any already vested shares). If the sum of FY 2016 EPS, FY 2017 EPS and FY 2018 EPS is between \$____ and \$____, then the number of shares that will vest will be determined by linear interpolation (less any already vested shares).

Within 15 days of the release of the Company's audited financial statements for the applicable fiscal year (or, in the case of the calculation of the sum of FY 2016 EPS, FY 2017 EPS and FY 2018 EPS, within 15 days of the release of the Company's audited financial statements for FY 2018), the Committee will certify in writing whether the EPS goal for such fiscal year has been met and determine the number of shares, if any, that will vest based on the EPS achieved for such fiscal year. If the shares have not already been distributed to the Participant, the Company shall distribute such shares to the Participant within 10 days of the Committee's written certification.

In addition, the vesting of the shares may accelerate in the sole discretion of the Committee and upon certain events described in the Performance Stock Agreement. Notwithstanding the foregoing, but except as otherwise provided in the Performance Stock Agreement, vesting shall terminate upon the Participant's termination of Continuous Service.

Additional Terms/Acknowledgments: Participant acknowledges receipt of, and understands and agrees to, this Performance Stock Grant Notice, the Performance Stock Agreement and the 2013 Plan. Participant further acknowledges that as of the Date of Grant, this Performance Stock Grant Notice, the Performance Stock Agreement and the 2013 Plan set forth the entire understanding between Participant and the Company regarding the Award and supersede all prior oral and written agreements on that subject.

Participant further agrees that the Company may deliver by e-mail all documents relating to the 2013 Plan or this Award (including without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including without limitation, annual reports and proxy statements). Participant also agrees that the Company may deliver these documents by posting them on a website maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a website, it will notify Participant by e-mail.

ENCORE CAPITAL GROUP, INC.:

PARTICIPANT:

Kenneth A. Vecchione

[FIRST NAME] [LAST NAME]

Title: President and Chief Executive Officer

Date: _____

Date: _____

ATTACHMENT: Performance Stock Agreement
2013 Incentive Compensation Plan

ATTACHMENT I

ENCORE CAPITAL GROUP, INC.
2013 INCENTIVE COMPENSATION PLAN
PERFORMANCE STOCK AGREEMENT - EXECUTIVE
(ADJUSTED EARNINGS PER SHARE)

Pursuant to the Performance Stock Grant Notice (“**Grant Notice**”) and this Performance Stock Agreement and in consideration of your services, Encore Capital Group, Inc. (the “**Company**”) has awarded you a performance stock award (the “**Award**”) under its 2013 Incentive Compensation Plan (as amended, the “**2013 Plan**”) for the number of shares of the Company’s Common Stock as indicated in the Grant Notice. Your Award is granted to you effective as of the Date of Grant set forth in the Grant Notice for this Award. Defined terms not explicitly defined in this Performance Stock Agreement shall have the same meanings given to them in the 2013 Plan. In the event of any conflict between the terms in this Performance Stock Agreement and the 2013 Plan, the terms of the 2013 Plan shall control.

In consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto do hereby agree that the details of your Award are as follows:

1. VESTING.

(a) In General. Subject to the limitations contained herein, your Award will vest in accordance with the vesting schedule provided in the Grant Notice, provided that, except as set forth in Section 1(b), vesting will cease upon the termination of your Continuous Service. For purposes of this Award, “**Continuous Service**” means that your service with the Company or an Affiliate (as defined below), whether as an employee, director or consultant, is not interrupted or terminated. A change in the capacity in which you render service to the Company or an Affiliate as an employee, consultant or director or a change in the entity for which you render such service shall not terminate your Continuous Service, provided that there is no interruption or termination of your service with the Company or an Affiliate. For example, a change in status from an employee of the Company to a consultant to an Affiliate or to a director shall not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or its compensation committee or any officer designated by the Board or its compensation committee, in that party’s sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave. Notwithstanding the foregoing, a leave of absence shall be treated as Continuous Service for purposes of vesting to such extent as may be provided in the Company’s leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to you, or as otherwise required by law. For purposes of this Performance Stock Agreement, “**Affiliate**” means: (i) any Subsidiary; and (ii) any other entity in which the Company has an equity interest or significant

business relationship and which has been designated as an “Affiliate” by the Committee for purposes of the 2013 Plan.

(b) Vesting Acceleration. Notwithstanding the foregoing, in the event (i) of the termination of your Continuous Service to the Company as a result of your death or disability, or (ii) your employment is terminated without Cause (as defined below) or you resign your employment for Good Reason (as defined below) in connection with a Change of Control (as defined below) or within 12 months after a Change of Control, the Award shall be deemed to be fully (100%) vested and eligible for settlement as of immediately prior to your death or disability or as of your termination of employment without Cause or for Good Reason as a result of or following a Change of Control. The consummation of a Change of Control transaction in itself shall not be deemed a termination of employment entitling you to vesting acceleration hereunder even if such event results your being employed by a different entity.

For purposes of this Performance Stock Agreement, “**Cause**” is defined as (i) your failure to adhere to any written policy of the Company that is legal and generally applicable to employees of the Company; (ii) your failure to substantially perform your duties, which failure amounts to a repeated and consistent neglect of your duties; (iii) the appropriation (or attempted appropriation) of a material business opportunity of the Company, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Company; (iv) the misappropriation (or attempted misappropriation) of any of the Company’s funds or property; (v) the conviction of, or the entering of a guilty plea or plea of no contest with respect to, a felony, the equivalent thereof, a crime of moral turpitude or any other crime with respect to which imprisonment is a possible punishment; (vi) conduct materially injurious to the Company’s reputation or business; or (vii) willful misconduct.

For purposes of this Performance Stock Agreement, “**Change of Control**” means: (i) any sale, lease, exchange, or other transfer (in one transaction or series of related transactions) of all or substantially all the Company’s assets to any person (as defined in Section 3(a)(9) of the Exchange Act) or group of related persons (as such term is defined under Section 13(d) of the Exchange Act, “Group”); (ii) the Company’s stockholders approve and complete any plan or proposal for the liquidation or dissolution of the Company; (iii) any person or Group (other than Red Mountain Capital Partners LLC, JCF FPK I LP or any affiliate thereof) becomes the beneficial owner, directly or indirectly, of shares representing more than 50.1% of the aggregate voting power of the issued and outstanding stock entitled to vote in the election of directors of the Company (“Voting Stock”) and such person or Group has the power and authority to vote such shares; or (iv) the completion of a merger, reorganization, consolidation or other corporate transaction involving the Company in which holders of the Company’s Voting Stock immediately before the completion of the transaction hold, directly or indirectly, immediately after the transaction, 50% or less of the common equity interest in the surviving corporation or other entity resulting from the transaction.

For purposes of this Performance Stock Agreement, “**Good Reason**” is defined as any of the following reasons: (i) a material reduction in your base compensation; (ii) a material reduction in your authority, duties or responsibilities; (iii) a material reduction in the authority, duties or responsibilities of the person to whom you report; (iv) a material reduction in the budget

over which you retain authority; or (v) a material change in the location at which you provide services for the Company (which is defined as any relocation by the Company of your employment to a location that is more than 35 miles from your present office location and is more than 35 miles from your primary residence at the time of such relocation, without your consent). To be eligible to receive the benefits set forth in this Section, (x) you must provide written notice of the “Good Reason” condition to the Company within 90 days after the initial existence of such condition, (y) the Company must not have cured such condition within 30 days of receipt of your written notice or it must have stated unequivocally in writing that it does not intend to attempt to cure such condition; and (z) you resign from employment within 12 months following the end of the period within which the Company was entitled to remedy the condition constituting Good Reason but failed to do so.

2. NUMBER OF SHARES. The number of shares subject to your Award will be determined by the achievement of the performance goals set forth in the Grant Notice. In addition, the number of shares subject to your Award may be adjusted from time to time to reflect capitalization adjustments, as provided in the 2013 Plan.

3. SECURITIES LAW COMPLIANCE. You may not be issued any shares under your Award unless the shares are either: (i) then registered under the Securities Act of 1933, as amended; or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act of 1933, as amended. Your Award also must comply with other applicable laws and regulations governing the Award, and you will not receive such shares if the Company determines that such receipt would not be in material compliance with such laws and regulations.

4. LIMITATIONS ON TRANSFER. Your Award is not transferable, except by will or by the laws of descent and distribution. In addition to any other limitation on transfer created by applicable securities laws, you agree not to assign, hypothecate, donate, encumber or otherwise dispose of any interest in any of the shares of Common Stock subject to the Award until the shares are vested in accordance with this Performance Stock Agreement. After the shares have vested and applicable tax withholding conditions have been satisfied, the shares will be issued to you and you will be free to assign, hypothecate, donate, encumber or otherwise dispose of any interest in such shares provided that any such actions are in compliance with the provisions herein and applicable securities laws.

5. RIGHTS AS A STOCKHOLDER; DIVIDEND EQUIVALENT RIGHTS. Except as set forth in the remainder of this Section 5, you shall have no voting or other rights as a stockholder with respect to the shares of Common Stock underlying the Award until such shares of Common Stock have been issued to you. Notwithstanding the preceding sentence, however, you shall be entitled to receive payments equal to any cash dividends and other distributions paid with respect to the shares covered by your Award, provided that such distributions shall be converted into additional shares covered by the Award. If such distributions are paid in cash, you shall be credited with additional shares covered by the Award in an amount equal to (i) the amount of the dividends or other distributions paid on that number of shares equal to the aggregate number of shares covered

by the Award as of that date divided by (ii) the Fair Market Value of a share as of such date. The additional shares credited as dividend equivalents shall be subject to the same vesting and forfeiture restrictions as the shares covered by the Award with respect to which they relate.

6. RESTRICTIVE LEGENDS. The shares issued under your Award shall be endorsed with appropriate legends determined by the Company.

7. AWARD NOT A SERVICE CONTRACT.

(a) Your Continuous Service with the Company or an Affiliate is not for any specified term and may be terminated by you or by the Company or an Affiliate at any time, for any reason, with or without cause and with or without notice. Nothing in this Performance Stock Agreement (including, but not limited to, the vesting of your Award pursuant to the schedule set forth in the Grant Notice), the 2013 Plan or any covenant of good faith and fair dealing that may be found implicit in this Performance Stock Agreement or the 2013 Plan shall: (i) confer upon you any right to continue in the employ of, or affiliation with, the Company or an Affiliate; (ii) constitute any promise or commitment by the Company or an Affiliate regarding the fact or nature of future positions, future work assignments, future compensation or any other term or condition of employment or affiliation; (iii) confer any right or benefit under this Performance Stock Agreement or the 2013 Plan unless such right or benefit has specifically accrued under the terms of this Performance Stock Agreement or 2013 Plan; or (iv) deprive the Company of the right to terminate you at will and without regard to any future vesting opportunity that you may have.

(b) By accepting this Award, you acknowledge and agree that the right to continue vesting in the Award pursuant to the schedule set forth in the Grant Notice is earned only by continuing as an employee, director or consultant at the will of the Company (not through the act of being hired, being granted this Award or any other award or benefit) and that the Company has the right to reorganize, sell, spin-out or otherwise restructure one or more of its businesses or Affiliates at any time or from time to time, as it deems appropriate (a "reorganization"). You further acknowledge and agree that such a reorganization could result in the termination of your Continuous Service, or the termination of Affiliate status of your employer and the loss of benefits available to you under this Performance Stock Agreement, including but not limited to, the termination of the right to continue vesting in the Award. You further acknowledge and agree that this Performance Stock Agreement, the 2013 Plan, the transactions contemplated hereunder and the vesting schedule set forth herein or any covenant of good faith and fair dealing that may be found implicit in any of them do not constitute an express or implied promise of continued engagement as an employee or consultant for the term of this Performance Stock Agreement, for any period, or at all, and shall not interfere in any way with your right or the Company's right to terminate your Continuous Service at any time, with or without cause and with or without notice.

8. WITHHOLDING OBLIGATIONS.

(a) On or before vesting of the shares pursuant to your Award, or at any time thereafter as requested by the Company, you hereby authorize withholding from payroll and/or any other amounts payable to you, provided that any such withholding will not be in excess of the minimum statutory withholding requirement or other applicable accounting pronouncements or requirements, and otherwise agree to make adequate provision for any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Company or an Affiliate, if any, which arise in connection with your Award. If permissible under applicable law, the Company may, in its sole discretion: (i) sell or arrange for the sale, on your behalf, of shares acquired by you to meet the withholding obligation and/or (ii) withhold in shares, provided that only the amount of shares necessary to satisfy the minimum withholding amount or other applicable accounting pronouncements or requirements are withheld. The Company also reserves the right to require that you assume liability for any tax- and/or social insurance-related charges that may otherwise be due by the Company or an Affiliate with respect to the Award, if the Company determines in its sole discretion that such charges may legally be transferred to you. To the extent that liability for any such charges is transferred to you, such charges will be subject to the applicable withholding methods set forth in this Section.

(b) Unless the tax withholding obligations of the Company and/or any Affiliate are satisfied, the Company shall have no obligation to remove the restrictive legends from the shares of Common Stock subject to your Award.

9. NOTICES. Any notices provided for in your Award or the 2013 Plan shall be given in writing and shall be deemed effectively given upon receipt or, in the case of notices delivered by the Company to you, five (5) days after deposit in the United States mail, postage prepaid, addressed to you at the last address you provided to the Company.

10. MISCELLANEOUS.

(a) The rights and obligations of the Company under your Award shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns.

(b) For purposes of your personal tax planning, you may make an election under Section 83(b) of the Code within 30 days of the date of grant; however, this election by you will be in your sole discretion. We strongly advise you to consult with your personal legal, tax and financial advisors before you make such an election.

(c) You agree upon request to execute any further documents or instruments necessary or desirable in the sole determination of the Company to carry out the purposes or intent of your Award.

(d) You acknowledge and agree that you have reviewed your Award in its entirety, have had an opportunity to obtain the advice of counsel prior to executing and accepting your Award, and fully understand all provisions of your Award.

(e) The Committee may, to the extent permitted under Section 162(m) of the Code, adjust performance goals to omit the effects of extraordinary items, gain or loss on the disposal of a business segment, unusual or infrequently occurring events and transactions and cumulative effects of changes in accounting principles, including, but not limited to, asset write-downs, litigation or claim judgments or settlements, changes in tax laws or other laws or provisions affecting reported results, any reorganization and restructuring programs, acquisitions or divestitures, and foreign exchange gains and losses.

11. GOVERNING PLAN DOCUMENT. Your Award is subject to all the provisions of the 2013 Plan, the provisions of which are hereby made a part of your Award, and is further subject to all interpretations, amendments, rules and regulations which may from time to time be promulgated and adopted pursuant to the 2013 Plan. In the event of any conflict between the provisions of your Award and those of the 2013 Plan, the provisions of the 2013 Plan shall control. Any question concerning the interpretation of this Performance Stock Agreement, any adjustments to be made thereunder, and any controversy that may arise under this Performance Stock Agreement will be determined by the Committee in accordance with its authority under Section 5.6 of the 2013 Plan. Such decision by the Committee will be final and binding.

12. SEVERABILITY. If all or any part of this Performance Stock Agreement or the 2013 Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any portion of this Performance Stock Agreement or the 2013 Plan not declared to be unlawful or invalid. Any Section of this Performance Stock Agreement (or part of such a Section) so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

13. EFFECT ON OTHER EMPLOYEE BENEFIT PLANS. The value of the Award subject to this Performance Stock Agreement shall not be included as compensation, earnings, salaries, or other similar terms used when calculating the Employee's benefits under any employee benefit plan sponsored by the Company or any Affiliate, except as such plan otherwise expressly provides. The Company expressly reserves its rights to amend, modify, or terminate any of the Company's or any Affiliate's employee benefit plans.

14. AMENDMENT. This Performance Stock Agreement may not be modified, amended or terminated except by an instrument in writing, signed by you and by a duly authorized representative of the Company. Notwithstanding the foregoing, this Performance Stock Agreement may be amended solely by the Board by a writing which specifically states that it is amending this Performance Stock Agreement, so long as a copy of such amendment is delivered to you, and provided that no such amendment adversely affecting your rights hereunder may be made without

your written consent. Without limiting the foregoing, the Board reserves the right to change, by written notice to you, the provisions of this Performance Stock Agreement in any way it may deem necessary or advisable to carry out the purpose of the grant as a result of any change in applicable laws or regulations or any future law, regulation, ruling, or judicial decision, provided that any such change shall be applicable only to rights relating to that portion of the Award which is then subject to restrictions as provided herein.

AMENDMENT NO. 3 TO
SECOND AMENDED AND RESTATED CREDIT AGREEMENT,
LIMITED WAIVER AND LIMITED RELEASE

This AMENDMENT NO. 3 TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT, LIMITED WAIVER AND LIMITED RELEASE (this "Amendment"), dated as of March 24, 2016, is entered into by and among ENCORE CAPITAL GROUP, INC., a Delaware corporation (the "Borrower"), the Guarantors identified on the signature pages hereto, the Lenders party hereto, and SUNTRUST BANK, as Administrative Agent (in such capacity, the "Administrative Agent"), Collateral Agent (in such capacity, the "Collateral Agent"), Swingline Lender and Issuing Bank.

RECITALS

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to that certain Second Amended and Restated Credit Agreement dated as of February 25, 2014 (as amended by that certain (a) Amendment No. 1 to Second Amended and Restated Credit Agreement dated as of August 1, 2014 and (b) Amendment No. 2 to Second Amended and Restated Credit Agreement dated as of July 9, 2015 and as the same may be further amended, restated, extended, supplemented or otherwise modified from time to time, the "Credit Agreement"), pursuant to which the Lenders have extended revolving credit and term loan facilities to the Borrower;

WHEREAS, the Borrower and certain of its Subsidiaries have entered into that certain Securities Purchase Agreement, dated as of February 19, 2016, by and among the Borrower, as seller, certain Affiliates of the Borrower party thereto, as "Transferring Subsidiaries" (as defined therein), TL Funding Partners LP and certain Affiliates thereof, as purchasers (as amended pursuant to that certain Consent and Waiver Letter Agreement, dated March 22, 2016, the "Propel Stock Purchase Agreement") to sell all of the equity interests of Propel Acquisition LLC (or any successor thereto formed by the merger of Propel Acquisition LLC into a newly formed wholly owned Subsidiary of the Borrower the only assets of which, following the consummation of the merger, will be the assets of Propel Acquisition LLC so acquired in such merger) and each of its Subsidiaries (the "Propel Disposition"); and

WHEREAS, in connection with the sale described above, the Borrower has requested (i) certain amendments to the Credit Agreement set forth herein for the purpose of permitting the consummation of such sale, (ii) that the Collateral Agent release the security interest, on its own behalf and on behalf of the Secured Parties, in (x) the equity interests held by the Borrower in Propel Acquisition LLC (the "Propel Acquisition Equity Interests") and (y) the Collateral pledged by each of Propel Acquisition LLC and Propel Funding LLC to the extent such Collateral constitutes assets sold pursuant to the Propel Stock Purchase Agreement, including but not limited to the equity interests set forth on Annex I hereto (the "Released Equity Interests" and together with the Propel Acquisition Equity Interests and all other Collateral pledged to the Collateral Agent, for its own benefit and the benefit of the Secured Parties, by each of Propel Acquisition LLC and Propel Funding LLC to the extent such Collateral constitutes assets sold pursuant to the Propel Stock Purchase Agreement, collectively, the "Released Collateral") in accordance with Section 9.15(d) of the Credit Agreement, and (iii) that the Required Lenders waive the requirement that the Borrower prepay the Loans as required by Section 2.12(a) of the Credit Agreement with the Net Cash Proceeds received in respect of the Propel Disposition, and the Administrative Agent, the Collateral Agent, the Swingline Lender,

the Issuing Bank and the undersigned Lenders have agreed to such requests, subject to the terms and conditions of this Amendment.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. **Defined Terms.** Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to such terms in the Credit Agreement, as amended by this Amendment.

2. **Amendments to Credit Agreement.** Subject to the terms and conditions hereof and with effect from and after the Third Amendment Effective Date (as defined below), the Credit Agreement is hereby amended as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended by adding the following new definitions in proper alphabetical order:

“**Propel Disposition**’ means an Asset Sale to be consummated by the Borrower and the Transferring Subsidiaries (as defined in the Propel Stock Purchase Agreement) in accordance with the Propel Stock Purchase Agreement.”

“**Propel Stock Purchase Agreement**’ means that certain Securities Purchase Agreement, dated as of February 19, 2016, by and among the Borrower, as seller, certain Affiliates of the Borrower party thereto, as “Transferring Subsidiaries” (as defined therein), TL Funding Partners LP and certain Affiliates thereof, as purchasers, as amended pursuant to that certain Consent and Waiver Letter Agreement, dated March 22, 2016.”

(b) Section 7.6 of the Credit Agreement is hereby amended by (i) deleting the word “and” at the end of clause (e) thereof, (ii) replacing the “.” at the end of clause (f) thereof with “; and”, and (iii) adding the following new clause (g) to the end of such section:

“(g) the Propel Disposition, so long as (i) at the time of the consummation of the Propel Disposition, no Default or Event of Default has occurred and is continuing or would result therefrom and (ii) within five (5) Business Days following the receipt thereof, the Borrower prepays the Revolving Loans with 100% of the Net Cash Proceeds received in respect thereof (for the avoidance of doubt, such required prepayment of the Revolving Loans shall not be accompanied by a corresponding permanent reduction of the Revolving Commitments).”

3. **Limited Release.** Subject to the terms and conditions hereof, following the occurrence of the Third Amendment Effective Date and effective upon the Closing Date (as defined in the Propel Stock Purchase Agreement), the security interest granted pursuant to the Pledge and Security Agreement solely with respect to the Released Collateral shall be automatically released without any further action required by any Person. It is expressly agreed and understood that the foregoing release is solely a partial release and that the same shall in no way discharge, waive, release, affect, or impair the liens, security interests and other encumbrances of (or the Obligations of the Borrower or any Restricted Subsidiary in respect of)

the Pledge and Security Agreement against any property other than the Released Collateral and all Collateral other than the Released Collateral shall continue to constitute part of the Collateral in all respects. Effective upon the Closing Date (as defined in the Propel Stock Purchase Agreement), (i) the Collateral Agent hereby authorizes the filing of any UCC financing statement amendments to evidence the release set forth herein and agrees to execute and/or deliver or cause to be executed and/or delivered, at the Borrower's expense, such other instruments or documents as the Borrower may reasonably request or as may be necessary to evidence or give effect to the release set forth herein and (ii) each of Propel Acquisition LLC and Propel Funding LLC shall be automatically released (x) from the guaranty of the Obligations in accordance with Section 4(B) of the Guaranty Agreement and (y) as a Grantor under the Pledge and Security Agreement.

4. Limited Waiver. Subject to the terms and conditions hereof, and without limiting the requirement set forth in Section 7.6(g) of the Credit Agreement (after giving effect to this Amendment), following the occurrence of the Third Amendment Effective Date, the undersigned Lenders hereby waive the requirement that the Borrower prepay the Loans pursuant to Section 2.12(a) of the Credit Agreement solely with respect to the Net Cash Proceeds received by the Borrower in respect of the Propel Disposition. The waiver set forth in the foregoing sentence is a one-time waiver and is limited to the extent specifically set forth above and no other terms, covenants or provisions of the Credit Agreement or any other Loan Document are intended to be affected hereby all of which remain in full force and effect. The Borrower acknowledges and agrees that the limited waiver contained in this Section 4 shall not be deemed to be or constitute a consent to any future action or inaction on the part of the Borrower or any other Loan Party, shall not waive or amend (or be deemed to be or constitute a waiver of or amendment to) any other covenant, term or provision in the Credit Agreement or any of the other Loan Documents, and shall not hinder, restrict or otherwise modify the rights and remedies of the Administrative Agent or the Lenders following the occurrence of any Event of Default or any other event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default (whether now existing or hereafter arising) under the Credit Agreement or any other Loan Document.

5. Representations and Warranties. The Borrower and the Guarantors hereby represent and warrant to the Administrative Agent, the Collateral Agent, the Swingline Lender, the Issuing Bank and the Lenders as follows:

(a) No Default or Event of Default has occurred and is continuing as of the date hereof, nor will any Default or Event of Default exist immediately after giving effect to this Amendment.

(b) The representations and warranties contained in Article V of the Credit Agreement are true and correct in all material respects (except for representations and warranties already covered by concepts of materiality, which are true and correct in all respects) as of the date hereof (except for representations and warranties made with reference to an earlier date, which are true and correct in all material respects (except for representations and warranties already covered by concepts of materiality, which are true and correct in all respects) as of such date).

(c) The execution, delivery and performance by each Loan Party of this Amendment are within such Loan Party's organizational powers and have been duly authorized by all necessary organizational, and if required, shareholder, partner or member, action. This Amendment has been duly executed and delivered by each Loan Party. Each of this Amendment and the Credit Agreement, as amended hereby, constitute the valid and binding obligations of the Loan Parties, enforceable against them in

accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(d) The execution and delivery of this Amendment by the Loan Parties, and performance by the Borrower of this Amendment and the Credit Agreement, as amended hereby (i) do not require any consent or approval of, registration or filing with, or any action by, any Governmental Authority, except those as have been obtained or made and are in full force and effect, (ii) will not violate any organizational documents of, or any law applicable to, any Loan Party or any judgment, order or ruling of any Governmental Authority, (iii) will not violate or result in a default under the Credit Agreement, the Prudential Senior Secured Note Agreement, any Material Indebtedness Agreement, any other material agreement or other material instrument binding on any Loan Party or any of their assets or give rise to a right thereunder to require any payment to be made by any Loan Party, (iv) will not result in the creation or imposition of any Lien on any asset of any Loan Party, except Liens (if any) created under the Loan Documents and/or (v) will not result in a material limitation on any licenses, permits or other governmental approvals applicable to the business, operations or properties of the Loan Parties.

(e) The execution, delivery, performance and effectiveness of this Amendment will not: (i) impair the validity, effectiveness or priority of the Liens granted pursuant to any Loan Document, and such Liens (other than the Liens on the Released Collateral after giving effect to the limited release set forth in Section 3) continue unimpaired with the same priority to secure repayment of all of the applicable Obligations, whether heretofore or hereafter incurred and (ii) require that any new filings be made or other action taken to perfect or to maintain the perfection of such Liens.

6. Effective Date.

(a) This Amendment will become effective on the date on which each of the following conditions has been satisfied (the "Third Amendment Effective Date") to the satisfaction of the Administrative Agent:

(i) the Administrative Agent shall have received counterparts of this Amendment duly executed by the Loan Parties and the Required Lenders;

(ii) the Borrower shall have paid to Administrative Agent all amounts, including any fees, due and payable hereunder or in connection herewith on or prior to the date hereof, including reimbursement or payment of all out-of-pocket expenses, including all fees, charges and disbursements of counsel to the Administrative Agent (directly to such counsel if requested by the Administrative Agent) to the extent invoiced on or prior to the date of this Amendment, plus such additional amounts of such fees, charges and disbursements as shall constitute its reasonable estimate of such fees, charges and disbursements incurred or to be incurred by it through the closing proceedings;

(iii) the Administrative Agent shall have received a certified copy of an amendment to the Prudential Senior Secured Note Agreement duly executed by each party thereto, in form and substance acceptable to the Administrative Agent; and

(iv) the Administrative Agent shall have received such other instruments, documents and certificates as the Administrative Agent shall reasonably request on or prior to the date of this Amendment in connection with the execution of this Amendment.

(b) For purposes of determining compliance with the conditions specified in this Section 6, each Lender that has executed this Amendment and delivered it to the Administrative Agent shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document or other matter required under this Section 6 to be consented to or approved by or acceptable or satisfactory to such Lender unless the Administrative Agent shall have received written notice from such Lender prior to the proposed Third Amendment Effective Date specifying its objection thereto.

(c) From and after the Third Amendment Effective Date, the Credit Agreement is amended as set forth herein. Except as expressly amended pursuant hereto, the Credit Agreement shall remain unchanged and in full force and effect and is hereby ratified and confirmed in all respects.

(d) The Administrative Agent will notify the Borrower and the Lenders of the occurrence of the Third Amendment Effective Date.

7. Miscellaneous.

(a) Except as herein expressly amended, all terms, covenants and provisions of the Credit Agreement and each other Loan Document are and shall remain in full force and effect and all references in any Loan Document to the "Credit Agreement" shall henceforth refer to the Credit Agreement as amended by this Amendment. Nothing in this Amendment or in any of the transactions contemplated hereby is intended, or shall be construed, to constitute a novation or an accord and satisfaction of any of the Obligations of the Borrower under the Credit Agreement or to modify, affect or impair the perfection, priority or continuation of the security interests in, security titles to or other Liens on any Collateral (other than the Released Collateral after giving effect to the limited release set forth in Section 3) for the Obligations.

(b) This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(c) THIS AMENDMENT IS SUBJECT TO THE PROVISIONS OF SECTIONS 10.6 AND 10.7 OF THE CREDIT AGREEMENT RELATING TO GOVERNING LAW, JURISDICTION AND WAIVER OF RIGHT TO TRIAL BY JURY, THE PROVISIONS OF WHICH ARE BY THIS REFERENCE INCORPORATED HEREIN IN FULL.

(d) This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Amendment and the other Loan Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Subject to Section 6 above, this Amendment shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties required to be a party hereto. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic imaging means shall be effective as

delivery of a manually executed counterpart of this Amendment. This Amendment may not be amended except in accordance with the provisions of Section 10.2 of the Credit Agreement.

(e) If any provision of this Amendment or the other Loan Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Amendment and the other Loan Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Nothing contained herein shall be deemed to constitute a waiver of compliance with any term or condition contained in the Credit Agreement or any of the other Loan Documents, or to constitute a course of conduct or dealing among the parties. The Administrative Agent and the Lenders reserve all rights, privileges and remedies under the Loan Documents.

(f) The Borrower shall reimburse the Administrative Agent upon demand for all reasonable out-of-pocket costs and expenses (including reasonable attorneys' fees) incurred by the Administrative Agent in connection with the preparation, negotiation and execution of this Amendment and the other agreements and documents executed and delivered in connection herewith.

(g) In consideration of the amendments contained herein, each of the Loan Parties hereby waives and releases each of the Lenders, the Administrative Agent and the Collateral Agent from any and all claims and defenses, known or unknown, existing as of the date hereof with respect to the Credit Agreement and the other Loan Documents and the transactions contemplated hereby and thereby.

(h) This Amendment shall constitute a "Loan Document" under and as defined in the Credit Agreement.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

ENCORE CAPITAL GROUP, INC.

By: /s/ Jonathan Clark
Name: Jonathan C. Clark
Title: Executive V.P. and CFO

SUNTRUST BANK,
as Administrative Agent, Collateral Agent, Swingline Lender, Issuing Bank and as a Lender

By: /s/ Paula Mueller
Name: Paula Mueller
Title: Director

BANK OF AMERICA, N.A.,
as Lender

By: /s/ Angel Sutoyo
Name: Angel Sutoyo
Title: Senior Vice President

FIFTH THIRD BANK, as Lender

By: /s/ Scott Kilgore
Name: Scott Kilgore
Title: Vice President

Encore Capital Group, Inc.

Signature Page to Amendment No. 3

MORGAN STANLEY BANK, N.A., as Lender

By: /s/ Harry Comminellis
Name: Harry Comminellis
Title: Authorized Signatory

CALIFORNIA BANK & TRUST, as Lender

By: /s/ Melissa Chang
Name: Melissa Chang
Title: Vice President

CITIBANK, N.A., as Lender

By: /s/ Chris Dowler
Name: Chris Dowler
Title: Senior Vice President

ISRAEL DISCOUNT BANK OF NEW YORK, as
Lender

By: /s/ Galina Evelson
Name: Galina Evelson
Title: First Vice President

By: /s/ Barry Solomon
Name: Barry Solomon
Title: First Vice President

FIRST BANK, as Lender

By: /s/ Beck Combs
Name: Beck Combs
Title: AVP, Commercial Loan Officer

AMALGAMATED BANK, as Lender

By: /s/ Jackson Eng
Name: Jackson Eng
Title: First Vice President

Encore Capital Group, Inc.

Signature Page to Amendment No. 3

MUFG Union Bank, N.A. (formerly known as UNION BANK), as Lender

By: /s/ Christopher Freeman
Name: Christopher Freeman
Title: Managing Director

MANUFACTURERS BANK, as Lender

By: /s/ Sandy Lee
Name: Sandy Lee
Title: Vice President

BARCLAYS BANK PLC, as Lender

By: /s/ Ronnie Glenn
Name: Ronnie Glenn
Title: Vice President

RAYMOND JAMES BANK, N.A., as Lender

By: /s/ Jason Williams
Name: Jason Williams
Title: Vice President

FLAGSTAR BANK, as Lender

By: /s/ Kelly M. Hamrick
Name: Kelly Hamrick
Title: First Vice President

THE PRIVATEBANK AND TRUST COMPANY, as Lender

By: /s/ Jennifer St. Aubin
Name: Jennifer St. Aubin
Title: Managing Director

CITIZENS BANK, N.A. (formerly known as RBS Citizens, N.A.), as Lender

By: /s/ Darran Wee
Name: Darran Wee
Title: Senior Vice President

Encore Capital Group, Inc.

Signature Page to Amendment No. 3

CTBC BANK CORP. (USA), as Lender

By: /s/ Shahid Kathrada
Name: Shahid Kathrada
Title: FVP and Team Leader

UBS AG, STAMFORD BRANCH, as Lender

By: /s/ Darlene Arias
Name: Darlene Arias
Title: Director

By: /s/ Craig Pearson
Name: Craig Pearson
Title: Associate Director

**CREDIT SUISSE AG, CAYMAN ISLANDS
BRANCH**, as Lender

By: /s/ Doreen Barr
Name: Doreen Barr
Title: Authorized Signatory

By: /s/ Warren Van Heyst
Name: Warren Van Heyst
Title: Authorized Signatory

Encore Capital Group, Inc.

Signature Page to Amendment No. 3

Each of the undersigned hereby makes the representations and warranties set forth above in this Amendment, consents to this Amendment and the terms and provisions hereof and hereby (a) confirms and agrees that notwithstanding the effectiveness of such Amendment, each Loan Document to which it is a party and their respective payment, performance and observance obligations and liabilities (whether contingent or otherwise) is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of such Amendment, each reference in the Loan Documents to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Credit Agreement, as amended by this Amendment, (b) confirms and agrees that the pledge and security interest in the Collateral (other than the Released Collateral after giving effect to the limited release set forth in Section 3) granted by it pursuant to the Collateral Documents to which it is a party shall continue in full force and effect, and (c) acknowledges and agrees that such pledge and security interest in the Collateral (other than the Released Collateral after giving effect to the limited release set forth in Section 3) granted by it pursuant to such Collateral Documents shall continue to secure the Obligations purported to be secured thereby, as amended or otherwise affected hereby.

**ENCORE CAPITAL GROUP, INC.
MIDLAND CREDIT MANAGEMENT, INC.
MIDLAND INTERNATIONAL LLC
MIDLAND INDIA LLC
MIDLAND PORTFOLIO SERVICES, INC.
MIDLAND FUNDING LLC
MRC RECEIVABLES CORPORATION
MIDLAND FUNDING NCC-2 CORPORATION
PROPEL ACQUISITION LLC
PROPEL FUNDING LLC
ASSET ACCEPTANCE CAPITAL CORP.
ASSET ACCEPTANCE RECOVERY
SERVICES, LLC
ASSET ACCEPTANCE SOLUTIONS
GROUP, LLC
ASSET ACCEPTANCE, LLC
LEGAL RECOVERY SOLUTIONS, LLC
ATLANTIC CREDIT AND FINANCE, INC.
ATLANTICE CREDIT & FINANCE SPECIAL
FINANCE UNIT, LLC
ATLANTIC CREDIT & FINANCE SPECIAL
FINANCE UNIT III, LLC**

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

Encore Capital Group, Inc.

Signature Page to Amendment No. 3

Annex I

Released Equity Interests

1. 100% of the limited liability company membership interests of Propel Financial Services, LLC, a Texas limited liability company.
2. 100% of the limited liability company membership interests of Propel Funding Holdings 1, LLC, a Delaware limited liability company.
3. 100% of the limited liability company membership interests of Propel Funding, LLC, a Delaware limited liability company.
4. 100% of the limited liability company membership interests in PFS Finance Holdings, LLC, a Delaware limited liability company.
5. 100% of the limited liability company membership interests in Propel Funding Ohio, LLC, a Delaware limited liability company.
6. 100% of the limited liability company membership interests in Propel Funding Nevada, LLC, a Delaware limited liability company.
7. 100% of the limited liability company membership interests in Propel Funding REL LLC, a Delaware limited liability company.
8. 50% of the limited liability company membership interests in RioProp Holdings, LLC, a Delaware limited liability company.
9. 100% of the limited liability company membership interests in Propel Funding Texas 2, LLC, a Delaware limited liability company.
10. 100% of the limited liability company membership interests in Propel Funding Multistate, LLC, a Delaware limited liability company.
11. 100% of the limited liability company membership interests in Propel Funding National I, LLC, a Delaware limited liability company.

Annex I to Amendment No. 3

AMENDMENT NO. 5

Dated as of March 24, 2016

to

SECOND AMENDED AND RESTATED SENIOR SECURED NOTE PURCHASE AGREEMENT

Dated as of May 9, 2013

THIS AMENDMENT NO. 5 ("Amendment") is made as of March 24, 2016 by and among Encore Capital Group, Inc. (the "Company") and the undersigned holders of Notes (the "Noteholders"). Reference is made to that certain Second Amended and Restated Senior Secured Note Purchase Agreement, dated as of May 9, 2013, between the Company, on the one hand, and the Purchasers named therein, on the other hand (as amended by (a) that certain Amendment No. 1 to Second Amended and Restated Senior Secured Note Purchase Agreement, dated as of May 29, 2013, (b) that certain Amendment No. 2 to Second Amended and Restated Senior Secured Note Purchase Agreement, dated as of February 25, 2014, (c) that certain Amendment No. 3 to Second Amended and Restated Senior Secured Note Purchase Agreement, dated as of August 1, 2014 and (d) that certain Amendment No. 4 to Second Amended and Restated Senior Secured Note Purchase Agreement, dated as of July 9, 2015, and as the same may be further amended, supplemented or otherwise modified from time to time, the "Note Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Note Agreement.

WHEREAS, the Company and certain of its Subsidiaries have entered into that certain Securities Purchase Agreement, dated as of February 19, 2016, by and among the Company, as seller, certain Affiliates of the Company party thereto, as "Transferring Subsidiaries" (as defined therein), TL Funding Partners LP and certain Affiliates thereof, as purchasers (as amended pursuant to that certain Consent and Waiver Letter Agreement, dated March 22, 2016, the "Propel Stock Purchase Agreement") to sell all of the equity interests of Propel Acquisition LLC (or any successor thereto formed by the merger of Propel Acquisition LLC into a newly formed wholly owned Subsidiary of the Company the only assets of which, following the consummation of the merger, will be the assets of Propel Acquisition LLC so acquired in such merger) and each of its Subsidiaries;

WHEREAS, in connection with the sale described above, the Company has requested that the Noteholders agree to certain amendments with respect to the Note Agreement as provided in this Amendment for the purpose of permitting the consummation of such sale; and

WHEREAS, the Noteholders party hereto have agreed to such amendments on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Noteholders party hereto have agreed to enter into this Amendment.

1. Amendments to Note Agreement. Effective as of the Effective Date, the Note Agreement is hereby amended as follows:

(a) Section 10.3 is amended by (i) deleting the word “and” at the end of clause 10.3.5 thereof, (ii) replacing the “.” at the end of clause 10.3.6 thereof with “; and”, and (iii) adding the following new clause 10.3.7 to the end of Section 10.3, as follows:

“10.3.7 the Propel Disposition, so long as (i) the Net Cash Proceeds received in respect thereof are prepaid by the Company in accordance with Section 8.1(c) (without giving effect to any reinvestment rights contained in the second paragraph of Section 8.1(c)) and (ii) at the time of the consummation of the Propel Disposition, no Default or Event of Default has occurred and is continuing or would result therefrom.”

(b) Schedule B of the Note Agreement is amended to insert the following new definitions in their proper alphabetical order:

“**Propel Disposition**” means an Asset Sale to be consummated by the Company and the Transferring Subsidiaries (as defined in the Propel Stock Purchase Agreement) in accordance with the Propel Stock Purchase Agreement.

“**Propel Stock Purchase Agreement**” means that certain Securities Purchase Agreement, dated as of February 19, 2016, by and among the Company, as seller, certain Affiliates of the Borrower party thereto, as “Transferring Subsidiaries” (as defined therein), TL Funding Partners LP and certain Affiliates thereof, as purchasers, as amended pursuant to that certain Consent and Waiver Letter Agreement, dated March 22, 2016.”

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the following conditions precedent (the date on which each of which has been satisfied or waived in writing being referred to in this Amendment as the “**Effective Date**”): (a) the Noteholders shall have received (i) counterparts of this Amendment, duly executed by the Company and the Required Holders, and the Consent and Reaffirmation attached hereto duly executed by the Guarantors, (ii) a fully executed copy of a corresponding amendment to the Credit Agreement, which shall be in form and substance reasonably satisfactory to the Required Holders, and (iii) such other instruments, documents and documents as are reasonably requested by the Noteholders on or prior to the date of this Amendment in connection with this Amendment; and (b) the Company shall have paid, to the extent invoiced on or prior to the date of this Amendment, all fees and expenses of the Noteholders (including attorneys’ fees and expenses) in connection with this Amendment and the other Transaction Documents.

3. Representations and Warranties of the Company. The Company hereby represents and warrants as follows:

(a) The execution, delivery and performance by each Credit Party of this Amendment are within such Credit Party’s organizational powers and have been duly authorized by all necessary organizational, and if required, shareholder, partner or member, action. This Amendment has been duly executed and delivered by each Credit Party. This Amendment and the Note Agreement as amended hereby constitute legal, valid and binding obligations of the Company and are enforceable against the Company in accordance with their terms.

(b) As of the date hereof and giving effect to the terms of this Amendment, (i) there exists no Default or Event of Default and (ii) the representations and warranties contained in Section 5 of the Note Agreement are true and correct, except for representations and warranties made with reference solely to an earlier date, which are true and correct as of such earlier date.

(c) The execution and delivery of this Amendment by the Credit Parties, and performance by the Company of this Amendment and the Note Agreement, as amended hereby (i) do not require any consent or approval of, registration or filing with, or any action by, any Governmental Authority, except those as have been obtained or made and are in full force and effect, (ii) will not violate any organizational documents of, or any law applicable to, any Credit Party or any judgment, order or ruling of any Governmental Authority, (iii) will not violate or result in a default under the Note Agreement, the Credit Agreement, any other material agreement or other material instrument binding on any Credit Party or any of their assets, or give rise to a right under any of the foregoing agreements (other than the Credit Agreement) to require any payment to be made by any Credit Party, (iv) will not result in the creation or imposition of any Lien on any asset of any Credit Party, except Liens (if any) created under the Transaction Documents and (v) will not result in a material limitation on any licenses, permits or other governmental approvals applicable to the business, operations or properties of the Credit Parties.

(d) No monetary consideration (other than reimbursement of expenses incurred) will be paid to or for the benefit of the Lenders, the Administrative Agent or other parties to the Credit Agreement in connection with the amendment referred to in clause (ii) of Section 2(a) of this Amendment.

(e) As of the date hereof and giving effect to the terms of this Amendment, (i) there exists no Default or Event of Default and (ii) the representations and warranties contained in Section 5 of the Note Agreement are true and correct, except for representations and warranties made with reference solely to an earlier date, which are true and correct as of such earlier date.

4. Reference to and Effect on the Note Agreement.

(a) Upon the effectiveness hereof, each reference to the Note Agreement in the Note Agreement or any other Transaction Document shall mean and be a reference to the Note Agreement as amended hereby.

(b) Except as specifically amended above, the Note Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) Other than as expressly set forth herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Noteholders, nor constitute a waiver of any provision of the Note Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

(d) This Amendment shall constitute a "Transaction Document."

5. Release of Claims. In consideration of the amendments contained herein, each of the Credit Parties hereby waives and releases each of the Noteholders from any and all

claims and defenses, known or unknown, existing as of the date hereof with respect to the Note Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby. It is the intention of each of the Company and the Guarantors in providing this release that the same shall be effective as a bar to each and every claim, demand and cause of action specified, and in furtherance of this intention it waives and relinquishes all rights and benefits under Section 1542 of the Civil Code of the State of California (or any comparable provision of any other applicable law), which provides:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.”

6. Governing Law. This Amendment shall be governed by and construed in accordance with the internal laws of the State of New York, excluding choice-of-law principles of the law of such state that would permit the application of the laws of a jurisdiction other than such state.

7. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

8. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Signatures delivered by facsimile or PDF shall have the same force and effect as manual signatures delivered in person.

9. Release Under Multiparty Guaranty. Effective upon the Closing Date (as defined in the Propel Stock Purchase Agreement), each of Propel Acquisition LLC and Propel Funding LLC shall be automatically released from the guaranty of the Guaranteed Obligations under the Multiparty Guaranty.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

ENCORE CAPITAL GROUP, INC.

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ Bradford Wiginton
Vice President

PRUCO LIFE INSURANCE COMPANY

By: /s/ Bradford Wiginton
Assistant Vice President

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

By: PGIM, Inc., investment manager

By: /s/ Bradford Wiginton
Vice President

PRUDENTIAL ANNUITIES LIFE ASSURANCE CORPORATION

By: PGIM, Inc., investment manager

By: /s/ Bradford Wiginton
Vice President

Signature Page to Amendment No. 5

Encore Capital Group, Inc.

Second Amended and Restated Senior Secured Note Purchase Agreement dated as of May 9, 2013

CONSENT AND REAFFIRMATION

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 5 to the Second Amended and Restated Senior Secured Note Agreement dated as of May 9, 2013 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Note Agreement") by and between Encore Capital Group, Inc. (the "Company") and the holders of Notes party thereto (the "Noteholders"), which Amendment No. 5 is dated as of March 24, 2016 (the "Amendment"). Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Note Agreement. Without in any way establishing a course of dealing by any Noteholder, each of the undersigned agrees to be bound by its obligations under Section 1 of the Amendment and consents to the Amendment and reaffirms the terms and conditions of the Multiparty Guaranty, the Pledge and Security Agreement and any other Transaction Document executed by it and acknowledges and agrees that such agreement and each and every such Transaction Document executed by the undersigned in connection with the Note Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed.

All references to the Note Agreement contained in the above-referenced documents shall be a reference to the Note Agreement as modified by the Amendment and as each of the same may from time to time hereafter be amended, modified or restated.

Dated: March 24, 2016

[Signature Page Follows]

MIDLAND CREDIT MANAGEMENT, INC.

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

PROPEL ACQUISITION LLC

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

MIDLAND PORTFOLIO SERVICES, INC.

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

MIDLAND FUNDING LLC

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

MIDLAND INDIA LLC

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

MIDLAND INTERNATIONAL LLC

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

MIDLAND FUNDING NCC-2 CORPORATION

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

MRC RECEIVABLES CORPORATION

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

PROPEL FUNDING LLC

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

ASSET ACCEPTANCE CAPITAL CORP.

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

ASSET ACCEPTANCE, LLC

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

ASSET ACCEPTANCE SOLUTIONS GROUP, LLC

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

ASSET ACCEPTANCE RECOVERY SERVICES, LLC

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

LEGAL RECOVERY SOLUTIONS, LLC

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

Signature Page to Consent and Reaffirmation

Amendment No. 5

Encore Capital Group, Inc.

Second Amended and Restated Senior Secured Note Purchase Agreement dated as of May 9, 2013

ATLANTIC CREDIT & FINANCE, INC.

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

ATLANTIC CREDIT & FINANCE SPECIAL FINANCE UNIT, LLC

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

ATLANTIC CREDIT & FINANCE SPECIAL FINANCE UNIT III, LLC

By: /s/ Jonathan Clark
Name: Jonathan Clark
Title: Chief Financial Officer

Signature Page to Consent and Reaffirmation

Amendment No. 5

Encore Capital Group, Inc.

Second Amended and Restated Senior Secured Note Purchase Agreement dated as of May 9, 2013

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Kenneth A. Vecchione, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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/ KENNETH A. VECCHIONE
Kenneth A. Vecchione
President and Chief Executive Officer

Date: May 10, 2016

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jonathan C. Clark, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: May 10, 2016

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 Quarterly Report of Encore Capital Group, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2016 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/ Kenneth A. Vecchione

Kenneth A. Vecchione
President and Chief Executive Officer

May 10, 2016

/s/ Jonathan C. Clark

Jonathan C. Clark
Executive Vice President,
Chief Financial Officer and Treasurer

May 10, 2016

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.